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## **CASE STUDY 1 – BANGLADESH**

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### **The Bangladesh Private Sector Forum**

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#### **Plans for a multi-donor project in 2006 started the process of consultation**

In early 2005 the Government of Bangladesh formally embarked on a long-term program of private sector development through a combination of institutional and regulatory reform, a strengthened economic zone strategy and the creation of a special economic zone. A group of donors, known as the Development Partners Support Group (DPSG), is assisting with this process.

At the centre of the process is the ongoing preparation of a large (\$150-\$200m) World Bank-led, multi-donor-funded Private Sector Development Support Project which is scheduled for commencement in mid-2006. A year-long “design phase” which includes a large number (around 30) of preparatory projects is underway and is being led by the IFC (FIAS and the SouthAsia Enterprise Development Facility (SEDF)). This work has been incorporated into the Bangladesh Poverty Reduction Strategy Paper and the PRSP implementation plan.

#### **Structure of the bodies assisting in planning the PSD project**

To assist in the preparation of the proposed PSDSP, the Government of Bangladesh has established several groups. Under the Prime Minister’s Office, the government has formed the Private Sector Development Task Force whose membership is made up of permanent secretaries and agency heads. This is chaired by the Executive Chairman of the Board of Investment and co-chaired by the Principal Secretary to the Prime Minister and has eight members.

In addition to the PSD Task Force, the government has also established the PSD Core Group, which consists of around 37 senior working-level civil servants.

Membership of the PSD Core Group is drawn from across government and includes representatives from the Prime Minister’s Office, the Ministry of Finance, the Ministry of Commerce, the Export Promotion Bureau (EPB), the Ministry of Shipping, the Bangladesh Export Processing Zone Authority (BEPZA), the Economic Relations Division (ERD), the Ministry of Establishment, the National Board of Revenue (NBR), the Bangladesh Small and Cottage Industry Corporation (BSCIC) and the Board of Investment (BOI).

Complementing this is the Private Sector Consultative Group (PSCG), which is made up of approximately 25 leading private sector representatives. The PSCG is supplying private sector inputs to the reform process that has been initiated. These various groups have collectively already started an ongoing series of public-private dialogue and are meeting jointly every one or two months, including in the form of dedicated working groups covering specific topics.

The membership of the DPSG – the group of donors – is made up of FIAS, SEDF, the World Bank, the United Kingdom’s Department for International Development (DFID), the European Union (EU), Japan (JICA and JBIC), the Canadian International Development Agency (CIDA), and the Asian Development Bank (ADB).

The DPSG, PSD Task Force and PSD Core Group are being supported by the Bangladesh Enterprise Institute, a think tank which is helping to facilitate the PSD program.

## **Timeline**

The PSDSP design phase activities were developed during the latter stages of 2004 and were chosen based on the outcomes of a number of high-level meetings with government and other stakeholders, and draws heavily on the deliberations and outcomes of the December 2004 roundtable (supported by DFID, FIAS and SEDF) on competitiveness, economic zones and the business environment. It reflects the thrust of the Government’s 2005 Poverty Reduction Strategy Paper (PRSP).

A letter which set out the proposed framework and approach of PSDSP was submitted to the Government of Bangladesh by the World Bank in February 2005. The scope of the proposed project was subsequently approved in a letter from the Economic Relations Division (ERD) of the Ministry of Finance to the World Bank on 23 April 2005, along with some suggestions which are to be taken into consideration during the World Bank appraisal process. Following receipt of this in-principle approval from the Government of Bangladesh, the design phase activities for PSDSP were commenced in May 2005.

The World Bank approved a formal Project Concept Note in June 2005. The first PSDSP project preparation mission was held from 20 September to 4 October 2005. The project preparation mission covered the full scope of the proposed PSDSP and further developed the design of the project along the same lines as were originally discussed in the letter to the Government in early 2005. A draft Aide Memoire was discussed with the Board of Investment and the Economic Relations Division of the Ministry of Finance before the mission departed Dhaka and general agreement on the scope of the project has now been achieved. The next project preparation mission is now scheduled for early 2006 and it will have the task of completing appraisal of the proposed project.

## **Components of the Private Sector Development Support Project**

The proposed PSDSP will have three components:

- Regulatory reforms and streamlining
- Economic zones (export processing zones, industrial parks, special economic zones)
- Capacity building in Government on PSD issues

The design phase of the PSDSP will focus its work on four strategic elements:

