



Bangladesh's Development and Industrial Policy Experience

Achievements and Implementation Challenges in the Context of LDC Graduation

Dr. Monzur Hossain

Member (Secretary), General Economics Division
Bangladesh Planning Commission

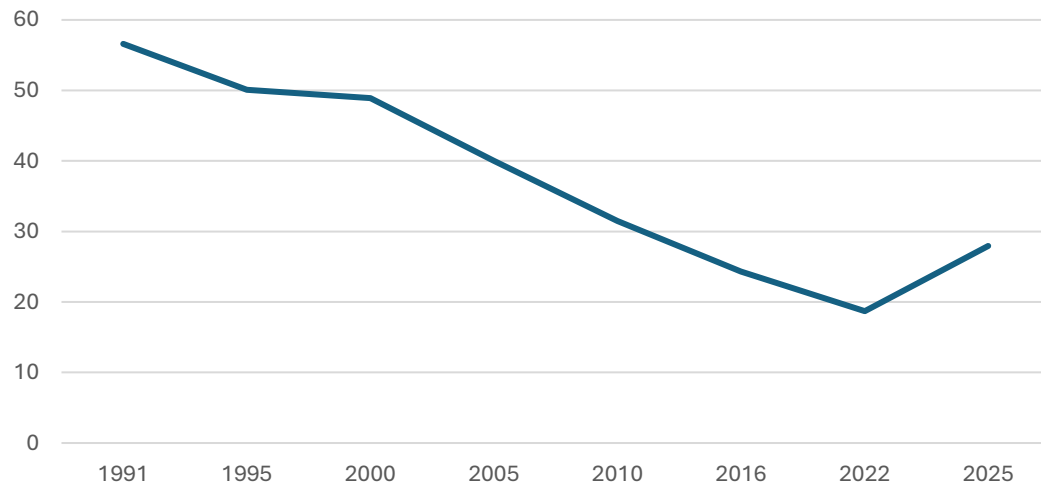
March 16, 2026

Bangladesh's Development: Poverty and Growth Trend

- Poverty has declined from 56% in 1990, to 18.7% in 2022, though some private estimates show it has risen up to 28% in 2025
- One in every four people now lives below the Multi-dimensional poverty line

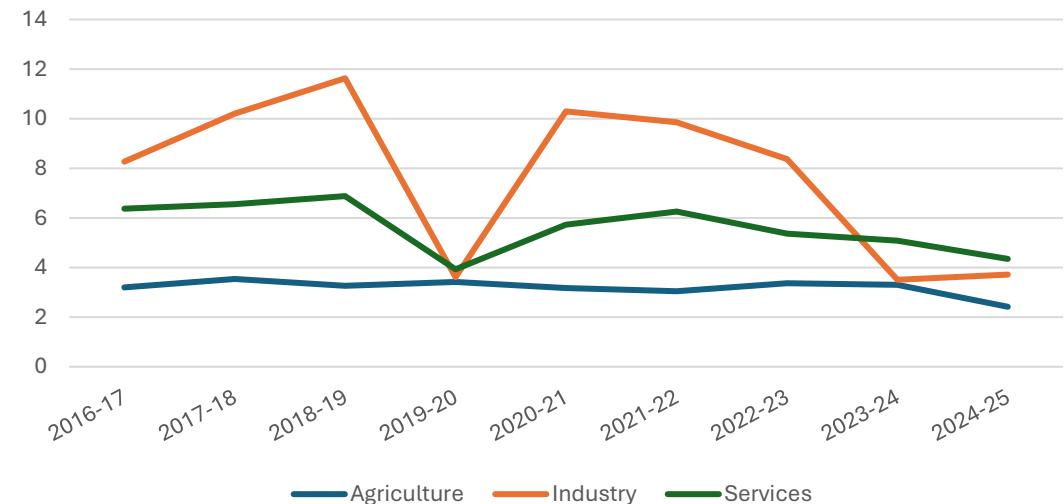
- GDP growth was around 7% in 2010s. However, after COVID-19, it hovers around 3.5 to 4%
- Agriculture's Growth remains steady around 3%
- Industry is the most volatile sector.
- Moderate and consistent growth of service.

