CHAPTER 14

PRIVATE SECTOR DEVELOPMENT

Private sector has been playing a very vital role in the economic development of Bangladesh. The government has taken prudent steps to enhance and strengthen the private sector to enable it to make substantial contribution to the overall economic development of the country. The total national investment in Bangladesh economy computed to be 19.99 percent of GDP in FY1995-96 progressively increased to 24.16 percent in FY2007-08. The share of private investment in the national economy recorded 19.15 percent of GDP in FY2007-08 which was recorded at 13.58 percent of GDP in FY1995-96.

In the free market economy, the private sector works as an engine of growth. The government, therefore, keeps on liberalising and bringing in required reforms for the development of private sector. The private sector is playing a significant role in poverty reduction programme through the huge network of RMG (Readymade Garments) industries that generates employment opportunities both for male and female workforce. The government is bringing reforms in privatisation policy to strengthen and modernise the private sector. The government is resolved to privatise the state-owned entities in a much faster and more transparent fashion keeping in view the welfare of laboures and workers. Besides the existing production sector, government is persistently encouraging private sector involvement in various service sectors including power, energy, mining, transport and communication, education and healthcare services to take the country into a newer height.

Developing a Private Investment -Friendly Environment

Government has put in place necessary institution and infrastructure to create a private investment-friendly environment. Remarkable growth of RMG and knitwear industry in the private sector has brought dynamism in the manufacturing sector that has played a catalytic role in creating an investment-friendly environment in the country. As a result, this sector has attracted foreign investment.

Industrial Policy Reforms

Under the 2005 industrial policy, all but reserved sectors have been kept open for private investment. Under the policy, foreign investors require no permission of the government for investing in any sector, except for the reserved. Besides, a host of other incentives are in offer to encourage private sector investment, including relaxation of the Foreign Exchange Control Act, rebate in tariff on imported capital machinery for 100 percent export-oriented industries, tax holiday, protection of industrial products through tariff rationalization, simplification of the raw material import policy and reduction of tariff rates.

Bangladesh Export Processing Zone (EPZ)

Presently eight EPZs are in operations in Bangladesh and the cumulative investments derived from EPZs are around US$ 1434.45 million up to June 2008. During the last fiscal year (2007-08) US$ 302.19 million investment materialised from the operating and new units of the zone. The EPZs so far exported goods worth US$ 16.333 billion up to last fiscal year. BEPZA exported US$ 2.825 billion, which exceeded the target fixed for the last fiscal year.

Further information regarding the operating units, investment, employment and exports also highlighted. Presently there are 283 industries in operation in the EPZs of Bangladesh. EPZs by generating employment about 2,18,299 Bangladeshi nationals contributed immensely for the national poverty alleviation effort . Among the above labour force, 64 percent are female. So far investors from 33 countries have already invested. And quite a few more countries have showed their eagerness to invest in the EPZs of Bangladesh. In FY2007-08 the enterprises of EPZs have exported goods worth of US$ 2429.58 million compared to US$ 2063.67 million during FY2006-07.

EPZs of Bangladesh not only operate to set up export-oriented enterprise, it also assists in setting up forward and backward linkage units both inside the zone and in the Domestic Tariff Area (DTA). It not only fulfill its need to collect/import the raw materials from the Domestic Tariff Area but also produce and supplies/export raw materials to the DTA enterprise outside the zone. Till now, BEPZA also contributed TK.211.83 crore in government treasury against DSL repayments schedule, profit gained and various income taxes.

Formation of Privatisation Commission

To strengthen the role of private sector and establish private sector as the driving force of development, the government has been privatising the State-Owned Enterprises (SOEs) and other commercial entities in phases. Government has adopted the policy of facilitation in the management of industrial and commercial activities rather than being directly involved as owner or regulator. The objective of privatisation is to make the private sector buoyant so as to accelerate country's industrialisation and economic prosperity, and generate more employment opportunities for the workforce. Another objective of privatisation is to revive the closed or sick industries by reducing the burden of losses accruing from running the SOEs.

Privatization activities have been going on in full swing during the current fiscal. Since 1973-74, State Owned Enterprises (SOEs) have been privatized, of which 54 were done by outright sale and 20 by offloading of share. The total sale value of the 74 SOEs stood at Tk 707.00 Crore. 26 SOEs have been included in the commission’s current programme to dispose of.

During FY2006-2007, six units were privatised. During FY2007-08, the government designated comprehensive programme to privatize 26 SOEs and in meantime tender has been floated for 12 (twelve) SOEs. Out of which sale proposal of 2 units have been sent to Advisory Committee on Economic Affairs for approval, 7 units are awaiting tender opening and 3 units will be privatised through alternative method instead of direct sale process. The remaining units are now lying at different stages of privatization process. Steps have also been taken for identification of more SOEs under different ministries for privatization.

The government has a policy decision to sell the SOEs, entirely exempt of any outstanding liabilities. All the existing liabilities of enterprises for sale would rest with the government, and buyers would not have to shoulder any liabilities. Government has also decided to sell the government-owned shares of the selected companies on the stock exchange floor at par with their current market prices. Government will not assume responsibility of any outstanding liabilities of the companies in regard to the sale of shares. Extensive changes have been made in the existing directives for valuation of the SOEs. To determine realistic market-based prices of the enterprises, measures have been taken to ensure valuation in the light of international accounting standards.

Board of Investment (BOI)

Adoption of the investment-friendly policy and strategies by the government has encouraged private investors from home and abroad to consider Bangladesh as a 'competitive location' for investment and to include the country in their 'investment maps'. The momentum has grown further after inclusion of Bangladesh as one of the '*Next-11*' potential countries by Goldman Sachs, a New York based leading investment bank and research agency. JP Morgan has also recognised the potentials of Bangladesh and considered it as an important 'Frontier Five' country.

