

#### IV. 収集資料リスト











第3回日本・バングラデシュ商業・経済協力合同委員会合意議事録  
(仮訳)

第3回日本・バングラデシュ商業・経済協力合同委員会は1986年6月23日、24日の両日東京において開催された。

バングラデシュ代表団は、バングラデシュ商工会議所連合会(FBCCI)会頭のM.A.カシム氏を団長とする20名により構成され、日本側代表団は日本・バングラデシュ経済委員会委員長の池田紀久男氏を団長とする63名により構成された。

開会式では池田紀久男氏、M.A.カシム氏、日本商工会議所会頭五島昇氏及び駐日バングラデシュ大使A.K.N.アーメド氏が挨拶を行った。

さらに開会式では、以下政府関係者からのメッセージが読み上げられた。

1. バングラデシュ大統領
2. 日本国首相
3. 日本国外務大臣
4. バングラデシュ商業大臣
5. 日本国通商産業大臣
6. バングラデシュ工業大臣

第1回全体会議において、池田紀久男氏が議長に、M.A.カシム氏が共同議長に選出された。

東京商工会議所の瀧隆明常任参与が合同委員会の事務総長に、バングラデシュ代表団のアブドゥル・アワル事務局長が共同事務総長に選出された。

日本側の最初の発言者は原純夫氏(株東京銀行相談役)で、「日本経済の現状と今後の展望」について演説した。バングラデシュ側の最初の発言者はM.A.カシム氏(バングラデシュ代表団団長)で、「バングラデシュ経済の現状と今後の展望」について演説した。

原氏はそのスピーチの中で我が国経済は現在貿易摩擦に起因した大きな転換期を迎えていること、またその対応策として米国の財政赤字の削減を望む一方、日本も市場開放や輸入拡大のための国際的視点に立った産業構造調整などの政策を推進する必要がある旨強調した。また、貿易不均衡問題への対応は、緊急を要するものであり、日本の輸入拡大のため国際的視点に立って、産業構造を転換する政策を実施することが重要であると述べた。

M.A.カシム氏は、バングラデシュの第3次5ヵ年計画の際立った特徴について概説し、本計画

の将来の見通しとして、特に、1988-90年までの穀物自給達成計画、雇用機会の増大、生産性向上、本計画達成過程における民間部門の役割の拡大に言及した。また、本計画の目標達成のために、①社会的・政治的安定と政策の継続性②プロジェクト援助の消化率の改善③輸出振興④輸入代替⑤外部資源の継続的流入⑥民間部門の役割の一層の拡大、の必要性を強調した。

日本側はバングラデシュ側の質問に答え、バングラデシュの経済発展の2つの重要な前提条件は、①食糧の自給②人口抑制であると示唆した。

日本代表団の参考のため、M.A.カシム氏は、産業開発を促進するためバングラデシュ政府が、大統領を委員長とする国家産業開発委員会を設置した旨説明した。

日本側は、バングラデシュ側の要請に答え、経済発展をさらに進める方法として、次の3つの基本的な点を指摘した。

- (1) 教育制度の拡充
- (2) 開発のための国内の適切な基盤を見出す努力
- (3) 資本形成のための努力

第2回全体会議において、“貿易”問題では「日本・バングラデシュ両国間貿易について」河原進二氏(日商岩井㈱常務取締役)、「バングラデシュの対日貿易の現状と対日輸出促進の方策について」A.カビール氏(ファームランド・トレーダース社副社長I.アーメド氏代読)、“投資”問題では「対バングラデシュ投資の実例と問題点について」藤井浩氏(大洋漁業㈱取締役)、「バングラデシュの投資環境と海外民間投資期待分野について」M.A.ラシッド氏(ミューチュアル・グループ・オブ・カンパニーズ会長アジム・ウディン・アーメド氏代読)、“開発協力”問題では、「バングラデシュの農業・漁業開発に対する日本の協力について」小山田隆氏(東洋エンジニアリング㈱顧問)、「日本・バングラデシュ間の開発協力について」A.H.M.A.マティン氏(タイガー・ワイヤー・ロッド・ミル社社長)、また“観光”問題では「バングラデシュの観光開発について」荒井好民氏(関東急ホテルズ・インターナショナル社長)、「バングラデシュの観光について」M.H.カーン氏(セナ・カリヤン・サングスタ社長)、更に“運輸”問題では「二国間海運問題の現状と問題点について」轉法輪奏氏(大阪商船三井船舶㈱取締役大西正氏代読)、「運輸問題について」ナシール・ホセイン氏(ミル・アクター・ホセイン取締役)より夫々ペーパーが提出され、討議が行われた。

本会議において、次の提案がなされた。

#### 「貿易」問題

- 1) バングラデシュ産品の対日輸出促進のため下記方策が採られるべきである。



- ・信頼関係維持のための契約の遵守
  - ・水産物の検査並びに輸出振興のための国家機関の設置
  - ・供給、価格、品質の安定
  - ・輸出製品の多様化
  - ・バングラデシュの対日輸出促進のための経路作りに関する日本商工会議所とバングラデシュ商工会議所連合会の協力
- 2) 日本の総合商社機能を、バングラデシュ製品の対日、対第三国輸出促進のため利用すべきである。
  - 3) 日本の大都市にバングラデシュ製品の対日輸出促進、日本市場研究のための「トレード・センター」を設立するためのフィージビリティ・スタディを行うべきである。本件に関する日本側の協力は大きな意味がある。
  - 4) カウンター取引／契約や特殊取引契約を日本企業と行うことについての研究をはじめべきである。
  - 5) 日本・バングラデシュ間のよりよい中断なき貿易を目指し、貿易に関する紛争を解決するため、両委員会による仲裁委員会を設置するべきであるとの示唆がバングラデシュ側よりあった。

#### 「投資」問題

- 1) 外国資本出資比率規定の突然の変更等、政府の重要規定の変更については、両国の代表会議所（すなわち、バングラデシュ商工会議所連合会及び日本商工会議所）及び関係機関・企業と事前の検討会をもつ必要がある。
- 2) 外債債務を抱える合弁企業の返済時の為替差損を軽減するため、特に輸出産業に対しては現地金融枠の優先的拡大が望まれる。
- 3) 急速なローカリゼーション政策の推進は、合弁企業の生産に大きな影響を与えるので、慎重に対処される必要がある。
- 4) 漁業に関して資源保護政策は自国FLEET優先を基本とすべきである。
- 5) 1980年3月制定の外国民間投資促進保護法（Foreign Private Investment Promotion Protection Act, 1980）制定以前に投資許可がおりた場合の条件として定められている、払込資本が授権資本に達するまで配当送金を許可しないという条項は、今後の合併促進のため、両国の代表会議所（すなわち、バングラデシュ商工会議所連合会及び日本商工会議所）及び関

係機関・企業との事前協議をもって適宜改正されるべきである。

6) 近々1982年制定の新産業政策(NIP)の改訂版が発表されるが、基本的には次の分野への投資が望まれる。

①輸出志向産業

②輸出加工区での産業

③輸入代替又は輸出志向型のハイテク産業

④資源加工型の産業

⑤既存企業ながら、生産性の向上、また品質の向上が図れる事業

7) バングラデシュへの新規合弁事業の設立促進、並びに既存の合弁事業の存続のために、現地のプライムコントラクターを支援するための措置が取られるべきである。このことにより、日本からバングラデシュへの適切な高度技術の着実な移転が促進され、今後の合弁パートナーの信頼が生まれることとなろう。

#### 「開発協力」問題

1) バングラデシュの主産業は農業であるが、農業開発と共に動物蛋白摂取増につながる漁業開発への協力は、今後とも継続していく必要がある。特に、ガンジス・ブラマプトラ両河の合流点の大デルタ地帯に於ける漁業開発は促進されるべきである。

2) バングラデシュの優良プロジェクトに対する日本の資金協力に関し、日本側は今後のバングラデシュ提案に対し、応分の協力・支援を行う旨述べた。

3) バングラデシュは特に製造部門において外国投資を歓迎しており、中でも次の分野での投資が望まれる。

①えび及び漁業

②既製服

③果物・野菜の加工・保存

④ガス開発と同関連産業

⑤皮革

⑥綿

⑦電子機器

⑧石油化学の一次及び中間製品の加工

4) バングラデシュ製衣料の対日輸出促進への協力強化のため、バングラデシュ側は同国製品の

品質に対し、日本側がより満足するよう、衣料産業に一時的に日本の技術者を派遣することを提案した。

#### 「観光」問題

- 1) 太平洋諸国は、観光において熾烈なシェア争いを展開しており、バングラデシュも観光開発・振興面での先進国に学ぶとともに、観光地諸施設の建設と宣伝活動など観光開発事業実現のため、官民挙げての努力が必要である。
- 2) バングラデシュはインフラの建設、及び海岸以外の観光地開発を含む観光施設への民間企業の投資を誘致し、国際水準をめざした観光開発を推進すべきである。
- 3) 観光開発計画の推進のためには国際金融機関への融資申請の可能性を検討すべきである。
- 4) バングラデシュは自然美、史跡等観光要素に恵まれており、これら要素を生かした観光産業の育成と観光施設の改善のため、ノウハウの提供面での日本の協力が必要である。

#### 「運輸」問題

日本側は以下の通り提案した。

- 1) 日本が直面している困難な海運問題を解決し、日本・バングラデシュ両国間貿易を拡大するため、「バングラデシュ国籍船舶保護規制」の適切な修正が図られるよう、バングラデシュ所管当局に要請すべきである。

又、バングラデシュ側は以下の通り提案した。

- 1) バングラデシュ・日本間定期船航路をカバーするベンガル湾同盟は、更に活発な活動を行うとともに、両国の非同盟船社の同盟加入を促すことによりメンバーの拡大をはかるべきである。
- 2) ベンガル湾同盟は貨物及び運賃のプールシステムを導入し、経営効率の向上、及び同盟船社間の抜け駆け競争の回避に努めるべきである。
- 3) 旅客並びに貨物の輸送を拡大するため、ダッカ・東京間に航空路を設けるべく両委員会が努力すべきである。

#### 「一般提案」

日・バ両国経済界の結びつきを更に深めるため、両委員会間のつながりを緊密化するための適切な方策が採られるべきことが、双方により合意された。そのための詳細な計画は然るべく検討され

る。

最終全体会議は6月24日午前11時より11時30分迄開催され、議長並びに共同議長は、今次合同委員会の成功に対する各代表の多大なる貢献に、満足の意を表明した。同全体会議はM.A.カシム氏及び池田紀久男氏の挨拶の交換、及び両氏からの出席者全員に対する挨拶をもって終了した。

2日間にわたる会議は、誠意と理解かつ好意にあふれた雰囲気のもとに取り行われ、 Bangladesh と日本の友好的な結びつきが、あらゆる領域においてより強められるように、どの楽観的な希望が表明された。

第4回日本・Bangladesh 商業・経済協力合同委員会は、双方に都合のよい時期に Bangladesh で開催されることが合意された。

Bangladesh 代表団

団長 M.A. カシム (署名)

日本代表団

団長 池田 紀久男 (署名)

東京、1986年6月24日

# **TEXTILE POLICY OUTLINE**

**MINISTRY OF TEXTILES  
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF  
BANGLADESH**

## Table of Contents

		Page No.
1.0.	<u>INTRODUCTION:</u>	
1.1.	Historical Review .....	1
1.2.	Importance of Textile Sector: .....	1
1.3.	Policy Perspective .....	2
1.4.	Objectives of Textile Policy .....	2
2.0.	<u>ISSUES:</u>	
2.1.	Move Towards Self-Sufficiency and Export .....	4
2.2.	Present Structure: (Textile Mills; Handlooms; Powerlooms; Specialized Textiles; Hosiery and Miscellaneous; Sericulture; Garments) .....	5
2.3.	Raw Materials, Machinery and Spares .....	5
2.4.	Textile Technology: Present and Future .....	6
2.5.	Management Development .....	7
3.0.	<u>TEXTILE POLICY FRAMEWORK:</u>	
3.1.	Long Term Policy Perspective .....	9
3.2.	TFYP Targets and TFYP Approach .....	9
3.3.	Review of TFYP (1985-88) .....	11
3.4.	Action Plan for (1989-91) .....	12
3.5.	Priority Programme (1990-93).....	15
3.6.	Integrated Approach for Textile Sector: .....	15
3.7.	Capacity Utilization and BMRE for Mills .....	18
3.8.	Dyeing and Finishing and its Import Requirement .....	20
3.9.	Revitalization and Expansion of Handlooms .....	21
3.10.	Credit/Working Capital and Marketing Facilities for Handlooms .....	22
3.11.	Marketing/Distribution of Yarn .....	24
3.12.	Ready-Made Garment .....	24
3.13.	Hosiery .....	25
3.14.	Sericulture and Silk Textiles .....	26
3.15.	Disinvestment, Liquidation and Privatization .....	28
3.16.	Investment, Joint venture, Technology and Product Development .....	28

3.17	Tariff Structure and Pricing .....	29
3.18.	Export Performance Benefits and Other Incentives .....	30
3.19.	Administrative and Fiscal Measures for Protecting the Local Textile Industry .....	31
3.20.	Education, Skills Training and Management Development .....	31
3.21.	Research, Management Information Systems (MIS) and Computer Technology .....	32
3.22.	Institutional Framework for Policy Implementation, Monitoring and Evaluation .....	33
	Schedule-A .....	34
	Annexure-A .....	35

## 1.0 INTRODUCTION

### 1.1. Historical Review :

Textile products constitute the second-most important basic needs after food. Bangladesh was self-sufficient in textiles for ages and many of its textile products, such as, Muslin, Zamdani and Silk once attained high quality and world wide market. But the industry lost its place in the world market due to the industrial revolution in the United Kingdom in the subsequent technological innovation in the developed countries.

