

Industrial Policy-2005

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Chapter 1

Introduction

Bangladesh is a developing country, and the present government is striving relentlessly to attain rapid economic development in the country. Many programs taken so far have been carried out successfully. Despite a lack of resources faced by the government, development programs in the key sectors have continued. At the same time, considering the importance of the private sector, an all-out support is being provided to initiatives taken in this sector. As a result, a new kind of dynamism is under way in both the public and private sectors. In this backdrop, it is essential to examine various aspects of industrialization and its impacts on overall economic activities.

Given the present environment of global competition, the private sector is playing an important role in the industrialization of the country. Therefore, the Government in the Ministry of Industries has taken the role of a facilitator. Faced with the challenges of the free market economy and globalization, the government has accepted private ownership and management of industrial enterprises as one of the major guiding forces in achieving economic growth. Besides this, the government has also brought about many constructive and timely reforms in the running of businesses, and liberalized trade so that private entrepreneurs can seize opportunities of establishing and running industrial enterprises profitably and freely.

In the meantime, quite a number of publicly managed industrial enterprises have already been sold out and transferred to private ownership. In order to establish economically prospective industries in industrial sub-sectors, there are plans to set up industrial parks and special economic zones so that huge amount of unused and abandoned land can be utilized. All this is aimed at fostering industrialization and economic development and generating employment opportunities in the country.

To reduce poverty and generate employment opportunities, more efforts are needed to establish agro-based industries as well as to raise agricultural production.. This will ensure the protection and fair price of agricultural products and employment of a huge number of unemployed people. In order to create further employment opportunities beyond the agricultural sector, initiatives should be taken to set up small, medium and large industries across the country. If these types of industries are set up in a planned way, then unemployment rates will decline and poverty alleviation will be accelerated. With these objectives in mind, the Industrial Policy has been radically reshaped.

In order to provide administrative, institutional and infrastructural facilities in the country's industrialization, there are organizations such as the Bangladesh Standards and Testing Institution (BSTI), Bangladesh Industrial Technical Assistance Center (BITAC), Bangladesh Institute of Management (BIM), Bangladesh Small and Cottage Industries Corporation (BSCIC), National Productivity Organization (NPO) and Small and Cottage Industries Training Institute (SCITI) under the Ministry of Industries, and the National Institute of Textile Training, Research and Design (NITTRED), Textile Vocational Institutes, Textile Diploma Institute and Bangladesh Silk Research and Training Institutes under the Ministry of Textiles and Jute. For the leather industry, the Bangladesh College of Leather Technology and different district level polytechnic institutes provide technical education. These institutes also provide assistance for industrialization by providing training on management and quality control of goods, safeguarding consumers' interests, producing and repairing import-

substitute spare-parts used in industries, manufacturing new tools necessary for the production of industrial goods that are in demand, and by improving efficiency and overall productivity. However, many industrial entrepreneurs are not fully aware of the necessary technical and other assistance available for the industrial sector through these institutes. Therefore, extensive publicity is necessary for the proper use of these important institutes and the facilities available there.

In order to further strengthen the country's industrialization process, the present government has identified the Small and Medium Enterprises (SMEs) as a priority sector and as the driving force for industrialization. A national taskforce led by the Principal Secretary of the Prime Minister's Office has been formed so that proper policies and planning are followed in establishing SMEs. At the same time, with a view to providing entrepreneurs with assistance in the establishment of SMEs, a cell has been created under the supervision of the Ministry of Industries comprising officials experienced in SMEs from the Ministry of Industries, Bangladesh Small and Cottage Industries Corporation (BSCIC), National Productivity Organization (NPO), Asian Development Bank (ADB), FBCCI, National Association of Small and Cottage Industries, Bangladesh (NASCIB) and women entrepreneurs.

The provisions of all facilities for attracting foreign investments have been envisaged in the Industrial Policy. The government has taken an initiative to formulate a separate SME policy to provide entrepreneurs with necessary guidance and strategic support in respect of the establishment of SME industries all over the country. These strategic guidelines will be followed in establishing SMEs across the country.

Far-reaching changes have occurred in the past decade in economic and social activities across the globe, especially with regard to the participation, contributions and successes of women in industrial activities. Therefore, the creation of women entrepreneurs and their participation in industrialization have been given considerable prominence in the present Industrial Policy.

Necessary steps have been taken to hygienically preserve and market agricultural products of Bangladesh. With this end in view, measures will be taken for the preservation of frozen, pasteurized, canned and dry foods in a modern and hygienic way in order to sell them in local and overseas markets throughout the year.

Steps will be taken to properly utilize the natural and mineral resources of the country such as gas, coal, hard rock, limestone, silicon, monazite, zircon, rutile, oyster, pearl, coral, fossil, seaweeds, etc, available in the country's long sea-beach so that new profitable industries can be set up. Steps will also be taken at the same time to use solar power and municipal refuse to generate electric power in order to minimize power shortage in running small and cottage industries.

This is an age of information and communication technology (ICT). The application of ICT in running industrial enterprises efficiently and profitably can ensure quality development of goods, make production cost-effective and ensure faster customer services. So, providing further importance and incentives to the use of ICT in a number of sectors is one of the notable features of the present Industrial Policy.

The industrial sector is likely to grow rapidly over the next decade raising its contribution to the country's GDP to 30 to 35 percent, and the workforce in this sector is expected to

increase to 35 percent of national employment need. In order to attain this growth in this sector, special importance has been given in the Industrial Policy on agro-based and agro-processing industries and on steps to overcome possible adverse conditions in the export-oriented garment sector. Importance has also been given on considering the SMEs and cottage industries as one of the major driving forces, providing assistance to women entrepreneurs on a priority basis, setting up special economic zones in different parts of the country, improving the quality of industrial products to world standard, marketing of goods at competitive prices, and enhancing productivity in the industrial sector.

There is a proposal in the Industrial Policy for the formation of a high level committee led by Minister of Industries and comprising senior officials from public and private organizations involved in industrialization. This committee will submit a report to the Cabinet for its decisive approval, and afterwards the relevant ministries/divisions/ agencies will take necessary programs for industrialization to get underway in the approved sectors.

In the end, it can be hoped that the guidelines contained in the new Industrial Policy will help expand planned industrialization in the country, bring about sustainable and continuous industrial growth, and overcome the past failures of industrialization to a great extent. As a result, a sound and prospective foundation of economic development will be established. This will help bring about poverty alleviation, create further employment opportunities, reduce unemployment instances, improve living standards of people, and achieve an overall economic growth in the country.

Chapter 2

Objectives

- 2.1 One of the foremost objectives of the Industrial Policy 2005 is to set up planned industries considering the real domestic demand, prospect of exporting goods abroad, and discouraging unplanned industries in the light of past experience.
- 2.2 Accept private initiatives as the main driving force of economic development and uphold the government's facilitating role in creating a favourable atmosphere in order to augment private investments in the country's industrialization, given the background of a free market economy and globalization,.
- 2.3 Arrange for state-owned industrial enterprises to be sold/transferred/leased or administered in any other way by the Privatization Commission or concerned ministries in order to accelerate the privatization process.
- 2.4 Take necessary initiatives to set up industries with private entrepreneurships, and where that is feasible, establish industries on state initiative in those sectors that are considered very important and essential because of national interest, where private entrepreneurs are not forthcoming.
- 2.5 Catering the needs for local and foreign market and also for consumer satisfaction of the local products; measures to be undertaken (a) produce world class quality products, (b) diversification of goods, (c) introduce cost-effective management in the production system, (d) more value addition in the industrial sector, and (e) provide support for enhancing productivity by using continuous, appropriate and advanced technology.