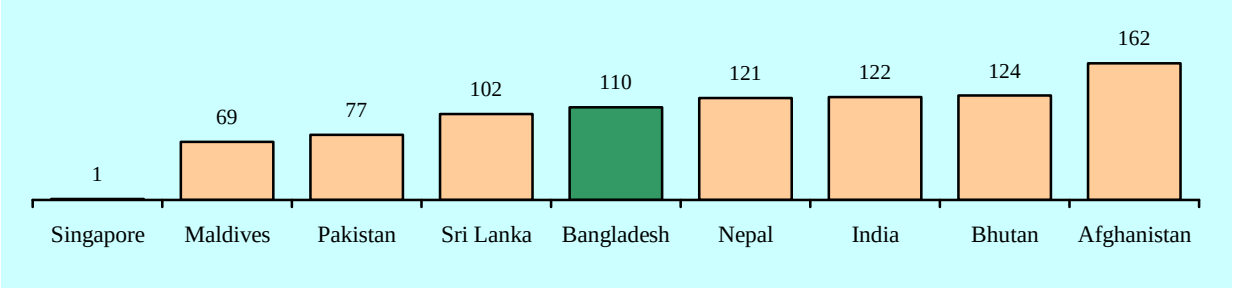
Recent initiatives for improvement of investment climate and continued participation of the local and foreign private investors have brightened such prospect. The newly formed Regulatory Reforms Commission (RRC) and Bangladesh Better Business Forum (BBBF) have been continuing their policy reform activities through public-private partnerships. The private sector investment and industry-related performance of Bangladesh in the last fiscal year are presented in following seven sections:

- Investment Climate Improvement
- Actual Investment (Local & Foreign)
- Private Investment Registration (Local & Foreign)
- Import of Capital Machinery
- Growth in Manufacturing GDP
- Private Investment as Percentage of GDP
- Employment Opportunities

Investment Climate Improvement

Bangladesh is considered as an attractive destination in South Asia for doing businesses. The recently published Doing Business 2009 report by the World Bank and IFC has ranked Bangladesh 110th among 181 economies of the world (Graph 14.1). However, the rank of Bangladesh in 'investor protection' is 18, which is even better than many developed economies. Besides, Bangladesh's position in starting a business, getting credit and paying taxes are 90, 59 and 90 respectively.

Graph 14. 1: Ease of Doing Business –Rank of Selected Countries



Source: Doing Business 2009, The World Bank and IFC, 2008

During the first half of FY 2007-08, the government undertook two significant initiatives to improve investment and business climate of the country:

- A 17-member Regulatory Reforms Commission (RRC) to prepare recommendations for reforming and updating the old, useless, sluggish and complex rules and regulations; and
- A 41-member Bangladesh Better Business Forum (BBBF) to facilitate dialogues between the public and private sectors with a view to ensure a conducive investment and business-friendly environment for achieving sustainable economic growth.

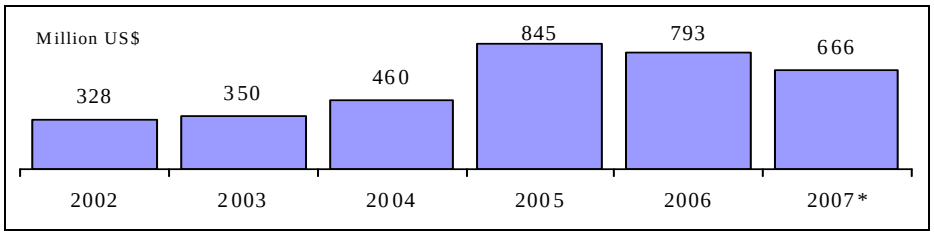
Both RRC and BBBF have been reviewing important rules / regulations / procedures / issues of investment and businesses and making recommendations to the government on regular basis. Most of the recommendations are being adopted and implemented by the respective ministries / divisions / agencies. As the Secretariat, Board of Investment (BOI) has been extending all necessary supports to RRC and BBBF.

Actual Investment (Local and Foreign)

Actual Foreign Direct Investment (FDI)

Exhibit 14.2 presents the actual FDI inflow trend of Bangladesh in the recent years:

Graph 14. 2: FDI Inflow Trend in Bangladesh: 2002-2007 (in Million US$)



* Provisional

Source: Enterprise Survey, Bangladesh Bank

Equity capital is the principal component (60%) of FDI in 2007 followed by reinvested earnings (32%) and intra-company loans (8%).

Table14. 1: FDI Inflow in Bangladesh during 2001-2007: Distribution by Components

(in Million US$)

FDI Components	2001	2002	2003	2004	2005	2006	2007*
a. Equity Capital	233.8	133.8	156.1	155.9	425.6	503.7	401.6
b. Reinvested Earnings	65.0	116.8	170.2	239.8	247.5	264.7	213.2
c. Intra-Company Loans	55.7	77.7	24.0	64.7	172.2	24.1	51.5
Total FDI	**354.5**	**328.3**	**350.3**	**460.4**	**845.3**	**792.5**	**666.3**

* Provisional

Source: Enterprise Survey, Bangladesh Bank

Actual Local Investment

Most of the investment projects registered with BOI is of local origin. There is no official statistics on the implementation status of those projects. However, sample surveys indicate that about 80 percent of the local investment projects have already been implemented or are in different stages of implementation. There is an initiative to conduct a National Industrial Survey under the Institutional Strengthening of BOI, BEPZA, Privatisation Commission and BSCIC (ISBBPB) Project funded by the World Bank.

Private Investment Registration (Local and Foreign)

Registration is the official enlistment of an investment intent which is executed after conducting project feasibility studies and other considerations. In FY 1995-96, the total number projects registered with BOI were 1,338 with a total investment proposal of Tk. 11,097 crores. In FY 2007-08, a total of 1,758 projects were registered with a total investment proposal of Tk. 24,986

crores. A year-wise statistics of the projects registered with BOI since FY 1995-96 are presented in table 14.2.

