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1 . Matrix of Donor-Supported Projects in PSD

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Public Sector Reform & Capacity Building			
PSDSP	WB, DFID, 4Js, EC, CIDA	Regulatory reform, economic zoning, public sector capacity building	US\$150 million + 2006-2010
Bangladesh Public Service Capacity Building Programme – Managing at the Top 2 (MATT2)	DFID	Improve the effectiveness of the Bangladesh Civil Service (BCS) in delivering pro-poor services by creating a critical mass of high quality civil servants within the Service who will work on administrative reform of the BCS.	£ 15.205 million for 7 years 2004-2010
Economic Management TA Program (EMTAP)	WB	Strengthen Government capacities for better policy formulation and implementation, project planning and management, and improve the functioning of the civil service and public administration. Strengthen tax administration of NBR. Improve the accounting and auditing standards and practices. Improve ICT in the Government and develop a road map for development of ICT. Enhance strategic communication.	US\$20 million 2004-2009
Reforms in Revenue Administration in Bangladesh	DFID	Strengthen the capacity of the National Board of Revenue (NBR) to administer tax legislation, particularly with regard to VAT and Direct tax.	Amount n.a. 2002-2007
Enterprise Growth & Bank Modernization (EGBM)	WB, DFID	The objectives of the project are: (i) to trigger employment generation through private sector enterprise growth and urgently needed reforms within the State Owned Enterprises (SOEs) as part of a wider reform of rolling back state ownership and control within the economy; and (ii) to help	US\$250 million (IDA) US\$88 million (DFID) 2004-2009

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Public Procurement Reform Project	WB	<p>Bangladesh implement its banking sector reform program aimed at achieving a competitive private banking system by a staged withdrawal through corporatization leading to divestment of a substantial shareholding in Rupali, Agrani and Janata, and to divestment of a minority shareholding in Sonali. <u>Includes support to conversion of closed SOEs to EPZs as well as establishment of a Small Enterprise Fund (SEF) at BB.</u></p> <p>The project will: 1) establish a Central Procurement Technical Unit (CPTU) as a permanent institution funded under revenue budget, at the Ministry of Planning, whose responsibility will be to prod procurement reforms in line with the recommendations of the Country Procurement Assessment Report (CPAR); 2) implement public procurement reforms, and rules and procedures, and help develop standard bidding documents in line with the CPAR recommendations; and 3) improve procurement management capacity by institutionalizing comprehensive, and regular training programs.</p>	US\$4.5 million 2002-2005
<p>Infrastructure</p> <p>Private Sector Infrastructure Development</p>	WB, (CIDA), (DFID) ¹	TA component supported institutional development, advisory services, strengthening GOB capacity, sub-project development and promotion – implemented by Infrastructure Investment Facilitation Center (IIFC).	US\$235 million (incl. \$21 million TA) 1997-2007

¹ CIDA and DFID stopped funding IIFC.

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
		Financing component provided long-term subordinated debt for IIFC-developed subprojects.	
Bangladesh Investment Promotion and Financing Facility	WB	Provide foreign currency term finance for infrastructure and other investment projects beyond local capacity. Promote the role of private sector entrepreneurs in the development of capital projects. Allow transparent allocation of social grant funding for projects economically attractive but not commercially viable.	US\$25 million (under preparation)
Bangladesh Water Supply Program Project	WB	Provide safe and arsenic-free piped water supply in villages and growth centers by supporting expansion of earlier pilots in private participation. Provide water and sanitation services in medium-size towns by replicating a pilot experience in private sector participation.	US\$40 million 2004-2010
Water Management Improvement Project	WB, Government of Netherlands	Institutionalize participatory water management by involving the local communities. Promote sustainability for flood management and cyclone mitigation of existing Bangladesh Water Development Board (BWDB) schemes.	US\$100 million (\$80 million IDA, \$20 million Netherlands) (under preparation)
Chittagong WASA	JBIC	Support expansion of water network in Chittagong.	n.a. (under preparation)
Dhaka and Chittagong Water Supply and Sewerage Project	WB, (coordinate w/ projects funded by bilateral &	Re-engage with two utilities (DWASA and CWASA) and assist them develop a strategy to provide a reliable, sustainable and affordable water supply and sanitation (WSS) service to meet the MDG. Support immediate improvements of the water supply, sewerage and storm water	US\$100 million IDA loan 2007- (under preparation)

