CHAPTER- 14

PRIVATE SECTOR DEVELOPMENT

Private sector's contribution to the total investment in Bangladesh economy is remarkable. Of the total 24.43 percent investment in the provisionally estimated GDP of FY 2004-05, the share of private investment has been computed to be 18.53 percent. Currently 76 percent of total investment in the national economy is coming from the private sector, which clearly demonstrates the boisterous presence of a strong private sector in the economy. Despite the adverse impact of worldwide economic downturn in recent years and unrest in international politics Bangladesh economy witnessed rise in investment, increase in production, growth in export and remittance flow have helped sustain the upward trend in GDP. Contribution of the private sector in achieving the success in growth is especially notable.

Private sector keeps the wheel of development moving in a market economy. That is why the desired goal of the present government is to deepen the involvement of private sector in the overall development activities. To realize this goal of expanding the private sector, government has been continuing its efforts to update and implement programs of reforms and liberalisation. Direct role of the government in the production-oriented and commercial economic activities is gradually on the decline. Government is making privatisation activities more transparent, and has brought reforms in the privatisation guidelines to strengthen, galvanise and modernise the process. Government is resolved to privatise the state-owned entities in a fast and transparent manner, keeping in view the welfare of labourers and employees. In addition to the existing real sector, government is persistently encouraging private sector involvement in various service sectors including power, energy, mining, transport and communication, education and healthcare. Steps initiated by the Government to involve private sector are contributing significantly to overall development of the country.

Developing a Private Investment -Friendly Environment:

Government has put in place necessary institutions and infrastructure to create a private investment-friendly environment. Formation of the Board of Investment and the Privatization Commission, and implementation of extensive reform measures in the capital market are conspicuous moves in this direction. Astounding growth of readymade garments (RMG) and knitwear industry in the private sector has brought dynamism in the manufacturing sector, and that has worked as the catalyst in creating an investment-friendly environment in the country. The private sector has outstripped the bounds of its traditional role in the agricultural sector and is now involved in mining, power generation, and the service sector - such as telecommunication, finance, transport, information technology, health, education, etc., and this involvement of the private sector has resulted in increased investment in almost each of the areas.

Industrial Policy Reform:

Under the current industrial policy, all but four 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 ones. Even, regardless of equity share, joint venture or 100% foreign investment in setting up new industries or for BMRE (Balancing, Modernisation, Replacement & Extension) of any existing industry, permission from the Government is not required. Besides, a host of other incentives are in offer to encourage private sector investment, including relaxation of the Foreign Exchange Control Act, increase in tariff rebate, rebate in tariff on imported capital machinery for 100% export-oriented industries, tax holiday, protection of industrial products through tariff rationalization, simplification of the raw material import policy, and reduction in tariff rates, etc.

To facilitate foreign direct investment and private capital investment, various important measures have been undertaken, such as:

- enactment of law regarding establishment of Export Processing Zone in the private sector;
- adopting policy for establishment of power generation plants under private ownership;
- amendment of the Petroleum Act to encourage participation of private entrepreneurs in the petroleum sector;
- opening up the telecommunication sector for foreign and private investments; and
- encouraging private investment in infrastructure development and in the service sector.

Privatisation Programme:

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. In the event that Government could move away from the position of ownership, management and control of manufacturing and commercial sector activities. It would be possible for the Government to channel more resources with focused attention to the areas where private initiatives are lacking.

The objective of privatization 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 through reducing the burden of losses accruing from running the SOEs.

The Privatisation Commission has been formed as a statutory body to carry forward the privatisation programme of the Government. To conduct privatisation activities within a legal framework, the `Privatisation Act 2000' has been enacted, under the provisions of which a set of guidelines, called `Privatisation Policy 2001' has been prepared. To turn the activities of the

Privatisation Commission more dynamic, a draft of privatisation regulations with important amendments added, has been formulated.

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 adopted to ensure valuation in the light of international accounting standards.

Box 14.1 ঃ Privatisation programme for various organisations

Implementation of privatisation programs continues through the current fiscal year 2004-05. Privatisation activities are being conducted by the Privatisation Commission on the basis of consultation with the concerned ministries. This year, as of June 2005 six companies/enterprises have been privatised. Since the inception of the Privatization Board (now called Privatisation Commission) in 1993, a total of 61 enterprises have so far been privatised. Of those, 41 have been privatised through direct sale, and twenty through the sale of shares. In addition, having completed the privatising procedures 8 enterprises will be ready for transfer to private buyers. Meanwhile, international tenders have been invited to sell 4 more enterprises.

Role of the Board of Investment (BOI)

Bangladesh Board of Investment (BOI) has been formed to simplify and expedite the process of private investment in Bangladesh. To raise the efficiency of official works use of information technology has been ensured, having reclassified the activities of the Board of Investment with the goal of extending highest possible assistance and higher quality service to both local and foreign entrepreneurs in establishing industries.

