



USAID/Dhaka
OFFICE OF
ECONOMICS AND
ENTERPRISE

Project Portfolio

Current Programs:

The Office of Economics and Enterprise project portfolio consists of four projects comprised of eight components.

**Financial Sector Reform Project
(388-0078)**

Project Obligation: \$19.414 Million
Start Date: 1990
Project End Date: 1995

Project Officers: Peter W. Amato
Zia U. Ahmed

Contractor: BAH-NAI Joint Venture

Chief of Party: Patrick Vath

Description:

The FSRP provides technical assistance to improve central and commercial bank operations and address systemic problems in the financial system. The Project will also assist the Bangladesh Government to implement reforms required by IDA's \$175 million

Financial Sector Credit. The Project furnishes TA, training and equipment to Bangladesh Bank (BB-the Central Bank), four Nationalized Commercial Banks (NCBs), and the Bangladesh Institute of Bank Management (BIBM). The Project is providing 845 consultant person months of technical assistance. The direct BDG contributions for TA is approximately \$1.7 million over the five-year life of the project.

Achievements:

During the first eighteen months of operations the following achievements have been made:

A. Macro-financial Policy

A fully operational rediscount window has been set up at Bangladesh Bank (BB) eliminating preferential lending practices. A fully operational Credit Information Bureau has been set up at BB. Interest rate policy liberalized; lending rate control bands eliminated for 7 of 11 economic sectors; deposit rate ceilings removed and deposit rate floors lowered. Now,

after acting as a cartel for 12 years, the NCBs are setting interest rates based on profitability objectives and they have revised charges on services. It is estimated that the FSRP induced changes will increase the NCBs' income by over \$60 million annually, thereby increasing the stability of the financial system.

B. Operational Efficiency of Banks

The computerized management information system designed and established for the NCB's by FSRP experts is contributing to consolidating bank reporting requirements for over 3600 branch banks. The FSRP Experts are providing on-the-job training in MIS development and performance budgeting to NCB staff. In addition, private banks are being provided with non-proprietary reports, manuals and software generated under the Project and with FSRP advisory services on a demand basis.

Women's Enterprise Development Project (388-0082)

Project Obligation: \$4,125 million

Start Date: 1992

Project End Date: 1997

Project Officer: Raka Rashid

Implementing Agency: Bangladesh Small and Cottage Industries

Corporation (BSCIS)

Description:

The WEDP is a new project, the Project Agreement having been signed in September 1992. It is a means to increase women's participation in and benefits from sustainable microenterprises, while expanding the breadth of Bangladesh's private sector. The Project combines three inter-related components to increase the incomes of poor households: (a) credit, which provides loans to the target group of women; (b) microenterprise facilitation, which undertakes the identification and nurturing of growth oriented enterprises; and (c) sustainability, which establishes a project credit management system, an associated accounting system and the formulation of a plan for continuing operations and benefits.

Achievements:

Whereas the WEDP is a new activity, it follows a similar project which started in 1984. Since then, the project has facilitated the disbursement of over 22,000 loans at market interest rates to approximately 16,000 women engaged in more than forty different economic ventures throughout Bangladesh. Loans between the Taka equivalent of \$50 to \$1,000 were made to the poorest 50% of the population, to borrowers without

access to commercial credit, and for whom WEDP financed enterprises were the major source of income. The project has succeeded in raising borrower incomes substantially. A typical laborer's income is about \$22 per month, in contrast to monthly incomes from project supported enterprises ranging from about \$30 for rice husking, manufacture of pottery, cane and bamboo products, to about \$90 for seamstresses, rickshaw assemblers and carpenters. Experience shows that the majority of profitable ventures tend to use larger amounts of capital as well as paid labor.

**Industrial Promotion Project (IPP)
(388-0076)**

Project Obligation: \$17.45 Million

Start Date: 1989

Project End Date: 1996

Project Officer: Ross E. Bigelow
Naushad Faiz
Azizur Rahman

Description:

In line with the Government of Bangladesh's 1991 Industrial Policy, the Industrial Promotion Project applies a comprehensive approach to promoting private sector development and industrialization through business advisory services, provision of credit, and improvement of the industrial policy environment

in Bangladesh. The Project has four principal components:

1. **Business Advisory Services Center (BASC):** (\$2.39 mil.) Established in 1991 temporarily under the aegis of MIDAS, BASC acts as a broker for the provision of training, improved technical services and market information for small businesses in Bangladesh.

2. **Policy Implementation and Analysis Group (PIAG):** (\$1.65 mil.) Under a contract with the Inter-America Management Consulting Corporation (IMCC), an American Chief Technical Advisor, Dr. Ronald Black, and other members of the PIAG team are assisting the Ministry of Industries (MOI) to review regulatory obstacles to business development; help public and private institutions to implement and respond to Bangladesh's Industrial Policy; and increase the transparency of doing business in Bangladesh.

