

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

IDENTIFICATION DATA

| <p><b>A. REPORTING A.I.D. UNIT:</b><br/> <u>USAID/Bangladesh</u><br/> <small>(Mission or AID/W Office)</small></p> <p>(ES# )</p>  | <p><b>B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?</b><br/>                 yes <input type="checkbox"/> skipped <input checked="" type="checkbox"/> ad hoc <input type="checkbox"/></p> <p>Eval. Plan Submission Date: <u>FY 93 Q 3</u></p> | <p><b>C. EVALUATION TIMING</b><br/>                 Interim <input type="checkbox"/> final <input checked="" type="checkbox"/> ex post <input type="checkbox"/> other <input type="checkbox"/></p> |   |  |   |   |   |   |          |   |         |          |         |        |
|---|---|--|---|--|---|---|---|---|----------|---|---------|----------|---------|--------|
| <p><b>D. ACTIVITY OR ACTIVITIES EVALUATED</b> (List the following information for project(s) or program(s) evaluated; If not applicable, list title and date of the evaluation report)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Project #</th> <th style="width: 50%;">Project/Program Title<br/><small>(or title &amp; date of evaluation report)</small></th> <th style="width: 10%;">First PROAG<br/>or equivalent<br/><small>(FY)</small></th> <th style="width: 10%;">Most recent<br/>PACD<br/><small>(mo/yr)</small></th> <th style="width: 10%;">Planned<br/>LOP<br/>Cost<br/><small>('000)</small></th> <th style="width: 10%;">Amount<br/>Obligated<br/>to Date<br/><small>('000)</small></th> </tr> </thead> <tbody> <tr> <td>388-0074</td> <td>Export Development Project<br/>(a component of Technical Resources II Project)</td> <td>8/1/90*</td> <td>8/31/94*</td> <td>1,820**</td> <td>1,820*</td> </tr> </tbody> </table> <p>*Start and end dates of contract activities under this component of TRP-II</p> <p>**Total costs of this component of TRP-II</p> |   |  | Project #                                     | Project/Program Title<br><small>(or title &amp; date of evaluation report)</small> | First PROAG<br>or equivalent<br><small>(FY)</small>     | Most recent<br>PACD<br><small>(mo/yr)</small> | Planned<br>LOP<br>Cost<br><small>('000)</small> | Amount<br>Obligated<br>to Date<br><small>('000)</small> | 388-0074 | Export Development Project<br>(a component of Technical Resources II Project) | 8/1/90* | 8/31/94* | 1,820** | 1,820* |
| Project #   | Project/Program Title<br><small>(or title &amp; date of evaluation report)</small>  | First PROAG<br>or equivalent<br><small>(FY)</small>  | Most recent<br>PACD<br><small>(mo/yr)</small> | Planned<br>LOP<br>Cost<br><small>('000)</small>                                    | Amount<br>Obligated<br>to Date<br><small>('000)</small> |   |   |   |          |   |         |          |         |        |
| 388-0074  | Export Development Project<br>(a component of Technical Resources II Project)   | 8/1/90*  | 8/31/94*                                      | 1,820**  | 1,820*  |   |   |   |          |   |         |          |         |        |

ACTIONS

| E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR | Name of officer responsible for Action | Date Action to be Completed |
|--|--|-----------------------------|
| <p>Action(s) Required</p> <p>See Attachment A</p>                |  |                             |

(Attach extra sheet if necessary)

APPROVALS

**F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION:** mo 1 day 22 yr 94

**G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:**

| Signature  | Project/Program Officer | Representative of Borrower/Grantee | Evaluation Officer       | Mission or AID/W Office Director |
|------------|-------------------------|------------------------------------|--------------------------|----------------------------------|
| Typed Name | <u>Peter Amato: OEE</u> |                                    | <u>Emily McPhie: PRO</u> | <u>Richard M. Brown</u>          |
| Date:      | <u>1/29/94</u>          | Date: <u>N/A*</u>                  | Date: <u>1/24</u>        | Date: <u>2/13/94</u>             |

\*See Section L: "Mission Comments"

a

**II. EVALUATION ABSTRACT (do not exceed the space provided)**

The purpose of the Project was to facilitate non-traditional exporters' access to foreign currency for imported inputs and to enhance the BDG's capability to provide services to exporters. A three person team conducted the evaluation in August 1993. The team reviewed documentation and interviewed USAID personnel, the T.A. contractor's team, officials of the implementing agencies, World Bank staff, bankers, private sector exporters, and representatives of business groups and exporters' associations. The major findings and conclusions are:

\* Project T.A. mediated differences between the Bangladesh Bank (BB) and World Bank which threatened cancellation of \$22 million of the \$25 million IDA credit. Once the Export Development Fund's regulations were agreed, and eight seminars were held to explain the Fund to potential users, use accelerated. In two years \$19 million has been opened to letters of credit to finance imported inputs. The rate of use is now about \$1 million per month.

\* MIS training and computer/software procurement for the Duty Exemption and Drawback Office (DEDO) allowed easy calculation of input coefficients. This assistance has enabled DEDO to reimburse some \$37 million to exporters from duties paid on imported inputs since the project began.

\* While TA provided to the Export Credit Guarantee Department (ECGD) incisively identified operating and structural problems, and helped stabilize the program, no action has been taken to make the needed structural changes.

\* Assistance to the Export Promotion Bureau (EPB) in computer hardware, software and training helped them better track quotas for garment exporters. However, the EPB did not follow up on efforts to assist it to transfer some of its functions to private chambers and export associations.

The evaluation noted the following "lessons":

\*\* The BDG policy of moving personnel from one agency to another, and consequent rapid turnover of high level management in key organizations, makes it difficult to maintain organizational continuity. Thus, programs should not be built around an exceptional leader as his successor may well have different agenda.

\*\* High level management are first to take advantage of training abroad, but their limited tenure makes the utility of such training questionable.

\*\* Fund use is dominated by the already strong garment sector (85%). Now that macroeconomic reforms make foreign exchange is more readily available, greater efforts are needed to direct funds to other exporters.

\*\* Strategies are needed to retain trained computer specialists as their training makes them more in demand in the high paying private sector.

**I. EVALUATION COSTS**

| 1. Evaluation Team Name | Affiliation | Contract Number QB<br>TDY Person Days | Contract Cost QB<br>TDY Cost (US\$) | Source of Funds |
|-------------------------|-------------|---------------------------------------|-------------------------------------|-----------------|
| Ronald Bobel            | DAI         | 32                                    | \$39,718                            | Project         |
| M. Shamsul Haque        | DAI         | 24                                    |                                     |                 |
| A.K.M. K.R. Khan        | DAI         | 18                                    |                                     |                 |

2. Mission/Office Professional Staff Person-Days (estimate) 15

3. Borrower/Grantee Professional Staff Person-Days (estimate) 15

b

ATTACHMENT A

EXPORT DEVELOPMENT PROJECT (EDP)

USAID/B has found the evaluation recommendations useful in designing a concept paper on Private Sector Development. It believes the following recommendations will continue to be important considerations as it evolves a new Private Sector Development Strategy:

1. Donor supported technical assistance would be useful in offering alternatives for government consideration, and in promoting a continuing program of research and analysis dealing with major policy and administrative issues affecting external trade matters.
2. Future involvement of donor agencies should concentrate in providing a greater role for the private sector in export functions.
3. Continuing dialogue on Bangladesh export development among the government, the private sector organizations, and the donors will be necessary to build consensus as to how existing agencies could be made more autonomous and/or be privatized as follows:
  - the Export Promotion Bureau (EPB) promotional and information/contact functions divested to the private sector
  - transferring garment quota allocations to the proposed Bangladesh National Exporters Association (BNEA), or to the Garment Manufacturers and Exporters Association
  - transferring the trade research and promotion functions to the new BNEA
  - restructure the Export Credit Guarantee Department (ECGD) as an autonomous body, partially privatized, with shareholdings by the banks, insurance companies and exporter clients.
4. The role of the Duty Exemption and Drawback Office (DEDO) ~~needs to be reexamined:~~
  - move to a system of exempting duties under the Bonded Warehouse system on imported inputs used for producing exports
  - or privatize the DEDO function by awarding it to an accounting firm with oversight by the National Board of Revenue
  - or completely eliminate the functions of DEDO if policy reforms result in necessary exchange rate adjustments and generation of sufficient revenue through effective value-added tax and income tax systems

# A.I.D. EVALUATION SUMMARY PART II

## J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)

Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Bangladesh

Date this summary prepared: August 1993

Title and Date of Full Evaluation Report: Final Evaluation of the Export Development Project

**Purpose of project:** The project's purpose was to assist non-traditional exporters by facilitating their access to foreign currency financing for imported inputs and by enhancing the BDG institutional capability to support the non-traditional exporters. Assistance was focused on four government institutions: (a) the Duty Exemption and Drawback Office of the National Board of Revenue (NBR); (b) the Export Promotion Bureau and its Export Monitoring Unit (EMU); (c) The Bangladesh Bank, as administrator of the Export Development Fund; and (d) the Export Credit Guarantee Department of the Sadharan Bima Corporation (SBC), the national insurance organization. A fifth, and minor component, was to provide research and assistance to export associations and the export interests of the Chambers of Commerce.

**Purpose of Evaluation and Methodology Used:** This final evaluation was conducted during August 1993. The evaluation team reviewed project documentation, related reports and documents, and conducted a wide range of interviews with USAID staff, the T.A. contractor's team, officials of the implementing agencies, World Bank resident staff, local bankers serving as conduit of funds, private sector exporters and business group representatives-chambers of commerce and exporters' associations.

**Findings and Conclusions:** 1. DEDO - Significant progress was made in streamlining the duty drawback schemes for individual and flat rates and in speeding the rebate process, which now has a turnaround time of five days for flat rates. Flat rates have been calculated for some 700 items. Project T.A. devised a successful computer program to facilitate flat rate calculations, trained DEDO staff, and held a number of seminars to increase understanding of the program on part of bankers and exporters. The Project also purchased office equipment including computers and software. Prior to March 1992, no duty drawback had been paid out, but since that time refunds totalling some taka 1.5 billion (about \$37 million) have been made.

2. EPB and EMU - The EMU received computer equipment and related MIS training to assist it to better monitor garment export quotas. As such equipment has recently arrived no judgement is possible on the program. Assistance to EPB has had limited impact as its new head has shown no interest in transferring promotion functions to private sector organizations in spite of announced BDG intentions to do so. The World Bank suggests giving EPB more autonomy as part of its proposed restructuring. Questions remains as to whether its functions can be better handled by business associations, especially the proposed Bangladesh National Exporter' Association. The contractor's final report proposes options to be considered.

SUMMARY

3. BB - When the project was initiated the World Bank and the BB were at an impasse on some of the key conditions for use of the fund. The project's Long Term Advisor was able to mediate to achieve a consensus, thus averting cancellation of the IDA loan. A series of eight seminars in business centers of the country increased knowledge of the fund among bankers and exporters, as did distribution of brochures and newspaper ads. The result is that fund utilization has increased from \$200,000 when the project started in March 1991 to \$19 million currently. Rate of use is approaching \$1 million per month. However, 85% of the fund is being used by the garment industry, by far the strongest and most advanced non-traditional exporting group. Greater efforts need to be made to increase usage among other export sectors.

4. ECGD - T.A. services were important in analyzing program deficiencies, particularly why guarantee claims were far outrunning the ECGD's resources to meet them. The advisor pinpointed the root causes of the problem - premature claims submission by the bankers and poor collection follow-up. However, his recommendation to turn ECGD into a parastatal was not acceptable to USAID because of the poor record of state institutions in Bangladesh. In addition, because of ECGD's problems, the rules of the EDF were changed to allow loans to exporters without ECGD coverage. This change further eroded the revenues of ECDG, but helped increase usage of the EDF. The problem of ECGD restructuring remains, and will be further addressed by the World Bank as a condition of an IDA loan.

Principal Recommendations: The recommendations focus on the future roles of the business associations especially the recently announced plans to initiate the "Bangladesh National Exporters' Association", in promoting exports, and on the potential role of the private sector in needed regulatory functions. The roles of the project's implementing agencies - especially the EPB, ECDG and DEDO) - under such a plan were discussed.

The exporters associations are organized by industry. The Garments Exporters Association is by far the strongest with some 1,500 members. There are also export associations for leather, frozen food, shrimp, ceramics, handicrafts and fruits and vegetables among others. These associations are affiliated with the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI), the apex organization of all such associations and chambers. Other strong chambers are the Dhaka Chamber (DCCI), the Metropolitan Chamber (MCCI) and regionally, the Chittagong Chamber (CCCI). ~~Currently, a new organization is being established to combine the interests of all exporters under the Bangladesh National Exporters Association (BNEA). Its relationship to the FBCCI, as the apex body, is unclear at the present time.~~

The evaluation recommended donor assistance for export development be focused on the BNEA or, as an alternative, on exporters through the FBCCI. ~~The assistance would include funding for staff training, program development, financial planning, membership expansion, and establishment of business linkages abroad. Technical assistance would be provided to build MIS capabilities for library and research facilities, and for studies to determine export market niches for products in which the country could be competitive based on its human and natural resources. Budgetary support on a declining basis might also be provided. Efforts would be made to bring together foreign catalysts - joint venture, technical or marketing partners who would interact with Bangladeshi entrepreneurs in launching ventures. This was the model for success in the garment industry.~~

The evaluation further recommended that all implementing agencies assisted under the Project, except the Bangladesh Bank, should be restructured to increase private sector involvement. Although the World Bank recommends a restructuring of the EPB, another alternative to consider is transferring its promotion and quota regulation functions to the BNEA or FBCCI. Proposed restructuring of the EGCD would make it an independent company with a majority of shares owned by commercial banks, exporters and BNEA exporters associations. The role of DEDO could be reduced or eliminated if policy changes gradually eliminate customs duties on imported production inputs, and VAT, income, and other taxes replace high customs duties. In the meantime, DEDO's functions could be turned over to a competitively selected accounting firm with public sector oversight.

Important decisions must be made on the role of these three agencies important to the export sector. Thus, a continuing dialogue is needed among the BDG, the private sector organizations, and the donors with the goal of reaching a consensus. The dialogue should be assisted by a program of research and analysis dealing with the major policy, and, more importantly, administrative issues impacting on external trade matters.

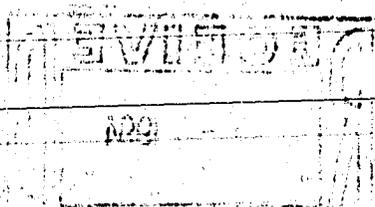
Lessons Learned: \* Staff turnover of high level management in key organizations is so high that it is difficult to maintain organizational continuity. This is the result of BDG policy of moving high-level personnel from one agency to another. Thus, programs should not be built around an exceptional leader as his successor may well have a different agenda. This adds weight to the argument that donors should concentrate export promotion assistance on private sector business associations.

\* High level management are first in line to take advantage of short term orientation and training abroad, but their limited tenure makes the utility of such training highly questionable.

\* Fund use is dominated by the already strong garment sector (85%). Now that macroeconomic reforms have made foreign exchange more readily available, efforts are needed to direct funds to other non-traditional exporters.

\* Strategies need to be developed to retain trained computer specialists as their training makes them more in demand in the higher paying private sector.

\* Integrating sophisticated MISs into a bureaucracy needs a longer gestation period than was allowed under the Project, especially to convince upper management of the many functions that can improve organizational performance.



K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

ATTACHMENTS

Evaluation Report

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

USAID/Bangladesh found the results of the evaluation, as well as its consultations with the evaluators very useful in informing its strategic thinking on further efforts in private sector development in Bangladesh. As noted in Section E, a number of significant recommendations and conclusions will be considered in the evolution of a new Private Sector Development Strategy. Since the project TA contract has ended and the evaluation recommendations are of a general nature related to future strategic planning, it has not been deemed necessary to assign action agents or time-frames to the completion of recommendations.

Since there were several recipient/counterpart agencies in this project, no appropriate individual "borrower/grantee" could be identified to sign this AES. However, the evaluation has been circulated to all counterparts and to a number of public and private sector agencies. These agencies will be substantively involved in the conceptualization for the new Private Sector Development Strategy through seminars and other meetings. We anticipate that this evaluation will be a key document informing discussion on the strategy.

MISSION COMMENTS ON FULL REPORT

RECEIVED  
MAR - 7 1994

XD-ABH-283-A

86514

**Final Evaluation  
of the USAID-  
Funded Export  
Development  
Project in  
Bangladesh**

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Prepared for the U.S. Agency for International Development under contract number  
AEP-5451-I-05-2059-00

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Ronald Bobel, Team Leader  
Dr. M. Shamsul Haque  
A.K.M. Khalilur Rahman Khan

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September 1993

**DAI**

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7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814

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## EXECUTIVE SUMMARY

The field evaluation of the USAID-financed Export Development Project took place in Bangladesh in August 1993. The project's purpose was to assist nontraditional exporters by facilitating their access to foreign currency financing for imported inputs and by enhancing the institutional capacity of the Government of Bangladesh to support the nontraditional exporters. Assistance focused on four government agencies: the Duty Exemption and Drawback Office (DEDO) of the National Board of Revenue (NBR); the Export Promotion Bureau (EPB) and its Export Monitoring Unit (EMU); the Bangladesh Bank (BB), as administrator of the Export Development Fund (EDF); and the Export Credit Guarantee Department (ECGD) of the Sadharan Bima Corporation (SBC), the national insurance organization. A fifth component, research and assistance to the export associations and the export interests of the chambers of commerce, was added later in the project. The prime contractor for the project was WPI of Cambridge, Massachusetts.