Registration of private investment projects (local & foreign) with the BOI has increased by 16 percent during the FY 2004-05. Local investment proposals registered with BOI during FY2004-05 grew by 3.4 percent in terms of Taka (from Tk.135,461 million to Tk.140,046 million). Likewise, during FY2004-05 registration of foreign direct investment (FDI) in Bangladesh increased to US$ 885 million, which is 92.39 percent higher than that in 2003. During the period from FY2001-02 to FY 2004-05 the amount of capital machinery imports was Tk.199.80 billion, which is 119 percent higher than that of previous five-year period. The growth rate of capital machinery import during FY 2004-05 (July-February) is 62 percent. In FY 2004-05 manufacturing is projected to grow at a rate of 8.43 percent. Investment proposals worth US$ 12 billion from different regions of the world are now under active consideration of the Government.

High rate of growth in the manufacturing sector has created significant employment opportunities in the country.

Box 14.2ঃ Investment projects/proposals registered with the BOI

Domestic investment projects registered with the Board of Investment (BOI) in 2004-05 increased by 3.4 percent. During this period a total of 1,469 domestic investment project proposals worth US$2,319 million were registered. A sectoral analysis shows that most of these investment proposals were in the manufacturing sector, such as textiles, food and other edibles, glass and ceramic, chemical, engineering and agro-based products. The Board of Investment has registered a total of 1,611 domestic manufacturing enterprises during the FY 2003-04. Total amount of proposed investments in these enterprises was US$2,312.63 million. In FY 2002-03 domestic investment proposals amounted to US$2,027 million. On the other hand, during FY 2004-05 foreign project (foreign and joint venture) registration increased by 92.39 percent. The value of total 120 foreign/joint venture investment proposals is about US$885 million. Principal sectors of the registered foreign/joint venture investment proposals include service, textile, chemical, engineering and agro-based product. The largest sector of these investment proposals is service sector (75%) which includes telecommunication, power generation, energy and gas, entertainment etc. According to BOI, the number of registered industrial units by foreign industrial enterprises was 127 in FY 2003-04 and the total invested amount was US$458.40 million. In FY 2002-03, the total invested amount was US$368 million. The overall growth rate of investment was 31 percent in FY 2002-03. During FY 2003-04 the growth rate has been 29 percent.

Source ঃ Board of Investment (BOI). Note ঃ Estimates for FY2004-05 are provisional only.

Actual Investment Statistics:

Given provisional estimates, the amount of actual foreign direct investment (FDI) inflow during the calendar year 2004 is US$660.80 million, which is 49.7 percent higher than that in 2003. Most of private investments (80%-85%) in Bangladesh originate from domestic investment proposals. A sample survey conducted by BOI shows about 85 percent of the investment projects have either been implemented or are at various stages of implementation. In FY 1991-92, the amount of registered private project proposals was about US$116 million, which during FY 2004-05 stood at US$3,204 million. During the FY2004-05, the growth rate of registration is 16 per cent, which demonstrates enthusiasm of domestic investors to participate in industrialisation process.

Development of the Capital Market

The significance of the role of capital market for the development of private sector is widely accepted. To strengthen this role in overall development of Bangladesh, various reform measures were initiated since the beginning of 1990s to make the capital market more efficient, effective and reliable. Bangladesh Securities and Exchange Commission (SEC) was formed in 1993. As a regulatory body, SEC provides guidance for developing stock exchanges and promotes other developmental activities related to private capital market. The Securities and Exchange

Commission continues to introduce reforms for the development of capital market and protecting the interests of investors by establishing transparency in the capital market. A detailed review of the capital market has been presented in chapter-5 of this Review.

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.

Energy and Power

Oil and Gas:

Most appropriate and well-coordinated use of power and energy is one of the imperatives for economic development. Natural gas is being used as essential input for 90 percent of power generation and 100 percent of commercial energy production. At present, more than 70 percent of commercial energy needs is dependent on natural gas. Therefore, new exploration and development of newly discovered gas fields are important. For rapid exploration and expansion of gas resources, the entire area of the country has been demarcated into 23 blocks. Foreign investment in this sector has been allowed under production sharing contracts (PSC) with liberal terms and conditions. As a result, favourable response from several international oil companies has been received. So far, 10 PSCs have been completed for 12 blocks. Having two of the contracts expired; now there remain 8 valid contracts in force for 10 of the blocks. Meanwhile, one of the companies, CAIRN Energy discovered an offshore gas field in the Bay of Bengal (Sangu), and production of gas from this field commenced in 1998 PSC. In addition, UNOCAL's gas field development projects in block-14 at Moulavibazar and block-12 at Bibiyana have been approved by PETROBANGLA, and production in these fields is expected to start by late 2006. Furthermore, Tallow has recently discovered a gas field at Bhangura in the district of Comilla.

To supply gas located and produced in the northeastern region to other areas of the country including Dhaka and the southwest, several projects for construction of gas transmission pipeline have been undertaken by the Government. Permission to build gas transmission pipelines on private initiatives under build, own, and transfer (BOT) arrangement is also being considered by the Government.

