

CHAPTER 14

PRIVATE SECTOR DEVELOPMENT

In the recent years, private sector has been playing a very important role in the economic development of Bangladesh. The contribution of private sector is increasingly becoming bigger in the overall economic development of the country. The total national investment in Bangladesh economy computed to be 19.99 percent of GDP in FY1995-96 progressively increased to 24.33 percent in FY2006-07. The share of private investment in the national economy is 18.73 percent of GDP in FY2006-07 which was recorded 13.58 percent of GDP in FY1995-96. Currently 77 percent of investment in the national economy is coming from the private sector, which is making a significant contribution to the GDP growth of Bangladesh economy.

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

Developing a Private Investment -Friendly Environment

Government has put in place necessary institutions and infrastructure to create a private investment-friendly environment. The remarkable growth of readymade garments (RMG) and knitwear industry in the private sector has brought dynamism in the manufacturing sector, that has worked as a catalyst in creating an investment-friendly environment in the country. As a result, this sector has attracted foreign investment.

Formation of Privatisation Commission

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

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

Box 14.1: Privatisation programme for various organisations

Since the establishment of the privatisation Board in 1993 and thereafter the privatisation commission in 2000, 74 SoEs were privatised of which 54 were privatised through outright sale and 20 through offloading of share. This reflects the increased participation of the private sector in economic development. During FY2006-07 six units have been privatised.

This commission has now identified another 49 SoEs for privatization. Advisory council committee on Economic Affairs in its meeting selected 17 SoEs for immediate privatisation. Moreover, according to the decision of the council committee profit and loss of the remaining identified SoEs for the last five years are being examined to include them in the list. In brief, 25 non-financial SoEs have been included in the Commission's current programme to get them disposed off. Steps have also been taken to identify more SoEs under different ministries for privatisation. It may also be mentioned that to proper valuation of enlisted SoEs, 9 value firms have been selected by the commission.

With a view to making the privatisation process more effective and meaningful, steps have been taken to change the Privatisation Rules, 2001 and formulate the Privatisation Regulation, 2007. Meanwhile, amendment of the privatisation policy, 2001 and formulation of the Privatisation Regulation, 2007 have been vetted by the Ministry of Law, Justice and Parliamentary Affairs.

Board of Investment (BOI)

Board of Investment has strengthened its role reorienting its service provisions with utilization of ICT and e-governance practices with a view to provide better services to the investors both local and foreign.

Bangladesh is becoming to an attractive cost effective and competitive destination for foreign direct investment (FDI). The actual FDI in the CY 2006 stood at US\$ 792.5 million. The amount is only less by 6.27 percent from the last years, mainly due to political unrest, volatility, and change in the government especially in the second half of the year. However, the government expects that the growth in the FDI will continue to increase as a result of reform initiatives undertaken by the government. Private investment registration at BOI in FY 2006-07 decreased by 27 percent mainly due to fall in foreign /joint venture investment registration.

Bangladesh’s success in attracting private investment and achieving industrial growth has been presented with the following eight dimensions:

1. Conducive Investment Climate
2. Actual Investment Statistics
3. Private Investment Registration
4. Import of Capital Machinery
5. Growth in Manufacturing GDP
6. Private Investment as Percentage of GDP
7. Employment Opportunities
8. Continued Interests of Foreign Investors in Bangladesh.

Conducive Investment Climate

Doing Business in Bangladesh today is easier than many developing economies. A report entitled “*Doing Business in 2007: Creating Jobs*” published jointly by the World Bank and IFC ranked Bangladesh in the 68th position in terms of Starting a business Ease of Doing Business among 175 economies (Table14.1).

Table 14.1: Ease of Doing Business Ranking (Selected)

Rank	Country
1	Canada
11	Singapore
30	Mauritius
40	Kazakhstan
68	Bangladesh
79	Bhutan
88	India
97	Vietnam
128	China
159	Cambodia

Source: Doing Business in 2007., World Bank, 2007

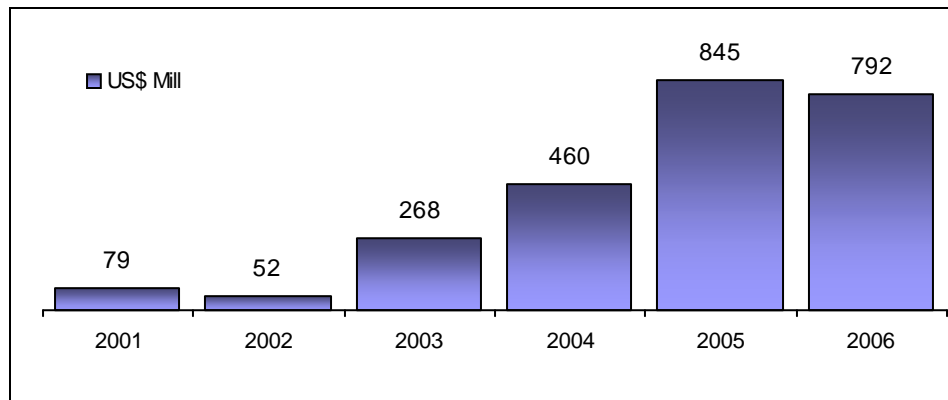
In the above ranking based on 10 categories, Bangladesh appears as one of the easiest location for doing business in South Asia. Government of Bangladesh has undertaken a long term Private Sector Development Support Project (PSDSP) to improve the investment climate of the country. The main components of the project are reforming the business related regulatory framework, establishment of Special Economic Zone and capacity building of the related agencies.