During Pakistan Period a number of textile mills mainly spinning were established for processing the surplus cotton produced in the then West Pakistan. The requirement of handloom sector was partly met from locally produced yarn and partly from those imported from West Pakistan.

During the post-liberation period, textile industry was not developed as a prime mover for industrial growth by adopting an integrated policy and programme. The consequent imbalance between upstream, sidewise and downstream of textile products has adversely affected the development of textile industry in Bangladesh. The country could neither attain self-sufficiency in cloth production and participate in the export directly or through the garment industry, although there is sufficient installed capacity for spinning and weaving. The healthy development and rapid growth of the textile sector is therefore, of vital importance to the national economy as the prime mover of industrial growth.

### 1.2. Importance of Textile Sector:

The overwhelming importance of textile sector in the economy of Bangladesh is based on the following grounds:

- i. Textile industry meets the second most important need of people, and locally produced fabric meets the major share of domestic demand.
- ii. The industry accounts for nearly one-third of manufacturing employment and value added.
- iii. Textile industry has enormous potential for export and earning foreign exchange. This is demonstrated by the rapid increase in foreign exchange earnings from TK. 1 million in 1977-78 to over TK. 13,420 million in 1987-88, achieved by the ready-made garment factories. However, about 80% of the above foreign exchange earning is net outflow for import of foreign fabrics.
- iv. This industry in Bangladesh is specially noted for its labour intensity compared to many other branches of manufacturing industries and it is also widely dispersed in the countryside providing employment to a large section of rural population. Bangladesh has a large pool of skilled textile workers, available at a relatively low wage level. It seems feasible that besides meeting local demand, an expanding textile sector could contribute significantly to the economic development of Bangladesh by enhancing export earnings.



- v. Textile industry would provide fabrics for the garment factories and meet demand for man-made fibres. One possibility could be manufacturing of man-made fibres from the emerging petro-chemical industry in the country. About 60% of cost of spinning is raw cotton. Bangladesh now uses about 400,000 bales annually. Bangladesh locally produces only about 10,000 bales of good staple quality. With better crop management production of cotton can be increased but not to any significant extent. New textile machinery and spares could be made locally from the Machine Tool Factory which is now grossly underutilized. For improving technical expertise this could be done under a joint-venture arrangement. This will create backward and forward linkages and help generate further employment, value added and a growing industrial environment.
- vi. This growth in Textile industry can work as the prime mover of economic growth of the country. It leads to increase employment opportunities, reduce dependence on import and generate foreign exchange earnings. All these combined together can lead to expansion of investment and contribute to economic growth.

### 1.3. Policy Perspective

The Textile Policy over the next 12 years will provide the framework of a mass textile development movement so that by the year 2,000 in every village in gram Bangla micro weaving and processing work will be done and we can once again emerge as a leader in the world of textiles as in the days old, when Emperors and Kings of Europe would eagerly await the arrival of the finest cotton fabric in the world the Bengal Muslin.

The Bangladesh Textile Industry is on the threshold. We have all the pre-requisites to catapult the textile industry from that of an import-substitution-domestic market based to that of the export-oriented international market based industry. What we need is the awareness, vision and dedication to effect this transformation. Government policy will be the catalytic factor and Fourth Five Year Plan could effect this significant transformation. textile is the mother of all industries and from its womb, Bangladesh must conceive its future industrialization policy.

### 1.4. Objectives of Textile Policy

- i. To develop the Textile sector to increase the production of cloth of acceptable quality at reasonable prices to meet the minimum average annual per head requirement of 11 metres by the year 1992.
- ii. To enhance the contribution of Textile Sector as the prime mover in national economic development, creation of employment opportunities and export earnings pursuing the same pattern of industrial development based on textile as the mother industry followed historically by many developed and newly industrialized countries.
- iii. To develop an integrated operational plan for harmonious and balanced growth of all the sub-sectors in the upstream and downstream of Textile industry from fibre production/procurement, weaving,

dyeing and finishing garment manufacturing to marketing and export in consonance with national priorities and targets of the Five Year Plan.

- iv. To help modernize the textile sector through new investments both local and foreign, balancing, modernization, replacement and expansion (BMRE) and to transform the declining textile factories into high quality yarn and fabric producing factories.
- v. To encourage, in view of non-availability of local cotton of any significant quantity, increasing production through domestic petro-chemical industry and use of man-made fibre and yarn keeping in view domestic and international consumption trends.
- vi. To help revitalize the handloom sector and faster growth of khadi, hosiery and silk sectors to increase production, generate more employment and income of weavers and others employed in these sectors.
- vii. To help establish mutually supporting linkages between export oriented garment factories and local powerlooms, specialized textiles and dyeing and finishing units for their mutual benefit leading to increased value added and net foreign exchange retention within the country.
- viii. To encourage handlooms in several possible areas of the country, particularly in areas where once handlooms flourished.
- ix. To encourage human resource development through continuous education, skill training, research, and management development, MIS and introduction of computer technology for improving efficiency and effectiveness of the Textile sector as the prime mover of industrialization in Bangladesh.

## 2.0 ISSUES

### 2.1. Move Towards Self-sufficiency and Export:

#### i) Fabrics:

Currently Bangladesh requires 1,200 million metres of cloth for its local consumption out of which 885 million metres is produced locally and the remaining 315 million metres is imported both through regular and irregular channels. Of the total domestic production of 885 million metres, 550 million metres comes from handlooms, 83.6 million metres from mill sector, 200 million metres from decentralized mills and the remaining 51.40 million metres from hosiery, silk and other miscellaneous sub-sectors. Out of the total import of 315 million metres, 178 million metres is new fabrics and the remaining 137.0 million metres is second hand cloths. The objective will be to create a balance between demand and available supplies so that the minimum acceptable standard about 11 metres per capital consumption of cloth per year is ensured. The year 1990 was the target year for achieving self-sufficiency in cloth, although there is installed capacity for producing 1,200 million metres cloth because of increasing population and other disturbing elements the target is unlikely to be achieved. It is expected that through higher rates of capacity utilization and new investment, self-sufficiency in cloth is likely to be achieved by 1992. However, for this purpose a few facilitating policy decisions will have to be made.

#### ii) Fibre, Yarn and Fabrics

For producing 885 million metres of fabric Bangladesh uses 97.0 million kgs of yarn, out of which 60.0 million kgs is produced locally and the remaining 37.0 million kgs. is imported. About 97% of the total requirement of fibre (both raw cotton and man-made fibre) is imported. Locally produced raw cotton, viscous staples/filament produced by Karnafuli Rayon and Chemicals and Silk fibre constitute the remaining 3% of the fibre consumption.

The Ready-Made Garments (RMG) sub-sector is almost totally dependent on imported fabrics and other raw materials.

There is an urgent need for increasing local inputs in the garment industry.

Government intends to reduce its dependence on import at each of the stages, namely, supply of fibres, production of yarn, fabrics and other finished textile products. All out efforts will be made to meet local demand and increase export of textile products particularly finished fabrics, handloom and silk fabrics.

## 2.2. Present Structure of Textile Industry:

Structurally the Textile sector comprises the following interrelated sub-sectors:

- (a) Textile Spinning
- (b) Textile Weaving (Apparel and Non-apparel):
  - \* Mill Sector (Large Weaving Mills)
  - \* Powerloom Units
  - \* Specialized Textile Units
  - \* Handloom
  - \* Hosiery (Knitted products)
- (c) Textile Processing:
  - \* Dyeing, Printing and Finishing
  - \* Garment Industry
  - \* Miscellaneous
- (d) Sericulture and Silk Textiles

A summary of the number of units under each sub-sector, their installed and operating capacity, current production etc. is given at Annexure-A.

## 2.3. Raw Materials, Machinery and Spares:

Raw materials and other related items for textile manufacturing include, raw cotton, man-made fibre, yarn, grey fabrics, dyes and chemicals and textile machinery spares and accessories.

### i) Raw Cotton:

Cotton can be grown in about 70,000-75,000 hectares in Mymensingh, Kustia, Jessore and Pabna producing a total of about 80,000-100,000 bales. There is an internal demand for quilt, pillows, paddings, etc. for 15,000-20,000 bales.

It will not only enable the industry to use own cotton but also strengthen its competitive bargaining position for purchasing cotton from international market.

The spinning mills consume about 70 million kg. (or 3.86 lakh bales of 400 lbs. each) of raw cotton per annum both in public and private sector. Out of this approximately 2% comes from domestic source and the remaining 98% is imported. However, 40,000-50,000 bales of cotton can

be produced in the country. It is many to ensure a fair price to the cotton growers and also increase average in suitable areas.

ii) Man-made Fibre:

The spinning sub-sector consumes about 8.0 million kg. of man-made fibre per annum out of which around 4% is procured from local source and the rest is imported.

iii) Yarn:

Bangladesh consumes in all 97.0 million kg. of yarn per annum out of which 60.0 million kg. (i.e. 62%) is produced locally and the remaining 37.0 million kg. (i.e. 38%) is imported. Out of the imported yarn 24.00 million kg. (i.e. 65%) is synthetic and the remaining 13.0 million kg. (i.e. 35%) is cotton yarn.

iv) Machinery and other materials:

Dyes & chemicals are entirely imported. In the case of spares and accessories some local manufacturers meet a small part of the requirement and there is a potential for expansion of local capacity.

v) Machinery:

As regards machinery except rolling machine, bundling press and some power looms the entire requirement is met out of import.

## 2.4. Textile Technology: Present and Future

i) Fibres:

As stated earlier, the Textile industry in Bangladesh is a footloose one and it depends almost entirely on imported fibres, natural or man-made. Research and experiments on domestic cotton production reveals certain serious constraints (e.g. scarcity of land, lack of pest management, competition with other crops, etc.) which inhibited the expansion of cotton production. The obvious advantages of man-made fibre (e.g. durability, crease resistance, etc.) have already made the synthetic and blended fabric popular to the consumer. Bangladesh has great potential for the production of man-made fibres from its oil and natural gas-based petro-chemical industries. A fresh examination of new technology should be made and explore the possibility of producing synthetic fibres locally. This will be a great benefit to the growing textile industry if fibre is available in the country.

ii) Spinning Technology:

Most of the spinning mills were set up with labour-intensive technology for processing mainly cotton fibre. But during the recent years, with increasing demand for synthetic fibre some of the new mills as well as the expansion units have introduced facility to process man-made fibre. So,

use of more and more man-made fibre should be encouraged.

iii) Handlooms:

There are three types of handlooms, viz, Pit (71%), semi-automatic (23%) and throw shuttle (6%). The productivity of semi-automatic loom, popularly known as Chittaranjan is almost twice that of Pit looms. Another important issue is that according to the 1978 census out of 437,000 handlooms, about 260,000 (i.e. about 60%) looms are operational and the rest 177,000 (40%) are idle. This is mainly due to lack of working capital, raw materials, dyes and chemicals, spares and accessories and marketing facilities.

iv) Dyeing Finishing:

The handloom weavers do not still use modern method for dyeing of yarn. In the existing semi-mechanized and mechanized units, the quality of fabric is largely acceptable to domestic users. But they are yet to develop the capability to meet the demand for quality fabrics of export-oriented garment factories.