To abate environmental pollution, efforts for compressed natural gas (CNG) conversion of vehicles are being encouraged. Alongside with government efforts, private sector is also being supported in establishing CNG filling stations and various privileges, incentives to private investors are being offered to foster the process. To facilitate the use of CNG in vehicles, about 87 filling stations (of which 5 are government-owned and 82 privately owned) have been built through March 2005. About 22,706 vehicles have so far been converted to CNG as of June 2005. Also, CNG-run buses have been imported from abroad. Use of CNG from domestically produced natural gas has saved huge amount of foreign exchanges and also contributed significantly to mitigate air pollution in Dhaka.

To accelerate long term development of the power and energy sector in a competitive environment, the Energy Regulatory Commission Act has been passed so as to stimulate private investment, protect consumer interests, prevent abuse of monopoly power and protect environment. The Act authorises the Energy Regulatory Commission to award license to gas and electric operators, fix tariffs and prices of gas and electricity transmission and distribution, secure consumers' rights and impose penalty to the violators. Consumers' complaints against the present monopolistic behavior of the service providers in the gas and power sector will diminish and consumers' rights will be protected once the Energy Regulatory Commission starts functioning in full swing.

In the last few years, significant improvement has been observed in cylinderisation, distribution and marketing of liquefied petroleum gas (LPG) in the private sector. In the recent time 6 privately owned LPG plants have continued production unfettered. Of these 6 LPG plants, one being Jamuna Spacetech joint venture and the other BOC plant are located in Bogra. Both plants use domestic sources, namely Kailashtilla and Chittagoing for the supply of LPG. The Premium LPG plant at Sitakund, Chittagong, Basundhara Clean Heat, and Summit LPG plants located at Mongla, Khulna are fully dependent upon imported LPG. Annual production capacity of these private LPG plants operating under contract with Bangladesh Petroleum Corporation is 1,15,500 metric tons. It may be mentioned here that combined annual production capacity of the two government owned LPG plants at Chittagong and Kailashtilla is 23,000 metric ton.

Hydrocarbon Unit:

The Hydrocarbon Unit under the Energy and Mineral Resources Division has been discharging important responsibilities in developing and fostering private investment in this area. The Hydrocarbon Unit regularly updates gas reserve situation in the country. The Optimal Gas Utilisation Study conducted by the Hydrocarbon Unit has estimated probable forthcoming investments in the natural gas sub-sector up to 2030, which is expected to enthuse private investors.

Recently India-based TATA Group, being interested in investing in Bangladesh has been holding discussion with the Hydrocarbon Unit on the status of gas reserve in the country. In addition, a

Korean company has been collecting information with the cooperation of the Hydrocarbon Unit in contemplation of making investment.

Power Sector:

To be able to provide access to electricity to the entire population of the country by the year 2020, government has been encouraging private involvement in the power sector. Consequently, the role of private sector in electricity production is on the rise. Upon having realised the importance of private investment in the 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 Company Act of 1994, as a part of the power sector reforms.

The PGCB is mainly responsible for managing the power transmission system in Bangladesh. It is also fully responsible for the construction of new transmission lines and grid sub-stations. The PGCB took charge of the entire transmission system on 31 December 2002. Now the full responsibility of future expansion, including operation and maintenance of the entire transmission system lies with the PGCB. The company has framed its workplan accordingly.

Electricity produced in various production plants is transmitted all over the country through 230 KV and 132 KV lines. At the time of formation of PGCB in 1996, the total length of 230KV and 132 KV lines in the country reached 838 circuit km and 4,755 circuit km, respectively. In FY 2000-01, the length of these lines stood at 1,144 circuit km and 4,962 circuit km, respectively. In March 2005, the length of 230 KV lines increased to 1,466 circuit km, and 132 KV line reached to 5,202 circuit km.

DESCO is managing power distribution activities in 165 square kilometer area in Dhaka, comprising of greater Mirpur, Gulshan, Cantonment, Uttara, Baridhara, Dakhin Khan and Badda. Currently DESCO serves 2,52,071 customers. Consistent with on-going momentum of development, DESCO has undertaken some action plans in FY 2004-05 to disconnect illegal electric connections, prevent power theft and to minimise system-loss. Among these, activities like disconnecting illegal connections and filing cases through Monitoring Cell and Magistrate Court, recovering unpaid bills with penalty, spot metering, and installing meters in the slum areas are notable. As a result, remarkable success has been achieved in the development indices.

To speed up the privatisation process under power sector reform initiatives and to promote private investment, process of inclusion of DESCO in the share market has begun, and is expected to be completed within FY 2005-06. To meet the increasing demand for electricity and improve the quality of customer service, a range of works line upgrading 2 sub-stations, implementing a pilot project for installation of 5,000 pre-paid meters, setting up 25 km underground cable, construction of 150 km overhead line etc. are underway. Meanwhile, capacity of DESCO sub-stations has been raised to 450/630 MVA.

To meet increased demand for electricity in the context of achieving a higher growth rate, four sub-stations will be built/upgraded during the FY 2005-06. With these, the capacity of the sub-stations of DESCO will increase to 610/854 MVA.

Information and Communication Technology (ICT):

To promote the use and application of information and communication technology in the country, government has formulated `National Policy on Information and Communication Technology (ICT)'. Special emphasis has been given in the policy on participation of the private sector alongside with the Government in the development of ICT. To attract foreign investment in the ICT sector, work to formulate an appropriate law is proceeding at the initiative of the Ministry of Information and Communication Technology. Given a conducive environment for the development of ICT, the private sector is becoming increasingly interested in investing in this sector. Some important steps have already been undertaken to attract private sector, in the light of the National Policy on Information and Communication Technology.

