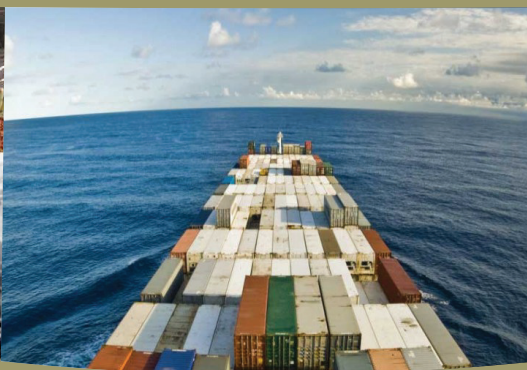




Government of the People's Republic of Bangladesh
WTO Cell, Ministry of Commerce
Bangladesh Regional Connectivity Project-1
Probashi Kollayan Bhaban
Eskaton Garden, Dhaka-1000

Policy Review/Policy Study/Policy Paper Preparation
on
Industrial Policy 2016



December 2021

Policy Review/Policy Study/Policy Paper Preparation

on

The Import Policy Order 2015-18

[Package no. BRCP-1/MOC/SD-26]

Submitted to

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December 2021

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Preface

The final report intends to respond to the requirement according to the provision of the contract agreement signed between Bangladesh Regional Connectivity Project-1 (BRCP 1) and South Asian Network on Economic Modeling (SANEM) for conducting **“Policy Review/Policy Study/Policy Paper Preparation under the Bangladesh Regional Connectivity Project 1)”** in collaboration with International Development Association (IDA), The World Bank. The objective of this technical assistance project is to review the existing government policies related to trade to strengthen cooperation in trade, transport, and transit facilities and facilitate the economic empowerment of women traders. The ongoing context and challenges are compared with the existing policies. It has also analysed the best practices of regional comparators to promote and improve trade-related activities as well as the relevance of SHE trade with the existing policies. Finally, based on the findings, the recommendation for future policy has been identified.

Consultancy services for conducting the **“Policy Review/Policy Study/Policy Paper Preparation under the Bangladesh Regional Connectivity Project 1)”** was provided by the South Asian Network on Economic Modeling (SANEM), Bangladesh. The study team consists of four senior-level experts. The major objective of the study is to depict a clear picture of the current situation state of the implementation of the policies, challenges for upcoming LDC graduation to provide the suggestion for future policies. Furthermore, Reviewing and identifying the gaps in the existing policies were also aimed to be found out for this study.

The review of the **Industrial Policy 2016** has provided some specific recommendations in the areas of export diversification, women entrepreneurship development, SME development, FDI attraction, productivity, and standard enhancement, tackling the challenges of LDC graduation and 4th industrial revolution, the establishment of eco-friendly industries, infrastructure and value chain development, efficiency, training, and capacity building, monitoring, coherence of policies, and legal bindingness.

We are hopeful about the policy recommendations which would be beneficial for policymakers and other stakeholders for the improvement of the industrial sector including empowerment of women through entrepreneurship in several industrial sectors.

Md. Mijanur Rahman

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Acknowledgements

It is indeed a great pleasure that Bangladesh Regional Connectivity Project 1 (BRCP-1), Ministry of Commerce has entrusted International Development Association (IDA), and the World Bank to carry out “**Policy Review/Policy Study/Policy Paper Preparation**”. The final report of the study has been prepared based on a validation workshop held on 21 November 2021. The studies are 1) Export Policy 2018-21 2) Import Policy Order 2015-18, 3) Industrial Policy 2016, and 4) Leather and Leather Goods Development Policy 2019.

The four policy papers contain the objective, scope, and methodology for the studies, current context, and challenges, deviation from the international practices, and the relevance of the policies with the SHE trade. The consultants also described the best practices of regional countries adapted to facilitate trade-related activities. In the end, the findings from the analysis and recommendations for the upcoming policy papers are portrayed.

The authors wish to thank Md Mijanur Rahman, Project Director, Bangladesh Regional Connectivity Project 1, and Md Munir Chowdhury, National trade expert, BRCP-1 for their valuable comments and continuous support in undertaking the study.

We cordially express our indebtedness to Mr Tapan Kanti Ghosh, Secretary, Ministry of Commerce for his aspiration and guidance to conduct this study. We are also thankful to all the officials and participants who took part in the consultation meetings and workshops for helping us with their constructive criticism and valuable suggestions during the study period.

This work would not have been possible without the participation of the relevant stakeholders in the Key Informant Interviews (KIIs) as well as in the Focus Group Discussion (FGD).

Thanks are also due to all respondents of interviews, FGDS, and KIIs who helped us by providing their information during the data collection period.

The contribution and support provided by everyone for the study are greatly appreciated.



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List of Acronyms

AI	Artificial Intelligence
APITD	Action Plan for Industrial Technology Development
BB	Bangladesh Bank
BISIC	Bangladesh Small and Cottage Industries Corporation.
BITAC	Bangladesh Industrial Technical Assistance Centre
COVID	Corona virus
CPD	Central For Policy Dialogue
CETP	Common Effluent Treatment Plants
DFQF	Duty-Free Quota Free
EBA	Everything But Arms
ECER	European Conference on Educational Research.
E-commerce	Electronic Commerce
EIF	Enhanced Integrated Framework
EPZ	Export Processing Zone
ERD	Economic Relations Division
ETP	Effluent Treatment Plants
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FTA	Free Trade Agreement
FTZ	Free Trade Zone
FY	Fiscal Year
GDP	Gross Domestic Product
GoB	Government of Bangladesh
GVC	Global Value Chain
HS	Harmonised Standards
ICT	Information, Communication, and Technology
IP	Intellectual Property
IZ	Industrial Zones
KII	Key Informant Interview
LDC	Least developed countries
LEED	Leadership in Energy and Environmental Design
LMIC	Low- and Middle-Income Country
MSME	Micro, Small, and Medium Enterprise.
NERC	Natural Environment Research Council
NRB	Non-resident Bangladeshi
OVOP	One Village One Product
R & D	Research and Development
RPJMN	Rencana Pembangunan Jangka Menengah Nasional
RMG	Ready-Made Garments
SANEM	South Asian Network on Economic Modelling

SDC	Skill Development Centre
SEZ	Special Economic Zone
SME	Small and Medium Enterprises.
TIN	Taxpayer's Identification Number.
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UMIC	Upper Middle-Income Country
UNIDO	United Nations Industrial Development Organization
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
USGBC	U.S. Green Building Council
VAT	Value Added Tax
WEAB	Women Entrepreneurs Association of Bangladesh
WEDP	Women Entrepreneurship Development Programmed
WTO	World Trade Organization
4IR	4th Industrial Revolution
4D	Four Dimensional

Executive Summary

The Government of Bangladesh (GoB) has launched the Bangladesh Regional Connectivity Project 1 (BRCP-1) in collaboration with the International Development Association (IDA), and the World Bank. The Ministry of Commerce (MoC) is responsible for implementing component two of the umbrella project. The primary objective of this component of the technical assistance project is to review the existing government policies related to trade, to increase trade-related institutional capacity, to ensure active and sustainable cooperation among trade-related stakeholders, and to facilitate the economic empowerment of women traders. Also, as Bangladesh is on the verge of graduating from the LDC category, reviewing the existing trade-related policies is necessary for smoother post-graduation export performance.

Against this backdrop, we have conducted a thorough review of the Industrial Policy, 2016 using mixed methodology. Chapter two of this review paper has identified significant aspects of the Industrial Policy 2016, implementation challenges, and its relevance to the current global trade and business scenarios. Moreover, this review has also compared the industrial policy of Bangladesh with some of the significant industrial successes of East and South-East Asian countries. Our primary findings point out that the provisions of the current Industrial Policy 2016 are well thought out and crafted. However, there is a lack of coordination among the implementing agencies, which limits the effectiveness of the policy. The current industrial policy also doesn't address the present changing trade and business dynamics (COVID recovery, 4IR, LDC graduation, 8th Five Year Plan, Perspective plan 2021-2041) as it was formulated back in 2016.

The legal non-binding nature of the Industrial Policy 2016 also acts as a significant hurdle for the effective implementation of the policy, as there is no legal responsibility among the implementing agencies for the fruitful implementation of the policy. Along with these issues, failure to attract domestic investments and FDIs, lack of appropriate quantification of the incentive mechanisms, poor functionality, delay of completion of the economic and industrial zones, lack of efficient and need-based training for entrepreneurial development, lack of domestic industrial infrastructure, logistics, and supply chain, lack of capacity of the government agencies, lower productivity and product standards, lack of country branding, and inefficiency and lack of the industrial need-based technical education are some of the significant bottlenecks for effective implementation of the Industrial Policy 2016. In chapter three of this paper, the relevance of SHE trade with the existing industrial policy of 2016 has been analysed.

Against these findings, we have proposed some specific recommendations in chapter five for a proper formulation and efficient implementation of future industrial policies. The new policy should prepare the domestic industrial scenario for the upcoming LDC graduation issue and the 4th industrial revolution. Specific focus should be given to skill development, re-skilling and up-skilling, need-based training and education, knowledge about business processes, and capacity building of the implementing agencies. To attract foreign investments internal industrial infrastructure, supply chain, and connectivity needs to be improved and focused on the future industrial policy. Digitalisation and effectiveness of the one-stop service are a must in this regard. SME and women's entrepreneurial development should be the core focus of

the next industrial policy. Specific provisions redefining SME categories and access to finance for both SME and women entrepreneurs should be elaborately stated. As Bangladesh is soon to graduate from an LDC, the new industrial policy should provide the necessary provisions to create an environmental, social, and quality-compliant industrial scenario. For effective implementation of future industrial policies, coherence among export policy, import policy, and fiscal and monetary policy is a necessary condition. The legal bindingness of a policy can have both positive and negative impacts. As Bangladesh is still not a fully industrialised country we do not suggest that all the provisions of the future industrial policies need to be binding. It can be a mixture of both. The provisions that focus on incentives, domestic support, intellectual property regulations, social and environmental compliances, training and human capital development and the role of implementing bodies should be made legally binding.

1. Introduction

1.1. Background

Effective industrial policies play a significant role in the overall development of the country and ensure a sustainable economic transformation. Industrial policies pave the way for sustainable economic growth and policy coherence assists industrial agencies to amplify the impact on economic and social development (Walsh, 2015)¹. Industrial policies can contribute to economic growth by increasing labour productivity and the movement of labour from low to high-productive sectors of the economy (Higuchi and Shimanda, 2019)². The authors also used macroeconomic data to conduct a cross-country comparison of Asian and Sub-Saharan African countries showed different results. Asian countries successfully achieved economic growth through industrialisation contrary to their SSA counterparts, where the economies were mostly stagnant due to failed industrial policies. (Chen and Xie, 2019) using the evidence from Chinese industrial policies conclude that industrial policies are significant tools for the government to ensure industrial development and rapid economic growth. The study also provides evidence that industry restructuring is a significant channel of industrial policies to improve economic growth. The study also affirms that the impact of industrial policy is heterogeneous across sub-regions, administrative levels, stages of development, and policy types.

Bangladesh too had a series of industrial policies since her independence. The industrial outlook had shifted many times. From a protectionist to a more liberal industrial outlook the industrial policies of Bangladesh have been updated with time, catering to the situational needs. Bangladesh is on the verge of graduating from an LDC, therefore, it requires a forward-looking and pragmatic industrial policy to cope with the post-graduation situations. The latest industrial policy of Bangladesh was formulated back in 2016. The government formulated the Industrial Policy 2016, focusing on the role of the private sector in industrialisation, reforms in business processes, trade liberalisation, development of SMEs, institutions that facilitate industrialisation, enhancement of productivity and product standards, capacity building, and training for skill development, mainstreaming women entrepreneurs, incentives to attract domestic and foreign investments, eco-friendly industrialisation, development of EPZs and SEZs, development of industrial infrastructure and connectivity, development of linkage industries, and some priority and high priority sectors (Mol, 2016)³.

Though the industrial policy of Bangladesh is well thought out and crafted, its implementation often comes with significant hurdles⁴. The time frame has also changed. The issues and challenges that are dominant in 2021 were not addressed in the Industrial Policy 2016 for obvious reasons.

¹ Walsh, P. P. (2015). Industrial Policy and Sustainable Development. The Global Sustainable Development Report 2015.

² Higuchi, Y., & Shimada, G. (2019). Industrial Policy, Industrial development, and structural transformation in Asia and Africa. In *Paths to the Emerging state in Asia and Africa* (pp. 195-218). Springer, Singapore.

³ Industrial policy of Bangladesh, 2016

⁴ General remarks from primary data collection (KIIs and FGDs)

Against this backdrop, the Government of Bangladesh (GoB) launched the Bangladesh Regional Connectivity Project 1 (BRCP-1) in collaboration with the International Development Association (IDA), and the World Bank. The Ministry of Commerce (MoC) is responsible for implementing component two of the umbrella project. The primary objective of this technical assistance project is to review the existing government policies related to trade, to increase trade-related institutional capacity, to ensure active and sustainable cooperation among trade-related stakeholders, and facilitate the economic empowerment of women traders. Also, as Bangladesh is on the verge of graduating from the LDC category, reviewing the existing trade-related policies is necessary for smoother post-graduation export performance.