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Modernization of the Ministry of Water Resources Financial Management Capability	ECAs) CIDA	<p>drainage situation in coordination with other financing agencies.</p> <p>This project will improve the financial management capacity for effective planning, budgeting, accounting and production of uniform, reliable and timely financial reports, through provision of training and equipment, and through reform of financial processes, rules and regulations. The project will also provide the financial divisions of the Bangladesh Water Development Board (BWDB) with computerized applications for various accounting systems that are currently manually maintained at the cost of accuracy, timeliness and accessibility of data.</p>	US \$4 million 2003-2006
Power Sector Development Program	ADB	<p>(i) Construction of 2X100MW peak load power generation capacity close to Dhaka, (ii) establishment of National Load Dispatch Center to be located in the outskirts of Dhaka, (iii) upgrading and expansion of the distribution grid in the northwest region of Bangladesh.</p>	US\$186 million (OCR) 2004-
Power Sector Development Technical Assistance Project	WB	<p>Support to scale up sector reforms by preparing a detailed restructuring plan including corporatization. Introduce modern operating and management practices into electricity distribution in non-rural areas and into the management of power plants.</p>	US\$15.5 million (\$7.1 IDA credit, \$8.4 IDA grant) 2004-2008
Haripur Power Project	WB, AES, commercial banks	<p>The project supports the least-cost expansion plan for the power sector through BOO by the private sector as an IPP. An SPC of AES, the world's largest independent power developer/producer based in Virginia, USA, was selected through a competitive bidding. SPC has a 22-year Power</p>	US\$54 million IFC loans and IDA partial risk guarantee 2000-

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Road Sector Reform Project	WB	<p>Purchase Agreement (PPA) with BPDB and a 22-year Gas Supply Agreement (GSA) with Titas Gas Transmission and Distribution Company Ltd.</p> <p>Finance network preservation, network improvement, and highway safety enforcement. Support implementation of key policy reforms and provide advisory assistance and capacity building support for various institutional strengthening activities by Ministry of Communications and Roads & Highways Department (RHD). Support land acquisition, resettlement & rehabilitation related to the project physical works.</p>	US\$200 million (under preparation)
The Third Road Rehabilitation and Maintenance Project	WB	<p>The objectives of the Project are: (a) to provide and improve critical road links in the overall transport system; (b) to improve the institutional capacity of the Roads and Highway Department (RHD) in road maintenance and improved financial management; (c) to improve road safety by developing the institutional capacity in RHD to identify hazardous locations and to design and implement physical measures to reduce road accidents at these locations; (d) to promote private sector devilmint through contracting out Feeder road Type A (FRA) road works; and (e) to use labor-intensive methods for road construction and maintenance to create employment.</p>	US\$273 million 1998-2005
Road Network Improvement and Maintenance II	ADB	<p>(i) Facilitate GoB to implement the sector and institutional reform measures envisaged in the National Land Transport Policy (NLTP); (ii) improve national, regional, and Type A feeder roads to provide rural farmers with</p>	US\$126 (ADF)

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
		<p>better access to markets, social services and employment opportunities, to provide better access to the border point in Bangladesh, and to complete some missing links in the main road network; (iii) secure GoB resources for periodic road maintenance; (iv) promote private sector participation in road maintenance; (v) improve road safety; (vi) privatize the operation of 5 vehicle inspection centers; (vii) improve public awareness for HIV/AIDS and women trafficking.</p>	
<p>Budget Support to Bangladesh RHD Maintenance Programme</p>	<p>DFID</p>	<p>Support road maintenance budget. TA will track the funds allocated by RHD for road maintenance; to audit the systems used by RHD to implement the Annual Road Maintenance Plan (ARMP); to carry out spot checks of the work executed by the Periodic Maintenance Programme contractors; and to carry out field level research into the better use of local materials for road construction and maintenance.</p>	<p>£ 40 million (incl. £ 4 million for TA) 2004/5-2008/9</p>
<p>CIDC3</p>	<p>DFID</p>	<p>Establish sustainable capacity for Ministry of Communications and RHD together to plan, manage and deliver the full range of their responsibilities in respect of the main road and bridge network and to be accountable for these duties.</p>	<p>n.a.</p>
<p>Bridge Replacement Project</p>	<p>DFID</p>	<p>Improve the capability of RHD to manage its bridge stock on a sustainable basis and for the benefit of all road users, including pedestrians, through the replacement of unsafe bridges and maintenance to existing structures on selected section of the RHD road network.</p>	<p>n.a.</p>