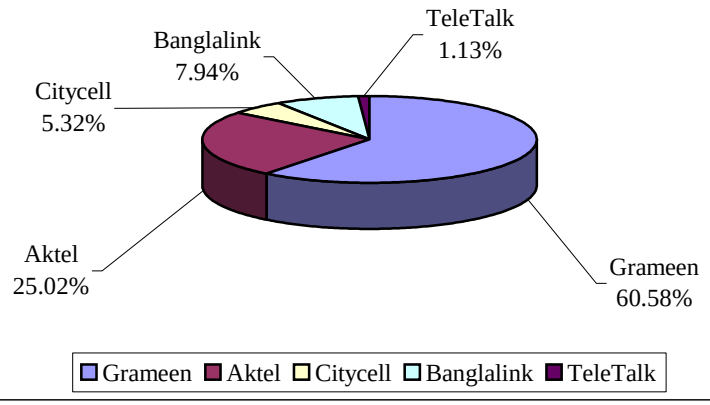
- Once the law on ICT is passed, issues related to e-Commerce and Electronic Transactions will have a legal basis. This will lead to a boom in private investment in this sector.
- For development of the software industry an 'ICT Incubator Center' has been established at Karwan bazar in Dhaka. Uninterrupted power supply along with facilities for high-speed data transmission has been ensured here. Currently, about 40 enterprises are working to develop softwares and ICT-enabled services at the ICT Incubator. The main objective of establishing the incubator is to attract private investment.
- To develop the ICT sector and to increase exports, the Government has introduced ICT internship program from the current fiscal year. Holders of one-year diploma in this field will be appointed as internee in various ICT companies. This will enable ICT companies to secure skilled ICT man-power, and as such will help develop the private sector.
- Introduction of website for all Ministries/Divisions/Departments/Agencies has been given priority in the National policy on Information and Communication Technology. Implementation of e-governance has been initiated to convey the information about various government policies and statistics related to activities of the Government. License fees for ISP, VSAT and DCSP have been reduced substantially to prop up the advancement of information and communication technology and private sector involvement. This has resulted in the proliferation of Cyber Cafe, Voice Over Internet Protocol (VOIP), along with the increased number of internet users and enhanced facilities for on-line banking service.
- Liberalisation of the ICT sector has helped increase the number of Broadband Internet Service Providers substantially. As of April 2005, a network of 88 companies has been providing broadband Internet service throughout the country. This facility has offered opportunity for high-speed data transmission. This has benefited the banking sector, especially privately owned banks in offering on-line banking facility, which is gaining increasing popularity.

- Work to build a high-tech park in Kaliyakair Upazila in the district of Gazipur is underway to promote establishment and growth of knowledge-based industries in ICT, electronics, telecommunication, engineering, etc.

Telecommunication Sector:

Government granted permission to Bangladesh Telecom Private Ltd. (BTL) to introduce radio-trunking, cellular radio telephone, naval radio telephone network, and paging facilities for the first time in 1989 to spur private investment in this sector. The segment of mobile telecom operation of the BTL's license was later handed over to Pacific Bangladesh Telecom Ltd. Subsequently, three private operators, Grameen Phone Ltd., Telecom Malaysia International (Bangladesh), and Sheba Telecom Private Ltd. had been awarded license in 1996 to market digital cellular mobile phones. After the formation of the Telecommunication Regulatory Commission, those licenses/contracts were renewed under the Bangladesh Telecommunication Act 2001. The Commission granted Mobile Telecom Operator License to BTTB, which was subsequently revised to form a separate entity under the name of `Teletalk', and has already become operational. The number of subscribers of the 5 private cellular mobile companies in the country was about 61.06 lakh as of June 2005. The distribution of clients of these companies, including the government-owned 'Teletalk' is shown in the Pie Chart 14.1 below. To meet the increasing demand for telephone, 15 private companies have been awarded 37 licenses for providing fixed telephone services in 4 zones of Dhaka (except for Dhaka multi-exchange area) in a competitive environment. The fixed telephone sector is now open for investment by private domestic, foreign, and Bangladeshi expatriate investors. Some have already started making investments. As a result, employment opportunities have opened up for thousands of the unemployed. The number of subscribers of BTTB is currently about 8 lakh. The number of subscribers of private fixed telephone companies is expected to exceed 25 lakh in the next two years.

Chart 14.1: Number of subscribers of the cellular companies



Source: BTRC

Four cellular mobile companies are operating competitively. Having permitted Sheba Telecom and PBTL to transfer shares, and approved private investment in mobile telecom sector as well as in fixed telephone service, opportunity for foreign investment has been unbarred. The number of subscribers of the 4 private mobile operators is expected to reach 1 (one) crore from the present 61.06 lakh (June 30, 2005) in the next one year. The present tele-density of 4.8 is expected to exceed 7 within a year. To generate competition on the telecom market and to help deliver low-cost telecommunication service to people, Teletalk Bangladesh Ltd. has been issued license to market mobile telecom service. Already the company has started offering mobile telecom service. As a consequence, mobile phone call charges are expected to decline, making it affordable to ordinary citizens.