## FINDINGS AND CONCLUSIONS

### Duty Exemption and Drawback Office

The principal finding was that significant initial progress was made in streamlining the duty drawback schemes for individual and flat rates and in speeding the rebate process, especially for flat rates, which now have a turnaround time of about five days. Flat rates were calculated for 611 items, with another 75 items awaiting approval by NBR, DEDO's parent body. The project was responsible for producing 392 of the approved calculations, and project personnel devised a computer program to facilitate flat rate calculations — although several modifications were required and much work is still done manually. Prior to March 1992, no duty drawbacks had been paid out; since that time, refunds totaling about Taka 1.5 billion (about \$37 million) have been made.

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We conclude that the project has achieved its objectives in this component. Arrangements to continue training and troubleshooting through a contract with a Bangladeshi consulting firm should allow the system to continue operating successfully, provided staffing turnover problems are resolved. The rate of productivity has shown a decline since October 1992, characterized by an increasing backlog of unprocessed claims. This appears to be caused by the high turnover in staff and is a cause for concern.

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### Export Promotion Bureau

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Limited assistance was provided to EPB until revision of the project in January 1993. Computer equipment for the computer cell did not arrive until July 1993 and is only now being installed. A management information systems (MIS) development and training contract signed in May 1993 is continuing. Program development for the Statistics Department began in June 1993 and was completed in July. The change in leadership at EPB delayed project measures aimed at expanding the export-oriented functions of the chambers of commerce and other private export associations. There is no evidence that the new EPB Vice Chairman has shown interest in pursuing this initiative. Nonetheless, the last month of the project was devoted to studying the export-related activities of these private sector organizations, conducting interviews with their staffs to determine their points of view on these matters, and assessing their resources for performing such functions. WPI's final report proposes options to

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consider in organizing export promotion activities, including possible roles for EPB and the private sector organizations and the establishment of a foundation like one in Chile.

We conclude that the project has provided EMU with the tools to do a better job in monitoring the quota system, but that EPB is not effective in carrying out its export promotion functions and should be restructured or should turn export promotion over to private sector organizations.

### **Bangladesh Bank and the Export Development Fund**

When the project was initiated, the World Bank and Bangladesh Bank were at an impasse on some of the key conditions for use of EDF. The project's long-term advisor was able to act as a mediator and achieve a consensus from both sides on these issues, averting the cancellation of the International Development Agency (IDA) loan. A series of eight seminars was also planned and held in key business centers of the country to increase knowledge in the banking and export community about EDF and its advantages for exporters. A users manual and a brochure were prepared and distributed to 1,500 bankers and exporters, and advertisements were placed with key national newspapers. These activities were instrumental in increasing use of the fund from less than \$200,000 to about \$19 million, with the rate of usage nearing \$1 million per month.

We conclude that EDF is now operating successfully and should continue to increase to a level of about \$2 million per month. It is a short-term credit fund, and it can continue to roll over for several years because no principal payment is due on the \$25 million IDA loan until 10 years after loan inception.

However, we should emphasize that 85 percent of the fund is used for the garment sector, which needs much less support now that the foreign exchange availability in the country has improved dramatically. Greater efforts need to be made to increase usage in other areas of nontraditional exports.

### **Export Credit Guarantee Department**

Of particular importance in this component of the project was the provision of technical advisory services to analyze program deficiencies — specifically the reasons that guarantee claims were far outrunning the resources of ECGD and, thus, were undermining its ability to meet such claims. The expatriate advisor did a commendable job in pinpointing the root causes of the problem, which were determined to be premature claims submissions by the banks and poor collection follow-up. However, the recommendation to remove ECGD from SBC by creating a new parastatal was not acceptable to USAID and therefore was altered. In addition, because of the problems at ECGD, the EDF rules were changed to allow exporters to obtain bank loans without mandatory coverage under ECGD. This further eroded income. The management information system (MIS) was successfully installed and staff members were trained in its use, but the structural problems of the organization remain to be solved.

### **Private Export Associations and Export-Oriented Interests in the Chambers of Commerce**

As stated above, no action was taken to directly support these organizations, although their members attended many of the seminars and workshops under the project. The export associations are organized by industry group. The Garment Association is by far the strongest, with 1,500 members. These associations are affiliated with the Federation of Bangladesh Chambers of Commerce and Industry

(FBCCI), the apex organization of all such associations and chambers. The other strong chambers are the Dhaka Chamber of Commerce and Industry (DCCI), the Metropolitan Chamber of Commerce and Industry (MCCI) and, regionally, the Chittagong Chamber of Commerce and Industry (CCCI).

Currently, a new organization, which will combine the interests of all exporters under the Bangladesh National Exporters Association (BNEA), is being registered with the Ministry of Commerce. Its relationship to FBCCI, as the apex body, is unclear at the present time.

## RECOMMENDATIONS

### Short- and Medium-Term Recommendations

If the Bangladesh National Exporters Association becomes operational and is able to gain the support of a significant number of exporter associations, our principal recommendation would be that donors support this organization. If BNEA is unable to do this, the next best approach would be to provide similar assistance to FBCCI and its members in the export field. We prefer the first option, because exporters' interests can be better represented by an organization that concentrates exclusively on exporters' needs and concerns rather than one that has a strong contingent of traders and manufacturers for the domestic market; policy interests of trades and manufacturers may conflict with those of exporters.

The donor program should consist of staff training, program development, financial planning, membership expansion, and establishment of linkages with business organizations and entrepreneurs in countries that are likely to be markets for Bangladesh products or that can provide technology and investment capital. It would also provide assistance in continuing the public-private sector dialogue by articulating key issues based on analysis of legitimate concerns of the export community about policy and administrative issues involving the public sector. Technical assistance would be supported with sufficient funds to build MIS capabilities — both hardware and software — for library and research facilities and with budgetary support for operating costs. The latter can be eliminated after about three years as funds are generated internally through membership fees and payment for services performed.

Technical assistance would also be provided for strategic planning studies to identify export market niches where Bangladesh has the potential to compete (based on its natural and human resources base) and to determine steps needed to launch successful enterprises in these areas. Rather than being a theoretical exercise, efforts would be made to bring together foreign catalysts — joint venture, technical, and marketing partners — who would be linked with Bangladeshi entrepreneurs to launch ventures. Entrepreneurs in areas of high potential would be enabled to attend major trade shows in the United States, East Asia, and Europe through a cost-sharing arrangement administered by BNEA. Assistance could also be provided to establish display booths for Bangladeshi products at some of the major shows.

As stated above, this recommendation is only an outline. The details would need to be put together by a technical team that would work closely with BNEA in assessing its needs and designing a program that would lead to a strong, independent, and sustainable organization, which would soon cease to be dependent on donor assistance.

### **Long-Term Recommendations**

The Export Development Project focused on providing assistance to public sector agencies. Benefits directly attributable to the project include success in making EDF viable when it was on the brink of cancellation and the activation of the duty drawback program, which resulted in an impressive level of repayments from a virtual zero base and a quick turnaround time for those products having flat rates. We have also noted the deficiencies in the organizations surveyed and in public sector administration in general, which act as constraints to any potential export boom. More exporters are using the special bonded warehouse (SBW) scheme or are establishing themselves in export processing zones. The ability to minimize contact with public sector agencies by using SBWs was an important factor in enabling ready-made garments to achieve outstanding export growth.

For the long term, donor agencies and the Government of Bangladesh must decide whether they should continue to pursue a strategy of concentrating assistance on improving export promotion and regulatory public sector agencies in their present form. Alternatives would include making the agencies more autonomous or privatizing them.

The first decision of this nature is likely to involve the future of the Export Promotion Bureau. The World Bank is asking that a restructuring plan be expedited by the Government of Bangladesh to strengthen EPB. One option would make it a more autonomous and professional body with less staff turnover. This could include transferring garment quota allocations to the new Bangladesh National Exporters Association or to the Garment Manufacturers and Exporters Association itself. The trade research and promotion functions could also be transferred to the new BNEA. The ultimate question is whether there is a need for EPB at all or whether resources could be better utilized within BNEA or FBCCI. The World Bank research indicates that "most traditional trade organizations in developing countries have been found to be particularly ineffective."

The role of DEDO should also be scrutinized. In spite of the progress made under the project, there are still inefficiencies, especially in exports that do not have flat rates. Two options to consider are to move to a system of exempting duties on imported inputs used for producing exports and to require duty payment only if exporters cannot show proof that the requisite amount of goods was exported. It might also be possible to privatize the DEDO function by awarding it to an accounting firm with oversight by the National Board of Revenue. If policy reforms result in necessary exchange rate adjustments and generation of sufficient revenue through effective value-added tax and income tax systems, it may be possible to completely eliminate the functions of DEDO. This would allow duty-free imports of most production inputs. In any case, donor-supported technical assistance will prove helpful in offering useful alternatives for the government to consider.

Finally, decisions will need to be made about the restructuring of ECGD. The project did a good job in identifying causes of the problems, but vital decisions must still be made. The World Bank is proposing an autonomous body, partially privatized, with shareholdings by the banks and exporter clients. Perhaps the new BNEA could hold shares on behalf of its membership.

Important decisions must be made on all these matters, and a continuing dialogue among the government, the private sector organizations, and the donors will be necessary to build consensus and ensure the support of all parties. The dialogue should be assisted by a continuing program of research and analysis dealing with major policy and administrative issues affecting external trade matters. Government and private sector involvement in the analysis is important so that a consensus is reached for key findings and decisions.

## SECTION ONE

### INTRODUCTION

The objective of the Export Development Project was to provide technical assistance, training, and equipment to help public sector agencies improve their administrative capabilities. The agencies receiving assistance under the project are those that most directly affect the export sector. However, the Customs Bureau was not included under the project, although it has a large impact.

In performing the evaluation, our attention was frequently directed to the sociopolitical environment in which the project was operating. To understand the environment, it is necessary to be aware of the Bangladeshi development philosophy and path since independence. We can start with the name chosen for the country: the People's Republic of Bangladesh. From the outset, a clearly announced policy was the drive to create a socialist society with the key factors of production controlled and administered by the state. Many believed there was no other choice since the large industries and banks were owned and controlled by interests from West Pakistan at the time of independence in 1971. A Bangladeshi entrepreneurial class barely existed in the industrial sector with local business concentrated in traditional agriculture and trading activities. A large class of public sector administrators was trained and assigned to run not only the government but also the banking system and state-owned enterprises (SOEs).

Furthermore, the accepted philosophy at the time was import substitution and self-sufficiency. Thus, high tariff barriers, quantitative restrictions, and currency controls were the guiding principles. The donor community, led by the World Bank, supported this philosophy, so assistance was available to train public sector managers, provide funds to the state-owned banking system, and increase the capital investment in SOEs.

Gradually, it became evident that this approach was not working and that more emphasis should be placed on private sector development. The banks were encouraged to lend to private sector groups at favorable terms to finance industrial and other projects. There was extensive failure in many of these ventures because funds were made available to favored partners of those aligned with the leaders of the military government, and many of these partners used the money to increase their own wealth rather than to concentrate on making their industrial ventures viable. As a result, the state banks have a large portfolio of defaulted loans with poor repayment prospects.

At the time the military government was thrown out and democratic forces took control, the country's situation was desperate. There were isolated pockets of success, such as the ready-made garment (RMG) industry for export, which took off between 1980 and 1985. This industry, however, was able to function because it operated in a virtual enclave environment with a minimum of governmental interference.

The emerging new policies of deregulation, private sector orientation, economic liberalization, and export-led growth have met with some resistance from the established bureaucracy, because these policies mean a gradual loss of power and prestige. This resistance has shown few signs of abatement, resulting in a significant difference between stated policies and administrative compliance. Resentment of the private sector on the part of several public sector employees persists because they feel their turf being cut away. On the other hand, the emerging entrepreneurs are pressing for an increasingly free hand to operate without bureaucratic interference and control.

The Export Development Project, supported by USAID, operated in this environment, not in a vacuum. In evaluating the project, this context has to be kept clearly in mind. Furthermore, the recommendations flowing from the evaluation are oriented toward mechanisms that, if successful, will further erode the role of the entrenched bureaucracy. However, the recommendations we make are in line with the current government's pronouncements on increased liberalization, privatization, deregulation, and reliance on the private sector as the engine of growth through an export-led strategy. Thus far, however, policy pronouncements have exceeded administrative action to carry them out.

The body of the report is divided into two main sections: a review and assessment of the assistance program to implementing agencies, and the conclusions and recommendations.

**SECTION TWO**

**REVIEW AND ASSESSMENT OF  
ASSISTANCE PROGRAM TO IMPLEMENTING AGENCIES**

This section follows the outline of the Scope of Work, set in italics.

**DUTY EXEMPTION AND DRAWBACK OFFICE**

*Duty Exemption and Drawback Office (DEDO) - Capacity to administer  
streamlined duty drawback schemes and process rebates effectively and efficiently*

**MIS and Data Processing Systems**

*Assessment of computerized MIS and data processing systems to automate claims procedures and progress in training DEDO staff in use of these systems*

DEDO now has a powerful computer system based on a file server and six personal computers running on a NOVELL network, with all software needed for operation, database management, spreadsheet analysis, and applications programming. One expatriate consultant developed programs for duty drawback over a seven-week period. However, these programs could not be used because of a variety of operational problems. A local consultant also developed programs related to issuance of checks but these also did not work satisfactorily. Subsequently, a local computer firm was contracted to develop the programs needed for flat rate calculations. The DEDO computer system is currently run with programs developed by this firm.

The system design and program development efforts at DEDO have experienced problems for several reasons. ~~Additional expatriate expertise should have been devoted to the system and to program development efforts in a more coordinated manner.~~ Additional program development support will be needed to make the computer system fully operational, using the appropriate applications software. We have found that a great deal of work is still performed manually, despite computer capability.

Four officers and twelve staff members were trained in the use of computers and word processing, and three operators received training in running the computer system for calculation of flat rates. However, the trained officials cannot adequately use the computers, as stated above. Thus, progress in practical computer use has not been as successful as expected at the end of the project.

**Technical Assistance**

*Assessment of technical assistance in calculating input coefficients and flat rates and training staff in their use*

An expatriate consultant on input coefficients worked on the project for seven weeks, and a local consultant on input coefficients worked for 24 months. Their efforts were supported by an expatriate

MIS consultant who developed the programs for calculation of flat rates, which later had to be modified. The deficiencies in their work were discussed above.

A total of 611 flat rates were calculated, of which 392 were prepared under the Export Development Project. DEDO will soon submit an additional 75 to NBR. However, only 40 flat rates are in constant use by DEDO, as exports related to other rates are at a very low level. A list of duty drawbacks against the 40 items for 1992-1993 is included in Annex E. Processed leather is the single largest item, accounting for about 85 percent of the duty drawback payments on the list.

### **Overseas Training**

#### *Assessment of overseas training and its effectiveness in achieving project purposes*

Two participant training trips were completed. Five DEDO officers and staff visited Asian countries, selected because of their advanced schemes of a similar nature. The trips allowed senior DEDO officials to observe the functioning of duty drawback systems, bonded warehouse schemes, and other fiscal incentive programs to promote exports in Malaysia, Indonesia, and the Philippines (during the first trip, in 1991) and in Malaysia, Thailand, and South Korea (on the second trip, in 1992). The visits contributed to a better understanding of the effects of well-functioning systems on export development.

The sustainability of the lessons learned on these trips is questionable due to the government's policy of frequent transfer of high-level officials from agency to agency. For example, the first trip, in 1991, was arranged for two DEDO officials, the Director and Deputy Director. Since then, however, there have been three changes at each of these levels. Thus, we question the benefits of orientation training trips for officials who, because of personnel policy measures of the Government of Bangladesh, are likely to be transferred to a different agency. Because of protocol, high-level officials are first in line for overseas travel, but the effects are not likely to be lasting unless personnel policies change or DEDO functions are made autonomous or privatized in order to build professional continuity.

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### **Performance**

#### *Assessment of DEDO's performance in claims received over time, claims processed for payment, and rebates received by exporters*

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DEDO-processed more than 7,000 duty drawback applications, and more than Tk 1500 million has been paid out as duty drawbacks to exporters since March 1992. No payments were made before that date.

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The performance of DEDO in processing duty drawback applications accelerated from March 1992 to October 1992, when 579 cases were disposed of and 232 checks were issued in one month. Since October 1992, however, the performance of DEDO has deteriorated to an average of 420 cases disposed of and an average number of 100 checks issued per month. The overall trend is decreasing in both areas. (See Table E-1.)

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It is our conclusion that initial progress was attributable to the intensive efforts made to show progress during the first year of the project, including intensive training provided to DEDO staff, as well as the work performed by project-funded advisors. However, the negative trend over the past year appears

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related to the frequent staff transfer, as many officials are on deputation to DEDO for short periods. Incoming staff have to repeat the learning curve, with a resultant loss in efficiency. This is a disturbing development and one that the Government of Bangladesh should address as a high priority.

### **The Value-Added Tax System**

#### *Assessment of implications of the VAT system for DEDO and for the project's efforts to increase flat rate calculations and application*

The value-added tax (VAT) system was introduced in July 1991, with a VAT circle in each tax zone. Initially, the claimants of duty drawback refunds had to submit their complete applications to respective VAT circles. DEDO would write checks only after processing and approval of the refund from the VAT circle. This process was ineffective because of bureaucratic delays.

Exporters with 100 percent export sales do not have to pay VAT and other indirect taxes. However, exporters selling in both export and domestic markets must pay VAT and duties. The VAT requirements were too complicated, and the program developed for these exporters at DEDO could not be used because of lack of necessary data.

Small businesses with investment not exceeding Tk 500,000 are exempt from the VAT law and can claim refund of the custom duty paid for import of inputs used to produce export commodities. DEDO's flat rate system is of help in this regard.

As the VAT system was not functional, DEDO was authorized to pay duty drawback refunds directly to all exporters after receiving, screening, and processing the refund applications.

Deemed exporters (DE) are those who supply raw materials and other inputs to final exporters, with some inputs purchased from abroad and from domestic suppliers who also have imported and paid duties and taxes. Although entitled to duty drawback refunds, the DEs find it difficult to make claims because of their inability to assemble the documentary records of duty payments.