2.5. Management Development:

Performance of textile sector is largely dependent on such factors as efficient technology, effective organizational systems and procedures, development of human resources, high work attitude and appropriate incentives.

i) Appropriate Technology:

In a highly competitive textile industry appropriate technology is vitally important. Joint-venture and foreign capital should aim at improved technological level. Appropriate technology for the traditional handloom sector is equally important. The various textile research and training institutes should give greater attention to the transfer of technology.

ii) Organization:

The overall organizational climate of textile sector is historically characterized by the presence of about 20 sub-sectors from upstream to downstream. Most of these sub-sectors are functionally related. Quite often they are found to have conflicting interests. Even within some of these sub-sectors, the organizational systems and preceptress are not effective and efficient. Low capacity utilization in the public and Private enterprises is partly due to the prevalence of organizational deficiency such as procedural rigidities, over centralization, unnecessary control and lack of delegation of authority and decentralization at factory and floor level decision-making power etc. The promotional agencies are not in a position to play their role effectively for the same reason.

iii) Development of Human Resources:

Development of human resources in textile sector entails specialized education, training and management development and upgrading and updating of skills of the factory workers as well as handloom weavers including those engaged in sericulture. Currently, there is one Textile College for offering graduation degree in textile technology (under Ministry of Education), 6 district textile institutes and 27 peripatetic monotechnic institutes for providing basic training in textiles and a Textile Industries Development Centre (TIDC) under BTMC for inservice training. There is one Handloom Training Centre and one Sericulture Research and Training Institute in the country. A close look at this institutional framework shows that though these institutions are quite insufficient to cater the total needs of education, management development and skills training of such a vast sector having about two million direct employees, some of these institutions remain underutilized. Another obvious issue is that currently there is no institution in the country to offer mid level (i.e. diploma level) education for preparing floor-level supervisory manpower for textile sector. Absence of Research and Development activities at College of Textile Technology and TIDC and inadequate facilities for upgrading and updating the skills of handloom weavers particularly in the field of design, dyeing and finishing etc. are some of the issues which require immediate attention.

iv) Work Attitude and Incentives:

There is an overtone of frustration amongst the major part of textile manpower i.e. handloom weavers. Financial insolvency, low return, unorganized market, unhealthy competition with imported fabrics and repeated natural calamities have pushed them to this gloomy situation. The factory workers (with the exception of those engaged in export-oriented garment factories) are also found to have low productivity and poor level of efficiency. Continued financial loss of the textile mills and absence of result-based reward/incentive schemes are some of the factors responsible for such erosion of their positive work attitude and healthy motivation.

v) Need for Strategic Plan for Textile Sector:

For harmonious development of all the sub-sectors of textile industry, integrated strategic plan is needed for long- and medium-term. Provision of credit, common facilities, marketing facilities and utilization of success experience of co-operatives, NGOs etc. for overall and adopting integrated policy leading to benefits to all but hampering none and possibility of joint-venture are some of the issues that underline the necessity of a strategic plan for textile sector. There should be a Strategic Management cell in the Ministry as a part of Planning Cell to monitor the implementation of the strategic plan and implementation of the Textile Policy.

### 3.0 THE TEXTILE POLICY FRAMEWORK

#### 3.1. Policy Perspective:

The Textile sector is the most important component of the Industrial Policy. Modernization of agriculture is usually more labour expelling than absorbing. Industrialization in the long-run is the main source of absorbing greater number of unemployed and contributing towards GNP. Within this broad growth perspective textile industry, has a comparative advantage and can be the prime mover of industrialization. Textile sector operates under and derives benefits from the overall industrial policy, Import and Export Policy and Fiscal Policy of the Government. The New Industrial Policy (NIP) of 1982 recognized the expanding role of the private sector in the industrial development of the country. It improved procedures and provided incentive to promote private investment. The Industrial Policy of 1986 has introduced further improvements giving, among others, private industrialists more freedom. The guide-lines, procedural changes and incentives and concessional measures for industrial development are elaborately laid down in the NIP, 1982 and the Industrial Policy, 1986. Annual Import, Export and Fiscal Policies for the recent years have introduced measures facilitating growth of industries specially the textile industry.

#### 3.2. TFYP Targets and FFYP Approach

Textile Industry has historically been the mother industry 'path blazer' for development of the industrially advanced as well as the newly industrialized countries. It has certain added advantages for growth in Bangladesh having vast surplus, cheap and traditionally skilled labour. As such among the manufacturing industries, the textile sector was assigned a leading role in the Third Five Year Plan (TFYP). The broad objectives of the Plan for the textile sector are, among others: (i) to ensure adequate supply of cloth as a basic need; (ii) to create new opportunities for productive employment and high income; and (iii) to help improve balance of payment position through import substitution and export. Keeping in view the large potential for growth and its role in promoting industrial development, the TFYP has set significantly high targets for the textile sector. It aims at raising the per capital availability of cloth from around 9.0 metres in 1984-85 to 11.00 metre in 1989-90 and increasing production of cloth respectively from 700 million metres to 1215 million metres. About 62% of this target is earmarked for the handloom sector, the output of which is expected to increase from 503 million metres in 1984-85 to 750 million metres in 1989-90. As production of cloth depends on availability of yarn the output target of the latter was set at 95 million kg. for 1989-90 against benchmark level of 60 million kg. in 1984-85. Accordingly, the number of spindles is expected to increase from 1.23 million in 1984-85 to 1.83 million by 1989-90, and that for powerlooms from 13,650 in 1984-85 to 25,000 in 1989-90.

The Plan stresses the need for an outward looking strategy for the textile industry for three reasons: firstly, it enjoys comparative advantage; secondly, it has large market in the developed countries and thirdly the industry is almost entirely dependent on imported raw materials (e.g. cotton and man-made fibre) involving heavy foreign exchange liabilities. Therefore, it has to play a role in earning foreign exchange, otherwise balance of payment



constraints would inhibit its growth.

A significant feature of the TFYP for the textile sector is that the major task of achieving the plan objectives and targets is assigned to the private sector. Its activities in the textile industry is already vastly pervasive in all sub-sectors of the industry, public sector activities being confined within narrow limits of spinning mills, a few composite mills and promotional activities. Setting up of new capacity for textile sector is entirely earmarked to the private sector. Accordingly, the Plan provides an indicative allocation of TK. 5,000 million for the private textile sector which represents 64 per cent of the total allocation of 7,850 million in the TFYP for the textile sector.

The allocation for public sector is TK. 2,850 million earmarked mainly for completion of spillover BMR and promotional projects.

The Plan emphasizes the need for protecting and promoting the growth of handloom sector which is a major source of rural employment and supply of cloth for the domestic market. For this the Plan identified the following measures:

- (a) The establishment of modern spinning mills, preferably on the line of counts specialization, to ensure supply of yarn specific to the needs of the handloom sector as well as for weaving exportable fabrics;
- (b) dedicating the weaving capacity of large composite mills and small factories to the need of the garment industries and for export;
- (c) improvement of the technology in the handloom sector;
- (d) development of effective marketing and distribution system for handloom products;
- (e) organizing and revitalizing, on a top priority basis, handloom weaver's co-operatives under the auspices of the Bangladesh Handloom Board for channelling credits and inputs and undertaking the marketing responsibility of handloom products;
- (f) establishment of a special fund by the Bangladesh Bank to provide, at concessional terms, adequate working capital and long-term loans to weavers for improvement of loom productivity;
- (g) providing comprehensive and intensive technical training to an increasingly larger number of weavers with a view to increasing productivity and improving quality, and
- (h) establishing common service centres on a selective basis in areas of handloom concentration to provide processing and finishing facilities for yarn and cloth, with the ultimate objective of disinvesting such centres to private sector, preferably to weavers co-operatives.

Since the response from the private sector for investment is rather poor, public sector will have to come to in for investment to maintain balance in the textile sector. The Fourth Five Year Plan (FFYP) will seriously

consider this investment strategy. Most other strategic priorities are likely to continue during the Fourth Five Year Plan. Because of vast potential for export earning, employment generation and creation of backward linkage with other textile sub-sectors, RMG industry should continue to be encouraged during the FFYP. The declining jute factories should be transformed into high quality yarn and cloth producing factories for supply to the garment factories.

Another area for the Fourth Five Year Plan is the investment in the petro-chemical industry for producing man-made fibre. A technical study should be initiated during the TFYP. The declining jute factories should be transformed into high quality yarn and cloth producing factories for supplier to the garment factories.

### 3.3. Review of TFYP (1985-88)

A review of the first three years of the plan (1985-88), particularly with regard to the textile sector is handicapped for non-availability of reliable information on production, investment etc. on a large number of textile sub-sectors having several thousand enterprises and units scattered all over the country. One priority pre-planning exercise for the FFYP should be to generate reliable statistics for the textile sector.

#### i) Production:

Available estimates of production from different sources indicate that production of cloth increased to 864.62 million metres in 1986-87 compared to 700 million metres in 1984-85 showing 8 per cent increase. The production of yarn has declined from 60.05 million kg. in 1984-85 to about 59.00 million kg. during 1986-87. In 1987-88 the installed capacity of spinning mills rose to 1.39 million spindles from benchmark capacity of 1.25 million spindles, against the plan target of 1.83 million spindles set for 1989-90. In the weaving sub-sector, the installed capacity increased from 13,650 powerlooms in 1984-85 to 21,905 powerlooms in 1987-88 against the plan target of 25,000 powerlooms for the terminal year of the Plan.

The progress achieved so far in production of cloth and yarn is slow. This is due to a number of factors: a reduction in effective demand for cloth and yarn when cost tended to rise due to fall in income resulting from natural calamities and slow rate of growth in GDP; secondly, there has been a price increase and a cost-price squeeze reducing profitability. Thirdly, new capacity creation for yarn and cloth is almost entirely earmarked for the private sector while its investment has been sluggish due to the lack of profitability, storage of investment funds from private entrepreneurs and also dearth of availability of suitable credit lines. Fourthly, delay in new capacity addition in the public sector due to slow progress in the implementation of BMR and on-going projects. Fifthly, capacity utilization continued to remain low because of disruption in power supply, labour problem, machinery breakdown and internal management problems of the industry. A substantial part of plan targets could be achieved by higher capacity utilization. In the case of yarn production, the output has declined even though installed capacity has increased showing a fall in productivity.

ii) Investment:

Third Plan allocation for private textile sector was TK 5,000 million. There are indications that private investment in some of the sub-sectors, such as, ready-made garments, powerlooms and dyeing and finishing have increased substantially. But the investment in the spinning sub-sector has been sluggish.

The investment performance of the public sector does not seem to present a bright picture. There are four public sector agencies viz. BTMC, Handloom Board, Sericulture Board and the Department of Textiles. Out of them only BTMC is involved in directly productive activity and the other three agencies perform promotional roles for helping private sector activities through regulatory functions, provision of services, training, design, improvement in technology and skill, etc.

The total public sector allocation for the above four sub-sectors in the Plan stands at TK. 2850 million. Against this, the actual outlay in current prices during the first three years of the Plan comes to about TK. 1650 million showing about 58% of the investment target. If allowance is made for cost escalation the rate of utilization in real terms would be much lower. The main reasons for slow progress are, among others (a) delay in implementation of aided projects due to difficulties in fulfilling conditionalities of aid agreements with donor agencies; (b) dearth of local currency specially for self-financed projects; and (c) management weaknesses of delayed preparation, processing and implementation of the promotional projects of Handloom Board, Sericulture Board and Department of Textile.

3.4. ACTION PLAN (1989-91)

To achieve the desired target, priority measures required to be taken are grouped into the following categories:

(i) overall policy packages, (ii) proper utilization of existing capacity and improvement of efficiency, (iii) improvement of product quality and (iv) special measures for handloom sector and sericulture sector.

i) Overall Policies:

The major responsibility of development the textile industry being entrusted to the private sector, the undertaking of appropriate policy is more important than the conventional investment plan. It is, therefore, necessary to give more attention to the adoption of appropriate policies. For fostering further growth, the textile sector should be made more export-led. Since the level of income and the rate of growth of GDP are low, the possibility of eliminating the limitations of internal demand is unlikely. Therefore, growth of this industry largely depends on export market. Recent expansion of RMG industry has opened the doors for foreign exchange earnings and employment generation. Meanwhile this industry has absorbed an estimated three hundred thousand mostly women employees. This implies that further growth of the textile industry may be possible through appropriate promotional and policy measures. The RMG industry is dependent on imported fabrics. There is an enormous

potential for increasing foreign exchange earning and employment generation through product diversification and backward linkages. With this end in view the following policy measures are being considered for adoption.

(ii) Incentives for Export:

XPB rate should be determined on the basis of value addition and raised at par with the rate of assistance provided to import based industries. Alternatively, sufficient cash subsidy may be provided to those who do not like to avail themselves of the XPB and Duty Draw Back facilities.

Duty drawback:

The procedures for duty drawback should be simplified and such facility should be extended to those who supply yarn or cloth to export-oriented enterprises in order to encourage backward integration of the RMG sector. A flat rate system or cash subsidy of appropriate percentage in lieu of duty drawback may be considered.

Availability of credit for working capital:

It is necessary to set up a specialized import export bank to provide appropriate credit facilities for export.

