

**PERFORMANCE IMPROVEMENT STRATEGY (PIS)**  
**OF**  
**Bangladesh Small and Cottage Industries Corporation**  
**(BSCIC)**



**Monitoring Cell, Finance Division**  
**Ministry of Finance**

December, 2024

## Table of Contents

|   |    |
|---|----|
| Acronyms and Expansions   | ii |
| Executive Summary   | iv |
| 1. Introduction   | 1  |
| 2. Literature Review  | 5  |
| 3. Current operational Activities of BSCIC                            | 8  |
| 4. SWOT Analysis  | 11 |
| 5. Organizational Structure   | 13 |
| 6. Operational Processes  | 18 |
| 7. Accounts and Finance Department                                    | 19 |
| 8. Internal Audit Department  | 23 |
| 9. Land Development, Plot allocation and utilization                  | 24 |
| 10. MIS department, Innovation and Integration                        | 26 |
| 11. Stakeholder and Entrepreneurs                                     | 26 |
| 12. Resources Management  | 29 |
| 13. Human Resources Management Department                             | 31 |
| 14. Marketing & Design  | 34 |
| 15. Sustainable Industrialization                                     | 35 |
| 16. Salt Industries   | 36 |
| 17. ICT Cell  | 37 |
| 18. Performance Monitoring and Evaluation                             | 40 |
| 19. Business Reengineering  | 42 |
| 20. Summary of Recommendations  | 43 |
| 21. BSCIC Performance Improvement Strategy (PIS) and Action Plan (AP) | 46 |
| 22. Conclusion  | 47 |
| 23. Disclaimer  | 48 |

## Acronyms and Expansions

| Acronym | Expansion  |
|---------|--|
| ABs     | Autonomous Bodies                                      |
| ACCA    | Association of Chartered Certified Accountants         |
| AIT     | Advance Income Tax                                     |
| BDT     | Bangladeshi Taka                                       |
| BSEC    | Bangladesh Securities and Exchange Commission          |
| BSCIC   | Bangladesh Small and Cottage Industries Corporation    |
| CA      | Chartered Accountants                                  |
| COGS    | Cost of Goods Sold                                     |
| CPA     | Certified Public Accountant                            |
| CSR     | Corporate Social Responsibility                        |
| DLR     | Disbursement Linked Result                             |
| ERD     | Economic Relation Division                             |
| ERP     | Enterprise Resource Program                            |
| EU      | European Union   |
| FD      | Finance Division                                       |
| GO      | Government Order                                       |
| GoB     | Government of Bangladesh                               |
| HRD     | Human Resources Department                             |
| HRM     | Human Resources Management                             |
| IAS     | International Accounting Standards                     |
| IFRS    | International Financial Reporting Standards            |
| KII     | Key Informant Interviews                               |
| MC      | Monitoring Cell  |
| OECD    | Organizations for Economic Cooperation and Development |

| <b>Acronym</b> | <b>Expansion</b>   |
|----------------|--|
| PFM            | Public Finance Management  |
| PIS            | Performance Improvement Strategy   |
| R&D            | Research & Development   |
| SOEs           | State-Owned Enterprises  |
| SWOT           | Strength Weakness Opportunities & Threat                                     |
| SPFMS          | Strengthening Public Financial Management Program to Enable Service Delivery |
| TDMW           | Treasury and Debt Management Wing  |
| TDS            | Tax Deduction at Source  |
| USA            | United States of America   |
| VAT            | Value Added Tax  |
| VDS            | VAT Deduction at Source  |
| WPPF           | Workers Profit Participation Fund  |

## Executive Summary

Finance Division, Ministry of Finance is implementing the scheme named “Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS)”. It is consisted of fourteen (14) components among which ten (10) are related with Finance Division (FD) Out of these components, component 9 is “Strengthening of State-Owned Enterprises’ Governance”. It is one of the most important components of the scheme. The objective of the scheme is to strengthen the governance of State-Owned Enterprises (SOEs) and Autonomous Bodies (ABs). Under this scheme an Independent Performance Evaluation Guideline (IPEG) has prepared for the SOEs and ABs. The IPEG is approved by Finance Division to evaluate their performance independently. The prime objective of the evaluation is to improve the efficiency, transparency, accountability and overall performance of SOEs and ABs to ensure good governance for the various services sector of the government.

It has various Disbursement Linked Indicator (DLI) and Disbursement Linked Results (DLR). Based on the evaluation score of DLR 7.3 results, the underperforming SOEs is to be selected and at least 2 (two) will be taken for preparing the Performance Improvement Strategy (PIS) per year. Meanwhile if any SOE made loss consistently, received significant amount of financial assistance from the government and do not meet the setup performance target would be under purview of PIS even the score of IPE is good or above.

It is to be noted that Independent Performance Evaluation (IPE) of 10 SOEs and ABs has already been completed. On the basis of the IPE result, BSCIC scored **2.58 out of 4**. According to the IPE report, out of 10, it is one of the less/underperforming SOE. As such scoring performance, BSCIC has been selected for PIS by the authority.

In order to devise PIS for BSCIC we have carried out due-diligence and identified the root causes of under performances. Based in these findings we have suggested a number of recommended measures of short, mid and long term for improving their performance accordingly.

BSCIC, an important State-Owned Enterprise (SOE) operating under the Ministry of Industry, holds a key position within Bangladesh's economic development and industrialization along with BEZA, BEPZA and SME foundation. Despite its historical importance, BSCIC encounters multifaceted challenges concerning governance, financial viability, and modernization. The existing governance structure, as per the BSCIC Act 2023, blends management with the Board of Directors, leading to potential conflicts of interest and a lack of accountability. Furthermore, BSCIC faces challenges such as allotted land (plots) underutilization, inefficiencies in the land allocation process, and weak selection procedures of the plot allottee. There are opportunities for enhancing the initial screening process for plot allocation by involving local business communities and experts. By addressing these challenges and implementing reforms can enhance BSCIC's effectiveness in fostering Small and Cottage Industries' growth, thus contributing more significantly to Bangladesh's Economic Development as well as Employment generation.

To address these issues, the proposed recommendations include revising the BSCIC Act 2023 to separate the management and the Board of Directors. At the same time, it is to revisit for independent directors and the establishment of vital committees, like the Audit Committee, Remuneration & Nomination Committee and Executive Committee. This overhaul aims to strengthen Transparency, Accountability, and Effective decision-making.

Moreover, the immediate recruitment of qualified professionals in pivotal departments like Accounts and Finance, Human Resources, Marketing, and Internal Audit is recommended to streamline efficiency and governance within BSCIC. These proposed recommendations aim to enhance BSCIC's performance, foster competitiveness among BEZA, BEPZA SME Foundation etc., and augment its contribution to the nation's Economic and Industrial development objectives and SDGs concern goals.

## 1. Introduction

### 1.1 Background of the SOE Sector in Bangladesh

Before independence in 1971, the landscape of State-Owned Enterprises (SOEs) of Bangladesh was relatively limited in the then East Pakistan. The Central Government controlled a few key sectors such as utilities, telecommunications, transportation, and banking. However, the industrial sector was underdeveloped, with private enterprise dominating economic activity. After independence until 1990s, Bangladesh focused on rebuilding and growing its economy. The government actively established many SOEs to render its various sector services to the public. In 1980s, policies emphasized replacing imports and taking control of various industries in homeland.

The 1990s brought about structural changes and economic reforms, aiming to privatize few SOEs. The creation of the Bangladesh Privatization Board in 1993 oversaw and supported this process. This privatization aimed to boost efficiency, lessen the government's financial burden, and create a more competitive economy.

2000s and onward, Bangladesh adopted diverse strategies for SOEs, some were privatized to become more competitive, while others remained under government control. These enterprises are vital in sectors like Energy, Telecommunications, Transportation, and Finance, playing a significant role in the country's economy.

Challenges persisted throughout these periods, including bureaucracy, political involvement, financial limitations, lack of skilled manpower, modern Technology and ongoing efforts have focused on governance, transparency, and operational efficiency of these SoEs.

Bangladesh's SOEs reflect the changes in economic policies over time. As the country progresses, managing and defining the role of these enterprises continues to evolve. To stay updated, consulting official government reports, publications, and reliable news sources is crucial.

## **1.2 Rationale of Performance Improvement Strategy**

State Owned Enterprises (SOEs) in Bangladesh face significant operational inefficiencies, financial instability, governance issues, and lack of skilled manpower, designing equipment and modern technology of competitiveness in the market. Despite being vital contributors to the national economy, these entities grapple with challenges within internal and external factors such as political interference, Board Practices, inadequate accountability mechanisms, outdated management practices, and insufficient strategic direction, hampering their ability to achieve optimal performance and contribute effectively to the country's economic growth. Addressing these multifaceted challenging issues within SOEs is imperative to enhance their productivity, financial sustainability as well as the overall contribution to Bangladesh's economic development.

## **1.3 Objectives of the Strategy**

The primary objective of this PIS for BSCIC is to comprehensively assess the existing operational framework, identify key challenges impeding performance, and develop a strategic roadmap for enhancing the efficiency, competitiveness, and sustainability of BSCIC. This initiative aims to:

1. Conduct a thorough analysis of BSCIC's current operational structure, identifying strengths, weaknesses, opportunities, and threats (SWOT analysis);
2. Evaluate the specific operational inefficiencies, financial constraints, governance issues, and market competitiveness factors affecting BSCIC's performance;
3. Identify and prioritize critical areas for improvement, considering best practices and benchmarks from successful domestic and international small and cottage industry models;
4. Develop a tailored performance improvement strategy encompassing organizational restructuring, technological advancements, capacity building, financial management reforms, and market-oriented approaches;
5. Recommend actionable steps and implementation guidelines to facilitate the execution of the devised strategy, ensuring measurable outcomes and sustained growth for BSCIC;
6. Provide a framework for monitoring and evaluating the effectiveness of the proposed improvements, enabling continuous refinement and adaptation for long-term success.



## 1.4 Methodology

The development of the PIS for BSCIC involves a comprehensive and multi-phased methodology designed to gather insights, analyze data, and formulate actionable short, medium and long-term recommendations tailored to the specific needs and challenges faced by BSCIC. The methodology comprises the following key steps:

**Primary Data Collection:** Number of interviews and workshops with key stakeholders, including BSCIC management, employees, industry experts, government officials, and beneficiaries of BSCIC programs were conducted to collect necessary data for designing the PIS.