### **Increase in DEDO's Capacity**

#### *Assessment of the degree to which project activities increased DEDO's capacity to process claims more expeditiously and DEDO's present or potential capacity for further institutional development*

Capacities for calculation of input coefficients and flat rates have been expanded considerably in terms of quantity and quality through project inputs in the form of expert consultancy services, computers, software, and related training. The performance statistics of DEDO reflect this.

Refund claims are now processed in five days under the flat rates provision. Under the input coefficient system, it normally takes five weeks or more. However, we have noted the decline in DEDO performance during the past year, reflected in the increasing backlog of unprocessed claims. Four seminars and two workshops were useful in developing awareness among exporters who are supposed to draw benefits from the DEDO system. Seminars and workshops should continue to be held at suitable intervals.

DEDO capacity depends to a great extent on the motivation and morale of its staff. As the officers are on deputation, they seem to be lacking in this regard. Increasing the number of staff and officers may not be helpful in augmenting its capacity and performance unless they are allowed to remain in their positions on a more permanent basis. DEDO may have to be restructured and made more autonomous to increase efficiency in its operations.

## **THE EXPORT MONITORING UNIT OF THE EXPORT PROMOTION BUREAU**

*Export Monitoring Unit of EPB — Capacity to monitor exports subject to foreign quota limitations*

### **The Management Information System**

*Assessment of project achievements in establishing a fully operational computerized MIS for monitoring quota utilization and in training staff for its use*

A computer cell equipped with a file server and three personal computers running on a NOVELL network was scheduled for completion during August 1993. Software development was contracted to a local firm. Programs for processing statistical information, quota monitoring, and GSP utilization have already been developed. Operators are being trained in the use of these programs in the local area network environment. New programs are being developed by the contracting firm.

Twelve officers and five operators have trained in WordPerfect, Lotus 1-2-3, and dBase. Five more staff members are scheduled to be trained as operators in the computer cell; this is now being completed.

### **Frequency, Facility, and Quality of Information Updates**

*Assessment of the degree to which EMU performance has improved in the areas of frequency, facility and quality of quota information updates as a result of the project.*

The Textile Cell in EPB has one Honeywell personal computer with six dumb terminals and a multilink for the computerized quota monitoring and export licensing system. In 1991, USAID provided an ALR personal computer with 40 megabytes of storage capacity; USAID also provided a programmer for enhancing the capacity of the Textile Cell and Export Monitoring Unit (EMU). These inputs have contributed to the creation of a base for development of an effective MIS for the Textile Cell and the EMU.

Export statistics are maintained, processed, and published in monthly reports from these computerized facilities. The computers have provided data processing services in support of export promotion activities, as listed below:

- More than 21,000 visa records during 1991-1992 in connection with the export of ready-made garments to the United States;
- 18,000 export certificate-of-origin records during 1992 for export to European Community (EC) countries;

- 1,200 export licenses issued per month since December 1992 for export to EC countries;
- 800 quota-related licenses issued in 1992 for export to Canada;
- Each year, more than 20,000 data records related to quota allocation, certificates of origin, export licenses, and the like are preserved in the computer database.

The existing computer hardware and software support had reached the limits of its capacity in providing required data processing services on schedule. The Export Development Project has, however, provided support in setting up a computer cell with a networked computer system that is being developed by a consulting firm. Upon commissioning, the computer cell is to handle all needs in MIS and data processing for all sections of the EPB.

The newly functioning computer cell has not yet been tested. Thus, it is premature to assess the degree to which EMU performance has improved in terms of frequency, facility, and quality of information updates resulting from the operation of the computer cell funded under the project. The program development and training activities need to be completed in order for the computerized MIS and other systems to be run effectively.

### Review of Functions

*Assessment of the extent to which EPB has reviewed its operations to determine which of its functions could be better conducted by private export groups and steps taken to release such functions to such groups*

Once created, an organization, whether in Bangladesh or in the United States, is not likely to dissolve or transfer its functions on its own volition. Indeed, the natural tendency of any organization is to strengthen itself and increase the range and scope of its activities in order to solidify its power. We have found this to be the case with EPB, with one exception.

According to WPI's Long-Term Advisor, the previous Vice Chairman did show interest in divesting some of EPB's activities, especially in the promotional area, to private sector business associations and chambers. However, as is the nature of bureaucratic tenure in Bangladesh, he was rotated out of his position before his intentions could become reality. The Long-Term Advisor stated that action to support private sector associations and chambers in export promotion was deferred because the current Vice Chairman has not yet followed up on this interest. Thus, we find no evidence that EPB itself has taken steps to determine which of its functions could be better conducted by private export groups or that it has taken steps to release such functions.

This is not to say that the Government of Bangladesh is not considering such steps. Although he did not specify which functions will devolve or which public sector organizations will be affected, the message of the Minister of Commerce to the annual convention of FBCCI that "some of the functions discharged by the state will devolve upon the trade organizations" hinted that EPB may be involved.

In reviewing the amended terms of reference for the Long-Term Advisor under the project, part of his last eight months was to be devoted to reviewing EPB functions — to determine which ones would be better conducted by private exporter groups and to work with the private exporter groups on improving their capacity to facilitate export development.<sup>1</sup>

<sup>1</sup> Attachment 2, March 1993, p. 2, referring to the modified Scope of Work under the USAID-WPI contract.

Because of contracting and other delays and apparent lack of enthusiasm of the current Vice Chairman, such activities were not carried out until the last two months of the contract. At that time, a consultant study was prepared, comparing export incentives in Bangladesh with those of neighboring countries. There is also a study, still in process at this writing, undertaken by a consultant, Dr. Kumar Roy, and there is a commentary prepared by the Project Manager, Courtney Nelson, as part of his Final Report for the project in August 1993. Mr. Nelson points out that several alternatives exist for supporting the private sector — for example, through FBCCI or DCCI, or through a restructured EPB that would work closely with FBCCI, chambers, and exporters associations. He also raises the possibility of establishing a foundation modeled after Fundación Chile in South America.

Furthermore, the World Bank is pursuing the restructuring of EPB as part of its conditionality under the Second Industrial Sector Adjustment Credit. The main outline of the plan calls for the revamped EPB to have:

- Virtually complete autonomy from the government;
- A Board of Directors in which private sector membership is in the majority;
- Elimination of administrative duties such as quota administration;
- Organization of departments along priority product lines;
- Up-to-date marketing information through a trade information service;
- Elimination of staff rotation between the government and EPB; authority to hire and fire and to pay salaries comparable to those of the private sector; and
- A revamped selection and assignment process for commercial counselors overseas.

Having made such recommendations, the Bank's consultant points out that most traditional trade promotion organizations in developed countries have had a limited effect on export growth and that "those in developing countries have been found to be particularly ineffective." In any case, the conclusion is that "a study needs to be carried out to determine how the EPB should be restructured."

## **THE BANGLADESH BANK AND THE EXPORT DEVELOPMENT FUND**

### *Bangladesh Bank — Capacity to administer the Export Development Fund*

#### **Information and Training**

##### *Assessment of the project in developing information materials and training Bank staff in the administration of the EDF*

The informational materials developed for promoting the use of EDF consisted of the Users Manual, the brochure titled "Export Development Fund," and newspaper advertisements.

The Users Manual, which we find too long and cumbersome, is assessed below. It was distributed to all parties attending the eight seminars. The brochure is a four-page document, in English and

Bengali, describing the essentials of EDF, including a description of the Fund, the eligibility criteria, the rate of interest, and the period of the loan. The brochure has been an effective tool in increasing the understanding of EDF. It was distributed to more than 1,500 parties at the seminars and through the mail. The newspaper advertisements in three national dailies were also effective in spreading knowledge about EDF.

The training component of the project in relation to the Bangladesh Bank was very minor. Bank staff already had a clear understanding of how to administer EDF, because it was developed through close collaboration between the Bank and representatives of the World Bank. After some of the conditions were changed and the knowledge of EDF increased, largely through seminars, its rate of usage increased quickly.

The only project-funded training for the Bank was the participant training arranged in Malaysia for five government officials, two from the Bank. This trip took place between August 4 and 13, 1993; no trip report is yet available. However, the training was designed to acquaint the Bangladeshi officials with financing programs in Malaysia to assist exporters, concentrating on specific financing facilities for exporters, including provision of foreign exchange for import of raw materials, provision of credit for purchases of Malaysian goods, and other such facilities.

### **Dissemination of Information**

#### *Assessment of project contribution in developing and disseminating information on export financing to appropriate public and private sector agencies and industries*

The project has made a significant contribution in developing and disseminating information on export financing to public and private sector agencies and industries. This has led to a very successful utilization of the previously moribund Export Development Fund, as more fully detailed in the next section.

Information development and dissemination can be broken down into three related activities:

- Preparing and implementing eight one-day seminars in three principal business centers of the country (Dhaka, Chittagong, and Khulna);
- Preparing and distributing a Users Manual and an EDF brochure; and
- Placing advertisements in the print media.

The seminars attracted a wide audience in the nontraditional export community, as well as high-level government officials and representatives from key banks. The seminars were prepared in a standardized format, which proved to be replicable with few changes required. The morning sessions consisted of a registration period, an inaugural session, a tea break, and a business session. The afternoons were devoted to lunch, prayer, and a question-and-answer session. The more substantive portions were the inaugural session, the business session, and the question-and-answer session.

The inaugural sessions were generally scheduled for one hour and were addressed by high-level policy officials from the government, USAID, and the World Bank. The business sessions were devoted to the presentation of substantive papers covering technical and informational aspects of EDF. The final

sessions were devoted to answering questions from the participants on all aspects of utilization of EDF and to obtaining and recording recommendations from the participants.

A four-page brochure in English and Bengali, titled "Export Development Fund," was prepared, printed, and distributed to more than 1,500 bankers and exporters throughout the country. The project paid for print media advertisements, for both the English and Bengali press, to increase awareness of the EDF lending program.

The project's information components, especially the seminars, were important factors in activating a once moribund EDF to the usage of about \$10 million per year. This level should be maintained or increased in the years to come, as it finances credits up to 180 days, and should continue to roll over, as no repayment to IDA is scheduled for a 10-year period from the time of loan inception.

### **Use and Administration of the Export Development Fund**

*Assessment of the degree to which the project has contributed to increased utilization of the EDF and has facilitated the Bank's administration of the Fund*

The project has been instrumental in increasing use of the Export Development Fund and in facilitating the Bangladesh Bank's administration of the Fund.

The first point to recognize is that when the project was initiated, the World Bank and Bangladesh Bank were at an impasse over EDF's lending policies, and the World Bank was ready to cancel \$22 million of the \$25 million IDA credit.

The Long-Term Advisor for the project, Dr. Khebir Ahmad, was able to convince both parties that their differences were not irreconcilable, and requested time to explore options, in order to find sufficient common ground to allow EDF to be more fully utilized. (It should be noted that, during the first two years of the life of the Fund, less than \$200,000 had been loaned to exporters.)

The World Bank's position was that the EDF operating criteria should be relaxed to stimulate its use. The principal suggestions were to:

- Reduce the value-added criteria from 30 percent to 20 percent for all nontraditional exporters other than garments;
- Allow exporters with bonded warehouses to import raw and packing materials up to 50 percent of the value of the previous year's exports without the need for an export letter of credit;
- Increase the spreads available to the banks to the London Interbank Overnight Rate (LIBOR) + 1 percent and LIBOR + 4 percent, and eliminate the interest rate subsidy; and
- Waive the mandatory credit guarantee insurance, leaving it to the banks to decide whether they want the insurance.

The Bangladesh Bank gradually softened its position, accepting a value added of a minimum of 20 percent, except for garments, which remained at 30 percent and above; the interest rate to the ultimate borrower was set at LIBOR + 1 percent and a spread to the bankers of 2.5 percent for established

exporters and 3.5 percent for new exporters was allowed. However, the Bangladesh Bank found too risky the provision that would allow exporters with bonded warehouses to import materials up to 50 percent of the value of the previous year's exports without the need for an export letter of credit. Although Bangladesh Bank initially held to the mandatory use of credit insurance, this eventually was made optional, and the value added requirement for other than garments was reduced to 10 percent.

Dr. Ahmad was able to serve as an effective intermediary between the two parties and assisted them in reaching the compromise position discussed above, which allowed some breathing room to try to stimulate interest on the part of exporters and bankers to utilize EDF. Reducing the value added requirements and increasing the interest rate spread to the banks were important inducements in increasing the rate of utilization.

Greater impact, however, was produced by the eight seminars, dissemination of the brochure, and newspaper advertisements about EDF. Prior to the initiation of the seminar series, a small sample survey of bankers and exporters found that very few exporters knew about the availability of the Fund, and the bankers were not very enthusiastic about it. The eight seminars in the three principal business areas of the country, all of which were well attended, have been widely recognized as a key factor in accelerating EDF's use to the point that in August 1993 more than \$19 million had been opened in letters of credit, \$14.6 million had been disbursed, and \$11.9 million had been received in repayment. The increased utilization resulted in a decision by the World Bank to extend the IDA credit until June 30, 1994, by which time the full \$30 million of EDF — \$25 million IDA loan and \$5 million BB contribution — should be committed in subloans.

We should also point out that, in line with declining international rates, the LIBOR + 1 percent rate has meant a current interest rate of less than 5 percent (payable in foreign exchange) for EDF's ultimate borrowers, as opposed to more than 8 percent when the Fund was established. This is an exogenous factor that has also had a stimulative impact on EDF usage.

## **The Export Development Fund**

### *Assessment of the EDF manual for clarity and general adequacy*

USAID contracted with a consultant to prepare a manual to facilitate use of EDF. It was prepared in English in October 1990. Subsequently, a Bengali version was prepared in April 1991, and was printed for distribution among interested parties. The Long-Term-Advisor started actual distribution in early 1993; distribution was continuing at the time of this report.

As disclosed in the preface of the manual, it was intended to be used by Bangladeshi exporters; it dealt with exporting procedures, export financing, and the management and use of EDF. Chapters 1-5 of the manual cover activities, procedures, documentation, institutions, and the like related to exporting and export financing in general, including complex foreign exchange transactions, which exporters in general need not know and understand. In Chapter 6, the manual covers the background, objectives, and management of EDF by Bangladesh Bank and commercial banks. Chapter 7 contains details on the use of the Fund by exporters and the export credit guarantee facility of the ECGD.

The EDF Manual was poorly conceived, designed, and printed and served very little purpose in increasing the use of EDF by nontraditional exporters. It should be revised down to 20-25 pages, with charts, diagrams, and sample computations showing the advantages of EDF. Thereafter, it should be distributed to various nontraditional exporters associations in Bangladesh.

## THE EXPORT CREDIT GUARANTEE DEPARTMENT

*Export Credit Guarantee Department of SBC — Capability to provide loan guarantees to banks lending to exporters seeking pre-shipment financing and to settle claims expeditiously*

### Computer System

*Assessment of project success in establishing an MIS and data processing system*

The Export Credit Guarantee Department now has a powerful computer system using a network server running NOVELL Netware 3.11 with five workstations. The MIS development was done in FoxPro/LAN 20. Testing and debugging of all modules may have to continue for some time after the August 31, 1993, deadline.

There remains a very large backlog of data entry operations needed for the historical and current data files. These databases need to be completed so that the system can be implemented and run on a regular basis.

The MIS design was quite thorough in terms of detailed data definition in a good number of input-output formats. Less attention was given to selective use of data for specific forms related to management use in decision making. The pattern of database linkages has not been clearly defined in the MIS design. This makes it difficult for the programmer to develop the MIS in an integrated and efficient way, forcing improvisation.

There seems to have been very little active interest and participation from management during the design and development of the MIS, which is to be an integral part of the management decision-making process.

### Training

*Assessment of the relevance, quality and timeliness of project provided training of ECGD personnel in administration of the export credit guarantee systems and data processing systems*

Computer training was provided to some officers and staff of ECGD. Three officers and two staff have received training in WordPerfect, LOTUS-1-2-3, and data entry. In addition, one officer and three staff have been trained in program use.

The training given is at a general level. The trainees could, at best, be expected to make an intelligent use of the computer and of the program, including data and processing jobs based on menu-driven procedures.

## **Contractor's Study**

### *Assessment of the contractor's study of the ECGD for relevance and quality*

The contractor's study of ECGD consisted primarily of the work of A. Govindan of Nathan Associates, who issued a report on the study titled, "The Schemes, Organization and Financial Viability of Export Credit Guarantee Department (ECGD) of Sadharan Bima Corporation, Bangladesh." USAID and the prime contractor, WPI, were not satisfied with the new structure of ECGD as proposed in the report. Essentially, the recommendation was that ECGD be separated from Sadharan Bima Corporation (SBC) and be set up as a state-owned enterprise. This was considered ill advised, in view of the history of money-losing state enterprises in Bangladesh, and because the establishment of a new state enterprise would reverse, at least in this instance, the trend toward privatization. USAID support of a new state enterprise would also send the wrong signals to the Government of Bangladesh.

That being said, it should be pointed out that Mr. Govindan's long experience in this business in India, as part of a state enterprise that has been functioning relatively well, would naturally influence his thinking in the direction of trying to replicate the Indian experience. Thus, we do not conclude that his recommendation was ill conceived in itself, but rather, that it did not match the philosophy of the donor agency — USAID — and did not consider the poor record of such organizations in Bangladesh. The key point, however, is that, regardless of the organizational structure, the export credit guarantee program had serious operating difficulties and was suffering unacceptable losses at the time of Mr. Govindan's study.

Aside from this controversial point, the team's review of the Govindan report finds that he was able to pinpoint the principal defects of the program, as well as some of the key administrative problems, both of which have led to the increasing losses and the reduced level of business of ECGD. Any attempt to improve the operations of an export credit guarantee scheme, regardless of the organizational structure and the degree of private sector participation, will need to address these problems. Thus, it is important that our review summarize the key findings of Govindan's study, starting with the root causes of the losses and subsequent reduced business.

