



# AGILE REGULATORY DELIVERY FOR IMPROVED INVESTMENT COMPETITIVENESS IN BANGLADESH

*CURRENT STATE AND POLICY OPTIONS*

*Miah Rahmat Ali, Lars Grava, and M. Masrur Reaz*



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# FOREWORD

Bangladesh's remarkable record in poverty reduction and achieving success in key human indicators such as child mortality and education is well documented. The fact that the World Bank re-categorized Bangladesh from low-income to lower-middle income in 2015 is testament to this progress. Going forward, Bangladesh will need to sustain its growth and development to keep pace with the rest of the world.

A critical development challenge going forward for Bangladesh will be to create enough jobs for the rapidly growing labor market. This presents the policy-makers with a key challenge to adopt policies that can help the private sector absorb the 2.1 million youth that will enter the labor market every year in the coming decade. Despite Bangladesh's recent economic and social progress, much more needs to be done if the country is to meet its ambitious investment targets. A big part of whether this can be achieved will depend on the extent to which Bangladesh can generate investment, both from abroad and from within its own borders. To attract the required investment, Bangladesh needs to take steps to make the country an attractive investment destination. This includes the need for regulatory simplification, increase cross-agency coordination and reduce regulatory unpredictability. Addressing challenges in regulatory environment will require significant progress on both the regulatory delivery and regulatory governance fronts.

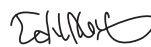
A common theme across countries that are at the top of the Doing Business rankings, such as Singapore and New Zealand, is the simplicity and ease of their regulatory delivery mechanisms, which make these countries attractive locations for investment. The effectiveness of cross-agency communication also makes it easier to provide services to businesses quickly and efficiently. These are examples that Bangladesh can follow, especially in light of the country's aim to have a Doing Business ranking of less than 100 by the year 2021. Progress has recently been made on some fronts in improving regulatory delivery including the enactment of the One Stop Shop Bill and formation of a cross-governmental core team of reformers to implement a system of Regulatory Impact Assessments (RIA).

This knowledge piece is an assessment of the current state of regulatory delivery in Bangladesh – including its strengths and weaknesses, followed by recommendations on how the current system can be improved and streamlined to compete on a more even keel with the rest of the world. The piece also touches on the gender dimension, discussing women's involvement in business and the challenges they face. The report further discusses the urgent need for effective partnerships between the public and private sector, as well as the need for capacity-building within government agencies.

We believe that this report, with its analysis and recommendations, can add to the development debate in Bangladesh and act as a starting point for reform discussions on improving the state of regulatory delivery in the country, which in turn can generate investment and further Bangladesh's economic progress.



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# ACRONYMS

AOA	Articles of Association
BEZA	Bangladesh Economic Zones Authority
BIDA	Bangladesh Investment Development Authority
BICF	Bangladesh Investment Climate Fund
BHTPA	Bangladesh Hi-Tech Park Authority
BSCIC	Bangladesh Small Cottage Industries Corporation
BUILD	Business Initiative Leading Development
CCIE	Office of the Chief Controller of Imports and Exports
DB	Doing Business
DNCC	Dhaka North City Corporation
DoE	Department of Environment
ERC	Export Registration Certificate
G2B	Government to Business
GCI	Global Competitiveness Index
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GoB	Government of Bangladesh
ICT	Information and Communications Technology
IRC	Import Registration Certificate
KII	Key Informant Interviews
LIA	Legislative Impact Assessment
MOA	Memorandum of Association
MCD	Municipal Corporation of Delhi
MENA	Middle East and North Africa
NAIS	National Agency for Information Society (Albania)
NBR	National Board of Revenue
NLC	National Licensing Centre (Albania)
NRC	National Registration Centre (Albania)
OECD	Organization for Economic Cooperation and Development
OSS	One Stop Shop
OSSBFC	One Stop Shop Business Facilitation Center
PPP	Public-Private Partnership
PSDPCC	Private Sector Development Policy Coordination Committee
PSDSP	Private Sector Development Support Project
RIA	Regulatory Impact Assessment
RJSC	Registrar of Joint Stock Companies and Firms
RAJUK	Rajdhani Unnayan Karttripakkha
RS	Republika Sprska (Bosnia)
SME	Small and Medium Enterprise
SOP	Standard Operating Procedures
VAT	Value-Added Tax
WB	World Bank
WBDBS	World Bank Doing Business Survey
WBG	World Bank Group

## EXECUTIVE SUMMARY

There is a growing consensus in both developed and emerging economies that to realize investments, a sound regulatory framework is critical. Decades of international experience suggest that “regulatory delivery” has a pronounced impact on growth, both by affecting the microeconomic and transaction costs of doing business and by influencing private sector confidence in the economic system. The World Bank Group’s Investment Climate and Doing Business surveys show that investment decisions made by private companies, especially SMEs, are influenced by the quality of regulatory service delivery.

The Government of Bangladesh has taken a number of initiatives to improve regulatory delivery for investors by bringing in more transparency, efficiency, and coordination of government operations and services. To provide support to the simplification initiatives, the Bangladesh Investment Climate Fund (BICF) commissioned a diagnostic study that was conducted by Apex Consulting Ltd. from November 2016 – April 2017. The study took stock of the regulatory regime and assessed its overall performance. Based on a survey consisting of qualitative and quantitative interviews with more than 40 private sector firms regarding challenges in the business environment, the report created a better understanding of the private sector’s perspectives on regulatory delivery issues in Bangladesh.

