CHAPTER 8

INDUSTRY

The contribution of the industry sector to Bangladesh economy has been on the increase. Among the fifteen sectors identified for computing national income, the greater industry sector includes five sectors such as mining & quarrying; manufacturing; construction; electricity & gas and water supply. Among these sectors, the contribution of the manufacturing sector is the highest. According to provisional estimate, in FY 2004-05 the contribution of the manufacturing sector to GDP is 16.58 percent, which is 0.42 percent higher than that of the previous year. In FY 2004-05, the growth rate in the manufacturing sector is estimated at 8.43 percent, which is 1.33 percent higher than that of the previous financial year. This trend in growth has accelerated the pace of economic development in Bangladesh. This growth was propelled by readymade garment and knitwear industry. The growth performance of the manufacturing sector and its contribution to GDP during FY 1998-99 to FY 2004-05 is shown in Table 8.1 below:

Table 8.1: Contribution of Manufacturing Sector in GDP and Growth Rate (at constant prices of 1995-96)

(Tk. in crore)

Type	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05 (Provisional)
Small & Cottage	8184.9 (0.75)	8659.3 (5.8)	9267.4 (6.6)	10699.6 (7.2)	10780.0 (8.0)	11496.0 (7.45)	12405.9 (7.91)
Medium-Large	20803.3 (4.2)	21708.6 (4.4)	23130.2 (7.0)	24194.1 (4.6)	25780.8 (6.6)	27572.03 (6.95)	29956.8 (8.65)
Total	28988.2 (3.2)	30367.9 (4.8)	32397.6 (6.7)	34174.2 (5.5)	36480.8 (6.8)	39068.8 (7.1)	42362.7 (8.43)

Source: Bangladesh Bureau of Statistics.
Note: Figures in parentheses indicate rate of growth.

In the face of challenges of open market economy and globalisation, the Government considers that establishing industries under private sector initiative and operating them profitably would propel economic growth. Beside this, Government, by now, has liberalised the trade regime by introducing a range of reforms so that the entrepreneurs can set up industries and operate them profitably without any misgivings. Meanwhile, the Government has handed over a number of SOEs to the private ownership. In order to establish economically viable industrial enterprises, there will be an initiative to set up Industrial and Special Economic Zones so that the huge land area of these industrial zones is effectively used to set a new trend for industrialisation which would facilitate creation of lots of employment opportunities.

To further strengthen the process of industrialization, the present Government has identified the Small and Medium Enterprise (SME) sector as a priority sector and an engine of industrialisation. To attract foreign investment, all facilities to be given to the potential investors were incorporated

in the industrial policy. The Government took initiatives to formulate a separate SME policy to provide required guidelines and strategic support to set up SME industries across the country. Guidelines and strategies incorporated in the SME policy will be followed to establish SME industries.

Over the last decade a discernible change across the globe was evident in terms of women's participation in socio-economic activities particularly in the sphere of industrialisation. The present industrial policy, therefore, attaches priority to the issue of creating more women entrepreneurs and ensuring more participation of women entrepreneurs in the process of industrialisation. For hygienic preservation and marketing of Bangladesh agricultural products, steps will be taken to make them frozen, pasteurized, canned or turn them into dry food, so that all these locally produced commodities can be exported round the year by developing modern and standard preservation system.

In this age of ICT, it is possible to provide accurate and rapid customer services by using ICT for cost effectiveness and improvement of the quality of products. This is why, providing encouragement to the intensive use of ICT on certain specific areas is another important feature of present industrial policy.

It is visualised that the industry sector that will be developing over the next decade would be able to gain 30-35% share of GDP and also to absorb 35 percent of the labour force. To achieve this estimated growth in the manufacturing sector, the present industrial policy has laid special emphasis on strengthening efforts to establish agro based and agricultural product processing industry, together with steps to face the possible adverse situation in export-oriented RMG industry and SMEs sector as prime mover of industrialisation, to extend facilities to women entrepreneurs on priority basis, to set up special economic zones in various regions, to market manufacturing products at a reasonable price after improving quality of products comparable to the world standard gradually, to arrange environment-friendly production and to increase the productivity in the manufacturing sector. The directions contained in the new industry policy will help in putting in place planned expansion of industrialisation and also achieve sustainable industrial growth on a continued basis.

This will create a strong and potential base for economic development which will in turn accelerate the process of poverty reduction and reduction of unemployment, create employment opportunities as well as accelerate the overall economic growth of the country.

Since assumption of office, the present Government took effective measures for the augmentation of the industrial growth and diversification of the industrial sector. At present, the manufacturing sector including local textile, leather products, agro-based industry, bicycle and light engineering etc., are given cash support to augment export. To boost up industrial investment the nationalised commercial banks have reduced the rate of interest from 10.00-12.50 percent to 9 percent in the thrust industrial sectors, such as textile industry (including readymade garments), agro-based

industries, computer software and information technology, data export, production of artificial flowers, frozen food, (including frozen poultry and meat), gift items, 100 percent export oriented finished leather goods and jute goods, jewellery, diamond cutting and polishing, oil and gas, cocoon cultivation and sericulture and stuffed toys. The rate of interest has been reduced from 8-10 percent to 7 percent for pre- shipment and packaging credit for export of RMG, frozen food and agricultural commodities. Besides, bank rate has been reduced from 7 percent to 5 percent to induce reduction of interest rate of bank loans.