As a part of this umbrella project, we will carefully review the Industrial Policy, 2016, and point out its impact, effectiveness, relevance with the present trade scenario, and its role in mainstreaming women entrepreneurs into formal trade. The review of this policy will also address future issues and provide recommendations to include, exclude, and alter the existing provisions of the Industrial Policy 2016, to make the future industrial policies efficient, forward-looking, and pragmatic.

1.2. Objectives and research questions

A thoroughly planned industrial policy is key to diversifying the production base, increasing trade with global partners, and being connected with the Global Value Chain (GVC). However, policy loopholes and time-inconsistent provisions can make a well-planned industrial policy, inefficient. The Industrial Policy, 2016 was crafted during the 2015-2016 time period. A lot has changed since then. Therefore it is deemed imperative to revisit the provisions of 2016's Industrial Policy to make it more effective, forward-looking, and consistent with changing global trade scenarios (Post LDC graduation, 8th five-year plan, Perspective plan, Post COVID recovery phase, etc.). Despite the broad mention of provisions to facilitate women entrepreneurs in production-related activities, much progress in women's entrepreneurial development is yet to be observed. Therefore, it is imperative to dig deeper to understand the gender biases embedded in society that limit women's mobility, interactions, active economic participation, and access to business development services. The general obstacles to female entrepreneurship are lack of funds, funding, knowledge, market information, training, access to finance, ICT, and regulatory barriers such as tax, VAT, and company registration.

In this regard, the broad objective of this study is to review the existing Industrial Policy, 2016 and provide feedback to the government to strengthen the concept of cooperation in industrialization, trade, transport, and transit facilities. The policy reviews will also provide advocacy for mainstreaming female traders, and facilitate policy coherence between national development priorities and international obligations on trade facilitation. The broad research questions of this particular policy review are as follows:

- (i) What were the primary objectives of the Industrial Policy, of 2016?
- (ii) Are the objectives of the Industrial Policy, 2016 in line with the present context? (LDC graduation, 8th five-year plan, graduating to Upper Middle Income Country (UMIC) category, and changing trade scenario due to COVID-19 pandemic)?
- (iii) Are the measures to achieve the objectives, stated in the Industrial Policy, 2016 consistent with the present context?

- (iv) What are the possible implementation/institutional challenges in achieving the objectives?
- (v) Any country example that Bangladesh can follow in formulating its future industrial policies?
- (vi) Is the Industrial Policy, 2016 gender-inclusive?
- (vii) What could be the necessary alterations, exclusions, and inclusions of the existing provisions of the Industrial Policy, 2016, to make it more coherent and forward-looking?

1.3. Scope of the study

The scope of this policy review of the Industrial Policy (IP) 2016, is to analyse whether the stated objectives of the policy and the tool/measures to achieve those objectives are consistent with the current global trade scenario and possible future goals (LDC graduation, UMIC graduation, 8th Five-year plan, Bangladesh second perspective plan, etc). The review will also look into the industrial policies of regional comparators (policies of some countries of South Asia, South-East Asia, UMIC groups) and suggest what provisions from those countries, Bangladesh might adopt. The study will also identify the implementational challenges of the policy, and shed light on the provisions to effectively mainstream women in the trade and global value chain. In addition to that, this study will provide some appropriate recommendations about inclusion, exclusion, revisions, alteration, and extension of the existing provisions of the policy to make it more relevant and coherent to the present context of global trade.

1.4. Methodology

The research team has primarily used mixed methodologies to conduct the policy review. In general, the methodology was based on two significant tasks:

- i. Rigorous desk research of all relevant policy documents, literature, and secondary data, and
- ii. Primary data collection and analysis through Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) with stakeholders appropriate for the study.

The documents for the desk review consist of

- Industrial Policy 2016
- Industrial Policy 2010
- 8th Five-Year Plan
- Bangladesh Perspective Plan 2021-2041
- SME policy 2019
- Other relevant literature
- Industrial policy documents of Vietnam, Malaysia, and Indonesia

The research team conducted the KIIs with the following stakeholders,

Table 1: List of key informants

Organisation/Association	Key informant
Personnel from the Ministry of Industry (2)	<ul style="list-style-type: none"> • Kazi Shakhawath Hossain (Additional Secretary, MoI) • Md. Salim Ullah (Senior Assistant Secretary, MoI)
Experts on industrial policy (4)	<ul style="list-style-type: none"> • Dr. Abu Eusuf (Professor, Dhaka University) • Dr. Abdur Razzaque (Chairman, RAPID) • Dr. Mustafizur Rahman (Distinguished fellow, CPD) • Mr. Nesar Ahmed (International Trade Expert, Sustainable Graduation Project, ERD)
Key personnel from SME Foundation (1)	<ul style="list-style-type: none"> • Mr. Masudur Rahman, AGM, Women Entrepreneurship Development, SMEF
Chamber and association representatives (4)	<ul style="list-style-type: none"> • Mr. Rizwan Khan, President, DCCI • Mr. Joynal Abdin, Executive Secretary, DCCI • Mr. Farooq Ahmed, Secretary-General, MCCI • Barrister. Vidiya Amrit Khan, Director, BGMEA
Bangladesh Women Chamber of Commerce and Industries (BWCCI) (1)	<ul style="list-style-type: none"> • Ms. Prity Chakraborty, Director, BWCCI

The research team has carried out three FGDs, one comprised of women entrepreneurs, and two with the relevant industrialists.

1.5. Organisation of the paper

In Chapter two, of this paper, the current policy's context, challenges, general overviews, and trade-related provisions are scrutinised. The relevance of the Industrial Policy, 2016 in the present changing trade scenario and the deviation of the policy provision from the regional comparators are analysed. Chapter three has discussed the relevance of the current policy in promoting and mainstreaming women entrepreneurs in international trade and global value chains. Chapter four provides the findings based on the KIIs and FGDs. possible recommendations and a way forward are specified in Chapter Five and chapter six, which state the concluding remarks of this policy review.

2. The Industrial Policy 2016: Context and Challenges

2.1. A brief overview of the Industrial Policy 2016

Bangladesh generated industrial policies shortly after independence. However, the previous industrial policies were more conservative, focusing solely on the management and creation of industries by the public sector. At the beginning of the 1980s, the industrial policies of Bangladesh addressed the need of including the private sector (Hossain and Shah, 2016). In the subsequent industrial policies, the private sector-specific provisions such as; capital needs, investment incentives, and areas to invest were addressed⁵. The Industrial Policy 2016 is no exception to that. It has 16 chapters with nine annexures. Along with the private sector issues, the IP 2016 also addresses the issues related to the categorical industry definition, access to finance, incentives to the export-oriented sectors and disadvantaged entrepreneurs, promotion of SMEs and women entrepreneurs, use of updated and green technology, attracting FDIs, productive enhancement, etc. Table 2 shows the primary focus, objectives, and measures to achieve the desired objectives, as stated in the Industrial Policy, 2016.

⁵ Hossain, M., & Shah, A. (2016). *Industrial Policy 2016: A Critical Review*. <https://doi.org/10.13140/RG.2.2.29151.36009>.

Table 2: Focus, objectives, and measures to achieve the objectives of the Industrial Policy (IP) 2016

Primary Focus	Objectives	Measure to achieve the objectives
<ul style="list-style-type: none"> • Increasing industrial growth and development of the socio-economic condition of the people of Bangladesh by the collaboration of the GoB and the private sector. • To increase the industry share to GDP from 28% to 35%, and contribution of labour from 18 % to 25 %. • To ensure inclusive growth and better income-generating employment. 	<ul style="list-style-type: none"> • To ensure the growth of the industrial sector (product and service) by making a dynamic private sector, and playing a complementary role for the GoB to enhance capacity and productivity. • To generate more entrepreneurs through the expansion of industrialization in Bangladesh. • To ensure a proper environment for SMEs to flourish as a key driver of industrialisation. • Enhancing export-oriented industrialisation and diversification of industrial production base. • Assisting in the creation of sustainable and eco-friendly industrialisation. • Development of specialised industries by using the resources from agro, forestry, nature, animal, and the ocean. • Increasing production capacity, quality, and marketing capacities of industrialised products. • Using information and technology to get connected in regional and global value chains and enhancing the international competitiveness of industrial products. • To facilitate mainstreaming more women entrepreneurs in industrial production • To build the necessary infrastructure and regulatory framework to attract more FDI along with domestic investment. 	<ul style="list-style-type: none"> • To develop a dynamic industrial and service sector the Ind Pol 2016 must have a dynamic action plan. • To develop industrialisation targeting export-oriented production and backward areas. • Developing quality waste management in factories, and ensuring better health, safety, and working environment in the factories. • Developing necessary plans to make industrial clusters and region-specific industrial areas for better use of domestic resources. • Diversification of export products, identification of potential markets, capacity building of the organisations related to export, and accreditation of the testing authorities. • Efficient and proper use of technology for the capacity building and development of the industry • To get more reliable to the domestic and foreign investors the delays in the government offices should be minimised by making acts, policies, or amending the existing. • Active participation of all representatives from relevant organisations for making bilateral, and multilateral trade and investment deals. • Providing more access to women entrepreneurs in industrial production by easing the existing regulations and providing monetary incentives. • To protect and expand local heritage, providing the SME cottage industries with monetary incentives. • To identify the areas of private and public sector partnership in industrialisation and active coordination. • Taking specific action plans to develop the required no of entrepreneurs and skilled manpower

Source: Authors compilation from Industrial Policy, 2016.

IP 2016 is a well-defined policy document tailored to the then needs of changing global scenarios and patterns of productivity. It is quite more detailed than the preceding IP 2010. Some of the significant aspects of IP 2016 are summarised in Table 3.

Table 3: Some significant aspects of Industrial Policy 2016

Issues	Provisions
Categorisation of industries	<ul style="list-style-type: none"> • The IP 2016, has provided more detailed definitions of industries by numerous categories. • Just as previous IPs, the IP 2016 also categorized industries according to the amount of capital, labour employed, national priority, and technology used. • IP 2016 also includes new categories of industries like creative, arts and crafts, high-tech
Land management	<ul style="list-style-type: none"> • IP 2016 rightly addresses the issue of land scarcity and management • Catering to this land scarcity issue IP 2016 provides specific provisions for industry clustering and creating special economic zones.
Export-oriented and export-linkage industries	<ul style="list-style-type: none"> • IP 2016 mentions special incentives to the export-oriented and export-linkage industries • These incentives include cash incentives, tax holidays, bonded warehouse schemes, etc. • Investors will get at least three years of incentives starting from the first year of their commercial production • The export-oriented priority sectors will be provided special privileges and support from the venture capital/risk fund • Reduced duty for machinery imports for export-oriented industries.
Green industries and eco-friendly technology	<ul style="list-style-type: none"> • IP 2016 mentions special provisions for green productivity and green technology • IP 2016 mentions setting ETP, CETP, and clean development mechanisms in the industries • Reduce, reuse, and recycle methods are encouraged • Special incentives and support should be provided to the waste-processing industries
Women entrepreneurship	<ul style="list-style-type: none"> • IP 2016 has detailed provisions to facilitate women entrepreneurs • Women entrepreneurs will receive concessional loans on a priority basis • Mortgage-free loans and group loans will be provided to the high-quality proposed projects by the women entrepreneurs • Women will also get priority on SME loans (15% of the total SME loans) • Special training and capacity building for women entrepreneurs will be provided by relevant private and public stakeholders • Women entrepreneurs in priority sectors will get special incentives.
SME provisions	<ul style="list-style-type: none"> • For the promotion of SMEs, IP 2016 suggests a one village one product (OVOP) scheme throughout Bangladesh • Mortgage-free and single-digit financing for SMEs is proposed in IP 2016, SMEs will also receive refinancing from BB's SME refinancing funds • Clustered loans for SMEs are also proposed in IP 2016 • SMEs will receive thorough training and information centres will be established in each district • Exporting SMEs will get all current export facilities and import-competing SMEs will get a special compensation package.
FDI	<ul style="list-style-type: none"> • IP 2016 also has detailed provisions for attracting investments from foreigners and NRBs.