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Construction of Bhairab Bridge	DFID	Construction of a 4 lane road bridge over the Meghna river between Bhairab and Ashuganj.	n.a.
Export Infrastructure Development Project	WB	The project will support the following: construction of a modern Inland Container Depot (ICD) near Dhaka; rehabilitation of existing railway track infrastructure on the Dhaka-Chittagong corridor; procurement of dedicated locomotives and specialized wagons; TA and consultant services for reorganizing Bangladesh Railways (BR), transforming BR into a corporate entity, upgrading BR's financial management and accounting systems, and improving BR's operational effectiveness.	US\$85 million 2007- (under preparation)
Chittagong Port Trade Facilitation Project	ADB	(i) Installation of a computer-based system for managing container terminal operations and document processing, improvements to the internal traffic circulation system, and construction of an oil waste management facility; (ii) activation of ASYCUDA++ computer system linked to CPA computer system and installation of container scanners needed to meet new security initiatives; (iii) construction of an access controlled link from the ADB-funded port access road to the container terminals.	US\$30.6 (OCR) 2005-
Telecommunications Technical Assistance Project	WB	Promote the competitive provision of telecommunications infrastructure and services by: (a) separating the policy and operational roles of the government in the sector by restructuring the Bangladesh Telegraph and Telephone Board (BTTB) to operate on a commercial basis; (b) strengthening the policy function of the Ministry of Post and	US\$9.12 million 2003-2008

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
		Telecommunications (MOPT); and (c) strengthening regulatory capacity of the Bangladesh Telecommunication Regulatory Commission (BTRC).	
Gas Infrastructure Development Project (GIDP)	DFID	Investment for next stage of development of gas network to include development drilling, surface facilities and TA. ODA components cover SCADA systems for increased operational efficiency and TA for financial systems.	n.a.
Gas Sector Development Project	ADB	n.a.	Amount n.a. (PPTA on-going)
EU-Asia Civil Aviation Cooperation Project	EC	The objective of this regional programme over 15 million Euro is to stimulate cooperation in the field of aviation safety; to further business linkages between the EU and the regional civil aviation sector in South and South East Asia.	1,500,000 € 2002 - Dec. 2005
Financial Market Reform			
Financial Market Governance Program	ADB	Legal & regulatory issues related to the Security Exchange Commission (SEC)	Amount n.a. 2004-
Financial Institutions Development	WB	Simplify/streamline bond and security regulations and facilitate access for small savers under the Government's National Saving Schemes. Strengthen non-bank financial institutions (NBFIs) through implementation of a financing facility and consulting services	US\$46.9 million 1999-2005
Bangladesh Central Bank Strengthening Project	WB	Provide legal counsels to assist in performing central bank's regulatory and supervisory roles effectively. Establish anti money laundering and	US\$37 million 2003-2007

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
		countering of financing of terrorism (AML/CFT) regime in Bangladesh. Support reorganization and modernization of BB. Strengthen research, prudential regulations and supervision, and accounting and auditing functions.	
Partnership for Excellence in Research and Policy Analysis at Bangladesh Bank Project	CIDA w/ WBI	1) Organizational reform of the Research Department; 2) capacity development of staff; and 3) strengthening internal and external linkages.	US \$1.04 million 2004-2007
(Financial Management Reform Program 2)	DFID	Strengthen public financial management system in the Ministry of Finance and selected line ministries, to provide relevant, accurate and timely information to GoB policy makers and other stakeholders.	n.a. 2003-2008
Governance, Law & Order			
(Support to Anti Corruption Commission)	ADB	Support filing of cases and prosecution by Anti Corruption Commission.	n.a. (on-going)
Legal and Judicial Capacity Building Project	WB	Aimed at improving the environment for doing business, the project strengthens court administration to reduce delays, improve case management, install a court management information system and automation, provides training and updating of training facilities, provides other human resource needs that raise the stature of the judiciary and regulate the court performance of all levels of the judiciary, and upgrades court infrastructure. The project also support access to justice, develop an alternative dispute resolution mechanism, strengthen small cause	US\$30.6 million 2001-2007