(iii) Proper Utilization of Installed Capacity and Improvement of Efficiency:

A large part of the target for TFYP has to be attained through higher capacity utilization of existing installed capacity and improvement of efficiency. The level of productivity per unit of machine and labour is low. As a result production cost is high causing problems in marketing.

To improve capacity utilization and efficiency the following measures should be taken:

To facilitate adequate and uninterrupted power supply.

To ensure supply of raw materials specially raw cotton of appropriate quality and at competitive price.

To arrange training of workers and technicians for improvement of skills.

To convert individual textile mills into responsible autonomous enterprises.

To consider dividing BTMC into four Divisional Corporations for greater flexibility, efficiency and competition.

(iv) Improvement of Quality of Products:

The main problem hindering marketing of fabrics is the lack of quality and appropriate modern designs. Raw cotton is imported under various credits and barter agreements. As a result the suitable quality cotton is not always available which adversely affects the quality of yarn and cloth. Credit through cash foreign exchange allocation at internationally competitive price should be arranged and

this facility may be initially considered for the designated export mills in the public and private sectors. Beside, efficiency of labour, adoption of new design, use of trademarks on fabrics indicating quality etc. should be ensured.

(v) Special Arrangement for Handloom:

From the point of view of employment the role of handloom is very important. But marketing problem, increase in production cost, low level of production, and income of weavers, lack of new design and technology, lack of institutional credit, lack of proper weaver's organization, etc. have contributed to the stagnation of handloom industry. In order to keep this alive and effective, it is necessary to take up a few bold steps. These steps may be divided into 3 (three) categories, viz., (a) government investment programme to build up sufficient infrastructure and facilities for promotional services, (b) institutional development and (c) incentives and assistance.

(a) The following infrastructure and promotional programmes as envisaged in the Plan need to be implemented vigorously:

- Services and facilities centres in handloom concentrated areas.
- Training, design and technology development;
- Loom modernization through technical assistance, hire purchase or leasing;
- Marketing of handloom products; and
- Re-organization and development of handloom co-operatives.

(b) Institutional Development:

Institutional infrastructure at the base level is expected to be developed through the above mentioned promotional investment programmes. At the central level the institution should be made more powerful and effective. The Handloom Board needs further strengthening. For improvement of productivity and marketing system, the role of handloom co-operatives is very important. Setting up and re-organization of handloom co-operatives at primary and higher level is essential. Handloom Board should be given adequate legal power, and responsibility to organize and develop handloom co-operatives.

(c) Incentives and Assistance:

For providing institutional credit a separate bank needs to be set up for the weavers. In the interim period credit should be continued through commercial banks. A special fund should be created by Bangladesh Bank to refinance the credit for handlooms.

- Rate of interest for the weavers should be subsidized by 3-5% as done by neighbouring countries.
- Excise duty may be reduced by 50% on the yarn used in handloom.

- For clearance sale of handloom products by co-operative society and marketing corporation 10% subsidy may be given for a period 30 days during the festival season in a year.
- Sari and Lungi of coarse variety may be purchased at incentive prices from handloom Co-operative Society. These types of fabrics may be distributed to the vulnerable groups and people living below poverty line at subsidized rates. Zakat funds or other succour funds may be used for this purpose.
- A special fund would be created by levying surcharge on large textile mills and powerloom fabrics and/or imported second hand cloth.
- Marketing of yarns from BTMC may be considered directly to the handloom sector through the Handloom Board and weavers' own co-operations.

### 3.5. Priority Programme: (1990-93)

- (i) Some core investment programme activities will be undertaken. BMRE will be introduced in some selected textile mills in both public and private sectors; some selected jute mills will be transformed into textile factories producing high quality yarn and fabrics for the garment factories, improve the technological quality of power looms, transform pit-looms into semi-automatic looms; easy procurement of raw materials and supplies for the handloom sector; and systematic marketing will be done for the textile products. More and more local quality fabrics will be used by the garment factories; expanded investment in textile and silk will lead to higher employment.
- (ii) The Parliamentary Committee on Textiles and the various interministerial Co-ordinating Committees will be strengthened. A Textile Strategic Management Unit will be set up for assistance in implementing the textile policy. Regular contacts will be established with the Ministry of Industries, Ministry of Commerce, Investment Board, Machine Tool Factory, numerous other engineering workshops, (for supplying textile machinery and spares), etc. There will be regular quarterly co-ordination meetings for monitoring implementation of the Textile Policy.
- (iii) Through this Priority Investment Programme Bangladesh by 1993 will become a well-known producer of textiles and will have a sizeable exportable surplus, particularly for the garment industry.

### 3.6. Integrated Approach for the Textile Sector

Textile manufacturing comprises a number of inter-related processing activities, such as spinning of cotton/synthetic staples into yarn, weaving and knitting of yarn into fabrics, weaving in powerlooms and handlooms, dyeing and finishing of fabrics and making of garments and weaving apparels. The processing activities from spinning to finishing of fabric are done in a dualistic system both in public and private. Firstly, there are composite type of textile mills where all the said processing activities are done under one enterprise or sub-units under one

management. The number and capacity of such composite units are not large in the country. Secondly, each of these sub-sectors operate independently under separate management/ownership through a system of unorganized sub-contracting the market mechanism. These represent the overwhelming segment of the textile industry. These are already functioning under an integrated system through the market in respect of production of cloth for the domestic market. This system is ideally suitable to Bangladesh economy where dearth of management ability, labour troubles, capital, etc, reduces the efficiency of the large composite units. The sub-contracting system needs to be strengthened and improved through supply of credit facilities, incentive measures, support services, etc.

The existing textile manufacturing facilities are mostly cotton-oriented but the demand for cotton is declining due to scarcity and high price and low durability of cotton whereas the demand for polyester blended fabrics is growing rapidly at home and abroad due to its relatively low cost, durability, crease resistance, wash and wear property, etc. Bangladesh until recently imported its entire requirement of polyester, blended yarn and cloth. Now a couple of specialized textile weaving units are importing blended yarn for weaving clothes. The export oriented RMGs import blended fabrics through back-to-back L.C. There should be a gradual shift for new capacity for the production of blended fabrics for garment factory as well as for growing internal demand.

The linkage or integration among the various sub-sectors of the industry is still virtually non-existent in respect of production of cloth for the export market. Until now the vast RMG sector serving the export market is functioning in isolation from the rest of the textile industry in Bangladesh. These are dependent on imported fabrics and thus promoting development of textile industry in other countries. Consequently, a large potential of increasing value addition and foreign exchange earning and employment remains unexploited. The need for its backward integration is well understood. But it is not happening for two types of constraints: (a) irrationality in the incentive structure for export vs. import-substitution or in other words, relatively inadequate incentives for exports through the RMG and (b) physical constraints of producing exportable quality of blended fabrics at a comparable price with imported fabrics. BMRE programme should be undertaken to introduce flexibility in spinning, weaving, dyeing and finishing of cotton, synthetic and blended fabrics for producing quality products for linkage with garment factories.

In the existing structure of industrial assistance through protection and subsidy measures, import substitution receives higher incentive than export. For any fabric manufacturer production for domestic market is more profitable and less cumbersome and easier than for export. For domestic sales he gets the benefit easily through the protected market and he is to be little concerned about quality of fabrics sold in the domestic market. But alternatively, if he produces for export his profit margin will be less because price will be less than that for domestic market and incentives of XPB and other facilities are not enough to offset the price difference. Moreover, he has to ensure quality which would obviously add to cost and he has to go through a long-drawn procedure in making a sales contract and also in receiving the benefits of assistance measures. Under such circumstances, an entrepreneur does not have enough incentive to turn to export foregoing the comfortable and more profitable domestic path which the system provides. The answer lies in rationalizing the incentive structure putting both exports and imports at least at par. At the prevailing level of protection for import-substitution, financial incentives for export

need to be raised sufficiently. XPB has already become an ineffective and unattractive instrument because of the narrowing down of the gap between official exchange rate and the Secondary Exchange Market (SEM) rate. Both direct and indirect exporters may be provided a cash subsidy to those who do not like to opt for XPB and duty-draw-back facilities. The share of the subsidy should be pre-determined for each tier of the beneficiaries involved such as RMG exporter, finished fabric supplier, grey fabric supplier, yarn supplier, etc.

The other constraint is that at present the capability of the existing fabric making industry for production of exportable quality of fabric making industry is very limited. With the exception of a few, the product quality of the composite mills and handloom is not of exportable standard for various reasons such as old machinery, lack of skill, dearth of quality yarn and cotton, absence of proper organization for production and sales (in case of handloom), absence of auxiliary facilities (sizing for small powerloom units) etc. The solution lies in two ways: (a) improvement in the existing enterprises through balancing, modernization and organizational changes and (b) setting up of new export-oriented weaving, knitting and dyeing and finishing units. Again, to attract new investment in these areas the level of incentives for export needs to be raised sufficiently high as compared to the incentive structure in the competing countries such as India, Pakistan and Thailand.

In order to help optimise the productivity and capacity utilization of different textile sub sectors there should be product demarcation on the basis of technological suitability as suggested below:

- The handloom will concentrate on production of sari, lungi, gamcha, dhuty, etc.
- The relatively older existing large weaving mills will be engaged mainly in production of poplin, saloo and long-cloth, etc. Where dyeing and finishing capacity is smaller than the weaving capacity, production of quality grey fabrics would be encouraged to meet the requirement of decentralized semi-mechanized, mechanized dyeing and finishing units.
- The newer weaving units will be encouraged to weave grey fabrics required for processing in the modern dyeing and finishing units for meeting the requirement of garment industry.
- The decentralized specialized powerloom units will be engaged to manufacture grey shirting, suiting, bedsheet, bed cover, curtain materials, etc. for meeting mainly the local demand.
- Ancillary capacity for texturising filament yarn would be encouraged to meet the demand of the weaving industry engaged particularly in manufacture of suiting.
- In view of the declining jute industry it will be highly beneficial for the country if some selected jute mills, close to the garment manufacturing areas are transformed into cotton textile mills for producing high quality blended fabrics for the garment industry and export. It will cost additional investment of about 30% only as compared to establishing a completely new mill.
- Employment of women in textile mills will not only raise their income and status but



also help achieve the objective of the national population programme. Meanwhile in the ready made garment sector about 90% of the employees are women and in the handloom sector the ratio of employment of women has increased from 27% in 1980 to 40% in 1987. It was also noticed that with the increased employment of women there prevailed better labour discipline and high productivity. Therefore, priority will be given to women workers in the new and expanded textile mills and in the textile marketing sector. In the old textile mills the present ratio of 5% women employees will be increased as opportunities arise to 10-15%.

### 3.7 Capacity Utilization and BMRE of Mills:

Majority of the large textile spinning and weaving mills under public and private sector have been running at a very low level of overall efficiency (spinning 60-65 per cent and weaving 40-50 per cent) resulting in huge production and financial losses. It has long been experienced that the capacity utilization performance of the large spinning and weaving mills is generally affected by a number of internal and external problems, notable among those are power failures and load shadings, high absenteeism, inadequate operational and maintenance skill, lack of co-ordinated process wise maintenance programme, old age of machinery having imbalance in certain section(s), high wastage, inadequate facilities for quality control, non-availability of sufficient credit for import of raw materials and spares in time, etc.

The following three factors are specially analysed:

#### i) Foreign Credit for Import Finance:

Raw materials and spares of private sector textile mills are generally imported under "Wage Earners Scheme and Industrial Import Licence". The private sector large textile mills are not normally allowed to avail the facilities of commodity/cash and other credit facilities. On the other hand raw materials and spares of public sector textile mills are generally imported under barter agreement and different tied commodity credits/loans. Prices of raw materials imported under barter is fixed by the exporting countries and as such the prices are not competitive. Sometimes cotton is imported with tied funds which are made available for a short time to utilize for import and as such judicious purchase are not always possible utilizing such funds. Moreover, due to non availability of sufficient funds/credits in time, raw cotton can not be procured in season when its price in the world market is at most competitive level. So, the mills fail to avail the economy of purchasing the raw cotton. This ultimately adversely affects the cost of production of yarn and cloth. In order to ensure fairplay to both public and private sector mills with regard to procurement of raw materials at competitive prices appropriate policy steps are required to be undertaken.

ii) Quality Control of Inputs and Outputs:

Quality of yarn and cloth is basically dependent on the factors such as availability and use of right type of cotton for right type of yarn, proper maintenance of machinery and its efficient skilled operation. Meticulous pre-shipment inspection of raw materials and statistical quality control of yarn and cloth is a pre-requisite for quality products.

iii) Old Age of Machinery and BMRE of Mills:

One of the main reasons for low productivity and poor performance of the textile Industry is the old and obsolete machinery of some of the existing mills which were established in forties, fifties and sixties. Moreover, some mills have severe imbalance either in the back process or in finishing sections which affects the optimum capacity utilization. Some mills have been taken up for BMR under World Bank finance as per its recommendation/guide-lines. It is essential to undertake BMR of some more units under public and private sector which could not be accommodated under World Bank/IDA credit.