**Secondary Data Collection:** Gathering secondary data from Audited Financial Statements (AFS) and Annual Reports of BSCIC, IPE Report of BSCIC by FD, Debt and Contingent Liabilities (DCL) Statements of BSCIC by FD, Economic Reviews, academic literature, industry publications, and relevant government documents to understand the historical context, industry trends, and best practices.

**Analysis and Assessment:** Performing a SWOT analysis to identify BSCIC's internal strengths and weaknesses, as well as external opportunities and threats in the current market landscape by evaluating financial data, operational processes, governance structures, and market positioning to pinpoint critical areas for improvement.

**Benchmarking and Best Practices:** Benchmarking BSCIC against successful domestic and international small and cottage industry entities to draw insights into effective strategies, operational models, and management practices as well as products. This PIS has sketched especially to identifying best practices that can be adapted and implemented within BSCIC's context in a proper manner within their own resources and capacity.

**Strategy Formulation:** Collaborating with experts and stakeholders to develop a tailored performance improvement strategy for BSCIC, incorporating findings from the analysis phase.

Formulating specific and measurable objectives, actionable initiatives, and an appropriate roadmap for implementation.

**Implementation Framework:** Outlining a clear implementation plan that delineates responsibilities, timelines, resource allocation, and key performance indicators (KPIs) to track progress. Suggesting change management strategies to facilitate the adoption of proposed improvements within BSCIC's organizational culture.

**Validation and Feedback:** Validating the proposed strategy through feedback sessions and discussions with the stakeholders to ensure alignment with their expectations, needs, requirements and capabilities. Incorporating feedback to refine and finalize the PIS document.

**Documentation and Presentation:** Compiling the finalized strategy document, including detailed recommendations, action plans, and supporting data analysis, in a comprehensive report format. Creating a presentation summarizing the key findings, strategies, and implementation plan for dissemination to stakeholders, including BSCIC leadership and relevant government authorities.

## 2. Literature Review

SOEs have historically been pivotal in shaping economic landscapes across diverse nations. Scholars have extensively documented the evolution and multifaceted roles of SOEs in the global economy, highlighting their origins, structures, performance, governance, and challenges. Internationally it has been estimated that, if SOEs can enhance their activities even only 5% per year it will contribute 1.5% in GDP.

The emergence of SOEs is rooted in historical imperatives of industrialization and infrastructure development. According to *Professor Panicos Demetriades*, during early industrial revolutions, SOEs were established to address market failures, promote strategic industries, and spearhead infrastructural advancements (Demetriades, 2009).

The literature underscores the heterogeneous nature of SOEs worldwide. Research by *Professors Bernard Yeung and Randall Morck* illustrates the spectrum of ownership structures, ranging from fully state-owned to hybrid ownership models with varying degrees of autonomy and governance mechanisms (Yeung & Morck, 2001).

Debates surrounding SOE performance reveal nuanced findings. Studies by *Professor Saul Estrin* and colleagues suggest that in specific contexts, SOEs may outperform private enterprises due to long-term planning and social mandates but highlight inefficiencies arising from bureaucratic processes and political interventions (Estrin et al., 2009).

Scholars emphasize the pivotal role of governance in shaping SOE performance. According to *Professor Paul M. Collier*, robust governance frameworks are crucial for enhancing transparency, accountability, and efficiency within SOEs (Collier, 2010). Additionally, discussions by *Professor Benn Steil* focus on reform agendas, advocating for privatization and market-oriented practices to bolster SOE efficiency (Steil, 2003).

Globalization has profoundly influenced SOEs' strategies and competitiveness. Research by *Professor Peter J. Buckley* explores into the impact of globalization on SOEs, highlighting their internationalization challenges and competition with multinational corporations (Buckley, 2009).

Challenges persist within SOEs, including political interference, lack of transparency, and financial constraints. In their work, *Professors Justin Yifu Lin and Boris Najman* stress the need for continuous reforms, innovative governance, and alignment of social objectives with economic viability for future SOE sustainability (Lin & Najman, 2013).

The literature on SOEs' global development offers diverse insights into their evolution, challenges, and potential. It underscores the importance of adaptive governance models, strategic reforms, and continued research tailored to specific national contexts for enhancing SOE effectiveness and contributions to economic development.

A central role in shaping economic landscapes worldwide is played by SOEs, with interest being reaped from prestigious institutions like the World Bank, IMF, and OECD. The various dimensions of SOEs' impact on the global economy, including their origins, structures, performance, governance, and the challenges they face, are frequently explored in academic discussions, supported by reports from WB, IMF and OECD.

World Bank reports, including "The Role of State-Owned Enterprises in the 21st Century" (World Bank, 2018), highlight SOEs' historical roles in infrastructure development and market intervention. IMF publications like "SOEs: The Good, the Bad, and the Ugly" (IMF, 2019) delve into the evolution of SOEs, acknowledging their early contributions to economic growth while cautioning against inefficiencies and fiscal risks.

OECD studies, such as "Ownership and Governance of State-Owned Enterprises" (OECD, 2015), underscore the spectrum of ownership structures and governance mechanisms prevalent among SOEs globally. These documents elucidate the variations in ownership models, emphasizing the importance of effective governance frameworks for improved performance.

Reports from the WB and IMF often provide nuanced insights into SOE performance. The World Bank's "State-Owned Enterprises: Catalysts for public value creation?" (World Bank, 2020) emphasizes the potential for SOEs to contribute to public value but highlights governance challenges impacting their efficiency. IMF assessments analyze SOE performance metrics, acknowledging their varying success and inefficiencies across different sectors and regions.

The OECD's extensive work on SOE governance principles, including their "Guidelines on Corporate Governance of State-Owned Enterprises," outlines best practices for enhancing transparency, accountability, and performance (OECD, 2015). These guidelines advocate for reforms aligning SOE practices with market-oriented principles to improve efficiency and reduce fiscal risks.

World Bank and IMF analyses explore the implications of globalization on SOEs. Reports such as the World Bank's "Globalization and the Role of Public Enterprises" (World Bank, 2007) discuss how globalization influences SOEs' strategies, emphasizing the challenges of competition, internationalization, and balancing national interests with global market demands.

Insights from the World Bank, IMF, and OECD highlight persisting challenges within SOEs. They emphasize the need for continued reforms, innovative governance structures, and alignment of social objectives with economic viability to ensure the sustained contribution of SOEs to economic development.

The synthesis of scholarly discourse with insights from reports by influential institutions provides a comprehensive understanding of SOEs' global landscape, enriching discussions on their evolution, challenges, and potential for future development.

The World Bank has played a significant role in assisting Bangladesh in enhancing the performance, governance, and sustainability of its State-Owned Enterprises (SOEs). Through various initiatives, programs, and advisory services, the World Bank aimed to address key challenges faced by SOEs in Bangladesh and promote their contribution to the country's economic growth.

The World Bank has provided financial assistance to Bangladesh for restructuring and capacity building within SOEs. Initiatives often include support for improving corporate governance, enhancing management practices, and facilitating skills development among SOE personnel (World Bank, 2018).

Efforts have been directed towards policy reforms aimed at creating an enabling environment for SOEs. This involves restructuring policies, regulatory frameworks, and legal structures to

enhance transparency, accountability, and operational efficiency within these enterprises (World Bank, 2016).

The World Bank has advocated for and supported Bangladesh in exploring Public-Private Partnerships as a means to improve SOE performance. This approach aims to attract private sector expertise, investment, and innovation while leveraging the strengths of SOEs in critical sectors (World Bank, 2019).

The World Bank has stressed the importance of robust monitoring and evaluation mechanisms to track the progress of SOE reforms. This involves establishing key performance indicators (KPIs) and frameworks for assessing the impact of interventions on SOE efficiency and contribution to the economy (World Bank, 2017).

An overarching goal of the World Bank's efforts in Bangladesh has been to ensure the sustainability of SOEs while maximizing their economic impact. Reports and assessments produced by the World Bank often emphasize the need for balanced strategies that align SOEs' social objectives with economic viability (World Bank, various reports).

It's important to note that the World Bank's initiatives are often part of broader national strategies aimed at improving the overall business environment, governance structures, and economic development in Bangladesh.

These efforts reflect the World Bank's commitment to supporting Bangladesh in overcoming challenges faced by its SOEs, ultimately contributing to the country's sustainable economic growth and development.

### **3. Current operational Activities of BSCIC:**

The Bangladesh Small and Cottage Industries Corporation (BSCIC) engages in a range of operational activities geared towards fostering the growth and development of small and cottage industries across Bangladesh are as follows:

1. Registration of Cottage Industries, Micro Industries, Small Scale Industries, Medium Industries and Handicrafts;

2. Establishment of Industrial Parks and Industrial Towns and their land or plots, buildings or spaces of buildings
3. Undertaking training programs for the creation of new entrepreneurs, skilled managers and workers, etc. in cottage industries, micro industries, small industries and medium industries;
4. To assist in establishing and entering into contracts with large industries and medium industries and their subcontractors for the development and expansion of cottage industries, micro industries, small industries and handicrafts;
5. Establishment of general facility centers, specialized institutions, such as technology development centers or similar institutions for the production, marketing, export, removal of trade barriers for cottage industries, micro industries, small industries and medium industries;
6. Domestic and foreign investment in the various stages of BSCIC industries, domestic and foreign joint investment and attracting investment in public-private joint ventures;
7. Organizing domestic and foreign fairs for the purpose of market expansion BSCIC & its products and providing opportunities for entrepreneurs to participate in the said fair;
8. Establishment of research centers, design development centers and exhibition or sales centers for the purpose of selling for product and enhance product diversification and domestic and foreign market expansion;
9. Sponsoring the promotion of products of a special or unique nature, such as Salt, Honey, Ethnic Products, etc., produced by farmers, producers or small entrepreneurs under and by the close supervision of BSCIC;
10. Providing loans on easy terms & conditions in Loan Regulations or Rules relating thereto;
11. Formulation and implementation of investment schedule jointly with Bangladesh Bank, scheduled commercial bank or any other financial institution;
12. Providing advice in setting up or revitalizing industries, business conversions, business plans, project proposals, loan applications and other related documents along with others;
13. Establishment of database on all the activities of various stages of industries of BSCIC;

14. Taking measures to protect the intellectual property of all the VS of the industry of BSCIC;  
And
15. To fulfill the purposes of BSCIC Act, to comply with the directions issued by the Government from time to time, to perform the functions.