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
		courts, and improve access to legal aid, and promote legal literacy and public awareness.	
Legal Reform Project	CIDA	Part A of the project is working with the Ministry of Laws in the upgrading of the legal drafting system, the Law Commission and some aspects of the criminal justice system. Part B of the project is working on issues of child protection/juvenile justice, legal aid, and alternative dispute resolution. The project is part of an overall Legal and Judicial Capacity Building Project, which is being jointly funded by the World Bank, the Government of Denmark and CIDA.	US \$15 million 2001-2006
Transparency International Bangladesh-Making Waves Project	DFID, SIDA, NORAD, DANIDA	Increased demand by men and women for transparency in public, non-profit and private sector transactions	n.a. 2003-2007
Police Reform Project	DFID, UNIDO	Reduce the level of insecurity faced by poor people in Bangladesh through reforming the police management system and improving their ability to deliver a more accountable and responsive service to ordinary citizens.	n.a. 2005-2008
Training on new labor law for EPZ	ILO	Facilitate understanding of new labor law for EPZ investors and workers.	Amount n.a. 2005-
Bangladesh Legal Aid and Services Trust-BLAST	DFID	Strengthen the capacity of the Bangladesh Legal Aid Services Trust (BLAST) to provide effective legal services, and advocate for increased access to justice for poor women, children and men in Bangladesh	Amount n.a. 2001-2008
Fair Election and Institutional	CIDA	The project will: 1) support local advocacy efforts and facilitate	US \$5.0 million

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Reforms Project (FEIRP)		citizen-government dialogue and broad-based inputs on selected electoral and political reforms; 2) strengthen civil society's (includes non-governmental organizations, professional institutions, labour unions, academe, media, private sector groups) pivotal role in ensuring the integrity of electoral processes and empower civil society to demand greater accountability from elected representatives; and 3) enhance the independence of the Bangladesh Election Commission and strengthen its capacity to manage a transparent, accountable and participatory electoral process.	2005-2010
Land Reform			
Pilot land record modernization project	ADB	On the basis of earlier TAs on modernization of land record, ADB supports computerization of land record at selected areas.	n.a.
SMEs and Subsectors		→ See table in Chapter 4.2	
Trade			
Export promotion of prioritized sectors	JETRO	Garment/textile and ICT till FY2006. Priority sectors for FY2007 and forward not yet identified.	US\$18,000 / yr.
Trade Strategy Development	DFID	Support development of trade vision and strategy.	n.a.
Trade-Related Research and Policy Development	CIDA	Consolidate the existing capacity of the Center for Policy Dialogue (CPD) to: enhance awareness in Bangladesh (in the government, the private sector, and civil society) about global policy issues and their potential impact on the country's economic and social welfare; and to expand a	US \$5.6 million 2004-2009

Project Name	Funding Agency	Key Emphasis	Size (donor funding)
Trade-Related Technical Assistance to Ministry of Commerce (TRTA-MOC)	CIDA	<p>platform for broad public discussion on global issues and related government policies, and how these may impact sustainable livelihoods in Bangladesh through employment and income generation for the poor.</p> <p>Assist the Government of Bangladesh (GOB) to respond positively and effectively to the challenges and opportunities of globalization, including the World Trade Organization (WTO) and other trade agreements and pressures, within a pro-poor approach.</p>	US \$300,000 2004-2006
n.a.	Trade Facilitation Office of Canada (TFOC)	Update trade information center	n.a.