The findings of the study show that the regulatory framework of Bangladesh is characterized by non-transparent, poorly coordinated, and unpredictable processes and practices. Evidence suggests that over 23 government agencies are involved in providing investor services in Bangladesh and an investor may need to navigate through as many as 150 regulatory services to start and operate a business. Furthermore, poor coordination among government, due to lack of data-sharing and interoperability mechanisms, lead to investors having to duplicate same information in multiple steps. All these factors result in unpredictability in regulatory service delivery for investors and hinder investments.

The findings also suggest that while there is no gender discrimination in the law (except for the inheritance law), gender inequality exists in regulatory practices. The government has taken a number of initiatives to provide support for gender equality however, women’s economic empowerment is hindered by social factors.

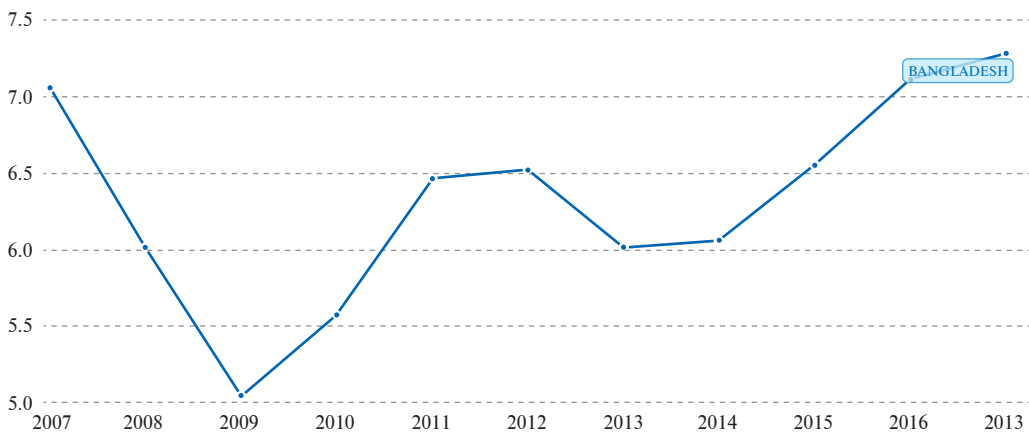
This study supplements a complementary macroeconomic and microeconomic analysis of a 2017 preparatory study for the World Bank on regulatory delivery in Bangladesh. It provides background on Bangladesh’s economic success. In addition, it provides a basic mapping of key agencies and organizations involved in the regulatory process. The objective was to establish the challenges and opportunities for regulatory delivery in Bangladesh and look at links between growth and effective regulatory service delivery.

# INTRODUCTION

## 1.1 BACKGROUND AND CONTEXT

**Bangladesh is a promising economy with a large domestic market, innovative entrepreneurs and a trainable labor pool, which together have contributed to an annual average growth rate of over 6 percent in the last decade.** The remarkable improvement in economic growth and development helped reduce the percentage of people below the poverty line from 44.2 percent in 1990 to 13.8 percent in 2016/17 (World Bank, 2018). Investment in economic reforms, infrastructure and social structures have made the nation a successful development model.

**Fig 1: Bangladesh GDP Growth Rate 2007-2017**



*Source: World Bank (2018)*

**Building on this impressive record, Bangladesh aspires to be a middle-income country by 2021.** To achieve the sustained growth rate of 7-8 percent required to meet this goal, the Government of Bangladesh (GoB) has adopted policies to strengthen its investment competitiveness and its overall business climate to catalyze investment. The 7th Five-Year Plan (FY 2016-FY 2020) set ambitious targets of increasing private investment to at least 27 percent of GDP and the Gross Domestic Investment (GDI) rate to at least 34 percent of GDP. The plan also focused on reforming investment climate policy, strengthening institutions to support the private sector and the Digital Bangladesh<sup>1</sup> agenda as a means of improving the competitiveness of the country to attract foreign and domestic investment.

<sup>1</sup> Digital Bangladesh implies the broad use of computers and embodies the modern philosophy of effective and usefulness of advanced open source technology in terms of implementing the commitments in education, health, job placement and poverty reduction.

**Despite multiple government initiatives, investors face many challenges when establishing and operating a business in the country.** As in many other developing countries, the challenges stem from a weakness in transparency and efficiency in government-to-business (G2B) service delivery, a weak legal and regulatory framework, lack of efficient coordination between the public and private sectors, and a fragmented voice of the private sector in policy-making. In addition, weak and opaque enforcement of laws and regulations is leading to unfair competition among private sector actors and impacting potential growth opportunities. Several studies have identified that political uncertainties, a weak and inadequate legal and regulatory framework, and poor governance lead to: (a) poor policy coordination within governments, and between the public and private sectors, and (b) a more complex investment climate (UNCTAD Bangladesh 2013). Moreover, weak and non-transparent enforcement mechanisms lead to unfair competition in the private sector. (DB 2015; TIB 2014).