- 2.6 Provide assistance to augment the industrial sector's contributions to the GDP of the national economy, meet the general demands of local consumers and earn more foreign exchange so that local industrial entrepreneurs can attain further capacity to establish industries, and industrial goods can have access to the overseas market on a competitive basis.
- 2.7 Provide inspiration for the speedy expansion of cottage industries and SMEs and for further investment in these sectors so that new employment opportunities are generated, unemployment reduced and poverty alleviation program made in the country.
- 2.8 Prioritize the expansion and development of agro-based and agricultural processing industries, and assist in the expansion of poultry, dairy and goat-sheep industry as agricultural industries.
- 2.9 Provide women entrepreneurs with all necessary assistance in establishing industries in various sectors.
- 2.10 Increase productivity at enterprise level; produce high-value added products step by step through development and application of appropriate technology and increase of export through export diversification.
- 2.11 Provide all necessary assistance for producing environment-friendly product with the objective for creating a pollution-free environment in the industrial sector.
- 2.12 Expand the local market and establish more backward linkage industries in order to accelerate the export of high value-added garments produced in the export-oriented garment industries and other relevant industrial sub-sectors.
- 2.13 Further enrich the industrial sector with the proper utilization of the country's various natural and mineral resources.

Chapter 3

Policy Strategy

- 3.1 Ensure full utilization of current production capacity in the industrial sector, especially by reusing that it is not hampered because of infrastructural deficiency.
- 3.2 Provide special facilities as well as infrastructural support to Cottage and Small and Medium Enterprises (SME) located in different parts of the country.
- 3.3 Provide financial, technical, technological and infrastructural facilities in order to inspire setting up and developing agro-based industries.
- 3.4 Take steps to preserve and market agro-based goods hygienically by processing in frozen, pasteurized, canned or dry form so that goods produced in the country are preserved and marketed in compliance with modern standards in order to ensure that they can be made available in the local market or exported throughout the year.
- 3.5 Take steps to properly utilize the natural and mineral resources in the country such as gas, coal, hard rock, limestone, silicon, monazite, zircon, rutile, oyster, pearl,

coral, fossil, seaweeds, etc, available on the long sea-beach so that new profitable industries can be set up.

- 3.6 Take action to use solar power and municipal refuse to generate electric power in order to run small and cottage industries.
- 3.7 Assist backward linkage industries on a priority basis. The objective is to diversify and produce goods of world standard and value added items so that they help to diversify our exports.
- 3.8 Consider the readymade garment and textile industries as a priority sector in view of their special contributions to the country's export trade.
- 3.9 Provide necessary assistance to value added linkage industries and sub-contracting industries so that they are developed.
- 3.10 Provide assistance to waste management development in order to ensure proper waste minimization and waste removal and produce pollution-free goods.
- 3.11 Strengthen and ensure efficiency in import substitution industries so that the gradually increasing demand for goods in the local market can be met.
- 3.12 Inspire well-proportioned industrialization across the country by providing incentives, wherever necessary.
- 3.13 Conduct a survey to determine the demand in the local market of goods produced in sick industries as a primary step towards the rehabilitation and development of those industries. In view of competition in the local market, take action to reduce the production cost of goods in sick industries in a cost-effective way so that the qualitative standards of goods and productivity are ensured.
- 3.14 Provide incentive to various institutions that are concerned with technological and technical efficiency enhancement, side by side with human resources development, in order to improve efficiency in the industrial sector.
- 3.15 Remove policy discrimination, if any, between domestic and foreign investments, and enhance regional and sub-regional cooperation.
- 3.16 Privatize non-profitable industries in the state sector quickly and in phases. Restrict state investment and administration only to those industries in the public sector which the government think are not safe for investment in the private sector.
- 3.17 Provide all-out assistance to create a strong capital market so that investments in the industrial sector are increased.
- 3.18 Give preference to infrastructural development including ports, power, transport and communications, and human resources development. Specifically promote private investments along the principles of construction, administration and BOO, and construction, administration and BOT in these sectors.
- 3.19 Quite a number of publicly managed industrial enterprises have already been sold and transferred to private owners. Take initiatives to set up industrial parks with a view to establishing economically viable industries in these industrial sub-sectors.
- 3.20 Provide further structural and other facilities to establish and develop compact industrial areas. Develop planned industrial areas by establishing Special Economic Zones in areas with vast economic potentials, and utilizing local resources.
- 3.21 Take necessary steps to bring about the country's industrial development in line with different agreements with the World Trade Organization (WTO).

- 3.22 Consider highly developed technology-based seed breeding, production and development, and agricultural goods processing activities as industries. At the same time, take strong steps regarding the diverse use of jute.
- 3.23 Market daily essentials such as flour produced from wheat in flour mills, refined edible oil produced from unrefined edible oil, refined salt produced from unrefined salt, etc, after enriching them with vitamins, minerals and iodine.
- 3.24 Arrange for incentives to be given for research and development, acceptance and transfer of environmentally friendly appropriate technology. At the same time, develop market-oriented institutional structure in overall technological development.
- 3.25 Promote foreign direct investments in order to bring about technology transfer, efficiency and management development and enhance marketing skills.
- 3.26 Establish coordinated and extensive Management Information Service (MIS) comprising different public and private agencies under the Ministry of industries (various chambers of commerce and industries) and arrange for information received from MIS to be supplied to administrative divisions and districts levels.
- 3.27 Create a long-term credit fund to generate industrial production capacity and also a venture capital fund to support in the commercial production and marketing of creative industries.
- 3.28 Collect information on industrial development and arrange for technology dissemination through the Technology Dissemination Cell, set up at the Ministry of Science and Technology, Industry and Business Association, and the Bangladesh missions abroad.
- 3.29 Take assistance from extended administrative-judicial system (Financial Loan Courts, Arbitration Centers and various other tribunals) in order to resolve trade disputes quickly and at minimum cost.
- 3.30 Ensure the availability of the working capital from financial institutions after the establishment of an industry so that working capital can be obtained in time.
- 3.31 Ensure the availability of assistance of the capital market so that industrial entrepreneurs can overcome the lack of capital and mobilize the necessary capital from the capital market in order to establish or administer industrial enterprises.
- 3.32 Consider other industry related policies such as the Textiles Policy, Jute Policy, and Silk Policy as supplementary to the Industrial Policy.

Chapter 4

Definitions and Classifications of Industrial Enterprises

- 4.1 Broadly speaking, industry includes manufacturing and service activities
- 4.2 Production, processing and assembling, and rehabilitation and fabrication of manufactured goods are included in industry.