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2 . Note on Project

World Bank Bangladesh Private Sector Development Support Project

Summary

1. **The aim of the proposed Private Sector Development Support (PSDS) Project is to help the private sector enhance its competitive strength and successfully meet the challenges of a post-MFA world. The focus of the project will be on streamlining regulatory processes and procedures, provision of infrastructure and focused capacity building in government. The project is expected to go to the World Bank's Board in the fall of 2005 (September, 2005).**

2. **The project size is currently envisaged to be around \$150 million. It is proposed that \$25 million be provided by IDA, \$70 million by DFID, \$20 million by the GOB, \$25 million by the EC and \$10 million by CIDA. Additional support may come from the Japanese aid agencies, mainly in the form of budget support to the GOB to fund its contribution to the project. DFID's contribution will come as part of its Regulatory and Investment Systems for Enterprise Growth (RISE) Program. It will include co-financing of the project, as well as substantial contribution to the design of the project.**

The context

3. **The project is being prepared in the context of the expiry of the MFA, the recent increase in foreign investor interest in Bangladesh and the finalization of the PRSP. While the expiry of the MFA poses particular challenges for the RMG industry, there is also a broader challenge, i.e., the need to broaden Bangladesh's export basket. Irrespective of how the RMG sector performs in the post-MFA world, Bangladesh needs to reduce its excessive dependence on a single export item. This places a premium on enhancing the competitiveness of Bangladeshi firms, including those of domestically-oriented firms. In a globalized world, with liberalized imports, all firms need to be competitive.**

4. Foreign investment will be key to enhancing competitiveness – that is why the recent increase in foreign investor interest in Bangladesh is a particularly important development. In order to diversify its export basket, Bangladesh needs a critical mass of high-performing, dynamic firms that are “trail-blazers”.¹ Many such firms will be foreign-owned, including joint ventures. It is thus important that the recent FDI interest is transformed into actual investments. This will have a powerful signaling effect in attracting further investment. Some Bangladeshi firms also have the potential to become trail-blazers. Linkages will have to be created between these and the foreign-owned firms in order to ensure effective knowledge transfer. Finally, in order to achieve pro-poor growth as emphasized in the PRSP, the benefits of globalization will have to be wide-spread. This will require linkages between the high-performing enterprises and other enterprises in the economy.

5. Enhancing competitiveness, attracting and sustaining large volumes of foreign investment, and engendering broad-based enterprise growth will require actions on many fronts. Analytic work by the World Bank Group, such as the 2003 Investment Climate Assessment, the study on the rural non-farm sector, and the more recent Competitiveness Study, has identified a wide range of factors that affect competitiveness. **Of these, two sets of factors appear to be particularly important: the regulatory interface between government and the private sector, and the provision of infrastructural services.** This project will address these two constraints. It will support relevant capacity building in the Government.

Project components

6. The proposed project will have three components:
- Regulatory reforms/streamlining
 - Economic zones (EPZs, industrial parks, SEZs)
 - Capacity building in government on PSD issues

¹ These firms will make breakthroughs in export markets and help establish a “Made in Bangladesh” brand in the global scene. They will show that Bangladesh can be the source of high quality products with firms that can operate in a world where rapid response is key. They will also be the conduit through which good practices – in management, marketing and production techniques – will be disseminated to other firms.

Component A: Regulatory reforms/streamlining (\$20 million)

7. The private sector frequently mentions the regulatory interface with government agencies as a major problem and a source of increased costs of doing business. In response, the Government has taken a number of steps in recent years to streamline certain regulatory processes. Examples include customs clearance procedures and issuance of permits and clearances through the Board of Investment. More recently, steps have been taken to streamline the clearance processes related to imports for the RMG industry. While these actions are laudable, there is need for a more comprehensive, and less ad-hoc, program of regulatory streamlining, including the introduction of e-governance.

8. This component will support such a program. It will support interventions aimed at both the “stock” and the “flow” problems. The former will involve streamlining of existing processes that are problematic. The latter will help institute a system to screen proposed regulations through a rigorous process of cost-benefit assessment. This component will support “across-the-board” regulatory streamlining, i.e., improvements in processes that may affect all enterprises in the country. The second component of the project, i.e., the economic zones component, will support more in-depth and innovative regulatory reform pilots in selected areas, i.e., within special economic zones.