## 4. SWOT Analysis

SWOT analysis finds their (internal strengths and weaknesses, as well as external opportunities and threats) on BSCIC is as follows:

### Strengths:

- Receives support from the government of Bangladesh, which can provide stability and resources for its operations;
- Plays a crucial role in promoting small and cottage industries, contributing to job creation and economic development;
- Has a local presence and understanding of the market, which can be advantageous to identify the specific needs of small and cottage industries;
- Contribution to infrastructure development in certain regions, facilitating the growth of small and cottage industries.

### Weaknesses:

- Bureaucratic processes may lead to delays and inefficiencies;
- BSCIC may have limited autonomy which could hinder quick decision-making process and responsiveness;
- BSCIC may face resource constraints, limiting its ability to invest in time-to-time modern advanced technology, training, and other critical areas.

### Opportunities:

- BSCIC could explore opportunities for expanding their market for both domestically and internationally;
- Embracing modern technologies could enhance efficiency and productivity within the organization;
- Forming partnership with private enterprises, NGOs, or international organizations could bring in additional resources and expertise.

### Threats:

- Economic downturns both in home and global economic uncertainties can impact the demand for products from small and cottage industries, affecting their growth;
- The presence of other organizations (BEZA, BEPZA, SME Foundation) may pose a threat to BSCIC's market share;
- Changes in government policies or regulations can have a significant impact on its operations;
- Rapid technological advancements may pose a challenge.

It's important to note that this analysis is a generalization, and the specific context and circumstances of BSCIC should be considered for a more accurate assessment. Additionally, the dynamic nature of business environment means that factors can change over the time. Regular reviews and updates to the SWOT analysis are strongly recommended for BSCIC.

## 5.0 Organizational Structure:

### 5.1 Assessment:

We have conducted a thorough due diligence of organizational assessment of BSCIC involves evaluating various aspects of its structure, processes, and performance to identify inefficiencies, redundancies, and areas for improvement. Here's a thorough assessment framework:

#### 5.1.2 Organizational Structure:

The current organizational structure has highlighted a significant concern, the appointment of both the Chairman and Departmental Heads by the government, potentially lacking the requisite experience for effective management of day-to-day operations. The Chairman is serving as the ex-officio of the Board of Directors, alongside the Departmental Heads who designated as directors causing a confluence of roles that may lead to conflicts of interest. This setup could undermine accountability for inefficiencies and poor performance within the management, particularly when reporting to the Board.

The inherent conflict emerges from the dual roles of the executive management as both decision-makers and board members responsible for policymaking and strategic direction. This fusion of roles risks impeding the Board's ability to effectively steer the organization towards financial stability, operational efficiency, and robust governance practices. Moreover, the lack of a genuine sense of belonging among government-appointed Chairmen and directors, often serving on deputation, creates a perception of disengagement from the organization's objectives.

This state of affairs could have adverse consequences, particularly for feeding employees who may find themselves overlooked for promotion to directorial positions despite possessing extensive experience and institutional knowledge. Consequently, such a scenario may erode morale and hinder the professional development of deserving staffs. These would ultimately be compromising the organization's overall performance and long-term sustainability. Organizational structure (**Annexure A**) lacks the clarity of roles, responsibilities and the reporting lines. It has also been noticed that the Board has not been re-constituted since long and as per **Bangladesh Small and Cottage Industries Corporation Act, 2023** and the Board has no **Sub-Committees** specially Audit, Remuneration and Nomination Committees, etc. (**Annexure B**).

### 5.3 BSCIC Act 2023

BSCIC is a statutory body operating under the Ministry of Industries (MoI), was created in 1957 in order to support small and cottage industries in the country. Then it was renamed East Pakistan Small and Cottage Industries Corporation (EPSCIC), was established by an Act of the Parliament in 1957 and was established with a view to accelerating industrial growth through promoting the development of small and cottage industries in the country (BSCIC Act, 1957). One of the core areas of BSCIC activities is the establishment and maintenance of Industrial estates, which were established in different times at different locations in the country. The entrepreneurs in BSCIC estates get various benefits including Plot Allocations in subsidized rate, initial Tax Exemption, Infrastructure Facilities, Training, Financial Supports and various other related supports.

### 5.4 Board of Directors

As per BSCIC act 2023, The Board shall consist of 13 Directors (**Annexure A**) including Chairman to be appointed by the Government. All the Directors of BSCIC shall: - (a) be a whole-time officer of the Corporation; (b) perform such duties as the Board may by regulations assign to him; (c) divest himself of any directorship or other interest held by him in any Corporation, company or concern other than companies sponsored by the Corporation under sub-section (2) of section 14 before assuming office as Director.

The Board in discharging its functions shall act on commercial considerations and shall be guided on questions of policy involving the national interest (including commercial and industrial interest) by such directions as the Government, which shall be the sole judge whether the national interest is involved, may give it from time to time.

If the Board fails to carry out any direction as aforesaid, the Government may remove the Directors including the Chairman, and nevertheless anything contained in section 6, appoint persons in their place to be Directors temporarily until a fresh Board of Directors are appointed in accordance with the provision of that section.

The drawbacks of this board structure are substantial. Executives are not adequately held accountable for their roles and responsibilities, leading to reluctance in making strategic decisions. This stems from the fact that top executives serving as board directors are often on temporary postings, perceiving these assignments as punitive and focusing on securing more desirable roles elsewhere. High turnover among the senior leadership of BSCIC has been a notable issue. Moreover, the board lacks specialized committees, such as an audit or risk committee, to address financial matters effectively. This absence hinders critical functions like appointing external auditors, overseeing the internal audit department, reviewing audit reports, and ensuring that the CEO implements audit findings and recommendations.

### 5.5 GAP analysis of the service rendered

| Sl. | Service rendered as per Act  | Y/N/P |
|-----|--|-------|
| 1   | Registration of cottage industries, micro industries, small scale industries, medium industries and handicrafts and handicrafts;   | Y     |
| 2   | Establishment of Industrial Parks and Industrial Towns and their land or plots, buildings or spaces of buildings   | Y     |
| 3   | Undertaking training programs for the creation of new entrepreneurs, skilled managers and workers, etc. in cottage industries, micro industries, small industries and medium industries;   | P     |
| 4   | To assist in establishing and entering into contracts with large industries and medium industries and their subcontractors for the development and expansion of cottage industries, micro industries, small industries and handicrafts;  | N     |
| 5   | Establishment of general facility centers, specialized institutions, such as technology development centers or similar institutions for the production, marketing, export, removal of trade barriers for cottage industries, micro industries, small industries and medium industries; | N     |

| Sl. | Service rendered as per Act  | Y/N/P |
|-----|--|-------|
| 6   | Domestic and foreign investment in cottage industries, micro industries, small industries and medium industries, domestic and foreign joint investment and attracting investment in public-private joint ventures;   | N     |
| 7   | Organizing domestic and foreign fairs for the purpose of market expansion of cottage industry, micro industry, small industry and medium industry and medium industry products and providing opportunities for entrepreneurs to participate in the said fair;                      | P     |
| 8   | Establishment of research centers, design development centers and exhibition or sales centers for the purpose of selling cottage industries, micro industries, small scale industries and medium industries for product diversification and domestic and foreign market expansion; | N     |
| 9   | Sponsoring the promotion of products of a special or unique nature, such as salt, honey, ethnic products, etc., produced by farmers, producers or small entrepreneurs;   | N     |
| 10  | Providing loans on easy terms in the light of the Loan Regulations or rules relating thereto;  | N     |
| 12  | Provision of other necessary assistance including providing advice in setting up or revitalizing industries, business conversions, business plans, project proposals, loan applications and other related documents  | N     |
| 13  | Establishment of database on cottage industries, micro industries, small scale industries, medium industries and handicrafts;  | N     |
| 14  | Taking measures to protect the intellectual property of cottage industries, micro industries, small scale industries, medium industries and handicrafts and cottage industries; And  | N     |
| 15  | To fulfill the purposes of this Act, to comply with the directions issued by the Government from time to time and to perform the functions.  | P     |

**Recommendation:**

- BSCIC should ensure a strong commitment and belonging among top leaders, especially the Chairman and Directors, who should be committed to serving in their roles for at least 3-5 years.
- BSCIC should revisit its activities and services rendered to the stakeholders specially to identify the root causes of unused plots of the industrial estates and the way forward.
- Management should be separated from the Board to ensure the accountability for their roles and responsibilities.
- Board should have at least an AUDIT COMMITTEE, headed by a non-executive director, preferably professionally qualified CA/ ACCA/ CPA.
- BSCIC Act 2023 should be updated to ensure accountability, transparency and good governance guidelines.

## 6. Operational Processes:

We were unable to locate any approved operational flowchart encompassing project management, procurement, budgeting, and resource allocation. Consequently, it is challenging to pinpoint bottlenecks or delays in decision-making, implementation, and service delivery.

- It has been identified that there is no written roles and responsibilities for the employees of all the departments and cells.
- It has come to our attention that employees assigned to the accounts and finance department at the head office are actually working in industrial estates.
- It is a noticeable absence of professionally qualified accountants in the accounts and finance department, and none of the staff members have received training on modern accounting systems such as IAS and IFRS.
- It remains unclear whether they utilize any software for managing accounting and budgeting information.

They do not maintain any fixed assets register and Fixed Asset Movement notes. The internal Audit departments has got the same scenario. The Head of the IA is graduated in Accounts and Information System from public university. He has not got neither professional qualification nor got specialized trainings in Internal Audit. Employees are unaware about the ultimate objective of Internal Audit of an organization and their reporting lines.

These deficiencies may be contributing to their inability to produce financial statements promptly, leading to missed deadlines for financial statement audits and their subsequent upload to the website, safe guarding the assets and ensure the efficient and effective use of resources, as required by the Finance Division.

### **Recommendation:**

- BSCIC should have a standard operational flowchart with desk wise (which is minimum requirement for any organization) roles and responsibilities in line to the approved organogram.



