

Terms of Reference

Management of the Export Readiness Fund (ERF)

A. Background

Bangladesh's economic performance has been characterized by strong growth for more than a decade. Between 2000 and 2015, the size of the economy in purchasing power parity terms (PPP, current US\$) more than tripled to US\$537 billion.¹ During this period, exports of goods and services and inflows of personal remittances increased on an annual average of 15.5 percent and 15.2 percent, respectively. In the decade to 2015, gross domestic product (GDP) per capita (PPP) increased annually by 6.8 percent to US\$3,333. Bangladesh may attain middle-income status by 2021—the target set by the Government of Bangladesh (GoB) if it maintains a growth trajectory close to eight percent. Bangladesh's continued integration in trade and international production networks will play an important role in this process.

Importantly, around 25 million youth will reach working age and an estimated 16 million youth will enter the labor market in the coming decade. More, better, and more inclusive jobs are required to continue to reduce poverty and provide a brighter future for a nation in which 30 percent of the population is 14 years or younger. Nine out of ten Bangladeshi workers are operating in the informal sector and three out of five workers find themselves in vulnerable employment. Rapid urbanization coupled with significant youth unemployment and underemployment indicate that inclusive economic growth is required, but not necessarily sufficient, to maintain political stability. An important contribution to formal job creation in productive sectors could come from tradable sectors in which Bangladesh has a comparative advantage. Raising export competitiveness is essential in realizing this economic potential.

The 7th Five-Year Plan (FYP) (FY2016-20) and Vision 2021 aim for Bangladesh to attain middle-income economy status by its 50th anniversary as an independent nation. Concrete targets of the seventh FYP (by FY20) include to: (i) increase gross investment from 28.97% to 34.4% of GDP; (ii) increase private investment from 22% to 26.6% of GDP; (iii) generate FDI worth US\$9.6 billion; and (iv) generate exports worth US\$54.1 billion. According to Sustainable Development Goal (SDG) 17.11, Bangladesh also aims to double the export volume by 2030 and MoC will be leading this agenda on behalf of GoB. The GoB will seek to achieve these targets by improving regional and global integration through trade liberalization and trade facilitation to promote higher value added manufacturing; invest in industrial infrastructure to develop the private market for economic zones; strengthen institutions to manage a larger and more complex economy and foster a business-friendly environment; and improve technical education and skills formation.

The goal of the 7th FYP is to reduce poverty through export-led growth, and export diversification is the strategy for GoB to achieve this. To avoid the risk of limited markets and products, our export policy has a mandate to diversify export products from highest priority sectors and special development sector. To comply this mandate, the GoB requested World Bank Group (WBG) support in FY16 to promote export competitiveness and diversification by supporting the development of the leather, footwear, plastics and light engineering sectors. Leather and leather products, (leather and non-leather) footwear, plastics and light engineering are labor-intensive sectors that have demonstrated strong growth potential. In particular, leather and footwear are increasing exports in the recent times. Firms in these sectors are expanding their production and seeking to integrate into global value chains (GVCs), but development is held back in part

¹ Data retrieved from the World Bank's World Development Indicators database if not elsewhere specified.

due to insufficient technology and skills adoption, and lack of compliance with international Environmental, Social and Quality (ESQ) standards. Failure to invest to overcome these shortfalls results in large part from a number of market failures, including information asymmetry between foreign buyers and Bangladeshi sellers with regard to requirements for adherence to often-changing standards and accreditations in high income markets. Market signals often fail to reach prospective suppliers and markets for business development services (BDS) and accreditation and testing mechanisms are generally underdeveloped. There are frequent coordination failures to address issues of mutual interest, such as policy advocacy, articulation of demand for skills, and agreement on common needs for technology adoption due to poorly organized market participants.

The identified sectors currently employ largely poor, low-skilled workers, demonstrate great potential for stronger backward linkages, and increased domestic value addition. There is strong anecdotal evidence of multinationals assessing Bangladesh as the next frontier for large investment in these sectors with significant knock-on effects if key constraints can be addressed. PricewaterhouseCoopers (PwC) ranked the four sectors as top in an assessment of sectors with high employment and growth potential in Bangladesh in 2017.

B. Project Description

Ministry of Commerce (MoC) of GoB is implementing a multi-year project named 'Export Competitiveness for Jobs' with support from the World Bank. The project will enhance growth and competitiveness of selected labor-intensive sectors such as Leather & Leather Goods, Footwear (leather & non-leather), Light Manufacturing (Electronics & Electrical Goods, Bicycle, Mold making, etc.) and Plastics in which Bangladesh has a revealed comparative advantage or sectors that provide essential inputs in export-oriented manufacturing value chains. It will support policy reforms as well as the provision of training and technology diffusion opportunities to boost competitiveness. The Project Development Objective (PDO) is to increase employment through increased trade and private investment in selected sectors with export potential.