Quantum Index of Production of Manufacturing Industries:

The Quantum Index of Production (QIP) is an important tool for measuring the production performance of manufacturing industries. Data available from Bangladesh Bureau of Statistics (BBS) show that QIP (1988-89=100), representing medium to large-scale industries, rose to 265.78 in FY 2003-04 from 195.94 in FY 1997-98. Annual growth rate of this sector thus stood at 4.62 percent higher in FY 2002-03 than that of FY 2001-02. During FY 2004-05, (up to April) the average index stood at 274.12. Table 8.2 shows the index during FY 1997 -98 to FY 2004-05. Appendix -26 presents production index for the previous years, while Appendix -27 shows the actual production of principal industrial outputs for the last seven years.

Table 8.2: Quantum Index of Production for Medium to Large Scale Industries

1997-98 to 2004-05(1988-89=100)

Industry	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05 (p)
Medium to Large Scale Industries	195.94	204.17	214.3	228.43	238.75	254.45	265.78	274.12

Source: Bangladesh Bureau of Statistics.

Small and Medium Enterprises(SMEs)

Small and Medium Enterprises (SMEs) by producing exportable surpluses of commodities together with local value additions and creation of employment opportunities, can make significant contribution to the economy of Bangladesh. Although financing of SMEs in off-farm rural economic activities are largely dependent on equity financing from personal and family savings, currently banks and financial institutions are also coming forward to provide finance to this sector. As the large potential of employment generation by SMEs has attracted attention of the policy makers, a range of initiatives for channeling loans to SMEs are being taken.

The present Government has taken up programmes to provide financial assistance to expand SMEs through commercial banks. Alongside the disbursement of loans, Bangladesh Bank has taken up a scheme of Tk. 100 crore for refinancing the scheduled banks and financial institutions

against the loan given to SMEs. Beside this, IDA has provided US$ 10 million to Enterprise Growth and Bank Modernisation Project (EGBMP) during FY 2004-05. More over, ADB has finalised an agreement with Bangladesh Bank to provide additional US$ 30 million to this sector. These huge resources would strengthen the financing programme of EGBMP. This would result in employment generation in one hand and enhancement of purchasing power of the poor on the other hand. Under this programme, the financing capabilities of various financial institutions and banks has been enhanced and up to April, 2005 Bangladesh Bank has disbursed Tk 1237.34 million for refinancing. Out of this, the contribution of World Bank was Tk. 237.26 million while that of Bangladesh Bank was Tk. 999.98 million. Detail refinancing activities of Bangladesh Bank to various financial institutions and banks is shown at Table 8.3

Table 8.3 Summary information on SME Refinancing

Name of Banks/FIs Refinanced	Amount Refinanced (In Million/Taka)				No. of Beneficiary Enterprises	IDA Portion (included in the main calculation)
Banks	Working Capital	Mid Term	Long Term	Total		
National Credit & Commerce Bank Ltd.	15.64	77.50		93.14	228	
Jamuna Bank Ltd.		4.00		4	1	
National Bank Ltd.	4			4	1	
One Bank Ltd.	5.8	24.49		20.29	69	
The Premier Bank Ltd.	57.931	16.55	6.63	81.106	84	
BRAC Bank Ltd.	38.05	502.00		540.05	3551	219.75
Southeast Bank Ltd.	27.90	1.50		29.4	32	
Sub-Total	**149.321**	**626.04**	**6.63**	**781.986**	**1766**	**219.75**
Non-Bank Financial Institutions						
Uttara Finance & Investment Ltd.	7.76	45.10	55.54	108.401	59	
Prime Finance & Investment Ltd.	14	14.00	5.95	33.848	17	
Midas Financing Ltd.	0.5	106.26	39.59	148.345	245	
Fidelity Assets & Securities Co. Ltd*		0.80		0.8	1	0.6
IDLC of Bangladesh*		17.85	13.48	31.33	20	16.91
Phoenix Leasing Co. Ltd.	1.2	15.01	37.07	54.183	24	
United Leasing Co. Ltd.		29.87	49.78	79.65	58	
Vanik Bangladesh Ltd.	0.3	0.50		0.8	2	
Sub-Total	23.76	230.09	201.41	455.257	426	17.51
Grand Total	**173.081**	**856.13**	**208.04**	**1237.24**	**2192**	**237.26**

*Figures with asterisk received refinance from IDA funding

Source: Bangladesh Bank

Note: -Total Amount refinanced Tk.1237.24 Million
-Bangladesh Bank portion Tk. 999.983 Million
-IDA portion Tk. 237.26 Million

It would be seen from the above Table (8.3) that up to April 2005 Bangladesh Bank distributed Tk. 1237.24 million as refinancing to 7 banks and 8 other financial Institutions. It may be mentioned that the same amount of money was distributed by the above banks and financial institutions to 2192 SMEs earlier as loan. Out of the total loan, Tk. 173.08 million has been provided as working capital, Tk. 856.13 million as mid-term loan and Tk. 208.04 million as long-term loan.

