

APPENDIX A

Proposed Action Matrix

Table A.1 Proposed Action Matrix*Phase 1: 12–24 months; Phase 2: 24–48 months; Phase 3: 48 months and beyond*

<i>Issue to be addressed</i>	<i>Proposed policy measure/ project/ technical assistance/ capacity building</i>	<i>Responsible government unit</i>	<i>Potential implementation challenges</i>	<i>Expected results</i>	<i>Progress as of August 31, 2015</i>
PILLAR 1: BREAKING INTO NEW MARKETS					
A. Improving trade facilitation					
Coordination of trade, transport, and logistics strategies across different sectors and modes of transport	Establish an Inter-Ministerial Trade and Transport Facilitation Committee	Ministries of Commerce (Chair), Shipping, Road Transport and Bridges, Planning Commission, and NBR	Agencies may still prefer to design and implement their programs without consulting other agencies and the private sector	Better coordination and prioritization of interventions to improve performance of national logistics system	Cabinet approval being sought for the Inter-Ministerial Committee.
Containers being unloaded in the port or immediate vicinity of the port	Adopt a coordinated strategy to improve performance of Dhaka-Chittagong corridor (including infrastructure, transport services, Customs)	Inter-Ministerial Trade and Transport Facilitation Committee, Ministry of Railways, Ministry of Shipping, Ministry of Road Transport and Bridges, NBR	Potential resistance from private sector and workers who are heavily vested in current systems	Reduced logistics costs for containerized shipments	<p>Follow-up measures are being undertaken. Studies are being conducted on the railway reforms necessary to support container transport, and reforms needed at Chittagong Port.</p> <p>New inland container depot on PPP basis proposed, near Dhirasram Railway Station.</p> <p>Ministry of Railways has taken the decision to establish a container company.</p> <p>To increase the modal share of container transport by railway along Dhaka-Chittagong Corridor, 220 flat wagons have been procured.</p> <p>Khulna-Mongla rail line is under construction.</p> <p>Master plan of Pangaon Port is approved.</p>

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Declining proportion of container movement by rail on Dhaka-Chittagong Corridor	Dual-track the main line between Dhaka and Chittagong	Bangladesh Railways	Insufficient financing to complete the dual tracking	Increased movement of containerized cargo	Construction of double-line track from Tongi to Bhairab Bazar scheduled to be completed by June 2016. Construction of 2nd Titas and 2nd Bhairab Bridges is in progress. Dhaka-Chittagong four-lane road in progress. Track between Laksam and Chinki-Astana has been doubled and opened for traffic.
Limited capacity of port to sustain increasing traffic volume	Build new terminal (Karnaphuli) and deep-sea port	Ministry of Shipping, Chittagong Port Authority	Limited financing from public funds	Increased port capacity given increasing trade volumes	Government plans to establish deep-sea ports in Payra and Sonadia. Payra Port Authority act has been enacted.
Limited use of inland water transport system for container movement	Dredge sections of inland waterway network and modernize the vessel fleet and invest in handling equipment and dredging	Ministry of Shipping, MOF	Potentially slow additions to container vessel fleet, as seen in vessels serving newly opened Pangaon Inland Container Terminal	Reduced transport costs for containerized shipments moved by inland waterways transport	
Air shipments and samples being subjected to the same clearance formalities as all other cargo	Raise limit for operation of simplified procedures and adopt and implement new procedures for expedited clearance of small shipments	NBR	Possible reluctance to apply policy to all shipments up to a revised maximum value/quantity	Expedited clearance of small air shipments up to new upper limit	New Customs Act 2015 has been formulated incorporating provisions of the Revised Kyoto Convention and some provisions of WTO TFA.
Limited capacity and less than efficient ground handling at airport	Introduce competition in ground handling, especially of cargo	Ministry of Civil Aviation and Tourism	Potential decline in revenue for Biman	Increased efficiency of ground handling operations, especially for garment industry	Ministry of Civil Aviation and Tourism and Biman looking into joint venture possibilities for cargo handling.