The project is structured around four components:

- a) market access support program;
- b) productivity enhancement program;
- c) public investment facility for infrastructure constraints (PIFIC); and
- d) project implementation, monitoring and evaluation.

Sub-component 1.2 of the project will provide grant-based incentives to finance advisory services, training, and equipment that enable firms to identify and address Environment, Social and Quality (ESQ) compliance gaps and upgrade products and production processes as required by large buyers/brands and the laws and regulations of major export markets. The ERF will provide grants on a matching basis to identify and address ESQ constraints in the leather, footwear, plastics, and light engineering/electronics sectors. The fund will be designed as a catalytic, risk-sharing instrument that aims to address market failures by mobilizing investment in priority industries that will not otherwise materialize because of uncertainty about the expected benefits. The fund is expected to assist the targeted industries by supporting investment in both business/technical services and essential complementary equipment that would help firms identify and address compliance gaps and upgrade the quality of products and production processes.

The ERF will be managed by an internationally recruited specialist management company with about eight professionals and administrative staff, complemented by industry specialists brought in on demand. The Fund Manager will develop a grant procedures manual ('Grant Manual') that is approved by the PIU and the World Bank Group to provide the policy and operating guidelines for the fund. It will be in charge of day-to-day operations, outreach, milestone payments, communications, and M&E. The Fund Manager will have the responsibility for the selection process of grantees up until the final short list to ensure that the selection process is focused solely on economic and commercial criteria. It will report according to a timetable laid out in its contract.

C. Objective of the Assignment

The objective of this assignment is to formulate policy and strategy of the fund, carry out fund promotion activities, manage fund operations, and fund monitoring, evaluation and completion.

D. Role of the ERF Manager

The ERF is managed by a fund management company (the 'Fund Manager') with a proven track record of successfully managing similar funds in other countries. It is recruited through open competitive bidding.

The Fund management team is responsible for hiring expert staff and monitoring its work to ensure that its performance is consistent with the project's objectives. It will provide copies of the job descriptions for each of its staff to the GAC and they will be annexed to the Grant Operating Manual. It will regularly appraise staff performance and ensure continued high levels of commitment to the objectives of the project. The Fund Management Unit (FMU) team consists generally of management (Fund Operations Manager, deputy, and finance manager), grant officers, subsector specialists (part time), a procurement/disbursement officer, M&E officer (part time), and finance, administration and project assistants. In addition, experts may be hired as needed for specialized areas such as impact evaluation.

The FMU is in charge of day-to-day operations, outreach, appraisal, selection, disbursement, verification and completion of projects. It will be in direct control of the appraisal and selection process up until the final short list to ensure that selection is focused solely on economic and commercial criteria. It will report according to a timetable laid out in its contract. A comprehensive monitoring and evaluation (M&E) system will be put in place and managed by the ERF to provide data for performance assessment, ongoing monitoring, and a future impact assessment that would be conducted by the WBG through an independent source.

Grant funds expenditure will be reimbursed by the PIU to the ERF and then to the grantee enterprise. The Financing Agreement between the World Bank and the Government sets out the obligations of the ERF Manager to: (a) operate the ERF in accordance with the provisions of the Grant Manual and the Bank's Anti-Corruption Guidelines; (b) maintain a financial management system and prepare financial reports in an acceptable format reflecting the operations, resources and expenditures related to the provision of Matching Grants; (c) arrange to have such financial reports audited by acceptable independent auditors in accordance with consistently applied auditing standards and delivered on a timely basis; (d) enter into Grant Agreements under the appropriate terms and conditions; (e) submit claims for payments of the Grants to the PIU along with supporting documentation of eligible expenditures; (f) transfer payments of Matching Grants to the grantee enterprises for incurred expenditures promptly after receiving them from the PIU; (g) enable the World Bank to inspect any relevant records and documents; (h) prepare and furnish to the Government and World Bank all such project related information as the Bank shall reasonably request; and, i) exercise its rights under the

Management Agreement between the Government and the ERF Manager in such manner as to protect the interests of the Government and the World Bank and the objectives of the ERF program.

The Government has the right to suspend or terminate the Management Agreement, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the ERF Manager's failure to perform its obligations under the Agreement.

The ERF Fund Manager is responsible for maintaining and updating the grant procedures manual ('Grant Manual') to provide the policy and operating guidelines for the fund.

Expanding on its above listed fiduciary responsibilities, the Fund Management Unit has the following strategic and operational role over the duration of the Project.