- 4.3 The services that are received through the use of machinery and durable resources are included in the service industries. The service industries have been enlisted in Annex-2.
- 4.4 Definitions of industries in the manufacturing sector:
- (a) "Large Industry" means an industry in which the value/replacement cost of durable resources other than land and factory buildings is above 100 million taka.
 - (b) "Medium Industry" means an industry in which the value/replacement cost of durable resources other than land and factory buildings is between 15 million and 100 million taka.
 - (c) "Small Industry" means an industry in which the value/replacement cost of durable resources other than land and factory buildings is under 15 million taka.
 - (d) "Cottage industry" means an industry in which members of a family are engaged part-time or full-time in production and service-oriented activities.
- 4.5 Definitions of industries in the non-manufacturing sector (trading and other services):
- (a) "Large Industry" means an industry in which more than 100 workers work.
 - (b) "Medium Industry" means an industry in which 25 to 100 workers work.
 - (c) "Small Industry" means an industry in which fewer than 25 workers work (unlike family members in a cottage industry).

Reserved industries:

- 4.6 Those industries that are necessary to be kept reserved by the government in the interest of national security and are sensitive have been identified as reserved industries. A list of reserved industries has been given in Annex-3.

Thrust sector:

- 4.7 The thrust sector will mean those industries/industrial sub-sectors which have already been able to successfully contribute to the country's industrialization and poverty alleviation by increasing GDP, creating employment opportunities and increasing export income. Special incentives and financial facilities such as tax exemptions, exemption from dual taxation, tax holiday, and taxation at a reduced rate or accelerated depreciation (if the tax holiday and tax exemption facilities cannot be provided for new industries in the future) can be considered. The facilities provided to those industries that are established in EPZ areas including export-oriented industries can also be provided to the thrust sector. The objective will be to use domestic technology, import substitution, adjustment and/or export augmentation. But entrepreneurs under the thrust sector will not receive these facilities automatically. The government will determine the facilities to be received by thrust sector entrepreneurs after analysing and reviewing the performances and contributions of their sub-sectors/industrial enterprises to the national economy. A list of the thrust sector has been given in Annex-1.
- 4.8 The definitions of the abovementioned industries may change over time and variation of location.

Chapter 5

Facilitating Role of Relevant Ministries and

Public Institutions in Industrialization

- 5.1 The Bangladesh government gives importance to the private sector as a driving force of industrialization, and has brought about constructive and realistic reforms in formulating policies. The government will provide assistance in the following way to play a supporting role through concerned public institutions:
- (a) Before setting up industries, all foreign investors will register with concerned offices in a measured manner.
 - (b) The Bangladesh Small and Cottage Industries Corporation will allot industrial plots in its own industrial areas and in other industrial areas created with specific objectives. Similarly, the Bangladesh Export Processing Zones Authority (BEPZA) will allot plots in its own areas. The Board of Investment will make necessary recommendations and take steps to allot land where public land is available.
 - (c) The concerned utility agencies will determine the timeline for providing electric power, gas, water and sewerage, and telephone connections in consultation with relevant authorities and provide clearance regarding environmental pollution. Wherever possible, these authorities will provide their services through one-stop service centers.
 - (d) The Board of Investment and BEPZA will approve, as necessary, the royalty, technology or technical assistance fees and the appointment and remuneration of foreign employees.
 - (e) The sponsoring authority will provide entrepreneurs with advance information in order to avoid investment risks because of unplanned and excessive investments in certain sectors.
- 5.2 Approval will be given for establishing EPZ areas and developing industrial parks in the private sector. The government will provide all possible assistance for the EPZ areas and parks to be developed.
- 5.3 Accreditation bodies will be set up and arrangements made for properly conducting activities of public and private laboratories/institutions engaged in examining and fixing the standards of goods produced at home or imported from abroad.
- 5.4 Activities of training institutes under different ministries that are engaged in human resources development in the industrial sector will be made more dynamic and effective. These institutes include the Bangladesh Institute of Management (BIM), National Productivity Organization (NPO), Small and Cottage Industries Training Institute (SCITI) and Training Institute for Chemical Industries under the Ministry of

Industries; the Textile Industrial Development Center under the Department of Textiles; the training institutes under the Bangladesh Jute Mills Corporation; Bangladesh Handloom Board and Bangladesh Silk Board; and some other relevant training institutes.

Chapter 6

Privatizing State-Owned Industries and the Privatization Commission

- 6.1 The present policy of privatizing public sector industries will be pressured with vigour.
- 6.2 Investments in the public sector will be restricted to the "reserved sector". State investments in the industrial sector will be treated as residual investment in the future. State-owned enterprises will be complimenting to private sector industries and will be encouraged to compete.
- 6.3 The present state-owned industries will be given autonomy as far as possible so that they are run on commercial lines.
- 6.4 Except for the reserved sector, capital will gradually be withdrawn from state-owned corporations.
- 6.5 100% shares of public sector enterprises will be sold out, if necessary.
Shares of public sector industries will be sold out to the public to ensure wider distribution of shares and securities to the public and to involve the public in the management of these industries.
- 6.6 Bangladeshis working abroad will be encouraged to buy shares of industrial enterprises in foreign currency.
- 6.7 If the Privatization Commission cannot privatize state-owned enterprises successfully, then the concerned ministry will sell/transfer/lease those enterprises or take any other action in this regard.

The Privatization Commission and privatization policies:

- 6.8 The government is committed to bring about quick privatization of state-owned industries, businesses and service institutions. The reason is to strengthen the role of the private sector in the national economy and establish the private sector as the main carrier of development, given the sick and deteriorating condition of state-owned enterprises. With this end in view, the government has formed the Privatization Commission. The main objectives of the Commission are to: (a) promote social welfare by enhancing efficiency; (b) attract foreign investments, enhance efficiency and improve mutual relations; (c) generate revenue; (d) release resources from loss-making industries and invest in other social and public welfare activities; and (e) stimulate competition so that employment opportunities are created and protected.

Privatization policies to be followed:

- 6.9 (a) To protect the interests of workers, employees and officers; (b) give importance to consumers' and good will; (c) avoid possible closure of any industrial enterprises; (d) consider the market price as the sale price; (e) safeguard the interests of consumers; (f) conclude transfer documents or agreements; and (g) maintain transparency, privacy and unbiased behaviour.

Activities of the Privatization Commission in brief:

- 6.10 (a) To formulate program of privatization; (b) assess the value of industries/trade/service institutions marked for privatization; (c) draw up guidelines for preparing reports on privatization related assessment; (d) sell industrial enterprises through tender; (e) transfer portions of shares to staff when selling shares through Stock Exchange; (f) sell the public shares of private limited companies; (g) conclude management agreement; (h) give lease; (i) sell/liquidate assets directly; (j) prepare a progress report on privatization activities; and (k) take back the possession of privatized enterprises.

Chapter 7

Revenue and Financial Incentives

- 7.1 There will be no differences between the same types of industries established in the public and private sectors in respect of customs duty and other taxes.
- 7.2 (a) As of today, the tax holiday facility will be provided till the end of 2005 on the basis of the locations of industrial enterprises. After that time, this facility will depend on what the government decides in this regard. However, tax holiday will not be applicable for extended units of industrial enterprises. At least 40% of the tax-free income must be re-invested.
- (b) As an alternative to tax holiday, industrial enterprises will receive depreciation at the rate of 100% in the first year. Apart from this, industrial enterprises receiving tax holiday will be entitled to 80% depreciation in the second year and 20% depreciation in the third year for their extended unit plants and machinery.
- (c) If the tax holiday and tax relief facilities cannot be provided for setting up new industries in the future, then taxation at a reduced rate will be considered.
- (d) Agro-processing industries and computer software businesses will receive income tax relief from 1 July 2002 to 30 June 2006.
- (e) Credit equity ratio will be fixed at a reasonable rate to inspire investment in textile industries.
- (f) Industries established in EPZ areas will continue to receive income tax relief for 10 years from the date of commercial production.
- (g) As an alternative to tax holiday, industries established between 1 July 2002 and 30 June 2005 will receive the taxation facility at a reduced rate of 20%.