Investment Statistics

Actual Foreign Direct Investment

In 2006, actual FDI inflow in Bangladesh was not provisioned on the last year's expectation. The main reasons may be attributed to the political unrest at the end of the year, uncertainties and delays in taking decision on certain large investment proposals in infrastructure development projects. In 2006, the total FDI in Bangladesh was US\$ 792 million. Following Graph14.1 presents a summary of FDI inflow data since 2001.

Graph14.1: Trend in FDI in Bangladesh since 2001



Source: World Investment Report 2007, BOI and Bangladesh Bank.

A component-wise analysis of FDI inflow in 2006 shows that about 64 percent of FDI came as equity, 33 percent as reinvestment, and the rest as intra-company borrowing (Table14.2). The higher reinvestment rate indicates unwavering confidence of foreign investors on overall investment climate of the country and, simultaneously, competitiveness of related business sectors.

Table 14.2: FDI Inflow in Bangladesh during 2006: Summary by FDI Component

(In million US\$)

FDI Components	2005			2006			Growth (%)
	Jan-Jun	Jul-Dec	Total	Jan-Jun	Jul-Dec	Total	
a. Equity Capital	252.4	173.2	425.6	274.0	229.7	503.7	18.35
b. Reinvested Earnings	144.1	103.4	247.5	95.3	169.4	264.7	6.94
c. Intra-Company Loans	85.3	86.9	172.2	11.8	12.3	24.1	-86.00
Total	481.8	363.5	845.3	381.1	411.4	792.5	-6.25

Source: Bangladesh Bank Enterprise Survey, 2007

Most of the FDI (87%) have been brought by companies outside EPZs. The balance (13%) has been invested in companies registered with Bangladesh Export Processing Zones Authority (BEPZA) (Graph14.2 and Table 14.3).

Graph14. 2: FDI Distribution by Regulating Authorities

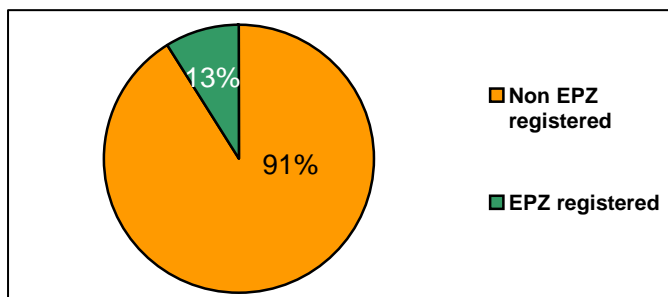


Table14. 3: FDI Inflow in Bangladesh during 2006 – Distribution by Regulatory Agencies

(In Million US\$)

FDI Components	Non-EPZ Registered Entities - 2006			EPZ-Registered Entities - 2006			Total FDI-2005
	Jan-Jun	Jul-Dec	Total	Jan-Jun	Jul-Dec	BEPZA Total	
a. Equity Capital	272.9	219.9	492.8	1.1	9.7	10.3	503.6
b. Reinvested Earnings	81.3	141.6	222.9	14.0	27.9	41.9	264.8
c. Intra-Company Loans	0.2	5.6	5.8	11.6	6.7	18.3	24.1
Total	354.4	367.1	721.5	26.7	44.3	71.0	792.5

Source: Bangladesh Bank Enterprise Survey, 2007

A **sector-wise analysis** of FDI inflow in 2006 demonstrates that FDI in Bangladesh have been widely spread among the key business sectors concentrating on telecommunication (43.7%), manufacturing (13%), energy and power (26%) and trade and commerce (16%). Table 14.4 presents a sectoral analysis of FDI inflow in 2006.

Table 14.4: FDI Inflow in Bangladesh during 2006: Distribution by Sectors

(In Million US\$)

FDI Sectors	2005			2006			2006 Share (%)
	Jan-Jun	Jul-Dec	Total	Jan-Jun	Jul-Dec	Total	
Agriculture & Fishing	1.6	0.1	1.7	0.7	0.6	1.3	0.16
Power, Gas & Petroleum	113.1	95.2	208.3	114.1	94.1	208.2	26.3
Power	12.7	14.5	27.2	13.0	8.2	21.2	2.68
Gas & Petroleum	100.4	80.7	181.1	101.2	86.0	187.2	23.6
Manufacturing	137.7	81.6	219.3	39.4	65.5	104.9	13.2
Textile & Wearing	52.0	44.5	96.5	29.0	41.1	70.1	8.85
Cement	29.6	15.7	45.3	-	2.6	2.6	0.33
Trade & Commerce	59.9	70.6	130.5	71.6	58.6	130.2	16.4
Banking	56.4	61.4	117.8	68.6	49.1	117.7	14.9
Transport Storage & Comm.	165.3	114.6	279.9	154.5	192.5	347.0	43.8
Telecommunication	165.3	113.5	278.8	154.5	192.0	346.5	43.7
Other Services	2.0	1.0	3.0	0.1	0.1	0.2	0.03
Total	481.8	363.5	845.3	381.1	411.4	792.5	100

Source: Bangladesh Bank Enterprise Survey, 2007

In 2006, FDI has been originated from 30 different sources dominated by the developed economies (51.45%). Interestingly, a significant share of FDI also came from developing economies (43.23%). The top-5 FDI sources are USA (22.17%), Egypt (13.30%), UAE (11.11%), Norway (10.47%), UK (8.89%) Table 14.5 presents a source-wise analysis of FDI inflow in 2006.