E. Scope of Work

Details scope of work of the ERF Manager is as follows:

Areas	Scope of Work
Policy and Strategy of the Fund	Assisting in setting up the Grant Advisory Committee (GAC), chaired by Ministry of Commerce or designee, with specified role in strategy, policy and grant decisions.
	Preparing and finalizing the Grant Operations Manual (eligibility criteria, selection process, grant and copayment structures, disbursement procedures, verification, follow-up, M&E, etc.). The manual is to be updated on the basis of experience.
	Developing a detailed communications strategy to ensure the widest possible understanding of and access to the Grant Funds by the four priority sectors.
	Building its understanding of the market and the needs of potential grant beneficiaries by carrying out regular surveys, and outreach activities to the business community.
	Establishing links with financial institutions in Bangladesh to coordinate grant funding and market-based finance through informal and formal mechanisms.
	Establishing contacts with other key stakeholders including Government/ non-Government agencies, donors, and private organizations to ensure coordinated assistance strategy.
Fund promotion Activities	Conducting promotional activities through a communication strategy for wide scale dissemination of the operating procedures of the Fund.
	Coordinating with other components of the EC4J program, as well as other related donor programs, especially matching grants or similar facilities.
	Establishing links with appropriate local and international service providers.
Managing Operations	Assisting in organization of meetings of the GAC, and executing decisions of the meetings.
	Interacting with the PIU on appropriation, receipt and expenditure of grant and management related funds.

	Establishing all necessary management, accounting and reporting systems and procedures to effectively manage grant funding receipts and disbursements, integrating regular internal accounting requirements with an external reporting system.
	Hiring appropriate staff to manage the day-to-day operations of the Fund, paying special attention to a) high technical ability, b) experience of fund management; and c) knowledge of the local business environment in Bangladesh.
	Maintaining effective communications and outreach through the digital platforms, promotional material, road shows, training workshops, direct technical assistance, 'town hall' meetings, to assist grant applicants to prepare proposals and accessing the Fund.
	Implementing calls for proposals according to an agreed schedule, and managing the application process from concept note through to final diligence and funding decision.
	Shortlisting proposals and approving grants subject to eligibility, project quality, due diligence and other criteria, in conjunction with the GAC.
	Announcing awards of grants and disbursing them in accordance with grant agreements and progress milestones, inspecting and verifying progress.
	Assisting with identification and selection of service providers to the beneficiaries, conducting verification of prices and content of services of proposed service suppliers.
	Conducting site visits and reviews of compliance with grant agreements including safeguards (e.g. in relation to the environment) during the duration of each project; conducting reviews of delivery of equipment and services to beneficiary enterprises.
Fund Monitoring, Evaluation, Completion	Arranging in conjunction with the GAC, for all required meetings associated with project progress, grant decisions and other relevant issues.
	Putting in place an effective M&E system, monitoring outputs and outcomes generated by the Fund, and facilitating outside evaluations and audits as required.
	Identifying baselines, indicators and targets required for effective monitoring of project performance, and the performance of a comparator group of non-assisted enterprises (with Bank guidance) for later impact study purposes.
	Completion of disbursements to grantee projects according to the time schedule for final deliverables, and provision of completion reports.
	Orderly close-out of the ERF program according to the planned schedule for completion of projects.

F. Summary of Responsibilities

A brief summary of the scope of work of key staff is as follows.

Fund Operations Manager (FOM)

- Coordinating with the GAC on relevant strategic issues;
- Managing communication, outreach and promotion;
- Overseeing (with finance manager) funding flows to Grantees;
- Managing internal processes, procedures and staffing;
- Managing application, evaluation and Grant Agreements;
- Overseeing disbursement and implementation;

- Monitoring and reporting on projects and project portfolio;
- Drafting updates to the Grants Manual.

Finance Manager

- Supervision of accounting, financial management and reporting obligations;
- Selecting and training finance / administration assistants as needed;
- Implementing and operating management information and reporting systems;
- Implementing and operating appropriate high-quality accounting system and financial controls;
- Assisting FOM in required areas including review of proposals and recommendations on grants, inspections and due diligence checks; and
- Supervising financial reports including internal audits and facilitating external audits.

Grant officers

- Promotion of the Fund through outreach efforts;
- Screen and evaluate expressions of interest, proposals and conduct on site due diligence;
- Assist applicants with preparing proposals and business plans;
- Support enterprise project implementation and grantee reimbursement claims; and
- Prepare enterprise project progress and completion reports.

Sub-Sector Specialists (short-term, on call)

- Advice to the FOM on technical issues and viability at initial project concept stage;
- Advice to the FOM and Applicant on technical and implementation issues and opportunities in preparation of full grant application;
- Review of project environmental opportunities, negative impacts and mitigation; and
- At final draft stage review technical and commercial viability of projects and likely constraints.

G. Location and Duration of the Assignment

This is a Dhaka based assignment and duration of the assignment will be initially for Forty-two (42) months.

H. Reporting Arrangements

The Firm will report to the Project Director and the Grant Advisory Committee (GAC).