Issues	Provisions
	<ul style="list-style-type: none"> • Perspective foreign investors will get 5 years of multiple visas and an investment amount of 10 million USD and above will provide no visa requirement and in some cases might get local citizenship • Foreign investors and NRBs will get a one-stop service for investment purposes • Special monetary incentives should be given to foreign investors and NRBs investing in eco-friendly industries, export-oriented industries, high-tech industries, and cottage industries • Foreign workers working in such industries financed through FDI have easier visa requirements and in some cases will be exempted from dual taxation • For attracting FDIs special economic zones will be established • The invested working capital by the foreign investors can be transferred back to the country of origin without any hindrances and the dividend can be transferred upon appropriate taxation
Productivity, R&D, intellectual property, and standards	<ul style="list-style-type: none"> • IP 2016 emphasises developing a harmonised international product standard • R&D expenses will get a tax holiday facility • Making the private sector and the market more productive and competitive through the use of ICT • Labour productivity is also an important focus of IP 2016; training centres for priority sectors will be set up • For promoting entrepreneurship Technology Incumbent Centers are proposed to be established in various universities, research, and technical institutes • Special emphasis should be provided on vocational education • Special training should be provided to promote private-sector corporate leadership • Creation, conservation, and management of intellectual property is a new addition to the IP 2016; automation of the department of patent and design is also proposed
Monitoring, Evaluation, and Implementation	<ul style="list-style-type: none"> • The IP 2016 also has a detailed action plan and suggests setting up an evaluation, implementation, and monitoring cell for the timely implementation of the objectives of the IP 2016

Source: Authors' compilation from Industrial Policy, 2016.

2.2. Trade-related issues and provisions: current state and bottlenecks

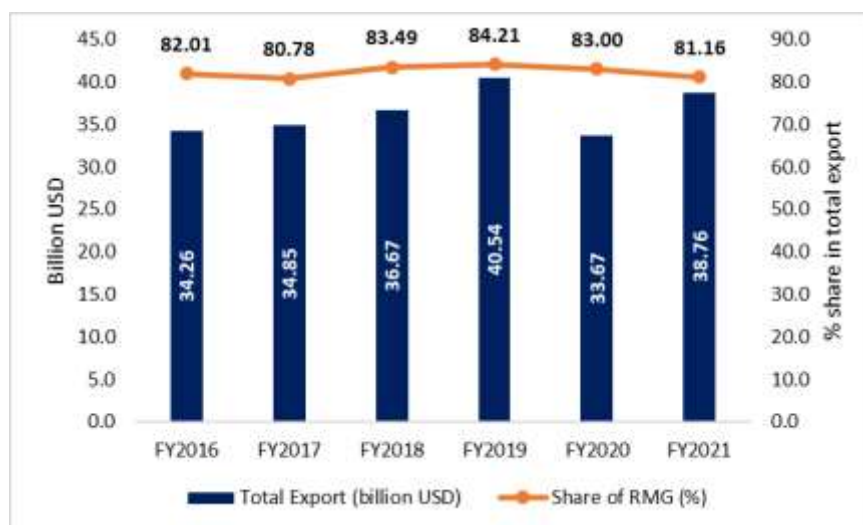
The issues and provisions mentioned in Table 2 of Section 2.1 are mostly related to trade. Here in this section, we will analyse the current state of such proposed provisions and possible bottlenecks from our findings from KIIs, and FGDs with the relevant stakeholders. The Industrial Policy 2016 is a well-crafted document, proposing necessary provisions to achieve the desired objectives. However, in reality, these proposed provisions often face serious implementation challenges and bottlenecks, making it tough to achieve the desired objectives of the IP 2016. The preliminary focus of the IP 2016 was to increase the share of industry to GDP from 28% to 35% and increase employment in the industrial sector from 18%- 25%. However, Bangladesh is yet to achieve such numbers. According to the World Bank (2020),

the industrial (including construction) value-added share as a percentage of GDP is 28.79%⁶. The World Bank data also shows that employment in the industrial sector as a percentage of total employment in 2020 was 21.65% for Bangladesh⁷. The current state and the challenges of some significant issues and provisions of the IP 2016 are discussed as follows:

2.2.1. Export diversification performance

One of the significant objectives of the IP 2016 was to enhance export-oriented industrialisation and diversification of the export and production base. However, Bangladesh is far from export diversification. Despite the appropriate mention of high-priority and priority sectors and incentive mechanisms directed towards the production and export of these priority products, significant progress is not experienced as of 2021. Most of the domestic industrial supports and incentives against export are predominantly enjoyed by the producers of RMG. The other potential sectors such as leather and leather goods, plastic, and light engineering are yet to show dominance in export. A pseudo-RMG bias prevails in the overall trade and industrial policy of Bangladesh, as the RMG leaders are often seen to hold political positions in parliaments. Non-RMG products do not have effective bonded warehouse facilities, along with that, high tariff to protect domestic industries has created an anti-export bias for non-RMG products. Figure 1, shows us the total export of Bangladesh in millions USD and the percentage share of export of RMG from FY 2015-16 to FY 2020-21.

Figure 1: Total export volume of Bangladesh (Billion USD) and % share of RMG in total export



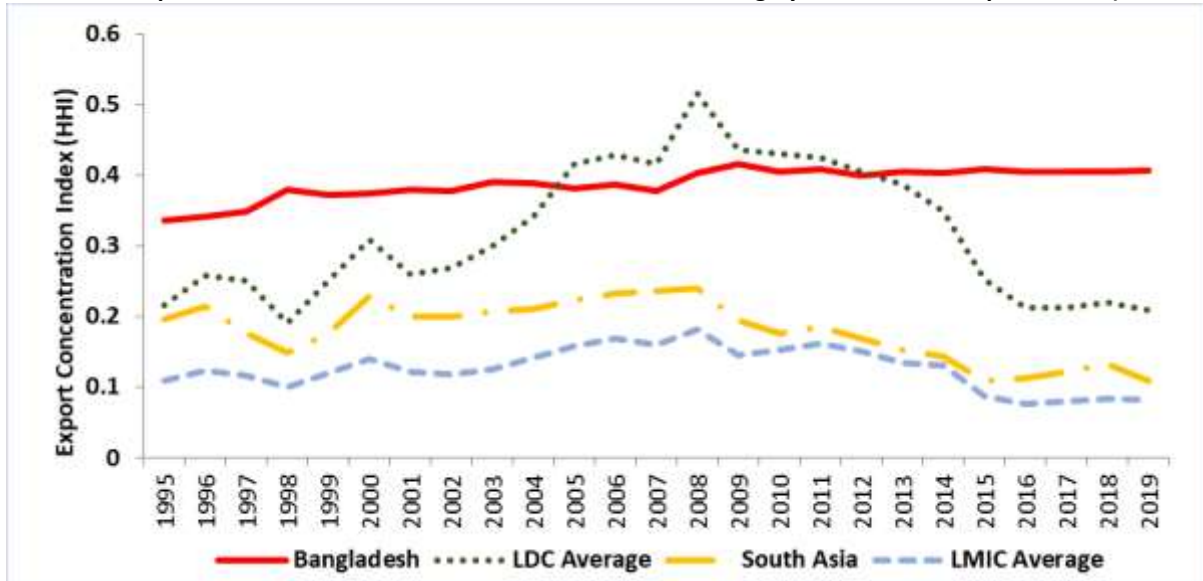
Source: EPB

From Figure 1, it is evident that the RMG (HS 61 and 62) holds the lion's share of the export, above 80% each year. Bangladesh's export concentration index according to UCTAD statistics is also higher compared to other country groups. Figure 2, shows that during the last two decades, Bangladesh has failed to reduce export concentration. Even when the LDC average,

⁶ World Bank Data, <https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=BD> (accessed 27th July, 2021)

⁷ World Bank Data, <https://tradingeconomics.com/bangladesh/employment-in-industry-percent-of-total-employment-wb-data.html>, (accessed 27th July, 2021)

Figure 2: Bangladesh's export concentration from a comparative perspective (values closer to zero indicate more export diversification and values closer to 1 indicate a highly concentrated export basket)



Source: UNCTAD

LMIC average and South Asian average export concentration index are falling since around 2013, and Bangladesh's export has remained fairly concentrated. Therefore it is evident that the current and previous trade and industrial policies have failed to diversify the export product basket of Bangladesh.

2.2.2 Failure to attract domestic private investment and FDIs

Despite ample investment incentives as mentioned in chapters 4 and 12 of the Industrial Policy 2016, Bangladesh is yet to achieve significant domestic and foreign investments. In five years since IP 2016, the domestic private investment percentage of GDP has increased slightly from 22.98% in 2016 to 23.68% in 2020. During the same period, the rise of domestic investment was also not very significant. Total domestic investment as a percentage of GDP grew from 29.65% in 2016 to 31.53% in 2020⁸. The Industrial Policy 2016 also failed to attract noteworthy FDIs, despite having detailed incentive provisions for FDIs. The total FDI inflows (net) in 2015 was 2.83 billion USD (current), which has become 1.9 billion USD (current) in 2019⁹. The share of net FDI inflows to the GDP of Bangladesh has also declined from 1.45% in 2015 to 0.63% in 2019¹⁰.

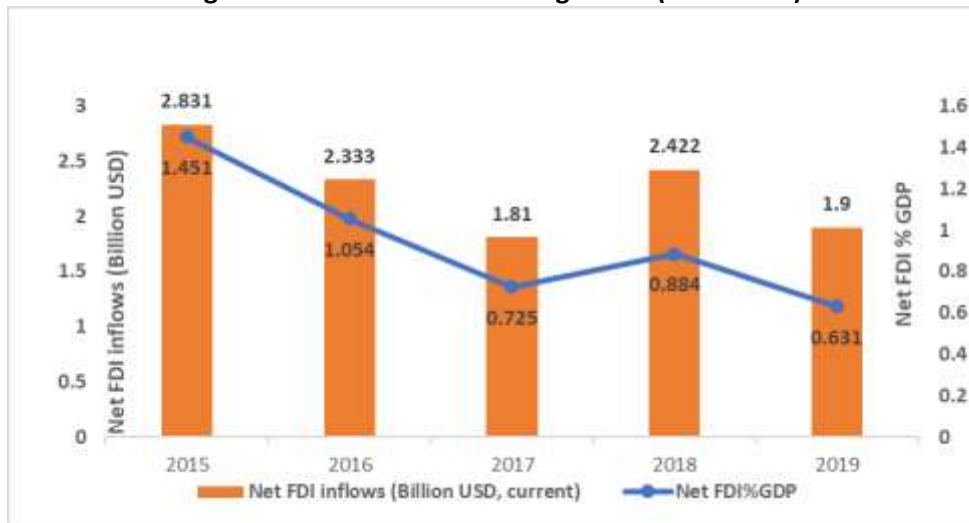
⁸ World Bank Data.

<https://data.worldbank.org/indicator/NE.GDI.FPRV.ZS?end=2020&locations=BD&start=2016>. (accessed 27th July, 2021)

⁹ World Bank Data. [Foreign direct investment, net inflows \(BoP, current US\\$\) - Bangladesh | Data \(worldbank.org\)](https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2019&locations=BD&start=2016). (accessed 16th August, 2021)

¹⁰ World Bank Data. <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2019&locations=BD&start=2016>. (accessed 27th July, 2021)

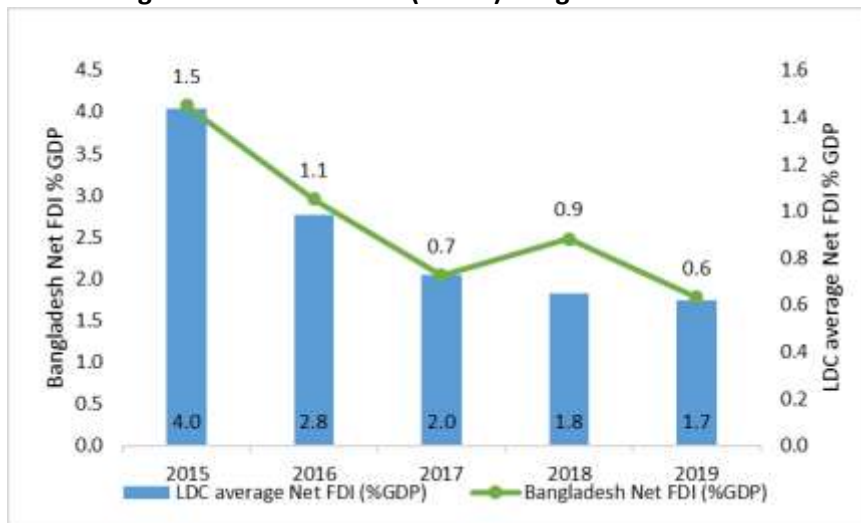
Figure 3: Net FDI trends of Bangladesh (2015-2019)



Source: World Bank

The World Bank data also shows that Bangladesh’s net FDI inflows as a percentage of GDP are way below the LDC average. In 2019 the LDC’s average net FDI inflows as a percentage of GDP was 1.74%, whereas Bangladesh managed to secure only 0.63% of the net FDI as a percentage of GDP¹¹.

Figure 4: Net FDI inflow (%GDP) Bangladesh and LDCs



Source: World Bank

Numerous supply-side constraints, lack of efficient infrastructure, and ease of doing business are some significant bottlenecks to attracting both domestic private investments and FDIs. According to World Bank’s Doing Business 2020 ranking, Bangladesh improved slightly to the 168th position out of 190 countries. Its previous ranking of Bangladesh in 2019 was 176th.

Bangladesh has performed poorly in some sub-components of doing business, such as enforcing contracts, property registration, and utility facilities. Along with that banking sector irregularities, lack of quality infrastructures, delay in implementation of SEZs, cost overrun,

¹¹ World Bank Data. <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2019&locations=XL-BD&start=2016>. (accessed 27th July, 2021)

lack of human capital, and skilled labours are some major obstacles to attracting investment in Bangladesh (Raihan, 2018)¹².