**Bangladesh, therefore, must take bold steps to create an even more dynamic economy that increases trade and attracts private investment.** In the last decade, important reforms were undertaken to streamline and simplify several G2B processes and associated laws to improve the overall business and regulatory environment. Bangladesh has both over- and under-regulation, depending on the sector and the issue. While in many regulatory areas there are onerous administrative barriers which should be streamlined, the ready-made garments sector is an area where many believe there should be tighter regulations, citing the 2013 Rana Plaza collapse causing huge loss of human lives. These are not mutually exclusive; rather it is possible and advisable to fill a regulatory gap with requirements and procedures that are transparent and that do not place undue burdens on business activity.

**As part of the GoB's business environment improvement initiative,** the BICF commissioned a diagnostic study to examine the current challenges and opportunities for improving regulatory delivery. The diagnostic study was conducted between November 2016 and June 2017 to capture relevant data on business entry and competitiveness and used interviews with firms to provide a deeper perspective.

**The study was designed to conduct an in-depth diagnosis of selected “regulatory areas” governing key phases of the lifecycle of a business operating in Bangladesh.** While some of these areas are included in the World Bank Group's Doing Business Survey (WBGDB) indicators (Doing Business, 2019), more thorough research was needed to examine the different dimensions and options incorporated in each regulatory area - inter-related procedures, requirements, institutions and interactions - and to understand the regulatory environment from a firm's point of view.

**Businesses often lack information on specific administrative requirements, which government agencies are involved and how they interact, nor which laws and regulations are being followed; as far as they are concerned, it's "all government" or it's "all the law".** An approach gaining increasing attention worldwide – and championed most prominently by the Regulatory Delivery Directorate<sup>2</sup> of the United Kingdom's Department of Business, Innovation & Skills – is "regulatory delivery". Regulatory delivery can be defined as follows: (i) how government services are provided to businesses, (ii) how government enforces regulations in ways that reduce the burden on businesses, improve government efficiency, and safeguard public policy objectives, and (iii) and how government organizes itself to enable the provision of those services and objectives. For purposes of this report, regulatory delivery includes the G2B interface between government and businesses such as licenses and inspections, the legal and regulatory basis underlying the selected regulatory areas, and the institutions and mandates involved in the regulatory area and their G2G interactions.

## **1.2 OBJECTIVE**

The objective of the study was to ascertain the challenges for regulatory delivery in Bangladesh and the possibilities for improving the current setting, including the issue of women's economic inclusion and empowerment (the "gender dimension"). First, the report describes the framework for business entry and growth and its influence on Bangladesh's trade and competitiveness. Second, it discusses constraints, including laws and practices in the regulatory system that influence regulatory delivery for businesses. Finally, the report presents policy recommendations to improve regulatory service delivery for businesses to strengthen the investment climate in Bangladesh.

## **1.3 METHODOLOGY**

The diagnostic phase involved a review of secondary literature, both thematic and country specific, to obtain a snapshot of the business environment in Bangladesh and an assessment of key legislation, institutions and processes. Meetings and validation workshops were held with both public and private sector officials during the diagnostic period. A survey was also conducted to understand the private sector's perspectives on regulatory delivery issues.

<sup>2</sup> Now part of the Office of Product Safety and Standards.

Interviews were conducted with central and line ministries as well as more than 120 private sector operators in both light manufacturing and services sectors. In addition, details of targeted processes of selected institutions were captured through process maps.

The study was undertaken in two phases. The first phase included initial meetings to fine-tune the scope of the work plan. Background research was conducted on the relevant literature on laws, regulations, manuals, guidelines and descriptions to find the implementation gaps in the regulatory delivery system. In the second phase, an inventory was conducted of all services provided by the Bangladesh government, including licenses, permits, approvals, inspections and reporting. The inventory was prepared through interviews and focus groups. A regulatory review of current G2B procedures was conducted to establish a comprehensive list of relevant legislative procedures and other formal requirements. Legislation relating to tax registration, registration of importers and exporters, and any licensing requirements was also considered. The report assesses the effectiveness of regulatory delivery systems and considers some policy recommendations which can make the delivery of regulatory services in Bangladesh more effective.

# REGULATORY DELIVERY AS A KEY ELEMENT TO IMPROVE THE BUSINESS ENVIRONMENT

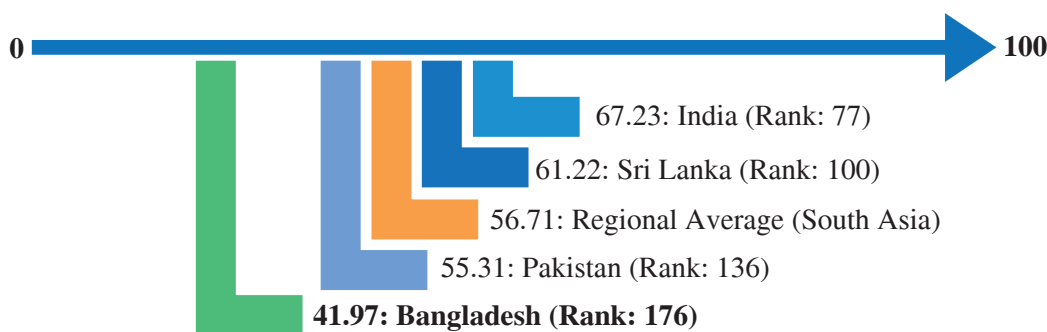
## 2.1 THE CONCEPT AND BENEFITS OF REGULATORY DELIVERY

Government regulatory systems influence the business environment in which enterprises operate. A well-functioning and streamlined business regulatory environment can be conducive to economic growth.