Poverty headcount ratio at national poverty lines (% of population)



Source: World Bank, PPRC

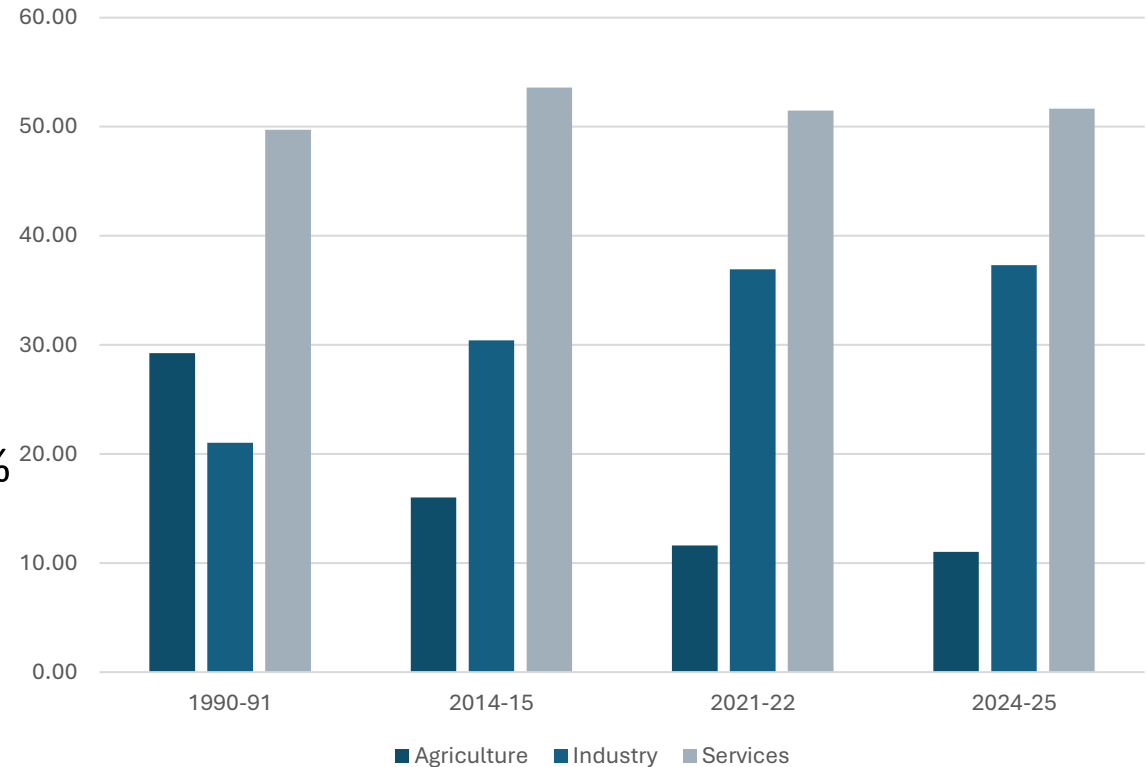
Sectoral Growth Rate of GDP



Source: Bangladesh Bureau of Statistics (BBS)

Broad Sectoral Shares in GDP

- Share of agriculture in GDP dropping from 29.23% in 1991 to 11.03% in 2025
- Employment share of agriculture decreased from about 60% in 1990 to 35% in 2023 (LEWIS model assumption works)
- Industry's share nearly doubled — from 21.04% to 37.30%
- The main contribution of industry comes from the RMG sector
- Service sector has maintained a relatively stable and growing share, underscoring its resilience



Source: Bangladesh Bureau of Statistics (BBS)