The key reasons for program losses pertain to premature payment of claims and the nonrecovery of claims paid. These problems are concentrated on the preshipment finance guarantee program, which consists of some 90 percent of the program's volume.

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### **Premature Payment of Claims**

In accordance with the rules of the program, claims can be lodged by banks either on account of insolvency of the exporter or protracted default of the exporter. However, banks were taking advantage of the program by making claims once a guaranteed loan was not paid past the due date, at which time the loan was in arrears but not in default. In many cases, the banks continued to grant advances to the same exporters against other export orders or letters of credit. For a time, ECGD was making payment at this stage, rather than after recovery action had taken place or a real default had occurred.

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### **Nonrecovery of Claims Paid**

Although the guarantees issued to banks require that the banks continue recovery action against the exporter after ECGD has paid a claim and pass on to ECGD 75 percent of the amount recovered, the

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record on this matter is poor — about 5 percent of claims paid. Some of the banks hold the view that either no recovery action need be taken against the exporter after payment of the claims by ECGD or that, even if there is recovery, it is unreasonable for ECGD to take a portion from the bank.

It appears that the banks and exporters have viewed ECGD as a milking cow and a form of largesse to be distributed among themselves. With outstanding claims of Taka 422 million (as of December 1989) and total income of Taka 115.8 million, it was imperative that claim payment be drastically reduced unless large subventions would be granted by the government and the SBC. This did not take place.

This disastrous situation led to a number of solid recommendations by Govindan with regard to staff training, creation of an autonomous organization that could retain staff, establishment of a whole turnover-preshipment guarantee, and making the state banks shareholders in the new corporation to give them a stake in its success.

Following the Govindan report and the defects described above, Dr. Tom Timberg of Nathan Associates was asked to respond to the concerns raised by USAID. In addition, Courtney Nelson, WPI Project Manager, made an initial response in a March 1992 memo to James Mudge of USAID, pointing out that "a broader look must be taken at ECGD's role and functions if the organization is to again become viable and contribute to expanding the non-traditional exports of Bangladesh. The client for the recommendations must shift from ECGD to the policy level people [in the government]." He appended several documents to his memo, including the observations of Dr. Timberg.

The Timberg report did a good job of identifying the administrative weaknesses of the current system and in proposing a course of action to follow. With regard to the administrative problem, Timberg made four main points:

- The credit guarantee function is peripheral to SBC's overall insurance business, resulting in a lack of commitment to the activity by the parent organization;
- Staff morale is low because they feel they are engaged in marginal aspects of their parent company's business;
- Staff rotation into and out of ECGD lowers its effectiveness in performing one of its key functions — information gathering; and
- The banking community has little identification with or participation in ECGD, resulting in some abuse of the facilities offered.

He then went on to recommend the next steps to be undertaken, including the following:

- Two surveys to:
  - Analyze the demand for export financing and export credit guarantees, and
  - Determine the cause of the unusually high level of claims submitted to ECGD in the past two years, and the performance of ECGD in dealing with them;

- Appoint a joint working group on export credit guarantee policies and procedures consisting of representatives of ECGD, the banking community, and EPB. The group could begin by considering the specific operational recommendations of the Govindan report; and
- Conduct courses, seminars, and workshops and build library resources designed to improve ECGD's competence and credibility with exporters and the banking community. The project plans to hold 14 brief training courses for ECGD staff, 7 seminars for exporters and members of the banking community on ECGD operations, and 3 workshops for ECGD officers and bankers.

Considering the content of the three reports on ECGD, including the diagnosis of the problems, the proposed solutions, and a concrete plan of action, it is the view of the team that the analyses were very professional and highly relevant and did not lack in quality. In this context, the team also believes the Govindan report was accurate in addressing the key operational problems and in the proposal to introduce a whole-turnover insurance scheme as a way to build premium income and spread risk.

Whether these series of studies resulted in strengthening ECGD is addressed in the next section of the evaluation.

### **Training Assistance**

#### *Assessment of the contribution of the policy advisory services of the technical assistance in strengthening ECGD*

The evaluation team concluded that technical assistance under the project resulted in stabilizing the deteriorating condition of ECGD through a number of activities outlined below. However, the root causes of the organization's weakness have not yet been addressed — specifically, those related to the turnover of staff and the ultimate decision on increasing the autonomy of the organization, how it is to be restructured, and in what form. Thus, the team's conclusion is that ECGD has been improved but not substantially strengthened, and is not likely to be strengthened until and unless a restructuring takes place, including its removal from SBC.

There appear to be two options. One is to convert ECGD into a fully owned subsidiary of SBC. The second, seemingly preferred, is to create an independent corporate body with shareholding distributed among the banks, exporters, and government — the government's shares to be offered to the private sector when feasible. The advantage of this second approach is that it would solve the staffing problem in that it would give the staff clear-cut career opportunities, thus increasing motivation. In addition, it would provide the bankers and exporters, who are the program's clients, with a stake in the company, making them more aware of its operations and schemes and more concerned about eliminating losses, because such losses would adversely affect their own financial position. This option would, in effect, partially privatize the ECG program and reduce the likelihood of it being perceived as a subsidy program to be milked.

Under this type of restructuring, USAID's objection to the creation of another money-losing state-owned enterprise should be alleviated. It is the clear choice of the World Bank, as outlined in its Aide Memoire of May 1993, relating to implementation of its IDA loan for the Export Development Project.

This evolution in thinking was initiated by the studies undertaken under the WPI contract, as described above, and by the follow-on technical assistance provided. The Long-Term Advisor was

instrumental in the establishment of a committee — consisting of representatives of Bangladesh Bank, ECGD, and seven other members representing various banks, with the Long-Term Advisor as observer — whose function was to address the key operational problems discussed in the Govindan report. Govindan's recommendations on claims procedures and recovery actions were substantially agreed upon after two meetings of the committee. The exception was the whole-turnover policy, which was deferred, pending the preparation and circulation to the bankers of a paper on it.

As the result of two interministerial meetings, in March and May 1993, the Chairman (the Secretary of Commerce) asked the Long-Term Advisor to obtain the opinions of two prominent insurance companies — Reliance and Bangladesh General Insurance Company — on ways to reorganize ECGD. Both agreed that it should be made a parastatal because its functions are export-promotional and not profit-oriented. Furthermore, the Long-Term Advisor wrote to the Secretary, Ministry of Commerce, asking that he call a meeting of representatives of banks, insurance companies, chambers, and export associations to consider a proposed restructuring plan, the outlines of which he included in his letter. This meeting did not take place.

In spite of these actions, the decision on restructuring ECGD was still pending at the conclusion of the WPI contract on August 31, 1993, and will be taken up, once again, during the next World Bank review.

Nevertheless, the planned series of training courses, seminars and workshops, and participant training trips abroad have taken place, resulting in a better understanding of standard export procedures, documentation related thereto, the role of an export credit guarantee program, and the responsibilities of each party — ECGD, bankers, and exporters — in ensuring that export transactions take place within an acceptable range of risk. This better understanding will facilitate an improved program when the restructuring decisions are made.

A series of fourteen training courses was held in Dhaka and in the regional business centers of Chittagong and Khulna. The series was well attended, often oversubscribed, and averaged between 25 and 30 trainees, consisting of bankers, exporters, and government officials. The two-day programs covered the nuts and bolts of exporting as well as the various aspects of guarantee programs.

Finally, the four overseas participant training trips proved valuable in transferring knowledge to ECGD staff on how export credit guarantees are handled in other countries. The final trip, to India, was judged as particularly valuable for the junior officers of ECGD, because it gave them the opportunity to see at the working level the operations of guarantees in India, where the system has been functioning successfully since 1957. Whether the trips were worthwhile for top-level staff is questionable because of the frequent staff turnover, which is normal in the public administration of Bangladesh.

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## **CHAMBERS OF COMMERCE AND INDUSTRY**

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### *Private export associations and export oriented interests in the Chambers of Commerce — Capacity and willingness to perform export related activities*

There are many business associations in Bangladesh, and several of them are quite active and well organized and are seriously trying to improve the capacity of the private sector to expand profitable business ventures in both industry and services, including the export sector. The apex organization is the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), whose 172 members are

not individual businesses but are member institutions, of which 55 are chambers and 117 are associations. The latter represent specific individual business sectors.

The three other principal chambers are the Dhaka Chamber of Commerce and Industry (DCCI), the Metropolitan Chamber of Commerce and Industry (MCCI), and the Chittagong Chamber of Commerce and Industry (CCCI). Of these, DCCI is the largest and the most diverse in terms of membership, with some 5,000 members. MCCI has only about 250 members, concentrated on larger firms. It is a close-knit group, receives no foreign assistance, and is not easily accessible. In fact, the evaluation team was not able to arrange a meeting even after being asked to write a formal request to the group.

There is also a variety of exporters associations. The largest, most well organized, and best funded is the Garments Manufacturers and Exporters Association. This is not surprising, considering the outstanding success of RMG exports during the past decade. The other export associations of note for the purpose of this study are those pertaining to footwear and finished leather; frozen foods; fruits, vegetables, and related products; handicrafts manufacturers; and terry towel and linen manufacturers. These products are considered nontraditional exports, as opposed to jute, jute goods, and tea. Most of these organizations are weak or are at an embryonic stage of development.

There is a move to establish a second apex organization, in addition to FBCCI, to concentrate on the special needs of the export sector. The *Bangladesh Export Development Strategy for 1992-2000*, published by the Ministry of Commerce (November 1992), specifically states that "the private sector exporters will be encouraged to establish a 'National Exporters Association' which will act as a conduit for disseminating information, and form working groups for identifying specific export-related problems to place them before the Export Promotion Council of the Commerce Ministry and also before other forums of the Government."

However, FBCCI believes that a second apex organization will duplicate and dilute the functions already performed by FBCCI, and that, instead, FBCCI should be strengthened to better represent the export interests of its members. Parties organizing the Bangladesh National Exporters Association, however, believe their own organization can better concentrate on the problems and needs of the export community. They point out that traders and manufacturers for the domestic market, while sharing some mutual interests, often have an agenda conflicting with exporters, particularly regarding the need for tariff barriers to protect their interests.

These organizational issues need to be sorted out and resolved prior to any new donor assistance to business associations for export promotion and related measures.

## **New Approaches**

*Assessment of the extent to which private export groups and associations and the export interests in the chambers of commerce have developed new approaches to increase their export promotion activities*

As a result of the fairly recent government decision to pursue export-led growth and liberalize the economy, the various chambers and associations have been concentrating their efforts in two key areas to increase their export promotion activities.

First, they have come together, under the auspices of FBCCI, to improve the private-public sector dialogue, through conventions, meetings, workshops, and written statements, concentrating on issues that

impede the development and expansion of profitable businesses. Thus, they are increasingly becoming an effective advocacy group on critical policy issues and a voice for supporting administrative reform in government to overcome bureaucratic impediments to doing business in an open way with minimum interference on the part of the bureaucracy.

In this regard, they are supporting the Government of Bangladesh's efforts to deregulate the economy and cut down on needless and redundant paperwork that delays business transactions and increases costs. If there are conflicting interests on the part of the membership, FBCCI tries to reach a consensus which will best meet the entire private sector. A membership group that does not agree with the position of FBCCI is then free to pursue its agenda directly with the relevant government authorities.

Increasingly, members of business associations are also serving on public sector committees — such as the Export Promotion Council, under the Chairmanship of the Commerce Minister — and on the boards of public sector institutions, such as the Export Promotion Bureau, to ensure that private sector concerns are taken into consideration as part of the government's decision-making process.

Second, they are building their capacities to offer training services, trade-related statistics and publications through their library facilities, research on business and trade-related issues, information on current business and trade topics in their monthly publications such as the DCCI *Monthly Review* and FBCCI's monthly *Trade Information Service*, and linkages with federations of commerce in other countries to pursue business relationships and track international trade shows and exhibitions for their members. In varying degrees, they are preparing themselves to start taking over a variety of promotional and regulatory functions from the government. The greatest recent advances in these areas have been made by FBCCI and DCCI. The Garment Exporters Association, however, is considered the strongest, based on the success of RMG exports and the support provided by its membership. This group has decided to put increased emphasis on establishing backward linkages, especially with textile mills using modern technology, including the latest equipment, which can increasingly compete with imported textiles and, thereby, increase the value added in the industry.

### **Expansion of Export Activities**

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#### *Assessment of the success of the private export associations and the export interests in the chambers of commerce in expanding their export activities*

The description of new approaches to increase exports is more straightforward and less judgmental than determining actual success in expanding export activities, which can be directly attributable to the chambers and associations. Judgments on this point are more subjective and qualitative. With that caveat, we offer the following opinion.

~~We believe the greatest success in expanding export activities on the part of the chambers and associations is that their positions on policy questions and administrative matters are being effectively communicated to the government, and that the membership is strong enough and respected enough for the government to seriously consider and often act on their recommendations. The greatest movement has been evidenced in the policy changes that have liberalized the economy and have been generally conducive to a strategy of export-led growth. There is no question that the donor community, led by the International Monetary Fund and the World Bank, has had an important role to play as well, through conditions placed on its assistance.~~

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Even more important is the role played by the chambers and associations, acting on their own and through the Federation, in specifying the administrative constraints that must be removed to make the macropolicy-level changes work as intended. By pinpointing lapses and lags on the part of the government in issuing instructions to the bureaucracy on new rules and administrative procedures needed to make policy decisions effective and pinpointing failure to ensure that such procedures are actually being carried out, the business organizations are an important channel in communicating administrative noncompliance or needless harassment back to key government decision makers.

As the Federation, its membership, and, possibly, a new Bangladesh National Exporters Association gain strength and develop better analytical capability, their voices become increasingly powerful in protecting individual exporters and other business interests from administrative abuse detrimental to business in general and export growth in particular. There is evidence that these voices have a slow but sure effect in improving administrative procedures, although opinion is divided on this point.

Perhaps the greatest success can be attributed to the Garment Exporters Association in isolating itself from the bureaucracy by its advocacy in establishing the special bonded warehouse system, under which there is minimum interference on the inflow of inputs and the outflow of finished goods for the export market. This experience has been instructive for the government and for other exporters associations because of the spectacular results achieved, whereby there is an estimated \$700 million per year of value-added exports in the garment sector, with hundreds of thousands of job opportunities, especially for Bangladeshi women. The RMG sector can truly be called the catalyst for the current export drive; other business sectors, such as leather goods, are following this example, with the attribute that their value-added potential is greater because of the availability of local raw materials.

The libraries and research facilities of the Dhaka Chamber and the Federation track trade statistics, trade fairs, and other information sources. These resources offer some assistance but capacities are quite weak. Thus, little can be attributed to export success from these functions, except for the Garment Exporters Association.

We conclude that the greatest success in newer nontraditional exports has come from an increasingly more knowledgeable and aggressive entrepreneurial class, which has taken advantage of new opportunities through its own contacts abroad. Many of the entrepreneurs are foreign-trained Bangladeshis who have gained knowledge of global trade trends and have returned with a vision to make Bangladesh a part of the global trading system. These entrepreneurs are adding to business associations their knowledge and expertise, which, in turn, make the associations stronger in pursuing the export agenda through advocacy of policy and administrative change and provision of services to members.

Gradually, momentum is building to create the proper environment for export-led growth. The forces with a vested interest in regulation, state control, and protection from competition are eroding, if slowly at this time. However, this process is similar to the processes that took place in countries such as Thailand and Indonesia prior to their take-offs. When a critical mass has been established, impediments can quickly be removed and exports can accelerate, as they have in Thailand and Indonesia. Bangladesh now seems headed in this direction.

On balance, it would appear that donor assistance concentrated on the proposed Bangladesh National Exporters Association would have the greatest potential in contributing to the country's efforts in expanding nontraditional exports, provided it is established as proposed and can demonstrate that it has widespread support among private sector interests involved in export related activities. Judgments on this point must be reserved until some key decisions are made.

## OTHER SUPPORTING ACTIVITIES

### *WPI — Other supporting activities*

*Assessment of WPI's performance in providing inputs, including the timely provision of appropriate computer equipment, specialized technical assistance and training*

Our review concludes that WPI did a very competent job of providing the various inputs to the four implementing agencies — Bangladesh Bank, DEDO, ECGD, and the Export Promotion Bureau — considering the constraints it faced. The major constraints included an initial delay in project start-up because of the War in the Persian Gulf and a second delay caused by the cumbersome process for government approval of funds for the second year; the initial disagreement between the World Bank and Bangladesh Bank about EDF; the rapid turnover of top-level officials in the implementing agencies, with some replacements having different agendas and priorities from their predecessors; occasional delays in acquiring equipment because of difficulties with some suppliers; and an occasional failure of consultants to meet their schedules on time. These constraints are not unusual in developing countries, but the project's Long-Term Advisor was able to work through the problems and meet all but a few of the planned outputs.

### **Bangladesh Bank**

#### **Planned**

Assistance to Bangladesh Bank was designed to hold eight seminars in business centers in the country to promote use of EDF, adopt other promotional measures for EDF, and organize two participant training trips for bankers, one in each year.

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#### **Accomplishments**

All eight seminars on EDF were held between July 1991 and November 1992, with proven results in terms of increased use of EDF. A manual and a brochure, explaining the operating features of EDF, were prepared, published, and distributed to more than 1,500 bankers and exporters. Newspaper advertisements announced the availability of EDF. One participant training trip took place instead of the two planned, because the Finance Minister placed a temporary ban on bankers' travel during the budget consideration period. The trip, to Malaysia, was recently completed.

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#### **Problems**

The biggest problem occurred at the outset, as the Bangladesh Bank and the World Bank were at an impasse on some of the key conditions pertaining to EDF. This was overcome, in no small measure, by the efforts of the Long-Term Advisor, as explained above.

