



<b>1. Project Data:</b>		<b>Date Posted :</b> 07/01/2005	
<b>PROJ ID:</b>	P049790	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b>	Export Diversification	<b>Project Costs (US\$M)</b>	48.9 45.0
<b>Country:</b>	Bangladesh	<b>Loan/Credit (US\$M)</b>	32.0 31.6
<b>Sector(s):</b>	Board: PSD - General industry and trade sector (55%), Central government administration (45%)	<b>Cofinancing (US\$M)</b>	16.9 13.4
<b>L/C Number:</b>	C3229		
		<b>Board Approval (FY)</b>	99
<b>Partners involved :</b>	UK DFID	<b>Closing Date</b>	12/31/2002 06/30/2004
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
The main goal is to accelerate Bangladesh's integration into the world economy by expanding net export production through product and market diversification, including increased value added . The primary approach is promotion of private market solutions to exporters' skill and information needs . Important subsidiary goals are to improve the business environment generally -- and thus help create employment and GDP growth - through reforms in trade policy, Customs administration, and elsewhere to reduce costs now imposed by policy, procedural and infrastructural impediments.			
<b>b. Components</b>			
(1) Product and market development support (62% of actual project cost), which included: (a) funding for a matching grant facility (MGF) to assist exporting firms; (b) administration and advisory services for the MGF; (c) new sub-projects. 2. Trade facilitation and capacity building (34% of actual project cost), including (a) customs administration modernization; (b) trade policy analysis and coordination; (c) project coordination and development.			
<b>c. Comments on Project Cost, Financing and Dates</b>			
The project closed one and a half years later than planned, largely as a result of the complexity of project activities and optimistic assumptions made at appraisal.			
<b>3. Achievement of Relevant Objectives:</b>			
The project is rated <i>Moderately satisfactory</i> in achieving its development objectives . Performance indicators and beneficiary surveys show that <i>objective (1)</i> was achieved, as exports expanded somewhat faster than GDP, raising the ratio of exports to GDP for the duration of the project . However, the assisted firms in the survey did not grow faster than the control group, raising questions as to the impact of the project .			
Among the sub-objectives:			
(1) Enhancing entrepreneurship and competitiveness : <i>Moderately satisfactory</i> . A survey conducted at the end of the matching fund facility program (2003) indicates that assisted firms were able to expand export markets and broaden the range of export products by a greater extent than a control group of firms which did not receive any assistance . However, the rates of export growth observed in the two groups were not significantly different . In addition, the efficiency of resource use in meeting this objective was low, as the cost of administering the matching funds was very high, with \$4.4 million spent on administration and advisory services to disburse \$ 11 million to exporters.			
(2) Facilitating trade and removing export constraints : <i>Moderately satisfactory</i> . Steps towards modernization of customs administration were successfully taken, both in customs legislation and in streamlining export and import clearance procedures. However, the progress made represented an early phase of modernization . At a time when competitors elsewhere were rapidly adopting major technological advances, the Borrower faced the challenge of having to do more just to keep up.			
<b>4. Significant Outcomes/Impacts:</b>			
(1) Assisted firms under the MGF benefited from international certification and management capacity building, which enabled them to increase access to new markets abroad . These changes may also have important demonstration effects. (2) International trade procedures (including the number of required steps and speed of processing bills of			

entry) were improved, with the scope for rent seeking reduced and the ASYCUDA system implemented at major customs sites. Physical inspection of imports dropped from 100 % to 10 %, while same-day clearances rose from 19% to 35%. Nonetheless, there remains a large scope for further improvements .

##### **5. Significant Shortcomings (including non-compliance with safeguard policies):**

- (1) While Bangladesh's export revenue increased over the four -year duration of the project (1999-2003), the rate of growth was, contrary to expectations, actually lower than that of the preceding four years (1995-1999).
- (2) The cost of administering the MGF, including the provision of advisory services, was very high as was the overall administrative cost of the project (including PCU and MGF services which together amounted to about 20 % of total project cost, not including the cost of IDA lending or supervision .)
- (3) Very few exporters make use of the ICT marketing office set up in Santa Clara, California, with funding from the MGF. It's also not clear that long-term public funding for this service, as envisaged under the project, is justified .
- (4) Little was achieved in upgrading the capacity of the Bangladesh Tariff Commission (BTC), thus limiting the prospect for further trade liberalization and deeper integration with the world economy .
- (5) The ASYCUDA system was not integrated with Customs information management system, impairing the functionality of both.

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Moderately Satisfactory	Modest outcome was achieved despite depressed markets abroad from 2001- 03
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Non-evaluable	As noted in the ICR (p.6 Para 2), further work is needed to ascertain the impact of the MGF and its sustainability.
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf.:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

NOTE: ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

##### **7. Lessons of Broad Applicability:**

- (1) Bank assistance provided through matching grants often entails a high cost of administration and related advisory services. This appears to be true across regions, including for example Africa and South Asia .
- (2) While the specialized project coordination unit (the PCU in this case) greatly facilitated implementation, the ICR nonetheless concluded that it would have been better to set up (or rely on) a regular organ of the public service, such as a policy unit in the Ministry of Commerce . Such an institutionalized unit in the public service would have carried on the work after project completion and thus enhanced sustainability .

##### **8. Assessment Recommended? Yes No**

##### **9. Comments on Quality of ICR:**

This version of the ICR is much improved and of satisfactory quality . It shows a good balance in describing the achievements and shortcomings of the project . Its usefulness, however, would be enhanced with :

- (i) More details on export composition;
- (ii) A more complete analysis of the project's impact, linking it to export increases;
- (iii) A clarification of the methods and results concerning the survey conducted on beneficiaries of the MGF, perhaps through a reference in Annex 7.