License contract of Worldtel and that of BTTB for Personal Handy Phone System have been revalidated in consideration of huge demand in Dhaka city. The license of Formula One for introduction of pre-paid card system has been revalidated. Recipients of license in telecommunication and broadcasting have been allocated appropriate frequencies to enable them to transmit data, picture and voice. The following table contains information on the number of licenses issued by the Bangladesh Telecommunication Regulatory Commission (BTRC) along with names of the receiving companies.

Table 14.1ঃ Statistics of different types of licenses issued by BTRC

Types	Number of Companies /Institutions	Total
Cellular Mobile Telecom License (Tele Talk)	1	1
Zonal Fixed Telecom (PSTN) License	15	37
Mobile Telecom Operator License Revalidation	4	4
Dhaka MEA Fixed Telecom Operator License Revalidation (WorldTel)	1	1
Pre-paid Calling Card Operator License Revalidation	1	1
Rural Fixed Telecom Operator License Revalidation	1	1
Internet Service Provider	181	181
Nationwide Internet Service Provider	30	30
VSAT User	85	85
VSAT Provider (sub-station)	4	4
Domestic Data Communication Service Provider	24	24

Source: BTRC

Transport Sector

Air Transport

According to Privatisation Guideline 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 & 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. The Cargo handling and other non-regulatory operations of the Zia International Airport are being planned to be conducted through private companies.

To better serve tourists and to augment revenues of the Bangladesh Parjatan Corporation, the management of motels - Probal, Upal, and Laboni at Cox's bazar; Sylhet Parjatan motel; rest house, Ruchita restaurant and bar, Sakura restaurant and bar at Moulavibazar; and Parjatan motel at Bandarban have been privatised. Furthermore, Hotel Netong at Teknaf, Parjatan motels at Dinajpur and Bogra; auditorium, cottage and bar at Mongla, Hotel Madhumati at Tungipara, Parjatan restaurant at Madhavkundu and recently-built 5 luxury cottages at Cox's bazaar are in process of being privatised. In addition, about 1.25 acre of unused land in the head-office of Parjatan Corporation, 13 acre of open space of Sylhet Motel, and the Foy's Lake in Chittagong have been leased out to private entrepreneurs under a BOT (build, operate and transfer) system.

Bangladesh Railway

The process of involving private sector in this important sub-sector of Bangladesh Transport system started back in 1997. The commercial service part of the activities in 46 mail/express and local trains has been privatised as of February 2005. Additionally, on-board catering and related services in 10 intercity trains are being provided by private companies. As part of the on-going process of privatisation, commercial service activities of 25 additional mail/express and local trains have been advertised for privatisation.

Roads and Highways

Participation of the private sector in building roads and highways is still limited. Again the role remains to be limited within the risks associated with contractual liabilities only. In the context of secular rise in demand for road transport, government is contemplating measures to attract private investment in the sector. The Road Transport Policy approved by the Government also reflects such consideration of private sector participation in the development of road network system of the country.

River Transport

Private sector activities are basically limited to transportation of passengers and cargo in river routes. About 95 percent of passengers and cargo in the river routes are transported by the private sector. Also, ferry-*ghats* with pontoon facilities and rural launch-*ghats* built by BIWTA under the jurisdiction of 11 river ports are managed by private sector under a lease arrangement.

In accordance with government's policy of private sector involvement in the development of infrastructure, BIWTA has taken initiative to build an inland container terminal at Khanpur in Narayangonj on BOT basis, to facilitate transportation of containers through inland waters. In addition, a container terminal will be built at Pangaon in Dhaka, as a joint venture project by

Chittagong Port Authority (CPA) and BIWTA. But the conduct of its operation will be handed over to some private company. Moreover, management of the river port built in Mirkadim area of Munshigonj, and the ports to be built at Noapara, Ashugonj-Bhairab, Barguna and Bhola will be left to private hands.

The National River Transport Policy of the Government has especially encouraged private sector participation in the development of ports. At present, different private sector entities, including the stevedore, and the clearing and forwarding agents, and equipment handling operators are engaged in the operational activities of Chittagong port. To enhance the efficiency of cargo handling at Chittagong port, leasing out of various operating equipment and construction of ICD (Inland Container Depot) are being encouraged by CPA.

It may be noted that the operational activities of Chittagong port container terminal were being conducted by private entities temporarily. An agreement between CPA and CTL Ltd. was signed in February 1989 in regard to container handling at Chittagong port. According conditions of the contract, private operator is allowed to operate its own equipment at the tariff-rate quoted in the schedule of charges of CPA. In recent time, Q.C. Shipping Lines has been operating fork-lift truck in the GCB container handling area. Moreover, 52 stevedores and about 3000 C&F agents, licensed by CPA are discharging the functions of loading, unloading, and releasing cargo at the port. Also, private contractors are engaged in handling containers from ship-to-shore-to-yard, and removing unloaded ones from the delivery point. Dhaka ICD is currently being operated by private sector. However, at the beginning Dhaka ICD used to be operated by CPA.