Activities of Bangladesh Small and Cottage Industries Corporation (BSCIC)

Bangladesh Small and Cottage Industries Corporation (BSCIC) is playing a vital and significant role for development of small, cottage and rural industries in the country. BSCIC data reveal that the number of industrial entrepreneurs increased from 34,219 during FY 1998-99 to 64,704 in FY 2002-03. In FY 2003-04, the target of small industrial entrepreneurs was 44,522 but achievement stood at 56,488. In FY 2004-05 the number of industrial entrepreneurs is 48,541. In FY 2003-04 as many as 6,539 cottage industries were registered against the target of 3,994. In FY 2004-05 the number of the registered industrial units was 3,624. In FY 2003-04, 4690 small industries and 1,849 cottage industries were registered with BSCIC. Besides, in FY 2003-04 credit support was provided to 161 new small industrial units along with previous 1,100 units. During the same year, credit support was provided to 17,252 new cottage industries along with 13,491 old industries. In the industrial units registered under BSCIC, the number of persons employed increased from 54,190 in FY 1998-99 to 1,08,133 in FY 2003-04. During FY 2004-05 out of total 33,741 persons employed, 15,455 persons were employed in small industries while 18,294 persons were employed in cottage industries.

Production performance of SOEs

Production of Urea in the factories under the Bangladesh Chemical Industries Corporation (BCIC) was 19.86 lakh metric tons in FY 2003-04. During the same period 2.07 lakh metric tons of TSP, 29,000 metric tons of paper and 1.81 lakh metric tons of cement were produced under the industries of BCIC. Total sales revenue of BCIC increased by 13 percent in FY 2004-05 as compared to FY 1997-98 and cost of sales increased by 25 percent during the same period. Consequently, operational loss of TK. 200.68 crore in FY 1996-97 decreased to Tk. 153.14 crore and net loss came down from Tk. 237.92 crore to Tk. 154.26 crore in FY 2004-05. At present, 13 units belonging to 10 mills under the control of Bangladesh Textile Mills Corporation (BTMC) are operating on service charge system. Production of yarn in mills under BTMC decreased to 68.31 lakh kg. in FY 2004-05 from 81.01 lakh kg in FY 1997-98. During the period, total sales revenue declined from Tk. 51.99 crore to Tk. 40.13 crore, while the cost of sales dropped from Tk. 122.56 crore to Tk. 55.78 crore. As a result, operational loss declined to Tk. 15.65 crore from Tk. 70.66 crore and net loss came down from Tk 92.70 crore to Tk. 23.75 crore. Bangladesh Sugar and Food Industries Corporation (BSFIC) fixed the target of sugar production at 1,06,591

metric ton in FY 2004-05. In FY 2003-04 the operational loss of the Corporation was Tk. 47.45 crore. Operational loss has been estimated at Tk. 29.03 crore in FY 2004-05. Bangladesh Jute Mills Corporation (BJMC) received a subsidy of Tk. 31.09 crore in FY 2003-04. In FY 2004-05, a sum of Tk. 23.03 crore has been provided as subsidy for the export of jute goods at the rate of 7.5 percent of FoB price. Operational loss declined to Tk. 124.06 crore in FY 2004-05 from Tk. 176.54 crore in FY 1997-98 and net loss decreased from Tk. 275.90 crore to Tk. 177.52 crore. Curently, 9 industrial units are operating under Bangladesh Steel and Engineering Corporation (BSEC). The revenue income of this Corporation is gradually increasing. Net profit of this Corporation was Tk. 14.19 crore in FY 2003-04. In FY 2004-05, the net profit has been estimated at Tk. 9.75 crore.

On going Reform Programmes in State Owned Industrial Sector.

In order to bring about improvement in the management system of state owned industrial sectors, the following programmes have been undertaken:

a. Gradual privatisation of the financially insolvent entities under the State Owned Industrial Sector;

b. Settlement of short term and long term liabilities of closed or privatised enterprises;

c. Reduction of losses through reduction of additional manpower and curtailment of non-essential expenditure;

d. Ensuring record keeping of assets and liabilities and annual audit;

e. Enhancement of reward/punishment scheme for ensuring accountability at every stage; and

f. Rationalisation of prices of goods/services consistent with market demand and cost of production.

Industrial Investment Status

Industrial Loan

Rapid industrialisation is a ***sine qua non*** for achieving desired level of economic development of an agro-based developing country. Government continued its efforts to achieve this goal by way of providing loans and other ancillary supports to promote SMEs alongside the large-scale industries. As a result, the volume of industrial loan is increasing gradually. It appears from the review of loan disbursement and recovery during 1994-95 to 2004-05 that while the volume of disbursed loan (working capital and term loan) in FY 1994-95 was Tk. 4,928.95 crore, it increased to Tk. 25,379.09 crore in FY 2003-04. On the other hand in FY 1994-95 the amount of loan recovery was Tk. 3,744.97 crore which increased up to Tk. 20,398.44 crore in FY 2003-04. In FY 2004-05, the volume of industrial loan disbursement and recovery stood Tk. 31,286.63 crore and Tk. 27,110.83 crore respectively. Table-8.4 shows the year wise disbursement and recovery of loan during FY 1994-95 to FY 2004-05.