Regulatory delivery is a fundamental and innovative component of how governments ensure that citizens and businesses comply with rules and regulations. Regulatory delivery is, in its most basic definition, the way government provides its services to businesses and individuals to ensure compliance with rules. Good regulatory delivery is characterized by simplicity, efficiency, consistency and transparency. It should be conducted in a manner that is designed to: (1) maximize compliance with public policy objectives, (2) reduce the burdens on businesses, and (3) save government resources. Ultimately the core objectives of better regulatory delivery are to promote investment, encourage innovation and stimulate growth through reduced regulatory costs and mitigation of risks.

According to World Bank’s Doing Business 2019 report, Bangladesh is now ranked 176th in the Ease of Doing Business rankings, the lowest in South Asia. The report identifies that in the ‘Starting a Business’ category, the top performing country, New Zealand, requires only one step to start a business, and it takes half a day, compared to 9 steps and 19.5 days on average for Bangladesh. In addition, the study findings show time taken for registering property, there is a significant difference between the top performing country (New Zealand, 1 day) and Bangladesh (264 days). Figure 2 shows how Bangladesh lags in comparison to other countries in the region, such as Pakistan and Sri Lanka in the overall Doing Business 2019 rankings.

**Fig 2: 2019 Bangladesh Distance to Frontier Comparison with South Asia**



Source: Doing Business 2019



During its lifecycle, a business will have to navigate a complex regulatory maze and comply with numerous requirements imposed by government, starting with formally entering the market and ending with winding down its activities. Good regulatory delivery solutions include single electronic platforms providing information and services, standard checklists for compliance, integrated government services, and coordinated inspections.

While regulatory delivery is often considered to be primarily a client-facing, G2B interface, the institutions behind the scenes providing the services are also critical. Often institutions' operations and services may work in silos, and as a result impose contradictory requirements on businesses.

But there are many positive solutions too. Internal government functions and operations can be designed to have a positive impact on service delivery: agencies may, for example, share their databases or plan compliance controls together. Another behind-the-scenes factor affecting regulatory delivery is human resources and performance management considerations. For example, the government staff could be incentivized to provide client-centric service delivery as part of their key performance indicators (KPIs). Favorable and positive service delivery depend on several factors including mindset of the regulators, culture of the bureaucracy, capacity of the officials, available technology, responsibility and accountability of government officials, and discretionary and accountability of authority. Therefore, the issue of regulatory delivery needs to be addressed holistically, and the private sector and government must work as a team to develop an effective regulatory delivery system in a planned and systemic way. Institutions like the Regulatory Delivery Directorate<sup>3</sup> in the UK's Department for Business, Energy and Industrial Strategy serve just such an advisory role in improving regulatory delivery across government.

## **2.2 HOW PROCESS SIMPLIFICATION AND TECHNOLOGY ENABLE IMPROVED REGULATORY SERVICE DELIVERY**

One of the greatest benefits of improved service delivery is the savings of costs and time for both businesses and government. The most common approach to improving regulatory service delivery is process simplification and automation, which can ultimately help improve a company's bottom line. For example, process simplification can be done by reducing the number of steps, reducing the number of visits to (and by) government officials, and developing a paperless and cashless system.

Another way to improve regulatory delivery is through technology. Technology can help improve access to information, for example, a single web portal can enable businesses to get all their required information in one place. It can further improve service delivery by enabling much faster communication between different government agencies and line ministries. By introducing an inter-operable mechanism (data and information sharing among agencies), service delivery can be provided to a private sector entity without requiring physical interactions with government.

<sup>3</sup> Part of the Office of Product Safety and Standards

It will enable them to receive approvals and permits through one application, one fee, and one virtual interaction. Technology can also bring more transparency, accountability and traceability since certain manual procedures require numerous steps. These steps add to the complexity and frequency of business interactions with government officials, increasing the risk of corruption, bribery and discretionary behavior. Transparency will be improved because information can be stored digitally, decreasing the risk of data getting lost as compared to keeping paper records.

### 2.3 THE NEED FOR IMPROVED REGULATORY DELIVERY IN BANGLADESH

It is crucial to improve regulatory delivery in Bangladesh’s current business environment. Weak regulatory delivery undermines the efficiency of the business sector, weakening its competitive strength in domestic, regional and global markets. Improved regulatory delivery can help stimulate the country’s economic growth by reducing the cost of doing business, raising labor and capital productivity, and enhancing the capacity of institutions to deliver better results. Bangladesh has already made improvements to its regulatory delivery which may have a ripple effect on the business environment. Reforms in the trade licensing system led to reduced costs for businesses and eliminated unnecessary procedures which slow down the regulatory delivery process (See Box 1). Data indicates there may be a relationship between improvements in the issuance of trade licenses with a greater number of business registrations (See Box 2).

#### Box 1

##### Case Study

##### Reduction in Time, Steps and Visits through Trade License Process Simplification

A study conducted in three municipalities (Hobiganj, Gopalganj and Cox’s Bazar) in Bangladesh revealed a significant reduction in the number of days and visits required for both obtaining and renewing trade licenses after simplifying the processes. Days required to obtain a trade license reduced from 3 days to half a day and the number of visits required for renewing a trade license reduced from 4 days to a single day.