## 7. Accounts and Finance Department:

It has been identified that BSCIC has over 190 cost centers and lacks any software or digital platform for bookkeeping and account preparation. They do not practice budgetary control, such as monitoring whether their revenue income and expenditure align with projections. We did not receive a satisfactory explanation from BSCIC on how they are obtaining grants, as they operate more like a corporation rather than an autonomous body. The team in the accounts and finance department lacks the relevant skills, experience, and academic background. Additionally, they are under-resourced according to their approved organogram. Employees posted to the accounts department are often deputed to other industrial estates as accounts in charge, despite having little or no knowledge of IFRS/IAS and disclosure requirements. We also found no such chart of accounts, fixed asset register, or similar documentation.

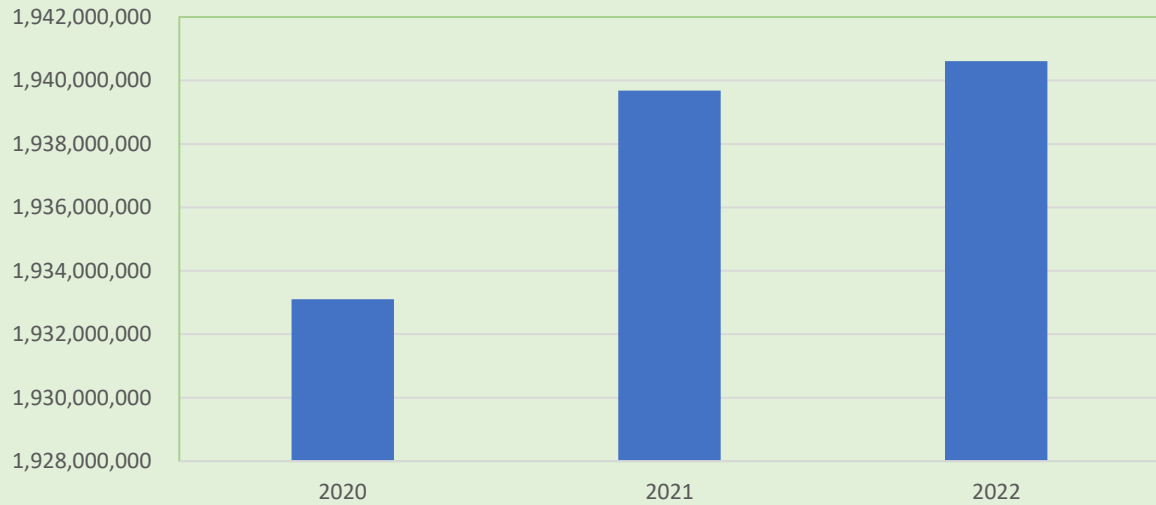
### 7.1 Financial Statements Analysis

| For the year 2018 - 2022      |       |                      |                      |                      |
|-------------------------------|-------|----------------------|----------------------|----------------------|
|                               | Notes | 2020<br>Taka         | 2021<br>Taka         | 2022<br>Taka         |
| <b>Income</b>                 |       |                      |                      |                      |
| Grants from Government        | 1     | 1,933,100,000        | 1,939,682,260        | 1,940,611,260        |
| Interest Income               | 2     | 60,739,626           | 53,744,613           | 87,535,262           |
| Rental Income                 | 3     | 17,867,980           | 18,078,842           | 12,190,356           |
| Income from Charge and Fees   | 4     | 212,365,892          | 198,505,932          | 241,732,790          |
| Income from Sale of Honey     | 5     | 343,645              | 1,985,698            | 654,850              |
| Collection of Land Premium    | 6     | 68,774,384           | 177,596,594          | 59,772,850           |
| Collection of Bus fare        | 7     | -                    | 19,210               | 293,219              |
| Income from Fair & Exhibition | 8     | 10,997,622           | 399,871              | 1,849,925            |
| Income from Training          | 9     | 5,128,419            | 4,122,622            | 4,986,070            |
| Miscellaneous Income          | 10    | 11,847,247           | 35,268,286           | 23,548,284           |
| Sale of Forms/Publication     | 11    | 3,655,391            | 2,611,750            | 2,627,109            |
| <b>TOTAL INCOME</b>           |       | <b>2,324,820,206</b> | <b>2,432,015,677</b> | <b>2,375,801,975</b> |

**For the year 2018 - 2022**

|   |    | <b>2020</b><br><u>Taka</u> | <b>2021</b><br><u>Taka</u> | <b>2022</b><br><u>Taka</u> |
|---|----|----------------------------|----------------------------|----------------------------|
| <b>Expenditure</b>                          |    |                            |                            |                            |
| Administrative Expenses                     | 12 | 45,107,240                 | 46,541,405                 | 52,233,650                 |
| Salary & Allowances                         | 13 | 1,184,470,990              | 1,003,968,692              | 877,850,145                |
| Other Allowances                            | 14 | 11,639,927                 | 21,774,893                 | 7,104,804                  |
| Advertising & Promotions                    | 15 | 18,940,987                 | 4,272,470                  | 8,995,982                  |
| Repair & Maintenance                        | 16 | 26,113,162                 | 20,914,885                 | 12,677,298                 |
| Tax & Registration Cost                     | 17 | 14,815,919                 | 22,602,523                 | 26,627,494                 |
| Medical Expenses                            | 18 | 861,614                    | 939,597                    | 1,237,965                  |
| Food & Medicine for Bees                    | 19 | 148,198                    | -                          | 254,306                    |
| Lamp grants                                 | 20 | 384,997,183                | 331,685,770                | 303,819,575                |
| Insurance for Vehicles                      | 21 | 1,236,800                  | 2,581,547                  | 1,914,824                  |
| Training Expenses                           | 22 | 32,228,782                 | 34,184,297                 | 43,907,257                 |
| Research & Development                      | 23 | 916,000                    | 2,284,000                  | 1,636,319                  |
| TADA  | 24 | 9,737,542                  | 8,041,049                  | 6,461,064                  |
| Travelling & Transportation Cost            | 25 | 8,102,595                  | 8,939,986                  | 7,950,072                  |
| BSCIC Contribution to CPF                   | 26 | 35,218,037                 | 40,334,414                 | 38,040,975                 |
| P.O. L                                      | 27 | 6,231,416                  | 5,959,234                  | 7,052,017                  |
| Miscellaneous Expenses                      | 28 | 10,572,398                 | 62,499,987                 | 27,521,116                 |
| Depreciation (Schedule A1)                  | 29 | 79,386,947                 | 485,101,056                | 413,952,839                |
| <b>TOTAL EXPENDITURE</b>                    |    | <b>1,870,725,737</b>       | <b>2,102,625,803</b>       | <b>1,839,237,702</b>       |
| <b>EXCESS OF INCOME OVER<br/>EXPNDITURE</b> |    | <b>454,094,469</b>         | <b>329,389,874</b>         | <b>536,564,273</b>         |

Chart 1: Grants from Government



Other Income

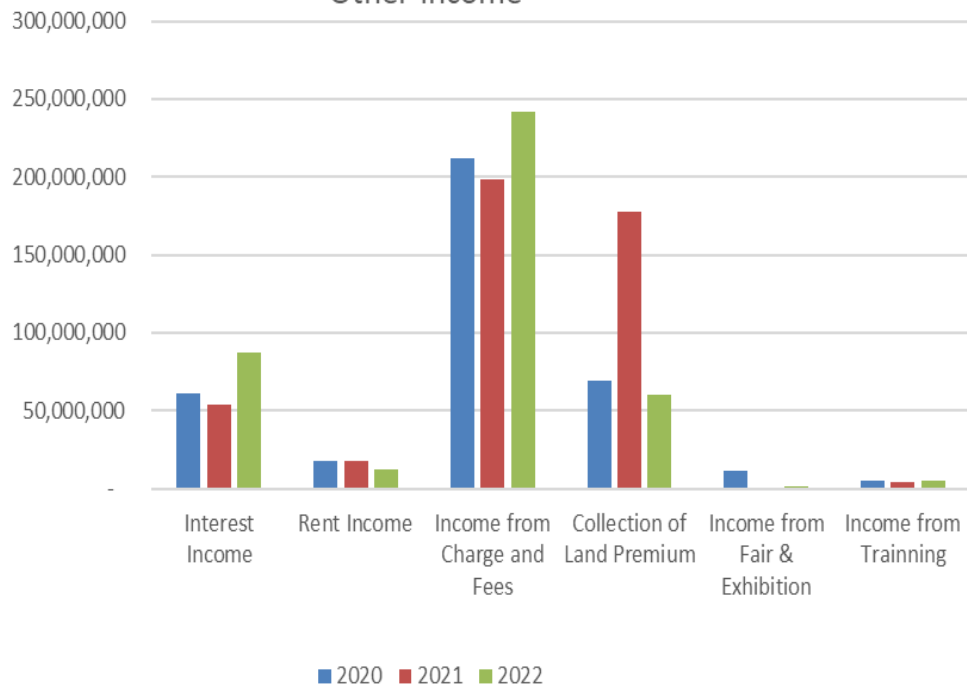


Chart2: Rental income, collection of land premium is reduced. It is worth to be noted, that the collection of land premium has reduced by 2/3 i.e. 66%

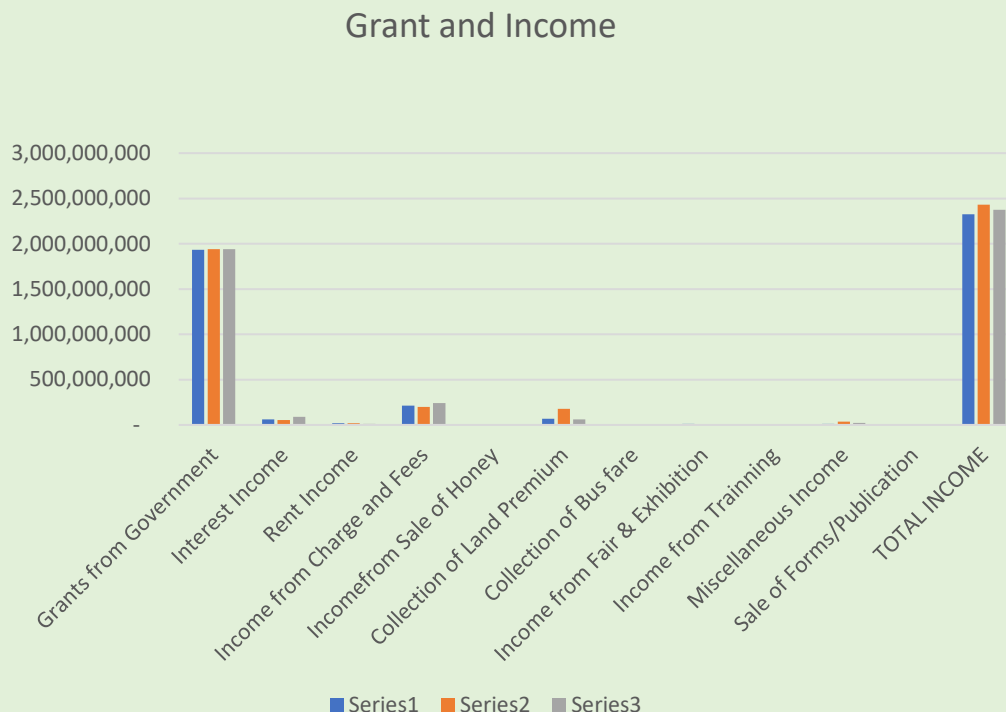


Chart 3: BSCIC is wholly depending on Government grant so it should not disclose that they have excess of income over expenditure!!!