Table: 8.4: Year wise Distribution and Recovery of Industrial Loan

(Taka. in Crore)

FY	Disbursement			Recovery		
	Working Capital	Term Loan	Total	Working Capital	Term Loan	Total
1994-95	3647.75	1281.20	4928.95	3263.86	481.11	3744.97
1995-96	3675.69	1230.44	4906.13	3402.88	519.69	3922.57
1996-97	6179.75	1200.00	8179.75	5692.70	887.19	6579.89
1997-98	6599.03	1120.34	7711.37	5409.72	859.43	6269.15
1998-99	7905.49	1330.10	9235.59	5281.65	1093.39	6374.96
1999-00	10681.74	1627.26	12309.00	7200.13	1653.34	8853.47
2000-01	13382.19	3057.07	16439.46	9777.47	2795.10	12572.57
2001-02	13765.12	3505.15	17270.27	9638.34	3212.97	12851.31
2002-03	15671.46	3961.99	19633.45	12283.21	3835.12	16118.33
2003-04	18703.10	6675.99	25379.09	15435.00	4963.44	20398.44
2004-05	22171.66	9114.97	31286.63	18185.76	8925.07	27110.83

Source: Bangladesh Bank.

From the above Table it would be seen that during FY 1994-95 to FY 2003-04 disbursement and recovery of industrial loan increased by 414.90 percent and 444.69 percent respectively. In FY 2004-05 disbursement of term loan stood at Tk. 9,114.97 crore which is 36.53 percent higher than Tk. 6675.99 crore of the corresponding period of the previous year. The recovery of term loan increased by 79.81 percent in the same period. This significant growth of disbursement and recovery of term loan would play a prime role in bringing dynamism in the process of industrialisation, which would ensure sustainable higher economic growth.

Actual Investment Status

Due to proactive economic development initiatives undertaken by the present democratic government during the past four years, Bangladesh has been experiencing a major paradigm shift towards industrialisation. The country is poised to host private investment of any intensity both from local and foreign sources. Gradually, it is transforming towards a more competitive destination for FDI. "The 15th Survey of Investment-Related Cost Comparison in Major Cities and Regions in Asia" conducted by the Japan External Trade Organization (JETRO) in March 2005 found that "the investment cost in Bangladesh has become cheaper compared to the last year and Bangladesh succeeded to develop herself as more competitive than other countries which are potential from the investment point of view to foreign investors".

During FY2004-05, private investment registration at Board of Investment (BOI) grew by 16 percent. Simultaneously, actual FDI inflow into the country during CY2004 grew to US$ 660.8 million implying 49.7 percent growth over 2003. The import of capital machinery during the period from FY 2001-02 to FY2004-05 (Jul-Feb) stood at Tk. 199.80 billion, which is 119 percent higher than the aggregate of preceding five years. During FY2004 capital machinery grew at an accelerated rate of 62 percent. The manufacturing GDP growth is expected to reach 8.43 percent this year. About US$ 12.00 billion worth FDI proposals from different regions of the world are being negotiated with the Government. Because of a buoyant manufacturing growth, huge numbers of employment opportunities are created across the various regions of the country.

In view of the above context, major investment-related economic achievements of the present Government has been presented below in the following six broad categories:

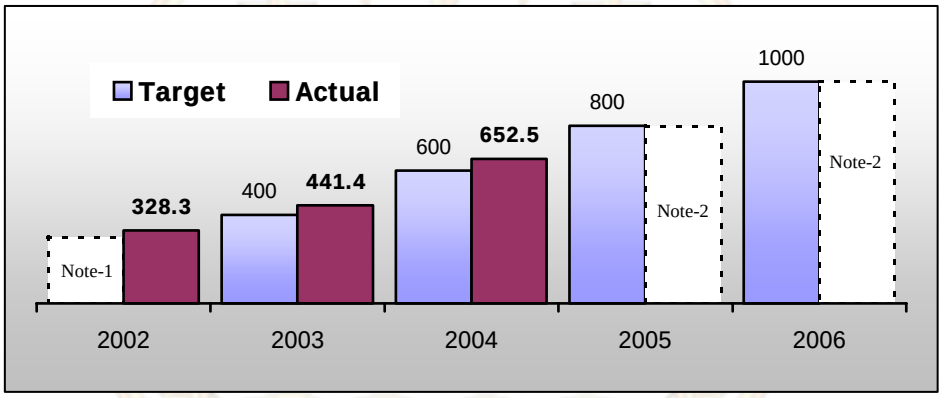
1. Actual Investment Statistics;
2. Private Investment Registration;
3. Import of Capital Machinery;
4. Momentous Growth in Manufacturing GDP;
5. Huge Employment Opportunities; and
6. Growing Interests of the Foreign Investors in Bangladesh.

1. Actual Investment Statistics

1. a. Actual Foreign Direct Investment

The 4th FDI Inflow Survey for the period January-December 2004 has been accomplished by BOI. Preliminary estimate revealed that during the said period, total FDI Inflow in Bangladesh was US$ 660.8 million recording an annual growth of 49.7 percent over Calendar Year (CY) 2003. Graph 8.1 presents the comparative statement of actual FDI Inflow in Bangladesh since 2002.