Growth Trends in Manufacturing Industries by Size

- Manufacturing growth rose to 5.83% in FY2024-25, indicating recovery
- Large industries rebounded strongly (1.02% → 5.94%)
- SMMI sector maintained steady growth (5.92%)
- Cottage industries slowed slightly but remained positive (5.34%)



Source: Bangladesh Bureau of Statistics (BBS)

Key Policy Shifts

- Nationalization of industries soon after the independence (1971-1975)—Mostly Jute and Textile
- Denationalization and privatization started end-1980 and onward
- Financial deregulations and trade liberalization in the 1980s and 1990s boosted RMG sector's growth
- Cash incentives and Bonded-warehouse facilities contributed to RMG growth
- Other potential sectors, Leather, Pharmaceuticals, ICTs, Light Engineering could not grow at expected
- Anti-export bias persists

Industrial Policy Experience

- Since independence in 1971, Bangladesh has adopted twelve industrial policies — the most recent being the Industrial Policy 2022
- The National Industrial Policy 2022 of Bangladesh envisions a competitive, inclusive and export-oriented industrial sector
- Target: contribute 40% to GDP by 2027
- Focus: import substitution, skills, productivity, employment, innovation, formalization of informal enterprises
- The policy lists 180 industry sectors under various categories; each requires tailored strategies.
- Industrial growth models have repeatedly shifted directions
- The country continues “stumbling towards a clear strategic path”

Industrial Development Initiatives by the Ministry of Industries

Timeline	Specific Initiative	Status (Quantified Evidence)
1960–present	Establish industrial estates to provide land, utilities and infrastructure for SMEs across districts.	82 industrial estates established with ~12,313 industrial plots; 5,844 factories established in 10,750 plots.
2009–present	Government promoted factory establishment within existing estates.	3,064 new factories established in 5,667 plots since 2009.
2010s–present	Industrial estates and SME programs support production clusters such as textiles, food processing, plastics, and light engineering.	4,511 factories operational in BSCIC estates; industries create over 850,000 jobs and account for about 11% of national exports.
2020s	BSCIC program to allocate unused plots to entrepreneurs and revive idle factories.	11,271 plots allocated out of 12,360; 4,704 factories operational, 1,139 under construction, 357 inactive/closed.
2024–present	Ministry initiative to reopen closed state-owned industries and revive sick units.	Parliament data show 397 government industrial units closed, including 382 under BSCIC.
Ongoing	Industrial estates designed to support district-level manufacturing clusters.	Example: Jamalpur BSCIC estate has 82 industrial units across 197 plots employing 1,848 workers.

Trade Liberalization Phases in Bangladesh

Phase I (1972–1975) Restrictive Trade Regime

Import substitution
strategy
High tariffs and
quantitative restrictions
(QRs)
Import licensing and
foreign exchange controls

Phase II (1976–1990) Partial Liberalization

Gradual tariff reduction.
Introduction of flexible
exchange rate policy
(1979).
Incentives for non-
traditional exports.

Phase III (1990s onward) Major Liberalization

Removal of quantitative
restrictions
Sharp tariff reductions
Unified exchange rate
Import Policy Orders (1995–
97, 1997–2002) accelerated
reforms

Synchronization of Industrial and Trade Policies: Import–Export Nexus

- Synchronization is key for Bangladesh’s smooth LDC graduation and sustained export-led growth
- Imports feeding exports: Industrial policy ensures smooth import of cotton, machinery, and chemicals → strengthens export-oriented industries.
- Balanced incentives: Industrial upgrading + trade facilitation = competitiveness.
- Impact on Imports: Reduced reliance on finished goods imports, but continued need for raw materials.
- Impact on Exports: Diversification, higher compliance costs post-subsidy withdrawal, but stronger long-term competitiveness.