## 7.2. Financial Audit:

A thorough financial audit is imperative to pinpoint the areas of financial leakage and mismanagement within the organization. This involves scrutinizing all the financial records, transactions, and processes to identify any discrepancies or irregularities. Additionally, assessing budget allocation and utilization is essential to ensure resources are being allocated efficiently and effectively. By analyzing budgetary data and expenditure patterns, potential areas for optimization and cost-saving measures are being identified. However, it is concerning that financial statements for fiscal year 2022-23 have been prepared but yet to be audited. The deadline of this Statutory Audit was within December 31, 2023, which is gross non-compliance as per PEFA guideline and the Companies Act 1994. It has also been noticed the Basic Board of Directors has no Audit Committee who should have the sole responsibility of endorsing the financial statement for the Statutory Audit. This delay raises red flags regarding the organization's financial reporting practices and compliance with regulatory requirements. Addressing this issue

promptly is crucial to maintain transparency and accountability in financial matters and to uphold the organization's credibility and integrity further more.

**Recommendations:**

- Financial Statements for the statutory Audit should have endorsed by Audit Committee headed by an Independent Director and place before the Board of Directors within the stipulated time i.e. six months after the financial year.
- Statutory Audit should be completed within six (6) month of the financial year end and upload the AFS on BSCIC website accordingly.
- Prepare cashflow statements on quarterly basis to check liquidity crisis.
- Carry out variance analysis on quarterly basis to check the deviations of budgeted income and expenditure with the actual.
- Chief Financial Officer (CFO) should be professionally qualified is preferable.

## **8. Internal Audit Department:**

Internal audits are essential for identifying and mitigating risks, ensuring compliance, enhancing operational efficiency, and promoting accountability. These functions collectively contribute to the organization's overall performance and long-term success. It has been identified the department reports to the Chairman of the Board who is also an Executive instead of Chairman Audit Committee. This is against the standard practice of Internal Audit Department.

**Recommendations:**

- BSCIC should establish a standardized Internal Audit Department staffed with appropriately skilled and experienced employees and a clear reporting structure.

## 9. Land Development, Plot allocation and utilization:

A total of 12,313 plots was developed in 82 estates of BSCIC all over the country. Among these 10,992 plots has been allotted to entrepreneurs in utilizing the fixed assets including allotted plots properly. During our visit, in many cases, we observed that the allotted plots were not fully utilized in terms of the production capacity of the firms. Therefore, it is an utmost important concern while allocating plots in terms of the business plan of the entrepreneurs.

The latest MIS report of BSCIC suggests that among the allotted plots, about 22% are remained unutilized (the rate is 27% including the un-allotted plots). Plot utilization rate is lowest in Barisal division (50%) and highest in Rajshahi division (95%). This huge number of unutilized plots is a big concern for BSCIC though in most cases the reasons for un-utilization is beyond BSCIC's control. In general, the low utilization is a culmination of several factors, including weaknesses in enforceability of rules and regulations. At the same time the problems in the selection process of entrepreneurs while allocating plots, infrastructure causing bottlenecks (gas/electricity connection).

During the workshop held to review this report, it was revealed by the representative from the Ministry of Industries that the Industrial Estate of Sunamgonj, Sylhet division, was established in 2000 on 16.15 acres of land. The estate includes 116 industrial plots, with 80 plots already allotted to entrepreneurs and 36 plots still await allocation. Notably, one of the allottees, who holds a large number of plots, has requested the cancellation of their allotment due to the postponement of their industrial plan. It is also worth noting that most of the industrial estates remain underutilized. The workshop indicated that the feasibility studies for several estates, such as those in Rajshahi and many others were not conducted impartially. Note, there are two industrial estates in Rajshahi, named Rajshahi and Rajshahi 2. The Rajshahi Industrial Estate, established in 1961, spans 96.63 acres and contains 329 plots, of which 187 are currently in operation. On the other hand,, Rajshahi 2, established in 2022, covering 50 acres and includes 286 plots, with 267 plots and all of these are waiting for allotment.

However, faulty plot allotment process is one of the main reasons for substantial number of plots to remain unutilized. BIDS (2018) research findings on BSCIC's plot allocation, show the majority of plots (as per about 66% Key Informants Interviews) are allotted fairly; while 34% respondents observed that plots in the estates were allocated based on political and other interferences. From BIDS report it is revealed that, due to political interference, a weak selection process and undue money, plots were being allotted to persons those who are not true entrepreneurs or to those who did not have the intention to utilize the plots for industry. This has resulted in various problems such as the plots being un-utilized and as a consequence, becoming sick. They also argued that the initial screening for plot allocation needs to be strengthened by ensuring more participation of local business communities and experts in the committee, in addition to BSCIC officials.

In addition to the above, Infrastructural inadequacies, such as potholes, are the biggest concern for businesses based in industrial estates of the BSCIC (source: Interview with entrepreneurs with factories inside BSCIC areas across the country). Another factor is that, it takes very little rain to cause waterlogging and render the roads a muddy mess, (**Annexure C**) making them difficult to navigate while driving up production costs as well, they said in a study conducted by the BSCIC in fiscal 2021-22 (The daily star on Fri Dec 2, 2022 by Sukanta Halder).

Most of the industrial estate lacks essential infrastructure, including wider access roads and utility services, such as electricity and gas. This deficiency has been a pivotal reason for the non-utilization of the industrial plots.

#### **Recommendations:**

- BSCIC may consider conducting feasibility study properly before developing Industrial Estates based on the adequate demand for industrial plots in a particular location and huge potential of backward linkage/commercial viability of industry to be set up in industrial estates; and
- BSCIC should claw back the allotted plots from the allottee who failed to resume operation within two years of position obtained.

## 10. MIS, Innovation and Integration department

BSCIC, currently faces significant limitations in terms of digitization. It has been observed that BSCIC keeps their books and records predominantly manual across finance, accounts, HR, and industrial estates departments. Moreover, there is a notable shortage of IT-literate personnel within the organization. To address these challenges, it is crucial to evaluate the existing technological infrastructure comprehensively, identifying gaps that hinder operational efficiency. Furthermore, assessing the potential for adopting modern technologies such as automation, data analytics, and digital platforms is essential. By embracing digital transformation initiatives, BSCIC can streamline processes, enhance data accuracy, and improve decision-making capabilities, thereby fostering greater efficiency and competitiveness in the evolving business landscape.

### Recommendations:

- BSCIC should obtain reports from their ERP software is being installed for quick decision making.

## 11. Stakeholder and Entrepreneurs

Stakeholder engagement refers to the process of actively involving individuals, groups, or organizations who have a vested interest or "stake" in a particular project, initiative, or organization. These stakeholders can include employees, customers, investors, community members, government agencies, and more. Effective stakeholder engagement involves communicating with stakeholders, understanding their perspectives and concerns, and incorporating their feedback into decision-making processes. It aims to build trust, foster collaboration, and ensure that the interests and needs of all stakeholders are considered and addressed. By engaging stakeholders throughout the lifecycle of a project or initiative, organizations can enhance transparency and mitigate risks, and ultimately achieve better outcomes that are aligned with the broader interests of the stakeholders involved.



Infrastructural inadequacies, such as potholes, waste management are the biggest concern for businesses based in industrial estates of BSCIC.

It takes very little rain to cause waterlogging and render the roads a muddy mess, making them difficult to traverse while driving up production costs as well, they said in a study conducted by the BSCIC in fiscal year 2021-22

Environmental concerns were not well addressed while establishing BSCIC estates. Currently about two-third of the firms release solid waste (abandoned) inside the estate and a similar proportion of firms release liquid waste into nearby rivers/canals. During the plot allotment process, environmental concerns must needed be addressed.

As far as BSCIC estates are concerned, their contribution to the national economy and local tertiary sector of the economy is noteworthy. The estates created an opportunity for more than five thousand enterprises to reap benefits from local wage laborers, raw materials and local niche markets. Among the estates, four estates were established to promote some special sectors like Jamdani and Hosiery, Tannery and Electronics. The estimated total production from BSCIC estates was Tk. 552622 million in 2016-17, which was 11.7% of country's total industrial production and 18.7% of country's manufacturing production. BSCIC estates also export about 9.5% of total exports and 10% of manufacturing exports. BSCIC estates have so far created employment for 0.564 million people, which is 8.8% of total manufacturing employment and 21.4% of SME employment. Total Gross value added (GVA) of BSCIC estates are estimated to be Tk. 1,05,554.2 million from firm survey, which is 6.35% of SME GVA.

BSCIC estates have one important and positive spill-over impacts on the local and tertiary sector of the economy. We find that various backward and forward linkage industries, markets and growth centers, shops, educational institutions, health clinics and drug stores etc. were developed after the establishment of the estate. A significant increase in housing and land prices is observed as a result of estate development. Overall, BSCIC estate development created a positive spill-over effect on the local economy.

By analyzing the performances of firms operating under the estates, we find that their performances are comparable to the performances of SMEs at a national level and in some cases, BSCIC estate firms' performances are better than those that are located outside the estates. The better performance of BSCIC estates can be attributed to the accumulation of businesses, which created various opportunities to share risks and returns.