Graph 8.1: Actual FDI Inflow in Bangladesh during 2002 to 2004



Note 1: FDI Target was set since 2003.

Note 2: Actual FDI Figures for 2005 and 2006 would be available after conducting surveys in the following years.

Source: Provisional Results of 4th FDI Inflow Survey by BOI and BEPZA, Board of Investment, April 2005

BOI commenced the FDI Inflow Survey for the first time in Bangladesh in February 2003, and was well-accepted and appreciated by the concerned authorities and interest groups from the government, multilateral agencies, investors, researchers and the people in general. Results of the earlier survey were also showcased in the World Investment Report 2003.

1. b. Actual Local Investment

Local investment projects is the principal constituent (80%-85%) in the total investment basket of Bangladesh. Sample surveys of the BOI registered local investment projects found that about 85 percent of the registered local projects are either implemented or at the different stages of implementation.

2. Private Investment Registration

Registration is the initial commitment of investment, which is implemented after conducting the detail feasibility studies. Table 8.5 presents time-series data of projects registered with BOI since FY 1991-92. In FY 1991-92, total private investment registered amounted US$ 116 million which

has now grown to US$ 3,204 million in FY2004-05. In the FY2004-05, private investment registration grew at 16 percent indicating an enthusiastic indication in industrialization activities by domestic investors.

Table 8.5: Distribution of Private Investment Projects (Local & Foreign) Registered with BOI from FY 1991-92 to FY 2004-05.

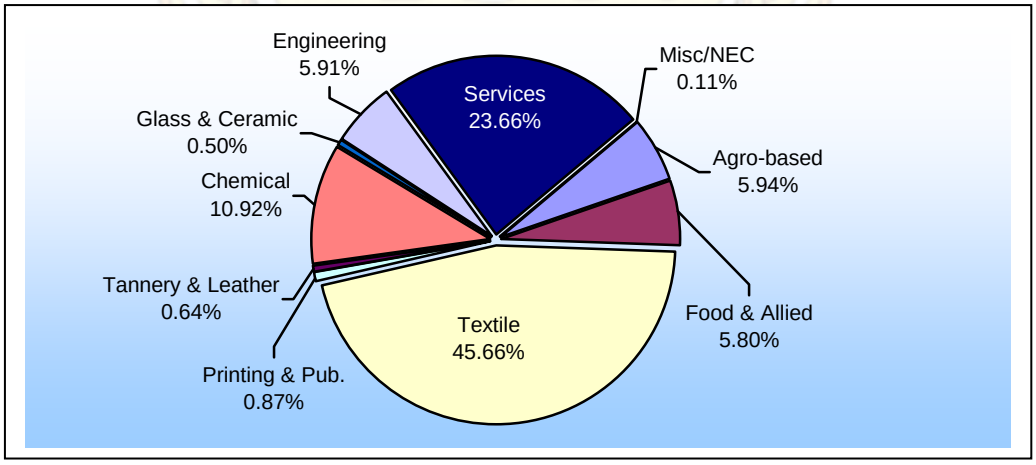
Fiscal Year	Local Investment	Foreign Investment	Total	Growth
	in Million US$	in Million US$	in Million US$	%
1991- 92	91	25	116	-
1992- 93	90	53	143	23
1993-94	457	804	1,261	782
1994-95	846	730	1,576	25
1995-96	1,171	1,516	2,687	70
1996- 97	1,108	1,054	2,162	-20
1997- 98	1,137	3,440	4,577	112
1998-99	1,183	1,926	3,109	-32
1999-2000	1,324	2,119	3,443	11
2000-01	1,420	1,271	2,691	-22
2001-02	1,531	302	1,833	-32
2002-03	2,027	368	2,395	31
2003-2004	2,313	458	2,771	16
2004-2005*	2,319	885	3,204	16

*Provisional Data. Source: IIMC, Board of Investment, July 2005

2. a. Local Investment Projects: Registration Statistics

Local investment proposals registered with BOI during FY2004-05 grew by 3.4 percent. In this period, 1,469 projects were registered with the total investment commitment equivalent to US$ 2,319 million. The sectoral analysis of the registered projects shows domination of manufacturing sectors like textiles, agro-based and food & allied, glass and ceramics, chemical and engineering. Sectoral detail is presented in the following graph 8.2.

Graph 8.2: Sectoral Distribution of the Local Investment Projects*
Registered with BOI during FY 2004-05