2.2.3 Green and eco-friendly industry

Though mentioned explicitly in chapter 14 of the IP 2016, the industries of Bangladesh are far from going green. However, the RMG sector has performed remarkably in the issues of environmental compliance¹³. However, the scenario in industries other than RMG is not very promising. Most of them do not have proper waste management, ETP, CETP facilities. As in the case of the leather goods and footwear industries in Savar. The industrial wastes are mostly dumped in nearby water bodies. Even the local industries cannot comply with the domestic environmental standards. Lack of monitoring, rent-seeking, higher installation costs, lack of technical expertise, lack of specific declaration and concrete guideline of a green industrial policy, lack of consumer demand of green products (except export-oriented RMG sector), higher interest loans, and lack of utility supplies are some of the major bottlenecks to promoting green industrialisation as mentioned in the policy document.

2.2.4 Development of MSME

Chapter 5 of the IP 2016 states in detail the provisions to mainstream and develop the MSME sector. However, several obstacles made the intended progress rather sluggish. The threshold gap between micro and small enterprises with that of medium enterprises is considerably high. Many of the incentives directed towards the MSMEs are primarily accessed by medium enterprises. The cottage, micro, and small industries are often deprived of incentives and stimulus support provided by the government¹⁴. Despite having mortgage-free and single-digit interest loan facilities, the credit amounts allocated for the SMEs are often not disbursed due to the lack of proper documentation by the MSMEs. The allocated credit amount is mostly disbursed to medium enterprises, which maintain a better bank-client relationship. The absence of skilled manpower, lack of information, use of traditional machinery, lower product quality, lack of innovation and diversity, complicated access to finance, limited support from government and regulatory agencies, and absence of export-capable and standard-compliant SMEs are some of the major hindrances to the development of MSMEs in Bangladesh (Abdin, 2017)¹⁵.

2.2.5 Productivity enhancement

The lack of skilled manpower and industry-specific technical education is one of the principal causes of sluggish industrialisation in Bangladesh. Enhancing technical capacity and labour productivity can lead to an efficient production process, product diversification, the creation of backward linkage industries, and the attraction of private and foreign investments. In

¹² Raihan, S. (2018, November 8). Why isn't private investment growing faster? *The Daily Star*.

<https://www.thedailystar.net/opinion/economics/news/why-isnt-private-investment-growing-faster-1657459> (accessed on 27th July 2021)

¹³ At present there are 90 LEEDs RMG factories certified by the USGBC and another 250 are registered for LEED certification. There are also 24 platinum rated factories, out of which 6 are among the top ten green factories in the world. (See Bhattacharja, Pallab, Tuj-Johra, Fatema, and Islam, Md. Shahidul. 2019. "Green Industry Development in Bangladesh Challenges and Prospects."

¹⁴ KII with an expert of industrial sector

¹⁵ Abdin, M. J. (2017). SMEs and our development goals. *The Daily Star*. February 25, 2017

<https://www.thedailystar.net/education-employment/smes-and-our-development-goals-1366591>

chapter 15 of the IP 2016, the need for productivity enhancement and the provisions related to it are mentioned. A highly productive and efficient labour force is significant for trade promotion, trade diversification and market diversification, and innovation. For the upcoming 4IR, innovation and productivity enhancement will play a vital role. Therefore, developing a strong linkage between education, industry, and institution is a must. The National Skill Development Authority is yet to show noteworthy progress in this issue. The quality of the skill development programs and our local educational institutions are also not up to the benchmark standard to compete in the era of globalization.

2.3 Changing nature of world trade and relevance of the Industrial Policy 2016

The Industrial Policy 2016 is formulated in line with the government's vision for 2021, which is to make Bangladesh a middle-income country by 2021. The issues and provisions discussed in Industrial Policy 2016 also align with the 7th five-year plan of Bangladesh. However, the global scenario of political economy, trade, industrialisation, and the use of technology has undergone significant changes as of 2021. Along with these issues, the impact of the unprecedented global COVID-19 pandemic, visions of the 8th five-year plan, visions of the second perspective plan of Bangladesh, LDC graduation challenges, etc. has made it necessary to rewrite the existing industrial policy focusing on these current and near-future issues. Therefore, the current Industrial Policy 2016, in many cases, fails to address the aforementioned concerns and loses its significance. This is due to the fact, that at the time when the IP 2016 was drafted, the aforementioned issues were non-existent. The relevance of the IP 2016 to Some of the aforementioned issues is discussed as follows,

2.3.1 Unprecedented COVID-19 pandemic

The global COVID pandemic had a hard hit on the industrial performance of Bangladesh. After decades, Bangladesh's economy has experienced a growth of less than 7.5% (5.2% in FY 2019-2020) (Abdin, 2019). A report by UNIDO surveyed 227 firms and found that the MSMEs were the primary victim of the adverse effect of the pandemic¹⁶. Textiles, apparel, and leather industries were hit the hardest. Around 50 percent of the firms operating in these sectors, reported that around 51 and more percentage of employees could not go to the workplace due to the pandemic lockdown. Around 60% of the surveyed firms expected a 50% drop in revenue in 2020, compared to 2019 (UNIDO, 2020)¹⁷. The GoB has issued a stimulus package to the affected industry owners, however, various bottlenecks and irregularities prevail in availing those special concessional loans. A study by SANEM in July 2020, carried out a firm-level survey to access the business confidence index of Bangladesh. 303 firms from both manufacturing and industrial sectors participated in the survey. The result showed that only one-third of the surveyed firms received the government stimulus package (57.3 percent of the large firms and 18.4 percent of the micro and small firms)¹⁸. This shows that despite being hit hard by the pandemic, MSMEs have struggled badly to avail themselves of the recovery government supports.

¹⁶ Contacted 400 firms, out of which 227 responded to their questionnaire.

¹⁷ UNIDO (2020). Impact Assessment of COVID- 19 On Bangladesh's Manufacturing Firms, Survey Results May-June

¹⁸ Raihan, S., Uddin, M., Ahmed, M.T., Jonaed., & Khan, F.B. (2020). COVID-19 and business confidence in Bangladesh: Results from the firm-level survey in July 2020. SANEM Publications, Dhaka, Bangladesh.

Therefore, it is deemed imperative to address and mitigate the adverse effects of COVID-19 on the industrial sector (special focus on MSMEs). New, well-thought industrial policy guidelines should be chalked out, as the provisions of current IP 2016 did not foresee such catastrophic turnouts of events. Bangladesh requires an industrial policy that will elaborately describe the process of post-COVID-19 recovery and post-COVID-19 industrialisation process. The new industrial policy should have a separate chapter on COVID-19 recovery and make necessary provisions regarding the post-COVID-19 government's industrial support mechanism, employment retention, enhancing the productivity of the MSMEs, digitalisation of the MSMEs, innovation and technology support, and proper registration of MSMEs and women-led SMEs for a comprehensive SME database for proper disbursement of government support¹⁹.

2.3.2 LDC graduation challenges

Bangladesh will graduate from the LDC category by 2026. LDC graduation will pose serious concerns for Bangladesh's trade and industrial performance. The 2016's industrial policy was not tailored to the issues of Bangladesh's graduation, however, proper implementations of some of the mentioned provisions of IP 2016 are necessary for the post-graduation period. As there are still 5 years in hand, the next industrial policies should have a comprehensive outlook on smoother LDC graduation. As an LDC Bangladesh currently enjoys DFQF market access to the developed and some developing nations and EBA schemes from the EU. Bangladesh's EBA utilisation rate from the EU is 96%²⁰. This has led to export products and market concentration. Bangladesh's export is highly reliant on RMG and the major export destination of Bangladesh's products is the EU. However, upon graduation from LDC Bangladesh will lose the DFQF and EBA schemes, leading to an average tariff rise of 11-12 percent, making the exports less competitive. Other than this preference erosion, Bangladesh will also face other challenges, such as loss of TRIPS waiver, domestic export subsidy, loss of preference as an LDC in capacity building programs, loss of access to EIF after a smooth transition of 5 years period, and losing the access to the LDC technology bank after two years smooth transition²¹.

Deprivation from all these current support measures compels us to think of a coherent industrial and trade policy that will have provisions to prepare Bangladesh's industry and export base for the upcoming graduation process. The 8th five-year plan of Bangladesh has mentioned a post-LDC graduation comprehensive industrial policy which would be WTO consistent. The industrial policies should have detailed provisions related to intellectual property rights preservation. Though it is already existent under chapter 9 of the IP 2016, however, proper implementation of the intellectual property laws is yet to be practised. The new industrial policy should also focus extensively on how to prepare the pharmaceutical sector for the loss of the TRIPS waiver. Provisions to provide domestic subsidies on export, and any other export promotion provisions, stated in the IP 2016 needs to be revised and

¹⁹ UNIDO (2020). Impact Assessment of COVID- 19 On Bangladesh's Manufacturing Firms, Survey Results May-June

²⁰ Information from KIIs

²¹ Secretariat of the Committee for Development Policy, UNDESA (2019). *Ex-ante assessment of the possible impacts of the graduation of Bangladesh from the category of Least Developed Countries (LDCs)*.

gradually phased out, making Bangladesh consistent with the WTO rules. Provisions on domestic support on R&D, environmental, labour, and quality compliance, and capacity and productivity enhancement should be pronounced more prominently in the concurrent trade and industrial policies. These will in turn enhance export competitiveness and prepare Bangladesh for the post-graduation phase²².

2.3.3 The 4th industrial revolution (4IR)

As the whole world is moving towards 4IR, Bangladesh should also take necessary preparation in planning the next industrial policy, accommodating the special needs of 4IR. The current IP 2016 does not contain provisions with a detailed focus on 4IR. The fourth industrial revolution will be dominated by 4D printing, big data, blockchains, artificial intelligence (AI), digital technology, bio-engineering, and robotics. The consequence of 4IR is of immense importance to Bangladesh's industrial and trading performance. Therefore, the industrial policy of Bangladesh needs to dedicate a separate chapter addressing the challenges and prospects of the 4IR. This chapter should mention the potential industries that might arise from the 4IR (Abdin, 2021)²³. The 4IR will also induce job loss, as automation will take over the labour-intensive manufacturing sector of Bangladesh. Serious thought and necessary action plans should be provided in the upcoming industrial policy of Bangladesh about managing such structural unemployment and relocation of the unemployed labour by providing appropriate training. 4IR and automation can result in reshoring of production which might pose a serious threat to our export life-line RMG. However, it could also contribute to the emergence of newer high-tech product and service industries. Therefore, the new industrial policy should consider the creation of employment in other emerging sectors, and potential sectors like jute manufacture, footwear and leather goods, agro-processing, plastics, light engineering, etc. by providing appropriate support provisions. As the 8th five-year plan mentions, women are more likely to lose their jobs due to 4IR, and effective skill development provision tailoring to the automated industrial needs must be addressed in the upcoming industrial policy²⁴.

2.3.4 The 8th five-year plan and the perspective plan (2021-2041)

As mentioned in the initial paragraph of this section, the IP 2016 was formulated under GoB's vision 2021, which also somewhat resonated with the 7th five-year plan. The 8th five-year plan has already been formulated which addresses issues like job creation, GDP growth, equal opportunities for all, tackling adverse effects of climate change, COVID recovery, 4th industrial revolution, LDC graduation, etc. Also, the perspective plan 2021-2041 states that Bangladesh needs to ascend to the UMIC country status by 2031 and a HIC by 2041.

As many of these issues are fairly new, so it is unwise to think that the provisions stated in the IP 2016 will be consistent with the 8th five-year plan and the perspective plan 2021-2041. To make an industrial policy consistent with the wide-ranging goals of the 8th five-year plan and the perspective plan 2021-2041 is very tempting, but it would be more appropriate to focus on limited specific issues of the aforementioned plans. As mentioned in the 8th five-year

²² 8th Five Year Plan (2021-2025), Bangladesh, p. 197-199

²³ Abdin, M. J. (2021). Upcoming Industrial Policy: Some Suggestions. *The Financial Express*. February 13, 2021 <https://thefinancialexpress.com.bd/views/upcoming-industrial-policy-some-suggestions-1613144798>

²⁴ 8th Five Year Plan (2021-2025), Bangladesh, p. 235

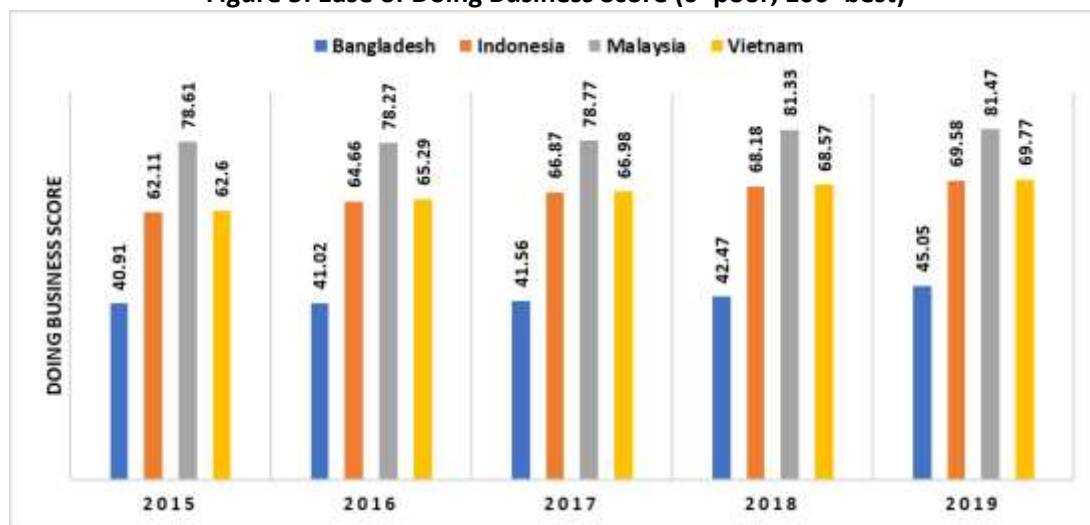
plan, the industrial policy during this time frame should focus on achieving a 40-45% share of GDP by 2030, through structural transformation absorbing the underemployed labour force of the agro and informal sector. The industrial policy during this time should also be tailored with a specific focus on the LDC graduation preparatory phase and, and post-graduation challenges, having WTO-consistent provisions. The new industrial policy must also address the 4IR issues.