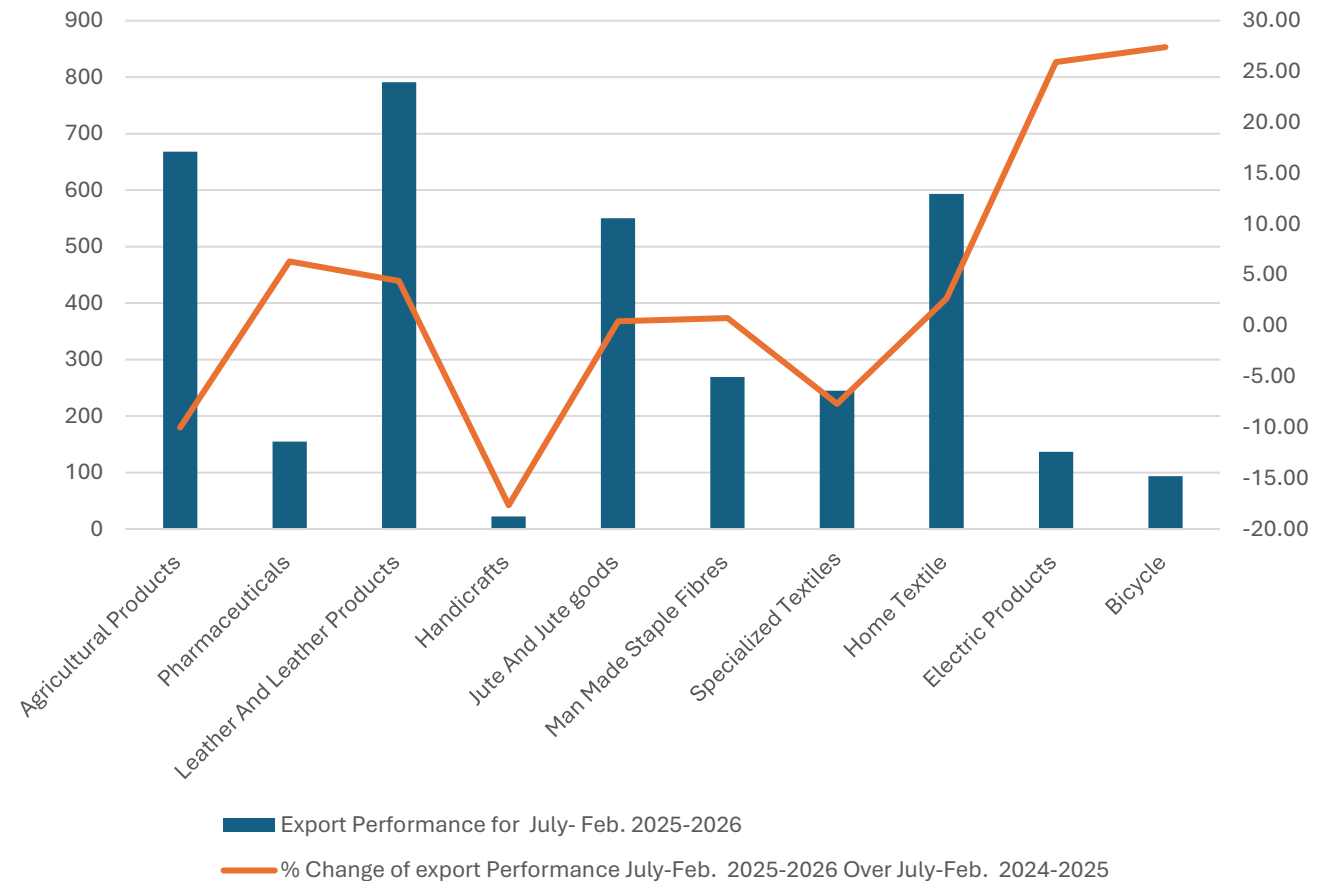
Export Performance of Selected Thrust Sectors (July–Feb)

- Leather and Leather Products – Highest export among the listed sectors with 4.41% growth, indicating strong global demand.

- Agricultural Products – Major export category (US\$668.17 million) but recorded a 10.01% decline, suggesting volatility in agro-export markets.

- Home Textiles – Significant export earnings with moderate growth of 2.67%, reflecting stable demand in international markets.