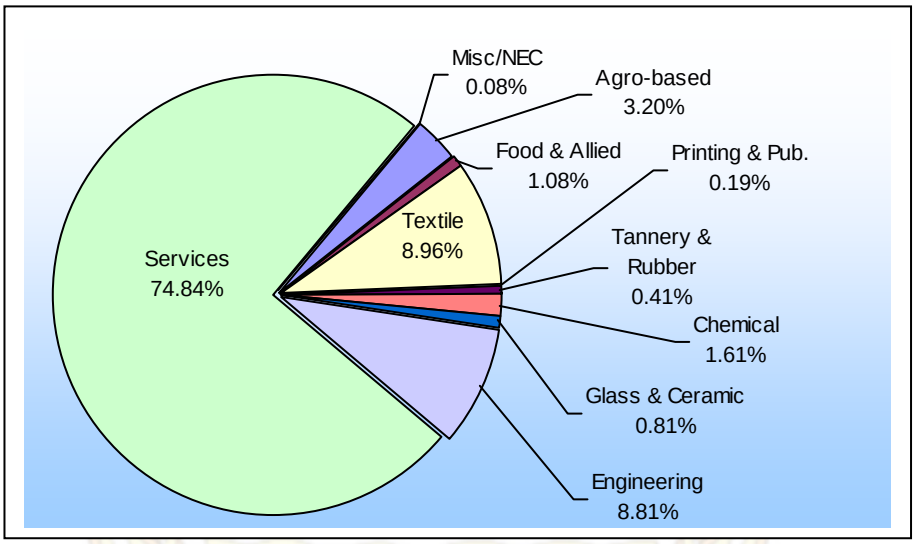


* Provisional Results. Source: Board of Investment, July 2005

2. b. Foreign Investment Projected: Registration Statistics

Registration of foreign investment projects (100% foreign and joint venture) grew by 92.39 percent during FY 2004-05. Total registration in this period stood at US$ 885 million in 120 projects. Analysis shows that services, textile, agro-based, chemical and engineering are the leading sectors of investment. However, services is the principal constituent (77%) that also includes telecom, power generation, oil and gas, hospitalities etc. Graph 8.3 shows sectoral details of the foreign investment projects registered with BOI.

Graph 8.3: Sectoral Distribution of the Foreign Investment Projects*
Registered with BOI during FY 2004-05



* Provisional Results. Source: Board of Investment, July 2005

Foreign investment projects registered with BOI during FY 2004-05, are originated from 29 countries (Table 8.6 and 8.7). Among them, about 39.23 percent of the investment proposals are originated from developed economies. South, East and South-East Asia is the largest region contributing about 52.40 percent of the proposals. As a country, Malaysia is the single largest source followed by UK, Canada, Saudi Arabia, Taiwan, the Philippines and China.

Table 8.6: Sources (By Region & Economies) **of Foreign Investment Projects Registered with BOI during FY 2004-05**

Region	Investment Commitment No. of Projects	Investment Commitment in million US$	Country Share %
Developed Economies	**46**	**347.385**	**39.23**
Western Europe	**30**	**252.402**	**28.51**
European Union	26	247.148	27.91
Other Western Europe	4	5.254	0.59
North America	**8**	**90.013**	**10.17**
Other Developed Economies	**8**	**4.970**	**0.56**
Developing Economies	**74**	**538.080**	**60.77**
Africa	**1**	**0.778**	**0.09**
Latin America & the Caribbean	**2**	**10.389**	**1.17**
Asia & the Pacific	**70**	**526.210**	**59.43**
Asia	70	526.210	59.43
West Asia	6	62.239	7.03
Central Asia	-	-	-
South, East and South-East Asia	64	463.971	52.40
The Pacific	-	-	-
Central and Eastern Europe	**1**	**0.703**	**0.08**
Total	**120**	**885.465**	**100.0**

* Provisional Data Source: Board of Investment, July 2005

Table 8.7: Country wise Sources (By Region & Economies) **of** Foreign Investment Projects Registered with BOI during FY 2004-05

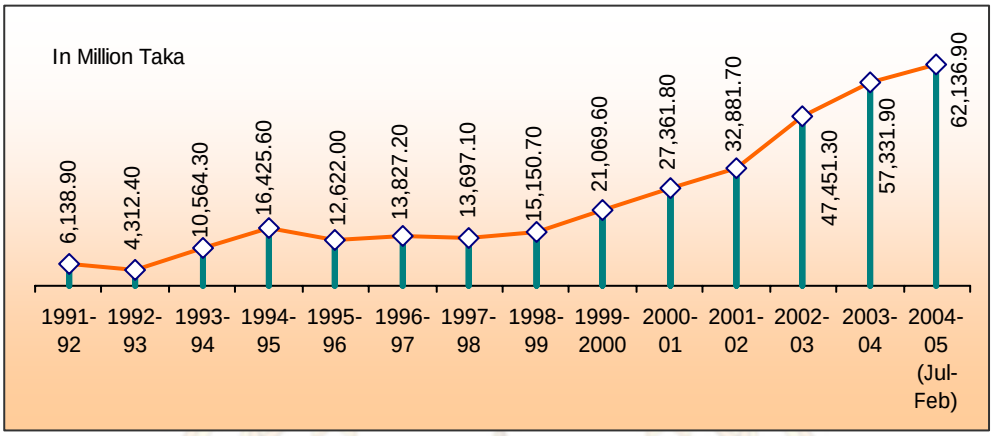
Region / Ecomony	Investment Commitment No. of Projects	Investment Commitment in million US$	Country Share %
Developed Economies	**46**	**347.385**	**39.23**
Western Europe	**30**	**252.402**	**28.51**
European Union	***26***	***247.148***	***27.91***
Denmark	1	0.396	0.04
France	2	0.510	0.06
Germany	3	5.795	0.65
Ireland	1	0.105	0.01
Italy	1	2.396	0.27
Netherlands	1	0.517	0.06
United Kingdom	17	237.429	26.81
Other Western Europe	***4***	***5.254***	***0.59***
Switzerland	4	5.254	0.59
North America	**8**	**90.013**	**10.17**
Canada	3	79.465	8.97
United States	5	10.548	1.19
Other Developed Economies	**8**	**4.970**	**0.56**
Japan	8	4.970	0.56
Developing Economies	**74**	**538.080**	**60.77**
Africa	**1**	**0.778**	**0.09**
Mauritius	1	0.778	0.09
Latin America & the Caribbean	**2**	**10.389**	**1.17**
Bermuda	1	1.327	0.15
Virgin Islands (British)	1	9.062	1.02
Asia & the Pacific	**70**	**526.210**	**59.43**
Asia	**70**	**526.210**	**59.43**
West Asia	***6***	***62.239***	***7.03***
Kuwait	1	0.317	0.04
Saudi Arabia	2	57.053	6.44
United Arab Emirates	3	4.869	0.55
Central Asia	**-**	**-**	-
South, East and South-East Asia	***64***	***463.971***	***52.40***
China	14	25.501	2.88
Hong Kong	4	9.641	1.09
India	16	19.432	2.19
Indonesia	2	5.707	0.64
South Korea	6	7.820	0.88
Malaysia	1	313.043	35.35
Pakistan	5	16.623	1.88
Philippines	3	27.588	3.12
Sri Lanka	2	1.760	0.20
Taiwan	9	35.579	4.02
Thailand	2	1.277	0.14
The Pacific	**-**	**-**	-
Central and Eastern Europe	**1**	**0.703**	**0.08**
Czech Republic	1	0.703	0.08
Total	**120**	**885.465**	**100.0**