Table 14:2: Private Investment Projects registered with BOI from FY1995-96 to FY2007-08

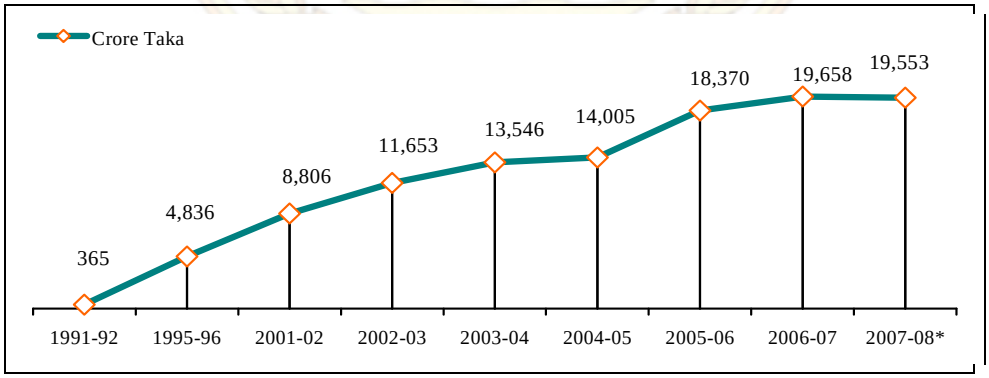
Fiscal Year	Local Investment		Foreign/ JV		Total		Growth (%)
	Projects	Crore* Taka	Projects	Crore* Taka	Projects	Crore* Taka	
1995-96	1,211	4,836	127	6,261	1,338	11,097	76.1
1996- 97	1,247	4,746	138	4,515	1,385	9,261	-16.5
1997- 98	1,448	5,061	140	15,308	1,588	20,368	119.9
1998-99	1,535	5,677	161	9,243	1,696	14,920	-26.8
1999-2000	1,428	6,621	135	10,594	1,563	17,215	15.4
2000-01	1,788	7,809	80	6,993	1,868	14,802	-14.0
2001-02	2,875	8,806	89	1,734	2,964	10,540	-28.8
2002-03	2,101	11,653	104	2,067	2,205	13,720	30.2
2003-04	1,624	13,546	130	2,644	1,754	16,190	18.0
2004-05	1,469	14,005	120	5,298	1,589	19,302	19.2
2005-06	1,754	18,370	135	24,986	1,889	43,356	125
2006-07	1,930	19,658	191	11,925	2,121	31,583	(-27)
2007-08**	1,615	19,553	143	5,433	1,758	24,986	(-21)

* 1 Crore = 10 Million
** Provisional
Source: Board of Investment,

Local Investment Registration

In FY 2001-02, the proposed investment in the local projects registered was Tk. 8,806 crore which stood at Tk. 19,553 crore in FY2007-08 (Shown in graph 14.3).

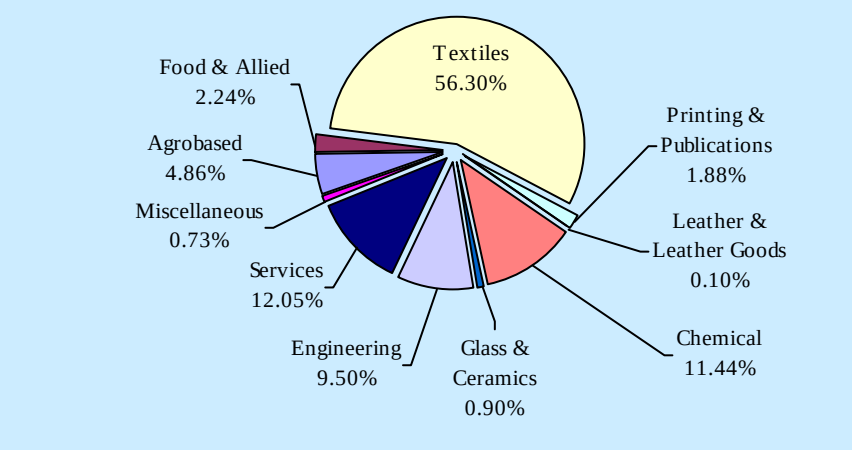
Graph 14. 3: Trend in Registration of Local Investment Projects (Taka in Crore)



* Provisional
Source: Board of Investment,

A sectoral analysis of the registered local investment projects shows (graph 14.4) that more than half of the projects are in textile sector (56.30%) followed by services (12.05%), chemicals (11.44%), engineering (9.50%) and agro-based (4.86%) sectors.

Graph 14. 4: Sectoral Distribution of Local Investment Projects Registered in FY 2007-08

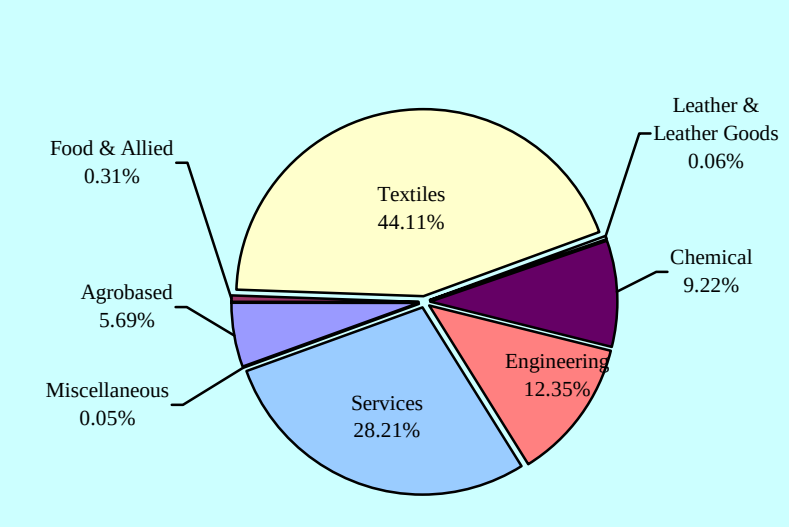


* Provisional
Source: Board of Investment, July 2008

Foreign Investment Registration

In FY2007-08, a total of 143 foreign (100% foreign and joint venture) projects were registered with BOI having a total proposed investment of Tk. 5,433 crores. Among the registered foreign projects, 130 are new projects while the rest 13 are revised/added investment proposals. The new foreign projects are also dominated by the textiles (44.11%) followed by services (28.21%), engineering (12.35%), and chemicals (9.22%) and agro-based (5.69%) (Shown in graph 14.5).

Graph 14.5: Sectoral Distribution of New Foreign / Joint Venture Investment Projects Registered in FY 2007-08



* Provisional
Source: Board of Investment,

The foreign projects registered in FY 2007-08 were originated from 27 economies/countries of different regions of the world (Table 14.3). As region, European Union is the largest source of foreign projects (in terms of proposed investment) followed by South, East and South-East Asia, North America, CIS and West Asia.