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High customs clearance times	Implement recommendations from time-release studies conducted at key border posts, introduce risk management practices, roll out authorized economic operator program following World Customs Organization/WTO TFA guidelines, and implement National Single Window	NBR, Port Authorities, BSTI, Plant and Fish Quarantine, Drug Administration, Atomic Energy Commission, BB, Sonali Bank, CCI&E	Development of a clear plan for phased modernization of customs and reduction in clearance times	Faster clearance for compliant traders, enabling greater focus on risk-based coordinated border management	Ongoing programs are addressing Customs processes, border management, risk management, valuation practices, authorized economic operator, and implementation of the National Single Window. Rolling out of ASYCUDA World to five priority LCS has been completed and others are ongoing. Simplification of the business process of ASYCUDA world is ongoing.
Long clearance times for goods shipped overland	Automate all land customs stations by rolling out ASYCUDA World software for customs back-office automation Allow pre-arrival clearance of goods	NBR, Port Authorities, BSTI, Plant and Fish Quarantine, Drug Administration, BB, Sonali Bank, CCI&E	Improved reliability of information technology connections to all major LCS	Faster clearance of goods, easier collection of statistics	Proposed New Customs Act 2015 has incorporated pre-arrival clearance of goods. ASYCUDA World is interfaced with BB for submission of e-LCS.
Costly trade finance hurting competitiveness of exporters and producers	Review Foreign Exchange Regulation Act	BB	Overall control system	More modern foreign exchange regime	Foreign Exchange Regulation (Amendment) Act 2015 has been approved by the Cabinet.
	Leave title documents "open" and not assigned to a local bank, to open up Bangladesh to new trade financing structures from abroad, improve liquidity, and significantly lower financing costs	BB	Need to ensure controls so that export proceeds are correctly repatriated	Significant increase in foreign financing of exports; lower interest rate costs	BB is working on the possibility of introducing export factoring services, which will allow export on open account. This would allow phasing out the requirement of title documents.

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	Permit all exporters whose suppliers import inputs (not just for those exporters who have bonded warehouses) to use back-to-back letters of credit	BB/NBR	Ensure proper controls in place to avoid leakage	More exporters able to pass the benefits to their suppliers	
B. Promoting Economic Integration with Asia					
Transloading of trucks across international borders inhibits movement and creates long, avoidable delays	Negotiate either regional or bilateral instruments with neighboring countries to allow the cross-border movement of trucks	Ministry of Road Transport and Bridges, Ministry of Shipping, NBR	Possible resistance from labor employed at border posts to transload cargo	Faster movement of cargo through border posts; increased vehicle utilization	Motor Vehicle Agreement signed between Bangladesh, Bhutan, India, and Nepal in June 2015.
Limited transit trade	Grant transit rights and conclude road transport agreements with Bhutan, China, India, Myanmar, and Nepal	MOC, Ministry of Road Transport and Bridges, NBR	Possible objections from security establishments, likely protracted discussions on cost sharing and internal opposition in some countries	Increased regional trade going through Bangladesh and potential spillover effects on Bangladesh's own trade	Motor Vehicle Agreement is a first step in this regard.
Design of new border infrastructure in India is not always in sync with existing facilities in Bangladesh	Establish formal mechanisms for consultations at policy and operational levels on border management	Ministry of Shipping, NBR, security agencies, Ministry of Foreign Affairs	Redefinition of long-standing mechanisms to include technical agencies and experts	Synchronized and more efficient traffic flow patterns through border posts	Ongoing technical assistance is helping to improve coordination of synergies in border infrastructure.