* Provisional Results. Source: Board of Investment, July 2005

3. Import of Capital Machinery

Import trend of capital machinery for industries indicates the pace of growth in industrial investment situation. From FY1996-97 to FY2000-01, total import of capital machinery amounted to Tk. 9,111 crore. However, during the last four years of the present government (FY2001-02 to FY2004-05) total import of capital machinery stood at Tk. 19,980 crores, which is 119 percent higher than the previous five years combined import (Graph-8.4).

Graph 8.4: Trend In the L/C-based Import of Capital Machinery



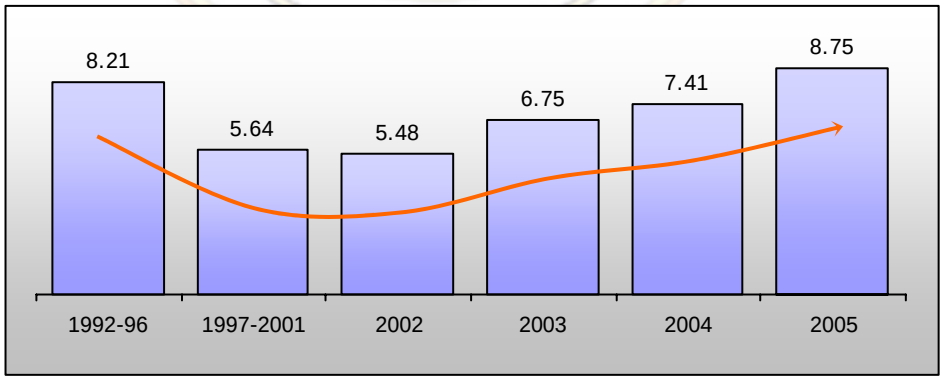
Source: Bangladesh Bank, Monthly Statistics, April 2005.

In the FY 2004-05, the growth is significantly higher (62%) and the import of this 8-month period has already outpaced the total of last fiscal year's import.

4. Growth in Manufacturing Sector

Despite a level growth projection in the GDP resulting from devastating flood, manufacturing sector has been continuing its striking growth in the recent days. Notably, manufacturing growth during FY1992-FY1996 was recorded at 8.21 percent – the highest rate in the last decade. However, the growth trend sharply decreased to an average of only 5.64 percent during FY1997-FY2001. Since FY2003, manufacturing sector has rebounded strongly. FY2005 is expected to post a manufacturing growth of 8.75 percent (Graph-8.5).

Graph 8.5: Growth of Manufacturing GDP During 1992-2005



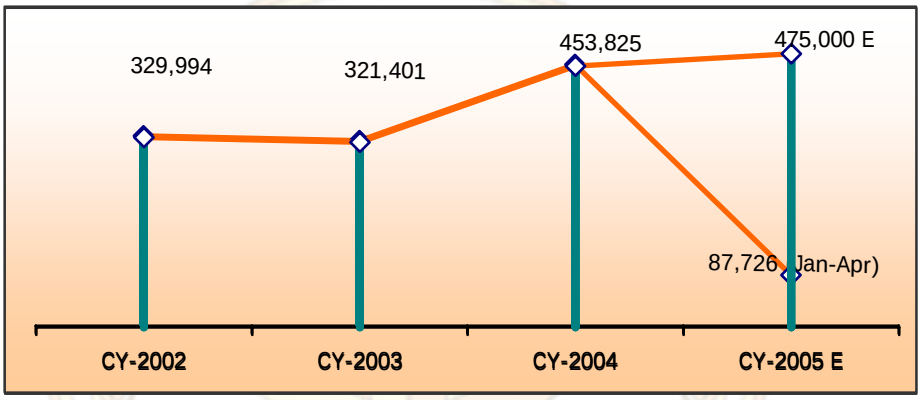
Source: Bangladesh Bank and BOI.