Table 14.5. FDI Inflow in Bangladesh during 2006: Distribution by Sources

(In Million US\$)

FDI Sources	2005	2005	2006			2006	2006
	Total	Rank	Jan-Jun	Jul-Dec	Total	Share (%)	Rank
Canada	0.7	25	7.21	2.34	9.55	1.21	13
China	1.6	22	-	0.91	0.91	0.11	21
Denmark	18.2	13	8.13	7.24	15.37	1.94	11
Egypt	48.4	7	41.15	64.21	105.36	13.30	2
France	1.7	20	-	-	-	-	-
Germany	1.6	21	0.04	1.07	1.11	0.14	20
Hong Kong	53.1	6	17.43	30.00	47.43	5.99	7
India	2.7	18	3.92	2.17	6.09	0.77	14
Indonesia	1.3	23	-	5.37	5.37	0.68	15
Japan	46.5	8	9.95	12.84	22.79	2.88	10
Luxembourg	0.4	27	-	-	-	-	-
Malaysia	33.1	9	17.54	26.93	44.47	5.61	8
Nepal	0.1	30	-	-	-	-	-
Netherlands	15.4	14	7.92	5.08	13.00	1.64	12
Norway	53.5	5	24.54	58.41	82.95	10.47	4
Pakistan	25.5	12	3.72	1.42	5.14	0.65	16
Philippines	-	-	0.04	-	0.04	0.01	26
Saudi Arabia	0.9	24	0.52	-	0.52	0.07	22
Singapore	97.5	3	26.23	9.66	35.89	4.53	9
South Korea	29.8	11	38.40	15.46	53.86	6.80	6
Sri Lanka	4.1	17	1.98	0.65	2.63	0.33	18
Switzerland	2.3	19	2.13	0.67	2.80	0.35	17
Taiwan	11.4	16	1.12	1.24	2.36	0.30	19
Thailand	0.2	29	0.07	-	0.07	0.01	25
UAE	55.4	4	47.27	40.75	88.02	11.11	3
UK	152.8	1	17.50	52.97	70.47	8.89	5
USA	141.8	2	103.87	71.85	175.72	22.17	1
Vanuatu	0.3	28	0.14	0.07	0.21	0.03	24
ADB	12.7	15	-	-	-	-	-
IFC	31.7	10	-	-	-	-	-
Others	0.6	26	0.26	0.05	0.31	0.04	23
Total	845.3	30	381.08	411.36	792.4	100.00	26

Source: Bangladesh Bank Enterprise Survey, 2007

Private Investment Registration

Generally, private investment project proposals are submitted to BOI immediately after legal formation of the company. Registration is the primary formal commitment for an investment which is executed after conducting project feasibility study. Table 14.6 presents year-wise data on the projects registered with BOI since FY 1991-92. In FY1991-92, about 258 private investment projects with proposed investment of Tk. 660 crores were registered with BOI that reached to

1,930 Projects in FY2006-07 with proposed investment of Tk. 31,583 crores. Although the growth as a whole shows a downward trend but the local investment registered a growth of 7 percent from the last year. It is expected that the growth will accelerate as a result of reform initiatives undertaken by the government.

Table 14.6: Year wise details of the Private Investment Projects registered with BOI from FY 1991-92 to FY 2006-07

Fiscal Year	Local Investment		Foreign/ JV		Total		Growth (%)
	Projects	Core Tk.	Projects	Core Tk.	Projects	Core Tk.	
1991- 92	233	365	25	294	258	660	-
1992- 93	353	360	28	211	381	571	-13.4
1993-94	846	1,827	100	3,217	946	5,043	782.9
1994-95	1,113	3,383	145	2,920	1,258	6,303	25.0
1995-96	1,211	4,836	127	6,261	1,338	11,097	76.1
1996- 97	1,247	4,746	138	4,515	1,385	9,261	-16.5
1997- 98	1,448	5,061	140	15,308	1,588	20,368	119.9
1998-99	1,535	5,677	161	9,243	1,696	14,920	-26.8
1999-00	1,428	6,621	135	10,594	1,563	17,215	15.4
2000-01	1,788	7,809	80	6,993	1,868	14,802	-14.0
2001-02	2,875	8,806	89	1,734	2,964	10,540	-28.8
2002-03	2,101	11,653	104	2,067	2,205	13,720	30.2
2003-04	1,624	13,546	130	2,644	1,754	16,190	18.0
2004-05	1,469	14,005	120	5,298	1,589	19,302	19.2
2005-06	1,754	18,370	135	24,986	1,889	43,356	125
2006-07	1,930	19,658	191	11,925	2,121	31,583	-27
Total	22,955	126,723	1,848	108,210	24,803	234,931	-

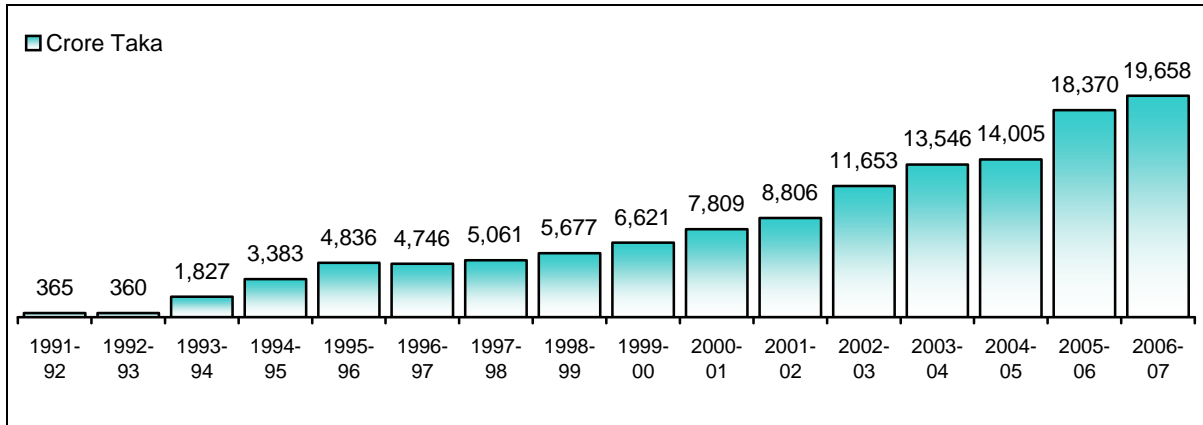
Source: Policy and Planning , BOI

a. Registration Statistics of Local Investment Projects:

Since FY1991-1992 to FY2006-07, a total of 22,955 local investment projects worth Tk. 126,723 crores were registered at BOI (Graph14.3) with employment potential of about 4,058,289 persons. About 80 percent of those local investment projects have either been implemented or at various stages of implementation. The sectoral analysis shows that the textile sector topped the list. (74.29%).

