



# **Enclave Industrialization in Bangladesh**

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# Plan of Presentation

- **Genesis of Enclave Industrialization**
- **Impacts of Enclave Industrialization**
- **Implementation Issues**
- **A Few Critical Questions**

# Genesis of Enclave Industrialization

- **Given the limited resources Bangladesh experimented with several variants of enclave industrialization.**
- **Enclave industrialization demonstrates diversity of ownership structures and target sales markets.**
- **BSCIC has 74 Industrial Estates.**
- **BEPZA has 8 EPZs, and**
- **BEZA has undertaken an ambitious task of developing 100 SEZs.**

# Impacts of Enclave Industrialization

- **Channels through which enclave industrialization may affect the economy:**
  - **(i) investment effects,**
  - **(ii) foreign exchange earnings effects.**
  - **(iii) employment effects,**
  - **(iv) human capital formation effects,**
  - **(v) technology upgrading effects, and**
  - **(vi) Spillover effects.**

## Evidence from the EPZs

- **Lion's share (70%) of investments in EPZs by 'foot loose' foreign companies**
- **Steady increase of foreign exchange earnings.**
- **For every job generated in the EPZs, 2.25 jobs are created in the domestic tariff area.**
- **Most of the workers (80%) are trained locally.**
- **Technology transfer is insignificant.**
- **There are still net social benefits of EPZs!**

# Similarities between EPZs or SEZs

- **Fiscal and non-fiscal incentive packages and benefits**
- **Facilities to investors**
- **Exempted from the same set of existing laws and ordinances, governance structure, etc.**

# Differences between EPZs or SEZs

- **Ownership structures,**
- **Industrial orientation,**
- **Backward and forward linkages,**
- **Subcontracting, and workers insurance, etc.**



## EPZs or SEZs?

- **Are in apparent competition in wooing investors.**
- **Investors will be utterly confused as the same set of policy makers would advise them to go to different agencies!**



# Issues in Implementation

- **Proper utilization of allotted serviced plots rather than land grabbing by SEZ developers.**
- **Prioritize sectors that succeed in the experimentation**
- **Diversity of SEZs need to be understood and implemented.**
- **Appropriate, adequate and well-functioning infrastructure for lagging regions.**
- **Connectivity with major economic corridors.**

## A Few Critical Questions

- **New land for development of SEZs while so many BSCIC industrial estates remain underutilized?**
- **Can and should so many SEZs be developed concomitantly?**
- **Adequacy of BEZA's human capital to manage so many zones?**
- **Do so many organizations (BSCIC, BIDA, BEPZA, and BEZA) give confusing signals to investors?**

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- **Thank You for your patience.**