As part of the privatisation policy, CPA in 2001, leased out its own 3.82 acre of land for building a 300 truck/lorry-capacity terminal beside the port connecting road, on BOT arrangement for 15 years. The Sadar-*ghat* jetty of the port, which remained unused for a long time, has been leased out to private sector for 25 years. Also, 'X' and 'Y' marked shade areas next to the port stadium have been leased out to private operators for keeping unloaded containers. Furthermore, special berths, e.g. cement clinker jetty, KAFCO ammonia jetty, KAFCO urea fertilizer jetty, etc. are being used by the concerned companies/enterprises.

Inland Container Depot (ICD)

After the introduction of guidelines for ICD construction in private sector by the National Board of Revenue (NBR) in 1998, 11 privately owned ICDs became operational despite some limitations. Once the Government relaxes the conditions of ICD construction within 20 km of the port and approves handling of imported containers by these ICDs, many private investors are expected to join the construction of new ICDs. The following table (Table 14.2) lists the privately owned ICDs to date.

Table 14.2ঃ Privately constructed ICDs

Serial No.	Name of Private Depot	Location	Distance from the Chittagong Port (in km)	Area (in acres)	Capacity (in TEUs)
1.	Sea Farers Ltd.	Patenga	4	3.768	1200
2.	Ocean Containers Ltd.	Katghar	6	13.838	5000
3.	Fisco Bangladesh Ltd.	N. Patenga	5	3.679	1611
4.	QNS Container Services Ltd.	CEPZ	1.5	3.673	3000
5.	Iqbal Enterprises (Depot) Ltd.	Kalurghat	14	4.00	800
6.	Shafi Motors Ltd.	Sagorika Road	7	8.00	3000
7.	Trans Container Ltd.	CEPZ	1.5	1.046	1500
8.	K & T Logistics Ltd.	CEPZ	1.5	8.00	2000
9.	Eashak Brothers Industries Ltd.	Port Market	1	17.00	1026
10.	Shah Majidia Rahmania Container Terminal Ltd.	Patenga	4	2.38	1568
11.	Port Link	Bhatiary	15	27.48	1510
				Total	**22215**

Source: Chittagong Port Authority.

Moreover, 57 acres of land owned by CPA in Patenga area has been demarcated for allocation to private investors for building container freight station, supply base station, and ICDs.

Banking and Insurance

Private ownership in the banking and insurance sector is extensive. Currently, a total of 40 privately owned, including 10 foreign banks are operating in the country. Out of 60 private insurance companies, 43 are general and the remaining 17 are life-insurance companies. Of 17 life-insurance companies, one is of foreign origin. In addition, there are 28 non- bank financial institutions now in operation. Private sector participation in this sector has generated competition amongst banks, insurance, and non-bank financial institutions, which has augmented the quality of customer service in this area. As part of the program for banking reforms, Rupali Bank, a nationalised commercial bank (NCB) is in the process of being privatised. Improvement in the quality of management of the remaining 3 NCBs has also been initiated.

In addition to the privately owned general and life insurance companies, state-owned general and life insurance companies also are in operation. Apart from discharging its regulatory functions, the Department of Insurance realises various types of fees, fines and other levies from the insurance companies on behalf of the Government. Revenue collection in this sector is on the rise. A big leap in revenue collection was noticed during the FY 2003-04. The following table shows the status of revenue collection in this sub-sector during the last three years.

Table 14.3ঃ Revenue collection by insurance companies

(In Lakh Tk.)

Year	Amount of revenue	Growth rate of revenue
2001-2002	180.41	13.48%
2002-2003	216.13	19.79%
2003-2004	359.48	66.33%

Sourceঃ Insurance Directorate, Ministry of Commerce.

Premiums realised by the state-owned Sadharan Bima (General Insurance Corporation) and 43 private insurance companies together stood at Tk.594.47 crore in 2003 compared to Tk. 535.32 crore in 2002. Table 14.4 below shows the break-up of income from premiums for both private and state-owned insurance companies.

Table 14.4: 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%	7.30%
2003	76.66	517.81	594.47	12.90%	87.10%	(-) 6.35%	14.19%	11.05%

Source: Insurance Directorate, Ministry of Commerce.

Besides, establishment and successful operation of 28 private non-financial leasing companies represents a new innovation of private sector initiative.

Education Sector

Education is one of the key instruments for human development. This is why the present Government in its efforts to ensure 'Education for All' and development of human resources in the light of MDG and PRSP, has been offering extensive assistance to primary, secondary, vocational, madrasah and higher education fields of study in the private sector alongside with the public sector, to promote the quality of education.

The demand for admission into university for higher education has increased five-fold - associated with the increase in population during the post-liberation period in Bangladesh. In view of the increasing demand, the Government enacted the 'Private University Act 1992' to pave the way for establishment of university in the private sector, in addition to public universities in 1992. This resulted in the founding of 53 private universities in the country so far. Recently, the 'Private University Act 2005' has been passed to ensure that quality education is delivered at private universities.