Graph14.3: Trend in Registration of Local Investment Projects

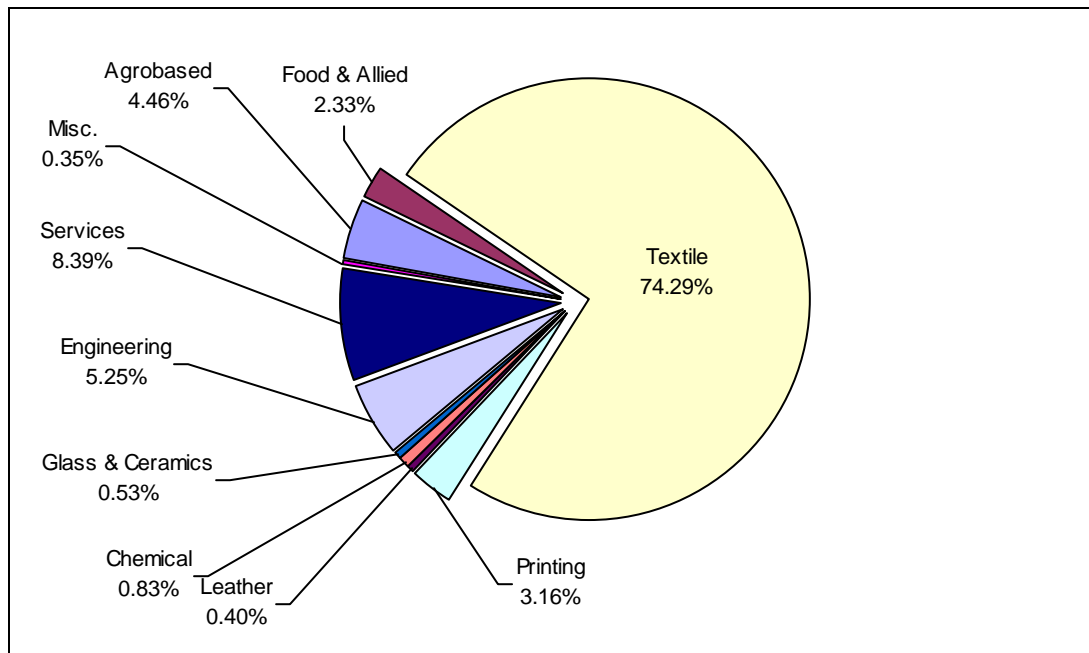
(Tk in crore)



Source: Policy and Planning, BOI.

The other major sectors are engineering (5.25 %), services (8.39%), agro-based (4.46%) etc. Graph14. 4 illustrates the sectoral break-up of local investment proposals registered with BOI.

Graph14. 4: Sectoral Distribution of Local Investment Projects Registered in FY 2006-07



Source: Policy and Planning, BOI.

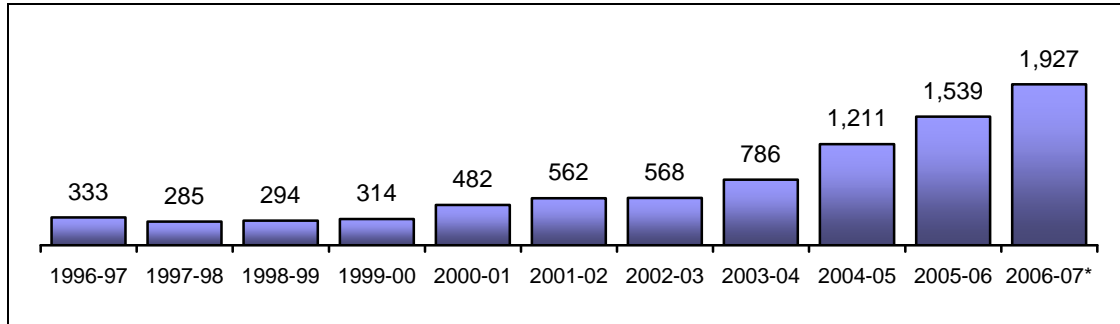
Import of Capital Machinery

Nearly half of the import payments of Bangladesh are spent for importing capital machinery and industrial raw materials. During the FY 2006-07, import of capital machinery grew by

US\$ 1927 million (Graph 14.5). This higher trend in import of capital machinery clearly indicates that the manufacturing growth would continue for a considerable period of time.