From the above-mentioned issues, we may identify several problems or difficulties that the BSCIC estates are now facing which need to be resolved on an 'urgent basis' for the sake of better industrialization. *First*, there is an overwhelming proportion of plots (over 22%) that are unutilized (the rate is 27% including un-allotted plots). *Second*, poor maintenance of infrastructure inside the estates is another problem which is related to fiscal constraints of BSCIC, and partly due to the centralized system of decision-making process. *Third*, the absence of a dedicated water, gas and electricity supply and dynamism in the decision-making process also hampers proper functioning of the industrial units.

**Recommendations:**

- Ensure all utility supply to each industrial unit before starting its operation with permission from appropriate authority;
- Need to build a boundary wall of each industrial estates to ensure protection of the area from the land-grabber and increase the number of street lights to improve the security situation of the estates.
- Expedite administrative support services to entrepreneurs so that they can get permission on relevant issues timely.

## 12. Resource Management

Inefficiencies in BSCIC's resource management, particularly in the areas of land, buildings, office space, and human resources, are severely affecting its operational effectiveness. BSCIC headquarters was designed as a state-of-the-art building with central air conditioning, the system is currently non-functional due to limitations in the sub-station's capacity. As a result, windows have been broken for ventilation. Additionally, the office space and restrooms were found to be unclean, significant areas being idle space, dust and grime scattered throughout the common space, indicating a need for thorough cleaning and utilization.

### Land and Building Utilization

BSCIC owns extensive land and office spaces across Bangladesh, but much of it remains unutilized or underutilized, missing opportunities to generate revenue or provide greater support. The allocation and planning of industrial land often lack a clear long-term strategy, with vacant plots or allocations misaligned with the needs of emerging industries. Meanwhile, underutilized properties continue to incur maintenance costs, consuming resources without adding value, and many deteriorate over time due to insufficient use and inadequate maintenance plans.

### Human Resource Management

Human Resource Development (HRD) at BSCIC faces significant challenges, including placing personnel in roles based on seniority rather than skills, resulting in mismatched or underqualified employees that hinder productivity. Training programs are poorly structured and inadequate, leaving the workforce ill-equipped to innovate or effectively support small and cottage industries. A rigid bureaucratic structure slows decision-making and complicates performance-based hiring, promotions, and transfers. The absence of a robust performance appraisal system fails to reward high performers or hold low performers accountable, demotivating employees and fostering complacency. Additionally, ineffective HR planning leads to prolonged vacancies in critical roles and operational bottlenecks, while some areas face redundancy due to inefficiencies in the hiring process.

**Recommendation:**

- BSCIC's inefficiencies in managing its resources—land, buildings, office space, and human resources—are hindering its ability to support small and cottage industries in Bangladesh effectively.

### 13. Human Resources Management Department:

We have evaluated the adequacy of staffing levels and the competency of employees to fulfill their roles. A thorough review has been carried out on recruitment, training, and performance evaluation processes to ensure alignment with organizational goals and identify the issues related to morale, motivation, or employee satisfaction that could affect productivity.

In 2001, by the recommendation of the Enam committee of 1984, a restructuring of human resources has been done.

- BSCIC currently has a total of 4 regional offices, 64 district offices, 82 industrial estates in 64 districts, 15 Skill Development and Training Centers (SDTC), and 32 productions-cum-exhibition centers in 22 upazilas of 3 hill districts (Khagrachari, Bandarban and Rangamati).
- The current number of approved BSCIC manpower is 2414 which includes 941 officers and 1473 employees. Out of 1456 BSCIC officers and employees, 539 posts are allocated for head office and 917 are for field-level offices. Including the board of directors, the total number of employees approved under the revenue budget is 2414 (BSCIC, Annual Report, 2022-23).
- The older estates are managed by an Estate Officer with support from a Technical Officer, an Accountant, a Computer Operator-cum-Clerk, a Pump Driver, two Guards and a Peon.
- However, the manpower in recently established estates has been reduced to 5, where the position of a technical officer, guard and a pump driver has been dropped.
- The responsibility of an Estate Officer is to manage the overall industrial estate while the Technical Officer is responsible for the construction design of the building as well as the supervision of the development activities.
- The computer operator-cum-clerk is responsible for all forms of data entry and electronic documentation and the accountant is responsible for managing accounts that include rent, service charge, owner transfer fees, and estate expenditures.
- The pump driver was in charge of providing water supply to all estates (switching the pump on/off as well as maintenance).

- BSCIC is headed by a chairman appointed by the government at the rank of additional secretary.
- There are six Directors who led six divisions such as Finance; Planning and Development; Promotion and Extension (P&E); Project; Marketing & Design; and Technology.
- BSCIC is run by a Board consisting of directors of six divisions headed by the chairperson.

It has been observed that the recruitment, training, and performance evaluation processes are not up to date as contemporary corporate world, so that it lacks the skilled and experienced employees triggering poor performance and derailing the organizational goals.

The detailed requirements for capacity building of Human Resources in an organization encompass several key aspects. Firstly, there is a need to assess the existing skill sets and competencies of the workforce to identify areas for improvement and development. This involves conducting thorough training needs assessments and performance evaluations to pinpoint specific areas of weakness or gaps in knowledge. Additionally, establishing comprehensive training programs tailored to address these identified needs is crucial. These programs should cover a range of topics including technical skills, soft skills, leadership development, and industry-specific knowledge. Moreover, fostering a culture of continuous learning and professional development is essential to ensure ongoing growth and adaptability within the workforce. This entails providing opportunities for employees to acquire new skills, pursue further education or certifications, and participate in workshops or seminars relevant to their roles. Lastly and most importantly effective monitoring and evaluation mechanisms should be implemented to assess the impact of capacity-building initiatives and make necessary adjustments to ensure their effectiveness in enhancing organizational performance and employee satisfaction.

**Succession Planning and Talent Development:** It has been observed that there is no success planning in BSCIC, so that it is difficult to assess the effectiveness of succession planning processes to ensure continuity of leadership and management capabilities as well as identify high-potential employees and provide opportunities for talent development and career

progression. To evaluate the organization's capacity to attract, retain, and develop talent to support its long-term goals is also difficult as there is no dedicated HRD staffed with professionally qualified HR personnel.

**Recommendations:**

- HRD should be headed by a (one or more based on their personnel of the office) professionally qualified person who is capable of robust monitoring to track the impact of initiatives and ensure effectiveness, ultimately enhancing employee performance and organizational success.
- Conduct thorough assessments to identify skill gaps, then implement targeted training programs covering technical and soft skills.
- Foster a culture of continuous learning, offering opportunities for further education and professional development.

## 14. Marketing & Design

BSCIC has got a marketing department under the leadership of a Director with 114 staffs. But we did not find any roles and responsibilities of this department i.e. visible presence of their activities. We have been told BSCIC is producing salt, honey and handicrafts but unable to substantiate this claim.

BSCIC has developed a branding and promotional strategy aimed at enhancing the visibility and market appeal of Bangladeshi small and cottage industries domestically and internationally. This strategy includes creating a national brand identity for traditional Bangladeshi products such as handicrafts, textiles, and leather goods to emphasize their cultural uniqueness and quality. BSCIC also promotes these products through participation in international trade fairs and exhibitions, where it highlights the craftsmanship and heritage behind Bangladeshi products.

To improve domestic reach, BSCIC organizes annual fairs like the National SME Product Fair, which provides small businesses with a platform to showcase their products. Additionally, BSCIC leverages e-commerce platforms and social media to increase accessibility and reach new markets, supporting SMEs in establishing an online presence. Training programs in marketing, digital literacy, and branding are also offered to entrepreneurs to help them develop market-oriented products. Through these combined efforts, BSCIC seeks to elevate the perception of Bangladeshi products, drive exports, and strengthen the market for small and cottage industries.

### **Recommendation:**

- BSCIC should established a strong marketing department with professionally skilled and experienced employees.



## 15. Sustainable industrialization for green economy in industrial estates/parks

BSCIC is driving sustainable industrialization to support a green economy through its network of industrial estates. Established to promote small-scale, labor-intensive industries, BSCIC currently operates 82 industrial estates across Bangladesh. However, these estates face challenges like inefficient waste management, limited renewable energy use, and aging infrastructure.

As a country, Bangladesh is highly vulnerable to climate change. It has committed to reducing greenhouse gas emissions by 2030, with a target of increasing renewable energy use to 15%. BSCIC aims to make these estates eco-friendly by implementing sustainable waste management, providing incentives for renewable energy use, and upgrading facilities. Supported by the National Industrial Policy 2022, BSCIC's green initiatives contribute to national goals for sustainable development, economic growth, and climate resilience, with further support required to achieve a fully sustainable industrial infrastructure.

The vision of “Three Zero’s” embodies a transformative approach to global development, emphasizing sustainability, equity, and prosperity for all. Zero Poverty envisions a world where every individual has access to basic necessities, economic opportunities, and social protections, eradicating extreme deprivation. Zero Carbon underscores the urgent need for a carbon-neutral future, prioritizing renewable energy, sustainable practices, and responsible consumption to combat climate change. Zero Unemployment aims to create inclusive economies that provide decent work for all, fostering innovation, entrepreneurship, and skills development to ensure no one is left behind. Together, these goals form a holistic blueprint for a just, sustainable, and thriving world.

**Recommendation:** BSCIC should prioritize the immediate operationalization of all Common Effluent Treatment Plants (CETP) in Savar and Effluent Treatment Plants (ETP) across their industrial estates.

## 16. Salt industry

The salt industry in Bangladesh is overseen by BSCIC under the Ministry of Industries. Salt is a very much essential product for food, industrial applications, fisheries, and livestock, with the sector governed by the Iodized Salt Act, 2021, and the National Salt Policy, 2022. BSCIC manages salt production through 12 centers in Cox's Bazar and Chittagong, helping to increase domestic salt production and reduce reliance on imports.

Since 1990, BSCIC has supported the salt industry by registering and monitoring salt mills, promoting iodized salt, and conducting public awareness campaigns. Bangladesh's salt production primarily relies on solar evaporation of seawater along coastal areas, with the production season spanning from November to May each year. BSCIC has encouraged modern methods, like using polythene covers, which enhance yield and quality.