The following measures will be undertaken to overcome the existing problems in order to improve the capacity utilization/overall performance vis-a-vis the financial viability of the large textile mills sector.:

- i) The Power Development Board will be kept aware to ensure uninterrupted supply of power to textile mills.
- ii) Till the power supply position to textile mills improve at a satisfactory level stand-by generating set of appropriate size may be installed in the selected textile mills where power supply is inadequate and uncertain.
- iii) The collective bargaining agent (CBA) and other labour unions will be motivated to co-operate with the management of textile mills to boost up production and quality.
- iv) Proper training will be imparted to the manager, CBA leaders and workers for developing a sense of participation and belonging to the organizations.
- v) Proper training will be imparted for up-grading the operational and maintenance skill of the personnel of the large textile mills particularly by utilizing TIDC facilities.
- vi) The process-wise co-ordinated maintenance programme will be persuade and meticulously carried out.
- vii) Use of raw materials appropriate for particular counts and varieties of yarn and cloth be ensured.
- viii) Both the private and public sector mills will be allowed to avail the untied source of finance as much as possible for import of raw materials and spares.

- ix) Necessary import finance will be made available in time for making the purchases and to avoid high level inventory which would decrease the interest burden and cost of production.
- x) The old and imbalanced textile mills under public and private sector will be balanced, modernized, replaced and expanded gradually with a view to improving the capacity utilization and overall efficiency.
- xi) The existing smaller textile spinning units under public and private sector having 12,000 to 15,000 spindles will be given priority for expansion gradually in order to make them financially more viable.

### 3.8 Dyeing and Finishing Requirement

The in-country production capacity for quality fabrics is far short of demand mainly due to shortage of modern manufacturing/finishing facilities. Bangladesh so far set up 169 semi-mechanized dyeing and finishing units having fabric processing capacity of 104.38 million metres per annum. The quality of their output is just good enough to meet the needs of the home market only. There are now 58 mechanized dyeing and finishing units having fabric processing capacity of 444.75 million metres per annum. These units do not have finishing machinery with specialized colour matching and quoting facilities which are most important for turning out fabrics of international standard and as such these industries meet only the local requirement for fabrics. The quality of finished fabrics depends on the quality of yarn and grey cloth, which is of short supply in the local market. The specialized powerloom units developed in the recent years do not have centralized back process/preparatory machinery. So, the fabric finishing units mostly remain dependent on the imported high quality grey fabrics. The demand for synthetic and blended fabrics is fast increasing in both local and international market due to its economy in cost, durability; crease resistance, wash and wear property, etc.

Approximately 750 export oriented garment factories having annual production capacity of 188.90 million pieces of garments have been developed in the country during the last decade. The requirement of fabrics for garments industry works out to 733.46 million metres per annum which is mostly met out of import from abroad under back-to-back L/C.

In order to maximize foreign exchange earning through export of garments and to minimize dependence on foreign fabrics for export oriented garment industries and local consumption, the following measures will be undertaken:

- i) Modernization of back processing and the existing dyeing and finishing units and setting up of new units with, latest technology and computer facilities.
- ii) Modernization of the existing and setting up of some composite textile mills having spinning, weaving, dyeing and finishing facilities to cater for the fabric needs of export-oriented garment industry.
- iii) For developing backward linkage to the export oriented garment industry some selected existing spinning

and weaving mills will be modernized and modified for enabling them to manufacture yarn and grey cloth required for turning out quality fabrics.

- iv) While developing new capacity in spinning and weaving emphasis will be given for keeping provision for manufacturing synthetic and blended yarn and fabrics which are required for forward linkage to finishing of fabrics and garment industry.
- v) In order to ensure development of quality fabric finishing locally, appropriate administrative measures will be taken to effectively check the entry of duty evaded textiles in the local market.

### 3.9 Revitalization and Expansion of Handlooms:

The handloom sector is at present the largest cottage industry in Bangladesh accounting for 48.04 per cent of employment and 49.46 per cent of total value added generated by cottage industry sector. This industry produces about 70 per cent of the total cloth produced domestically. According to 1978 "Handloom Census" there are 437,015 handlooms in 197,280 handloom units. In addition there are 100,000 waist looms in the Chittagong Hill Tracts. Out of 437,015 looms, over 260,000 looms are operational and the rest are either out of order or have been kept non-operational due to various reasons. The category-wise number of looms are as follows:

<u>Type of looms</u>	<u>No. of total looms</u>
1 Pit-fly	270,966
2 Pit-throw	26,496
3 Fly-shuttle frame	37,085
4 Semi-automatic	102,468
5 Waist-loom (CHT)	100,000
<b>Total</b>	<b>537,015</b>

Out of the different types of looms, productive capacity of semi-automatic looms are much higher than that of pit looms. The technology of pit loom is inferior/old and cannot ensure fair wages to the weavers even equal to those of farm labourers. Even the earnings from operation of other types of handlooms are not encouraging for the small weavers under the present financing and marketing mechanism. This low return compelled some of the weavers to switch over to some other profession. Moreover the chronic problems such as inadequate supply of raw materials and spares, lack of credit facilities and un-organized markets compelled many weavers to keep their looms unoperational.

With a view to improving the performance of the handloom sector and thereby to increase the income level of weavers the following measures will be undertaken for revitalization and expansion of handlooms:

- i) The weavers will be organized by formation of more and more primary, secondary and apex societies and bring them in touch with the basic technical services and common facility centres and ultimately Bangladesh Handloom Board (BHB).
- ii) Arrangement of appropriate credit facilities and supply of inputs of required quality and quantity will be arranged to facilitate smooth and profitable operation of handlooms.
- iii) Weaving units requiring modernization will be identified on priority basis for expeditions implementation of *loom modernization and expansion programme of BHB*.
- iv) In order to provide institutional support for marketing the products of some selected number of handloom of quality products, the BHB initially will supply the required inputs to the weavers and in return collect the finished products of the handlooms for centralized marketing. Subsequently efforts will be made to introduce this process of supply of inputs and marketing of products through the weavers cooperative.
- v) In order to organize/revitalize the existing weavers' co-operative societies promotional and regulatory power which is being performed by the Registrar of Co-operative societies could be vested with the BHB.

### 3.10 Credit/Working Capital and Marketing Facilities for Handlooms

The problems confronting the handloom sector can be categorized under three major heads:

#### a) Inadequate and unorganized supply of raw materials and spares.

The timely supply of cotton yarn and other raw materials at a fair price is the most vital issue before the weavers as well as the Government. The vested interest groups continue to manipulate the system at the cost of the impoverished weavers and traditional traders. The Governmental gives high priority to introduce a fair market mechanism for making yarn and raw materials available to the weavers at reasonable price and in time.

#### b) Lack of proper credit/working capital

Lack of proper credit/working capital has been singled out as one of the pressing problems for the handloom weavers. The Government introduced a special credit programme in 1983 to meet the credit/working capital need of the weavers. Due to faulty system, a significant portion of credit went to the non-weavers. As a result, the very purpose of introduction of such programme has been frustrated. Most of the weavers owning 1-5 looms are poor and they can not arrange working capital at their own. They have to take the help of mahajans/moneylenders to arrange their working capital.

The mahajans/money-lenders usually charge exorbitant interest rates from the weavers. The successive devastating floods during the last two years caused colossal damage to the handloom weavers and for which an urgent rehabilitation programme will have to be launched.

c) Unorganized Market:

The weavers are also confronted with another vital problem with regard to marketing of finished products. At present there is no organized marketing system for the handloom weavers. Normally handloom products are being sold at unorganized, fragmented and scattered hats and bazars to the beparis/fariahs who in turn sell those to mahajans and finally to the consumers. The middlemen/fariahs reap the benefits over the weavers in the present marketing mechanism. On the other hand, in slump season the weavers cannot sell their products even at their cost price and such operation is gradually making the poor weavers more impoverished. So, it is felt essential to introduce an organized institutional marketing system for the handloom weavers to ensure proper marketing of their finished products at a reasonable price.

The following measures will be taken to solve the problems of supply of raw materials, credit/working capital and marketing of handloom products.

- i) Weavers will be provided with working capital from banks on soft terms to be repaid in easy installment. A separate band in the line of Grameen Bank will be set up for the the handloom weavers. The weavers groups will be given loan without any collateral. The government will also consider extending credit at 3-5% lower rate.
- ii) BHB Liaison Office from Basic Facility Centres will help the weavers to secure loan from the banks.
- iii) Institutional marketing system will be introduced for the handloom weavers. BHB will gradually help develop the apex marketing organization for the purpose.
- iv) Necessary financial and organizational support will be provided to BHB for developing such apex marketing organization.
- v) With a view to popularizing handloom products and to project Bangladesh culture and heritage a "Handloom Emporia" will be set up in major cities for display and sale of quality handloom (including khadi and silk) products.

### 3.11 Marketing/Distribution of Yarn

Since its emergence in 1972, the BTMC, with the approval of the Government, has been trying various systems of yarn lifting from its mills in search of the optimal mode of marketing.

The corporation started with distribution through Bangladesh Small and Cottage Industries Corporation and cooperatives. But the process resulted in slow lifting and stockpiling. Then the system of unrestricted sale was tried. It helped clear up the stock but ended up with the monopoly of the big at the expense of the small traders.

The method of appointed dealer came next along with the tagging system of fast and slowmoving counts. Although it enhanced the lifting of slowmoving produce, it ended up with a large claim of counterpart fast moving yarn which BTMC could not meet.

Then, a combined method of Agents and institutional lifters was introduced. But the system could not function due to certain policy decisions resulting in availability of imported yarn in large quantity (including those arrived through informal channel) causing a huge glut in the BTMC mills.

Learning from the experiences of above mentioned practices, the latest system put into operation is a combination of Mills-contract and dealer appointment which takes care of the 70% of total production leaving 30% for institutional lifters. In case of failure of either of the parties, the mill management is to dispose of its product through notice sale. This methodology seems to be an improvement on the previously tried ways. It can therefore, form a part of Textile Policy for the next year. Because of changing factors governing the yarn market there should be an annual review of yarn distribution system.

The private sector mills may continue with their usual practice of open market sales.

### 3.12 Ready-Made Garments (RMG)

Ready-Made Garments is one of the largest foreign exchange earners of the country. This sector started with export of Tk24,000 in 1978-79 which in the year 1987-88 has reached Tk 13,420 million. With cheap skilled labour and good managerial capability, Bangladesh is emerging as one of the leading exporters of quality garments.

The industry had to overcome some difficulties because of recent imposition of quota by U.S.A., Canada and some members of the EEC countries. Although some European countries have withdrawn quota, major importing countries still maintain quota system. In order to facilitate further rational growth the following policy guidelines will be adopted:

- i) Special facilities will be provided for safeguarding the interest of all export-oriented RMG particularly for the purpose of producing non-quota items and export to the non-quota countries.
- ii) The quota distribution under restricted categories will be made more cautiously by a committee with representation from the Ministry of Commerce, National Board of Revenue, Ministry of Textiles (Department of Textiles) and Export Promotion Bureau.

- iii) Additional Equipment for the existing units or sanction for the new ones will be given with regulatory facilities to produce diversified non-quota items with locally produced fabrics.
- iv) Back-to-Back L/C and other statutory facilities will be provided only when the export is effected within schedule time and for this customs procedure will be simplified.
- v) An effective measure will be introduced in consultation with the relevant departments for ensuring that the garments exported have originated from Bangladesh.
- vi) No expert on the technology which is available locally shall be allowed to be imported, whereas importation of expert and transfer of advanced technology and new techniques shall be given preferential treatment.
- vii) Appropriate procedure for monitoring activities of export-oriented RMG and other Textile sub-sectors including those in the EPZ, Chittagong will be drawn up and maintained strictly by EPB and the Department of Textile.
- viii) The export of RMG on CM/CMT system shall be allowed on case-to-case basis on specific recommendation of the Department of Textiles.
- ix) No XPB or any other incentive will be allowed in case of failure of export in schedule time.
- x) No Generalized System of Preference (GSP) will be issued by EPB without recommendation of the Department of Textiles.
- xi) Counter signature of Ministry of Textiles/Department of Textiles shall be required for textile export visa.
- xii) Garments factories will be encouraged to use local fabrics from the present level of about 3% at least 10% of their cotton fabrics requirements by 1990 and expand the proportion of local fabrics and other inputs gradually.

### 3.13 HOSIERY INDUSTRIES

Nowadays hosiery fabrics have more use and demand in the RMG rather than the conventional use of vests and underwears. Thus hosiery factories have a good prospect of increasing its products and participate in export.