3. **Small Industries Credit Insurance Scheme (SICIS):** (\$11.89 mil.) This is a credit guarantee program that will be supported by AID/W's Loan Portfolio Guarantee (LPG) program, working with private commercial banks, qualifying insurance companies and other institutions. This component is designed to expand small business credit resources while sharing the risk with commercial banks of

extending loans to such small businesses.

4. International Executive Service Corps (IESC): (\$950,000) In cooperation with USAID, IESC fields executive volunteers to assist selected small enterprises overcome technical, managerial, and development problems.

Achievements:

1. **BASC:** BASC has begun to broker various business services, provide techno-market information, and offer training programs. BASC is being registered as an independent company.
2. **PIAG:** This project was launched in late 1992. Working in the Ministry of Industries and with private sector institutions, PIAG is carrying out studies and holding regular round-table discussions to improve the business environment in Bangladesh.
3. **SICIS:** USAID and BASC will jointly mount a seminar in October 1993 to launch this component. This activity has been delayed in starting, but recently private banks, insurance companies and the government have shown interest in getting this program moving.
4. **IESC:** To date, of the projected 40 Executive Volunteers, 24 have served or are now serving

2-3 month tours advising Bangladeshi businesses and other institutions, in such areas as manufacturing, footwear production, quality control, business management. The activity accommodates about 10 volunteer visits per year.

Enterprise Development Project - MIDAS (388-0066)

Project Obligation: \$8.0 Million
Start Date: 1982
Project End Date: 1993

Project Officer: Ross E. Bigelow

Local Cooperator: Micro Industries Development Assistance and Services (MIDAS)

Description:

MIDAS is a private Bangladeshi company which provides financial and technical assistance to small and medium sized enterprises (SME). It is staffed by over 50 professionals located in Dhaka, Chittagong, and Khulna. Services include feasibility study preparation, working capital loans, technical assistance, project monitoring, business library and information services and counselling. MIDAS also conducts sub-sector studies, action research projects, and fee-based consultancies for private and public institutional clients. Revenue generation from

consultancy fees, repayment of loans and publication sales now cover MIDAS' operational expenditures. USAID's support for MIDAS ends September 30, 1993.

Achievements:

Over 100 SMEs have received financing, creating approximately 9,000 direct jobs and about the same number of indirect jobs. Average cost of job creation is about \$2,400, and average loan size is approximately \$120,000. MIDAS has recently opened a small non-collateralized loan window (offering loans of \$500-5,000).

**Export Development Project
TRP-II (388-0074)**

Project Obligation: \$1.8 Million

Start Date: 1990

Project End Date: 1993

**Project Officers: Peter W. Amato
Zia U. Ahmed**

Contractor: WPI, Inc.

Consultant: Kabir U. Ahmad

Description:

The Project is being carried out in conjunction with the World Bank's \$25 million Export Development Fund (EDF). The Project provides

technical assistance to: (a) Bangladesh Bank, to strengthen the inland Letter of Credit system and implement pre-shipment financing in foreign currency; (b) the National Board of Revenue, to help the Duty Exemption/Duty Drawback Office (DEDO) speed up rebates to exporters for duties paid on imported inputs; (c) the Sadharan Bima Corporation, to strengthen its Export Credit Guarantee Dept. (ECGD) which provides loan guarantee for exporters seeking pre-shipment financing; and (d) the Export Promotion Bureau, to strengthen coordination of exports subject to foreign quotas. TA is being provided in the form of expert consultancy services, training, overseas study visits, and computer systems.

Achievements:

Credit to private exporters using the EDF has increased from approximately US \$150,000 to about US \$20 million by the end of July 1993. Formulas to automate calculations for tariff rebates have been calculated for 611 product categories and an additional 75 are at different stages of calculation. The time to process tariff rebate applications has been reduced from over six months to approximately one week and the value of duty rebates to private exporters has increased from nil in 1991 to \$38 million. A computerized data

processing system is being installed which will enable the Export Credit Guarantee Department to monitor and evaluate risks, and provide pre-shipment guarantees to banks. A monitoring system has been set-up at the Export Promotion Bureau to monitor export quota utilizations and to avoid quota shortfalls. The contract with WPI, Inc. ended on August 31, 1993.

**Dhaka Stock Exchange
TRP-II (388-0074)**

Project Obligation: \$273,000
Start Date: 1988
Project End Date: 1993

Project Officers: Ross E. Bigelow
Azizur Rahman

Contractor: The Asia Foundation

Chief of Party: Nick Langton

Description:

USAID has provided assistance to the DSE since 1991, including expert consultant advice on stock exchange operations; national seminars; publications programs; and local staff training and overseas study tours.

Achievements:

Two regional seminars have been held, in 1992 and 1993, and were

attended by representatives of the DSE, the private sector, the government and international security exchanges. DSE members participated in two study tours to counterpart exchanges in Korea, Malaysia and Singapore in 1992, and Bombay, Karachi and Colombo in 1993. Project consultants have recommended sweeping changes. DSE has computerized its reporting on floor activity. Results of a final evaluation are expected in late 1993.

September 16, 1993