- (h) Industrial enterprises engaged in the production of readymade garments will receive the taxation facility at a reduced rate of 10% on their export incomes till 30 June 2006; jute goods industries will receive the taxation facility at a reduced rate of 15% on their export incomes till 30 June 2006; and textile industries will receive the taxation facility at a reduced rate of 15% on their export incomes till 30 June 2006.
- (i) Financing institutions will be encouraged to fix their interest rates at the minimum on their short- and long-term loans for industrialization.
- 7.3 The present structure of duty concession on machinery imports will continue. Imported machinery and spare parts will be exempt from payment of VAT subject to existing conditions. In addition to other incentives schemes, activities of the Equity and Entrepreneurship Fund (EEF) will be intensified to give priority to entrepreneurs of under-developed areas and entrepreneurs of the BSCIC industrial enclaves in receiving loans from this fund.
- 7.4 The duty structures of imported raw materials, intermediate goods and manufactured goods will be set at gradually escalating rates.
- 7.5 In order to eliminate unequal competitions between goods produced at home and goods imported, the prevailing duty structures will be made reasonable, if necessary. If any items are illegally imported at a dumping price – a price that is unjustified and below the production costs, then with recommendations from the Bangladesh Tariff Commission, the anti-dumping law will be applied and counter-veiling duty imposed.
- 7.6 Industrial enterprises established outside the EPZs, and industrial units with 100% foreign investments, joint ventures (Type B) and local ventures may conclude foreign exchange related agreements with foreign creditors with the prior approval of the Board of Investment. 100% foreign owned industrial units (Type A) situated in that area can take credit from abroad without prior approval. The principal amount and interests of these loans can be paid without the prior approval of the Bangladesh Bank.
- 7.7 Special incentives will be given to non-resident Bangladeshis in order to encourage them to make investments in the country. They will be provided with the same facilities that are given to foreign investors in respect of making investments in Bangladesh. The Securities and Exchange Commission will reserve 10% of the initial public offers for non-resident Bangladeshis. Besides, they can keep deposits of foreign exchange in their NFCD (Non-resident Foreign Currency Deposit) accounts.
- 7.8 Special revenue facilities (as described in Section 4.7) will be provided to industries marked as “thrust sectors”, SMEs and cottage industries.
- 7.9 Industrial enterprises registered with the Board of Investment need not pay any transfer fee and gains tax to purchase land for setting up new industries or to transform an industry into a limited company provided that no changes can be made in the ownership structure after that transfer.
- 7.10 Steps will be taken to create an industry fund in the Bangladesh Bank, strengthen specialized banks, establish a country fund, expand the capital market, create an endeavour fund, and rationalize the tax holiday system.

Chapter 8

Massive Establishment of Small, Medium Enterprises (SMEs) and Cottage Industries in Countrywide Industrialization

- 8.1 The development and expansion of SMEs is regarded as a very important medium of achieving industrialization and economic growth in both developed and developing countries. The role of SMEs in industrial revolution in the industrialized world was enormous, and this trend has continued to-date. The role of SMEs in generating investment, savings, profit, employment opportunities, export, regional industrialization and improvement of people's living standards as well as national development is very important. To this end, forward linkage, backward linkage, value addition activities and productivity improvement should be accelerated in order to establish and expand SMEs in the manufacturing sector. As such the SME sector has been treated as a priority sector in the Industrial Policy 2005.

Scope of SMEs:

- 8.2 The structural arrangements of Bangladesh's industries show that jute, textiles, paper, steel and engineering, cement, chemical, fertilizer and pharmaceutical industries are under the big and medium scale industries. On the other hand, specialized textile industries (including garments), backward linkage industries, hand-operated welding, food processing and food linkage industries, leather, ceramics, light engineering including automobiles, basic metal engineering, small scale chemical engineering, rubber industries, paper printing and publishing industries, small fabrication industries, non-metal mineral products, batteries, electrical, electronics, handicrafts, agro-based industries, multilateral jute goods, silk industries, fruit processing, poultry farming, fisheries, tea-gardening and processing, vegetable seed farming, floriculture and agro-forestry, and printing industries, ginning and baling, construction industries, transportation (including automobiles), cinema and photography, pathological laboratories, cold storage, furniture, computer industries, fast food, frozen food, etc, under service industries, and many other sectors are included in the SMEs.
- 8.3 SMEs will be established on a greater scale across the country in order to bring about poverty alleviation, unemployment reduction and creating more employment opportunity so that national economic growth can be attained. To this end, the government has taken an initiative to draw up a separate SME policy with a view to providing necessary guidelines and strategic assistance in respect of establishing SMEs throughout the country. The guidelines and strategy incorporated in the relevant policies will be pursued in establishing and expanding SMEs of all kinds throughout the country.

Chapter 9

Establishment of Special Economic Zone based on the Importance of Industries, Availability of Inputs and Regional Facilities.

- 9.1 In some of the Asian and Pacific countries, such as Taiwan, China, Singapore and Malaysia, industrial enterprises have been established in various regions considering their socioeconomic conditions and importance, and economic and commercial opportunities on the basis of the availability of various facilities. Many other countries across the world are pursuing this concept. The setting up of special economic zones in Bangladesh considering the socioeconomic background and facilities available in various regions is equally important.
- 9.2 Because this concept to a great extent is cost-effective and economically profitable, special economic zones will be established across Bangladesh on a priority basis considering the nature and types of industries and comparative costs across regions
- 9.3 A considerable size of land has remained unproductive because of salinity and infertility in a number of regions in the country. On the other hand, the labor and creative working capacity of a great number of efficient people cannot be utilized because of lack of opportunity. Therefore, initiatives will be taken to establish and run industries profitably in special economic zones on the basis of facilities available in various regions so that unused land, human and other resources can be properly used.
- 9.4 By creating special economic zones, cluster villages can be established quickly for running industrial enterprises. Cluster villages can be set up in especial economic zones for industries such as leather industries, hosiery industries, small chemical industries (paint, varnish, etc), dyeing, printing and finishing, electronics, electrical goods, handicrafts, boutique, etc.
- 9.5 As a foremost strategy for maintaining balance in the country's economic development, initiatives will be taken to set up industrial enterprises on a limited scale and on a trial basis in economic zones.

Chapter 10

Productivity and Industrial Relations

- 10.1 Productivity improvement program shall be undertaken as a driving-force by using continuous and modern technology in all national economic activities including agriculture sectors, especially in industrial enterprises and institutions with the objective to build a self-reliant Bangladesh and also for facing the present challenges of globalization and free market economy.
- 10.2 The productivity enhancement program will be pursued as a national movement under government support. The objective is to establish good relations and understanding between all concerned parties (workers, owners and the government)

in order to speed up productivity in all national economic activities, especially in the industrial field.