- Electric Products & Bicycle – Smaller export base but very high growth, indicating emerging diversification potential.

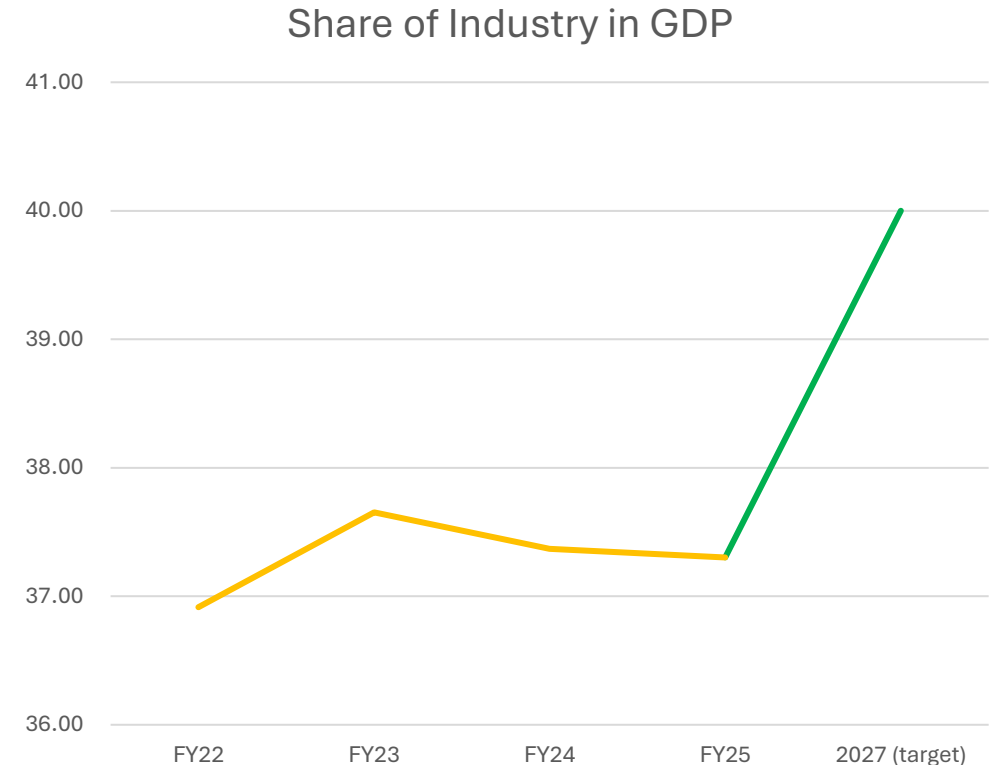


*Value in Million US\$

Source: Export Promotion Bureau

Industry Share Lagging Behind Target

- **Status:** Industry share of GDP ~37.3% in FY25–26, short of the 40% target for 2027.
- **Reasons for lag:**
 - Slower growth and elevated inflation weakened industrial expansion.
 - Weak investment sentiment due to governance failures and financial mismanagement.
 - Banking sector vulnerabilities and declining private investment pace.
 - Policy implementation gaps: cluster development, industrial parks, bonded warehouses, and cash incentives remain largely unimplemented.



Source: Bangladesh Bureau of Statistics (BBS)

Implementation Gaps & Challenges

- Bangladesh's National Industrial Policy 2022 struggles with poor implementation, weak coordination and mismatched fiscal priorities despite its ambitious vision and meticulously crafted action plan- threatening its goal of contributing 40% to the GDP by 2027
- Overlapping mandates discourage ministries/agencies from ownership
- Very few of the 42 specific activities, relevant and supportive of the policy's broader targets have been implemented or even initiated
- Disconnection between declared policies & implementation (BUILD review)

Policies Highlight-

1. Cash Incentives for Export Growth- Policy Introduction

Benefits generated from export subsidies

- Introduced in 1994, initially for jute goods and textiles
- Expanded to RMG, leather, frozen shrimp, agro-products, bicycles, halal meat, light engineering, etc.
- Provided on net FOB value of exports, disbursed via Bangladesh Bank.