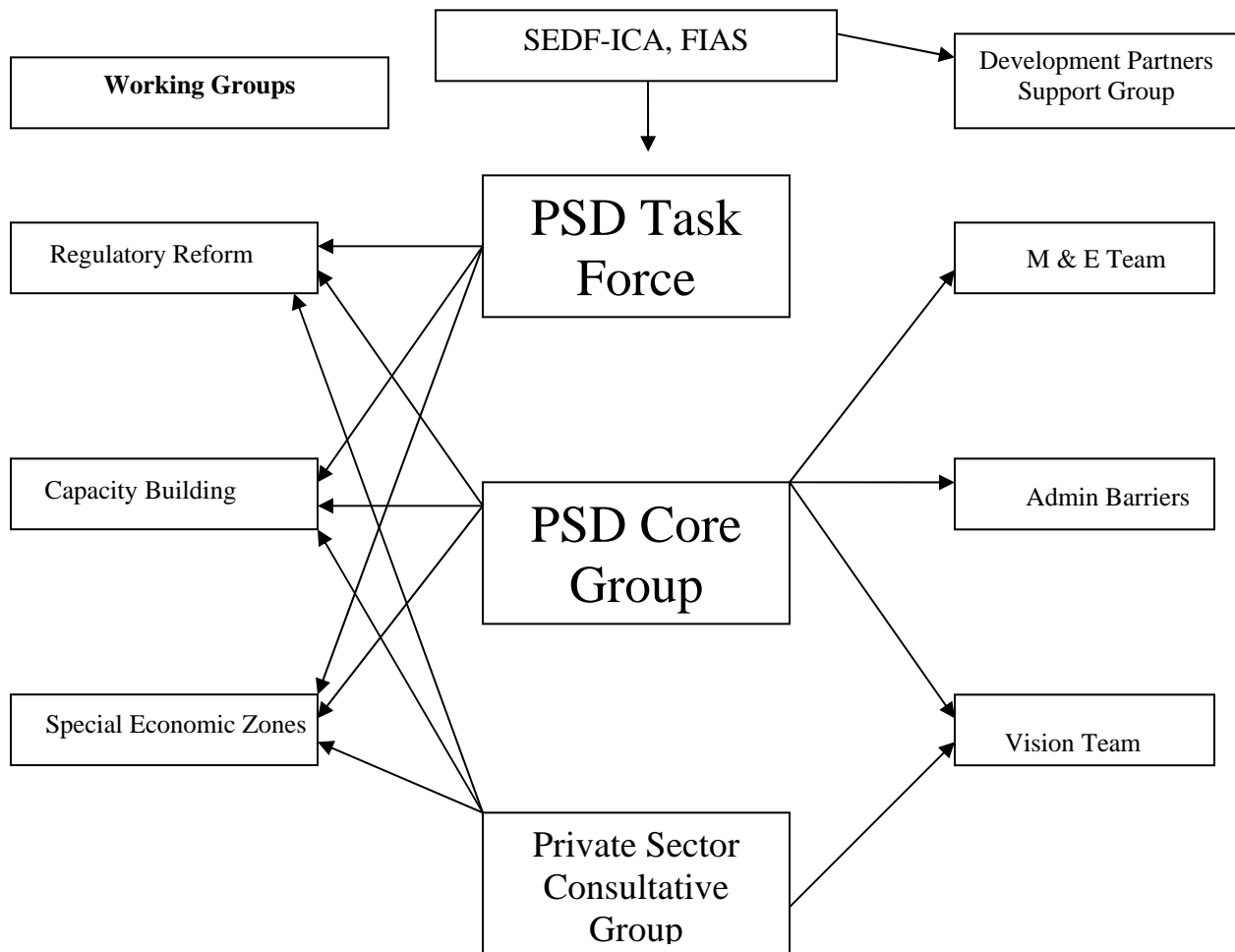
- Institutionalizing the PSD regulatory reform process
- Embedding the process of regulatory reform within Government
- Piloting reform through the development and management of economic zones
- Enhancing government’s capacity to implement and administer the business regulatory environment

## PSDSP design phase – eight projects

The PSDSP design phase has been divided into eight joint SEDF-FIAS projects, within which there are approximately 30 smaller separate projects. The eight projects are:

1. Preparation – PSD Reform Process Facilitation and Management
2. Facilitation of PSD Vision and PSDSP Monitoring and Evaluation System
- 3a. Assessing and Addressing Stakeholder Interests in PSD Reform
- 3b. Institutionalizing the PSD Regulatory Reform Process
4. A Review of Administrative Barriers to Private Sector Development in Bangladesh
5. Regulatory Impact Assessment: its Role in PSD in Bangladesh
6. Piloting Reform through the Development and Management of Economic Zones
7. Enhancing Government's Capacity to Implement and Administer the Business Regulatory Environment

### PSDSP Design Phase Consultative Groups



## **Dialogue may be formalized into a permanent Bangladesh Private Sector Forum (PSF)**

The current mechanism for dialogue which has been established to help prepare the proposed PSDSP and to support the PSD reform agenda has proven to be an excellent platform for public-private discussions. As a result of this extensive process, the government has asked the DPSG to consider establishing a more formalized and permanent mechanism for private sector-public sector dialogue – possibly to be known as the Bangladesh Private Sector Forum (PSF).

All of the PSD Task Force, PSD Core Group, PSCG and DPSG will be asked to play a role. It is proposed that these groups come together to form the Private Sector Forum in the second quarter of 2006, after the bulk of the PSDSP preparation has taken place and ahead of project effectiveness.

These groups will need to be augmented by a permanent secretariat which will schedule meetings, set agendas, and follow-up on recommendations. The Prime Minister is expected to serve as patron.

### **Expected outcomes of the PSF**

Through a process of continued results-focused dialogue, the main targeted outcome of the PSF will be a growing Bangladeshi private sector achieved through an improved investment climate characterized by an ongoing process of regulatory reform.

The PSF will seek to develop a critical path for regulatory and institutional reform and economic growth based on inputs to, and recommendations from, the membership of the PSF. The PSF will be closely aligned to the work of the PSDSP, and any additional technical assistance operations that may be formed to support that.

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Based in Bangladesh, Craig Wilson is an economist and is currently managing an investment climate program with the IFC's SouthAsia Enterprise Development Facility. He has more than 15 years of economic policy experience working with a variety of international organizations in developing economies. He has recently co-authored a new book along with Professor Emeritus George C. Lodge of Harvard Business School. The book is entitled "A Corporate Solution to Global Poverty: How Multinationals Can Help the Poor and Invigorate Their Own Legitimacy" and is to be published by Princeton University Press in March 2006.