This year, manufacturing, and industry as a whole, is the main growth contributor in sustaining the GDP growth trend. BOI projects that, given the other elements of investment climate remain unchanged, manufacturing GDP would reach a double-digit growth by FY 2006. Accordingly, BOI has strengthened its investment facilitation services to support this momentous growth in the manufacturing sector.

5. **Huge Employment Opportunities**

Growth in the manufacturing projects has direct impact on the employment generation opportunities. The recent growth in Bangladesh has created huge opportunities for employment at all levels – managerial, supervisory, technical and shop floor. During CY 2002 – CY 2005, 12,44,285 new employment opportunities were created only in the BOI registered industrial projects. Graph-8.6 presents a year wise employment data since 2002:

Graph-8.6: Employment Opportunities in the BOI Registered Projects



Source: Board of Investment, July 2005.

6. **Growing Interests of the Foreign Investors in Bangladesh**

The intensive efforts by BOI to promote existing conducive investment climate and economic stability of Bangladesh have resulted in attracting large FDI proposals. Recently, BOI received a host of such large FDI proposals from various business groups of different countries like Tata of India, Asia Energy of UK, Dhabi Group of UAE, Kingdom and Hightech Groups of Saudi Arabia, Global Vulcan Energy of USA, textiles SMEs of Taiwan, and various companies from China, Korea, Malaysia, Thailand etc. Based on the proposals only by these large investors, BOI estimates that the total amount of investment proposals would reach at about US$ 12.00 billion. Given the negotiations be completed on time, it would require about three to four years to implement these projects.

Performance of Industries under Bangladesh Export Processing Zone Authority (BEPZA)

Tables 8:8 and 8.9 show the number of industries, investment cost, manpower utilisation and export performance of the six EPZs at Dhaka, Chittagong, Comilla, Mongla, Uttara and Iswardi. Upto June 2005, 221 industrial units were operational in these six zones with a total investment cost of US $ 867.01 million. Of the operational industries, 20 percent were RMGs and 10 percent

were textiles. A total of 1,54,788 manpower has been employed in these industries. Besides a total of 109 industrial units (29 in Chittagong EPZ, 26 in Dhaka EPZ, 21 in Comilla EPZ, 10 in Iswardi EPZ, 18 in Mongla EPZ and 5 in Uttara EPZ) are under implementation. According to the project proposal once those industrial units are operational, scope will be created for the employment of another 52,031. During the FY 2003-04 goods valued at US$ 1354 million were exported from the mills and factories of EPZ, which accounted for 18 percent of national exports. During FY 2004-05 the value of export was US$ 1548.68 million against the projection of US$ 1400 million.

Table 8.8 Industries under Bangladesh Export Processing Zone (EPZ) and their Performance in terms of Investment and Employment Generation

Goods	Number of Industries	Total Investment (Million US $)	Total Manpower
Readymade Garments	42	222.92	81,696
Electronics	12	48.81	2,837
Textile goods	26	212.26	18,264
Metal goods	11	18.29	1,160
Leather goods	12	50.08	4,918
Plastics goods	12	19.38	1,061
Others	106	295.27	44,852
Total	221	867.01	1,54,788

Source: (BEPZA).

Table 8.9: Annual Investment and Exports Status in EPZs located at Dhaka, Chittagong, Mongla, Comilla, Uttara and Iswardi (1996- 97 to 2004-05)

(Million US $)

EPZ		1996/97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Dhaka	Total Invest	31.01	26.24	35.50	19.80	24.06	32.01	59.14	49.36	51.35
	Total Export	119.45	185.64	259.57	364.73	447.51	466.76	554.79	667.60	757.73
Chittagong	Total Invest	22.89	42.59	36.11	15.18	24.30	22.37	42.14	55.43	45.31
	Total Export	343.31	450.41	452.12	526.09	620.36	680.70	641.28	679.01	772.39
Mongla	Total Invest	0.00	0.00	0.00	0.00	0.05	0.43	0.11	0.80	1.49
	Total Export	0.00	0.00	0.00	0.00	0.00	1.55	3.00	3.21	7.83
Comilla	Total Invest	0.00	0.00	0.00	0.00	0.00	0.64	1.05	9.03	19.59
	Total Export	0.00	0.00	0.00	0.00	0.00	0.01	1.15	4.10	9.66
Uttara	Total Invest	0.00	0.00	0.00	0.00	0.00	0.16	0.20	0.42	0.72
	Total Export	0.00	0.00	0.00	0.00	0.00	-	-	-	-
Iswardi	Total Invest	0.00	0.00	0.00	0.00	0.00	0.10	0.50	-	0.05
	Total Export	0.00	0.00	0.00	0.00	0.00	-	-	-	1.09
Total Investment		53.90	68.83	71.61	34.98	48.41	55.71	103.14	115.05	118.52
Total Export		462.76	636.05	711.70	890.73	1067.91	1149.02	1200.22	1353.91	1548.68

Source: (BEPZA) April, 2005.