2.4 Deviation from the international practices (by comparators)

In this section, we will look into the industrial policies of some comparators that have achieved remarkable industrial progress during the last decade or so. As Bangladesh is soon to graduate from the LDC status and possesses a vision to become a UMIC by 2031, this section of the study will provide an industrial policy comparison of Bangladesh with industrial successes like Malaysia, Indonesia, and Vietnam. Except for Malaysia (UMIC), the other comparators here are LMICs. During the KIIs with the former and current government officials, think tanks, and various chambers, these countries were repeatedly suggested by the informants for comparative analysis.

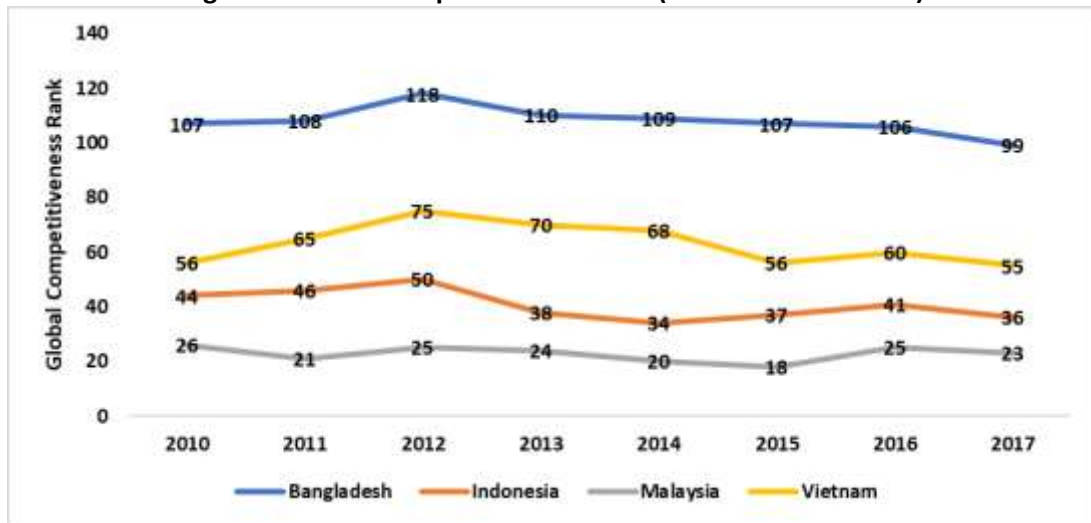
Before diving deep into the policy comparison with these countries, a comparison of some relevant indicators (related to business and industrialisation) is illustrated below.

Figure 5: Ease of Doing Business Score (0=poor, 100=best)



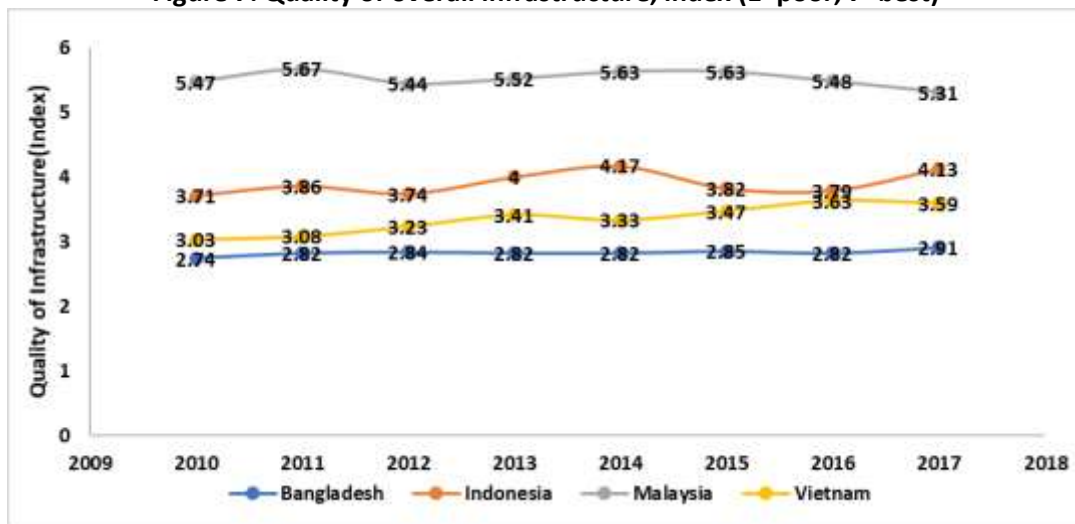
Source: World Bank

Figure 6: Global Competitiveness Rank (Out of 151 countries)



Source: World Bank (World Economic Forum)

Figure 7: Quality of overall infrastructure, index (1=poor, 7=best)



Source: World Bank (World Economic Forum)

Figure 8: Government Effectiveness Index (-2=poor, 2=best)



Source: World Bank (World Economic Forum)

From the above diagrams, it is evident that the performance of Bangladesh is not at par with the comparators in terms of the mentioned indicators. Good governance, better competitiveness, ease of doing business, and quality infrastructure generate an efficient industrial structure of a country. The comparators, in this case, are way ahead of Bangladesh in terms of governance, competitiveness, infrastructure, and doing business. Therefore, a thorough examination of the policies focusing on the industries, of these comparator countries is deemed imperative for the policymakers of Bangladesh to design a prudent industrial policy for Bangladesh, ensuring sustainable industrial growth. The following three tables present the overview of the policies related to trade and industry for Indonesia, Malaysia, and Vietnam. Institutional framework, enabling factors, future focus, and key takeaways from each country’s policies are stated in the tables.

Table 4: Overview of Malaysia's industrial policy

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away	
1958-1968, (Import substitution 1) ²⁵	Pioneer Industries Ordinance, 1958	yes	To diversify the economy, reduce imports and generate employment	1. Industrial growth and technological innovations achieved through attracting FDIs,	1. Stable political condition,	1. Preparing for 4IR,	1. Enabling FDI inflows,	
1968-1980 (Export orientation 1)	Investment Incentives Act 1968	yes	To diversify the manufacturing sector (electronics and textiles for export), create linkages and employment	2. High incentives were provided to the MNCs investing in Malaysia, Political check and balance was ensured by the political parties,	2. Industrial agglomerations,	1 Ensuring green industries,	2. Ensuring reward (incentives) and Punishment (tax) mechanisms for enterprises that ensure economic linkages,	
	Free Trade Zone Act 1971	yes			3. Infrastructure development,	2 Solid waste management,		3 Enhancement of the service sector,
	Industrial Coordination Act, 1975	yes			4. FDI inflows,	3 Paperless trade,		4 Transparency in policy,
1980-1990 (Import substitution 2-Export orientation 1)	Heavy Industrial Policy, 1981	No	To create linkages in the manufacturing industry. To reduce imports of intermediate and capital goods	3. Free-riding by the foreign firms was checked by credible threats,	5. Better macroeconomic management,	5 Transparency in policy,	3. Fruitful development and implementation of industrial cluster,	
	"Look East" Policy, 1981	No			6. FTZ and LMW,	6 Branding Malaysia ²⁶ ,		4. Enabling investment climate and loan facilities through venture capital,
	Industrial Masterplan 1, (1986-1995)	No			7. Industrial corridors,	7 Enhancing capacity building by the private sector,		
	Promotion Investment Act 1986	yes			4. Threats worked like most other developing economies could not provide such an investment climate	8. STPs,		8 Research-based industrial
					9. SME development,			

Source: Authors' compilation from different sources

²⁵ Rasiah, Rajah. (2019). *Industrial Diversification in Malaysia*. Presentation prepared for the UNIDO Workshop, Promoting Export Diversification in the CAREC Region, Ulan Bator (Mongolia), 16-17 May 2019.

²⁶ Ministry of International Trade and Industries Malaysia, [Kementerian Perdagangan Antarabangsa dan Industri \(miti.gov.my\)](http://miti.gov.my)

1991-2005 (Import substitution 2-Export orientation 2)	Industrial Masterplan 1, (1986-1995),	No	To create linkages in the manufacturing industry, increasing value-added activities, improving productivity, and technology spillover	as Malaysia from 1970-2000,	10. knowledge spillover and development of linkage industries,	9 cluster development, Facilitating domestic and regional clusters,	6. Preparing for 4IR (reskilling),								
	Action Plan for Industrial Technology Development (APITD) 1990	No						5. FDIs that created backwards and forward linkage industries were rewarded and incentivized,	11. Incentives and industrial training,	10 SME development,	7. Country branding,				
	Human Resource Development Act (1992)	yes										6. FDIs that only sit on the domestic economy without linkages were taxed,	12. Quality institutions	11 Integration of Malaysian companies to regional and global value chain,	8. Research-based industrial cluster development,
	Industrial Masterplan 2, (1996-2005)	No													
2006-2020²⁷ (Knowledge-Economy, Import substitution 2-Export orientation 2)	Industrial Masterplan 3, 2006-2020	No	To achieve long-term global competitiveness through transformation and innovation of the manufacturing and services sectors. Extending economic and trade cooperation and preparation for 4IR				10. Focusing on service sector development,								
	Regional Corridors – NERC, IRDA, ECER, SDC, and SCORE	No						11. Linking FDIs with SMEs,							
	National Policy on Industry 4.0	No							12. Skilled and innovative manpower development,						
		13. Proper political check and balance of legislative and executive department													

²⁷ Mohamed, Z., Kadir, Z.A., & Raof, N. A. . (2018). Malaysia Industrial Master Plans (IMPs) and the Focus on the Nation Technology and Innovation Development. *Journal of Science, Technology, and Innovation Policy*, 4(2).

Table 5: Overview of Indonesia's industrial policy

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
1966-1999	New Order (Repelita I-Repelita VI)	(Regulated by the military regime)	The start of Indonesia's modern industrialization, focused on agriculture development, ensuring macroeconomic stability, development of infrastructure (transport, power, communication), focus on Agri development, Import substitution for the manufacturing sectors that support agriculture, providing consumer necessities (textiles), Focuses on manufacturing industries that process raw materials and creates value-added products, the establishment of capital goods (engineering) industries, manufacturing industries related to technology, Policy liberalization, enhances domestic private sector investment, restrains the role of foreign investment in the domestic economy, export diversification, reducing reliance on oil export, reduction of foreign aid and borrowing	<ol style="list-style-type: none"> 1. Pro- Nationalist outlooks within the political elites have been phenomenal during the "New Order", which has played a significant role in industrial policy implementation²⁸, 2. Indonesia had successfully developed a business-government model with Indo-Chinese businesses, 3. The informal connection between the government and Indo-Chinese enterprises was fruitful in the 	<ol style="list-style-type: none"> 1. Government stability from (1966-1999), 2. Agricultural sufficiency, 3. Pro-nationalist outlook, 4. Use of petroleum revenue for other sectoral investments, 5. Rural and regional development , 6. Gradual reduction of government market interventions , 7. Regulated industrial policies, 	<ol style="list-style-type: none"> 1. 4th industrial revolution, 2. Green industries, 3. FDI attraction, 4. SME development, 5. Connectivity enhancement in the regional and global value chain 6. Development of economic corridors, 7. Even industrial development across Indonesia, 	<ol style="list-style-type: none"> 1. Binding industrial policies seems more efficient, 2. Ensuring a stable government and macroeconomic environment, 3. Attracting FDIs to high-tech and value-added production, 4. Preparation for 4IR, 5. SME development,

²⁸ Rock, M. T. (1999). *Reassessing the Effectiveness of Industrial Policy in Indonesia: Can the Neoliberals be Wrong?* *World Development*, 27(4), 691–704. doi:10.1016/s0305-750x(98)00158-2

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
2005-2020	Long-term National Development Plan RPJPN (2005-2025), 5-year Medium-Term National Development Plan, RPJMN, Regional Development Plans, RPJMD ²⁹	yes	Focuses on the Industrial sector as an engine of economic growth, improves efficiency, modernizes the value chain, and improves value-added activities through promoting local industries, empowering the national industrial base, and strengthening forward and backward value chain linkages, integration of SMEs to GVC	<p>implementation of the industrial policies,</p> <p>4. Business elites received credible assurance from the state and the state was able to control the actions of the business elites by enticing them with regulated industrial policies,</p> <p>5. Macroeconomic stability and minimizing rent-seeking were ensured by the Berkley technocrats</p>	<p>8. SME development ,</p> <p>9. Welcoming FDIs in tech industries,</p> <p>10. Production of value-added goods,</p> <p>11. Alignment of industrial policy with national development strategy,</p> <p>12. Integration to GVC by accession to WTO and other regional trade blocks,</p>	<p>8. Promotion of technical education,</p> <p>9. Harmonizing regulations,</p> <p>10. Scientific research and innovation,</p> <p>11. Production of value-added goods.</p>	<p>6. Increasing the government's capacity to effectively entice business enterprises with industrial policy regulations,</p> <p>7. Investment of revenue from high performing sectors to other forms of industrial production,</p>
	National Industrial Policy, 2008	yes	long-term industrial development vision for Indonesia to be a strong industrialized nation by 2025.				

