

## Research Brief

### South-South Ideas: Report on the Potential for Monitoring and Evaluation of Special Economic Zones in Bangladesh (2019)

K A S Murshid, Sarah Hager, and Marianne Männlein

The Bangladesh SEZ demonstrates interesting characteristics including the diversity of ownership structures and target sales markets which create significant opportunities for experimentation both in policy and in implementation. For these reasons, Bangladeshi SEZs may be of substantial value if included in potential M+E programs in the medium term. This is particularly true if the regional neighbors, India and Pakistan can also be brought on-board to create robust comparisons.

While it is too early to provide specific recommendations for BEZA, a few cautionary notes and potential opportunities come out of both the literature review and concerns raised by respondents - including the need to be sensitive to potential issues around land-grabbing, the importance of making the most of the competition and experimentation potential created by the diverse SEZ ownership structures, and the need to capture learning across the zones. Following this, we consider recommendations that can support Bangladesh and other Southern countries to establish M+E programs to make the most of their investments in SEZs.

#### Watch Outs and Opportunities

A key watch out for the EZ program is the potential for land grabbing. Potential exists for this practice to proliferate in Bangladesh as it did in India, Pakistan and China and this may be further aggravated by the fast license procedure that currently operates for applicant SEZ developers. Having such a fast license system may be good for business, allowing developers to quickly enter into development with final approval granted after conditions have been met. However, in this institutional arrangement, BEZA may wish to articulate a policy of acceptable land use and to institute mechanisms for making final approval and the maintenance of licenses conditional on meeting targets that support the government's Industrial Strategy.

Among the great opportunities in the BEZA program is the potential for experimentation that is presented by the diversity of ownership structures, potential sectors, and zone types in Bangladesh. The case of China demonstrates that well directed competition and zone level innovation can support the development of a dynamic industrial zones program. Bangladesh may be in a position to realize similar advantages; however, two caveats are in order.

The first is that not all sectors that are attractive for investment may be optimal for industrial and economic development in Bangladesh. In such cases, BEZA may wish to retain the ability to prioritize sectors in the future and to exclude those which the experience from the experimentation has shown to be poorly suited to meeting Bangladesh's economic development goals including the creation of quality jobs and growth.

The second caveat is that the lessons of the diverse SEZs need to be able to be captured, understood and implemented in policy. If the experimentation between zones is to be valuable, there have to be mechanisms in place for attempting to replicate successful discoveries of what is working in the contemporary context in Bangladesh and its role in the global trade system. To do this, a systematic M+E framework is highly indicated. A suitable entry point may be found by starting with the eight existing EPZs. These zones, which have long-running production and existing procedures may be difficult to bring on-board, however, they would enable a partial understanding of the conditions for M+E in Bangladesh and may enable a faster roll-out to SEZs once the later program is more mature.

## Bringing M+E to the Global South

In addition to these lessons, a number of recommendations may support countries in the Global South and their Northern partners who are wishing to implement M+E programs to enhance the use of SEZs as a development tool. These include:

- Gaining support of stakeholders including, in particular, the private sector
- Ownership of the M+E program in the regulator and implementation through the One-Stop-Shop
- Capture a broad base of indicators that can support the pursuit of SDG's, policy formation, and adaptation to changing economic conditions.
- Take seriously the value of both positive and negative lessons from SEZ development and work to disseminate these

The support of the private sector is crucial for the success of the M+E program. While much data can be gathered through proxies and government organizations, such as customs or utilities, a substantial portion of the most useful information comes from the firm level. In order to secure and maintain private sector buy-in it is recommended that their data needs and interests be considered at the design of indicators stage. This will enable the M+E program to provide meaningful feedback to the firms, such as anonymized peer data that supports them in meeting their own objectives. If this can be achieved, the firms may be more motivated to participate in the program and supply high quality data.

Another key stakeholder of the program is the SEZ regulator which can act as coordinator for the collection of data from other bodies of government. Without the active participation of the regulator and a highly effective platform for data collection, the one-stop shop may not be willing to use its unique relationship to the firms and knowledge of the issues in the park to support data collection.

In addition to securing steady data ingestion, the quality of the data should be considered in terms of its usability and actionable insights to solve problems and promote continuous upgrading in the SEZs. Some primary areas to consider include infrastructure, environmental impacts, employment effects, and productivity.

Finally, it is important to take seriously the value of both positive and negative lessons both within the national SEZ program and with other countries in the Global South. Given the climate of competition for FDI and the great need for investment in many Southern countries there can be a tendency to only share the positive outcomes. However, this can lead to repetition of costly mistakes. In order to foster cooperation, it is helpful if a mechanism for mutual sharing, such as the INSE M+E program, can be put

in place to support the development of mutually beneficial and balanced knowledge sharing in the Global South.

## Conclusion

An M+E program is needed to provide critical insights to countries in the Global south wishing to use SEZs as a tool for sustainable development. Participation in an M+E program would support the goals of Bangladesh, as they seek to ambitiously roll out 100 SEZs by 2021. In order to make the most value of these zones it will be indispensable to have a mechanism to capture the results of more and less successful zones to improve the national performance.

It is also highly desirable to include Bangladesh in the country pilot studies for the M+E framework as its early success in meeting millennium development goals and the distinctive features of its SEZ program offer opportunities for learning for other Global South Partners. These distinctive features include the diversity of ownership, public, private, PPP, and G2G, options and zone types, including Industrial Estate, EPZ, EZ, and Hi-Tech Parks which together point to an evolving and broadening industrial strategy. This strategy has the highest-level buy-in from the office of the PM and enthusiastic, if cautious, support from the private sector.

These lessons may be particularly valuable for regional neighbors India and Pakistan, however there is also scope for Bangladesh to learn from the cautionary tales presented by these cases. In particular, issues of governance and land allocation should continue to be approached with nuance and sensitivity. Currently, the government has been seeking low productivity land and reclaiming low land for the development of the SEZs it initiates. From the perspective of the SDG's this may be a very positive strategy, however the cases in India, Pakistan and China point to the need to also consider safeguards against land grabbing and rent seeking behavior by all participants. A second cautionary note is that as Bangladesh has seen in its own development of EPZs and has been extensively discussed in the literature, the location of SEZs impacts on their success and this should be balanced against the worthy objectives of spreading the potential gains from EZs as widely as possible and working to curtail regional disparities and moving industrial growth away from the urban areas. While these aims may be highly desirable, there is reason to be concerned about their effectiveness.

This potential for deepening understanding of the impacts of zone location is but one example of the way that the diversity exhibited by the wider industrial strategy may be creating suitable conditions for experimentation in the areas of zone management, implementation and services. This could bode well for the country if these lessons can be retained and used to enhance the positive benefits of the EZs and their positive contribution to structural transformation. However, there are also concerns about how to measure and evaluate the potential for adverse effects including on existing land users in the case of un-reclaimed land, and developing a balanced financing approach between public finance, investment, and self-sustainability at the zone level. The M+E framework should support regulators and stakeholders in identifying both the benefits and the costs of the zones from a broad base of perspectives so that the zones can be most effective in delivering on SDGs and support quality growth in countries of the Global South.