The knitting factories are facing some problems. Most of their machineries need modernization. Quality yarn production of better hosiery fabric is required.

To combat such a situation the following measures are to be adopted:

- i) A Comprehensive Plan for the development of hosiery factories will be prepared on the basis of a detailed survey of the existing hosiery units in Narayangang and Pabna.



- ii) Establishment of dyeing and finishing units for hosiery fabrics will be encouraged.
- iii) To ensure adequate supply of hosiery yarn, spinning mills in the vicinity of Narayanganj and Pabna will be encouraged to produce combed hosiery yarn.
- iv) Hosiery units catering fabrics to the exportable RMG factories will be allowed duty-draw-back, other financial facilities and incentives.
- v) Facilities will also be provided to the hosiery units for import of raw materials for production of exportable commodities.
- vi) Hosiery industries will be given equal treatment in respect of debt-equity ratio and rate of interest for working capital like other small scale industries.
- vii) Preference shall be given to the export-oriented hosiery industry vis-a-vis RMG in case of knit quota items.
- viii) A separate hosiery estate will be established at Narayanganj to render more facilities to the hosiery industry.

### 3.14 Sericulture and Silk Textiles:

Currently, there are in all 2.255 hectares of land under mulberry plantation (of which 850 hectares are productive). In 1987-88, 0.81 million mulberry saplings were planted and 2.18 million disease free layings (DFLS) were distributed amongst the silk growers. The total production of cocoon, silk yarn and silk fabric in the country were 477 tons, 30 million metres respectively in that year. Recent studies show that about 50,000 people are directly engaged in sericulture and silk textile industry in the country. In view of its high degree of labour intensity and involvement of poor rural people at various stages of sericulture and silk textiles, Government will continue to encourage this industry. In addition to the existing programmes of activities included in the Integrated Scheme of Bangladesh Sericulture Board (BSB), the following policy measures will be adopted for the development and expansion of this sub sector.

#### i) Extension Programme

Bangladesh Sericulture Board will encourage plantation of mulberry trees, bush and low-cut depending on the area-specificity. Detailed area-wise work plan for plantation will be prepared by Extension Department of BSB and all out measures will be taken by the field level officials to motivate farmers to follow the schedule for quick but steady expansion of plantation programme. Motivational campaign will be strengthened to explain to the farmers about the various advantages of tree plantation (e.g. use of tree as timber, and its fruits for preparing foodstuff etc.). Areas where fallow land is available, particularly in hill tracts area, the tree plantation will be encouraged.

ii) Research on HYV race for Jaystha and Bhaduri Crops

To improve the very poor recovery rate of Jaystha and Bhaduri Crops (cocoon), research activities of the BSRT should be concentrated on finding out HYV race for these two seasons improvement in recovery rate will contribute to increase productivity and profitability.

iii) Silk Factory:

Operational efficiency of both the silk factories under BSB will be improved by undertaking the following steps:

- a) Reeling section of the Rajshahi Silk Factory (RSF) will be separated and the reeling machines will be distributed among the private reelers either on hire-purchase basis or through formation of co-operatives. This will help RSF to be free from maintaining this permanent department/section which remains idle for almost half of the year.
- b) Diversification of products by introducing blended silk products will be implemented side by side the production of pure silk fabrics.
- c) Improved factory management and Quality Control system will be introduced for improving quality and product design and variety.
- d) BSB will be reorganized to enable it to carry out the extension programme more effectively and monitor its field activities more efficiently. Effective Management Information System (MIS) will be designed, installed and made operational for improving its operational efficiency.
- e) BSB will explore export market, assist in establishing market contacts between local silk manufacturers/traders with international buyers and organize export of silk products abroad. Import of silk yarn for export-oriented silk factories will also be allowed.

iv) NGO Involvement:

Initiatives, development programmes and activities of NGOs (both existing and potential) will be co-ordinated and encouraged for strengthening the extension, training, production and marketing activities. These activities will include mulberry plantation, rearing silkworm, reeling silk yarn, weaving, dyeing and finishing silk fabrics and manufacturing various types of silk products and their marketing.

v) ENDI (eri) Production:

Production of "ENDI" silk or eri-culture will be undertaken by planting of "Beranda" bushes which grow wildly all over Bangladesh.

### 3.15 Disinvestment, Liquidation and Privatization

Privatization and disinvestment are being pursued as instruments of encouraging and building up confidence in the private sector in keeping with the provision of the Industrial Policy. Government has already privatized 24 Cotton Textile Mills which were handed over to the Bangladesh owners taken over at the time of Nationalization. The issue of financial liabilities settlement of these divested mills should be expedited. In order to improve financial performance of BTMC the Government has pursued a policy of liquidating sick textile mills. For example, Mohini, Dhakeswari (I & II) and Adarsha Textile Mills were liquidated and privatized. There are a number of problems mostly dealing with financial settlement and labour claims. These issues will be resolved gradually.

### 3.16 Investment, Joint Venture Technology and Product Development

At present except for BMR and promotional purpose, public sector is not allowed to make any new investment in the textile sector. New areas of production process such as spinning of man-made fibre where private sector is not forthcoming, public sector should also be allowed to invest to remove structural imbalance in the textile sector.

At present the main products of textiles in Bangladesh are almost pure cotton yarn and pure cotton fabrics, while the world demand structure has changed. Pure cotton products are rather luxurious items and for casual wears more popular are synthetic or synthetic blended products, in particular of polyester cotton. Sometimes heavy coarse cotton cloth is more expensive than light weight mixed fabrics. In Bangladesh, however, the production of polyester/cotton fabrics is not systematically promoted yet despite the increasing market demand. The problem impeding the promotion of blended fabrics is shortage of the technology and of the technical personnel. The export-oriented RMG industry is almost wholly dependent on the import of blended fabrics. One of the basic factors for the improvement of the modern textile industry is the continuous improvement of the related technology through systematic textile education and intensive training. Currently there is practically no facility for systematic training in production of polyester/cotton blended fabric and its dyeing and finishing.

The dyeing and finishing industry of Bangladesh is divided into non-mechanized and mechanized. The non-mechanized sector includes dyeing and preparation of yarn for handlooms and non-mechanized fabric dyeing and finishing, while mechanized sector includes units dyeing and finishing only cotton and units dyeing and finishing synthetic and synthetic/cotton blended fabrics. This peculiar dyeing and finishing structure needs rationalization. The existing dyeing and finishing units have excess capacity to accommodate expected domestic market growth and new units already sanctioned and being implemented in the synthetic and blended fabric sector will significantly add to the capacity in the country. The quality and cost of fabrics produced by the existing units are accepted by the domestic market but are not able to compete effectively in the international market or meet the demand of the garments factories. Thus a new fabric producing sector dedicated entirely to export and meet the demand of the export-oriented RMG industry is considered necessary to fully take advantage of the export potential.

Under the framework of NIP joint-venture projects may be developed for synthetic and synthetic/cotton blended fabric dyeing and finishing based on imported grey fabric. The foreign partner should have proven capacity for technology and skill development. The foreign partner should have a significant equity participation to offer assurances of quality production technological and managerial expertise. Backward integration to weaving and spinning should be encouraged to utilize most effectively the resources for which Bangladesh has comparative advantage.

Once Bangladesh is accepted as a competitive and dependable supplier of fabrics in the world market and export-oriented domestic RMG factories accept locally dyed and finished fabric, opportunities will develop for additional dyeing and finishing capacity in the country. These facilities could be established by Bangladeshi entrepreneurs with backward integration to local quality grey manufacturers.

### 3.17 Tariff Structure and Pricing

Originally before the starting of industrialization in the country tariff structure was determined mainly on two considerations: (a) as an easy source of revenue and (b) import restriction to ease foreign exchange constraint. Tariff still continues to be an important source of revenue. It is now constructed as a powerful instrument for industrialization. As a result of high rates of tariff and quantitative import restrictions, textile industry, like any other import substitution industries, has grown under the tariff protection. In order to avoid inefficiency from over protection and to encourage production for export as a major and new source of impetus for growth of the industry, Government policy in the recent years has progressively attempted to bring rationality in the tariff structure. In the case of textile some major changes have already been introduced. For example, the total protective duty on raw cotton and synthetic staple has been brought down from about 22.5% to zero, that on cotton yarn from 66.5% to 45.5% and for cotton fabrics from about 200% to 100%. In addition, quantitative restrictions in the case of textile products have also been reduced and relaxed.

Tariff structure is reviewed and determined annually as a fiscal and industrial development measure under the budget; import restrictions are determined under annual import policy. While suggesting measures for further improvement for incorporation in future budget and import policies, the following guide-line in respect of the textile industry will provide for analytical framework to ensure efficiency and growth of the industry:

- a) Reasonable protection to domestic efficient industry shall be provided. For this tariffs shall be considered preferable to quantitative restrictions.
- b) Rationalization shall be brought about in the duty structure on various components of the industry viz., raw materials (raw cotton and synthetic fibre), dyes, chemicals and spare parts, yarn, fabric, etc. so that protection to one sub-sector does not hinder the growth of another. While working out specific proposals the following broad principles will be observed:

i)	Raw-materials	0 - 20% C.D.+
	(Cotton synthetic)	10% S.T.
ii)	Intermediate Process	30% C.D.+
	materials (Yarn, dyes, Chemicals)	20% S.T.
iii)	Final products	50% C.D.+
		20% S.T.

- c) Attempt will be made to balance and harmonize the level of protection for import substitution industries and growth of export-oriented industries without adversely affecting either sectors. To this end proposals shall be worked out to increase the level of subsidy to the textile industries which is increasingly playing major role in export earnings.
- d) The system of obtaining export benefit from indirect export to the garment industry by local fabric manufacturer will be rationalized vis-a-vis imported fabrics.

It is necessary that there is a rational pricing policy for the yarn and cotton fabrics produced in the country or imported from abroad. At present the pricing system in the textile sector except BTMC and BSB is largely operating under market forces. The public sector pricing of yarn and coarse cloth is more restricted keeping in view the social objective of pricing those products within the means of common people. A scheme will be prepared to organize a system for distribution of cloth such as sari, lungi, gamcha and dhuti at fair prices to weaker and vulnerable groups of people.

### 3.18 Export Performance Benefit and Other Incentives:

Of all the export potential sectors Textile occupies the leading position and is growing at a fast rate. In order to accelerate this rate of growth an incentives package has been developed. These are:

- i) Every exporter (manufacturer or supplier of textile goods) will be given appropriate XPB/XPL in slabs after determination of rightful shares through a joint study to be carried out by the representatives of all concerned.
- ii) Cash incentive will be allowed on locally manufactured textiles being used as raw materials for production of export-oriented textile products. Similar incentive will also be allowed to the units who manufacture and export. An indicative draft proposal of percentage of cash incentives on added value has been shown in Schedule-A for further examination by a working group to be set up by the concerned Ministry.
- iii) The grievance that excise duty levied in respect of power loom products which are ultimately exported or used for manufacture of export items will be examined in depth and rationalized.

- iv) The duty structure of the machinery, equipment and accessories for export oriented factories will be examined in depth for necessary rationalizing steps.
- v) The foreign exchange ceiling for business promotion and tours abroad will be studied for bringing to a reasonable level.

### 3.19 Administrative and Fiscal Measures for Protecting the Local Textile Industry:

- i) The duty evaded yarn and textiles have become a serious menace for operation and expansive of local textile industry. In order to save this vital employment base from jeopardy anti-smuggling drive through tightening the border security, frequent on-the-spot check of warehouses, depots and shops would be further intensified. Exemplary punishment would be given to those indulging in such anti-national activities.
- ii) In order to create awareness for popularizing locally manufactured textile products, vigorous campaign will be launched through mass media like press, radio, TV, etc.
- iii) In order to prevent misuse of bonded warehouse facilities for imports against back-to-back L.C. for the purpose of export there should be effective check at the custom level to ensure proper check and control on duty-free fabrics. A possible means is to issue interest free debenture in favour of custom so that only real exporters can derive benefit out of bonded warehouse facilities. The custom authority will have option for encashment of the debentures of the garment exporters who fail to adjust such debentures by exports. A joint study would be conducted on this aspect to introduce an effective measure.

### 3.20 Education, Skills Training & Management Development:

- i) To fill up the existing gap of diploma level textile education, district textile institutes under the Department of Textiles will be upgraded phase-wise.
- ii) To strengthen the training and management development activities for the management and supervisors of public and private sector textile industries, the following steps will be undertaken:
  - a) Facilities of TIDC will be upgraded in respect of faculty development, laboratory equipment and research so that its training becomes more effective.
  - b) The proposal to bring TIDC under Ministry of Textiles and give it autonomous status so that its facilities are available to both public and private sector will be examined. TIDC should be run by a Board of Governors consisting of representatives of both public and private sector.
  - c) TIDC will provide testing, quality control, product design and other industrial research facilities to all the sub-sectors of textiles including dyeing and finishing units which can utilize those

services and improve and develop their products and set export quality standards for the textile industry.