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. A comparative picture of the extent of private participation in primary education vis-à-vis the government in Bangladesh during 1996 to 2004 is presented in Table 14.5 and Chart 14.2.

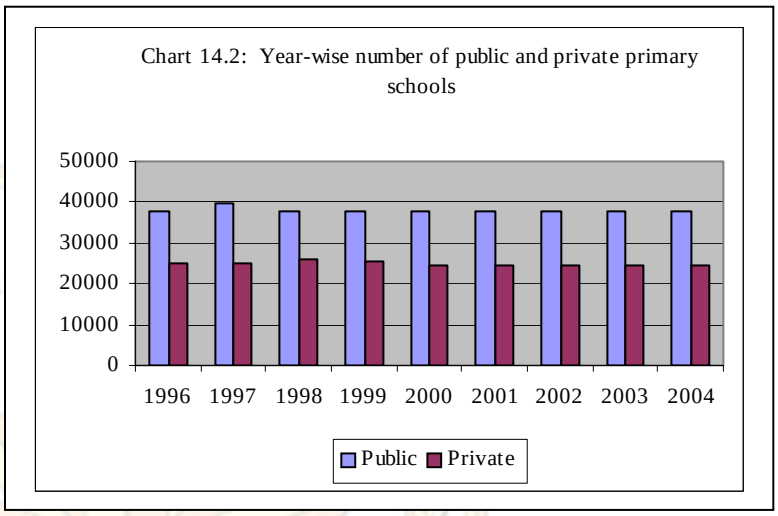
Teachers employed in registered primary schools are being paid as grant up to 90 percent of the initial basic pay of the government primary school teachers. Teachers of the community schools are being paid Tk.750 per month as grant.

Measures have been taken for providing stipend to female students at secondary and higher secondary levels, along with financial assistance for purchasing books and fees for sitting in the public examinations with a view to empower women and increase women's participation in socio-economic activities. Fees for female students up to class-XII have been waived. Moreover, general merit scholarship for meritorious students and stipends for vocational and technical education have been increased substantially, both in amount and the number of awards.

Table 14.5: The number of public & private primary schools

Year	Public	Private
1996	37710	25058
1997	39710	24963
1998	37709	25824
1999	37709	25292
2000	37677	24649
2001	37671	24667
2002	37671	24445
2003	37671	24485
2004*	37700	24736

* Provisional
Source: Primary & Mass education Ministry



Source: Chart based on Table 14.5

Only 2 to 3 percent of total students at secondary and higher secondary levels study in technical and vocational programs. Plans to raise this rate to 25 percent in the coming 15 years have been adopted. As part of these plans, measures have been undertaken to expand vocational and technical programs at secondary and higher secondary levels including madrasahs in the country. Meanwhile, SSC (Vocational) courses have been introduced at selected 500 non-government secondary schools under the project, 'Introduction of SSC (Vocational) Course' and necessary equipment including computer and related facilities have been provided. Double shifts have been introduced at the existing technical training institutes with a view to increasing the rate of students' admission into technical education.

Government spends about Tk.2000.00 crore as salary assistance for 4,74,563 teachers and employees of about 28,115 post-primary non-government educational institutions of the country encompassing schools, colleges and madrasahs. This expenditure is about 79 percent of total revenue budget allocation of the Ministry of Education. It is worth noting that Tk.1,985.00 crore

has been allocated for financial assistance to teachers and employees of the non-government education institutions in the revised budget of FY 2004-05.

Currently, the number of non-government secondary schools in the country is 16,151. There are 1,83,906 teachers and 57,374 employees in these schools. Government is paying 90 percent of their basic salary, medical allowance and house rent allowance costing the Government about Tk.1,015 crore annually. Teachers and employees of non-government madrasahs also receive financial assistance at the same rate. That costs about Tk.564 crore per year.

Bangladesh has a total of 2,803 non-government colleges in the country. There are 62,842 teachers and 22,621 employees serving these colleges. Approximately Tk.482 crore is spent for pay and allowances of teachers and employees of these colleges every year. Inclusion in the government's MPO (Monthly Pay Order) list is based upon performance of the institution. Of 53 teacher's training colleges in the country, 42 are non-government. About 14,000 teachers are trained every year in these institutions.

Health Sector

Participation of private sector in health services continues to rise. To welcome participation of private entrepreneurs in the sector, government has been providing grants to various hospitals/clinics and other organisations from the revenue budget. Founding private medical colleges is being supported by the Government. Now there are 24 registered private medical colleges, 7 private dental colleges, and 1,055 private hospitals and 1,311 clinics with a total of 16,595 beds in the country. Along with these, many modern diagnostic centres and specialised hospitals like National Heart Foundation, Cancer Hospital, etc. are making remarkable contribution to the health sector. NGOs are also playing a significant role in healthcare services. NGOs are closely involved in health, nutrition and HIV/AIDS program activities of the population sector. Implementation of activities under the National Nutrition Programme (NNP) through NGOs is an example of the involvement of these institutions. Also, NGOs are involved with 30 community clinics at the union level on a test-basis, and these clinics are being managed by them. Furthermore, 350 community clinics of 100 unions are managed by NGOs, which are delivering essential services to communities.