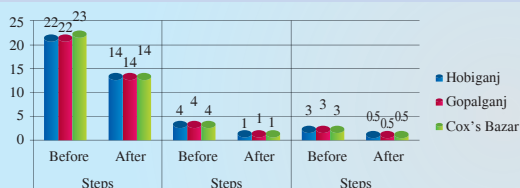


Figure A: Before-After Comparison of Steps, Visits and Time Required to Obtain Trade License

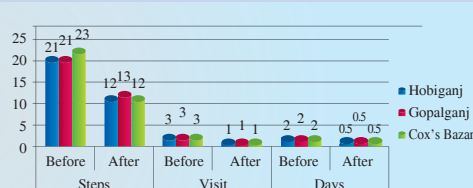


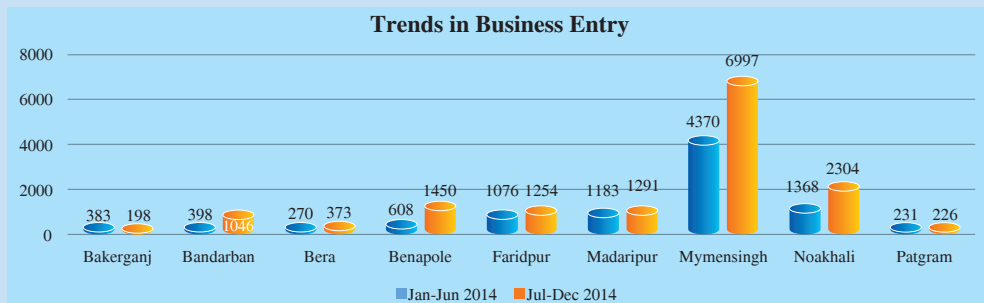
Figure B: Before-After Comparison of Steps, Visits and Time Required to Renew License

The simplification of trade licensing was initially done in 3 municipalities- Hobigonj, Gopalganj and Cox’s Bazar- in July 2012. In the 3-municipality study, simplification of service delivery for trade licenses at the municipality levels helped increase the number of businesses entering the market by an average of 116.1% in the six-month period (Jul 2012 - Dec 2012) the breakdown was a 37.3% increase in Hobigonj (up from 1,353 to 1,858), a 219% increase in Gopalganj (up from 730 to 2,329) and a 139% increase in Cox’s Bazar (up from 1,377 to 3,289) immediately after process simplification.

## Box 2

### Case Study Business Entry Increases Following Trade License Process Simplification

After simplification of the trade license process in 9 municipalities of Bangladesh in the beginning of 2014, a clear upward trend in registrations in most municipalities was observed between Jan-Jun 2014 and Jul-Dec 2014. The biggest upward trend was seen in Bandarban (162%) and Mymensingh (60.1%). There were very negligible downward trends in Patgram and Bakerganj. The overall number of renewals and issuances went up from 9,887 to 15,139 in the six-month period after simplification, an increase of 53.1%. It is likely that these reforms made a significant contribution.



Source: BICF Internal Reports- Municipal Trade License Simplification

The case studies suggest that simplifying processes can have tangible payoffs which can benefit business and encourage business growth in Bangladesh.

It should be emphasized that improvement and adjustment of the regulatory delivery system is a continuous process, not a one-time endeavor. To embrace this transformational change, the government of Bangladesh must regularly review its regulatory service delivery process and adjust it according to the needs of businesses while considering best practices within the country and internationally.

## 2.4 EFFECTIVE REGULATORY DELIVERY: HOW OTHER COUNTRIES DO IT?

This section presents international examples of the broad spectrum of effective regulatory delivery. Although the specific Bangladeshi context is different from the countries in these examples, there are useful lessons that show effective regulatory policy is very much an attainable goal (See Table 1).

**Table 1: Key Regulatory Features in Selected Countries**

Country	Key Features
United Kingdom	Regulators' Code Duty of Growth Primary Authority
India	Feedback Mechanism
Morocco	Regulatory Transparency Regulatory Predictability
Albania	Interoperable Licensing Platform E-services through e-Albania portal
Palestine (West Bank and Gaza)	Al-Muqtafi legal database allowing users to consult updated legislation and full text of all laws.
Mexico, Colombia, Portugal	Integrated Government Services through One Stop Shop (OSS) services.
Bosnia and Herzegovina	Reform of Business Inspections through two inspectorates, resulting in lower burden on businesses
Sweden	Transparent Communication

### **REGULATORY DELIVERY IN THE UK**

As part of a UK initiative to improve public sector efficiency, the work of the Regulatory Delivery Directorate at the Department for Business, Energy and Industrial Strategy demonstrates that there are numerous innovative changes that can be implemented. So far, its work has included:

- Working with businesses and regulators to co-produce a Regulators' Code that sets out a new framework for good regulation and describes how government officials are expected to implement it.
- Introduction of a "duty of growth" - a responsibility for those exercising regulatory functions to have regard to economic growth when making decisions.
- The "Primary Authority" initiative, which enables businesses to form a partnership with one local authority, which then provides assured and tailored advice on complying with environmental health standards, trading standards or fire safety regulations that other local regulators must respect.

