

Case Analysis

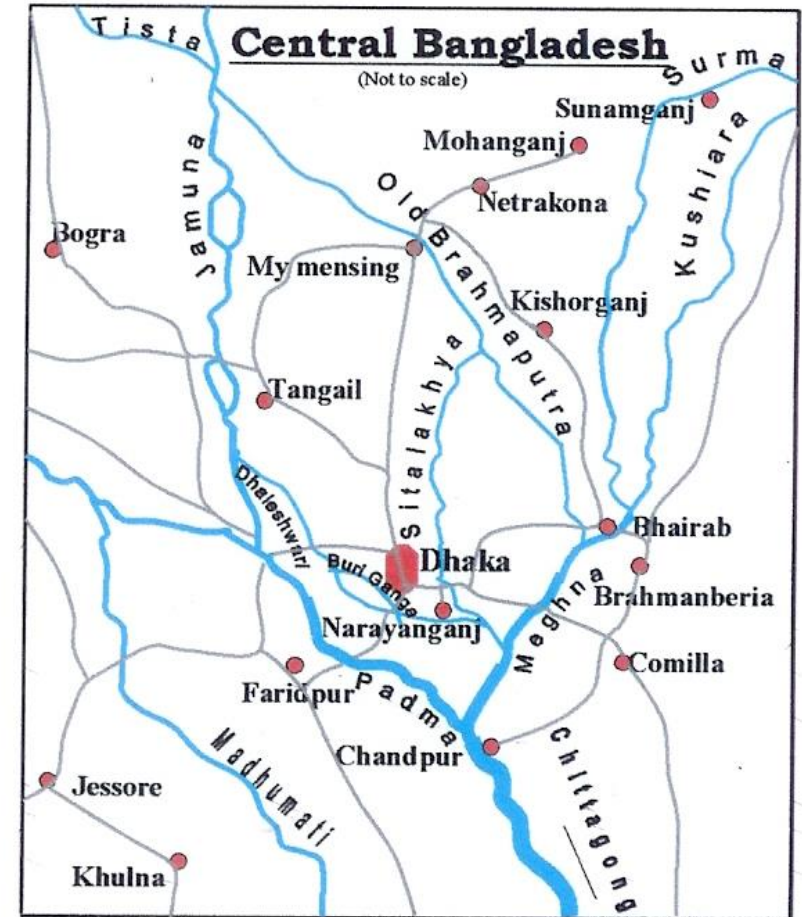
Strategic Planning for
the Industrial Park in
Dhaka, Bangladesh

Export Processing Zones



Background

- In the past three decades, Bangladesh has made wide use of Export Processing Zones (EPZs) as a tool for economic growth and job creation.
- Industrial estates have also been established in most of the 64 districts of Bangladesh, and the Government of Bangladesh (GoB) is also contemplating paving the way for a variety of other kinds of economic zones in the country.
- The zones have proven to be effective tools in setting aside and allocating land for industrial use and in creating jobs.
- With a view to reaping the benefits of an economic zone, the Board of Investment (BOI), which was assigned responsibility for the study of [new EPZ in Dhaka](#), is convinced that the feasibility study could be enriched by [bringing in international experts](#) to develop the study [exploring targeted industries](#).



Dhaka

- Dhaka is **the capital of Bangladesh**. Located on the east banks of the Buriganga River in the heart of the Bengal delta, Dhaka has an estimated population of **more than 15 million people**, making it the largest city in Bangladesh and the **8th largest city in the world**.
- It is known as the City of Mosques, and with 400,000 cycle-rickshaws running on its streets every day, the city is described as the Rickshaw Capital of the World.
- Dhaka is also one of the **world's most densely populated cities**
- Half the workforce is employed in household and unorganised labour, while about 800,000 work in the textile industry. **Even so, under-employment remains high.**
- The annual per capita income of Dhaka is estimated at \$1,350(USD), with **34% of households living below the poverty line**, most **surviving on less than \$5 a day**.