9. The specific interventions to be supported through this component are as follows:

i) Streamlining of 4-6 important regulatory processes. Examples include the duty drawback process, further streamlining of customs clearance, environmental clearance and other clearances for setting up enterprises. Initially, about 10 processes will be identified through stakeholder (esp. government and the private sector) consultation, and study of existing work on regulatory processes. The Foreign Investment Advisory Service (FIAS) of the World Bank Group will then conduct a study of the regulatory processes, including construction of detailed process maps for each process, survey of business service intermediaries and focus group discussions. About 4-6 regulatory processes will be selected for streamlining through this exercise and

action plans will be developed. The criteria for selection will include the importance of the processes for the business sector and the commitment of the relevant government agencies to streamlining.

ii) Introduction of e-governance and capacity building for regulatory streamlining. These two sub-components are intended to support the regulatory streamlining component. An e-governance readiness assessment will be carried out for the 4-6 processes identified for streamlining and the findings will be incorporated in the design of the regulatory streamlining component. The project will fund the investment in equipment and systems required for introduction of e-governance. This sub-component will also support capacity building required in government agencies to implement regulatory streamlining. A team consisting of a business process expert and a capacity building expert will carry out an assessment of the capacity requirements as part of project preparation. The findings of the assessments will feed into the design of the action plan for regulatory streamlining.

iii) Regulatory reform unit. Many countries have established high-powered units to oversee regulatory reforms (e.g. Mexico). It is not clear if there is adequate demand at present for such a unit within the government of Bangladesh. It is thus proposed that a “light-touch” unit be set up initially, possibly in the Board of Investment, which will serve as an advocate for regulatory streamlining and a supplier of technical assistance to line ministries/government agencies that wish to streamline processes. It will not have any direct authority in overseeing the regulatory process. The unit will also periodically monitor the working of the regulatory systems, using specific indicators. The project will provide support to the regulatory reform unit in the development and application of such indicators.

iv) Inventory of business regulations. The project will support the preparation, maintenance and dissemination, of a complete inventory of regulatory processes and requirements.² The inventory, which will be available on-line, will be

² Currently, businesses are handicapped by the absence of a single, easily-accessible, and comprehensive source of information on different regulatory processes and requirements. Often

updated as new regulations or rules are established. A newsletter may be published periodically listing all new regulations/rules that have been established during the preceding period. The above-mentioned regulatory reform unit may develop and maintain this inventory.

Component B: Economic zones (\$125 million)
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10. Economic zones, such as export processing zones, special economic zones and industrial estates, can play an important role in re-vitalizing Bangladesh's industry and attract investment, especially foreign investment. Such zones provide land, infrastructural facilities and a streamlined regulatory environment in a focused manner in particular locations. Such focused service provision is important for Bangladesh because across-the-board improvements in infrastructure and the regulatory environment take time, while high performing firms, especially foreign investors, would like faster, hassle-free service provision. Such zones can also be the vehicle through which "dead" assets, such as land locked up in closed state-owned enterprises, are put back to use. In this regard, a promising beginning has been made with the decision to convert the Adamjee Jute Mills and the Chittagong Steel Mills to EPZs. Industrial zone development remains high on the government's agenda given the difficulty faced by private investors in obtaining serviced land and infrastructure.

11. Bangladesh has had some successes with EPZs but there is scope for improvement, including in areas such as site selection, land lease conditions and introduction of private participation in the development and maintenance of the zones.³ The scope for improvement is particularly large in the case of industrial estates. There are more than 60 industrial estates in the country but many are

government officials in charge of administering certain processes are themselves are not fully aware of the requirements.

³ Four of the six existing EPZs currently have very few tenants. Three of them are located in the northern and western regions of the country where infrastructure and energy supply is inadequate. There is concern about their viability, at least in the short-term. By contrast, there appears to be substantial demand for EPZ facilities in the eastern part of the country, especially along the Dhaka-Chittagong corridor, where infrastructural facilities, gas supply and access to a port is better.

under-occupied and most are ill-maintained. Given that EPZs cater only to export-oriented enterprises, a case exists for setting up a few “state-of-the art” industrial parks that may also cater to domestically-oriented enterprises.