Graph14. 5: Trend in Import of Capital Machinery

(In million US\$)

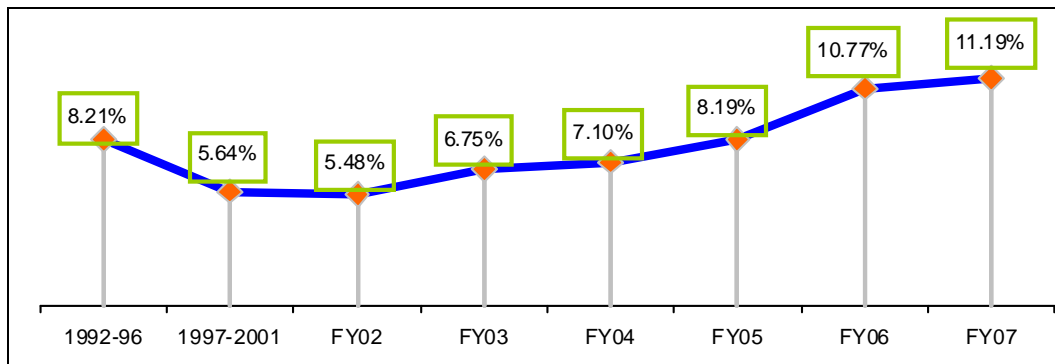


Source: Bangladesh Bank, Monthly Statistics Reports, 2007.

Growth in Manufacturing GDP

Manufacturing has continued to maintain the double-digit growth (11.19%) in FY 2006-07. The transition clearly shows that the economy of Bangladesh has been transforming quickly from agrarian to industrial structure. The continuation of strong policy support by the present government facilitated manufacturing to sustain its growth. Graph14.6 presents the recent trend in manufacturing growth.

Graph14. 6: Trend in Manufacturing Growth since 1992



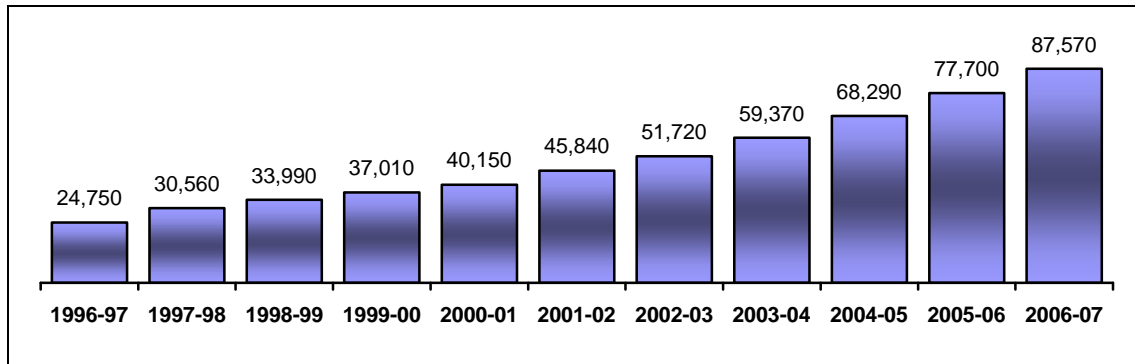
Source: Bangladesh Bureau of Statistics

To uphold and support this unprecedented growth of manufacturing sector, BOI has strengthened its facilitating services with transparent, easier and customer-oriented processes. BOI has recently implemented the web based Information Management System, BOI Information Management System (BIMS) in continuation of BOI Online Service Tracking System (BOST). This will provide comprehensive database to the stakeholders as well as status of the service requests online on real time basis.

Private Investment as Percentage of GDP

The private investment continued to grow over a considerable period since 1996-97 and reached at Tk 87,570 crore in FY 2006-07 contributing about 18.7 percent of GDP (Graph14.7).

Graph14.7: Trend in Private Investment since FY 1996-97

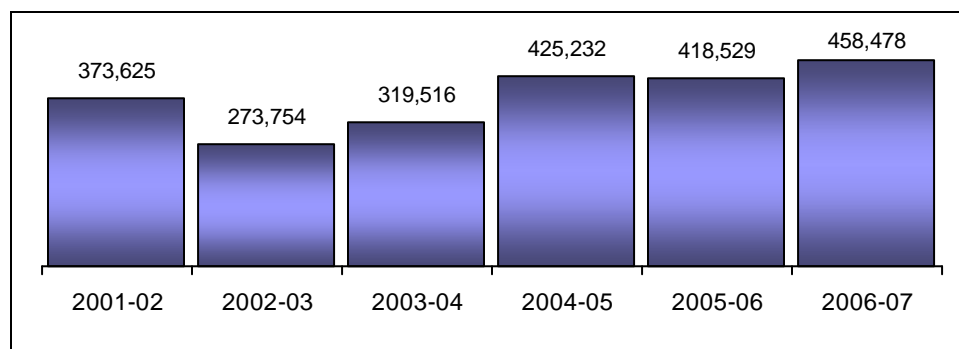


Source: Bangladesh Economic Review 2007

Employment Opportunities and Potential

Poverty reduction in a densely populated and geographically small country like Bangladesh largely depends on employment generation. Employment opportunities will arise from accelerated investment in labor-intensive manufacturing sector. Recent surge in manufacturing activity in Bangladesh has *not only* nearly doubled our export earnings, *but also* created plenty of new jobs. BOI-registered projects have created lots of job opportunities over the years alone. Year-wise breakdown of new job potential from FY 2001-02 is illustrated in the following Graph14.8:

Graph14.8: Potential Employment Opportunities in BOI-Registered projects



Source: IIMC, Board of Investment, December 2007.

Continued Interests of Foreign Investors

In recent years, major foreign investors including Dhahi Group of United Arab Emirates,, Singtel of Singapore, Orascom of Egypt, YKK of Japan and Microsoft of USA invested in Bangladesh . A number of proposals have come from China, Malaysia, India, Taiwan, UK, USA, Australia, Singapore, Thailand, Saudi Arabia, UAE and Kuwait. Recently Mittal group of India, Ecorntech of USA, Agility of Kuwait, have also shown interest to invest in Bangladesh.

Having the investment and industrial growth trend sustained and continued, Bangladesh is desirous to achieve the Millennium Development Goals (MDGs).

