

Address by Mr. Anil Sinha, General Manager, SEDF

Thank you. Hon. Foreign Minister, Dr. Kamal Siddiqui, Excellencies Ambassador of Japan and High Commissioner of UK, Mr. Farooq Sobhan, my colleagues from the World Bank, distinguished guests, ladies and gentlemen. The International Finance Corporation, the private sector arm of the World Bank, and its two multi-donor facilities, FIAS and SEDF, are pleased to support these roundtables on Industrial Zones and Regulatory Reform. We believe that these roundtables will contribute to improving industrial development, economic growth, and lead to poverty alleviation in Bangladesh and in the region.

A few words about SEDF if I may. SEDF is a regional facility promoted and managed by the IFC. Its main objective is SME development. It's a multi-donor facility, and I would just like to acknowledge the other donors that are part of SEDF; these include DFID, the European Commission, CIDA of Canada, the Norwegians and the Asian Development Bank. Similarly, FIAS is also a joint World Bank and IFC multi-donor facility. FIAS has considerable experience in Best Practices in developing Special Economic Zones.

Special Economic Zones and Free Zones can be a powerful catalyst for industrial development and good governance. We believe that SEZs engender infrastructure development and urban development in the regions where they are set up. They contribute to technology transfer, generate employment and higher incomes, both directly and through their demonstration and catalytic effects. They also have a positive influence on policy makers. They can act as a free market oasis for foreign exchange earnings and job creation. They can also be used as a controlled environment for experimenting with policies. Such was the case, for example, in the early SEZs that were set up in China. They were used to test free market reforms before implementing them at the national level. However, we recognize that if the rest of the economy does not eventually also reform, the zone, no matter how successful, will stay an oasis, and will be limited in its contributions.

Though South Asia is one the fastest growing regions of the world, it is characterized by low Foreign Direct Investment (FDI) and low levels of manufacturing. To give an example, FDI data suggests that South Asia continues to attract FDI worth 1% of annual GDP roughly, as opposed to 4% for China. A possible explanation is that infrastructure development, and levels of taxation and regulation, do not quite match up with other regions, that attract much more FDI. Economic zones, of which EPZs, SEZs and free ports are examples, have become popular trade policy instruments since their modern revival in the 1990s. While in the 1970s, there were only a handful of countries implementing economic zones, in the late 1990s, the total number of economic zones exceeded 500, and has been rapidly increasing in the last five years. There are economic zones now in about 75 countries.

The primary goals of economic zones include providing an internationally competitive and business friendly environment for both foreign and domestic investment, especially useful for attracting FDI, and, as I mentioned, for generating employment and income

and act as channels for technology and know-how, the idea being to accelerate the host country's economic growth.

The combination of topics that will be discussed over the next two days will, we feel, provide a menu of options as to how to develop economic zones and how they can maximize their benefits to the economy. Over the next two days, you will be exposed to a number of successful models of industrial free zones. This will include [a review of their] financial and ownership structures, regulatory and legal issues, and new trends in zone design and management. We hope that these roundtables serve as an opportunity for the various stakeholders to consider the best model for setting up new zones and expanding and restructuring existing ones to support industrial infrastructure development in Bangladesh in order to realize their potential benefits. We also feel that benefits can be maximized within a conducive business-enabling environment if there are linkages set up with the domestic economy.

I'm delighted that eminent panelists and experts from around the world have accepted our invitation to come to Bangladesh to share their thoughts and experience. I would just like to close by thanking you for your support for IFC, for FIAS and for SEDF, and overall for the World Bank Group, and also to acknowledge the partnerships we have with people around the table.

Thank you, ladies and gentlemen.