Table14:3: Country/source-wise Distribution of New Foreign / Joint Venture Investment Projects Registered in FY 2007-08

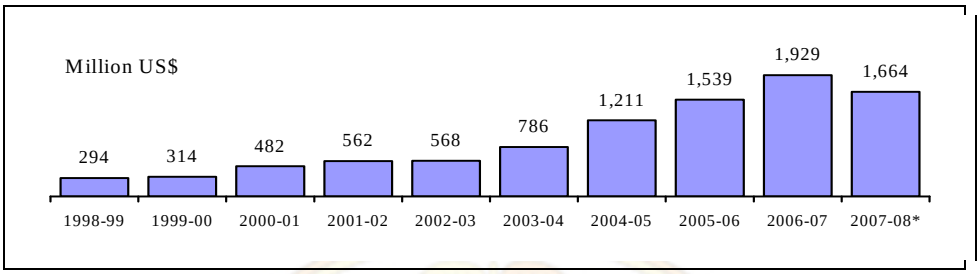
Sources	Projects	Million Taka
Austria	1	18.958
Canada	4	4,259.682
China	15	1,599.056
Denmark	2	32.400
France	1	53.381
Germany	5	1,390.084
Hong Kong	3	611.233
India	9	1,701.015
Indonesia	1	1,108.160
Italy	3	107.000
Japan	12	812.557
Malaysia	5	102.450
Pakistan	4	963.095
Poland	1	153.255
Russia	4	5,596.600
Singapore	2	95.008
South Korea	15	1,824.449
Spain	3	74.010
Sri Lanka	1	312.390
Sweden	1	8.950
Switzerland	2	156.097
Taiwan	1	21.000
The Netherlands	5	526.797
Turkey	4	106.053
United Arab Emirates	3	3,294.694
United Kingdom	9	15,952.685
United States	14	2,736.708
Total	**130**	**43,617.767**

* Provisional
Source: Board of Investment

Import of Capital Machinery

Import of capital machinery is considered as an important indicator for investment in near-terms. In FY 2007-08, the total import of capital machinery stood at US$ 1,664 million. Graph 14.6 presents the 10-year trend of capital machinery import to Bangladesh:

Graph 14. 6: Trend in Import of Capital Machinery (In Million US$)

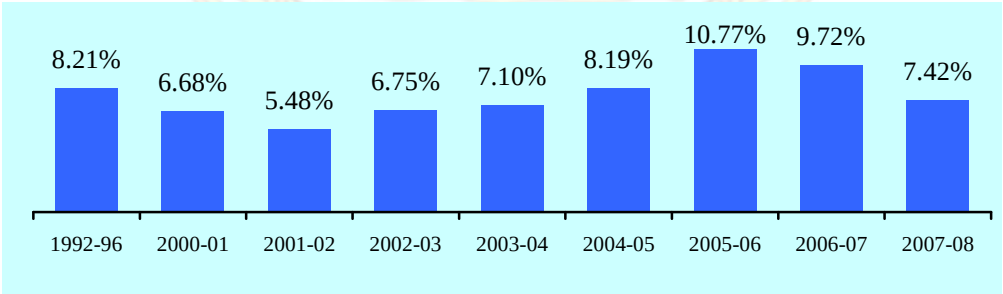


* Provisional
Source: Bangladesh Bank

Growth in Manufacturing GDP

Growth in the manufacturing sector significantly impacts on creation of new job opportunities, development of backward linkage industries, value addition, general skills development, enhancement of managerial and technical skills etc. In 1992-96, the highest growth in manufacturing GDP was recorded 8.21 percent. In FY 2007-08, growth in manufacturing GDP was 7.42 percent shown in graph 14.7.

Graph 14. 7: Trend in Manufacturing Growth (FY1991-92-FY1995-96 and FY2000-01 to FY 2007-08)



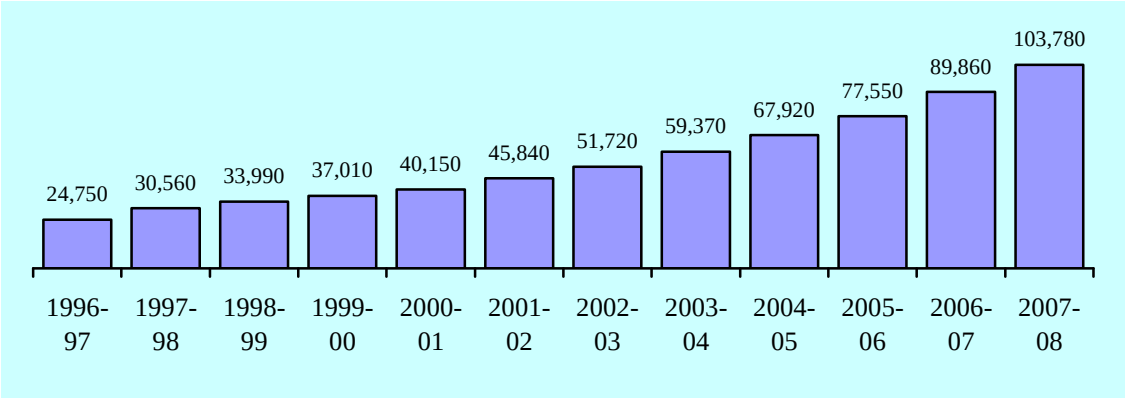
*Provisional
Source: BBS

Supports to manufacturing industries are given through customer-focused, transparent, simplified and reliable services and facilitation. Accordingly, Board of Investment (BOI) has already introduced an Online Service Tracking System (BOST). Necessary steps have also been taken to introduce an online registration system in the near future.

Private Investment as Percentage of GDP

The extent and scope of private investment has been expanding in Bangladesh economy. In FY 2007-08, the total private investment was Tk. 10,37,80 crore which was 15.49 percent higher than the previous year. Graph 14.8 presents the trend in private investment in Bangladesh since FY 1996-97. It is notable that the total private investment has grown to 19.2 percent of the GDP in FY 2007-08, which was 15.8 percent of GDP in FY 2000-01.