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Space requirement for LCS delaying improvement in border infrastructure	Customize design of border infrastructure depending on predominant flow, import or export, and volume	NBR	Dynamic trade setting renders infrastructure planning difficult	Greater efficiency in use of resources	There are three joint working groups (between Bangladesh and India) on Trade, Customs, and Inland Water Protocol. These meet periodically to discuss bilateral issues.
Limited border haats (border trade market) geographical area and unit value	Redefine border trade regime extending 5 miles to 10 mile radius and increase product coverage (Korgas model)	MOC, NBR	Border security more difficult	Increased cross-border trade, which can have a positive impact, especially on the poor	Bangladesh and India jointly working on establishing border haats. Four border haats already established. New border haats are being established, with increases in geographical area and the value of goods.
Road map of mutual recognition of food-related border procedures between India and Bangladesh	Technical assistance to examine legislation, assess border procedures, promote mutual understanding, identify critical elements, hold technical discussions, and support necessary reform	BSTI/MOI	May necessitate deep reform of Bangladesh regulation and conformity assessment	Fewer delays for food traded between India and Bangladesh	A Bilateral Cooperation Agreement was signed between BSTI and Bureau of Indian Standards in June 2015. The purpose of this agreement is recognition of food-related and other test certificates by Indian Customs and vice versa. BSTI certificates have already been accepted by India for 25 products.

PILLAR 2: BREAKING INTO NEW PRODUCTS

A. Rationalizing Trade Policy to Level the Playing Field

Removing anti-export bias of trade taxes and the trade policy regime to encourage diversification	Merge para-tariffs with import tariffs to boost transparency; reduce dispersion of import tariffs	NBR, MOC, MOI, BTC	Perception of revenue loss and protectionist claims from industry lobby	Lower consumer and intermediate goods prices	The proposed new Value-Added Tax and Income Tax Ordinance/Act will promote compliant traders, close tax loopholes, and ensure better collection of legitimate revenue. The BTC Act 1992 needs to be reviewed.
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	Reduce overall nominal protection rates	NBR; MOC, MOI, BTC	Perception of revenue loss and protectionist claims from industry lobby	Lower consumer and intermediate goods prices	The proposed New Customs Act incorporates new provisions for warehousing, which would allow extending the bond facility to a wider range of exporters and their supply chain members.
	Close tax loopholes	NBR	Perception of revenue loss and protectionist claims from industry lobby	Higher tax revenue	
	Extend access to bonded warehouse facilities to reputable companies and trusted traders under authorized economic operators	NBR	Possible leakages of imports and consequent arguments about maintaining status quo	More exporters will be able to access inputs efficiently at world prices	
	Reduce delays for duty-drawback refunds	Duty Exemption and Drawback Office	Rent-seekers who gain from the status quo	Reduced import costs for exporters	
Several fiscal incentives and tax holidays offered without clarity about their effectiveness, coherence, and sustainability	Review existing programs and adopt more coherent, transparent, predictable, and time-bound (incorporating sunset clauses) policies	MOF, MOC, NBR		More cost-effective provision of support to private sector	MOC has reviewed the existing programs.
Absence of data and strategy on trade in services	Formulate and adopt a strategy for services trade	MOC		Identify potential for trade in services and increase in trade in services	A study can be conducted on trade in services and a database established. To make this happen, MOC needs to consult and coordinate with the many ministries/divisions involved in services.

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	Establish a database on trade in services	MOC		Better knowledge on services trade in terms of specific services, trends, and markets	
Streamlining quality standards	Review mandatory standards with a view to introduce more flexible standards in compliance with international best practice according to the Technical Barriers to Trade agreement	BSTI, MOI	Resistance can be expected as BSTI depends on testing and certification revenues	An import regime and government certification system closer to international best practice	National Quality Policy has been drafted, now awaiting cabinet approval. The policy includes 12 ministries. According to the Import Policy Order, 55 products require mandatory certification from BSTI. BSTI has rolled out implementation of the e-Certification Mark program to facilitate trade.
Clarity in the Plant Quarantine Act 2011	Develop and implement new rules that provide clarity to importers about the prevailing rules for sanitary and phytosanitary standards	Ministry of Agriculture, Department of Agricultural Extension, Plant Quarantine Wing	Awareness of other border clearance agencies and traders		Plant Quarantine Wing of the Department of Agricultural Extension has drafted Plant Quarantine Rules 2015. It is awaiting stakeholder validation and approval.