- 10.3 It has been proposed that the month of January will henceforth be observed as the productivity month with a view to strengthening productivity enhancing activities in all industrial enterprises and institutions. The aim is to continue a positive productivity enhancing effort in the industrial sector throughout the year.
- 10.4 In recognition of success in manufacturing quality goods of international standard and successful running of an industrial enterprise, a national "Excellence in Productivity and Quality" award will be given every year from now on to an institution which will achieve the highest productivity records.
- 10.5 A separate policy entitled "Productivity Policy" will be drawn up which will provide help to and exert influence on developing productivity in the country.
- 10.6 To ensure application of productivity enhancement strategies in all industrial enterprises and institutions, productivity-training programs for human resources development will be conducted at the enterprise level.
- 10.7 In its regular broadcasts, Bangladesh Television and Radio Bangladesh will stress the importance of productivity and announce the positive results, so that people around the country become more conscious and interested in it.
- 10.8 A Productivity Data Bank will be established in NPO so that workers, owners, the government, professionals, researchers, planning specialists and others concerned can access information for necessary guidance on productivity.
- 10.9 The interrelationship between wage and productivity will be established as a strategy to increase productivity in industrial enterprises and institutions.
- 10.10 The total quality management culture will be adopted as a policy to introduce the joint consultation system between workers and owners in order to continuously increase productivity in the industrial sector.
- 10.11 The necessity for developing proper workers-management relations in the industrial sector will be upheld, and if necessary, some of the sections of the present labor law will be reformed in line with recommendations of the Labour Law Commission, as committed to the ILO, so that necessary steps can be taken to improve industrial relations.
- 10.12 Collective bargaining will be given priority in fixing wage.
- 10.13 The Tripartite Consultation Council (the government, owners and the trade union), National Productivity Council and other national-level organizations will help the government formulate policies on employment expansion, productivity enhancement, training, efficiency development, etc.
- 10.14 Employment of child labour will be stopped in industrial enterprises.

Chapter 11

Participation and Development of Women Entrepreneurs in Industrialization

- 11.1 Over the last decade, there have been substantial progress in women's participation and successes in socioeconomic activities, especially in industrial activities, in Bangladesh as elsewhere in the world. So, women's participation in the country's industrialization must be ensured on a wider scale.
- 11.2 Special emphasis will be given to identify women entrepreneurs capable of running independent and self-sufficient industries and businesses all across the country.
- 11.3 Necessary steps will be taken to provide women entrepreneurs with pre-investment advice and assistance in drawing up and implementing projects.
- 11.4 Various incentives and financial support will be considered for women entrepreneurs to get established in small and cottage industries.
- 11.5 Technical, financial and training assistance will be provided for establishing SMEs considering the social stance and status of women entrepreneurs. Modern technical training will be arranged for enhancing the efficiency of women entrepreneurs in cooperation with different institutions established under the Ministry of Industries, such as BSCIC, BITAC, BIM, NPO, and SCITI.
- 11.6 Women entrepreneurs will be given preference in expanding and achieving growth in service industries.
- 11.7 Women entrepreneurs will be encouraged on a greater scale in setting up and running agro-based industries in the country. Similarly, women entrepreneurs will be given technical and financial assistance in establishing garment (knit and woven), electronic, ceramic, hosiery, frozen food, cold storage and high value added industries.
- 11.8 Women entrepreneurs will be provided with incentives and financial assistance in establishing cottage industries of decorative items, leather goods, embroidery, imitation items, block, boutique, handicrafts of bamboo and cane, toys and other gift items.
- 11.9 In order to create women entrepreneurs of high standard, opportunities will be generated for advanced training and necessary capital, and successful implementation of projects will be ensured to set up SMEs and cottage industries. With this end in view, a number of plots will be reserved for women entrepreneurs in industrial parks in all divisional towns of the country.
- 11.10 Necessary initiatives will be taken to help improve the standard of goods produced by women entrepreneurs, create new markets, publicize, promote and sell their products in local and foreign markets.
- 11.11 The participation of women entrepreneurs in policymaking in the field of industrial development will be ensured.
- 11.12 The establishment of a separate bank under public or private initiative will be considered so that women entrepreneurs can have an easy access to industrial

credit, equity capital, venture capital and working capital. Co-lateral free loans will be considered for women entrepreneurs after examining their competence.

Chapter 12

Investment Criteria of Feasibility Study for Planned Industrialization

Policy Strategy for Investment Criteria

- 12.1 Because of the scarcity of capital in the country, financing institutions investing in the industrial sector have to conduct pre-investment study properly. With this end in view, the investment criteria that are suitable should be examined and then applied. Special care should be taken in respect of big and medium scale industries because they require big amount of capital to be invested. While setting up large and medium scale industries, entrepreneurs and financing institutions should consider improving the conventional investment tactics, examine and review the different investment criteria, and then conduct the feasibility study on the basis of that criterion which is most suitable. If necessary, more than one criterion can be used to conduct feasibility study. Investment criteria have been explained in brief in Annex 4.
- 12.2 Creating re-investment opportunities in manufacturing goods in the industrial sector is an important factor. So, production activities in the industrial sector should be administered in such a way that re-investment opportunities are created.
- 12.3 The principles of productivity gain sharing are appropriately followed in many developed and developing countries in order to attain continuous growth in the production sector. The objective is to distribute profit between workers, owners and the government on an equal basis. This concept can also be pursued in running industrial enterprises in our country. To this end, a minimum productivity standard should be set in each industrial enterprise.

Chapter 13

Export-Oriented and Export Linkage Industries

- 13.1 Export-oriented industrialization is one of the major objectives of the present Industrial Policy. Prioritizing export-oriented industries and providing all-out government assistance in respect of this will be ensured.
- 13.2 Those industries that export at least 80 percent of their produce or supply 80 percent raw materials for exportable items or those business enterprises that export at least 80 percent of their services will be considered export-oriented industries (IT-related goods are also included).
- 13.3 The following incentives and facilities will be provided in order to attract investment in 100 percent export-oriented industries:

- (a) The present duty-free import policy will continue for the import of capital machinery and for up to 10 percent of the value of the spares of that capital machinery. The rates of customs duty in the import sector have been reorganized into three tiers: 7.5%, 15% and 25%.
 - (b) The duty drawback system has been further simplified, and with this in mind, a flat rate will be fixed for all exportable items. Exporters will get duty drawback facility at a flat rate from concerned commercial banks.
 - (c) The system of providing up to 90 percent credit against non-negotiable and fixed L/Cs / sale agreements will continue.
 - (d) In order to ensure backward linkage, export-oriented readymade garment industries and other local raw material using export-oriented industries will be provided with various facilities at a prescribed rate. Similar facilities will also be provided to local deemed exporters in export-oriented industries.
 - (e) Export-oriented industries will be given the facility of handling foreign exchange of certain amount which will be beyond the Bangladesh Bank's foreign exchange regime in order to facilitate the opening of their offices abroad, promoting their products and taking part in international trade fairs.
 - (f) The export income earned from cottage industries will be 100% income tax-free, and the SMEs and other industries will be given income tax rebate at the rate of 50% of their export income.
 - (g) The facility of importing raw materials necessary for the production of export goods but enlisted as banned/reserved items will continue.
 - (h) Value-added jute, jute-mixed goods and diversified jute goods produced with new technology will be treated as export-oriented or import-substitute industries.
 - (i) Consistent with present government policies, facilities will be given for tax-free import of raw materials (at a prescribed amount) necessary for the production of exportable goods.
 - (j) If local raw materials are provided to local industries or projects through foreign currency L/Cs, then those will be treated as indirect export and will be given facilities, which are applicable for export.
 - (k) The export credit assurance scheme will be further expanded and strengthened.
- 13.4 The export-oriented industries identified, as the government's thrust sectors will be given special facilities including 'venture capital' facilities.
- 13.5 The current facilities of duty and tax assessment and rebate on imported goods (before arrival) will continue. Clearing process and formalities will be further simplified so that the clearance process takes the least time to be completed.
- 13.6 In respect of export-oriented and export linkage industries, all sorts of facilities described in the export policy will be given, apart from the facilities mentioned above.
- 13.7 Utility services will be provided to 100 percent export-oriented industries at reduced/rebated rates.