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## **Export Promotion Bureau**

### **Planned**

Limited project assistance was planned for EPB, including provision of a local MIS consultant for three months and a photocopying machine, a word processor, and a microfiche. However, the revised plan for January-August 1993 contained three additional activities: establishment of a computer cell in EPB to process all export-related information with requisite computer and other equipment; provision of training to 10 EPB officers and staff to establish an effective MIS; and assistance to EPB, the private export associations, and export interests in the chambers to expand the functions of the private export organizations.

### **Accomplishments**

Although orders were placed in May 1993 for the equipment to establish the computer cell, problems with suppliers resulted in a delay in the arrival of the computers until July 1993. Installation was taking place shortly before the end of the project. In spite of the late arrival of the computers, a contract for MIS development and training was signed in May 1993. Program development for the Statistics Department began in June and was finished in late July. Simultaneously, training of 19 officers and operators was completed. With regard to the final program involving the export associations and chambers, activities were limited to assessing their roles, functions, and interests and recommending ways they could expand their export functions.

### **Problems**

A key problem was the turnover of top-level officers, especially the three changes at the level of Vice Chairman, who is the head official of EPB, during the life of the project. Each official had a different agenda, especially on the transfer of functions to private sector organizations and on interest in computerization. This problem of frequent turnover of high-level officials is endemic in public sector agencies.

## **Export Credit Guarantee Department**

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### **Planned**

Project plans called for an expatriate policy advisor for two months to examine ECGD's problems and recommend solutions; an advisor for four months to design a computerized MIS; training of ECGD staff in the use of computers and computer programs; organization of short-term overseas training for eight ECGD officials; supply of computers and other equipment; organization of a series of 9 seminars, 14 training courses, and 3 workshops; and securing of membership in the Berne Union.

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### **Accomplishments**

The expatriate policy advisor was hired for September-November 1991 and submitted a report outlining problems and proposed solutions. Some controversy was created by the recommendation to create another parastatal. Two other reports were prepared to make necessary revisions. One expatriate advisor was hired for three months to design the MIS, and a national computer programmer was hired for two years to develop the related MIS programs and guarantee processing system and to train two staff members and three officers. Four short-term training trips abroad were arranged and judged to be successful, especially the last trip to India. All 7 seminars and 14 training courses were held for ECGD staff, bankers, and exporters. The three planned workshops were not desired by ECGD management. Finally, membership in the Berne Union was not possible, because the volume of ECGD business fell below the threshold needed for admission.

### **Problems**

The core problem, the need for ECGD restructuring, remains to be solved. Changes at the level of General Manager and the view that assignment to ECGD by its parent organization is a demotion only highlight the need for restructuring.

### **Duty Exemption and Drawback Office**

#### **Planned**

Project plans called for a Long-Term Advisor to be assigned to DEDO for 16 months; four expatriate input coefficient consultants to be assigned to DEDO for seven weeks each; purchase of computer equipment and software to introduce an MIS; purchase of a vehicle; overseas training visits by six DEDO officials to Asian countries; and four seminars and three workshops to be attended by 500 bankers, exporters, and officials.

### **Accomplishments**

The Long-Term Advisor was extended from the original 16 months to a total of 29 months, although he was assigned to EPB for the last 8 months. After the first of the planned four visits of the input coefficient consultants, DEDO officials determined that further consultations were not necessary. Instead, an additional expatriate consultant was supplied for the design of the MIS, and the balance of the allocation was devoted to extending the assignment of the Long-Term Advisor. Purchase and installation of computer equipment and software were provided as planned, as was the vehicle. Two overseas training trips were completed for five DEDO officials. Four one-day seminars (involving 35-50 bankers, exporters, and DEDO officers) and six two-day workshops were also held.

### **Problems**

DEDO faced the usual problem of high-level turnover, as three changes were made at the Director level during the life of the project.

## SECTION THREE

### CONCLUSIONS AND RECOMMENDATIONS

The team's conclusions and recommendations flow from the key findings discussed above. Based on the findings, the recommendations emphasize ways the private sector, through its business associations, can and should take the lead in administering export policy measures as a more logical alternative to concentrating resources on the public sector agencies to do the same. We believe that, with the proper assistance and oversight, the private sector can do a better job.

That being said, we also should emphasize the important role the Government of Bangladesh has in creating the proper environment for export-led growth through appropriate policy setting and related transparent administrative procedures; the provision of infrastructure; and a rational legal system, laws, and enforcement measures that prevent a privileged group from abusing its influence or bureaucratic status.

In assessing the implementing agencies assisted under the USAID-funded project, the team concluded:

- EDF is now working well and the Bangladesh Bank, the commercial banks, and the exporters all have a clear understanding of the program. EDF should now be self-sustaining at a level of at least \$1 million per month, gradually rising to \$2 million per month as the \$30 million fund rolls over. The only area in need of assistance is in simplification of the Users Manual, an unnecessarily long and complicated document.
- DEDO is now functioning and should continue to do so, considering progress in setting flat rates, the staff training, and computer technology installed with project funds. The follow-on local technical assistance funded for another year should be sufficient to sustain its operations until the time when its functions may be transferred to the private sector or eliminated. However, the recent build-up of unprocessed claims is a cause for concern, as is the rate of staff turnover. We find these two factors to be related.
- ECGD has stopped its decline, but fundamental decisions are needed to decide ultimate restructuring. This should be facilitated by the knowledge imparted under the project. However, decisions about its future are now subject to a dialogue between the World Bank and the Government of Bangladesh.
- EPB functions should, for the most part, be transferred to private sector organizations, unless EPB's restructuring, proposed as a condition to an IDA loan, results in a truly autonomous organization, with a majority of the board of directors from the private sector, and a permanent professional staff. In any case, assistance under the project has, for the most part, been restricted to improving MIS capacities in monitoring the quota program for the garment sector, in carrying out a comparative study on export incentives, and in carrying out a study of functions that could be transferred to private sector organizations. We believe some of the functions to be improved under the World Bank's proposed program for EPB could be better handled by a newly formed National Exporters Association or by the Federation and its members. However, final judgment should be reserved until decisions are

made on the restructuring and hard evidence is displayed that the decisions will be implemented and have the support of EPB's private sector clients (that is, exporters).

### **FACTORS FOR SUCCESS IN EXPORT-LED GROWTH**

In spite of the progress made under the project, however, we should note that Bangladesh's performance in terms of achieving success of an export-led growth strategy is still relatively poor when compared with most other Asian economies and when compared with the country's potential. We should particularly note the success of Thailand and Malaysia over the past decade and, more recently, China and Indonesia, both of which have a large, low-cost, and disciplined labor force. India has also taken great strides in accelerating its exports over the recent past, many of which are in products competing with those from Bangladesh. Finally, Vietnam is taking measures to develop its export potential and can offer both natural resources and a hard-working, educated, and low-cost labor force. A key factor in all of these export drives has been the role of direct foreign investment (DFI) in providing capital, technology transfer, and marketing expertise. Although DFI has been low in Bangladesh, the technology transfer and marketing expertise provided by the Koreans were the key factors in launching the successful export push in ready-made garments. Similar factors are at work in finished leather, through the Italian connection.

It would be useful for Bangladesh to take into account and learn from the rapid pace of reforms in the economies of its more successful Asian neighbors and the resulting progress they are achieving in increasing their growth rates through an export-led strategy. Without similar efforts, Bangladesh risks being a permanent marginal player with little prospect for measurable improvement in its economic condition.

That Bangladesh has the capacity to improve its performance has been proven by its enviable record in the export of ready-made garments. As mentioned above, this sector has achieved remarkable success over the past decade, based on factors that could be relevant to other export areas: a technical and marketing tie with an advanced industrial country; incentives to allow duty-free imports of critical inputs through a bonded-warehouse-scheme; entrepreneurship on the part of Bangladeshi businessmen; a low-cost, efficient work force with a minimum of labor disputes; and minimum interference on the part of the entrenched bureaucracy.

These same factors can come into play in other export-oriented sectors and, indeed, are already occurring to varying degrees in shrimp, frozen foods, and leather goods. However, the pace can be accelerated, and new nontraditional areas are waiting to be exploited. Other countries have shown that spectacular progress can be achieved in a relatively short time — witness Thailand and Malaysia over the past ten years, where gross domestic product has often exceeded 10 percent per year, based on a strategy of export-led growth.

Several measures, however, need to be instituted in a coordinated manner, reinforcing one another to achieve the common objective of maximizing nontraditional exports as the leading factor in accelerating economic growth. The key factors relate to the following: an appropriate policy environment; a well-functioning financial system; an administrative structure led by the private sector, with public sector support, including an expanded role for business organizations in strategic planning and provision of business services to their membership; continued progress in economic deregulation; public sector investments concentrated in infrastructure support and human resource development rather than in support of state owned-enterprise (the latter to be privatized to reduce the budgetary drain); a rational legal

system, laws, and enforcement measures that prevent privileged groups from abusing their influence or bureaucratic status; and a systematic effort to attract foreign direct investment and technical and marketing relationships.

A wide-ranging agenda of action is needed, and the donor community is in substantial agreement on the points described above. The Government of Bangladesh has also stated its intention to adopt many of these measures. Considering the more limited objectives of the current exercise, however, we will focus our attention on the next, more moderate, steps to be taken as a natural follow-on to the achievements realized under the technical assistance provided by the Export Development Project. It should be understood that the steps can be effective only if progress is made in the other areas, starting with a conducive policy framework — the most important components of which are a competitive exchange rate; a rational labor policy whereby wage increases are related to growth in productivity rather than to forcing up wages by fiat, thereby reducing the country's competitive position with regard to other low-cost production bases in Asia; and gradual reductions in custom duties for imported production inputs tied to revenue increases generated from the value-added tax system and improved collection of income taxes.

### RECOMMENDED NEXT STEPS

The next steps recommended involve an increased role for the chambers of commerce and exporters associations, especially the nascent Bangladesh National Exporters Association called for in the *Bangladesh Export Development Strategy for 1992-2000*. If that organization is formed and attracts private sector support through the various individual export associations, donor assistance should be concentrated on it. If it is not going to get off the ground, or attracts little support, then donor assistance should be channeled through FBCCI. There are also the uncertainties surrounding EPB to be taken into account, including its ultimate role and capabilities once its restructuring takes place. Thus, the team's recommendations must remain somewhat general until these organizational arrangements are decided.

To perform the increased functions needed to support nontraditional export growth, a program of assistance will be needed to strengthen business organizations in terms of professional capability and financial capacity. As this takes place, current public sector functions, such as those performed by EPB, DEDO, and ECGD — and even some performed by Customs — should gradually be transferred to the chambers of commerce and export associations or privatized to capable private sector bodies such as insurance companies and accounting firms. Initially, the Bangladesh National Exporters Association would take over many of the promotion functions in the export sector, especially those currently under the auspices of EPB, with the public sector organizations maintaining an oversight and support function, with gradual elimination where warranted.

#### **Strengthen the Bangladesh National Exporters Association or the Federation, the Chambers of Commerce, and Export Associations**

The first order of business will be to strengthen the Bangladesh National Exporters Association to make it financially self-sustaining. This can occur only if it is perceived as performing vital functions benefiting both the economy of Bangladesh and its membership.

In addition, a program of technical assistance will be needed to perform a variety of functions and serve as a catalyst in launching the organization toward self-sufficiency and improved services for

its membership. The technical assistance functions will include staff training, program development, financial planning, membership expansion, and external relations with similar groups abroad. The technical assistance would be supported with sufficient funds to build up MIS capabilities (computer hardware and software), library resources, and budgetary support if warranted. Budgetary support would decline year by year as funds are generated internally through membership fees and fees for services performed. (We should note that FBCCI, MCCI, and DCCI receive a major share of their revenues through rent collected from lease of building space they own.)

The assistance program could be devised only through a feasibility study that would analyze current and planned operations and determine precisely the type and level of assistance needed to allow BNEA to perform export promotion functions and eventually take over a portion of the regulatory functions currently carried out by public sector agencies.

The top priority in terms of export promotion, which could be assisted by the technical assistance program — and is not currently handled in any organized way — is in strategic planning and follow-up services to determine export market niches in which demand in industrialized countries is rising and in which Bangladesh has the potential to compete, based on its natural and human resource base, as well as the steps needed to launch successful enterprises in these areas. The study would be designed to serve as a catalyst to replicate in other areas accomplishments in ready-made garments. Once the study is complete, further expertise could be provided to identify interests that could work with Bangladeshi entrepreneurs in areas identified as having export potential, with the goal of initiating business deals.

For illustrative purposes, we have chosen two sectors in which the preliminary indicators show that Bangladesh might be able to compete (although many more could be cited). These are athletic shoes and agribusiness.

### **Athletic Shoes**

Two of the larger athletic shoe makers are Nike and Reebok. Their strategies are similar in that they concentrate on shoe design, quality control, and marketing (including huge advertising budgets). Both companies have turned to Korea as a source of supply for the production of shoes that contain a high rubber, leather, and cloth content. It is up to the Korean companies to meet the quality control specifications and agreed-upon production volumes. However, with rising labor costs in Korea, much of the production is now being taken offshore by the Korean companies to countries such as Indonesia. It would not be surprising to see Vietnam getting much of this business once the U.S. trade embargo is lifted.

Bangladesh developed its ready-made garment industry through a similar connection with a Korean firm that had reached quota limitations in U.S. and Canadian markets. Considering this established link, the progress already being made in Bangladesh in leather and shoe exports, the bonded warehouse schemes and export-processing zones already in place, along with planned new export-processing zone facilities, and the highly labor-intensive nature of the industry, it would appear that a significant potential exists in this area. Perhaps a strategic study followed by a well-conceived promotion program could reap large benefits, or at least determine what constraints prevent a take-off in this area and whether the constraints can be overcome. One apparent constraint already identified in our interviews is the delay at Customs. To succeed in this business, a manufacturer must meet tight schedules and adapt quickly to the rapidly changing product designs. Any delays that cause schedules to be missed will result in a quick movement to a production area in another country that can demonstrate a higher

degree of efficiency. Thus, as in the garment industry, administrative procedures must be established to avoid the bureaucracy.

### **Agribusiness**

A wide variety of fruit, vegetable, and ornamental plant and flower products are being shipped from developing countries to industrialized countries around the world. New processing, packaging, freezing, drying, and canning technologies are allowing products to reach distant markets. In Asia, Thailand has demonstrated outstanding success in agribusiness exports. There is no question that Bangladesh has the potential in terms of fertility and labor resources in this labor-intensive field, which has a high value-added content. However, entrepreneurship, technology, and marketing know-how appear to be lacking, although some business groups are making progress in these areas. A strategic study of the export opportunities, followed by highly directed technical assistance in technology and marketing, could prove to be a catalyst to unleash the potential in the agribusiness area. The Bangladesh National Exporters Association and the Frozen Foods and Fruits and Vegetables Exporters Associations would be the focal point for such assistance for their membership. This activity would appear to complement the planned USAID Agribusiness Technology Development Project.

### **Continue the Public-Private Sector Dialogue**

By all accounts, the seminars and workshops sponsored under the project have proven highly effective in increasing awareness and understanding of EDF, DEDO, and ECGD schemes. They have also served a related purpose of increasing the transparency of the rules, regulations, and operating procedures. With such well-attended and -publicized public forums, government officials are held more accountable for their actions, and abuses are brought to acceptable levels. Furthermore, the increased understanding of the rules and regulations have resulted in greater use of programs such as the duty drawback scheme and EDF and a halt to the further erosion of ECGD, to the benefit of the exporters and the country.

With the termination of the technical assistance under the project, there is a risk that the frequency and effectiveness of such seminars will decline. Perhaps there is now sufficient understanding of DEDO, ECGD, and EDF that fewer such seminars will be needed. However, it is clear that seminars can serve a useful purpose in other areas of interest to the business community in general and the export sector in particular.

We believe the best approach is for seminars and other forums for public-private sector dialogue to take place under the auspices of the existing structure of chambers of commerce and export associations, as well under as the new National Exporters Association. This is already occurring. The role of any new technical assistance should be to help focus the issues, especially those that relate to export questions, and transfer information of how such issues have been handled, including their results, in the successful exporting economies in Asia. This process will allow Bangladeshi decision makers to better understand the likely consequences of their actions.

### **Privatization of Promotion and Regulatory Functions of Government Agencies**

There is no question that transferring promotion and some regulatory functions of the government will be controversial and will meet with strong resistance from entrenched bureaucratic interests.

However, the current political leadership is apparently leaning in this direction. The message of the Minister of Commerce to the National Convention of FBCCI (August 11-12, 1993) included the following statement.

In the context of the government policy of deregulation and privatization of the economy, the role of FBCCI and other trade organizations have assumed greater importance. Some of the functions discharged by the state will devolve upon the trade organizations. It is therefore essential for the FBCCI to take a serious look at their institutional abilities and take steps to further strengthen the same whenever necessary in order to enable them to shoulder the increased responsibilities.<sup>2</sup>

Furthermore, in his address of welcome at the same convention, the current President of FBCCI stated that "FBCCI had conducted studies and held discussions with the Government for the transfer of certain functions and communicated its preparedness to undertake these . . . ." In the first instance, the government is encouraged to "transfer import, export and indenting registration and trade licensing to FBCCI and its member bodies."

Assuming assistance is provided to strengthen the Bangladesh National Exporters Association or FBCCI and its members, the team would suggest that the initial transfer be a portion of the functions performed by the Export Promotion Bureau. One of its roles is to regulate and assign quotas for the U.S. and Canadian markets in the ready-made garment sector. It should be possible for the new Association or the Garment Exporters Association to undertake this function and work out an equitable assignment system by auction or some other mechanism. The experiences of other Asian countries could be studied to determine the best alternative for Bangladesh, and short-term technical advisers could be provided to assist in this effort if needed.

Furthermore, the limited promotional activities undertaken, such as organizing trade fairs and deciding who should be awarded foreign grants to attend trade shows, could be better handled within the setting of the new Association or FBCCI and its members. Strategic planning for exports, which is currently not being done, could certainly be better administered through technical assistance to BNEA or FBCCI, because members would be the chief beneficiaries and, hence, would offer their services to facilitate such an effort and to interact with the export advisors. An effort should also be made to incorporate the technical services available under the International Executive Service Corps. Finally, tracking trade statistics and other market information would be a most appropriate role for NEA or FBCCI and its membership, and could be handled if provided with the technical assistance and computer programs currently available to the public sector agencies.