B. Improving the Environment for Domestic and Foreign Investment

FDI is managed by a complex set of laws and regulations under various authorities, and subject to discretionary administrative procedures	Consolidate and make transparent and clear laws on investment More transparent and clear administrative guidelines to reduce scope for rent-seeking	PMO, BOI	Lack of adequate understanding about the positive role of FDI, and lack of empowerment of officials in BOI	Technology transfer facilitated and new markets created in various sectors	
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Serviceable land for domestic and foreign investment	Pro-actively initiate action to expand existing economic zones, develop infrastructure, operationalize private zones, and identify land for industrial zones	PMO, BEZA	Bureaucratic inertia and leadership capacity relating to private sector development	Expansion in private investment	BEZA is endeavoring to address this issue. Four private companies have been given a prequalification certificate to establish a free economic zone.
Energy shortages and reliance on short-term, high-cost solutions that have put strains on the budget	Increase generation capacity in low-cost base load power plants; make commissioning of the large gas-fired/dual fuel combined cycle power plants awarded to the private sector the top priority	Ministry of Power, Energy, and Mineral Resources, Power Division	Continued challenges of procurement and an adequate PPP framework	Increase in power generation and closing of gap between demand and supply of electricity	
	Convert BPDB's simple cycle plants to combined cycle plants	BPDB		More efficient use of natural gas	
	Accelerate moves to import power from Bhutan, Myanmar, Nepal, and India's northeastern states	Ministry of Power, Energy, and Mineral Resources, Power Division; PMO	Insulating the power import process from political changes and opposition	Potentially cheaper power as evidenced in the price of imported Indian electricity	Power is being imported from India since 2013, and power cooperation between the two countries is rapidly expanding.
Limited enforcement of standards	Enforcement of standards so that compliant firms are not penalized and disadvantaged	MOI, BSTI, Directorate General of Drug Administration, etc.	Lobbying by local firms to continue to benefit from favored treatment	More interest from potential foreign investors; higher investment by existing foreign investors	

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Lack of a concerted and coordinated effort to attract FDI	BOI should provide up-front administrative support to potential investors and set up a one-stop shop for all procedures	PMO, Cabinet, BOI	Industry lobbies that are ambivalent toward FDI		
	BOI should pro-actively seek FDI through more high-level investment promotion missions to selected emerging economies (such as China, India, and Japan) and seek investment in higher-technology sectors such as shipbuilding and bicycles	PMO, Cabinet, BOI	Industry lobbies that are ambivalent toward FDI		

PILLAR 3: IMPROVING WORKER AND CONSUMER WELFARE^a

A. Improving Skills and Literacy

Despite reported shortages of skilled labor, few incentives for the private sector to impart training	Enhance linkages between publicly funded technical and vocational education and training and the private sector	Ministry of Education, Ministry of Labour and Employment in partnership with private sector		Training more relevant to the private sector	
Low level of literacy and years of schooling of the labor force make skill acquisition more difficult	Pursue quality early child development	Ministry of Education, Ministry of Health and Family Welfare, Ministry of Women and Children Affairs		Development of skilled labor force meeting local demand-supply gap and increasing employment potential at home and abroad	