Chapter 14

Foreign Investment

- 14.1 Foreign direct investment will be encouraged in all industries in Bangladesh except those in the reserved lists, banking, insurance and other financial institutions. This type of investments can be made in local public and private sectors individually or jointly. The capital market will be open for "portfolio" investments.
- 14.2 The legal framework for foreign investments has been drawn up on the basis of the Foreign Investment (Development and Preservation) Act 1980. The framework is as follows:
- Equal treatment of both local and foreign investments;
 - Safeguarding foreign investments from state expropriation; and
 - Assurance of repatriating finance and profit deriving from share disposal.
- 14.3 There will be no restrictions to foreign investment in terms of equity participation, i.e., 100% foreign equity can be invested. While setting up industries with complete foreign investment or in joint venture, there will be no restrictions to the sale of shares through public issue irrespective of paid-up capital. However, foreign investors or institutions can purchase shares through Stock exchange, and necessary guidelines on this will be drawn up. Foreign investors or institutions can avail loan from local banks to meet their running costs. Conditions for such type of loan will be determined on the basis of the relations between the bank and the borrower.
- 14.4 Foreign investors can avail of the same facilities as local investors in terms of tax holiday, royalty payment, technical fees, etc. Personal income taxes need not be paid by foreign technicians appointed in foreign companies for up to three years, and after that period, they have to pay on the basis of a dual taxation revocation agreement or any other agreement reached with their respective countries.
- 14.5 In respect of foreign investment, full repatriation facility of invested capital will be given. Profits and dividends are also repatriable. If foreign investors choose to reinvest their repatriable dividend or earned profit, then this will be treated as new investment. Foreign citizens appointed in Bangladesh will be entitled to a remittance of 50% of their wage and full repatriation of their savings and retirement benefits.
- 14.6 There will be no restrictions to the issuing of work permit for efficient foreign professionals on the basis of the recommendations of local and foreign investing companies or joint venture companies. Multiple entry visa will be issued to foreign investors for three years and to efficient professionals for the whole period of their appointment.
- 14.7 In respect of foreign investments in thrust sectors, preference will be given to small and medium scale investors when allotting plots in BSCIC industrial enclaves.
- 14.8 Investments by non-resident Bangladeshis will be treated as foreign direct investment.

- 14.9 Steps will be taken to protect intellectual property in respect of new goods and formulae.
- 14.10 International norms and systems will be followed in respect of providing investment assurance and conflict resolution.
- 14.11 Initiatives will be taken to expand the facilities of EPZ areas to those 100% export-oriented industries that are established in non-EPZ areas.

Chapter 15

Board of Investment

- 15.1 In accordance with the Board of Investment Act, 1989, the Board of Investment will provide necessary assistance and facilities to boost private investment in Bangladesh. The Board, formed under the leadership of the Prime Minister, with Ministers and Secretaries representing relevant ministries, will take necessary decisions in order to help establish new industries and provide assistance to already established industries.
- 15.2 The Board of Investment will provide one-stop service in the following fields so that investors get infrastructure facilities quickly when setting up industries:
- (a) Electric and gas connections;
 - (b) Water and sewerage connections;
 - (c) Telecommunications facilities;
 - (d) Customs clearance of imported machineries, spare parts and raw materials;
 - (e) Clearance from environmental agencies; and
 - (f) Other necessary facilities and services for speedy setting up and running of industries.
- 15.3 With this end in view, all relevant public agencies will be involved with the one stop service of the Board of Investment.

Chapter 16

Export Processing Zones

- 16.1 Export Processing Zones have been set up in the country under the Bangladesh Export Processing Zones Act 1980 in order to help establish export-oriented industries. All infrastructure facilities including telecommunication and utilities have

been provided in the zones. Under the Bangladesh Private Export Processing Zones Act 1996, permission has also been given to bring in foreign investments or joint ventures or for setting up private export processing zones.

- 16.2 Keeping in mind that agro-based industries can play an important role in the socio-economic sector of the country, cash incentives may be provided by the government to entrepreneurs of agro-based industries in EPZs, especially in the Mongla, Ishwardi and Uttara (Nilphamari) EPZs.
- 16.3 10 percent of the goods produced in EPZ industrial units can be exported inside the country subject to payment of applicable duties and taxes (through foreign currency L/Cs).
- 16.4 100 percent export-oriented industries outside the EPZs can sell 20 percent of their products in the local market subject to payment of applicable duties and taxes.
- 16.5 The following investments are allowed in the Export processing Zones:

- Category (a): 100 percent foreign investment including those of non-resident Bangladeshis: Under this category, foreign investors should bear all costs including construction, purchase of raw materials and the total working capital only with their own sources of foreign exchange.
- Category (b): Joint ventures of foreign and local investors: Under this type of investment, project expenses should be borne in accordance with the partnership agreement but the costs of importing all sorts of machinery should be borne by foreign partners.
- Category (c): 100 percent investment of Bangladeshi investors living in Bangladesh: Under this category, all project expenses including the import of machinery should be borne from the investor's own resources, supplier's credit, non-expatriable foreign exchange, pay-as-you-earn scheme or any other acceptable system.

Chapter 17

Industrial Technology

- 17.1 One of the foremost objectives of the Industrial Policy 2005 is to help attain competitive efficiency by developing technology, reduce consumers' costs by using cost-effective technology, and assist in the development of an environmentally friendly industrial production system. Converted efforts will be made in order for entrepreneurs to boost their profit with the help of improved management and production technology.
- 17.2 Assistance will be provided in the use of new technology in order to substitute for imports or expand exports in prioritized sectors.

- 17.3 Licensing process will be simplified in respect of imported, adapted or domestic technology.
- 17.4 A subsidiary corporate culture will be established in order to create a team of workers consistent with planned human resources development and changing technology.
- 17.5 Approved research and development expenses will receive tax holiday. Fruitful contacts will be arranged between various research institutions and related industrial enterprises so that research results can be utilized for the benefit of all concerned.