A second function that should be considered for eventual privatization is the duty exemption and drawback scheme currently under DEDO. One option would be a competitive award to the most qualified accounting firm, which would be paid a transparent fixed fee by beneficiaries for such services, with oversight by the National Bureau of Revenue (NBR) and either BNEA or FBCCI. The computers and software provided to DEDO under the USAID-assisted project could be transferred to the firm winning the award. The winning firm would also be free to hire trained DEDO personnel at competitive private sector salaries and would be required to exercise close vigilance against any irregularities.

<sup>2</sup> Federation of Bangladesh Chambers of Commerce and Industry, "Two Decades of FBCCI, 1973-1993," August 1993.

In addition, consideration should be given to revising the program by giving an initial exemption from the payment of duties for imported inputs and to require payment only if the exporters could not show that the planned export was made. This would eliminate two transactions: the initial customs duty payment and the refund check.

Once the value-added tax program is functioning more efficiently, the role of a duty drawback and exemption scheme could be compressed. Furthermore, as tax collections increase through value-added tax and a better-functioning income tax program is implemented, the importance of revenues from import duties become less critical. Finally, policies to adjust the exchange rate periodically (as suggested by the International Monetary Fund and the World Bank) will be a better tool than high tariff barriers to protect producers for the domestic market and, at the same time, will improve export competitiveness. If these measures are undertaken in a rational and coordinated manner, duties for imported inputs could gradually be eliminated, and there would no longer be a need for a function such as DEDO's.

A similar competitively awarded contract could be let to exercise control over the bonded warehouse system. Again, the private sector would likely be more efficient in operating the program, and salary levels could be raised to be competitive with the private sector, with a charge being made to the bonded warehouse owner.

Effective oversight by BNEA or FBCCI, supplemented by the public sector, should be of interest to FBCCI, because its membership consists not only of domestic suppliers of the inputs going into the bonded warehouses and of exporters receiving imported inputs under the DEDO scheme, but also of protected domestic producers of such inputs and importers and traders who pay high duties for imports and sell on the domestic market. These groups would provide maximum pressure for effective operation and oversight of such programs, because leakage into the domestic economy would hurt their interests as much as smuggling. However, if the reforms in taxes and flexible exchange rate policies, are undertaken, there would eventually be no need for a bonded warehouse system, because needed inputs would enter the country without duty, whether for domestic or for export markets.

Finally, we agree with the World Bank that ECGD should be made into a separate corporation and privatized, with the principal shareholders being the commercial banks and exporter clients. As stated in a recent World Bank Aide-Memoire (May 19, 1993), the best option is to "create an independent corporate body with shareholding distributed amongst the bankers and exporters. The latter has three distinct advantages: (i) it provides greater autonomy to ECGD; (ii) it provides the bankers and exporters, who are clients of ECGD, a stake in the company thereby making them more aware of the operations, claims procedures and various schemes of ECGD; and (iii) it provides the staff with clear cut career opportunities thereby increasing motivation and dynamism." Technical assistance could be provided to establish this organization.

### **Promotion of Foreign Direct Investment**

The role of foreign direct investment has been substantial in the successful export drive of many Asian countries, including Thailand, Malaysia, Indonesia, and China. Thus far, there has been relatively little foreign investment in Bangladesh. There is no reason it cannot be attracted if effectively promoted — provided progress continues to be made in the policy framework, incentive structure, and deregulation.

Part of the promotion campaign to be funded partly by donor assistance could be directed toward creating a better image of Bangladesh, through advertising supplements in international business magazines and newspapers. These supplements would focus on the policy initiatives being undertaken

and the strengths the country has to offer, to counteract the impression of a poverty-stricken country subject to widespread natural disasters. This campaign could be supplemented by several well-focused conferences in key industrial countries on a theme of Bangladesh as an attractive location for export production.

Initially, foreign investors would likely be attracted to well-functioning export-processing zones, so expansion of these facilities should be a top investment priority, including the establishment of laws and incentives for private sector property developers to invest in export processing zone construction and administration. BNEA and its membership should have a close relationship with the Board of Investments and should work closely with it. Joint activities might include seminars and workshops to discuss appropriate investment incentives and facilitate contact with foreign investors to establish joint ventures and other types of business arrangements, such as licensing agreements, and export brokering. Technical advisors could be useful in providing expertise in these areas, but they should be attached to BNEA.

### **Donor Coordination**

Because of the wide array of donors offering assistance to Bangladesh in enterprise development and export promotion, donor coordination is important to ensure that assistance programs are complementary and do not unduly overlap. Assistance to chambers of commerce is already provided by the German Agency for Technical Cooperation, Technonet Asia, and various U.N. organizations.

It will also be important to keep track of World Bank and Asian Development Bank lending and provision of technical assistance, such as under the World Bank Technical Assistance #6 project. Currently, the World Bank is pressing for several changes as part of its conditionalities under the Second Industrial Sector Adjustment Credit. Most of the changes are appropriate for a strategy of export-led growth. However, there are a few, such as restructuring proposals for strengthening the Export Promotion Bureau, that are questionable. The World Bank recognizes that most traditional trade promotion organizations in developing countries have been found to be particularly ineffective.

The key point is that the team strongly recommends that USAID deliberate very carefully before buying into a strengthening program for EPB. This would depend on the outcome of its restructuring, including the factors cited above relating to its autonomy, private sector control, and budget. We believe future USAID assistance for export development should be concentrated on private sector organizations. We have identified certain technical assistance and equipment needs, but a more careful analysis will be required to determine the specific inputs to be applied and whether assistance should be coordinated through FBCCI or a newly formed BNEA.

The team believes future USAID assistance for export development directly to the private sector is fully warranted and consistent with its strategy in Bangladesh. Such a strategy would directly support USAID's goals and objectives decision tree, especially in supporting a market economy by increasing productivity and competitiveness in agriculture and industry.



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**ANNEX A**  
**EVALUATION SCOPE OF WORK**

## ANNEX A

### EVALUATION SCOPE OF WORK

A. Evaluation Issues and Questions: Overall, the evaluation shall assess the impact of the project on export development and shall examine project performance in strengthening the BDG's institutional capability to administer export policy measures and the extent to which it has taken steps to divest those activities which it has determined can be better served by private exporter groups. Where possible, the evaluation will quantify the impact of the project.

1. The evaluation will also assess the effectiveness of the WPI technical assistance in institutional enhancement both the home office support and the field involvement of its LTA. In each area of project activity the evaluation should note constraints which hindered project achievement, and discuss any lessons learned. For all areas of project performance, the evaluation will consider the sustainability of improvements brought about by the project. The evaluation shall examine performance in the following five areas:
  - a. **CAPACITY OF THE DEDO TO ADMINISTER STREAMLINED DUTY DRAWBACK SCHEMES AND TO PROCESS REBATES EFFECTIVELY AND EFFICIENTLY.**
    - Review and assess effectiveness of project-introduced computerized MIS and data processing systems to automate claims procedures, and progress in training DEDO staff in the use of these systems.
    - Review and assess effectiveness of technical assistance in calculating input coefficients and flat rates, and in training staff in their use.
    - Review the overseas training activity, and assess its effectiveness in achieving project purpose.
    - Determine the degree to which project activities increased DEDO's capacity to process claims more expeditiously, and DEDO's present and/or potential capacity for further institutional development.
    - Assess DEDO performance in terms of claims received over time, claims processed for payment and rebates received by exporters.
    - Assess implications of the Value Added Tax (VAT) system for DEDO and for the Project's efforts to increase flat rate calculations and applications.
  - b. **CAPACITY OF THE EXPORT MONITORING UNIT (EMU) OF THE EXPORT PROMOTION BUREAU TO MONITOR EXPORTS SUBJECT TO FOREIGN QUOTA LIMITATIONS.**
    - Review project achievements in establishing a fully operational computerized MIS for monitoring quota utilization, and in training staff in its use.

- Assess the degree to which EMU performance has improved in the areas of frequency, facility, and quality of quota information updates as a result of the project.
- To evaluate the extent to which the EPB has reviewed its operations to determine which of its functions could be better conducted by private export groups and the steps which it has taken to release such functions to such groups.

**c. CAPACITY OF THE BANGLADESH BANK TO ADMINISTER THE EXPORT DEVELOPMENT FUND.**

- Review project accomplishments in developing informational materials and training bank staff in the administration of the EDF.
- Assess project contribution in developing and disseminating information on export financing to appropriate public and private sector agencies and industries.
- Assess the degree to which the project has contributed to increased utilization of the EDF, and has facilitated the Bank's administration of the fund.
- Critique the EDF manual for clarity and general adequacy.

**d. CAPABILITY OF THE EXPORT CREDIT GUARANTEE DEPARTMENT OF THE SADHARAN BIMA CORPORATION TO PROVIDE LOAN GUARANTEES TO BANKS LENDING TO EXPORTERS SEEKING PRE-SHIPMENT FINANCING AND TO SETTLE CLAIMS EXPEDITIOUSLY.**

- Review project success in establishing an MIS and data processing system.
- Assess the relevance, quality and timeliness of project-provided training of ECGD personnel in administration of export credit guarantee system, and the operation and use of the MIS and data processing systems.
- Assess the contractor's study of the ECGD for relevance and quality.
- Review the contribution of the policy advisory services of the technical assistance in strengthening ECGD.

**e. CAPABILITY OF PRIVATE EXPORT ASSOCIATIONS AND THE EXPORT ORIENTED INTERESTS IN THE CHAMBERS OF COMMERCE IN EXPORT ACTIVITIES.**

- To assess the extent to which private export groups and associations have developed new approaches to increase their export promotion activities.
- To assess the success of the private export associations and the export oriented interests in the chambers of commerce in expanding their export activities.

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**f. ASSESS OTHER SUPPORTING ACTIVITIES OF WPI.**

- Assess WPI's performance in providing inputs, including the timely provision of appropriate computer equipment, specialized technical assistance, and training.

B. **Recommendations:** Based on the findings and conclusions on project performance and impact, and considering the overall context, needs, and opportunities to improve the capability of the implementing agencies to administer export policy measures, the team shall develop a set of recommended actions, with priorities, for the BGD and other potential donors for continued support to and strengthening of export promotion.

C. **Methodology and data sources:** The Contractor shall be responsible for determining the appropriate evaluation methodology of adequate analytic rigor. The Mission suggests that the study approach include the following:

- Review of program reports and relevant documents, including, inter alia: Country Development Strategy Statement, USAID/Dhaka; Export Development Project Scopes of Work; WPI Workplans, Quarterly reports; WPI Project reports; World Bank reports on its Export Development Fund.
- Interview with private exporters, USAID, WPI, World Bank, DEDO, Bangladesh Bank, ECGD, EPB, ERD, Ministry of Commerce project management, bankers and, chambers of commerce.
- Brief "case histories" of a small number of private exporters to examine their experiences with the implementing agencies.

**ANNEX B**

**METHODOLOGY OF THE EVALUATION OF EDP**

## ANNEX B

## METHODOLOGY OF THE EVALUATION OF EDP

Evaluation of a program of technical assistance involves tracking the records of planned activities; delivering inputs, including experts; and estimating the expected outputs (benefits). In most technical assistance projects the intermediate outputs (activities) are quantified, whereas the final outputs are not easily quantified. This technical assistance was directed to the use of the EDF of \$30 million (\$25 million WB, and \$5 million BB) placed with the Bangladesh Bank. Four projects were selected for that purpose:

- Strengthening the DEDO of NBR for speedy refund of duties paid by importers on raw materials and components used for non-traditional manufactured exports;
- Strengthening the organization of ECGD of SBC for use of EDF;
- Improving MIS and related activities of EMU of EPB; and
- Supporting the Bangladesh Bank in administering EDF.

Methodologies used to carry out the evaluation may be listed as follows:

- A briefing session with USAID officials on the technical assistance in general and on identifying some of the major elements to be focused on by the evaluation team, especially private sector capabilities;
- Meetings with the Long-Term Advisor of WPI on the program and collection of nine quarterly reports on the technical assistance program from 1991 to 1993;
- Interviews with heads of project units — DEDO, EDP, ECGD, and Bangladesh Bank — to collect data and information on the program components in respective agencies;
- Reviews of Working Plan and Evaluation Report outline with USAID by the evaluation team;
- Interviews with commercial bank officials: one nationalized bank, which used the highest amount of funds from EDF, and another private sector bank, which was one of the low users;
- Interviews with private sector exporters associations, chambers, and FBCCI;
- A few case studies on exporters and business houses;
- Study of quarterly reports by the Long-Term Advisor, World Bank Aide Memoires, reports by ZDH/Technomet Asia (ZTZ), A.I.D. study by Govindan on ECGD, export incentives by Mostafizur Rahman, World Bank study by Carr, GTZ study on private sector development in Bangladesh, BEDS (1993-1995), EDP manual, and so forth. (Details enclosed in Bibliography);

- Examination of computer hardware and software and their applications and potential in project units;
- Preparation of a draft report to USAID/Dhaka and convening of a review meeting; and
- Finalization of the draft final report in Washington, D.C., and submission of final report to USAID incorporating final comments from USAID.

**ANNEX C**

**LIST OF CONTACTS**

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**ANNEX C**

**LIST OF CONTACTS**

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**ANNEX D**  
**CASE HISTORIES**

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## ANNEX D

## CASE HISTORIES

Case histories have been selected not only to examine experiences with the implementing agencies, but also to demonstrate how entrepreneurship and collaboration with foreign know-how in technical areas lacking in Bangladesh are vital ingredients in making successful Bangladesh's quest for export-led growth through private sector initiatives. In fact, the case studies point out that finding innovative ways to avoid the bureaucracy, including the implementing agencies (with the exception of the finance component — EDF — through Bangladesh Bank), is probably the best means for private sector entrepreneurs to succeed and the nation to benefit.

**Garment Industry Success**

Rather than take one firm, we will try to show the critical ingredients that made the garment industry the single most important export success in Bangladesh in a period of less than a decade. The demonstration effect was instrumental in promoting policy and administrative change in Bangladesh.

The key to success in the garment industry was the catalytic effect of a technical and marketing collaboration agreement between Daewoo of Korea and Desh in Bangladesh. Daewoo was interested in moving its garment operations offshore in the late 1970s because of quota problems in the United States and because of rising labor costs in Korea in this labor-intensive field. Through a chance meeting between Daewoo officials in France and a Bangladesh entrepreneur, Noorul Quader, a deal was struck.

The outlines of the deal were that Daewoo would provide access to its international marketing network and technical expertise in the production of garments, machinery, and fabrics. Desh would provide the local factory and work force. The arrangement was not a joint venture but a collaborative agreement, whereby Daewoo would be paid for its machinery and fabric, charge a fee for training, and take a 5 percent commission on export sales. The process began with 130 newly recruited Desh workers receiving training at Daewoo facilities in Korea, with follow-on training and supervision by Korean staff in Bangladesh.

However, the key to success was the ability of Daewoo and Desh to achieve changes in certain policies in Bangladesh that would have prevented the venture from succeeding. The key constraints were: (i) the high protective tariffs on textile imports because of Bangladesh's noncompetitive textile industry, which could sell only in the local market, and (ii) the lack of a foreign currency loan scheme in Bangladesh to meet import financing needs of exporters.

These constraints were addressed through the ability of Daewoo and Desh to convince the Government of Bangladesh to establish a Special Bonded Warehouse system to administer duty-free and restriction-free imports of intermediate inputs for garment exporters. Second, although the government was not providing any import financing, it allowed local commercial banks to open back-to-back time import letters of credit (LCs) based on garment manufacturers' export LCs, under the system of strict foreign exchange controls. Daewoo's extension of short-term credit to suppliers for its fabric and other supplies was critical in allowing Desh to import inputs. Daewoo/Desh's knowledge of the back-to-back LC system was instrumental in arranging the system in Bangladesh. Finally, the government policy of maintaining realistic exchange rates, evident in the 17 percent devaluation in FY 1980, was very important in ensuring exporters equal footing with foreign competitors.

With all these arrangements in place, the garment industry took off in Bangladesh. It quickly fanned out as key staff of DEDO started to form their own firms and turned to a former Daewoo employee who established himself in Seoul and provided services concentrated in sourcing some 20 raw materials, including fabrics, and in intermediating export sales. Even with the temporary shock of quota controls on Bangladesh garment exports to the United States, and the subsequent closing of many new garment firms, Bangladesh has continued to make progress in the manufacture of ready-made garments, as it has expanded its marketing range to many countries and as U.S. quotas for Bangladesh garments have expanded.

Because of its concentration in bonded warehouses, the garment industry does not need to go through the DEDO process. Furthermore, it does not need promotional assistance from the Export Promotion Bureau, as its own Garment Manufacturers Export Association is well equipped to do that job. In fact it is now trying to extract quota administration from the EPB, not being satisfied with the job being done there. Finally, it is relieved that ECGD insurance is no longer mandatory, as the banks show no reluctance in providing credit, satisfied that the export LCs, under which payment is ensured from abroad once garments are shipped, is a sufficient guarantee of payment.

What is useful to the garment industry is the Export Development Fund, which has allowed it ready access to foreign exchange for imported inputs at a lower financing cost. In fact, the industry has used some 85 percent of the Fund.

The next development step is to accelerate the backward linkages. This is already beginning to take place in dyeing and finishing of textiles. The garment industry also believes there is room for producing textiles on a competitive basis in Bangladesh if moves are made to acquire state-of-the-art technology, including new machinery, rather than limping along on technology of the 1950s and selling to the local market at inflated prices protected by high tariff barriers.

In about a dozen years, Bangladesh has gone from a very minor player in the garment export trade to a point where total value added from garment exports is nearing \$700 million per year and job opportunities, especially for women, are in the hundreds of thousands.