Graph 14. 8: Trend in Private Investment in Bangladesh since FY 1996-97 (In Crore Taka)

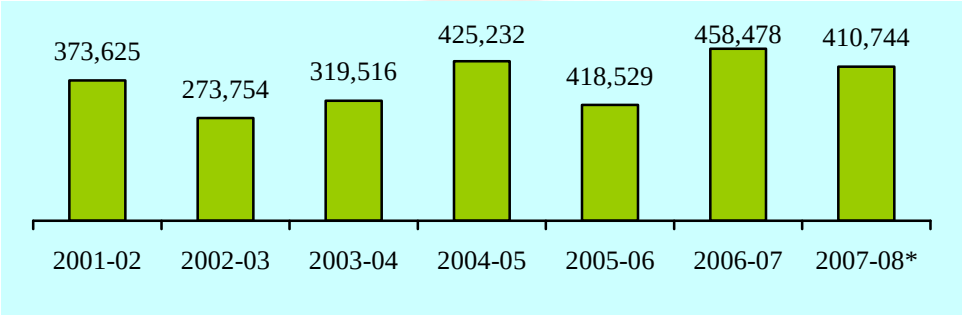


*Provisional
Source: BBS

Employment Opportunities

Creating opportunities for employment is a key area of focus of the national economic development and poverty reduction strategy. Generally, manufacturing investments provide large employment opportunities for managerial, technical, supervisory, skilled, semi-skilled and unskilled persons. Projects registered with BOI during FY 2007-08 have estimated to provide 4,10,744 job opportunities which is shown in the following graph14.9:

Graph 14.9: Potential Employment Opportunities in BOI-Registered projects



* Provisional
Source: Board of Investment,

The government has undertaken necessary initiatives to improve the investment climate for facilitating investment and industrialization which would ultimately contribute to the socio-economic development of the country.

Public-Private Partnership

Side by side with privatization the government has been taken significant steps needed to forge private-public partnership to facilitate overall economic development of the country. The purpose of private-public partnership (PPP) is to accelerate economic growth by optimizing limited resources. The Government of Bangladesh has been adopted Private Sector Infrastructure Guidelines (PSIG), which is aimed at streamling development of infrastructural projects with private investment.

BOI engaged Infrastructure Investment Facilitation Center (IIFC) as Technical Advisor to Private Infrastructure Committee (PICOM) to assist in implementation of the Guidelines.

IIFC prepared a business plan for PICOM including the actions to be taken by BOI, for rapid operationalization of the guidelines. A nationwide capacity building and awareness programme is being pursued after PSIG launching workshop. IIFC has been assisting Bangladesh Land Port Authority (BLPA) to release the land ports of the country for private sector development. BLPA signed contracts with the winning investors for development and operation of the land ports.

The government has taken a number of programmes to attract private local-foreign investors to facilitate infrastructure development mass-transits, flyover, bus terminal, air port, aviation, sea port, and railway infrastructure and service sector. There are 19 projects approved for listing in private infrastructure project, including Construction of Gulistan-Jatrabari Flyover in Dhaka city on BOOT basis, Developmental Operation of Sonamasjid Landport in Chapai-Nawabgaj, Development and Operation of Hili Landport in Dinajpur, Development and Operation of Banglabandha Landport in Panchagar, Operation and Management of the New Mooring Container Terminal, Development and Operation of Tamabil Land Port in Sylhet, Development and Operation of Burimari Landport in Lalmonirhat, Development and Operation of Teknaf Landport in Cox's bazar, Procurement of Power from private sector, 100,000 flats for lower and lower-medium income people in Dhaka city, Construction of 2nd Dhaka-Chittagong National Highway project, 10MW Power plant Project of CEPZ, Development of 1200T Slipway Project of Marine Workshop and Solid Waste management Project etc.

Moreover, a number of agreements have been signed with international organisation to attract local-foreign private mutual investment such as MIGA (Multilateral Investment Guarantee Agency), OPIC (Overseas Private Investment Corporation) of USA, ICSID (International Center for Settlement of Investment Disputes) and WIPO (World Intellectual Property Organization).

Besides these, bilateral agreements have been signed with 40 countries to attract local foreign mutual investment.

Development of the Capital Market

To make the capital market more efficient, effective and reliable Bangladesh Securities and Exchange Commission (SEC) was established in 1993. The SEC continues to introduce reforms for the development of capital market and protecting the interests of investors by establishing transparency in the capital market. For the development and extension of the capital market, 'Corporate Governance Guidelines' had been introduced in FY 2005-06.

Privatisation Activities in Various Sectors of the Economy

Infrastructure Sector

Bangladesh Private Sector Infrastructure Guidelines

Government has formulated Bangladesh Private Sector Infrastructure Guidelines to foster private sector participation in the projects for the development of infrastructure of the country. Detailed description of procedures for undertaking infrastructure projects in various sub-sectors on private initiative has been provided in the guidelines. The sub-sectors include, among others: telecommunication; power generation, transmission and distribution services; development of ports; building highways and expressways; constructing bridges; tunnels and flyovers; exploration of oil and gas production- transmission-distribution; development of airports and terminals, tourism; development of industrial estate; health and education; waste management and environment, etc.

Textiles

As of June 2007, 322 cotton and synthetic spinning mills were in the country of which 299 units were in private sector. Moreover, 1,422 weaving (large, medium & small weaving units), handlooms 148,342, knitting and knit-dyeing 1200, woven dyeing-finishing 310 and about 2000 local hosiery units exist in the country. Majority of the textile industry of the country mainly belongs to the private sector. Only 23 old textile mills are now under public sector (BTMC), some of which have been put into operation by the private entrepreneurs under Service Charge System. The year-wise production of yarn and fabrics from 1995-96 through 2007-08 is shown in the table below:

Table 14:4 Yearn and fabric production in Government and Private

Year	Yarn production (Mln. Kg.)			Fabric (Mln. Metres)		
	Public sector	Private sector	Total	Public sector	Private sector	Total
1995-96	15.90	157.01	172.91	2.79	1,262.43	1,265.22
1996-97	7.39	186.76	194.15	0.78	1,324.23	1,325.01
1997-98	8.64	204.81	213.45	0.17	1,394.83	1,395.00
1998-99	10.02	186.76	228.84	-	1,451.00	1,451.00
1999-00	13.12	204.81	251.46	-	1,630.00	1,630.00
2000-01	15.81	186.76	271.57	-	1,845.00	1,845.00
2001-02	15.39	204.81	298.50	-	2,050.00	2,050.00
2002-03	9.35	330.65	340.00	-	2,200.00	2,200.00
2003-04	9.70	370.30	380.00	-	2,750.00	2,750.00
2004-05	9.48	440.52	450.00	-	3,100.00	3,100.00
2005-06	8.00	530.00	538.00	-	4090.00	4090.00
2006-07	8.86	600.00	608.86	-	4910.10	4910.00
2007-08	7.95	702.00	710.00	-	5800.00	5800.00

Source: Jute and Textile Ministry

It appears from the above table that the total production level of yarn in FY1995-96 was 172.91 million kg., which increased to 710.00 million kg. in FY2007-08. On the other hand, the fabric production in FY1995-96 was 1265.22 million metres, which has increased to 5800.00 million metres in FY2007-08. The total fabric production level has increased mainly due to new capacity creation in the private sector while the weaving mills under public sector was totally closed since FY1998-99 due to continuous losses.