Chapter 18

Technical and Institutional Assistance

- 18.1 Assistance will be taken from a number of specialized public and private institutions to generate and sustain competition in the industrial sector. These institutions will be strengthened gradually so that they can play an effective role in the country's industrialization.
- 18.2 Development of sub-contracting: The policy of linkage between heavy, medium, small and cottage industries will be pursued in such a way that small and cottage industries can work as "sub-contractors" of comparatively bigger industries. Incentives will be given so that big industries manufacture and assemble basic goods and small industries produce accessories.
- 18.3 Efficiency enhancement: Attempts will be made to develop the efficiency of workers, technicians and employees in the public and private sectors. A public institution named National Productivity Organization is working to this end. Apart from this, universities and training organizations/institutions will be used for this purpose. In-service training courses will also be arranged for workers to enhance their efficiency.
- 18.4 Quality control: Manufactured goods must have an acceptable quality in order for them to sustain demand in domestic and foreign markets. So, all manufacturers of industrial goods must strictly follow a quality control system. The Bangladesh Standards and Testing Institution (BSTI) and some other quality control institutions are carrying out their task in this regard. BSTI, corporate organizations and other quality control institutions will jointly develop a system to provide International Standard Organization-ISO certificates (specially the ISO 9000) for Bangladeshi goods and services. Initiatives will also be taken to establish an accreditation body.
- 18.5 Advising on investment matters and management training: Approving authorities such as the Board of Investment, BEPZA and BSCIC provide domestic and foreign investors in the private sector with pre-investment and post-investment guidance and services. To this end, the advisory and training facilities of the Small and Cottage Industries Training Institute (SCITI) and the Bangladesh Management Institute (BIM) will be further developed and expanded.
- 18.6 Environmental pollution control: The Environmental Protection Act 1995 and other relevant legislation are gradually implemented to control environmental pollution.

Those industries that pollute the environment and endanger public health must ensure safety measures in respect of environmental pollution control. Industrial enterprises will be encouraged to obtain ISO-14000 certificates.

- 18.7 Capital market development: The Securities and Exchange Commission will draw up and carry out relevant legislation in order to mobilize market-oriented capital.
- 18.8 Recognition of industrial development: A new category will be added to the Independence Day Award to recognize the special contribution of entrepreneurs to the industrial sector. Successful entrepreneurs of the industrial sector will be treated as CIPs (Commercially Important Persons) at an increasing number. In order to provide incentives to non-resident Bangladeshi investors, 5 to 10 important non-resident Bangladeshis will be selected every year.
- 18.9 An all-out effort will be made to encourage the production of diversified jute goods and the diverse use of jute. The Jute Diversification Promotion Center (JDPC) under the Ministry of Jute will provide interested investors with all sorts of information assistance.

Chapter 19

Implementation, Monitoring and Review

- 19.1 All public agencies will follow the Industrial Policy 2005. This policy will be implemented properly and monitored regularly, and necessary changes will be brought about consistent with the needs of economic development.
- 19.2 The Industrial Policy has upheld the present environment of industrial development by following existing laws and other policies. In line with the Industrial Policy, concerned public agencies will review their rules and regulations, and amend them, if necessary. Apart from this, powerful new committees will be formed to implement this policy.
- 19.3 The special activities that will be undertaken to implement the Industrial Policy are as follows:
 - (a) In order to remain consistent with the objectives and strategy of the Industrial Policy 2005, necessary amendments will be brought about to the Board of Investment Act 1989, Foreign Investment (Development and Preservation) Act 1980 and other relevant legislation. If this policy contravenes any prevalent rules/legislation, the present rules/legislation will remain valid until an amendment is brought about.
 - (b) A new set of policy entitled "Productivity Policy" will be formulated under the Industrial Policy 2005.
 - (c) Necessary action will be taken to update the relevant legislation and principles so that the standards of industrial goods are monitored and improved and consumer interests are safeguarded.

- (d) If there are ambiguities or difficulties in respect of application of rules, regulations, ordinances and laws for industrialization, the Ministry of Industries will take steps to alleviate them in cooperation with various trade bodies and the Law Commission.
- 19.4 The Productivity Development Program should be declared and accepted as a national movement.
- 19.5 From now on, the month of January will be observed as a 'productivity month' every year.
- 19.5 In order to properly monitor and administer the Industrial Policy 2005, an Information Management Service (MIS) will be set up in the Ministry of Industries.
- 19.7 The National Council for Industrial Development (NCID) undertakes various development programs aiming at establishing countrywide small, medium and heavy industries at a massive scale. The Prime Minister of the People's Republic of Bangladesh is its Chairperson and the Minister for Industries is its Vice Chairman. The Council will also comprise the following:
- (1) The Ministers for Finance, Commerce, Power and Energy, Agriculture, Textiles and Jute, Environment and Forest, Post and Telecommunication, Science and ICT, Labor and Employment, Civil Aviation and Tourism, Expatriate Welfare and Foreign Employment, Women and Children, and Fisheries and Livestock, and the Deputy Minister for Industries
 - (2) Chairman, the Privatization Commission
 - (3) A Member of Parliament from each of the administrative divisions
 - (4) Governor, the Bangladesh Bank
 - (5) Secretaries of the relevant Ministries/Divisions (Finance, Industries, Commerce, Planning, ERD, Power and Energy, Textiles and Jute, Post and Telecommunication, Science and ICT, Labor and Employment)
 - (6) Members of the Industries and Energy Divisions of the Planning Commission
 - (7) Executive Chairman, the Board of Investment
 - (8) Chairman, the Tariff Commission
 - (9) Chairman, the Bangladesh Small and cottage Industries Corporation
 - (10) Executive Chairman, the Bangladesh Export Processing Zone Authority
 - (11) Presidents of the FBCCI, DCCI, MCCI, BCI, FICCI, CCCI, NASCIB, BGMEA, BTMA, and BJMA
 - (12) President, the Bangladesh Employers' Federation
 - (13) Chairperson, the Women Entrepreneurs' Association
 - (14) Government nominated five distinguished industrialists

The Council will meet once every six months, and the Ministry of Industries will provide the Council with secretarial assistance.

- 19.8 An Overall Guidelines Committee has been proposed in the Industrial Policy 2005 under the supervision of the Ministry of Industries. The objective is to provide entrepreneurs with information-based advice and overall assistance in the interest of

planned and proper industrialization in the country and also to provide necessary recommendations and assistance to public and private industries by coordinating with relevant Ministries and agencies so that their problems are minimized. The committee will comprise as follows:

(1) Minister, Ministry of Industries	Convener
(2) Chairman, Privatization Commission	Member
(3) Principal Secretary, Prime Minister's Office	Member
(4) Governor, Bangladesh Bank	Member
(5) Secretary, Planning Commission	Member
(6) Secretary, Finance Division, Ministry of Finance	Member
(7) Secretary, Ministry of Industries	Member
(8) Secretary, Ministry of Commerce	Member
(9) Secretary, Internal Resources Division and Chairman, NBR	Member
(10) Secretary, Ministry of Agriculture	Member
(11) Secretary, Ministry of Fisheries and Livestock	Member
(12) Secretary, Ministry of Science and ICT	Member
(13) Secretary, Ministry of Textiles and Jute	Member
(14) Executive Chairman, Board of Investment	Member
(15) Executive Chairman, BEPZA	Member
(16) President, FBCCI	Member
(17) President, NASCIB	Member
(18) Chairperson, Women Entrepreneurs' Association	Member
(19) Additional Secretary, Ministry of Industries	Member-Secretary

The Committee will get together at least once every three months.