<i>Product</i>	<i>FY</i> 2002–2003	<i>FY</i> 2005–2006	<i>FY</i> 2009–2010	<i>FY</i> 2010–2011	<i>FY</i> 2015–2016
Total exports (in million US\$)	6548	10,526	16,204	22,924	34,240
Total manufactured exports (in million US\$)	6086	9753	15,517	20,838	32,974
Total cash subsidy (in million US\$)	132.37	89.74	171.4	191.4	417.700
Benefits as a ratio of promoted exports	0.02	0.01	0.01	0.01	0.012
Real effective exchange rate (REER) index (decrease indicates depreciation): 10 currency basket	92.27	83.86	97.74	89.4	137.950

Sources: Chapter 9, Bangladesh's Macroeconomic Policy Trends, Determinants and Impact

Rate of Cash Incentives- Export Subsidy (in percent)

<i>Product</i>	<i>FY</i> <i>2001–2002</i>	<i>FY</i> <i>2002–2003</i>	<i>FY</i> <i>2003–2004</i>	<i>FY</i> <i>2004–2005</i>	<i>FY</i> <i>2005–2006</i>	<i>FY</i> <i>2006–2007</i>	<i>FY</i> <i>2007–2008</i>	<i>FY</i> <i>2008–2009</i>	<i>FY</i> <i>2009–2010</i>	<i>FY</i> <i>2010–2011</i>	<i>FY</i> <i>2011–2012</i>
Potato		15	15	15	20	10	10	10	10	10	20
Tobacco		10	10	10	10	10	10	–	–	–	
Leather product	15	15	15	15	15	15	15	15	17.5	15	12.5
Jute product	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	10	10	10
Handloom		15	10	5							
Agro product (veg)		15	25	25	30	20	20	20	20	20	20
Agro product (fruit)		20	25	25	30	20	20	20	20	20	20
Crushed bone	15	15	15	15	15	15	15	15	15	15	15
Bicycle	15	15	15	15	15	15	15	15	15	15	15
Frozen shrimp and other fish	10	10	10	10	10	10	10	10 (Jul–Mar), 12.5 (Apr–June)	12.50	10	10
Halal meat						20	20	20	20	20	20
Home textile						5	5	5	5	5	5
Poultry hatching egg and day old chick						15	15	15	15	15	15
Commodities made of hogla, straw, coir or sugarcane						15–20	15–20	15–20	15–20	15–20	15–20
Light engineering products						10	10	10	10	10	10
Ship										5	5
Crust leather										3	3
Finished leather										4	4
Pet bottle										10	10

Sources: Chapter 9, Bangladesh's Macroeconomic Policy Trends, Determinants and Impact

Impact on Exports

- Export growth:- Export earnings grew 5× between 2002 and 2016 (US\$6.5b → US\$34.2b).
- Cash subsidy volume: Cash subsidies grew 3× in the same period (US\$132m → US\$418m).
- Relative impact: Ratio of subsidy to promoted exports stayed around 1%, suggesting limited direct influence on overall export performance.
- Sectoral effect: Helped diversify exports beyond RMG, but RMG remained dominant.
- Challenges: Allocation often ad hoc, influenced by business lobbying; corruption and inefficiency reduced effectiveness.

Anti-Export Bias: Barrier to Diversification

- **High protection for import substitutes:** Average tariff + para-tariffs rose from 37% (FY2005) to 47% (FY2021), making domestic sales more profitable than exports.
- **Weak export subsidies:** Cash incentives increased only modestly, from 1.9% to 7.8%, far below tariff protection, reinforcing the bias against exports.
- **RMG exception:** 100% export-oriented with bonded duty-free inputs, RMG avoids anti-export bias and enjoys subsidies — explaining its phenomenal success.
- **Non-RMG sectors constrained:** Leather, jute, ceramics, home textiles, and light engineering face substantial anti-export bias, limiting diversification despite comparative advantage.
- **Policy imperative:** Eliminating anti-export bias is critical; relying on subsidies alone is fiscally unsustainable. Reforms needed in tariffs, exchange rate flexibility, logistics, FDI, and skills.