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Market supplies inadequate training because of job-hopping and training externalities	Introduce trainee-targeted and employer-targeted financing of training			More effectively trained labor coming out of the programs	
B. Implementing Labor and Work Safety Guidelines					
Workplace safety standards not uniformly enforced	Government to provide coordination and leadership for implementation of agreements signed among EU and U.S. buyers	Ministry of Labour and Employment		Better worker safety and improved perception of Bangladesh as a source country	Inspections of most factories have been completed under the agreements with European and American retailers. These factories need regular monitoring, and the government has taken initiatives to strengthen its monitoring capacity by recruiting staff.
	Implement International Labour Organization activities, including the Better Work Program	Ministry of Labour and Employment			
C. Making Safety Nets More Effective in Dealing with Trade Shocks					
Inadequate safety net programs to mitigate the impact of trade-related adjustments	Start preparation of a safety net and labor strategy that acknowledges possible winners and losers in trade liberalization, and recognizes the role of cash transfers and gives primacy to youth employment and training and re-training of workers	Ministry of Labour and Employment, MOF	Lack of widespread recognition that there will be winners and losers in the process of globalization, which relates to a willingness to prepare an appropriate safety net strategy	Greater confidence in pursuing the globalization process	

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PILLAR 4: BUILDING A SUPPORTIVE ENVIRONMENT^b					
A. Sustainable Macroeconomic Framework					
B. Building Institutions for Trade Policy Coherence and Implementation					
Insufficiently cohesive policies to strengthen trade competitiveness	Adopt a visible Trade Competitiveness Vision to make sure all laws and policies contribute toward this Vision	Ministries of Commerce (Chair), Shipping, Road Transport and Bridges, Planning Commission, NBR (see Pillar 1A)	Inter-agency coordination	More coherent and coordinated policy to improve competitiveness	Cabinet approval is being sought for the Inter-Ministerial Committee on Trade and Transport Facilitation.
	Develop formal joint committee of MOC and NBR with transparent consultation processes in tariff setting	MOC/BTC, NBR, MOI	Buy-in by NBR	Clear agreed upon criteria established for tariff setting; reduced opportunities for rent-seeking	The proposed New Customs Act 2015 has incorporated mandatory consultation with related stakeholders, including the Tariff Commission, before enactment of any new legislation, self-regulatory organizations, rules, orders, tariff rates, etc. according to the provision of WTO TFA (but this falls short of joint tariff setting).
Strong analytical and research capabilities should underpin the policy formulation process	Mobilize key economists from Bangladesh's existing think tanks and policy institutes more formally to support policy making throughout the life cycle (build capacity at MOC and BFTI)	MOC		Improved capacity for designing and implementing trade-related policies	

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	Train MOC staff on basics of trade policy, WTO, regional agreements	MOC			MOC and NBR staff are being exposed to the needs of the WTO TFA.
	Provide training-of-trainers to BFTI	MOC/BFTI			
Inadequate branding of Bangladesh	Build country branding	MOC, EPB, Ministry of Foreign Affairs		Development of a positive reputation for Bangladesh	
Inadequacy of robust research and analysis to support trade policy formulation	Deepen linkages with existing research/policy institutes and academia to support ex ante and ex post analysis of trade policies, and strengthen trade research capacity in Bangladesh	MOC, Planning Commission, Bangladesh Institute of Development Studies, Centre for Policy Dialogue, Policy Research Institute, and academia	Thin supply of quality research that is driven by short-term donor exigencies	More rigorous analytical inputs to policy making and evaluation	
Structure and effectiveness of EPB	Increase private sector participation in the board	EPB		Improved effectiveness of EPB	
	Improve funding and provide management assistance to EPB	MOC		Improving the targeting of fairs and markets	
	Improve statistical capability of EPB to monitor trade flows	EPB, MOC		Improving market information and branding	
Strengthening BSTI	Train people in standardization, testing, and certification	BSTI/MOI			The "Modernization and Strengthening of BSTI" project is being implemented by the government. A modern Energy Efficient Testing Laboratory has been established in the BSTI head office.