- 19.9 The following sub-committee will submit to the Committee a report with specific recommendations on the profitability and probable risks of industrial enterprises to be set up and the scope and facilities of items produced in the local export market so that suitable programs can be undertaken to set up industrial enterprises:

(1) Secretary, Ministry of Industries	Convener
(2) Secretary, Ministry of Commerce	Member
(3) Chairman, National Board of Revenue	Member
(4) Member (Industry), Planning Commission	Member
(5) Secretary, Ministry of Textiles and Jute	Member
(6) Executive Chairman, Board of Investment	Member

(7) A Deputy Governor level representative from Bangladesh Bank	Member
(8) A Member level representative from Privatization Commission	Member
(9) Chairman, BSCIC	Member
(10) President, FBCCI	Member
(11) President, Bangladesh Chamber of Industry	Member
(12) President, BGMEA	Member
(13) President, BJMA	Member
(14) President, BTMA	Member
(15) President, NASCIB	Member
(16) Chairperson, Women Entrepreneurs' Association	Member
(17) Joint Secretary (Autonomous Bodies), Ministry of Industries	Member-Secretary

If necessary, new members can be coopted in the committee.

Chapter 20

Annexes

Annex 1

Thrust Sectors

1. Agro-based and agro-processing industry
2. Textiles industry
3. Jute goods and jute-mixed goods
4. Readymade garment industry
5. Computer software and ICT goods
6. Electronics
7. Light engineering including automobiles
8. Pharmaceutical goods
9. Leather and leather products
10. Ceramics
11. High fashion value added RMG
12. Artificial flower production
13. Frozen food
14. Integrated shrimp cultivation
15. Flower cultivation
16. Infrastructure

17. Jewellery and diamond cutting and polishing
18. Oil and gas
19. Silkworm and silk industry
20. Stuffed toys
21. Tourism industry
22. Basic chemicals/raw materials used in industries
23. Dye and chemicals used in textiles industry
24. Optical frame
25. Furniture
26. Luggage fashion-based goods
27. Cosmetics and toiletries
28. CR coil
29. Handicrafts
30. Stationery goods
31. Herbal medicines
32. Commercial plantation
33. Horticulture

Annex 2

In recent times, the boundaries of the industrial manufacturing sector have been stretched to cover the transport (?) sector nationally important activities that include many service sectors. For instance, agro-based and agro-processing industry; fishing, fish processing and marketing; horticulture, flower cultivation and marketing; food crops and oilseeds processing; and post-harvest processing of jute have been brought within the industrial sector. Similarly, tourism industry, hotel management, telecommunication, computer software and programming under ICT, e-commerce, digital network and alliance are all considered service industries in the context of today's competitive world. Likewise, transport and communication, construction, housing, furniture, forest industry, and cinema and DVD for entertainment are also considered industries. Meanwhile, in the industrially developed world, the printing presses, ginning and baling, construction business, photography, laboratory, warehouse, cold storage and container services are currently being considered service industries. Given this background, the list of service industries has been drawn up as follows in the present Industrial Policy of Bangladesh:

Service industries

1. Hospitals and clinics
2. IT-based activities
3. Agro-based activities such as fishing, fish preservation and marketing
4. Telecommunication
5. Transport and communication
6. Forestry and furniture
7. Construction industry and housing
8. Construction business
9. Entertainment
10. Photography

11. Hotel and tourism
12. Warehouse and container service
13. Printing and packaging
14. Ginning and baling
15. Laboratory
16. Cold storage
17. Horticulture, flower cultivation and flower marketing
18. Food crop and oilseed processing
19. Knowledge society with high quality merit and efficiency

Annex 3

Reserved Industries

1. Arms and ammunitions and other military equipments and machineries
2. Nuclear power
3. Security printing and minting
4. Afforestation and Mechanized Extraction within the boundary of reserved forest

Annex 4

Investment indicators

- (1) Average rate of return method: The average production rate system is an important indicator in project investment. In this system, production activities can be undertaken after review and evaluation of average project production and average project costs. Entrepreneurs can properly follow this indicator while investing their capitals.
- (2) Payback method of investment: This method means an opportunity for obtaining payback through an efficient use of the primarily invested money for a certain period of time. By using this method, investors can ensure the return of their primarily invested money on a short-term basis. Entrepreneurs can pursue this indicator while investing their money in the country.
- (3) Discount payback method: This method means a return or profit by deducting the present value of invested amount from that of the value of the amount to be obtained in the future. By using this method investors can have an opportunity to use their money in an efficient and profitable way. Entrepreneurs should consider this investment indicator with importance while investing their capital in setting up industrial enterprises.
- (4) Internal rate of return method: The cost-benefit ratio is an important tactic in the fruitful and effective evaluation and review of the establishment of industrial

enterprises and their efficient running and in determining how much the investment flow is going favourable. The internal rate of return method is an investment method which helps to obtain a forecast of the degree to which the invested amount is being used in an efficient and profitable way by examining the cost-benefit ratio. However, the even and uneven cash flow must be taken into account under the internal rate of return method. This method is considered the most acceptable method of all investment indicators.

- (5) Present value method: Each entrepreneur should carefully consider the profitability index of his invested money while considering or implementing the present value method because the higher the profitability index, the greater the return.

Acronyms

BCCI	Bangladesh Chamber of Commerce and Industry
BCSIR	Bangladesh Council of Scientific and Industrial Research
BEPZA	Bangladesh Export Processing Zones Authority
BGMEA	Bangladesh Garments Manufacturers and Exporters Association
BJMA	Bangladesh Jute Mills Association
BITAC	Bangladesh Industrial and Technical Assistance Centre
BIM	Bangladesh Institute of Management
BMDC	Bangladesh Management Development Centre
BMRE	Balancing, Modernization, Rehabilitation and Expansion
BOI	Board of Investment
BOO	Build, Own and Operate
BOT	Build, Operate and Transfer
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSTI	Bangladesh Standards and Testing Institution
BTMA	Bangladesh Textile Mills Association
BUET	Bangladesh University of Engineering and Technology
CCCI	Chittagong Chamber of Commerce and Industries
CIP	Commercially Important Person
DCCI	Dhaka Chamber of Commerce and Industry
DFI	Development Financing Institution
EC-NCID	Executive Committee of the National Council of Industrial Development
EOSP	Employee Owned Stock Program
EPZ	Export Processing Zone
FBCCI	Federation of Bangladesh Chambers of Commerce and Industry
FICCI	Foreign Investors' Chamber of Commerce and Industry
FDI	Foreign Direct Investment
GAIN	Global Alliance of Improved Nutrition
ILO	International Labor Organization

IP	Industrial Policy
IPO	Initial Public Offering
ISO	International Standard Organization
L/C	Letter of Credit
MCCI	Metropolitan Chamber of Commerce and Industry
MIS	Management Information Service
MOST	Micro Nutrient Statistics and Technology
NASCIB	National Association of Small and Cottage Industries, Bangladesh
NBR	National Board of Revenue
NCID	National Council of Industrial Development
NFCD	Non-Resident Foreign Currency Deposit
NPO	National Productivity Organization
NRB	Non-Resident Bangladeshi
PAYE	Pay As You Earn
PSI	Pre-Shipment Inspection
R&D	Research and Development
RMG	Readymade Garments
SCI	Small and Cottage Industries
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
VAT	Value Added Tax