



Sector profiles

Agriculture

Although agriculture will account for less than 20% GDP at factor cost in the next five years, it will continue to be the country's largest employer (70%) and the main source of income for around one-half of the working population.

Rice production is the most important economic activity in rural Bangladesh, with rice constituting 90% of total food grains produced annually.

To cut production costs and face competition from neighboring countries, support to domestic production has been strengthened through the subsidization of agricultural inputs (i.e. seeds, fertilizer, irrigation, capital, through concessional interest rates, and electricity) and public procurement practices.

Main subsectors are crop cultivation, aquaculture, livestock, horticulture and frozen foods.

The main opportunities for the sector include a duty-free access of shrimp exports to the EU, a large supply of raw materials and a fertile tropical climate.

Main risks are power tariff hikes, a general lack of storage capacity, production of fertilizers and cultivation of seeds is underdeveloped, a concentration of monoculture at the cost of diversified agriculture and biodiversity, a decreasing availability of agricultural land, soil degradation and a low purchasing power.

Water

Bangladesh faces many water challenges: climate change, population growth, urbanization, and all their adverse effects on the quality of life for the average Bangladeshi. The demand for water in Bangladesh falls into three sectors: agriculture consumes 96.1%, domestic water supply uses 3.2% and the industrial sector is the smallest consumer with 0.7%.

The policy framework for the water resources management sector is based on the National Water Policy of 1999. Objectives are to develop all forms of surface water and ground water; ensure the availability of water to all; accelerate the development of sustainable public and private water delivery systems; bring institutional changes to decentralize the management of water resources; develop a legal and regulatory environment to help decentralization, sound environmental management and improve the investment climate for the private sector in water development and management.

The maritime sector in Bangladesh is concentrated on the country's two ports, and comprises of dredging, shipbuilding (ship repair), ship-breaking and inland water transport.

Chittagong Port is the principal seaport of Bangladesh. It handles an estimated 92% of Bangladesh's maritime trade. Due to the country's average annual economic growth of 6% as well as government response to globalization and trade liberalization, cargo handling at Chittagong port has been rising sharply.



Main risks of the sector include lack of government financial means, lack of inter-ministerial coordination, poor quality/reliability of information, rapid urbanization, natural disasters, lack of proper pricing policies, lack of transparency, a distinct gap between sector need and curriculum of institutions, high bank interest and high service charges.

IT

Services represent half of Bangladesh's GDP and are expected to maintain their rapid growth as the government continues to focus on developing services trade, in particular the country's outsourcing capabilities.

The IT industry has thus far remained relatively nascent with total industry output estimated at US\$300 million per annum. Over 400 IT companies are now supplying to local and international markets worldwide, IT and non-voice IT enabled services constitute the bulk of software exports. IT exports go to more than 60 countries, the main export markets being North America and EU (61% and 13%).

Bangladesh has for the first time captured a place in the top 30 offshore destinations in the annual list of Gartner. The country is 40% cheaper than popular destinations such as the Philippines, China and India. The wages are not only lower than in the Netherlands but also in comparison with neighboring India, the world's most popular offshore destination. A Bengali programmer costs on average US\$8 per hour, compared to US\$20 in India and US\$10 to US\$15 in the Philippines.

The sector has also been selected by the International Trade Center (ITC) and CBI (Dutch Bureau for promotion of imports from developing countries) as a high-potential destination.

Opportunities lie in the large, English-educated labor pool (approx. 5,000 students annually), a strategic geographical location, and strengths in the niche sub-segments software programming, graphics and animation, and data entry services.

Risks are mainly a lack of infrastructure (power generation capacity low, frequent power failure and low voltage), a shortage of internationally qualified IT resources, the absence of international branding & marketing activities, lack of intellectual property protection, credit constraints and high interest rates on loans.

Logistics

The logistic sector is made up of a 4-way transportation mode (road, rail, sea, and air), clearing and forwarding, and warehousing and storage services. To compete in increasingly consumer dominated markets. Bangladesh will have to substantially upgrade its logistics capabilities, providing flexible supply chains and the capacity to handle distribution down to the distribution center and even the store level.

By seeking regional patronage, and with proper connectivity provided by road, rail and inland water transport, Bangladesh has the potential to become a 'transport hub' for the sub region. The country has a unique geographical location with 3-land locked countries/territories (Nepal, Bhutan, NE-India).

It is furthermore a key sourcing, manufacturing and distribution base for the global fashion industry, and customs modernization, clearance and export procedures are actively being simplified through government policy.

Risks of the sector include an inadequate infrastructure, traffic congestion, deteriorating conditions of roads and ports and a gas shortage in the manufacturing industries, rising turn-around time and low productivity due to poor management, and a lack of multimodal connections between Chittagong port and the hinterland.