Development of the Capital Market

To make the capital market more efficient, effective and reliable Bangladesh Securities and Exchange Commission (SEC) was established in 1993. The SEC continues to introduce reforms for the development of capital market and protecting the interests of investors by establishing transparency in the capital market. For the development and extension of the capital market, 'Corporate Governance Guidelines' has been introduced in FY 2005-06. A detailed review of the capital market has been presented in chapter-5 of this Review.

Privatisation Activities in Various Sectors of the Economy

Infrastructure Sector

Bangladesh Private Sector Infrastructure Guidelines

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

Textiles

As of June 2006, the textile units in different sub-sectors were, spinning 254, weaving 1,422 (large, medium & small weaving units), handlooms 148,342, knitting and knit-dyeing 800, woven dyeing-finishing 303 and about 2000 local hosiery units in the country. Majority of the textile industry of the country mainly belongs to the private sector. Only 23 old textile mills are now under public sector (BTMC), some of which have been put into operation by the private entrepreneurs under Service Charge System. The year-wise production of yarn and fabrics from 1995-96 through 2006-07 is shown in the table below:

Table 14:7 Yarn and fabric production in Government and Private

Fiscal Year	Yarn production (Mln. Kg.)			Fabric (Mln. metres)		
	Public sector	Private sector	Total	Public sector	Private sector	Total
1995-96	15.90	157.01	172.91	2.79	1,262.43	1,265.22
1996-97	7.39	186.76	194.15	0.78	1,324.23	1,325.01
1997-98	8.64	204.81	213.45	0.17	1,394.83	1,395.00
1998-99	10.02	186.76	228.84	-	1,451.00	1,451.00
1999-00	13.12	204.81	251.46	-	1,630.00	1,630.00
2000-01	15.81	186.76	271.57	-	1,845.00	1,845.00
2001-02	15.39	204.81	298.50	-	2,050.00	2,050.00
2002-03	9.35	330.65	340.00	-	2,200.00	2,200.00
2003-04	9.70	370.30	380.00	-	2,750.00	2,750.00
2004-05	9.48	440.52	450.00	-	3,100.00	3,100.00
2005-06	8.00	528.60	536.60	-	3,565.00	3,565.00
2006-07	8.86	585.00	593.86	-	4,064.10	4,064.10

Source: Textile and Jute ministry

It appears from the above table that the total production level of yarn in FY1995-96 was 172.91 million kg., which increased to 593.86 million kg. in FY2006-07. On the other hand, the fabric production in FY1995-96 was 1265.22 million metres, which has increased to 4,064.10 million metres in FY2006-07. The total fabric production level has increased mainly due to new capacity creation in the private sector while the weaving mills under public sector was totally closed since FY1998-99 due to continuous losses.

BTMC:

In the FY 2003-04, 7 (seven) mills such as (1) Chittagong Cotton, (2) Ahmed Bawany Textile, (3) Magura Textile, (4) Sylhet Textile, (5) Kurigram Textile, (6) Tangail Cotton and (7) Quaderia Textile Mills have been withdrawn from the list of Privatization Commission and handed over to the Ministry of Textiles and Jute for disposal and necessary steps are under way for disposal of these mills by the Ministry of Textiles and Jute. In the same year (2003-2004) 3 (three) mills of BTMC, (i) Chisty Textile Mills, (ii) Orient Textiles Mills and (iii) Bangladesh Textile Mills and another Mill namely Muslim Cotton Mills have been vested to liquidation cell for disposal. To keep the machinery of the mills in operation all the 9 (nine) closed mills have been put into operation employing daily labourers.

Bangladesh Silk Foundation (BSF)- a not-for-profit Company was established to carry out some specified activities concerning sericulture development by providing support to different private sector stakeholders. BSF played a key role to implement the Silk Development Project, particularly field related programmes like, production and supply of improved silkworm eggs, training of beneficiaries, extension support, introduction of Chawki rearing technology, field based action research, development of bush mulberry, silk product development etc. were directly implemented with participation from NGOs and private sectors. BSF worked as the coordinator and facilitator and provided necessary financial and technical supports in addition to supervision and monitoring of programme activities.

Jute

In pursuance of the Privatization Policy of the Government majority of the jute mills have been de-nationalised and handed over to the private entrepreneurs. "Bangladesh Jute Mills Association (BJMA) and Bangladesh Jute Spinner's Association (BJSa)" are the two associations representing the private sector jute mills. At present there are 35 mills under BJMC (Running 26 jute mills and 3 non-jute mills and 6 closed Mills). In the private sector the production and export activities of jute mills are being run by Bangladesh Jute Mills Association (BJMA) and Bangladesh Jute Spinners Association (BJSa). Among the 105 jute mills in possession of the private sector, 56 belong to BJMA and 49 to BJSa.

Bangladesh Jute Mills Association (BJMA): At present there are 38 Jute Mills having capacity of 11,211 looms under BJMA. Out of 38 Jute Mills, at present 14 mills are in full and 14 mills in partial operation. The remaining 10 mills are closed.

Bangladesh Jute Spinners Association (BJSa): The Jute Spinners Association represents the Jute Spinning Industry in Bangladesh, comprising 49 spinning mills under private sector. This industry produces heavy, medium and finer quality of jute yarn and twine.