BTMC:

In the FY 2007-08, 4 (four) mills such as (1) Chittaranjam Cotton Mills, (2) Tangail Cotton, (3) Magura Textile Mills, (4) Rangamati Textile Mills, listed to the Privatization Commission for disposal. To make the running mills profitable, during the FY2006-07 and FY2007-08, the number of employees 571 and 2289 respectively has been released under Voluntary Retirement Scheme. As a result the major position of overhead cost in the form of salary and wages has been reduced and it will be possible to run all the mills at break-even.

Bangladesh Silk Foundation (BSF)- a not-for-profit Company was established to carry out some specified activities concerning sericulture development by providing support to different private sector stakeholders. BSF played a key role to implement the Silk Development Project, particularly field related programmes like, production and supply of improved silkworm eggs, training of beneficiaries, extension support, introduction of Chawki rearing technology, field

based action research, development of bush mulberry, silk product development etc. were directly implemented with participation from NGOs and private sectors. BSF worked as the coordinator and facilitator and provided necessary financial and technical supports in addition to supervision and monitoring of programme activities.

Jute

In pursuance of the Privatization Policy of the Government, majority of the jute mills have been de-nationalised and handed over to the private entrepreneurs. "Bangladesh Jute Mills Association (BJMA) and Bangladesh Jute Spinner's Association (BJSA)" are the two associations representing the private sector jute mills. At present there are 28 Jute mills under BJMC (3 non-jute mills and 4 closed Mills). In the private sector the production and export activities of jute mills are being run by Bangladesh Jute Mills Association (BJMA), at present there 80 mills under BJMA including 38 decentralized and 42 mills established by the member of BJMA. Besides, there are 52 mills under Bangladesh Jute Spinners Association (BJSA).

Bangladesh Jute Spinners Association (BJSA): The Jute Spinners Association represents the Jute Spinning Industry in Bangladesh, comprising 52 spinning mills under private sector. This industry produces heavy, medium and finer quality of jute yarn and twine.

Jute Diversification Promotion Centre (JDPC): Jute Diversification Promotion Center (JDPC) is a non-ADP project set up in 2002 under the Ministry of Textiles and Jute. The major objectives of the project is to accelerate production and uses of diversified high value added jute products through promotion of new enterprises and expansion of the existing capacity in the private sector.

So far 9 industrial enterprises have been set up at a cost of TK.90 crore and these units are now in full production and another 9 enterprises are now under implementation stage at a cost of TK.100.00 crore . Moreover, 15 enterprises are under process by different banks for funding.

Energy and Power

Hydrocarbon Unit

Since its establishment, the Hydrocarbon Unit is playing a very important role in the upstream petroleum sector of the country. The unit has so far completed two studies, namely, “Resource Assessment 2001", "Gas Reserve Estimation Study 2003". According to these studies there is estimated proven recoverable reserve of 20.63 TCF and against these reserves up to June 2008 cumulative production was recorded at 7.73 TCF. Bangladesh Optimal Gas Utilisation Study conducted by the Hydrocarbon Unit comes to be useful to the policy-making level of the petroleum sector of the country. For this reason, a follow-up study had been undertaken and completed. This follow-up study examines different issues and risks involved in regional co-operation in energy. A mini data bank has been established in the HCU to handle some selected

data of the energy sector like cultural data, production data, cost database of PSC activities and resource data etc. HCU is working as the technical arm and think tank of the Energy and Mineral Resources Division, and offering information-based technical opinions about the operations of the production sharing contracts with the foreign oil companies. HCU is also preparing report on the prospect of bio-diesel production and its utilisation in our country.

Power Sector

To be able to fulfill its commitment to provide access to electricity to all by the year 2020, the government has been encouraging private involvement in the power sector. Consequently, the role of private sector in electricity production is getting wider. Having realised the importance of private investment in power sector, the policy to involve private sector in power generation was adopted by the Government in 1996. To separate the power transmission system, Power Grid Company of Bangladesh (PGCB) and Dhaka Electricity Supply Company (DESCO) were formed in 1996 under the Companies Act of 1994, as part of the power sector reforms. PGCB has been incorporated with an authorized capital of TK. 10 billion and later on, the government took a decision to sell 25 percent of its share through the stock exchanges.

Recently, the government has approved conversion of BPDB into a Holding Company to reshape the whole industry. A new company in the name of “Dhaka Power Distribution Company Limited” has been incorporated and made operational. In FY2008 total installed generation capacity recorded 5305 MW including 3809 MW in public sector and 1496 MW in private sector including REB.

Information and Communication Technology (ICT)

The National Policy on Information and Communication Technology (ICT) lays emphasis on participation of the private sector alongside the government initiatives in the development of ICT. The main thrust of this policy is to create an ICT literate society in the country. In the light of the National Policy on Information and Communication Technologies several important steps have already been undertaken to attract private sector.

- **Copyright amendment:** A draft ICT policy has also been prepared by the Ministry of Science and Information Communication Technology (MOSICT). Incorporating issues related to ICT/software, Copyright Act 2000 has been amended to help the ICT sector flourish in the country and to create a favorable environment for ICT.
- **ICT Incubator Centre:** For development of the software industry an 'ICT Incubator Center' has been established. Uninterrupted power supply along with facilities for high-speed data transmission has been ensured here. Currently, about 48 enterprises are working to develop softwares and ICT-enabled services at the ICT Incubator.