²⁹ Yağci, M., & Ardiani, N. (2017). National Development Planning, Industrial Policy, and Sustainable Growth Challenges in Indonesia and Malaysia: A Comparative Historical Analysis. *Industrial Policy and Sustainable Growth*, 1–29. doi:10.1007/978-981-10-3964-5_16-1

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
	Master Plan for Acceleration and Expansion of Indonesia's Economic Development, 2011 (MP3EI)	No	Spreading economic development across the country through the development of economic corridors, Improving domestic and international connectivity, Enhancing technology and human resources, Promoting the participation of the business sector in infrastructure development, removing bureaucratic barriers, Reorienting export policies of raw materials and energy resources, development of economic corridors	appointed by the administration. 6. Post-Asian financial crisis the country took more outward industrial policies following IMFs guidelines, compiling with the WTO regulations and establishing regional trade areas,	13. Focus on technical and vocational education		8. Solid infrastructure development, 9. Ensuring equal industrial development in all sub-regions of the country, 10. Developing economic corridors and free trade areas, 11. More integration to GVC
	Law of the Republic of Indonesia No. 3 of 2014 on Industry	yes	Formulating a clear regulation on the administration of government affairs in the field of industry, creation of national industrial development master plan and industrial policy, zoning and industrial resource development, development of infrastructure, industrial employment generation, security and rescue provisions, national industry committee, and overall supervision.				

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
	National Industrial Development Master Plan 2015-2035	A provision of Law of the Republic of Indonesia No. 3 of 2014 on Industry	Realizing the national industry as a pillar and driver of the national economy, evaluating the depth of the industrial structure, even industrial development across regions, ensuring competition, promotion of business and employment, ensuring independent, competitive, advanced, and green industries				
	Strategic Plan of the Ministry of Industry 2020-2024 ³⁰	No	Support programs to the industries by the ministries, value addition, increasing competitiveness, scientific research and innovation, vocational education, program evaluation				
	Making Indonesia Road Map Document 4.0, 2018	No	Preparing for 4IR, encouraging value-added and high-technology downstream industries to become a competitive player in the new global context, development, and integration of connectivity, technology, information and communication, SME development, FDI attraction, harmonising regulations, incentivizing tech investment				

Source: Authors' compilation from different sources

³⁰ Industrial policy documents from Ministry of Industries, Indonesia, [Ministry of Industry \(kemenperin.go.id\)](http://kemenperin.go.id)

Table 6: Overview of Vietnam's industrial policy³¹

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
1965-1985, (Socialist Industrialisation)	First five-year plan (1960-65)	No	Making Vietnam a socialist country in the next 20 years,	<ol style="list-style-type: none"> Vietnam's industrial policy framework is governed by a national Socio-Economic Development Strategy (SEDS) projected for ten years, Ministry of Industry and Trade, and the Ministry of Planning and Investment overseas the industrial policy framework, SEDS highlights as priorities knowledge-intensive industrial production and higher local 	<ol style="list-style-type: none"> Privatization, Shifting from SOEs to FDIs, Liberalization of the economy, The smooth functioning of EPZs and IZs, Ascension to WTO, BTA, and FTAs, Knowledge spill-over through FDIs, US-China trade and tech war, promotion of SMEs and expansion of high-tech industries and assembling plants, 	<ol style="list-style-type: none"> Skill development, allocation of FDIs in more value-added sectors, Greater integration to the GVC, Export and import diversification, Branding Vietnam and supporting local brands, Investment in e-commerce, Attracting FDI in environmentally sustainable projects, Infrastructural development and 	<ol style="list-style-type: none"> Attracting FDI in sectors other than the high-performing ones, creation of a local backward linkage industry which Vietnam somehow failed to achieve, Use of BTA and FTA negotiations to become more integrated into GVC, Effective development of SMEs, Preparation for the 4IR, Effective sector-wise targeted strategies,
	Second five-year plan (1976-1980)	No					
1986-2005 (Market economy, "Doi moi")	Third five-year plan (1986-1990)	No	Industrialization focusing on the market-oriented open economy, development of heavy industries and mineral-based industrialization, export-oriented industrialization, development of labour-intensive export, and manufacturing expansion of high-tech sectors, SME development, promoting the service sector,				
	Law on foreign investment, 1987	yes					
	Company law 1991	yes					
	Public investment program (1996-2000)	No					
	Law on Encouragement of Domestic Investment in 1998	yes					
	Revision of Law on Enterprises in 1999	yes					
	Fourth Five-year plan 1990-1995	No					
Fifth Five-year plan 1996-2000	No						
Sixth Five-year plan 2001-2005	No						

³¹ Anh, N., Duc, L., & Chieu, T. (2016). The Evolution of Vietnamese Industry. In Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia. : Oxford University Press. Retrieved 21 Aug. 2021, from <https://oxford.universitypressscholarship.com/view/10.1093/acprof:oso/9780198776987.001.0001/acprof-9780198776987-chapter-12>.

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
2006- 2020 (Post WTO Assecions)	Seventh Five-year plan 2006-2010	No	Boosting economic structural change towards industrialization and modernization; more export-oriented: continuation of earlier priorities, but with greater selection, promotion of technology transfer via FDI, making the existing policies more compliant with WTO, improvement of market-oriented institutions, infrastructural development, skill development, transform Vietnam to an industrialised economy by 2020.	content in products, human resource development, 4. Vietnamese government provided incentives to the priority sectors on R&D, provision of the production site and trade promotion support, 5. The Vietnamese government has successfully removed the better performer (plastic) and lesser performer (steel) from the subsequent priority lists, 6. Effective focus is also given to sunrise and sunset industries,	9. sector-wise targeted strategies and domestic value addition, 10. favourable credit schemes for manufacturing and service sector firms, 11. providing incentives on FDIs	9. Greater prominence of PPI in infrastructural investment, 10. 4IR, 11. priority sectors such as mechanical engineering, ICT, electronic equipment, new and renewable energy, digital content, textiles, leather and footwear, plastic, and agriculture	7. Drawing FDIs in light engineering, ICT, service sector, renewable energy, 8. Branding local enterprises, 9. Gradually removing better performers and worse performers from the industrial priority sectors, 10. Promotion of PPP and infrastructural investment, 11. Effective implementation of IZs, EPZs, and SEZ, 12. Proper investment in E-commerce, 13. Promoting favourable credit schemes
	Accession to WTO, 2007 and creation of bilateral trade agreements and FTAs	yes					
	Five-Year Socio-Economic Development Plan (2011-2015)	No					
	Five-Year Socio-Economic Development Plan (2016-2020)	No					

Period/Strategies	Policy	Binding	Focus/objectives	Institutional Framework/Political economy	Enabling factors	Future focus	Take away
				7. Vietnam's deregulation and market liberalization under WTO has effectively expanded the industrial production base			for SMEs in the manufacturing and service sector

Source: Authors' compilation from different sources

3. The Industrial Policy 2016 and relevance to the SHE trades

The MasterCard Index of Women Entrepreneurs (2020), shows that out of 58 countries, Bangladesh ranks 58 in terms of the women's entrepreneurship index. In 2019, Bangladesh ranked 57 out of 58 countries. The report mentions that the bottom three performers Bangladesh, Algeria, and Egypt have deeply rooted socio-cultural barriers, lack of effective government support, lack of access to finance, and lack of working opportunities, which makes it tougher for these economies to foster women's entrepreneurial activities³².

Though chapter 10 of the Industrial Policy 2016 explicitly mentions several provisions to mainstream women in trade-related activities and the global value chain, the progress is quite insignificant. Some of the significant proposed initiatives to mainstream women, proposed in IP 2016 are as follows,

- Providing extensive training to women entrepreneurs regarding project designing, project implementation, pre-investment consultations, etc. BISIC, BITAC, SME foundation, and other private organisations will facilitate such training.
- Bangladesh Bank will consider financial assistance and incentives so that cottage, micro, and small women entrepreneurs can establish their businesses.
- Taking necessary measures to extend mortgage-free loan facilities to women entrepreneurs and creating a women-friendly banking environment.
- Providing special incentives to the women entrepreneurs involved in priority sectors.
- Creating an information network among local and international organisations that promote women's entrepreneurship.
- Removing all legislative barriers for women to participate in industrial production.
- Providing at least 15% of the total credit amount allocated to the SMEs to the women entrepreneurs.

Though this wish list seems perfect and sincere, however, in reality, there are plenty of implementation challenges and bottlenecks addressed while conducting KIIs and FGDs. Some significant bottlenecks to mainstreaming women in trade and entrepreneur activities are as follows,

Table 7: Challenges of women's entrepreneurial development

Issues	Remarks
Information gap	<ul style="list-style-type: none"> • Women entrepreneurs often cannot access the special incentives provided to them due to a lack of proper information mediums. • Lack of information on how to avail SME loans, mortgage requirements, document requirements, and appropriate authorities to seek assistance often makes it difficult for women entrepreneurs to start a business.

³² MasterCard Index of Women Entrepreneur (2020), [ma_miwe-report-2020.pdf \(mastercard.com\)](https://www.mastercard.com/ma_miwe-report-2020.pdf)

Issues	Remarks
Social stigma	<ul style="list-style-type: none"> • Women entrepreneurs often cannot operate their business after evening due to social outlooks. • Harassments in the banks and various registration processes are constantly faced by women entrepreneurs. • For women traders engaged in export and import the condition of the land ports is not gender friendly.
Lack of financial and business knowledge	<ul style="list-style-type: none"> • Women entrepreneurs mostly lack business knowledge regarding how to plan projects, legal procedures to start a business, how to avail special incentives, customs procedures, and knowledge of the HS code, etc. • Due to these knowledge gaps often women entrepreneurs perceive these procedures as complex business registration processes and refrain from formal trading. • Many women entrepreneurs have insignificant or no knowledge about maintaining proper accounting books which is crucial for receiving finances.
Absence of assistance	<ul style="list-style-type: none"> • Women entrepreneurs mostly face difficulties in business processes due to the absence of appropriate support staff and the lack of a women-friendly business and banking environment. • Often women entrepreneurs have to take assistance from their male counterparts in the financing and business-starting process • Dedicated help desks in the banks for women entrepreneurs are seldom seen.
Bank loans/ SME loans and cumbersome process	<ul style="list-style-type: none"> • Women entrepreneurs fail to avail even the 15% total allocated credit amount allocated towards them due to cumbersome procedures, and lack of appropriate documents. • As commercial banks disburse these loans, there are often high mortgage requirements which many women entrepreneurs don't have. Also, they fail to manage bank guarantees. • Often small businesses run by women have full or a majority of transactions in cash, therefore there is no proper accounting and financial traceability. This makes it difficult for banks to provide loans to small businesses run by women. • Women entrepreneurs often fail to provide mandatory documents such as VAT and TIN certificates, and trade licenses.
The reluctance of bankers to provide loans to women	<ul style="list-style-type: none"> • As the commercial banks are directed by the Bangladesh Bank and SME Foundation to provide concessional loans to women entrepreneurs, therefore banks are often reluctant to disburse loans to a woman compared to a male entrepreneur. • The interest rate at which women entrepreneurs are getting low is lower than the interest rate borne by their male counterparts. Therefore, the banks perceive a loss in disbursing loans to female entrepreneurs. • Though a minimum of 15% of the total SME loans is to be disbursed to the women entrepreneurs it is often unfulfilled. The commercial banks report to the Bangladesh Bank and SME Foundation, that no eligible women entrepreneurs were applying for loans.