Policies Highlight-

2. Bonded Warehouse Facilities

- **Established:** Legal basis in Customs Act 1969 (Sections 84–119); applied extensively to RMG exporters in the early 1990s.
- Became one of the most impactful policies driving Bangladesh’s export-led industrialization.
- **Mechanism:** Duty-free import of fabrics, yarn, and accessories for 100% export-oriented factories.
- **Benefits:**
 - Reduced production costs, improved competitiveness.
 - Enabled rapid scaling of RMG exports, now ~80% of total exports.
 - Supported integration into global value chains.
- **Impact:** RMG exports grew from US\$0.87 billion in 1990–91 to US\$39.35 billion in FY25, employing over 4 million workers.

Bonded Warehouses: Driving RMG Competitiveness

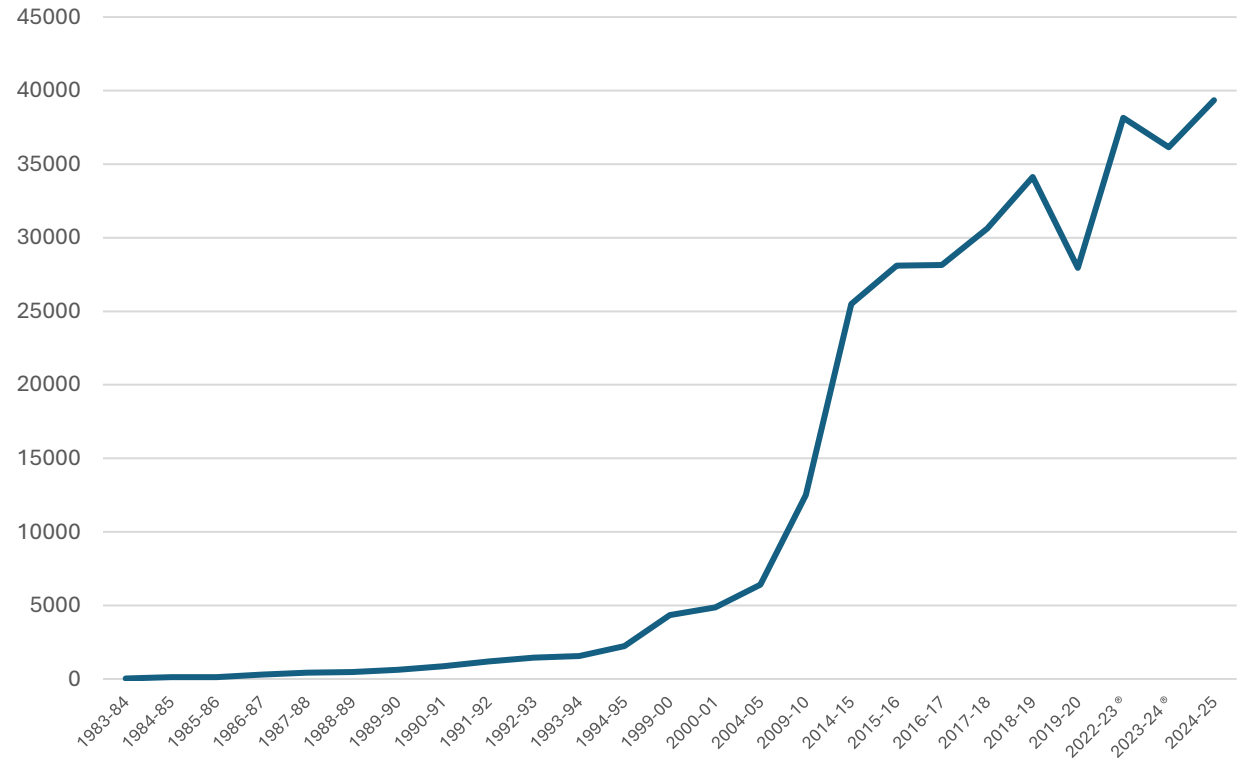
Duty-Free Input Access: Enabled import of fabrics and accessories without customs duties, lowering production costs.