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

Energy and Power

Hydrocarbon Unit

Since its establishment, the Hydrocarbon Unit is playing a very important role in the upstream petroleum sector of the country. The unit has so far completed two studies, namely, "Resource Assessment 2001", "Gas Reserve Estimation Study 2003". According to these studies, there are 23 gas fields in Bangladesh having estimated proven recoverable reserve of 15.19 TCF and 5.28

TCF reserves under probable category. Against these reserves, the total production of gas was 7.13 TCF up to June, 2007 and the net recoverable reserve stood at 8.06 TCF. Bangladesh Optimal Gas Utilisation Study conducted by the Hydrocarbon Unit comes to be useful to the policy-making level of the petroleum sector of the country. For this reason, a follow-up study had been undertaken and completed. This follow-up study examines different issues and risks involved in regional co-operation in energy. A mini data bank has been established in the HCU to handle some selected data of the energy sector like cultural data, production data, cost database of PSC activities and resource data etc. HCU is working as the technical arm and think tank of the Energy and Mineral Resource Division, and offering information-based technical opinions about the operations of the production sharing contracts with the foreign oil companies. HCU is also preparing report on the prospect of bio-diesel production and its utilisation in our country.

Power Sector

To be able to fulfill its commitment to provide access to electricity to all by the year 2020, the government has been encouraging private involvement in the power sector. Consequently, the role of private sector in electricity production is getting wider. Having realised the importance of private investment in power sector, the policy to involve private sector in power generation was adopted by the Government in 1996. To separate the power transmission system, Power Grid Company of Bangladesh (PGCB) and Dhaka Electricity Supply Company (DESCO) were formed in 1996 under the Company Act of 1994, as part of the power sector reforms.

Recently, the government has approved conversion of BPDB into a Holding Company to reshape the whole industry. A new company in the name of “Dhaka Power Distribution Company Limited” has been incorporated and made operational. Pursuant to the “Private Sector Power Generation Policy”, the private sector so far generated 1397 MW electricity.

Information and Communication Technology (ICT)

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

- ♦ **ICT Incubator Center:** For development of the software industry an 'ICT Incubator Center' has been established at Karwan bazar in Dhaka. Uninterrupted power supply along with facilities for high-speed data transmission has been ensured here. Currently, about 48 enterprises are working to develop softwares and ICT-enabled services at the ICT Incubator.
- ♦ **High tech Park:** The government has decided to build a high-tech park in Kaliakoir Upazila in Gazipur district to promote establishment and growth of knowledge-based industries in

ICT, electronics, telecommunication, engineering, etc. A feasibility study on the high-tech park has been done by the Bangladesh University of Engineering And Technology (BUET).

Telecommunication Sector

Government granted permission to Bangladesh Telecom Private Ltd. (BTL) to introduce radio-trunking, cellular radio telephone, naval radio telephone network, and paging facilities for the first time in 1989 to attract private investment in this sector. The segment of mobile telecom operation of the BTL's license was later handed over to Pacific Bangladesh Telecom Ltd. Subsequently, three private operators, Grameen Phone Ltd., Telecom Malaysia International (Bangladesh), and Sheba Telecom Private Ltd. had been awarded license in 1996 to market digital cellular mobile phones. Meanwhile, BTRC has awarded license to a new operator named "Warid Telecom" through international tender that has already reached the market. After the formation of the Telecommunication Regulatory Commission (BTRC), those licenses/contracts were renewed under the Bangladesh Telecommunication Act 2001. The Commission granted Mobile Telecom Operator License to BTTB, which was subsequently revised to form a separate entity called 'Teletalk', and has already become operational. The number of subscribers of the 6 private cellular mobile companies in the country was about 27.72 million as of June 2007. To meet the increasing demand for telephone, 15 private companies have been awarded licenses for providing fixed telephone services in a competitive environment. The fixed telephone sector is now open for investment by private domestic, foreign, and Bangladeshi expatriate investors. Some of them have already started making investments. As a result, employment opportunities have been opened up for thousands of the unemployed.

Transport Sector

Air Transport

According to Privatisation Guideline Policy, Civil Aviation Authority has planned to privatise the non-regulatory operations of the airport. Meanwhile, a local private enterprise has been appointed to conduct the washing and cleaning works of Shah Amanot International Airport. Besides, there is a plan to appoint local and foreign institutions to manage other operations of the airport through outsourcing. The cargo handling and other non-regulatory operations of the Zia International Airport are being planned to be conducted through private companies.

Bangladesh Railway

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

BIWTA

The activities of private sector are mainly confined to transportation of passengers and cargo in inland waterways. The private sector runs approximately 95 percent transportation of passengers and cargo in inland waterways. Besides, the private sector operates rural launch landing stations including different stations under 11 major river ports established by BIWTA through the lease arrangements. Moreover, the construction and repair of vessels and pontoons are done at local private dockyards. Till now, the private sector has not been directly involved with the infrastructure development of IWT sector. However the construction of infrastructure facilities is done through the private contractors.

With a view to involving private sector with the construction of infrastructure facilities, BIWTA has undertaken a project for construction of an inland container terminal at Khanpur, Narayanganj on BOT (Build, Operate, Transfer) basis to facilitate transportation of containers in inland waterways. Apart from this, a container terminal is being constructed at Pangaon of Dhaka jointly by Chittagong Port Authority and BIWTA. The responsibility of its operation will completely be handed over to private entrepreneurs. Moreover, operational responsibilities of the river port constructed at Mirkadim area of Munshiganj and the ports which will be constructed at Noapara, Ashuganj-Bhairab, Barguna and Bhola will be handed over to private sector.

Consistent with the privatisation policy of the government, BIWTA has taken up two development projects namely: (1) Widening and development of navigability of Gabkhan Khal connecting Dhaka-Mongla and Chittagong-Mongla river route by dredging and (2) Development of navigability of four important inland waterways by dredging. The dredging works under these projects are being carried out mostly by private sector dredger (s). Apart from this, under the project of introduction of circular waterways around Dhaka city (2nd phase), dredging works will be carried out with dredgers hired from private company(s). Besides the dredging programme, BIWTA has taken initiatives for carrying out dredging maintenance including hydrographic survey works by private sector(s).