In summing up, the key ingredients for success were the roles of local entrepreneurship combined with a foreign catalyst and a general avoidance of the bureaucracy and its regulations through establishment of the Special Bonded Warehouse system. Thus, our own recommendation, based on this and other examples, is not to improve the functioning of the implementing agencies, but to establish alternative mechanisms so they can be removed from the scene. This is true for DEDO, ECGD, and EPB. In the body of the report, we make recommendations for eliminating or privatizing these functions. The EDF credit program is functioning well, but a greater effort should be made to increase usage on the part of the private banks.

### **Leather Industry Success**

Rather than focusing on the entire leather industry, we concentrate this case study on one group, the APEX Group of Companies (AG), the backbone of which is its tannery business, Apex Tannery Limited.

The business started in 1975 at a very low scale, taking raw leather to only the first stage of processing, called "wet blue." This stage continued until 1982, when collaboration with Italian leather specialists gave AT the opportunity to add more value, purchasing machinery from Italy financed by

taking the company public through an initial public offering and loans. In 1985, another breakthrough was made, as the operating environment in Europe was becoming more difficult due to increased costs and environmental controls. AT's Italian leather specialists proposed that AT should move into the finished leather stage of production. Expansionary financing was again made available through the issuance of 17 percent debentures. Since then, the company has steadily built up its export market across Europe and the Far East, while gaining technology from Italian specialists, growing at a rate of 23 percent since 1988.

The leather industry has more value added than the garment industry because of the availability of hides from domestically produced cattle. Besides purchasing hides locally, AT is beginning to purchase a higher grade of wet blue leather from Australia and New Zealand so that its product mix shifts upward toward higher premium markets.

AT can obtain bank financing without the need for ECGD credit. Likewise, it has no need for EPB assistance, due to its ties with sophisticated market channels in Italy and Hong Kong. Because of difficulties with DEDO, it has decided to switch from the duty drawback system to the Bonded Warehouse system. Under the DEDO scheme, AT had to pay 80 percent in advance on imported chemicals used in the tanning process. DEDO has been reimbursing via a flat rate payback of 8 taka per square foot for every square foot of finished leather exported. AT states that full compensation rarely occurs as the flat rate of 8 taka per square foot exported is not enough to cover import duties actually paid by AT, which, they claim, was undercompensated by some 9.4 million taka (about \$230,000) in 1992. Because of this, they have switched to a bonded warehouse.

There are 49 tanneries in Bangladesh that produce and export leather. However, only two tanneries, Apex and H&H, export finished leather. Nonetheless, Bangladesh's leather export market is growing at a rate between 10 and 15 percent per year and is currently worth \$130 million per year. Apparently, the only effective tool for these producers under the Export Development Project is the Export Development Fund for imports of raw materials, mostly chemicals and some raw leather.

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### **Apex Footwear Limited**

The case of Apex Footwear Limited (AFL), part of the Apex Group, is instructive in illustrating the forward linkages that can be built in the leather industry. AFL is Bangladesh's first commercial exporter of leather shoes with markets in Japan (60 percent) and Europe. AFL receives its major raw material from Apex Tannery and imports some components, creating a 70 percent value added. AFL has a special advantage in Japan, as it exports under the Generalized System of Preferences (GSP), requiring no import duty payment in Japan.

New state-of-the-art factory machinery was supplied and installed by a German manufacturer. Required components are imported against back-to-back import LCs and special Bonded Warehouse license. Transfer of technology has been obtained from its Japanese outlet through technical advice including quality control. The factory employs 264 workers and 40 management staff; nearly all the production workers and 50 percent of management staff are women. Management believes production can be doubled from 1,000 to 2,000 pairs a day in the next couple of years. The learning curve has been steep but the rejection rate has been decreased from about 35 percent in early 1992 to about 3 percent currently. Much credit for the rapid improvement in quality is attributed to the efforts of a volunteer provided by the International Executive Service Corps program during a three-month stay in Bangladesh.

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AFL has found EDF an attractive source for financing imported components, especially once the mandatory use of ECGD was abolished. However, in spite of establishing a bonded warehouse to avoid the complications of DEDO there are still some problems that delay stocking of vital raw materials on a timely basis.

AFL is encouraged by the decision of the National Board of Revenue to allow up to four months of stock of required raw materials without requiring a Master LC. This will allow manufacturers, especially in garments and other fashion-oriented industries, to build up a stock of materials for quick turnaround time on orders and for quick sampling, crucial for the industry. However, AFB representatives indicate that the required Circular is still being processed at the Ministry of Law, with no set date for implementation. If the depiction is accurate, this is another example of how the administrative process can impede or delay policy decisions.

This case study demonstrates, once again, the divergence between policy and practice. It points out the need for the government and donors not only to focus on policy matters but also to direct their attention to the more difficult task of making the administrative process work. One alternative we have suggested in the body of the report is to determine which functions might be eliminated and which might be privatized. Without substantial progress in the administrative process, policy change will have only a limited effect.

#### **Agribusiness — New Initiatives**

This case study describes the efforts of a new agribusiness project implemented by the Agricultural Marketing Company Ltd. (AMC), a member of the Property Group of Companies.

The core of the project is a processing facility started eight months ago on a property in a small industrial area 50 miles south of Dhaka. Transport time by road is one and a half hours and by boat five hours to Dhaka.

~~The processing plant relies on raw materials from its own lands, where it is growing baby corn and pineapples, and an area for straw mushrooms at the processing facility. It also is developing contract growing schemes with small farmers in the vicinity to supply baby corn and mushrooms. In addition, it also purchases pineapples, jackfruit, and mangoes from farmers.~~

~~What we find most interesting is the contract growing scheme recently started. AMC provides seeds and technical assistance for the growing of baby corn and agrees to buy back the product at specified prices depending on quality. Thus far, farmer response is good and new income is being generated. This is particularly important due to the low prices being obtained for rice because of excellent harvests. AMC expects a much broader supply base to develop as word of this new opportunity spreads among farmers, especially the fact that farmers already participating are quite happy with the results.~~

In addition, mushroom tissue cultures and technical advice are being provided to households. Women and children are the main beneficiaries, taking responsibility to follow the instructions for growing the mushrooms.

~~During a field visit to the plant, we were able to observe a variety of products, including canned and bottled juice, pulp, and sliced pineapple pieces, being made from the mangoes and pineapples. The~~

baby corn and mushrooms are also being canned. The products carry the PRAN label; initial distribution is taking place in Dhaka wholesale and retail outlets.

The biggest problem is that AMC has to rely on Thailand as a source for its vacuum-packed cans. Not only does this reduce its competitive advantage with Thailand, but there are also language problems, which often delay the opening of the letter of credit in Thai banks and cause the supplier to ask for clarification of some of the terms. This is attributed to the lack of facility in the English language on the part of Thais. This seems strange, considering the success in Thailand of exporting a wide variety of items, especially those related to agro-industry.

After the company builds its volume and gains additional experience through supply of the domestic market, it plans to initiate exports beginning with baby corn and straw mushrooms. Contacts have been made with a U.S. group, the National Cooperative Business Association (NCBA), which is quite successful in export ventures in Indonesia (furniture and vanilla) and India (nigerseed and psyllium). One of its services is to locate market outlets in the United States and Europe. The point of contact at NCBA is Sultan Reza, its international marketing director for Asia, who is a Bengali national. He has established links with Chinese wholesalers — for example, Well Luck in the New York City area, which can distribute baby corn and straw mushrooms to oriental outlets.

This is the first such venture we know about in Bangladesh, but is of the type that could be replicated. Perhaps USAID's Agribusiness Technology Development Project could be of assistance to widen the scope of these activities. Again, we would note the potential employment and income potential from contract growing schemes linked to a processing unit.

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**ANNEX E**

**DUTY EXEMPTION AND DRAWBACK OFFICE**

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## ANNEX E

## DUTY EXEMPTION AND DRAWBACK OFFICE

TABLE E-1

DUTY DRAWBACKS  
(in Million Taka)

| Month        | Opening Balance In No. | No. of Applic. Received | Disposed Cases |               | Ending Balance (In No.) | Number of Cheques |
|--------------|------------------------|-------------------------|----------------|---------------|-------------------------|-------------------|
|              |                        |                         | Number         | Amount        |                         |                   |
| July-Dec.91  | 0                      | 11                      | 0              | 0             | 0                       | 0                 |
| Jan.92       | 11                     | 7                       | 3              | 0.22          | 15                      | 2                 |
| Feb.92       | 15                     | 108                     | 1              | 0.04          | 122                     | 1                 |
| Mar.92       | 122                    | 721                     | 558            | 7.67          | 185                     | 84                |
| Apr.92       | 285                    | 566                     | 586            | 11.33         | 194                     | 75                |
| May 92       | 294                    | 624                     | 963            | 16.09         | 155                     | 153               |
| June 92      | 155                    | 291                     | 358            | 6.5           | 88                      | 74                |
| July 92      | 297                    | 501                     | 414            | 10.05         | 384                     | 110               |
| Aug. 92      | 384                    | 428                     | 462            | 7.80          | 350                     | 89                |
| Sept. 92     | 350                    | 579                     | 644            | 9.44          | 285                     | 142               |
| Oct. 92      | 285                    | 633                     | 579            | 14.11         | 399                     | 232               |
| Nov. 92      | 399                    | 539                     | 442            | 8.03          | 436                     | 156               |
| Dec. 92      | 436                    | 498                     | 465            | 10.73         | 469                     | 148               |
| Jan. 93      | 469                    | 577                     | 485            | 7.17          | 561                     | 122               |
| Feb. 93      | 561                    | 349                     | 396            | 6.09          | 514                     | 10                |
| March 93     | 514                    | 527                     | 454            | 7.27          | 587                     | 133               |
| April 93     | 587                    | 505                     | 357            | 10.93         | 735                     | 143               |
| May 93       | 735                    | 1463                    | 489            | 9.99          | 1709                    | 141               |
| June 93      | 1709                   | 2284                    | 711            | 8.29          | 3288                    | 114               |
| <b>Total</b> |                        |                         |                | <b>151.75</b> |                         |                   |

Total refund accumulated to Tk 151.75 million.

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## ECGD: HARDWARE AND SOFTWARE CONFIGURATION

### File Server

IBM PS/2, Model 77, 486DX2, 66 MHz  
32-bit Microchannel Bus  
16 MB RAM  
One 400-MB Hard Drive and One 160-MB Hard Disk  
3.5" 1.44-MB Internal Diskette Drive  
5.25" 1.2-MB External Diskette Drive  
Enhanced Keyboard with cable  
5 Expansion Slots (32 bit)  
14" Super VGA Color Monitor  
Mouse  
SCSI Controller  
Ethernet Network Interface Card  
Internal 120-MB Tape Drive  
850 VA UPS  
200 ft of coaxial cabling with proper connectors and terminators for five workstations

### Three IBM Workstations

IBM PS/Valupoint 325 Turbo  
386SLC Processor  
ISA Bus. 16bit  
4 MB RAM  
170 MB (15 ms)  
3.5" 1.44-MB and 5.25" 1.2-MB Internal Diskette Drives  
Enhanced Keyboard with Cable  
Mouse  
DOS-5.0  
5 Expansion Slots  
14" Super VGA Color Monitor  
Ethernet Network Interface Card  
650 VA UPS

### Two ALR Workstations

386SX Processor  
100-MB Hard Disk  
3.5" 1.44-MB and 5.25" 1.2-MB Internal Diskette Drives  
Enhanced Keyboard with Cable  
DOS 5.0  
14" VGA Monochrome Monitor  
Ethernet Network Interface Card  
230 Volts (unknown VA) UPS

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**Two Printers**

Epson LQ-1170, 24 Pin

**Operating Software**

Netware V.3.11 (10 Users)  
WordPerfect 5.1 for DOS (single user)  
FoxPro 2.0/LAN  
FoxPro Distribution Kit  
FoxPro Library Construction Kit  
Fox Graph  
Lotus 1-2-3 for Windows (Multi-user version)  
Turbo Pascal  
Turbo C++  
Microsoft Windows 3.1

**DEDO**

**Hardware and Software Configuration**

1 IBM File Server (486 DX)  
1 NOVELL Network, 6 PCs, 6 UPS  
3 Printers

**Software**

MS DOS (5.01 & 4.01)  
LOTUS 1-2-3 (3.1)  
dBase IV (1.1)  
WordPerfect (5.1)  
FoxPro/LAN, FoxGraph and FoxPro Distribution Kit  
WordPerfect for Windows  
MS Project Manager, Clipper  
PC Quattro Pro  
ACCPAC Accounting  
NORTON Utilities, Anti Virus and  
Commander, ProComm and  
Central Point Anti-Virus

**EPB : Hardware and Software Configuration**

1 File Server  
3 PCs  
1 Novell Network  
3 UPS and  
3 Printers

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## AMOUNT OF DUTY DRAWBACKS

TABLE E-2

DUTY DRAWBACKS PAID BY MAJOR ITEM  
(January 1992 to July 1993)

| <u>Name of Item</u>               | <u>Amount Paid (Takas)</u> |
|-----------------------------------|----------------------------|
| 1) Processed Leather              | Tk 1,355,987               |
| 2) Leather Footwear               | 11,840                     |
| 3) Polyethylene Sheet             | 12,818                     |
| 4) M.S. Rod Bar                   | 42,188                     |
| 5) Leather Jackets                | 14,709                     |
| 6) P.V.C. Leather Cloth           | 18,700                     |
| 7) Ceramic Goods                  | 41,034                     |
| 8) Cassette Players               | 185                        |
| 9) Jute Carpets                   | 18,983                     |
| 10) Glycerine                     | 32                         |
| 11) Textile Fabrics               | 13,773                     |
| 12) Transfer Paper                | 2,452                      |
| 13) P.V.C.Pipes                   | 8,531                      |
| 14) Stainless Steel Cutleries     | 3,779                      |
| 15) Pineapple Juice               | 898                        |
| 16) Sewing Machines               | 1,161                      |
| 17) Ground Mixed Spices           | 667                        |
| 18) Sports Shoes                  | 393                        |
| 19) Writing Paper                 | 19,328                     |
| 20) Jute Shoes                    | 7,037                      |
| 21) Newsprint Paper               | 5,953                      |
| 22) P.V.C. Compound               | 1,781                      |
| 23) Melamine Products             | 717                        |
| 24) Chitaghur                     | 188                        |
| 25) Polytene Bags                 | 44                         |
| 26) Leather Aprons                | 55                         |
| 27) Cold Cream                    | 504                        |
| 28) Computers                     | 135                        |
| 29) Hand Gloves                   | 321                        |
| 30) Copra Waste                   | 8,823                      |
| 31) Shoe Uppers                   | 87                         |
| 32) Leather Waste Bag/ Wallet Bag | 255                        |
| 33) M.T. Hart Jalatin Capsule     | 288                        |
| 34) Toilet Paper                  | 22                         |
| 35) Zipper Chain                  | 1,200                      |
| 36) Jute Bag                      | 3,327                      |
| 37) Crenboat                      | 3,975                      |
| 38) Jute Yarn                     | 105                        |
| 39) Jutr Hessian                  | 622                        |
| 40) P.V.C. Resin                  | 2,713                      |
| Total                             | 1,596,793                  |

## YEARLY DISBURSEMENTS OF EDF

TABLE E-3  
DISBURSEMENTS

| <u>Year</u> | <u>Amount</u><br><u>(U.S. Dollars)</u> |
|-------------|--|
| 1989-1990   | -                                      |
| 1990-1991   | \$121,419                              |
| 1991-1992   | 5,804,939                              |
| 1992-1993   | 8,674,671                              |

**ANNEX F**

**RESUMES OF EVALUATION TEAM MEMBERS**

Ronald Bobel

F-3

M. Shamsul Haque

F-7

Khalilur Rahman Khan

F-11

## ANNEX F

## RESUMES OF EVALUATION TEAM MEMBERS

**NAME** : RONALD BOBEL  
**PROFESSION** : INTERNATIONAL DEVELOPMENT CONSULTANT  
**SPECIALTY** : AGRIBUSINESS AND TRADE AND INVESTMENT

## KEY QUALIFICATIONS

Ronald Bobel is an international development consultant with 29 years of experience, including a 25-year career with A.I.D. and over four years as an independent consultant, in project and policy work in agribusiness, trade and investment and related fields — finance, infrastructure, marketing, and the like. He has designed, directed, managed, and evaluated such projects and programs in Asia, Latin America, the Middle East, and Africa. He has lived in Venezuela, Peru, Brazil, and Hong Kong and has traveled and worked extensively throughout the developing world. He has demonstrated an ability to work effectively in a variety of cultures and to communicate easily with people, from farm laborers and small traders to top levels of the public and private sectors. He is fluent in Spanish, Portuguese, and French, in addition to his native English.

## EDUCATION

M.P.A., Harvard University, Cambridge, Mass., 1974  
M.A., Economics, University of Michigan, Ann Arbor, Mich., 1964  
Fulbright Scholar, Universidad Central de Venezuela, Caracas, Venezuela, 1960-61  
B.A., Economics, College of Wooster, Wooster, Ohio, 1960

## PROFESSIONAL EXPERIENCE

**Senior Associate, Access Asia, Manila, Philippines (1991-Present)**

Participates with Access Asia and Louis Berger in market research and development for exports of agribusiness and fishery products from Southern Mindanao, the Philippines. Participates with Access Asia in developing potential agribusiness ventures with U.S. firms for the Vietnam Consultancy Foundation for Training, Investment and Business Development. Field survey in Hanoi and Ho Chi Minh City in 1991.

**President, Kimball and Bobel Associates, Inc., Washington, DC (1990-present)**

Heads a Grey Amendment consulting firm that is currently a subcontractor to Price Waterhouse on a five-year A.I.D.-funded Privatization and Development project and was an associated firm to Cooperative Business International on an A.I.D.-funded Private Investment and Trade Opportunities project in the Philippines.