The salt industry is crucial to the economy, employing around 500,000 people directly and indirectly supporting 2.5 million people. The sector used to contribute 3.5 billion BDT annually to the economy. Training and resources provided to farmers have increased salt production efficiency, with new methods yielding up to 29 metric tons per acre compared to 17.25 tons using traditional methods.

BSCIC also ensures proper iodization, requiring that salt used for human and animal consumption be fortified. The organization supplies potassium iodate, trains salt mill workers, and runs quality control checks to meet iodine standards. Through these efforts, iodine deficiency rates have dropped from 68.9% in 1993 to 24.5% in 2019-20. Bangladesh is close to achieving self-sufficiency in iodized salt, aiming for 90% of its population to consume adequately iodized salt.

In conclusion, BSCIC's initiatives support economic growth, improve public health, and aim for self-sufficiency in salt production, fostering sustainability in the salt industry in Bangladesh.

### **Recommendation:**

- BSCIC should establish Marketing and Branding department to ensure required salt production and promotion.

## 17. ICT Cell

ICT Cell of BSCIC plays a pivotal role in modernizing and supporting small and cottage industries through digitalization and technological advancements. Established to facilitate ICT integration across BSCIC's functions. It helps streamline processes, improve efficiency, and foster better communication within the organization and with industry stakeholders. It assists SMEs by developing digital platforms for market access, facilitating online services for registration and support, and providing training programs in digital literacy. Additionally, the ICT Cell works to enhance data management, enabling data-driven decision-making that benefits the small industry sector. This unit's efforts to expand digital outreach empower small-scale industries to remain competitive in the global economy by embracing e-commerce and digital marketing, ultimately aligning with the government's vision of a "Digital Bangladesh."

### 17.1. Summary of Activities

- To encourage local and foreign investments, and to provide all services under one roof, the BSCIC One-Stop Service was initiated on June 13, 2021. This service system offers 41 types of services, including industrial registration, renewal, and modifications, as well as training programs, IRC recommendations, and services from the Export Development Bureau and Department of Environment. As of the current date, 42,465 services have been provided through this system.
- On September 16, BSCIC launched an online market for CMSMEs to sell their products online. This platform operates under the domain <https://www.bscic-emarket.gov.bd>, where 789 entrepreneurs are currently registered.
- The ICT Cell organizes ICT-related training to enhance the skills of BSCIC staff. Last fiscal year, 275 individuals were trained on topics such as the D-Nothi system, web portals, and the One-Stop Service System.
- The ICT Cell promotes the use of the D-Nothi (digital file) system and manages BSCIC's email services to streamline office tasks.

- The ICT Cell also handles BSCIC's website, assists in purchasing ICT services, and shares information about BSCIC's activities on its Facebook page and YouTube.

### **17.2. Key Activities of the Skills and Technology Division**

- To develop skilled personnel, the division offers 3-month and 6-month training programs at 15 training centers across different districts. Training topics include electrical house wiring, motor winding, mobile repair, graphics design, video editing, block-batik, food processing, and beautification.
- The division gathers business-supporting technical information from institutions like BCSIR and the Department of Agricultural Extension and distributes it to entrepreneurs free of charge.
- In partnership with technical institutions, short-term 5-day training courses in 10 trades, such as welding, metal cutting, casting, and dyeing machines, are conducted nationwide.
- Specialized training courses are organized for marginalized communities in regions like Kurigram and Lalmonirhat district. Participants are given the tools to become self-reliant after completing the training.
- Seminars are conducted at divisional and district offices on topics such as connecting small and medium industries with large industries for subcontracting, environmental awareness, pollution control, and tackling challenges of the Fourth Industrial Revolution.
- To facilitate large industries in procuring spare parts locally, a subcontracting linkage program allows them to purchase from local small industries through limited or direct tender. This program, introduced as policy in 1989 and incorporated into PPR-2008, supports local industries in supplying parts to larger companies. Efforts are underway to modernize this program by drafting a 'Subcontracting Law, 2024.'

### **17.3 Key tasks under the subcontracting program include**

1. Signing MOUs between large companies and small industries.
2. Registering small industries with BSCIC.

3. Creating linkages between listed small industries and large companies based on product type.
4. Monitoring and recording work orders for registered small industries.
5. Providing technical, training, and information support to enhance skills.
6. Creating direct linkages based on product categories, connecting small-scale manufacturers with large industries that need specific parts.
7. This allows large companies to acquire essential spare parts and equipment directly from local producers, streamlining procurement.

**Recommendation:**

- BSCIC should merge the ICT cell with MIS department to ensure accurate data and quick decision making

## 18. Performance Monitoring and Evaluation

Performance evaluation and monitoring play crucial roles in the effective management of an organization, serving as essential tools for assessing performance, identifying areas for improvement, and ensuring alignment with strategic objectives.

Performance evaluation involves a systematic process of assessing individual, team, and organizational performance against predefined goals and objectives. This process typically includes setting performance expectations, collecting relevant data, analyzing performance indicators, and providing constructive feedback to stakeholders. By evaluating performance, organizations can gain insights into the effectiveness of their strategies, processes, and resource utilization. This enables them to identify strengths and weaknesses, recognize high-performing individuals or teams, and address performance gaps through targeted interventions such as training, coaching, or process improvements.

Performance monitoring, on the other hand, involves ongoing tracking and measurement of key performance indicators (KPIs) to gauge real-time progress and ensure that organizational activities are on track to achieve desired outcomes. This entails regularly monitoring KPIs related to various aspects of the organization, such as financial performance, operational efficiency, customer satisfaction, and employee productivity. By continuously monitoring performance metrics, organizations can identify trends, anticipate potential issues, and make timely adjustments to optimize performance and mitigate risks.

Effective performance evaluation and monitoring require the establishment of clear performance metrics, benchmarks, and reporting mechanisms. This involves defining SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals and objectives that are aligned with the organization's strategic priorities. Additionally, organizations need to implement robust data collection and analysis processes to ensure the accuracy, reliability, and relevance of performance data. This may involve leveraging technology solutions such as performance

management software, dashboards, and analytics tools to streamline data collection, analysis, and reporting processes.

Furthermore, fostering a culture of accountability, transparency, and continuous improvement is essential for maximizing the impact of performance evaluation and monitoring efforts. This involves promoting open communication, encouraging feedback, and recognizing and rewarding high performance. It also requires leadership commitment to using performance data to drive decision-making and allocate resources effectively.

Overall, performance evaluation and monitoring are critical components of organizational management, providing valuable insights into performance trends, strengths, and areas for improvement. By systematically evaluating performance and monitoring key metrics, organizations can enhance their competitiveness, agility, and resilience in today's dynamic business environment.

**Recommendations:**

- MC and SoE should carry out regular review on AFS, Annual Report and adjust key performance indicators (KPIs) based on organizational needs.
- Conducting yearly performance assessments for the identification of areas for improvement and the recognition of achievements.

## 19. Business reengineering:

We have assessed the effectiveness of the Bangladesh Small and Cottage Industries Corporation (BSCIC)'s strategic planning process through a comprehensive examination of several key services they offered. Firstly, it involves evaluating the clarity and coherence of the organization's goals and objectives. This entails determining whether these goals are well-defined, measurable, and aligned with the overarching mission of the BSCIC. Secondly, it necessitates an analysis of the alignment between strategic objectives and day-to-day operational activities. Ensuring coherence between high-level strategic initiatives and the execution of operational tasks is essential for achieving organizational goals efficiently. Additionally, reviewing the governance structure is crucial to ensure accountability and transparency in decision-making processes. This involves assessing the clarity of roles and responsibilities, the effectiveness of communication channels, and the mechanisms in place for monitoring and evaluating strategic outcomes. By conducting a comprehensive evaluation of these areas, the BSCIC can enhance its strategic planning processes and better position itself for sustainable growth and success.

### Recommendations:

- Conduct a thorough review of BSCIC's goals to ensure they are clear, measurable, and fully aligned with the organization's mission.
- Strengthen alignment between strategic objectives and daily operations by performance evaluation.



## 20. Summary of recommendations

### Organizational Structure

- BSCIC should revisit its activities and services rendered to the stakeholders specially to identify the root causes of unused plots of the industrial estates;
- Management should be separated from the Board; and
- Board should have at least an AUDIT COMMITTEE headed by a non-executive director preferably professionally qualified CA, ACCA, or CPA

### Operational Processes

- BSCIC should have a standard operational flowchart with desk wise roles and responsibilities in addition to the approved organogram.

### Accounts and Finance Department:

- Financial Statements for the statutory Audit should have endorsed by Audit Committee headed by an Independent Director and place before the Board of Directors within the stipulated time i.e., six months after the financial year end.
- Statutory Audit should be completed within six (6) month of the financial year end and upload the AFS on BSCIC website accordingly.
- Prepare cashflow statements on quarterly basis
- Carry out variance analysis on quarterly basis to check the deviations of budgeted income and expenditure with the actual.
- Chief Financial Officer (CFO) should be professionally qualified.

### Internal Audit Department

- BSCIC should establish a standardized Internal Audit Department staffed with appropriately skilled and experienced employees and a clear reporting structure.

### Land Development, Plot allocation and utilization

- BSCIC should revisit all the feasibility study reports of the Industrial Estates to identify the root causes of unused plots and take corrective measures.
- BSCIC should claw back the allotted plots from the allottee who failed to resume operation within two years of position obtained.

#### **MIS department**

- BSCIC should introduce ERP software for preserving data and generate relevant reports for quick decision making.

#### **Environmental Concern**

- Ensure adequate treatment plant to each industrial unit before starting operation with permission from appropriate government authority;
- Entrepreneurs should be given all infrastructural support from one stop service.

#### **Stakeholder**

- Ensure all utility supply to each industrial unit before starting operation with permission from appropriate government authority;
- Need to build a boundary wall of each industrial estates and increase the number of street lights to improve the security situation of the estates;
- Expedite administrative support services to entrepreneurs so that they can get permission on relevant issues timely.

#### **Human Resources Management Department**

- HRD should be headed by a professionally qualified person who is capable of robust monitoring to track the impact of initiatives and ensure effectiveness, ultimately enhancing employee performance and organizational success.
- Conduct thorough assessments to identify skill gaps, then implement targeted training programs covering technical and soft skills.
- Foster a culture of continuous learning, offering opportunities for further education and professional development.