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

Banking and Insurance

Currently, a total of 43 privately owned general insurance companies and 17 life insurance companies are operating in the country. In addition to the privately owned general and life insurance companies, state-owned general and life insurance companies also are in operation. Apart from discharging its regulatory functions, the Department of Insurance realises various types of fees, fines and other levies from the insurance companies on behalf of the government. It appears from the data of revenue collection that the revenue collection from insurance sector rose to Tk.7.54 crore in FY 2004-05 from Tk. 1.80 crore in FY 2001-02.

Premiums realised by the state-owned Sadharan Bima and 43 private general insurance companies together stood at Tk.807.28 crore in 2005 compared to Tk. 679.74 crore in 2004. Total premium income from general insurance increased by 18.76 percent compared to the previous year. Table 14.8 below shows the break-up of income from premiums by both private and state-owned general insurance companies.

Table 14.8: Premium income from General Insurance

(Tk in crore)

Year	Total Premium			Share of public sector (%)	Share of private sector (%)	Growth rate		
	Public sector Sadharan Bima Corporation	Insurance companies of private sectors	Total			Public sector Sadharan Bima Corporation (%)	Insurance companies of private sector (%)	Total (%)
2001	76.00	422.92	418.92	15.23	84.77	23.09	15.97	17.01
2002	81.86	453.46	535.32	15.29	84.71	7.71	7.22	7.30
2003	76.66	517.81	594.47	12.90	87.10	(-) 6.35	14.19	11.05
2004	77.86	606.66	684.50	11.37	88.63	1.57	17.16	15.14
2005	88.61	718.67	807.28	10.98	89.02	12.13	19.40	18.76

Source: Insurance Directorate, Ministry of Commerce

Premiums income by the state-owned Jiban Bima Corporation and 17 private life insurance companies together stood at Tk.2044.74 crore in 2005 compared to Tk. 1532.23 crore in 2004. Total premium income from life insurance increased by Tk.512.51 crore or 33.45 percent compared to the previous year. Table 14.9 below shows the break-up of income from premiums for both private and state-owned life insurance companies.

Table 14.9: Premium income from Life Insurance

(Tk in crore)

Year	Total Premium			Share of public sector (%)	Share of private sector (%)	Growth rate		
	Public sector Jiban Bima Corporation	Insurance companies of private sectors	Total			Public sector Sadharan Bima Corporation (%)	Insurance companies of private sectors (%)	Total (%)
2001	150.00	668.09	818.09	18.34	81.66	-12.45	23.51	16.59
2002	179.00	834.83	1013.83	17.66	82.34	19.33	24.96	23.93
2003	152.00	1058.72	1210.72	12.55	87.45	-15.08	26.28	19.42
2004	197.00	1335.23	1532.23	12.85	87.14	29.61	26.12	26.56
2005	203.65	1841.09	2044.74	9.95	90.04	3.27	37.81	33.45

Source: Insurance Directorate, Ministry of Commerce.

In 2006, the total amount of investible life fund of the Jiban Bima Corporation and 17 life insurance companies recorded Tk.5,538.19 crore which recorded Tk. 4,365.06 crore in 2005. According to the existing insurance law, 30 percent of the life funds are invested in the government or government approved bonds/securities and 70 percent of the life funds are invested in shares, debentures, unit fund of different capital market institutions, time deposit of different banks and real estate.

Education Sector

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

Government spends yearly about Tk.2000.00 crore as salary subvention for 4,82,896 teachers and employees of about 26,335 post-primary non-government educational institutions of the country encompassing schools, colleges and madrasahs.

With the ever increasing population during the post-liberation period in Bangladesh, demand for admission into higher education has increased five-fold. To meet this rising demand, the Private University Act 1992 was enacted permitting establishment of private universities. This has resulted in the establishment of 56 private universities in the country. However, subsequently such permission in respect of 5 universities has been withdrawn due to non-compliance rules. With a view to improving the quality of education at the private universities as well as widening the opportunities of higher education, Private University Ordinance 2007 has been approved by the government.

Health Sector

Private sector participation in the health and medical services is gradually increasing. Government is offering different incentives including grants to the private sector. Presently, 32 registered private Medical Colleges, 8 Dental Colleges, 1170 private Hospitals and 1760 Clinics are operating with 26510 beds. Alongside these facilities, a good number of quality Diagnostic Centers, Heart Foundations and Cancer Hospitals are operating in this sector. The contributions of NGOs in providing health services are also remarkable. A large number of NGOs is involved in implementing HIV/AIDS, and nutrition programmes under health, nutrition and population programmes. Some NGOs are also working to eliminate tuberculosis, leprosy, malaria and filariasis in collaboration with the government and the development partners. There are some NGOs which are serving in the urban area to provide the primary health care services in collaboration with the government. The NGOs are also working for several awareness programmes to control the population and playing a significant role in child health, maternal health and reproductive health services.

Privatisation in Agriculture Sector

A substantial change has been taken place in the agriculture sector following the implementation of different market oriented reforms programmes since mid 80s. The irrigation system is now fully privatised. Limited usage of HYV and degradation of these varieties have become the sources of principal impediment in boosting agricultural production. To overcome this problem, private participation in the production, processing and marketing of high quality seeds is receiving attention. Import and sale of seeds of all types of crops except for paddy, wheat, sugarcane, potato and jute are open to the private sector. Now private sector is also allowed to import hybrid seeds of paddy, subject to adherence to certain rules and regulations. Furthermore, private sector is allowed to produce and distribute mother seeds and other types of seeds upon having collected breeder seeds from research organisations. To encourage private participation in fertiliser management dealers/businessmen are allowed to sell fertilizers at any place in the country after collecting them directly from the factories and ports. The private sector network is now managing the import and distribution of fertilizer at administered prices.