12. Bangladesh needs to move to a new model of industrial estates, involving private sector participation in the development and management of the estates, improved site selection, provision of a wider range of facilities than is currently the case, and much improved maintenance. Bangladesh may also consider developing special economic zones, drawing lessons from good practices in other countries. Such zones will be larger in size than EPZs or industrial estates and may include the latter. These will provide high-grade infrastructural and logistical facilities and a streamlined business environment, characterized by efficient regulatory processes, alternative dispute resolution mechanisms, and good inter-firm linkages and knowledge diffusion mechanisms. Such zones may serve as incubators for innovations in regulatory processes, logistics, and provision of business advisory service provision. Successful innovations may then be replicated elsewhere.

13. This component of the proposed project will support the development of new models of economic zones, based on global good practices. This will require, first and foremost, a clear strategic vision on the role of economic zones in enhancing Bangladesh’s competitiveness. Support will be provided to the Government during project preparation to develop such a strategic vision. Following from this vision, the project will support one or more of the following:

a) Development of a policy, regulatory and institutional framework for industrial parks and SEZs. Support will be provided to the Government to develop an appropriate policy, regulatory and institutional framework for industrial parks and special economic zones, with an emphasis on private sector involvement in the development, operation and maintenance of these facilities. An institutional development option is to expand the role of the Bangladesh Export Processing Zone Authority to also cover special zones/parks aimed at the domestic market. An alternative is to establish a separate Industrial Estate Authority for industrial estates and SEZs or give this responsibility to the Board of Investment.

b) Public investment in export processing zones. The project may help finance

the setting up of 1-2 new EPZs. In particular, the project could encourage private participation in EPZs by funding public investment in on-site and off-site infrastructure for EPZs that are given out to private management, or complementary off-site public investments in EPZs where both development and maintenance is done by the private sector.

c) Model industrial parks. These parks, which could be heterogeneous or industry-specific, may have certain facilities not available in the existing estates, such as effluent treatment plants, quality testing laboratories or good quality storage facilities. The project will consider funding the establishment of 1-2 such industrial parks as demonstration projects, perhaps on condition that these are privately managed.

d) Regulatory streamlining in special economic zones. If the Bangladesh Government decides to go for special economic zones, this project will support a program of regulatory streamlining in the special zone. Selected infrastructural investments in the zone may also be supported. However, the bulk of the infrastructural investment is likely to be funded through other means, such as the government budget, private investment or other donor funding.

e) Land ports. While the zones/parks may not be exclusively export-focused, it is likely that a significant part of the goods produced in these facilities will be exported, especially to the neighboring countries. Enhanced trade with these countries will require improved trade logistics at land ports.⁴ The project will thus consider financing investments in selected access roads around the land ports. The Government is also contemplating upgrading facilities at Benapole, the largest land port of the country. There may be scope for public-private partnerships here in which case the public investments may be funded from this project.

⁴ Bangladesh currently has 13 land ports. The Government has decided to develop 12 land ports (other than Benapole, the largest land port of the country) through private sector participation. These contracts do not cover access roads to the ports, which need to be upgraded in order to fully realize the benefits from the infrastructural investments inside the ports.

Component C: Capacity building for investment and export promotion

14. This component will support some focused capacity building efforts in government related to investment and export promotion issues. The institutions tentatively selected for support are the BOI and EPB.

15. Support will be provided to BOI to build its analytic and advocacy capacity on investment related issues and more effectively carry out its investment promotion and facilitation functions. If BOI is entrusted with the responsibility of overseeing the development of SEZs and a new model of industrial estates, capacity building support will be provided in these areas as well. This capacity building program will be developed based on a Needs Assessment of BOI to be carried out by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group.

16. Support will be provided to the Export Promotion Bureau to develop effective public-private partnerships in the area of export promotion. Current export promotion efforts of the EPB are driven by a public sector model with inadequate appreciation of private sector needs and modalities. Private sector efforts in export promotion are hampered by inadequate provision of services that are of a public good nature. Public-private partnership models of export promotion are needed that facilitate provision of public goods, guided by private sector principles. This project component will provide support to develop and implement such models.

Implementing arrangements

17. It is proposed that the Board of Investment be the core implementing agency for the project with some specific components implemented by other, relevant, agencies.