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**Independent Consultant (January 1989-present)**

The following are representative consulting assignments (including locations):

- Morocco — Analysis of the USAID portfolio to determine options for increasing the amount of U.S. procurement in such fields as agribusiness, health, and urban development.
- Ethiopia — Analysis of Ethiopia's private sector and recommendations for promoting private sector development, concentrating on agribusiness exports for USAID/Ethiopia;
- India — Analysis and recommendations for financial assistance for India's labor retrenchment program, including labor issues related to privatization for USAID/India;
- Washington, D.C. — Assisted the Eurasia Foundation in preparation of a \$70 million funding proposal to A.I.D. for programs in the former Soviet Union. A.I.D. funding has been approved;
- Honduras — Advised commercial bankers on strategies to access long-term international finance for relending to the private sector for agribusiness development, with an emphasis on export for USAID/Honduras;
- Philippines and Southeast Asia — Team leader under DAI contract with A.I.D. on a four-month trade and investment study comparing the Philippines with its regional competitors and advising on policy changes needed for the Philippines to catch up. Co-moderator in national conference sponsored by PHILEXPORT to discuss report findings. Traveled to Indonesia, Thailand, and Vietnam as part of the study;
- Botswana — Project design and agribusiness specialist for USAID private sector development project;
- Philippines — Project design specialist for A.I.D./Ex-Im Bank long-term lending program for infrastructure development;
- Washington, D.C. — Conducted review of A.I.D.'s Africa Bureau private sector office (MDI) programs and activities;
- Washington, DC — Designed project for A.I.D. grant to the International Executive Service Corps to promote trade and investment linkages between U.S. companies and the private sector in Portugal and Turkey.

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**Deputy Chief, Office of Private Enterprise Development, Asia and Near East Bureau, A.I.D. (June-December 1988)**

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Managed, reviewed, and advised on all aspects of Bureau's private sector programs. Managed technical assistance contracts with private consulting firms and coordinated assistance efforts with other U.S. Government Agencies, multilateral institutions, and nongovernmental organizations.

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**Regional Director for Asia, U.S. Trade and Development Program, Hong Kong (1985-June 1988)**

Administered trade and development program (TDP) for the region. Recommended and supervised project planning studies and technical symposiums in a variety of development fields, including agribusiness, dams and irrigation, energy, telecommunications, and professional and vocational training related to American technology transfer. Managed budget of \$12-13 million per year involving 25-30 projects. Based in Hong Kong, with extensive travel throughout the region, especially China, Thailand, Indonesia, the Philippines, India and Malaysia. Results of these activities from official TDP evaluations show more than \$500 million in export sales from U.S. firms.

**Regional Director for Middle East and Caribbean, U.S. TDP (1980-1985)**

Administered TDP for the region. Recommended and supervised project planning studies and technical symposiums in a variety of development sectors. Team leader for three investment missions to Tunisia and Morocco concentrating on agribusiness, fisheries, and mining ventures. A representative sample of results from these activities follows:

- A venture for Land O'Lakes in Tunisia resulted in the sale of U.S. dairy equipment and heifers with an export value of \$1.9 million;
- An irrigation management contract in Algeria for Western Agri-Management resulted in equipment and service exports of \$29 million;
- Sales of \$21 million of American feed grains to Turkey through the American Feedgrains Council and the American Soybean Association; and
- Engineering contracts in phosphate mining in Tunisia for Jacobs Engineering, as well as follow-on equipment sales by U.S. manufacturers, with an \$11.7 million export value.

**Program Design Specialist, A.I.D. Task Force on Southern Africa (1979)**

~~Special assignment to develop A.I.D. assistance strategy for Mozambique and Angola. Two trips to Maputo for field analysis.~~

**Chief, Project Review Division, A.I.D., Bureau of Program and Policy Coordination (1974-1978)**

Managed the office responsible for reviewing all proposed A.I.D. projects worldwide. Advised A.I.D. Bureaus on project analysis, policy formulation, and design standards. Travel included visits to Vietnam to analyze operations of banks for lending to agriculture and industry, to Africa to evaluate rural credit operations, and to Portugal to devise a U.S. assistance package for regional polytechnical institutes.

**Chief, Finance Division, Central America and Caribbean Regions, A.I.D. (1970-1973)**

Managed office for formulation, processing, and implementation of loan projects with USAID missions. Team leader in project design on loans to the Caribbean Development Bank and private *financieras*, including the Latin American Agribusiness Development Corporation.

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**Capital Project Officer, USAID/Brazil (1968-1970)**

Managed loan portfolio for agriculture and power sector. Project design leader for lending package for wholesale food markets in Northeast Brazil. Special assignments to Uruguay to assist in resolving problems in lending for fertilizer imports and to the Dominican Republic to formulate strategy for agricultural sector lending packages through a Central Bank rediscount scheme with commercial banks.

**Assistant Capital Projects Officer, USAID/Peru (1965-1968)**

Managed loan portfolio for projects in agricultural credit, rural electrification, feeder roads, and agricultural marketing.

**Assistant Capital Projects Officer, LA Bureau, A.I.D./Washington, D.C. (1964-65)**

Agribusiness work included project design for dairy development scheme in Jamaica.

1. **NAME** : M. SHAMSUL HAQUE
2. **DATE OF BIRTH**
3. **SEX** : Male
4. **NATIONALITY** : Bangladeshi
5. **MAILING ADDRESS** : Professor and Director  
Institute of Business Administration  
University of Dhaka, Dhaka-1000  
Bangladesh  
Phone (Office) 500517, 505050-51/100

6. **EDUCATION:**

- i) Ph.D. (Finance and Public Policy), Manchester Business School, U.K., 1977.
- ii) M.B.A. (Major in Finance), School of Business, Indiana University, Bloomington, U.S.A., 1969.
- iii) M.Com. (with Agricultural Economics as a special paper), Rajshahi University, 1963.

7. **OTHER TRAINING:**

- i) Computer Modeling Specialist with Spreadsheet Programs. LOTUS, IFPS, and BASIC.
- ii) Eight weeks of training in the U.S. Department of Commerce on National Income Accounting and Balance Sheet.
- iii) Three months of study in Canada on Entrepreneurship and Small Business Development.

8. **LANGUAGE AND DEGREE OF PROFICIENCY:**

Bengali - Mother Tongue  
English - Excellent

9. **MEMBERSHIP IN PROFESSIONAL SOCIETIES:**

- i) Treasurer, Dhaka University Teachers' Association Executive Committee, 1991-1992.
- ii) Executive Secretary, Association of Management Development Institutions of Bangladesh (AMDIB).
- iii) Vice-President, Investors Forum, Dhaka.
- iv) Founder Chairman, Center for Entrepreneurship and Small Business Development (CESBD), IBA.

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- v) Member of Council, Institute of Cost and Management Accountant (ICMA) of Bangladesh, 1993.

10. **COUNTRIES OF WORK EXPERIENCE:**

- (i) Bangladesh, (ii) Canada (iii) United Kingdom

11. **EMPLOYMENT RECORD:**

**FROM SEPTEMBER 1987 TO PRESENT**

**POSITION HELD:** PROFESSOR OF FINANCE  
Institute of Business Administration  
University of Dhaka  
and  
CONSULTANT to several projects of GTZ, IDE, FCEOM,  
MIDAS, CIRDAP, Ministry of Industries (Govt. of Bangladesh),  
The World Bank, The Asia Foundation, ADB, ILO, UNDP,  
UNICEF, USAID, and other national firms.

**FROM JULY 1984 TO AUGUST 1987**

VISITING PROFESSOR IN FINANCE  
Faculty of Business, MUN, Newfoundland  
CANADA

**FROM 1973 TO 1984**

**POSITION HELD:** ASSOCIATE PROFESSOR  
Institute of Business Administration  
University of Dhaka  
(On study leave for Ph.D. Program at Manchester Business  
School, U.K., on Fellowship)

**FROM SEPTEMBER 1969 TO NOVEMBER 1973**

**POSITION HELD:** ASSISTANT PROFESSOR  
Institute of Business Administration  
University of Dhaka

**FROM SEPTEMBER 1967 TO AUGUST 1969**

**POSITION HELD:** SENIOR LECTURER (Assistant Professor)  
Institute of Business Administration  
University of Dhaka  
(On study leave at Indiana University, U.S., to study M.B.A.  
program under fellowship from the FORD FOUNDATION).

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FROM NOVEMBER 1963 TO AUGUST 1967

POSITION HELD: SENIOR LECTURER (Assistant Professor)  
Department of Commerce  
University of Rajshahi, Rajshahi

12. **SPECIALIZATION:**

- i) Teaching: Financial Management, Investment Analysis, Managerial Accounting, International Finance, Capital Budgeting, Computer Software, BASIC, LOTUS 1-2-3, and IFPS.
- ii) Research and Consultancy: Financial Analysis, Economic and Social Analysis, Evaluation of Projects, Feasibility Study, Rural Credit, Small and Cottage Industries Survey, Accounting System Design and Management Control, Survey on the use and impact of the treadle pump for manual irrigation, and others.

13. **CONSULTANCY (1988 TO PRESENT):**

- i) Macroeconomic and Financial Consultant to the World Bank Mission in Bangladesh on "Privatization of Public Enterprises in Bangladesh, March-April 1993.
- ii) A study on Portfolio Management for Micro-Industries Development Assistance Society (MIDAS), February-March 1993,
- iii) Strengthening of Institutional framework for restructuring Public Manufacturing Enterprises, Ministry of Industries/Crown Agent Senior Consultant for MIS and reorganization, June-September 1992.
- iv) Financial Evaluation of the Chittagong City Drainage Project funded by UNDP/UNHCH, Binny & Partners & PMACS Bangladesh, September-December 1992.
- v) Canadian High Commission Study on the Potentials of Joint Venture Projects by Canadian companies in Bangladesh, July-August 1992. Survey Research Group, Dhaka.
- vi) Strategic Planning for Marketing the Treadle Pump (Manual Irrigation Pump) with a Pilot Credit Delivery Project; Sponsored by International Development Enterprise (IDE) and SDC, 1990 (ongoing).
- vii) Evaluating the training and technical assistance of four organizations engaged in entrepreneurship and small business development in Bangladesh, 1991. Sponsored by the World Bank, Dhaka.
- viii) Financial Analysis of Dhaka WASA — Affordability and Tariff Structure to Improve Financial Viability of Dhaka WASA under an extended Investment Program for Surface Water Treatment Plant under a French Project, 1991. Sponsored by BCEOM (French Co.) and EPC (Dhaka).
- ix) A study on Dhaka Stock Exchange, 1990-1991. Sponsored by the Asia Foundation, Dhaka.

- x) Management Problems with Reference to the Private Sector in Bangladesh 1989-1990. Sponsored by GTZ and Pathmark Associates Ltd.
- xi) Feasibility Studies on Housing Finance Companies in the Private Sector, 1989-1990. Sponsored by Business Research Associates, MIDAS, GTZ, and Pathmark Associates Limited.
- xii) A study on Sick Industries of Bangladesh, 1988. Sponsored by Ministry of Industries, Government of Bangladesh.
- xiii) Consultant to USAID Team on the Evaluation of Financial Sector Reform Project, 1993 (ongoing).

#### 14. RECENT PUBLICATIONS:

- i) *Commerce Education in Bangladesh: Its Prospects and Problems*, Collection of Seminar Papers published by the Bangladesh Commerce Education Association, December 1992.
- ii) "An Evaluation of the Enterprise Development Policy in Bangladesh and Rationale for Increasing Institutional Support for Entrepreneurship and Small Business Development," *Journal of Business Administration*, IBA, Vol. 18, Nos. 1 & 2, 1992.
- iii) "New Industrial Credits & Growth of Entrepreneurship in Bangladesh," *The Bangladesh Observer*, October 5, 1992.
- iv) "Foreign Investment in Bangladesh — Still a Mirage," *The Daily Star*, February 1, 1992.
- v) "Private Sector Development in Bangladesh: Background Facts," *Applied Economic Development Series*, Vol. 1, Bennet G. James (ed.), Oase Verlag, Cologne, August 1991.
- vi) "Budget 1991: Transition to Public Accountability," *The Bangladesh Times*, July 3, 1991.
- vii) "The 1990 Nobel Prize Winners in Economics: A Note of Appreciation of their Contributions," *Souvenir Issue*, IBA Alumni Day, 1991.

#### 15. BOOKS PUBLISHED:

- i) *Accounting Methodology, Prices Policy and Corporate Financial Viability*, IBA, 1983.
- ii) *Cottage Industries of Bangladesh — Potential for Development*, IBA, 1984.
- iii) *Jute Production, Procurement and Price Support Policy in Bangladesh*, IBA, 1984. Co-writers are Professor Muzaffer Ahmad and Professor Alimur Rahman.

1. **NAME** : **KHALILUR RAHMAN KHAN**

2. **DATE OF BIRTH**

3. **SEX** : Male

4. **NATIONALITY** : Bangladeshi

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Institute of Business Administration  
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6. **EDUCATION:**

- a. M.B.A. (Major in Quantitative Business Analysis, Business Economics and Computer-based Information System), School of Business, Indiana University, Indiana, United States, 1971.
- b. M.A. (Mathematics), First Class, First, University of Dhaka, Dhaka, Bangladesh, 1961
- c. B.A. (Economics & Mathematics), University of Dhaka, Dhaka, Bangladesh, 1959

7. **OTHER TRAINING:**

- a. Special study and research in Total Quantity Management, University of New Brunswick, Fredericton, CANADA, Fall Semester 1992.
- b. Training in UNIX, ORACLE, and C, Bangladesh Computer Council, Dhaka, Bangladesh, 1991.
- c. Special study and research in Decision Support System and Computer-based Information Systems, School of Business, University of Wisconsin-Milwaukee, Wisconsin, Fall Semester 1986.
- d. Ten-week Workshop on Development of Small Enterprise at Cranfield Institute of Technology, Cranfield, England, September-November 1978
- e. Workshop on Adapting Training Packages for Trainers in Export Promotion at International Trade Center, UNCTAD/GATT, Geneva, November 1977.
- f. Workshop on Training of Trainers for Export Promotion at International Trade Center (ITC), UNCTAD/GATT, Geneva, Four weeks, July 1974.

8. **LANGUAGE AND DEGREE OF PROFICIENCY:**

Bengali - Mother Tongue  
English - Excellent

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9. **MEMBERSHIPS:**

- a. Fellow and Editor, Bangladesh Computer Society (Ex-Vice-President).
- b. Member and President, Computer Professionals' Association of Bangladesh.
- c. Member, Bangladesh Economics Association.
- d. Member, Bangladesh Mathematics Association.

10. **EMPLOYMENT RECORD:**

- a. From July 1992 to present  
Position held: PROFESSOR OF MANAGEMENT SCIENCE AND MIS  
Institute of Business Administration  
University of Dhaka
- b. From December 1977 to July 1992  
Position held: ASSOCIATE PROFESSOR  
Institute of Business Administration  
University of Dhaka
- c. From February 1971 to December 1977  
Position held: ASSISTANT PROFESSOR  
Institute of Business Administration  
University of Dhaka
- d. From February 1969 to February 1971  
Position held: FORD FOUNDATION Study Fellow (M.B.A.)  
School of Business, Indiana University  
Indiana, U.S.A.
- e. From January 1964 to February 1969  
Position held: LECTURER/SENIOR LECTURER  
Department of Mathematics  
University of Dhaka, Dhaka
- f. From August 1961 to January 1964  
Position held: LECTURER in Mathematics  
Dhaka College, Dhaka and two other colleges.

11. **SPECIALIZATION:**

- a. **Teaching:** Quantitative methods, Operations Research, MIS, DSS, Computer Programming, Systems Analysis and Design, Simulation, Operations Management, TQM, and Mathematical and Econometric Modeling.
- b. **Research and Consultancy:** Operations Management, Export Promotion, Survey Research and Studies, Project Evaluation, Financial Analysis, Planning Models-Econometric, Computer System Analysis and Design, Programming and Implementation of Computer-based Systems.

12. **CONSULTANCY (From 1988 to present):**

- a. First Interim Evaluation of the Financial Sector Restructuring Project (FSRP). Worked with Development Alternatives Inc. (DAI) as Local Consultant on MIS and Computerization during May-June 1993. Sponsor was USAID.
- b. Evaluation of investment portfolio of MIDAS, March 1993. Sponsored by USAID.
- c. Study of the Materials Management & Logistics System of a large pharmaceutical manufacturing and distribution firm, February-December 1992. Includes identification of computer-based management control systems related to the field.
- d. Study of the Services Sector in the Bangladesh Economy, 1990-1991. Sponsored by ESCAP.
- e. Market and Demand Study for Transformers and Switch Gears in Bangladesh, 1988-1989. Sponsored by Siemens Bangladesh Ltd.

13. **CONSULTANCY (From 1973 to 1987):**

- a. Computer-based project monitoring system for the UPE project, 1985. Sponsored by UNESCO.
- b. Prefeasibility Study for a Computer System in the Establishment Division, 1982. Sponsored by World Bank.
- c. Three product demand and supply studies for Export Promotion Bureau, 1979-1981. Sponsored by ITC, UNCTAD/GATT, Geneva.
- d. Macromodeling and analysis of five-year (1980-1985) Development Plan of Bangladesh. Sponsored by Planning Commission, April 1979 to January 1980. Computer simulation done.
- e. Operations Management Studies on eight Public Sector industrial production units, 1976-1978.
- f. Study of Manpower Utilization in a Big Public Sector Organization with over 2200 office workers. Used activity sampling and other work-study techniques and computer analysis, 1976.

- g. Computerized loan-repayment monitoring system for an industrial development bank, 1973-1974.

14. **PUBLICATIONS:**

- a. Eight text books in quantitative methods, computer programming, and systems analysis and design.
- b. Eight articles on computer information systems and management planning and control.
- c. Twenty research and study reports and monographs.