Issues	Remarks
<p>Inefficient training facilities</p>	<ul style="list-style-type: none"> • Though the intent to train women entrepreneurs with appropriate pre-investment business knowledge is an excellent initiative, however, in reality, the training is mostly a waste of resources and is done to tick boxes. • Women entrepreneurs have an interest in the non-conventional sectors, however, lack of specific training creates hurdles in doing so. • Vocational training is less prevalent in Bangladesh and the percentage of women receiving vocational training is even lower. • The training programs are not efficiently designed. Often doesn't cover significant topics and it's hard for the training organisation to extend its outreach to the grassroots levels.
<p>Coordination failure</p>	<ul style="list-style-type: none"> • Coordination failure among authorities in charge of the promotion of women's entrepreneurship is another significant bottleneck to mainstreaming women in entrepreneurial activities. • The officials in charge of implementing the provisions of the policies often lack capacity which makes the provisions inefficient.

Source: Authors' compilation from various sources

4. Findings of the Study³³

Several things have been disclosed with the extensive desk review through various literature, KIIs, and FGDs although the industrial policy is very well-written and crafted. The practical scenarios have been unfolded with interviews with relevant stakeholders through various KIIs and FGDs. The information from the KIIs and FGDs is recapitulated in this chapter.

4.1 Adjustment between Industrial and Trade Policy

Industrial and trade policies should be brought under one umbrella. Industrial and trade policies should not be separated rather than they should be one policy. In Japan, the Ministry of Industry and Trade is one of the ideal and significant examples of the effectiveness of bringing industrial and trade policies together.

4.2 Implementation Challenges

Bangladesh is the only country that can meet the three criteria of LDC graduation and the impacts of trade are indispensable. According to a report from WTO, the EBA utilization rate is 96% for Bangladesh. But there are also some major obstacles, from the last 20-25 years Bangladesh cannot be able to assure export diversity. Several concerns have been focused on in the policy but cannot be able to implement. For example, SME cluster and village development, research and development, SME census, and the progress of these issues are not significant. Moreover, it is hard to trace a concrete and updated number of entrepreneurs.

4.3 Cash Incentives

During the preparatory time, Bangladesh will need to work on tariffs and supplementary duty. There are mainly two types of subsidy that can be provided to agriculture, a) domestic support and this support can be given after graduation, which is also given by the USA to wheat production and a 10% subsidy can be given but Bangladesh can only give 3 to 4%. And b) export subsidy, which will be affected after graduation, Bangladesh is giving a 20% subsidy on potatoes which is under export subsidy and it is informal as no one is questioning hence, Bangladesh is continuing but if anyone will raise their voice against it then Bangladesh must need to stop the subsidy. The USA is providing domestic support to wheat production and Bangladesh is providing subsidies for irrigation, fertilizers, and fuels. But 20% subsidy for potatoes provided by Bangladesh is under export subsidy which is informal and overlooked by the authority and Bangladesh will face difficulties after graduation to provide irregular and informal export subsidies.

4.4 Green Industry

According to Industrial Policy 2016, every factory must have an ETP. Although the reality is different as pollution is continuing in several garments industries. The concept of green industries is slowly taking place though it is not up to the mark.

³³Information from KIIs and FGDs

4.5 FDI trend in Bangladesh

The industrial policy also should follow the rules and adopt the initiatives to attract FDI or to coordinate with the purpose of the special economic zone as well as credit policy. For example, in the 7th five-year plan, the targeted FDI was 32 billion dollars but the achieved FDI was 11 billion dollars. Therefore, without specific and appropriate initiatives the targeted FDI cannot be achieved. Moreover, for around 40 years, the industries are not able to meet the demand of the buyers and failed to attract FDI. In Vietnam, their FDI is high and the economy is running smoothly by their higher FDI. Furthermore, the business environment and the ease of doing business should be improved as early as possible and the usefulness of one-stop service needs to be assured.

4.6 Investment Policy (Encouraging FDI)

Several existing bottlenecks in our investment policy can discourage foreign investors. The investment policy should provide 100% equity. Foreign investors should be given the opportunities to free-exist and should be also provided essential protection as well. WTO also provides several facilities to foreign companies and the investment facilitation agreement does not violate the trade rules directly but indirectly it creates trade discrimination.

4.7 Lack of Institutional Capacity

One of the significant challenges of Bangladesh is the lack of institutional capacity. The institution will eventually decide how the country can go. To assuring any policy implementation, the first and foremost duty should be to strengthen the institutional capacity. Massive investment should be undertaken for capacity building, through assuring overtime training, division of labour, and so forth.

4.8 Lack of Accountability

Lack of accountability is one of the major results of institutional incapacity. Institutional incapacity should be removed to assure accountability and without accountability, any policy cannot be implemented appropriately.

4.9 Employment Opportunities

The industrial sector cannot able to assure a higher employment rate as the contribution to GDP is higher in the industrial sector but the employment rate is not significant in the industrial sector in industrial policy employment generation is one of the major priorities. The sectoral employment rate needs to increase from 18% to 25%, the reality shows a different result.

Government should increase investment, especially without increasing private investment it is quite tough to enhance the employment rate. In the agriculture sector, the contribution to GDP is lower than in the industrial sector but the contribution to employment is around 42%, which is higher than in the industrial sector.

4.10 Lack of Skilled Labor

The number of skilled labourers is not sufficient in the industrial sector and with the low-skilled workers, it becomes more difficult to address the higher growth. Training programs should be undertaken to upgrade the skills through re-skilling and up-skilling. As the 4th industrial revolution is knocking at the door, and in the era of technological advancement it is high time to focus on the skill development of the labour to assuring higher productivity. This is a cross-cutting issue. Therefore, focusing on the skill development of labour has become much more crucial now.

4.11 Access to Information

In Bangladesh, Access to information is one of the major challenges to implementing any policy, as the stakeholders do not have equal access to information in every stage of trade. Therefore, with strengthening institutional capacity access to information need to be increased.

4.12 SME Development

The threshold points of small and medium are higher and it is quite tough for small enterprises to compete with medium enterprises and the medium enterprises are being benefitted more. So we need to divide the small and medium enterprises by the stimulus packages. Hence new industrial policy should separate the micro and small and medium enterprise. For example, the benefits, of stimulus packages have been enjoyed largely by medium enterprises as in those packages “bank-client relationship” has been focused and the better-off enterprises benefiting from the sufferer are the small enterprises.

4.13 Dated policy

The context of LDC graduation and the objectives of sustainable development goals does not reflect in this policy as this policy was formulated in 2016.

5. Recommendations and the way forward

In this chapter, we have provided some recommendations for future industrial policies. The recommendations are mostly based on the primary information gathered during KIs and FGDs. The policies of Bangladesh, in general, are well crafted. A lot of effort, consultation, and stakeholder opinion are considered while formulating the policies. Industrial Policy 2016 is not any different. The intent and measures to achieve the desired goals stated in the Industrial Policy are sincere.

However, the implementation of the provisions and measures mentioned in the Industrial Policy 2016 is a challenge. The legal non-binding nature of the policy often makes it difficult for the implementing entities to ensure the implementation of the proposed measures to achieve the stated goals. In addition, the Industrial Policy 2016 is formulated 5 years back and the global trade and business dynamics have rapidly shifted. New issues have come up which need to be addressed in the future industrial policy of the country.

Our careful review of the Industrial Policy 2016, has identified some specific areas that need to be readdressed in future policy. The areas include women entrepreneurship, SME development, attracting FDIs, productivity and standard enhancement, LDC graduation, 4th industrial revolution, eco-friendly industrialisation, infrastructure and value chain development, efficiency and completion of the industrial zones, training and capacity building, overall monitoring, policy coherence, and legal bindingness.

Table 8, on the next page, provides a detailed recommendation matrix for future policies.

Table 8: Recommendations for Future Industrial Policy

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
Chapter 1 of Industrial Policy	Introduction	NA	NA	Unchanged	NA
Chapter 2 of Industrial Policy 2016	Goals, objectives, and action plan	NA	NA	Unchanged	NA
Chapter 3 of Industrial Policy 2016	Chapter 3. defines the large, medium, small, micro, and cottage industries.	NA	The new policy needs to redefine the SME categories as the dispersion between small and medium is high and often there are micro and cottage industries. Therefore separate provisions for micro cottage and small industries may prevail in the new policy.	NA	NA
Chapter 4 of Industrial Policy 2016	Investment incentives	NA	NA	Unchanged	NA
Chapter 5 of Industrial Policy 2016	5.7 and 5.8 mentions incentives to be provided to the SMEs that are engaged in exports or the SMEs that produce import substitutes	The incentives, domestic supports, reduced tariffs, and tax breaks for the SMEs needs clear addressing (quantification) in future policies.	NA	NA	