## ***FEEDBACK MECHANISMS IN INDIA***

In India, as part of the Doing Business Reforms, the government engaged in a comprehensive effort to simplify regulations. One effective initiative has been to collect feedback from the private sector on the quality of implementation of reforms and use this to continuously improve service delivery. A business feedback exercise on construction permit reforms in New Delhi in early 2016, and a follow-up exercise in 2017, revealed several deficiencies in the system which were addressed by the government. The Municipal Corporation of Delhi (MCD) addressed implementation gaps through an application status tracker, introduction of online payments, elimination of all offline payments, and expansion of the system to cover all permissions at all stages for all types of buildings. The India case demonstrated the importance of microeconomic and procedural reforms to support the development vision.

## ***REGULATORY TRANSPARENCY AND PREDICTABILITY IN MOROCCO***

As part of the Government of Morocco's efforts to promote transparency, the government developed a web platform for citizens to access legislative texts and draft regulation online, read and download them and post their comments and concerns. The government aims to present citizens with a transparent, inclusive, and easy channel through which they can share their concerns and make their voices heard, enriching democratic governance processes. The government also posts responses to citizens' comments and provides feedback. This is a reform has been met with popular support.

## ***INTEROPERABLE LICENSING PLATFORM IN ALBANIA***

In Albania the government has set up e-Albania ([e-albania.al](http://e-albania.al)), a web portal that provides a wide range of online services to citizens, businesses, and government officials<sup>4</sup>. In addition to offering access to the services of the National Registration Center (NRC, [www.qkr.gov.al](http://www.qkr.gov.al)) and eventually the National Licensing Center (NLC, [www.qkl.gov.al](http://www.qkl.gov.al)), e-Albania also enables citizens and businesses to submit online applications for government services (e.g. pension, personal income information, applications for recognition of foreign diplomas), search and view the status of applications or services, and pay for taxes, utility bills, and services.

The e-Albania portal and the Government Interoperability Platform (which provides institutions with a means to exchange data in real time) are an important part of the Government's drive to provide electronic services through a single point of contact as it fosters openness as a key part of its economic development strategy. The e-Albania portal is hosted in an environment that adheres to high technical standards for performance and safety, and is operated and maintained by the National Agency for Information Society (NAIS). NAIS was created as the organization to support e-registration, e-procurement, and e-tax, and to develop additional e-services to benefit businesses and the public.

<sup>4</sup> Access to services is limited to registered users. Citizens and businesses can self-register but require an Albanian national ID to complete the registration; government officers are able to authenticate with their government issued credentials.

## *PALESTINIAN LEGAL DATABASE*

The Palestinian legal database, called Al-Muqtafi, is one of the most developed in the MENA region, and shows the viability of regulatory reforms even in conflict-affected countries (OECD 2013).

- It contains all legislation since the Ottoman period and it is continuously updated. Users can consult legislation enacted since the establishment of the Palestinian Authority as well as all legislation enacted over the past 150 years, including status and relations among pieces of legislation, full text of all laws in force and full text of regional and international legal documents relating to Palestinians.
- The Court of Judgments Database has been added to the database. It contains 23,000 judgments issued by Palestinian high courts since 1994.
- According to the OECD, more than 6,500 users from the Palestinian Authority are consulting the databases on a regular basis.

## *INTEGRATED GOVERNMENT SERVICES, ONE STOP SHOPS*

Research on the private sector shows that One Stop Shops (OSS) tend to have a positive impact, provided they have the right institutional design and governance structures:

- The OSS in **Mexico** increased business registrations by 5 percent. In **Colombia**, the OSS reduced business registration times from 55 days to less than 9 days and lowered registration fees by 30 percent. (Bruhn and Mckenzie 2013)
- **Portugal's** introduction of an OSS raised the number of registered enterprises by about 17 percent and it is estimated to have created seven new jobs a month for every 100,000 inhabitants (World Bank, 2014).

## *REFORM OF BUSINESS INSPECTIONS IN BOSNIA AND HERZEGOVINA*

Government on-site inspections are often necessary, but frequently impose a burden on business in the form of a high number of inspections, inconsistency, discretion, non-client oriented behavior, and lack of appeals opportunities. Inspections take place in almost every country, but in the last two decades increasing attention has been given on how to lower the burden they impose on businesses and citizens. In Bosnia and Herzegovina, both government entities – Republika Srpska (RS) and the Federation of Bosnia and Herzegovina – have consolidated most inspection functions within general inspectorates (World Bank 2014).

- The two entities now have 15 inspectorates each, which are part of their respective General Inspectorates.
- The result has been promising, with a significant improvement in professionalism and efficiency.

World Bank surveys show a sharp decrease in the number of days of inspection per year per business, indicating a lower burden on them.

## *TRANSPARENT COMMUNICATION IN SWEDEN*

Sweden attaches considerable importance to the principle of transparency of communication, with roots going back to the eighteenth century. Transparency is enshrined at the highest level, in two of the four fundamental laws comprising the constitution. Public access to regulatory information, public consultation on draft laws and a substantial effort to draft regulation in plain language constitute some key elements of regulatory transparency. Public consultation is a routine part of developing draft laws and regulations. Once they are adopted, Sweden publishes all regulations in a consolidated and cost-free database on the internet. It emphasizes the importance of plain language, spearheaded by the Ministry of Justice. This includes work on the promotion of plain language within the EU institutions. The parliament takes a keen interest in plain language, with the adoption of a law in 2005 in which several national language policy goals were adopted. This was followed in 2008 with the Swedish language law, which among other provisions states that authorities should strive to use clean, comprehensible language (OECD, 2010).