Enhanced Cash Flow: Deferred taxes improved liquidity, allowing firms to expand and take larger export orders.

Reduced Lead Time: Streamlined customs procedures ensured faster access to raw materials, meeting global buyers' deadlines.

Export-Oriented Incentives: Facilities tied to export commitments encouraged firms to focus on international markets, driving sector growth.

Bangladesh Export RMG and Non-RMG (Million USD)



Source: BGMEA

Turning Policy into Practice: Challenges for LDC Graduation

- The Industrial Policy 2022 calls for the implementation of TRIPS (Trade-Related Aspects of Intellectual Property Rights)
- Strengthen inter-ministerial coordination & monitoring
- Align fiscal priorities with industrial policy goals
- Tailored strategies for 180 sectors
- Promote R&D, 4IR technologies, foreign investment, branding, export diversification
- Ensure coherence between policy vision & practice for LDC graduation

Implementation and Monitoring of Smooth Transition Strategy (STS): Tax Revenue Mobilization

- National Board of Revenue (NBR) mandated to integrate 18 additional ministries/agencies into the NSW (National Single Window) platform- The system will provide an internet-based information gateway (window) for all organizations involved in international trade.
- NBR to replace the less effective ASYCUDA World with a new Customs Management System
- NBR, Ministry of Commerce, and Bangladesh Trade & Tariff Commission to initiate implementation of Tariff Policy 2023 as per the action plan

Local Industry

- Bangladesh Bank to examine bank counter guarantees for shipbuilding
- Review Export Promotion Bureau & Business Promotion Council for effectiveness
- Inter-ministerial plan to boost exports in Leather, Jute, Agro-products, Pharmaceuticals
- NBR to assess inclusion of SME garment industries outside bonded warehouse facilities under subcontract arrangements
- Ministry of Commerce to explore foreign-funded technical assistance for enhancing the skills of trade negotiators

Regional Trade Agreements (RTA) Policy 2022

- RTA Policy 2022 aims to ensure duty-free and quota-free market access for Bangladesh in the post-LDC graduation period
- Steps underway to sign new agreements:
 - Economic Partnership Agreement (EPA) with Japan
 - Economic Partnership Agreement with South Korea
 - Free Trade Agreement with the European Union
- Greater coordination and alignment needed between the Export Promotion Bureau and the Business Promotion Council
- LDC graduation must be viewed from the lens of comprehensive economic development, not only trade preferences

Japan–Bangladesh Economic Partnership Agreement (EPA)

- Aims to ensure duty-free and quota-free market access for Bangladesh in Japan post-LDC graduation.
- Covers 17 sectors: trade in goods, customs procedures, trade facilitation, investment, e-commerce, intellectual property, and services.
- Progress: Agreement in principle Dec 2025 → Signed Feb 2026.
- Provides Bangladesh with secure market access in Japan, a high-value market for RMG, leather, and agro-products.
- Successes: FDI opportunities, global value chain integration.
- Challenges: Implementation gaps, export diversification, compliance with Japanese standards, and institutional coordination

Post- LDC Graduation Challenges and Opportunities

- Bangladesh has vast potential in the ICT sector; freelancing can enhance creativity and generate employment opportunities
- To overcome post-graduation export challenges, focus is needed on:
 - Increasing productivity of local human resources
 - Enhancing efficiency in the logistics sector
 - Undertaking financial sector reforms
- Reforming tax and tariff systems
- Tariff rationalization is essential to reduce anti-export bias
- Sustaining competitiveness requires a time-bound strategy for productivity, efficiency, and institutional reform

Thank You