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
	5.2.3 mentions that for the capacity building of the entrepreneurs, regular training should be provided.	The new policy needs to mention the provisions for efficient training by both public, private and foreign institutes to the SMEs and an effective monitoring mechanism for those training needs precise addressing.	NA	NA	NA
	5.2.2, and 5.11 mention single-digit loans, mortgage-free loans, loans to women SMEs, start-up financing, credit guarantee, etc. to be provided to the SMEs to solve the finance-related issues of the SMEs	The new policy may extend the provision and mention appropriate new and existing organisations from where SMEs can receive easier finance.	NA	NA	NA
Chapter 6 of Industrial Policy 2016	Economic zones, industrial parks, high-tech parks, clustered industrialisation	NA	NA	Unchanged	NA
Chapter 7 of Industrial Policy 2016	State-owned industrial management	NA	NA	Unchanged	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
Chapter 8 of Industrial Policy 2016	8.5 and 8.6 mentions the capacity building of the BAB and BSTI and ensuring these institute's global recognition	The new policy may also focus on capacity building of the testing organisations like BFSA, BAEC, BCSIR, etc.	An appropriate action plan may be developed for the capacity building of these standard organisations. The responsible authority and time to achieve each milestone need to be addressed in the new industrial policy.	NA	NA
Chapter 9 of Industrial Policy 2016	Development, conservation, and management of Intellectual Property	NA	NA	Unchanged	NA
Chapter 10 of Industrial Policy 2016	10.1 States BISIC, BITAC, SMEF, and private entities will provide training on pre-investment consultations, project formulation, and implementation. For capacity building of the women entrepreneurs, all government training agencies will provide training on a priority basis	The provision may also specify need-based training. Training on business-related documentation requirements, financing scopes, along venture-specific training needs to be mentioned in future industrial policies. The training must reach grassroots levels regularly.	NA	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
	<p>10.3 States about extending the volume of mortgage-free loans to women entrepreneurs. To encourage women entrepreneurs, banks should re-think their traditional procedures and ease financing for women entrepreneurs.</p> <p>Bangladesh Bank coordination with commercial banks and financial institution and maintain a women-friendly banking environment</p>	<p>The future policy needs to mention appropriate measures to assist women entrepreneurs in banks, such as dedicated help desks for women entrepreneurs in urban and grassroots areas as well, as provisions to incentivize the banks for providing loans to the women entrepreneurs; the incentives could either be monetary or some form of awards.</p>	<p>Not just a women-friendly banking environment, women-friendly ports, and customs houses need addressing. Specific provisions should be mentioned to make the land ports and customs operation women-friendly to support the women entrepreneurs involved in cross-border trading.</p>	NA	NA
Chapter 11 of Industrial Policy 2016	<p>11.2 mentions providing incentives for the creation of forward and backward linkages to establish a demand-supply equilibrium</p>	<p>A proper action plan for creating efficient supply for the industrial zones needs to be mentioned. Provisions about bonded warehouse facilities, storage, and cold storage facilities, and other necessary issues that will effectively equip</p>	NA	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
		the development of supply chain and backward linkage industries need to exist in the new policy.			
	11.3 mentions the development of internal and inter-regional connectivity, especially focusing on the export-oriented industries	The new industrial policy may elaborate provisions about logistic services that are significant to the development of the supply chain for the industries. Focus on trucking and freight forwarding services may prevail in future industrial policy.	NA	NA	NA
	11.6 mentions the Role of foreign missions in export market diversification and identification of potential Bangladeshi export items	A well-defined role of the Bangladesh foreign missions, media, and chambers needs to prevail in future policies for the effective branding of Bangladeshi enterprises abroad.	Provisions to arrange roadshows, and international trade fares by the relevant stakeholders (EPB, foreign missions, chamber associations, etc.) needs clear mention. Along with domestic big brands, the promotion of micro, cottage, small enterprises, and women-led businesses should	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
			also be addressed in the new policy.		
	11.7 mentions provisions of capacity building of the relevant government organisations for the negotiations of various regional, bi-lateral and multi-lateral trade agreements	NA	NA	Unchanged	NA
Chapter 12 of the Industrial Policy 2016	12.2 mentions establishing an integrated one-stop service for easing and attracting foreign good-performing corporations, and expansion of domestic industrialisation	The next policy needs to address the issues of the functionalities of the one-stop service. How the one-stop service should facilitate FDIs needs clear mapping. The responsible authorities for the one-stop service may be mentioned	The future policies may include provisions for the digitalisation of the business process which will reduce the cost of doing business and hence be congenial to FDI attraction.	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
	12.6 mentions the establishment of countrywide SEZs and industrial parks to facilitate foreign investments and be connected with the value chain of the respective countries	The future policy may also mention the number of EPZs and SEZs that are currently functional. The future policy needs to address how many of the SEZs are under construction and what will be the approximate completion year.	The new industrial policy may mention provisions to smoothen the development of EPZs, SEZs, high-tech parks, and clustered industrial areas. The timeline for completion of these industrial zones needs mentioning and provisions of proper monitoring of the completion of these areas need to be addressed.	NA	NA
	12.8 mentions that foreign investors will get the same facilities as the domestic investors	Proper quantification of the tax breaks, cash incentives, and reduced duty of raw materials during investment in priority sectors, backward areas, and renewable energy may be mentioned as an extension of the existing provision	The new policy may have provisions to provide added incentives to foreign investors (exclusive of the general incentives) who can create effective backwards and forward linkages.	NA	NA
Chapter 13 of the Industrial Policy 2016	Industrial technology	NA	NA	Unchanged	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
Chapter 14 of the Industrial Policy 2016	14.4, 14.5, and 14.7 mention incentivising industries that are environmentally compliant. Incentives for investors in the waste management industry are also mentioned. The establishment of green industries and industries that are capable to mitigate the impact of climate change is also addressed	There need to be some legally binding provisions to provide some discriminatory incentives to environmentally compliant industries. This incentive needs to be properly quantified and stated (tax breaks, reduced duty, bonded warehouse schemes if the firm is environmentally compliant, direct cash incentives, presidential awards, etc.)	The new policy may have some binding provisions regarding eco-friendly industrialisation. There should be provisions for reward and punishment.	NA	NA
Chapter 15 of the Industrial Policy 2016	15.4 mentions developing short, medium, and long-term action plans for the capacity building of the private and public industrial management	NA	In future policies, there may be some form of incentives (tax breaks) for private corporations that provide necessary training to their employees. In terms of training and capacity building private, public and international entities needs to work together.	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
	15.6 (a) mentions that to enhance industrial productivity and skilled manpower in the service sector curriculum, syllabus, and education according to NTVQF needs to be developed	The future policies may include binding provisions on providing effective training and should ensure appropriate monitoring of the trainers, training syllabus, and follow-up with the trainers.	Provisions to ensure more participation of the women population in technical and vocational education need to be mentioned. Special provisions of training focusing on women entrepreneurs and their capacity building may be mentioned in detail.	NA	NA
Chapter 16 of the Industrial Policy 2016	16.1 mentions that the industrial policy 2016 has been formulated following all existing rules and regulations. All relevant government agencies must formulate their existing regulations and acts keeping in mind the industrial policy 2016, and make alterations to their existing regulations if deemed necessary.	NA	The future policy needs appropriate mentioning whether the provisions stated are legally binding or non-binding. Due to its non-binding nature, the provisions of the industrial policies are often not effectively implemented. The legal bindingness of a policy can have both positive and negative impacts. As Bangladesh is still not a fully industrialised country we do not suggest that all the provisions of the future industrial policies need to be binding. It can be a mixture of both. The	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
			provisions that focus on incentives, domestic support, intellectual property regulations, social and environmental compliances, training and human capital development and the role of implementing bodies may be made legally binding.		
Appendix 3 in Industrial Policy 2016	Not specifically mentioned (appendix 3 in Industrial Policy 2016)	NA	The new industrial policy may include a separate chapter with a special focus on the development of the service industry. The service sector is a vital sector for employment generation.	NA	NA
		NA	The new industrial policy needs to have more service sectors in the priority sectors list.	NA	NA
		NA	Special provisions to incentivise foreign and domestic investors in service sectors need addressing and quantification.	NA	NA
		NA	The chapter may focus on the development of some potential service industries for instance banking, tourism, Software, and	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
			IT-enabled services, logistics and transport, etc.		
		NA	As the needs of the service industries are different than that of the goods industries, therefore appropriate government support needs to be addressed in the new industrial policy.	NA	NA
Not stated in Industrial Policy 2016	No mention	NA	Provisions to empower the organisations that support SME development (SMEF, BISIC, BITAC) should also be addressed.	NA	NA
Not stated in Industrial Policy 2016	No mention	NA	Coherence among export, import, fiscal, monetary and industrial policy is a must to support SME development.	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
Not stated in Industrial Policy 2016	No mention	NA	The new industrial policy should include a separate chapter focusing on LDC graduation and preparation of industries in Bangladesh, The chapter should include provisions on how to prepare industries to abide by the intellectual property rights and TRIPS, To prepare domestic industries for post-graduation challenges, and ensure non-disruption of exports, the future policy should indicate necessary provisions to form bi-lateral trade agreements and FTAs, The upcoming industrial policies should be made WTO consistent. The direct cash incentives to the export-oriented industries should be gradually phased out or transformed into some form of domestic support.	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
Not stated in Industrial Policy 2016	No mention	NA	The new industrial policy should include a separate chapter focusing on LDC graduation and preparation of industries in Bangladesh, The chapter should include provisions on how to prepare industries to abide by the intellectual property rights and TRIPS, To prepare domestic industries for post-graduation challenges, and ensure non-disruption of exports, the future policy should indicate necessary provisions to form bi-lateral trade agreements and FTAs, The upcoming industrial policies should be made WTO consistent. The direct cash incentives to the export-oriented industries should be gradually phased out or transformed into some form of domestic support.	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
Not stated in Industrial Policy 2016	No mention	NA	The new industrial policy should have a separate chapter having provisions focused on 4IR, Gradual revision of the priority and high-priority sectors should prevail in the new policy, Automation can re-shore RMG, and make labour-intensive RMG capital-intensive. This will lead to job losses, which must be addressed in the future IPs, The new policy should mention effective reskilling and upskilling training to the industry workers. These reskilling and upskilling programs will assist the industry workers to equip themselves with the technology shift due to 4IR	NA	NA
Not stated in Industrial Policy 2016	No mention	NA	The new policy should have provisions to increase the capacity of the trainers and implementing authorities (SME foundation, BISCIC, BITAC,	NA	NA

Relevant Provisions or chapters in IP 16	Issues stated in IP 16	Proposed extension	New inclusion	No change	Drop
			NASCIB, and other relevant organisations).		
Not stated in Industrial Policy 2016	No mention	NA	Special provisions may prevail regarding chemical and physical testing of several industrial products to third-party organisations (SGS, BV). This sample testing often takes a lot of time, therefore increasing the lead time. The next industrial policy may include necessary provisions to make the process smoother.	NA	NA

Source: Authors' compilation from Various Sources

6. Conclusion

In conclusion, we have provided a thorough review of the Industrial Policy, 2016 using mixed methodology. From desk review, KIIs and FGDs we have pointed out some interesting issues of the Industrial Policy 2016, the challenges of implementation, and its relevance to the current global trade and business scenarios. This review has also compared the industrial policy of Bangladesh with some of the significant industrial successes of East and South-East Asian countries.

Our primary findings point out that the provisions of the current Industrial Policy 2016 are well thought out and crafted. However, there is a lack of coordination among the implementing agencies, which limits the effectiveness of the policy. The current industrial policy also doesn't address the present changing trade and business dynamics (covid recovery, 4IR, LDC graduation, 8th Five Year Plan, Perspective plan 2021-2041) as it was formulated back in 2016. The legal non-binding nature of the Industrial Policy 2016 also acts as a significant hurdle for the effective implementation of the policy, as there is no legal responsibility among the implementing agencies for the fruitful implementation of the policy. Along with these issues, failure to attract domestic investments and FDIs, lack of appropriate quantification of the incentive mechanisms, poor functionality, delay of completion of the economic and industrial zones, lack of efficient and need-based training for entrepreneurial development, lack of domestic industrial infrastructure, logistics, and supply chain, lack of capacity of the government agencies, lower productivity and product standards, lack of country branding, and inefficiency and lack of the industrial need-based technical education are some of the significant bottlenecks for effective implementation of the Industrial Policy 2016.

Against these findings, we have proposed some specific recommendations for a proper formulation and efficient implementation of future industrial policies. The new policy should prepare the domestic industrial scenario for the upcoming LDC graduation issue and the 4th industrial revolution. Specific focus should be given to skill development, re-skilling and up-skilling, need-based training and education, knowledge about business processes, and capacity building of the implementing agencies. To attract foreign investments internal industrial infrastructure, supply chain, and connectivity needs to be improved and focused on the future industrial policy. Digitalisation and effectiveness of the one-stop service are a must in this regard. SME and women's entrepreneurial development should be the core focus of the next industrial policy. Specific provisions redefining SME categories and access to finance for both SME and women entrepreneurs should be elaborately stated. As Bangladesh is soon to graduate from an LDC, the new industrial policy should provide the necessary provisions to create an environmental, social, and quality-compliant industrial scenario. For effective implementation of future industrial policies, coherence among export policy, import policy, and fiscal and monetary policy is a necessary condition. The legal bindingness of a policy can have both positive and negative impacts. As Bangladesh is still not a fully industrialised country we do not suggest that all the provisions of the future industrial policies need to be binding. It can be a mixture of both. The provisions that focus on incentives, domestic support, intellectual property regulations, social and environmental compliances, training and human capital development and the role of implementing bodies should be made legally binding.

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Annexure

A) KII participant list

Organisation/Association	Key informant
Personnel from the Ministry of Industry (2)	<ul style="list-style-type: none"> • Kazi Shakhawath Hossain (Additional Secretary, Mol) • Md. Salim Ullah (Senior Assistant Secretary, Mol)
Experts on industrial policy (4)	<ul style="list-style-type: none"> • Dr. Abu Eusuf (Professor, Dhaka University) • Dr. Abdur Razzaque (Chairman, RAPID) • Dr. Mustafizur Rahman (Distinguished fellow, CPD) • Mr. Nesar Ahmed (International Trade Expert, Sustainable Graduation Project, ERD)
Key personnel from SME Foundation (1)	<ul style="list-style-type: none"> • Mr. Masudur Rahman, AGM, Women Entrepreneurship Development, SMEF
Chamber and association representatives (4)	<ul style="list-style-type: none"> • Mr. Rizwan Khan, President, DCCI • Mr. Joynal Abdin, Executive Secretary, DCCI • Mr. Farooq Ahmed, Secretary-General, MCCI • Barrister. Vidiya Amrit Khan, Director, BGMEA
Bangladesh Women Chamber of Commerce and Industries (BWCCI) (1)	<ul style="list-style-type: none"> • Ms. Prity Chakraborty, Director, BWCCI

B) Participant list of FGD

Association	Participants
BWCCI	1. Abida Ali (Board Director, Figurina)
	2. Esrat Jahan Chowdhury (Member, Tulika)
	3. Farkhunda Jabeen Khan (Treasurer, Divine Beauty Launce)
	4. Priti Chakraborty (Board Director, Universal Medical College & Hospital Ltd)
	5. Ridma Khan (Board Director, Ambon Properties Ltd)
	6. Shahida Parven (Member, Trim Tex Bangladesh)

C) Team Composition

Name of staff	Area of expertise relevant to the assignment	Designation for this assignment	Assigned tasks or deliverables
Dr. Bazlul Haque Khondker	Economist, Institutional analysis expert, Survey expert, FGD and KII expert	Team Leader	Finalize questionnaire, FGD, and KII checklists, Evaluation, and analysis, Draft synthesizing summary, Draft short summaries Finalizing reports
Dr. Selim Raihan	Economist, Political economy and institutional analysis expert, Survey expert, FGD and KII expert	Co-Team Leader, Trade Expert	Coordinating and monitoring the team, monitoring all the activities performed by the team members, finalizing questionnaire, FGD, and KII checklists, Evaluation, and analysis Draft synthesizing summary Finalizing reports.

Name of staff	Area of expertise relevant to the assignment	Designation for this assignment	Assigned tasks or deliverables
Mahtab Uddin	Policy analysis and evaluation, Survey expert, FGD and KII expert	Policy Analyst	Monitoring all the activities performed by the team members, finalizing the questionnaire, Coordinating FGDs and KIIs, Evaluation and analysis, Draft synthesizing summary.
Mohammad Golam Sarwar	Legislative consultant, development law practitioner	Legal Expert	Analyzing the legal terms and provisions of the study, identifying the possible grounds for alterations, extensions, and exclusion of current legal provisions, and providing legal recommendations.
Recardo Saurav Antor Halder	Data analyst, Survey Experts	Senior Research Associate	Desk review, analyzing secondary data, designing questionnaires for KIIs, supervising and conducting FGDs, analyzing primary data, and drafting reports.
Sakil Ahmed	Data analyst, Survey Experts	Research Associate	Desk review, analysing secondary data, designing survey questionnaires for KIIs, supervising the survey, conducting FGDs, analysing primary data, and drafting the reports.
Zareen Tasnim	Data analyst, Survey Experts	Research Associate	Research and analysis of relevant literature, primary and secondary data, supervising and conducting KIIs and FGDs.
Afia Mubasshira Tiasha	Data collection and Supervision	Research Assistant	Desk Review, developing KII questionnaire, assisting in conducting the KIIs, conducting FGDs.



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