The next chapter will look at some of the challenges in Bangladesh's current regulatory regime and how it impacts the overall business environment.

# CURRENT REGULATORY PRACTICE IN BANGLADESH AND ITS IMPACT ON THE BUSINESS ENVIRONMENT

Over the past decade, Bangladesh has adopted and amended a number of laws and regulations and streamlined processes to improve the overall business and regulatory environment. However, the regulatory environment of Bangladesh, characterized by over-regulation and challenges in transparency and accountability, remains costly. Despite notable improvements in specific areas, the existing regulatory system still poses significant risks for business operations and lowers the overall investment attractiveness and competitiveness of the country. It is imperative that the government improves the country's overall investment competitiveness by encouraging economic diversification to attract more foreign and domestic investment. It has made targets through its seventh Five-Year plan to improve the overall business environment, including required laws, regulations and processes.

To provide support to the government's efforts of simplifying regulatory delivery to attract more foreign and domestic investment, the Bangladesh Investment Climate Fund (BICF) commissioned a diagnostic study from November 2016 to April 2017. This section presents an analytical perspective building on the diagnostic's main findings, and discusses the current regulatory challenges facing Bangladesh. In addition, the report looks at the gender dimension of the business environment and cross-sectoral partnerships (strategic alliances between the public, private and non-profit sectors).

### 3.1 KEY BUSINESS ENVIRONMENT CHALLENGES IN EXISTING REGULATORY PRACTICES IN BANGLADESH

While Bangladesh has excelled in several areas, including significant reductions in poverty rates and overall growth of the economy, it needs to do better in others, notably its regulatory practices. Major issues include non-transparency, a complex and archaic regulatory framework, and absence of an efficient government-to-business service delivery mechanism.

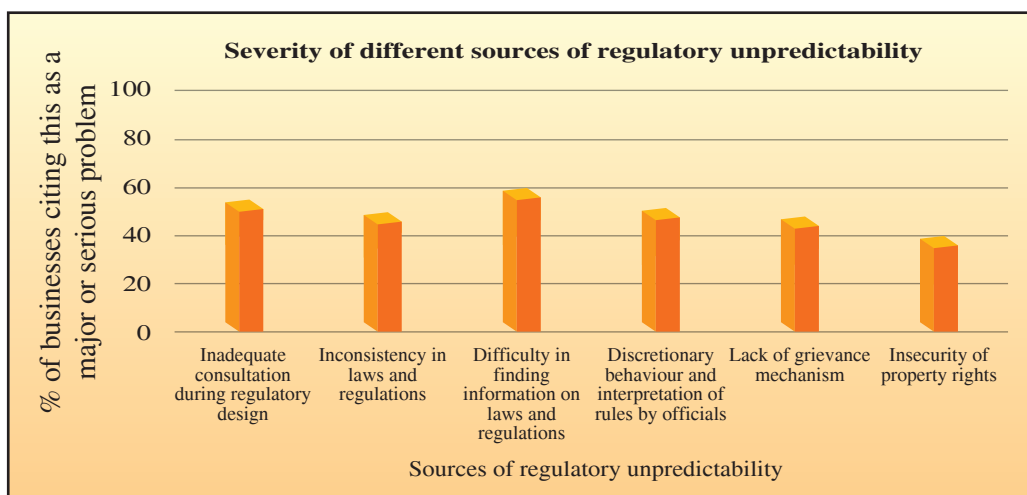
1. **Complex and cumbersome Government to Business (G2B) service delivery impedes business startup and growth.** The service delivery process of government agencies, which involves multiple reviews and approvals, is neither systematic nor clear, resulting in difficulties and delays for investors. According to Doing Business 2019, an investor needs to interact with approximately five agencies and go through nine processes to start a business in Bangladesh, whereas it only takes one process and interaction with one agency in New Zealand. The involvement of many actors and requirement of multiple reviews in approval processes, and the absence of standardized procedures for the services are major challenges in starting and operating a business in Bangladesh (Regulatory Delivery Diagnostic in Bangladesh, 2017). As a result, the cost of doing business is much higher compared to the country's competitors (e.g. Thailand and Vietnam).