Agriculture Sector

In the context of extensive changes in agriculture, private sector is being patronised. Privatisation of the irrigation system in agriculture is a success story. This initiative led to a faster expansion of irrigation system. To privatise and develop the irrigation system, massive changes in the development policy for small-scale irrigation were introduced. As a result, small irrigation-equipment became affordable to many small farmers. The irrigation system is now fully privatised.

Limited usage of HYV and degradation of these varieties have become sources of the principal impediment in boosting agricultural production. To overcome this problem, private participation in the production, processing and marketing of high quality seeds is receiving attention. Currently, private import of *germplasm* is allowed for research, development and production of mother seeds. 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.

Chemical fertilizer is an important input for agricultural production. Fertilizer distribution through private sector started experimentally in one administrative division in 1979, and subsequently it was extended to all over Bangladesh. To encourage wholesale business, business people 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.

The policy reforms together with institutional changes have substantially increased the role of private sector participation in marketing agricultural input and output. In the present policy structure, the role of government is limited to providing certain essential services/commodities for the growth of agriculture, e.g. research, expansion, large scale irrigation, land protection management, disseminating marketing related information, etc. With favourable policy environment, privatisation in agriculture is being implemented at a faster pace

Meat Processing Plant: A new initiative of the private sector

A private organisation, called Premium Seeds Ltd., with Government support and equity partnership has built the first international standard meat processing plant in the country. Its daily production capacity is 25 metric ton. This initiative is expected to generate significant employment opportunities and income as well as to earn foreign currency.

Water Resources

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

- Public water schemes, barring municipal schemes, with a command area of over 5,000 hectare will be gradually placed under private management through leasing, concession or management contract under open competitive bidding procedures or jointly managed by the project implementing agency along with local government and community organizations.

- Operation and maintenance (O&M) costs of projects will, to the extent possible, be realised through private mechanism like leasing and other financial arrangements. Beneficiaries and community organisations will be given preference to that type of leasing.
- Government may confer rights of ownership on any private and community bodies to both under ground and surface water for attracting private investment.
- Encourage future under ground water development for irrigation by both the public and the private sectors, subject to regulations that may be prescribed by Government from time to time.

Textile Sector

The major share of the textile sector is in private hands. At present there are 220 spinning mills in the country of which 195 are privately owned. There are only 25 spinning mills in the public sector (BTMC), of which several industrial units are being operated through the Service Charge System.

Eight mills have been closed down in FY 2002-03 and a program for retrenching the employees under Voluntary Retirement Scheme was taken. Of 8 mills, payment of benefits of the employees of 4 mills was made in FY 2002-03, and 75 percent benefits of the remaining 4 mills was paid in FY 2003-04. The budgetary provision for payment of the remaining 25 per cent benefits amounting to Tk.110.00 million is under process. During the year 2003 seven textile mills were withdrawn from the list of Privatisation Commission and handed over to the Ministry of Textiles and Jute for disposal. Moves are underway for selling these mills by the Ministry. In addition, 4 textile mills are to be liquidated by the Ministry of Textiles and Jute.

As part of the reform program, following 3 industries under Bangladesh Handloom Board (BHB) have been placed under the Privatisation Commission for privatisation:

Table 14.6: Targeted industries of BHB for privatisation

Sl. No.	Name of the Mills targeted for Privatisation	Present status of Privatisation
1	Services and Facilities Centre, Belkuchi	Placed under Private owner
2	Services and Facilities Centre, Bansarampur	Under process of sales by the Privatisation Commission
3	Textile Facilities Centre, Chowmuhani	Under process of sales by Privatisation Commission

Source: Ministry of Textiles and Jute.

Jute

The Jute Spinners Association represents the Jute Spinning Industry in Bangladesh, which consists of 49 spinning mills under private sector. This industry produces heavy, medium and fine quality of jute yarn and twine. During the FY 2003-04 the jute spinning industry produced 2,30,000 metric tons of jute yarn and twine of which 1,97,000 metric tons were exported. The exported value of jute yarn and twine was Tk. 6,192 million. In FY 2004-05 (up to Jan.'05), a total of 1,75,000 tons of jute yarn and twine was produced, of which 131,000 metric tons was exported and the value of the export was Tk. 4110.7 million.

Jute Diversification Promotion Centre (JDPC) was set up in March 2002 under the Ministry of Textiles and Jute. The major objective of JDPC is to provide a package of extension and promotion services to the private entrepreneurs for promotion and development of enterprises producing high value-added diversified jute products. So far, 200 entrepreneurs have come forward to produce diversified jute products through JDPC. Seventy of these entrepreneurs have been provided training in wet processing, design, product development, entrepreneurship, etc. Two entrepreneurs with JDPC's support and funding from commercial bank have been functioning in full capacity and five more have started partial production with an investment of Tk 530 million. Three more enterprises are now under construction, and yet another 8 enterprises have been recommended by JDPC for bank financing. There are additional 40 proposals now under consideration of JDPC. JDPC has so far enlisted 120 small cottages, micro enterprises and NGOs engaged in the production of high value-added jute diversified products.