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					Several BSTI laboratories have already been awarded accreditation from the National Accreditation Board for Testing Laboratories, India. BSTI is taking steps to get its Product Certification Systems fully accredited.
Liberalization of market for testing and certification	Change in policy to allow private laboratories to certify shrimp and seafood exports General change in policy to allow private service providers to provide services for quality in areas under government regulation	Department of Fisheries, Ministry of Fisheries and Livestock	Resistance as revenues may be important and government may be adverse to give up control	Easier compliance with EU food safety legislation – avoidance of future costly extra requirements like 20% inspection	Government is considering more effective involvement of the private sector. Government has taken a PPP initiative to ensure quality of shrimp and other frozen food throughout the value chain by forming the Aquaculture and Aquatic Food Safety Centre, in collaboration with MOC.
PILLAR 5: SECTOR-SPECIFIC MEASURES					
Shipbuilding – inadequate quality of ships in the domestic market, with implications for safety as well as exportability, and a shortage of trained labor	Update and improve the domestic vessel code with stricter technical rules and standards	MOI, Ministry of Shipping		Higher quality vessels for domestic and export markets	
	Enforce the current rules and standards through appropriately educated surveyors employed by the government	MOI, Ministry of Shipping			
	Formal training for workers, managers, and engineers	Department of Shipping in Marine Academy, Ministry of Shipping		Productivity gains	

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Jute products – lack of sustained demand for jute products, local and foreign; favored treatment to public sector that hurts the more competitive private sector	Jute Packaging Act 2010 and Jute Packaging Rules 2013 need to be enforced			More stable source of demand for the jute industry	
	Phase out subsidies to public jute mills			Increased market for private sector	
	Stimulate further research and development in the sector for the development of additional diversified fabrics	BJRI, Jute Diversification Promotion Centre		Reduced cost and increased fabric variety	
	Joint marketing, research, and branding with India and Nepal to expand domestic and international demand for jute	BJRI and government			
Bicycles – low technology domestically-oriented local producers	Large OEMs (manufacturers) support local producers' investment by guaranteeing the borrowings of suppliers on the basis of OEM	MOI, Bangladesh Steel and Engineering Corporation		To modernize and create potential for a more competitive parts and components industry	
ITES – insufficiently reliable Internet connectivity with latency	Install two additional international submarine cables to ensure minimal redundancy in case of failure of one of the three cables			Improve quality Internet services at affordable rates	

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Significant skill gaps in ITES, including soft skills and English language and management skills	Develop training programs, coaching, workshops, and certification for individuals and organizations	BASIS Institute of Technology and Management		Improved skills	
Inadequate access to finance in ITES is a major handicap, given the lack of physical collateral	Improve access to specialized credit facilities, such as the small and medium enterprises facility funded by the Equity Entrepreneurship Fund and the Japan International Cooperation Agency			Improved access to finance for ITES-BPOs in Bangladesh	

Note: ASYCUDA = Automated SYSTEM for CUStoms DAta; BB = Bangladesh Bank; BEZA = Bangladesh Economic Zones Authority; BFTI = Bangladesh Foreign Trade Institute; BJRI = Bangladesh Jute Research Institute; BOI = Board of Investment; BPDB = Bangladesh Power Development Board; BSTI = Bangladesh Standards and Testing Institution; BTC = Bangladesh Tariff Commission; CCI&E = Chief Controller of Imports and Exports; EPB = Export Promotion Bureau; FDI = foreign direct investment; ITES = information technology enabled services; ITES-BPO = information technology enabled services–business process outsourcing; LCS = Land Customs Stations; MOC = Ministry of Commerce; MOF = Ministry of Finance; MOI = Ministry of Industries; NBR = National Board of Revenue; OEM = original equipment manufacturer; PMO = Prime Minister's Office; PPP = public-private partnership; TFA = Trade Facilitation Agreement; WTO = World Trade Organization.

This Action Matrix was updated shortly before publication of this report. Some of the updates contained here are not reflected in the main body of the report.

a. Area C of Pillar 3 is Making Safety Nets More Effective in Dealing with Trade Shocks. This has not been explored in the Diagnostic Trade Integration Study.

b. Area A of Pillar 4 is Sustaining Sound Macroeconomic Fundamentals. Much of this agenda is covered by the ongoing International Monetary Fund program and is therefore not detailed here.

Environmental Benefits Statement

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