Economy: Overview

Economy - overview:

In real terms Bangladesh's economy has grown 5.8% per year since 1996 despite political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms. Bangladesh remains a poor, overpopulated, and inefficiently-governed nation. Although more than half of GDP is generated through the service sector, 45% of Bangladeshis are employed in the agriculture sector with rice as the single-most-important product. Bangladesh's growth was resilient during the 2008-09 global financial crisis and recession. Garment exports, totaling \$12.3 billion in FY09 and remittances from overseas Bangladeshis, totaling \$11 billion in FY10, accounted for almost 12% of GDP.

GDP - real growth rate:

- 6.1% (2012 est.)

GDP - per capita (PPP):

- \$2,000 (2012 est.)

Gross national saving:

- 27% of GDP (2012 est.)

GDP - composition, by end use: (2012 est.)

- **household consumption:** 75%
- **government consumption:** 5.7%
- **investment in fixed capital:** 25.4%
- **investment in inventories:** 4.3%
- **exports of goods and services:** 25%
- **imports of goods and services:** -35.3%

Economy: Overview

GDP - composition, by sector of origin:

- **agriculture:** 17.7%
- **industry:** 28.5%
- **services:** 53.9% (2012 est.)

Agriculture - products:

- rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses, oilseeds, spices, fruit; beef, milk, poultry

Industries:

- jute, cotton, garments, paper, leather, fertilizer, iron and steel, cement, petroleum products, tobacco, drugs and pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity and natural gas

Industrial production growth rate:

- 8.9% (2012 est.)
- **note:** extensive export of labor to Saudi Arabia, Kuwait, UAE, Oman, Qatar, and Malaysia; workers' remittances were \$10.9 billion in FY09/10 (2012 est.)

Labor force - by occupation:

- **agriculture:** 45%
- **industry:** 30%
- **services:** 25% (2008)

Unemployment rate:

- 5% (2012 est.)
- **note:** about 40% of the population is underemployed; many participants in the labor force work only a few hours a week, at low wages

Population below poverty line:

- 31.5% (2010 est.)

Household income or consumption by percentage share:

- **lowest 10%:** 4%
- **highest 10%:** 27% (2010 est.)

Distribution of family income - Gini index:

- 33.2 (2005)

The Site of EPZ

The Site

- The Economic Zone site is situated 5 kilometers south of Dhaka
- The total area of the site is 389 hectares (961 acres) and these lands are comprised of lowlands, wetlands, and gently rolling hills, as well as a lake and four rivers.

The **advantages of the site's location:**

- It is located near an existing urban area, on the outskirts of Dhaka
- It has direct highway access to roads leading to India and Chittagong;
- It is in close proximity to a railroad corridor that leads to Chittagong, which could be connected to the economic zone through a spur;
- The land is occupied by approximately 30 families, which means that there are few resettlement issues;
- It is adjacent a new residential/commercial community, which will provide an international level of living to potential investors and their senior staff.

The **disadvantages of the location:**

- The government will have to acquire 90 percent of the land, which may mean delays in beginning the project;
- The land contains 4 rivers and a lake, which may present major master planning, infrastructure and environmental challenges as well as increase the cost of development significantly;
- The mix of lowlands and wetlands on the site will mean that the land will have to be filled (15-20 feet)—possibly using sand dredged from the adjacent river—and may take up to two years to settle;
- The proximity to the urban area of Dhaka may be a liability as the city grows and encroaches on the site;
- Most of the farm workers are women, which may mean an unbalanced impact of the project on women.

Research Questions

What would be the targeted industries to be located in the Dhaka's EPZ and their priorities?

The analytical framework should include:

- (1) Historical trends (flows of trade)
- (2) Quadrant analysis from TradeMap
- (3) Global Backward and Forward Multipliers (comparing 2000 and 2011)
- (4) Local Backward and Forward Multipliers (comparing 2000 and 2011)
- (5) Sectors' share on GDP (comparing 2000 and 2011)
- (6) OECD's TiVA indicators
- (7) Economic Complexity Index
- (8) Other combinations of indicators or tools (e.g. quadrant analyses using combinations of other key variables)