- **High tech Park:** The government has decided to build a high-tech park at Kaliakair Upazila in Gazipur district to promote establishment and growth of knowledge-based industries in ICT, electronics, telecommunication, engineering, etc.
- **Export of Software:** Currently more than 50 software and IT service companies in Bangladesh are exporting software and their services to 30 different countries which include among others USA, UK, Australia, Canada, Denmark, KSA, Japan, Sweden, UAE, Germany, Italy, Netherlands, Norway, Switzerland, France, Nepal etc. Some important users of Bangladeshi software are Nokia, Japan Airlines, World Bank, HP, US Postal Department, and US Department of Agriculture. "IT industries are flourishing in Bangladesh. The contribution of IT sector to our foreign currency is increasing day by day. Exporting IT software in FY 2007-08 Bangladesh earned foreign currency amounting to US$ 24.09 million.

Telecommunication Sector

Bangladesh Telecommunication Regulatory Commission (BTRC) is an independent Commission which was established to facilitate affordable telecommunication services of acceptable quality for each and every citizen of Bangladesh regardless of their location and for regulating all matters related to telecommunications of Bangladesh. The function of the Commission is to maintain and improve competition among the service providers in order to ensure high quality telecommunication services.

The telecommunication sector has experienced phenomenal growth in last few years and is continuing further expansion to meet the unmet demands for communication services. Public and private operators are working relentlessly to develop telecommunications in the country. Currently six mobile operators and a number of fixed line service providers are providing service. A large number of internet service providers, data communication operators and infrastructure companies are all part of the robust telecommunication industry in Bangladesh.

Bangladesh is one of the world's fastest growing telecommunication markets with a current teledensity of 30%. The entrance of private mobile phone operators such as Grameenphone (Telenor), AKTel (Telekom Malaysia), Banglalink (Orascom) and Warid (Dhabi Group) along with Citycell, (Singtel) have opened up the face of the market and mobile phone subscription stands at 43.70 million in June 2008. The fixed line subscription currently stands at 1.28 million. There are currently over 6 million internet users (including mobile and PSTN internet user) and the numbers will grow significantly in the very near future once the WiMax and 3G services will

be available in early 2009. Besides, new submarine cables and more optical-fiber networks will be added in the country's information infrastructure.

Transport Sector

Air Transport

According to Privatisation Policy, Civil Aviation Authority has planned to privatise the non-regulatory operations of the airport. Meanwhile, a local private enterprise has been appointed to conduct the washing and cleaning works of Shah Amanot International Airport. Besides, there is a plan to appoint local and foreign institutions to manage other operations of the airport through outsourcing. As per recommendation of the privatization, the Council of Advisors converted Biman into a Public Limited Company (PLC) for restructuring and commercialization retaining 100 percent ownership by the government and to reduce the manpower of Biman. Turning Biman into a PLC has provided more autonomy to Biman management for taking commercial decision. A total number of 1862 employee opted for retirement under Voluntary Retirement Scheme (VRS). Biman earned TK. 271.00 crore in FY 2007-08 from ground and cargo handling services. Biman is planning to resume its services to some of the suspended destinations and extend services to some new destination after acquisition of new generation aircraft.

Tourism

Bangladesh Parjatan Corporation is private sector service provider to ensure better services to tourist and increases the revenue of the corporation. Some of its outlets Motel Labonee at Cox's bazar, Sylhet Motel, Rest house in Moulvibazar, Ruchita Restaurant and Bar, Sakura resturent and Bar, Children Amusement park at Sylhet, Parjatan Motel at Khagrachari, Holiday Homes at Kuakata, Rangamati Auditorium-Cottege and Bar, Cox's bazar Swimming Pool, Parjatan Motel at Bandarban , Restaurant at Madhobkundo, Merry Anderson Floating Restaurant, Hotel Modhumoti at Tungipara and Sagordari Tourism Complex have been leased out to the private sector. Privatisation of some other outlets is under process such as Hotel Natong at Teknaf and Parjatan Motel at Benapole.

Bangladesh Railway

The process of involving private sector in commercial and other activities of Bangladesh Railway started since 1997. Currently (June, 2007), commercial activities of total 63 mail/express and local trains and on-board services of 8 of intercity trains are run by private companies. Bidding process to award contract for 'On Board Services' on another 77 mail/express and local trains to private sector is in progress.

BIWTA

The private sector caters approximately 95 percent transportation of passengers and cargo in inland waterways. Besides, the private sector operates rural launch landing stations including

different stations under 11 major river ports established by BIWTA through the lease arrangements. Moreover, the construction and repair of vessels and pontoons are done at local private dockyards. Till now, the private sector has not been directly involved with the infrastructure development of IWT sector. However, the construction of infrastructure facilities is done through the private contractors.

In the light of Government policy, BIWTA undertook two development projects of which one is Development of 4 important inland waterways by dredging and the other is Introduction of circular waterways in and around Dhaka city (2nd Phase) where dredging works were carried out by private sector dredgers. Besides the above dredging programme, BIWTA has taken steps for carrying out maintenance of dredging including hydrographic survey works by private sectors. Apart from this, Chittagong Port Authority and BIWTA are jointly constructing a container terminal at Pangaon of Dhaka. But responsibility of its operation will completely be handed over to private entrepreneurs. Moreover, another project titled Establishment of River Ports at Nowapara, Ashuganj-Bhairab and Barguna been implement is on its way to completion. The operational responsibilities of the river ports will be handed over to the private sector.

BIWTA's initiative for involving private sector with development activities of BIWT will help expansion and development of private entrepreneurs and in future, they will be able to participate extensively in dredging and hydrographic survey activities in inland waterways including infrastructure development of IWT sector.

Banking and Insurance

A part from two state-owned insurance companies currently, a total of 43 privately owned general insurance companies and 17 life insurance companies are operating in the country. Premiums realised by these companies together stood at Tk.1404.33 crore in 2007 compared to Tk. 907.17 crore in 2006. Total premium income from general insurance increased by 54.80 percent compared to the previous year. The break-up of income from premiums by both private and state-owned general insurance companies are shown in table 14.5.

Table 14.5: Premium income from General Insurance

(in Crore Tk.)