- d) BHB and DOT, will ensure full utilization of the skill training facilities available in various institutions under them for the weavers (of both handloom and powerlooms), dyers, finishers, designers and so on by taking appropriate and effective measures.
- e) BSB will ensure optimum utilization of Bangladesh Sericulture Research and Training Institute (BSRTI) for strengthening the training of sericulture technologists as well as mulberry planters, cocoon reelers, wreckers, weavers, designers, dyers and finishers.

3.21 Research, Management Information Systems (MIN) and Computer Technology:

- i) To initiate and conduct sub-sectoral action research and analyses for increasing the integration and effectiveness of the strategies and policies for harmonious development of the textile sector, a Textile Strategic Management Unit (TSMU) as a part of the Planning Cell will be set up under the Ministry of Textiles. This TSMU will have highly trained manpower, and a modern data bank with computer facilities for collecting, processing and storing relevant data for policy implementation, management monitoring and evaluation of sub-sectoral performance.
- ii) The main activities of the TSMU will be to:
  - a) assist in implementing of the Textile Policy, strategies, programmes;
  - b) assess and analyse the success and failures of various projects/programmes to find out the best way to reach the low income weavers, planters, reelers etc;
  - c) carry out comparative studies on various micro-level interventions and experiments by Co-operatives, NGOs etc. for identifying the most effective approach to touch the low income weavers.
  - d) carry out impact studies of various Government and NGO projects and conduct action research on various strategic issues.
  - e) formulate long medium and short-term plan, policies and strategies for the development, smooth operation and expansion of the textile sector.

3.22 Institutional Framework for Implementation, Monitoring and Evaluation:

- i) Ministry of Textiles will implement the Textile policy and establish a system of continuous (preferably quarterly) monitoring and evaluation of the performance of DOT, BTMC, BHB, BSB and TIDC. The organizations will have their own internal work plan, monitoring and evaluation on a monthly basis. Each of these organizations will have to prepare work schedule within their annual, six monthly, quarterly and monthly action plans.
- ii) The present system of monthly ADP review and coordination meetings will continue.
- iii) The Consultative Committee meetings will be held quarterly to review the policy issues and thrash out problems confronting the smooth operation of the sector.
- iv) Evaluation of each of the development projects under BTMC, BHB, BSB and DOT will be carried out both at the mid point as well as after implementation of the projects.
- v) A system of incentives and rewards will be introduced for the best performers in operations of enterprises and managing projects and implementation of development activities.



Indicative Draft Proposal

PARTICULARS	PERCENTAGE OF CASH INVENTIVES ON ADDED VALUE	
A. Export of RMG using locally manufactured yarn, fabrics, dye, printing ets (all sorts).	RMG	5%
	Finisher	4%
	Clothmaker	6%
	Spinner	5%
B. Export of dyed or/and printed fabrics made of local yarn (all sorts).	Finisher	4%
	Clothmaker	6%
	Spinner	5%
C. Export of grey fabrics manufactured from local yarn.	Clothmaker	6%
	Spinner	5%
D. Export of RMG with imported finished fabrics.	RMG	5%
E. Export of RMG with locally manufactured fabrics made of imported yarn.	RMG	—
	Dyer & Finisher	4%
	Clothmaker	6%
F. Export of RMG on imported grey fabrics but finished locally.	RMG	5%
	Dyer & Finisher	4%

TEXTILE SECTOR AT A GLANCE

(Based on current estimates)

Sl. No.	Name of sub-sector	Name of products	No. of units	Installed capacity	Actual production
<b>I. <u>Textile Spinning:</u></b>					
a)	Public sector	Yarn on 32s	36	721956 spdls	34.5 ml.kg.
b)	Private sector	-do-	33	669594 -do- 1800 Rotor	25.5 -do- (Estimated)
Sub-Total			69	1393350	60.0
<b>II. <u>Weaving mill sector:</u></b>					
a)	Public sector	Cloth	12	3172 looms	41.30 ml.mt
b)	Private sector	-do-	15	5083 "	56.40 -do-
Sub-Total			27	8125 looms	97.70 ml.mt
<b>III. <u>Weaving in decentralised sector:</u></b>					
a)	Ordinary power loom	Cloth	68	1832 looms	20.30
b)	Specialised cotton	do	173	3120 looms	34.60
c)	Specialised synthetic	do	629	12083 looms	134.15
Sub-Total			870	17035 looms	189.05
IV.	Handlooms	do		437015 looms	550.000 ml.
V.	Hosiery units	do	318	3032 body machine 116 warp knitting	21.000  18.80

STATEMENT ON TEXTILE POLICY

GOVERNMENT OF THE PEOPLE'S REPUBLIC  
OF BANGLADESH  
MINISTRY OF TEXTILES  
MARCH 1989

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The textile sector should be the prime mover in the economy of Bangladesh by virtue of its significant contribution to the industrial production, large employment, meeting the basic need of clothing and foreign exchange earnings. Sustained and balanced development of the textile sector is vital to the overall economic health of the nation.

2. Perspective

The textile sector operates under and derives benefits from the overall Industrial Policy, Import and Export Policy and Fiscal Policy. The New Industrial Policy of 1982, and the Industrial Policy of 1986 provided the broad guidance the development of the textile sector. However, the objectives of the policy have not been fully achieved. The textile mills have currently capacity utilization of about 50 per cent only. In the handloom sub-sector 260,000 out of 437,000 handlooms are now operative. The garment factories are using less than 3% of its fabrics requirement from the country. The absorptive capacity for investment is particularly poor; out of a total investment allocation of Tk. 2,850 million, in the Third Five Year Plan for the public sector estimated actual investment for the first three years has been Tk.1,650 million. In the private sector the indicative plan allocation was Tk.5,000 million. No firm estimate is yet available but indications are that the investment has been far short of the target particularly in the spinning sub-sector.

### 3. Third Five Year Plan Objectives

The broad objectives of the Third Five Year Plan (1985-90) for the textile sector, among others, are: (i) to ensure adequate supply of cloth at a reasonable price for the growing population, (ii) to create new opportunities for productive employment; (iii) to help balance of payments through import-substitution and export. The Plan aims at raising the per capita availability of cloth from around 9.00 metres in 1984-85 to 11.0 metres in 1989-90 and increasing production of cloth respectfully from 700 million metres to 1,215 million metres. About 62% of this target is earmarked for the handloom sector, the output of which is expected to increase from 503 million metres in 1984-85 to 750 million metres in 1989-90.

3.1. As production of cloth depends on availability of yarn, the output target of yarn was set at 95 million kg for 1989-90 as compared to 60 million kg in 1984-85. The Plan stresses the need for an expanding strategy for the textile sector for three reasons: first, it enjoys comparative advantage; secondly, it has large internal market; and thirdly, it has potential for earning foreign exchange for meeting the foreign exchange liabilities for its own import needs of cotton, other raw materials and capital goods.

3.2. The textile industry comprising about 20 sub-sectors is now facing fundamental difficulties of structural imbalance and unorganized market mechanism. There exists hardly any co-ordinated approach, for example, between locally spun yarn and imported yarn, between production of quality fabrics and needs of the export-oriented

garments industry which is functioning in isolation. The Government has reviewed the position, vide the Report of the Committee on Textiles April 16, 1987. After careful consideration a comprehensive Textile Policy has been formulated providing a unified and integrated package of measures and institutional framework to continuously monitor the strategic issues for overall development of all the textile sub-sectors.

#### 4. Restructuring of the Textile Sector

The textile sector is usually viewed as organized public mills and private mills, specialized textiles, powerlooms, handlooms, sericulture and silk textiles, hosiery and garments. There is an element of rigidity in such an approach, rather than textiles as an integrated system. It inhibits the use of technology and production-flexibility commensurate with the pattern of consumer demand and export requirements. Such approach led to an item specific policy mix resulting in the emergence of special interest groups with conflicting aims, jeopardizing the overall national objectives. It is essential that the existing structural rigidities are slowly eliminated and a more integrated operating approach for the textile sector is evolved.

4.1. The proposed restructuring of the textile sector would have the following three aspects:

- (i) The industry will be viewed in terms of the operational stages of spinning, weaving, processing and garment manufacturing;
- (ii) the industry should be provided with fuller flexibility in the use of various fibres;

(iii) the industry shall be subject to more pragmatic policies regarding creation or contraction of capacities by units in order to increase competition and promote healthy growth in the industry; and

4.2. The industry, being the mother industry meeting a primary need, and having potential for export earning must be encouraged to use idle capacity in one hand and protected from yielding to undue privileges to any vested interest group on the other hand, in consonance with efficiency (productivity), competitiveness and price affordability of consumers. In the spinning and weaving mills all measure will be taken to ensure optimum utilization of the spinning and weaving capacity. Specifically the following measures will be taken:

a) The Power Development Board will be urged to ensure uninterrupted supply of power to textile mills. Stand-by generating set of appropriate size may be installed in the selected textile mills where power supply is inadequate and uncertain.

b) The collective bargaining agent (CBA) and other labour unions will be trained and motivated to co-operate with the management of textile mills to boost up production and level of efficiency.

c) Proper training will be imparted for up-grading the operational and maintenance skill of the personnel of the textile mills particularly by utilizing TIDC facilities.

d) Necessary import finance will be made available in time for making the purchases and to avoid high level inventory which would decrease the interest burden and cost of production.

e) The old and imbalanced textile mills under public and private sector will be balanced, modernised, replaced and expanded gradually with a view to improving the capacity utilisation and overall efficiency.

4.3. More spinning facilities will be encouraged to meet the demand for both local and foreign on counts specialization and to meet needs of handlooms and blended cotton/polyester yarn. In view of its large employment and export potential, necessary measures will be taken to increase spinning of lower counts yarn for the Khadi industry.

4.4. The small hand-processing units, khadi and silk processing with limited output will receive special consideration.

## 5. Product Demarcation

In order to optimize the productivity and capacity utilization of different textile sub-sectors there should be product demarcation on the basis of technological suitability as specified below:



(i) The handloom sub-sector will concentrate on production of sari, lungi, gamcha, dhuti, etc.

(ii) The relatively older existing large weaving mills will be engaged mainly in production of poplin, saloo and long-cloth. The newer weaving units will be encouraged to weave grey fabrics required for processing in the modern dyeing and finishing units for meeting the requirement of garment industry.

(iii) The decentralized specialized powerloom units will be engaged to manufacture grey shirting, suiting, bed sheet, bed cover, curtain materials, etc. for meeting mainly the local demand.

(iv) Ancilliary capacity for texturising filament yarn would be encouraged to meet the demand of the weaving industry engaged particularly in manufacturing of suiting.

## 6. Distribution and Pricing

The Bangladesh Textile Mills Corporation has been searching for optimal mode of marketing its yarn and fabrics. At present a system of mills - contract and dealer appointment takes care of 70% of the total yarn produced by BTMC mills, leaving 30% for institutional lifters. In case of fabrics the mill management is to dispose of its product through notice sale. This system, for its proven effectiveness, will continue until further review. The private sector mills may continue with their usual practice of open market sales.

### 7. Blended Fibre Approach

Mixed and blended fibre approach will be encouraged keeping in view the changing pattern of consumer preference of blended cloth for durability, crease resistances, wash and wear property and changing fashion. Adequate availability of blended fibre by import and domestic production at reasonable prices shall be ensured. The textile industry's almost total dependence on imported cotton should be reduced (prospect of local cotton production is not bright) by a vigorous effort to introduce new technology and produce man-made fibre in the petro-chemical industry. A technical feasibility study will be undertaken during the Third Five Year Plan with a view to establishing plants for production of man-made fibre in the country during the Fourth Five year Plan.

### 8. Flexibility in Investment

With a view to introducing flexibility in investment in a fast changing textile industry, capacity expansion by existing units, capacity creation in new units and capacity contraction including closure of a unit or part thereof will be allowed wherever necessary and justified, subject to general industrial policies. This approach would increase the degree of competition among units and create an environment conducive to reduction in cost and improvement in quality.

### 9. Powerlooms

The unplanned growth of powerlooms has led to excess capacity, idle capital and some disinvestment among new inexperienced entrepreneurs. The powerloom sub-sector should be guided by a

package of measures for the objectives of raising productivity, increasing efficiency, improving workers' welfare and facilitate locational dispersal. Effective measures would be taken to see that the powerlooms do not encroach upon articles reserved for exclusive production by handloom.

#### 10. Handloom Sub-Sector

In the weaving area the role of handlooms will be protected and preserved for its unique contribution as a major source of rural employment and supply of cloth such as sari, lungi, gamcha and dhuti for the vast rural population. The development of this sector will receive priority. In view of the recurring floods pitlooms will be gradually changed into semi-automatic chittaranjan looms. The composite mills, powerlooms and specialized units have their strength which will be preserved.