#### **Marketing & Design**

- BSCIC should established a strong marketing department with professionally skilled and experienced employees.

### **Sustainable industrialization for green economy in industrial estates/parks**

- BSCIC should prioritize the immediate operationalization of all Common Effluent Treatment Plants (CETP) in Savar and Effluent Treatment Plants (ETP) across their industrial estates.

### **Salt industry in Bangladesh**

- BSCIC should establish Marketing and Branding department to ensure required salt production and promotion.

### **ICT Cell**

- BSCIC should merge the ICT cell with MIS department to ensure accurate data and quick decision making

### **Performance Monitoring and Evaluation**

- MC and SoE should carry out regular review and adjust key performance indicators (KPIs) based on organizational needs.
- Conducting periodic performance assessments allows for the identification of areas for improvement and the recognition of achievements.

### **Business reengineering**

- Conduct a thorough review of BSCIC's goals to ensure they are clear, measurable, and fully aligned with the organization's mission.
- Strengthen alignment between strategic objectives and daily operations by performance evaluation.

## 21. BSCIC Performance Improvement Strategy and Action Plan

Monitoring cell and the SOE wing would ensure that the implementation and progress of the Action Plan below are executed by the Board of BSCIC:

| Serial                             | Recommendations   | Implementing Agency            |
|------------------------------------|---|--------------------------------|
| <b>A. Short Term within 1 year</b> |   |                                |
| 1                                  | BSCIC should have a standard operational flowchart with desk wise roles and responsibilities in addition to the approved organogram   | Line ministry (LM)             |
| 2                                  | Carry out Cashflow Statement on quarterly basis to check the liquidity crisis.  | BSCIC – Director Finance       |
| 3.                                 | Separate Management from the Board of Directors   | BBSCIC, LM and FM              |
| 4.                                 | Board should have at least “Audit Committee” headed by professionally qualified person (CA, ACCA and CPA)   | BSCIC, LM and FM               |
| 5.                                 | BSCIC should revisit all the feasibility study reports of the Industrial Estates to identity the root causes of unused plots and take corrective measures.  | BSCIC, LM and FM               |
| <b>Mid Term within 1-2 year</b>    |   |                                |
| 1.                                 | BSCIC should establish a standardized Internal Audit Department staffed with appropriately skilled and experienced employees and a clear reporting structure.   | BSCIC                          |
| 2.                                 | Carry out feasibility study before developing industrial plots- investment to develop industrial plot be made only when feasibility study indicates there are/will be adequate demand for BSCIC plots (from potential investors/industrialists) | BSCIC, LM and FM               |
| 3.                                 | BSCIC should claw back the allotted plots from the allottee who failed to resume operation in time.   | BSCIC & LM                     |
| 4.                                 | Carry out variance analysis on quarterly basis to check the deviations of budgeted income and expenditure with the actual.  | BSCIC- Accounts and fine Dept. |
| 5.                                 | BSCIC should introduce ERP software for preserving data and generate relevant reports for quick decision making   | BSCIC                          |

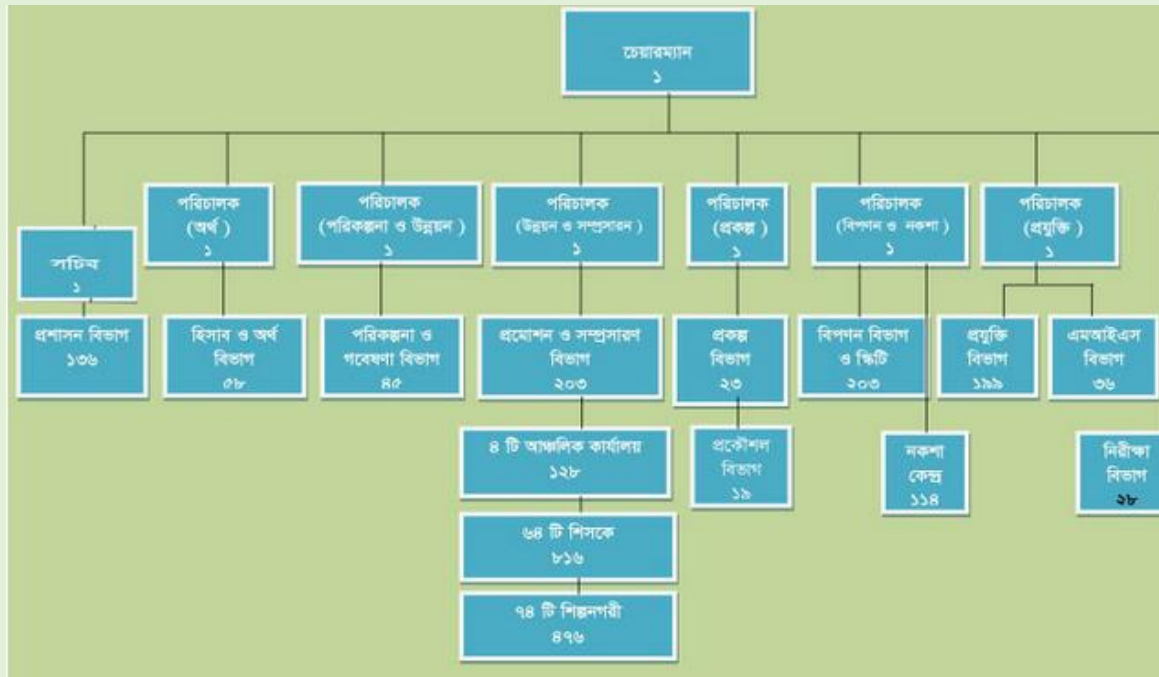
| Long Term |   | within 3 years      |            |
|-----------|---|---------------------|------------|
| Serial    | Recommendations   | Implementing Agency | Time Frame |
| 1.        | Update the Act, Rules and Regulations   | BSCIC, LM and FM    |            |
| 2.        | BSCIC may consider establish budgetary control, such as monitoring whether their revenue income and expenditure align with projections. (In response to observations made in p. 17: They do not practice budgetary control, such as monitoring whether their revenue income and expenditure align with projections) |                     |            |
| 2.        | HRD should be headed by a professionally qualified person who is capable of robust monitoring to track the impact of initiatives and ensure effectiveness, ultimately enhancing employee performance and organizational success.  | BSCIC, LM           |            |
| 3.        | Conduct a thorough review of BSCIC's goals to ensure they are clear, measurable, and fully aligned with the organization's mission  | BSCIC, LM and FM    |            |

## 22. Conclusion:

The success of the performance improvement strategy for BSCIC relies on the commitment of its leadership, effective implementation of recommendations, and continuous monitoring and adaptation to changing circumstances. By addressing organizational, financial, technological, and stakeholder-related challenges, BSCIC can position itself for sustainable growth and impact in the small and cottage industries sector in Bangladesh.

## 23. Disclaimer

This report strives to accurately present recommendations and their potential; however, implementation of these suggestions, techniques, and ideas may not guarantee organizational performance improvement. The content is not a pledge of BSCIC's success; actual success and performance enhancements depend on the company's use of recommendations, ideas, and techniques. These recommendations are not universally applicable, given varying factors including our cultural and political reality. . Forward-looking recommendations express our opinion of BSCIC's potential, but we make no assurances of achieving similar outcomes, nor any specific results from the strategies outlined in the report.



## BSCIC Board of Directors as per Act 2023

১০। পরিচালনা পর্ষদ।—(১) কর্পোরেশনের একটি পরিচালনা পর্ষদ থাকিবে যাহা নিম্নবর্ণিত সদস্যগণের সমন্বয়ে গঠিত হইবে, যথা :—

- (ক) কর্পোরেশনের চেয়ারম্যান, যিনি ইহার সভাপতিও হইবেন;
- (খ) কর্পোরেশনের সকল পরিচালকগণ;
- (গ) শিল্প মন্ত্রণালয় কর্তৃক মনোনীত উক্ত মন্ত্রণালয়ের অন্যান্য যুগ্মসচিব পদমর্যাদার একজন প্রতিনিধি;
- (ঘ) বাণিজ্য মন্ত্রণালয় কর্তৃক মনোনীত উক্ত মন্ত্রণালয়ের অন্যান্য যুগ্মসচিব পদমর্যাদার একজন প্রতিনিধি;
- (ঙ) অর্থ বিভাগ কর্তৃক মনোনীত উক্ত বিভাগের অন্যান্য যুগ্মসচিব পদমর্যাদার একজন প্রতিনিধি;
- (চ) শিল্প ও বাণিজ্য বিষয়ে পর্যাপ্ত অভিজ্ঞতাসম্পন্ন ব্যক্তিদের মধ্য হইতে সরকার কর্তৃক মনোনীত একজন ব্যক্তি;
- (ছ) চেয়ারম্যান কর্তৃক মনোনীত কর্পোরেশনের একজন কর্মকর্তা, যিনি পরিচালনা পর্ষদের সদস্য-সচিব হিসাবে দায়িত্ব পালন করিবেন; এবং
- (জ) জাতীয় ক্ষুদ্র ও কুটির শিল্প সমিতি, বাংলাদেশ (NASCIB) এর সভাপতি বা তদকর্তৃক মনোনীত একজন প্রতিনিধি।





A study by the Bangladesh Small and Cottage Industries Corporation (BSCIC) in Fiscal year 2021-22 found that it took very little rain to cause waterlogging and mud to accumulate at its estates. This made traversing difficult and raised production costs. The photo was taken inside the Tangail BSCIC industrial estate last October. Photo: Mirza Shakil



*Source: 1 April 2024, Prothom Alo*

## References:

Audited Financial Statements

Annual Report of BSCIC

BIDS (2018). An evaluation of BSCIC Industrial Estates, June 14, 2018 (submitted to BSCIC)

Newspapers and articles

Report of Enam commission

World Bank. (2018). The Role of State-Owned Enterprises in the 21st Century.

World Bank. (2016). Bangladesh: Improving Governance in State-Owned Enterprises.

World Bank. (2019). Bangladesh: Enhancing Public-Private Partnerships in Infrastructure.

World Bank. (2017). Performance Benchmarking in State-Owned Enterprises: Principles for Action.

World Bank. Various Reports on Bangladesh's Economic Development and Governance.