	Total Premium			Share of public sector %	Share of private sector %	Growth rate		
	Public sector Sadharan Bima Corparation	Insurance companies of private sectors	Total			Public sector Sadharan Bima Corparation %	Insurance companies of private sectors %	Total %
2001	76.00	422.92	418.92	15.23	84.77	23.09	15.97	17.01
2002	81.86	453.46	535.32	15.29	84.71	7.71	7.22	27.8
2003	76.66	517.81	594.47	12.90	87.10	(-) 6.35	14.19	11.05
2004	77.86	606.66	684.50	11.37	88.63	1.57	17.16	15.14
2005	88.61	718.67	807.28	10.98	89.02	12.13	19.40	18.76
2006	104.45	802.72	907.17	11.51	88.49	11.7	11.70	12.37
2007	455.75	948.58	1404.33	32.45	67.55	18.17	18.17	54.80

Source: Insurance Directorate, Ministry of Commerce

Premiums income by the state-owned Jiban Bima Corporation and 17 private life insurance companies together stood at Tk.3162.84 crore in 2007 compared to Tk. 2361.36 crore in 2006. Total premium income from life insurance increased by 33.94 percent compared to the previous year. The break-up of income from premiums for both private and state-owned life insurance companies are shown in Table 14.6.

Table 14.6: Premium income from Life Insurance

(in Crore Tk.)

	Total Premium			Share of public sector %	Share of private sector %	Growth rate		
	Public sector Jiban Bima Corparation	Insurance companies of private sectors	Total			Public sector Sadharan Bima Corparation %	Insurance companies of private sectors %	Total %
2001	150.00	668.09	818.09	18.34	81.66	-12.45	23.51	16.59
2002	179.00	834.83	1013.83	17.66	82.34	19.33	24.96	23.93
2003	152.00	1058.72	1210.72	12.55	87.45	-15.08	26.28	19.42
2004	197.00	1335.23	1532.23	12.85	87.14	29.61	26.12	26.56
2005	203.65	1841.09	2044.74	9.95	90.04	3.38	37.81	33.45
2006	223.35	2138.00	2361.36	9.46	90.54	9.67	16.13	15.48
2007	244.71	2918.13	3162.84	7.74	92.26	9.56	36.49	33.94

Source: Insurance Directorate, Ministry of Commerce.

In FY2007-08, the total amount of investible life fund of the Jiban Bima Corporation and 17 life insurance companies was recorded at Tk.7195.47 crore. According to the existing insurance law, 30 percent of the life funds are invested in the government or government approved bonds/securities and 70 percent of the life funds are invested in shares, debentures, unit fund of different capital market institutions, time deposit of different banks and real estates.

Education Sector

The government has been offering extensive support to primary, secondary, vocational, madrasah and higher education in the private sector alongside the public sector, to promote the quality of education and to ensure 'Education for All'. Private sector participation in education is being supported to minimise pressure on public expenditure as well as to lessen our dependence on foreign countries for education. This initiative encouraged the establishment of many schools, colleges, madrasahs and universities in the private sector.

With the ever increasing population during the post-liberation period in Bangladesh, the demand for admission into higher education has increased five-fold. To meet this rising demand, the Private University Act 1992 was enacted permitting establishment of private universities. This has resulted in the establishment of 51 private universities in the country. With a view to improving the quality of education at the private universities as well as widening the opportunities of higher education, Private University Ordinance 2007 has been approved by the government. Under the "Higher Education Strategic Plan 2006-26" steps have been taken to restructure the higher education in Bangladesh. A development project named "Higher Education Quality Enhancement" is going to be undertaken with a view to improving the teaching-learning and research capabilities of the public and private universities.

Health Sector

Private sector participation in the health and medical services is gradually increasing. Government is offering different incentives including grants to the private sector. Presently, 26 registered private Medical Colleges, 8 Dental Colleges, 2114 private Hospitals and Clinics are operating with 33727 beds. Alongside these facilities, 4509 modern Diagnostic Centres are operating in this sector. The contributions of NGOs in providing health services are also remarkable. A large number of NGOs are involved in implementing HIV/AIDS, and nutrition programmes under health, nutrition and population programmes. Several NGOs are also working to eliminate tuberculosis, leprosy, malaria and filariasis in collaboration with the government and the development partners. There are some NGOs which are serving in the urban area to provide the primary health care services in collaboration with the government. The NGOs are also working for several awareness programmes to control the population and playing a significant role in child health, maternal health and reproductive health services.

Privatisation in Agriculture Sector

A substantial change has taken place in the agriculture sector following the implementation of different market oriented reform programmes since mid 80s. The irrigation system is now fully privatised. Limited usage of HYV and degradation of these varieties have become the principal

impediment to boosting agricultural production. To overcome this problem, private participation in the production, processing and marketing of high quality seeds is receiving attention. Import and sale of seeds of all types of crops except for paddy, wheat, sugarcane, potato and jute are open to the private sector. Now private sector is also allowed to import hybrid seeds of paddy, subject to adherence to certain rules and regulations. Furthermore, private sector is allowed to produce and distribute mother seeds and other types of seeds upon having collected breeder seeds from research organisations. To encourage private participation in fertiliser management dealers/businessmen are allowed to sell fertilizers at any place in the country after collecting them directly from the factories and ports. The private sector network is now managing the import and distribution of fertilizer at administered prices.

Fisheries

In the sixties open water body was the main source of 90 percent of fish cultivation in the country. Over time this share has decreased and now stood at 35 percent. In order to fulfil the increasing demand for protein the government is encouraging open water body fish cultivation by involving society-based association of fishermen. There is an active government organisation, NGOs, local elites and fishermen in district and upazila label to carry on social-based fish management activities.

Water Resources

The private sector is expected to play an important role in the future management and operation of water resources in Bangladesh. Involvement of public and private sector beneficiaries, communities and individuals is necessary in the water resources management. The activities related to the role of private sector, as emphasised in the National Water Policy (NWP) are stated below:

- To take holistic and collective initiatives for appropriate utilisation of surface water management for all kind of beneficiaries such as agriculture, fisheries, navigation and safe drinking water.
- To ensure active participation of local people/partners in water management and organizational accountabilities for water resource management.
- To take hydrological initiatives for water resource management in river sub-basin and
- To develop sustainable infrastructure for water resource maintenance.