10.1. In order to preserve the unique role of handlooms for production, employment and to ensure higher earnings, the following main steps will be taken:

- (i) The handloom sector will be organised with the sponsorship of the Handloom Board, through NGOs, pre-co-operative groups and co-operatives to get benefits of basic technical services and common facilities centres and for procuring raw materials and marketing their products. For the purpose arrangements will be made between the Bangladesh Handloom Board and the Co-operative Department to rationalize the present systems of registration and promotional functions performed by Registrar of Co-operative Societies.

(ii) Greater emphasis will be given on the improvement of looms by converting pitlooms into semi-automatic looms and introduce appropriate technology for improving design, quality and finishing of handloom products. Protection of handlooms will be provided by reserving articles for their production and by ensuring supply of yarn and other raw materials at fair prices. The organization for procurement, production and marketing of such inputs at reasonable prices to the handloom weaver shall be strengthened through BTMC, BHB, BSCIC, weavers' co-operatives, and private sector associations and traders.

(iii) To improve the competitiveness of handlooms steps will be taken to remove as far as possible, the cost handicap of the handlooms vis-a-vis the powerlooms by suitable fiscal measures.

(iv) Weavers will be provided with working capital from banks on soft terms to be repaid in easy instalment. A separate bank may be set up for the handloom weavers. The weavers will be given loan on group liability without any collateral. BHB Liaison Office from Basic Facility Centres will supervise the credit system in selected areas.

(v) With a view to popularising handloom products and to project Bangladeshi culture and heritage "Handloom Emporia" will be set up in the major cities for display and sale of quality handloom products.

(vi) To strengthen the data base for planning and development a handloom census will be undertaken during 1989-90.

(vii) Necessary steps will be taken to improve the technical, managerial and administrative skills of handloom personnel and to upgrade designing, printing, finishing of handloom products.

(viii) More services centres will be established to enable weavers to improve their skills in regard to maintenance of equipment, design development and quality of fabrics.

#### 11. Transformation of Declining Jute Industry into Textile Mills

In view of the declining jute industry it will be highly beneficial for the country if some selected jute mills, close to the garment manufacturing areas are transformed into cotton textile mills for producing high quality blended fabrics for the garment industry and export. It will cost additional investment of about 30% only as compared to establishing a completely new mill.

#### 12. Employment of Women in Textile Sector

Employment of women in textile mills will not only raise their income and status but also help achieve the objective of the national population programme. Meanwhile in the ready made garment sector about 90% of the employees are women and in the handloom sector the ratio of employment women has increased from 27% in 1980 to 40% in 1987. It was also noticed that with the increased employment of women there prevailed better labour discipline and high productivity. Therefore, priority will be given to women workers in

the new and expanded textile mills and in the textile marketing sector. In the old textile mills the present ratio of 5% women employees will be increased as opportunities arise to 10-15%.

### 13. Minimum Basic Cloth for Poorer People

Coarse variety of cloth sari, lungi, dhuty and gamcha for distribution at fair prices will be produced mainly in the handloom sector and BTMC mills. A comprehensive scheme will be prepared for production and distributions of sari, lungi, dhuti and gamcha at subsidized prices to meet the minimum basic apparel of poorer and vulnerable groups of people.

### 14. Khadi and Seri/eri-Culture

All encouragements would be given for expansion of khadi and seri/eri-culture programme in view of their large employment and income generating potentials in the rural areas, specially among women. The existing extension and training on silkworm rearing, and quality of design and printing would be strengthened. Steps will be taken to improve the technology in reeling, weaving and production process, upgrade the skills of workers, raise productivity, improve quality, diversify the product range and strengthen the marketing and export arrangement under seri/eri-culture and the Khadi programme.

14.1. With a view to improving the overall situation of sericulture/eri-culture and silk textiles, in addition to the existing programmes of activities included in the Integrated Scheme of BSB, the following policy measures will be adopted:

(i) BSB will encourage plantation of mulberry trees, bushes and low-cut depending on the area-specificity. Motivational campaign will be strengthened to explain to the farmers about various advantages of tree plantation.

(ii) Research activities of the Bangladesh Sericulture Research and Training Institute (BSRTI) will be strengthened to find out HYV race for "Jaystha" and "Bhaduri" crops.

(iii) Reeling section of Rajshahi Silk Factory will be separated and the reeling machines will be dispersed in the cocoon producing areas or distributed amongst the reelers on hire-purchase or leasing through formation of co-operatives.

(iv) The silk mills section will be balanced and modernized for improving production quality. Product-diversification, introduction of blended silk products and introduction of quality control systems will be undertaken for improving the performance of the silk factories.

(v) Institutional facilities, including introduction of information systems (MIS) and Marketing network of BSB will be improved.

(vi) Development activities of NGOs will be co-ordinated and encouraged for strengthening the extension, training, production and marketing activities of sericulture/silk textiles.

### 15. Sick Mills and Powerloom Factories

The growing sickness in the textile mills sector and powerloom sector because of indebtedness, financial difficulties, managerial incompetence, technological obsolescence, poor marketing, mis-investment and labour problem will have to be addressed boldly and systematically to restore the health of the textile industry as a whole and unit specific problems would have to be tackled on a case by case basis. Some units should be rehabilitated through balancing, modernization, replacement and expansion (BMRE), better product-mix, improved organization and management. A nodal organization will be identified for technical and financial packages and the monitoring of such units, change of management may be desirable for certain mis-managed units. The best available manager should be assigned in case where restructuring of capital and liabilities and BMRE are contemplated.

15.1. In the process of revival of sick units and in the event of closure or liquidation, interest of labour and financing banks, as far as possible, shall be protected. The funds needed for payment of retrenchment benefit to labour shall be part of rehabilitation package and loans needed for such compensation shall be provided. Displaced workers would be given priority in securing employment in other units under the same management and other industrial units in the same area. Opportunities shall be provided for training and retraining of labour to facilitate reemployment.



## 16. Ready-Made Garments (RMG)

The ready-made garments sector is a growing industry contributing significantly to employment particularly of women and export earnings. Potentials of greater production and export of knitting and hosiery good should be encouraged. The RMG sector will be modernized and the desired linkages will be established with other textile sub-sectors.

16.1. In order to facilitate further rational growth of the RMG sub-sector the following policy guidelines will be adopted:

(i) Special facilities will be provided for encouraging export-oriented RMG factories particularly for the purpose of producing non-quota items and export to the non-quota countries.

(ii) The quota distribution under restricted categories will be made more cautiously by a committee with representatives from the Ministry of Commerce, National Board of Revenue, Ministry of Textiles, Department of Textiles, Export Promotion Bureau and any other concerned agencies.

(iii) Appropriate procedure for monitoring the activities of exported-oriented RMG and other textile sub-sectors including those in the EPZ Chittagong, will be developed.

## 17. Balanced Development between Public and Private Sector

Priority will continue in respect of private investment for the development of textile sector. Co-ordinated approach will be adopted

to ensure balanced development of public and private sector. Government will undertake (in addition to BMR programme) those projects where the response from private sector is poor. Besides in the field of research, adoption and diffusion of new technology, large investment like establishment of petro-chemical industry, Government will continue its effective role.

#### 18. Demand for Cotton

The spinning mills consume about 70 million kg. (or 3.86 lakh bales of 400 lbs. each) of raw cotton per annum both in public and private sector. Out of this approximately 2% comes from domestic source and the remaining 98% is imported. However, 40,000-50,000 bales of cotton can be produced in the country. It is many to ensure a fair price to the cotton growers and also increase average in suitable areas.

#### 19. Hosiery

To improve the overall situation of hosiery sub-sector, the following measures will be adopted:

- (i) On the basis of a detailed survey of the existing hosiery units in Narayanganj and Pabna a comprehensive plan for the development of hosiery factories will be prepared. A separate hosiery estate will be established at Narayanganj.
- (ii) Establishment of Dyeing and Finishing units for hosiery fabrics will be encouraged.

(iii) To ensure adequate supply of hosiery yarn spinning mills in the vicinity of Narayanganj and Pabna will be encouraged to produce combed hosiery yarn.

(iv) Hosiery units supplying fabrics to the exportable RMG factories will be allowed duty-draw-back, other financial facilities and incentives. They will also be allowed equal treatment like other small industries in respect of borrowing working capital as well as loan for BMR from banks.

(v) Facilities will also be provided to the hosiery units for import of raw materials for production of exportable goods.

## 20. Export Incentives

In order to accelerate the rate of growth of export of textile products incentives will be given in the following lines:

(i) Every exporter will be given appropriate XPB/XPL in slabs after determination of of rightful shares through a joint study to be carried out by the representatives of all concerned.

(ii) Cash incentive will be allowed on locally manufactured textiles being used as raw materials for production of export-oriented textile products. The details will be worked out through a joint study to be carried out by the representatives of all concerned.

## 21. Administrative and Fiscal Measures

Side by side the incentive packages the following administrative and fiscal measures will be adopted:

(i) In order to save the local textile industry from the unfair competition of duty evaded yarn and textiles, anti-smuggling drive through tightening the border security, frequent on the spot check of warehouses, depots and shops would be further intensified and exemplary punishment would be given to the defaulters.

(ii) In order to create mass awareness for popularizing locally manufactured textile products, vigorous campaign will be launched through mass media.

(iii) In order to prevent misuse of bonded warehouse facilities for imports against back-to-back L.C. for the purpose of export there should be effective check at the custom level. A possible means is to issue interest free debenture in favour of custom so that only real exporters can derive benefit out of bonded warehouse facilities. A joint study would be conducted on this aspect to introduce an effective checking mechanism.

## 22. Tariff Structure and Pricing

Tariff structure and pricing will be continuously reviewed and rationalized with a view to protecting local industry, reducing costs and making textile products available at fair prices.

### 23. Public Consultation

Government will continue to harmonize public and private sector activities, among other ways, through the Parliamentary Standing Committee on Textiles and the Textile Consultative Committee.

### 24. Management Development

In order to improve the education, training and management development infrastructure of textile industry the following measures will be undertaken:

(i) To fill up the existing gap of diploma level textile education, district textile institutes under the Department of Textiles will be upgraded phase-wise.

(ii) To strengthen management capability and skills of supervising personnel through systematic training the following steps will be undertaken:

(a) Facilities of TIDC will be upgraded in respect of faculty development, laboratory equipment and research so that its training becomes more effective.

(b) The proposal to bring TIDC directly under Ministry of Textiles and give it autonomous status so that its facilities are available to both public and private sector will be examined. TIDC should be run by a Board of Governors consisting of representatives of both public and private sector.

(c) BHB, BSB and DOT will ensure full utilization of the skill training facilities available in various institutions under them.

## 25. Strategic Management

With a view to improving the research, MIS and institutional facilities for effective strategic planning and management of the textile sector the following measures will be undertaken:

(i) To initiate and conduct sub-sectoral action research and analysis for increasing the integration and effectiveness of the strategies and policies for harmonious development of the textile sector, a Textile Strategic Management Unit (TSMU) as a part of the Planning Cell will be set up under the Ministry of Textiles. The TSMU will have professionally trained manpower and computer facilities for collecting, processing and storing relevant data for planning, monitoring and evaluation of sub-sectoral performance.

(ii) Ministry of Textiles will establish a system of continuous (preferably quarterly) monitoring and evaluation of the performance of DOT, BTMC, BIIB, BSB and TIDC. Each of these organisations will have to prepare and submit work schedule within their annual, six monthly, quarterly and monthly action plans. The actual performance (both operational and development) will be reviewed by the Government. The Planning Cell, Ministry of Textiles will provide the secretarial support to such review.

(iii) Evaluation of each of the development projects under BTMC, BIIB, BSB, and DOT will be carried out both at the mid-points as well as after completion of the projects.

(iv) A system of incentives and rewards will be introduced for the best performers in operations of enterprises and managing projects and implementation of development activities.

#### 26. Investment Plan for Implementation of Textile Policy

Textile Policy will be implemented through usual development investment under Third and Fourth Five Year Plan. During the Third Five Year Plan (July/85 to June/90), an amount of Tk.785 crore (Tk.500 crore for private sector and Tk.285 crore for public sector) has been allocated for overall development of textile sector. Upto June 1988, the expenditure in public sector amounted to Tk.165 crore and that of private sector Tk.357 crore. An estimated expenditure of Tk.1580 crore (Tk.580 crore for public sector and Tk.1000 crore for private sector) has been proposed for the textile sector during the next Five Year Plan.

#### 19. Conclusion

Government expects that the Textile Policy and the Statement on Textile Policy 1988 would facilitate the necessary integration and development of the textile sector in the country and would contribute towards greater investment, employment, output and exports.