2. **The lack of an effective inspection and enforcement mechanism imposes unnecessary compliance requirements and burdens on the private sector.** The current business inspection system in Bangladesh does not comply with the principle of a risk-based inspection system and thus does not focus on actual risks posed to society. Instead, the system is characterized as a passive and discretionary one. For example, RAJUK carries out the same number of inspections for all commercial buildings regardless of the number of storeys or the nature of the business to be conducted in the premises. In addition, some inspections are carried out even though there are no legal requirements. The private sector has identified that inspections of businesses are carried out by City Corporations before issuing trade licenses even though no law specifies this matter (Regulatory Delivery Diagnostic in Bangladesh, 2017). The large number of inspections, most of which are redundant, imposes a large cost on a firm and hinders its competitiveness.
3. **Lack of coordination among government agencies in providing investor services imposes a high transaction cost on investors as they must spend more time and effort navigating the requirements from various agencies.** Bangladesh's regulatory environment is a complex maze with 23 government agencies providing investor services. To start and operate a business, an investor may need to secure up to 150 approvals from various agencies including Bangladesh Investment Development Authority (BIDA), Registrar of Joint Stock Companies & Firms (RJSC), designated bank, National Board of Revenue (NBR), City Corporations/Municipalities, Department of Environment (DoE), Bangladesh Bank (BB), and City Development Authorities (Regulatory Delivery Diagnostic in Bangladesh, 2017). In addition, there is inadequate coordination among these agencies, resulting in the duplication of information for several processes and requirement to authenticate information during each step. These issues combined lead to an increase in costs and time requirements for receiving approvals, and thus adversely affect business operations.
4. **Uncertainty and poor predictability of service delivery hampers business entry and operational planning in Bangladesh.** In 2017, a regulatory unpredictability survey was conducted by WBG (Regulatory Unpredictability in Bangladesh: How Businesses View It-2017). The survey collected data on six parameters that are major sources of unpredictability in regulatory service delivery – (i) inadequate consultation during regulatory design, (ii) conflicting rules and regulations, (iii) difficulty in finding information on existing rules and regulations, (iv) discretionary enforcement by government officials, (v) lack of effective grievance mechanisms, and (vi) insecure property rights.

Most respondents found each of these six sources of regulatory unpredictability to be a major problem in Bangladesh. In addition, the study reveals the severity of each of the different sources. Findings indicate that, while all sources of regulatory unpredictability pose significant problems for businesses, the most serious are difficulty in finding information on laws and regulations, inadequate consultation during regulatory design, and discretionary behavior by regulatory officials (Figure 2).

**Fig. 2: How Businesses in Bangladesh Perceive Regulatory Unpredictability**



Source: World Bank Group (2017)

5. **Inadequate information transparency and limited information regarding enforcement requirements increases uncertainty for businesses.** Information pertinent to starting and operating a business – including what are the documentary requirements, which government agencies provide approvals and what are the necessary instructions to follow for applications – is not readily available. Websites and guidelines including Citizen’s Charters are not always up to date. In addition, no proper guideline is available for regulatory officers for providing services to investors. The lack of proper compliance information and guidelines for receiving investor services are major challenges for businesses in Bangladesh.
6. **The absence of an ICT-led integrated G2B service delivery delays the approval process.** Most of the government agencies are providing their services manually and separately. In addition, the existing service delivery is not integrated and well-coordinated. For example, Dhaka North City Corporation (DNCC) has no automated system to issue trade licenses (which is an essential step in starting a business). Although some agencies have automated systems (RJSC and NBR), they are working in silos and do not share data with other agencies. As a result, the majority of government agencies are authenticating approvals provided by other agencies through sending official letters to the respective agencies. This incurs additional costs and increases the time required for providing approvals of all regulatory services that are dependent on other regulatory services.
7. **Lack of adequate/appropriate capacity among the relevant government agencies constrains the progress of reform implementation.** Government agencies often fail to provide appropriate in-house training for regulatory officers as they lack the necessary resources including technical know-how, human resources, and infrastructure. This leads to delays in implementing any reform initiatives taken by governments in association with development partners. For example, implementation of the One Stop Shop (OSS) for investor services at BIDA is facing

many challenges pertinent to providing services online due to lack of ICT capacity of the process owners (officers in charge). Moreover, the frequent transfer of government officials creates additional capacity-building requirements as the newly appointed officials seldom have the required knowledge and capacity required for their new roles.

8. **Due to the absence of a mechanism to solicit feedback from the private sector, government officials do not understand regulatory implementation gaps – where the letter of the law differs from the actual implementation of the law.** Feedback systems from clients are often limited to the presence of a "complaint box" or an agency's email address (e.g. [info@minland.gov.bd](mailto:info@minland.gov.bd)), which are rarely used by clients as they are deemed ineffective. The complexity and difficulty faced by the private sector in receiving regulatory service seldom improves due to the lack of an effective mechanism of receiving feedback from clients.
9. **The absence of a systematic stakeholder consultation process leads to ineffective and conflicting regulations that are difficult to implement.** Bangladesh often fails to reflect and incorporate the suggestions/recommendations of the private sector while developing/amending laws and enforcing regulations. Stakeholder consultation is discretionary and not always used to solicit feedback/inputs/recommendations from the private sector in the law-making process, which leads to ineffective regulations. Furthermore, the government does not have any accountability to reflect the inputs in the law. Moreover, the government does not have any mechanism to go back to the private sector with a rationale for inclusion or exclusion of their feedback for particular laws.
10. **The absence of a systemic and organized approach for defining regulatory problems while designing a regulation/bill often leads to an inappropriate regulatory solution.** Most of the policies are designed based on the challenges reported by the private sector or other sources including the media. However, the actual cause that created the issues is rarely identified using a systematic diagnostic or approach such as a regulatory impact assessment (RIA). As a result, most of the laws are not able to address the actual impediments because the policies were not designed based on evidence.
11. **The archaic and inconsistent legal framework fails to accommodate existing and new businesses.** Businesses in Bangladesh are still governed by outdated acts including the Companies Act 1994. In addition, new laws and amendments are usually imposed without a systemic approach (where the total legal landscape of existing policies is taken into consideration), thus causing overlapping of laws and leaving practices open to interpretation by regulatory officers. In addition, these approaches fail to encourage new and innovative businesses to enter into the Bangladesh market - many ICT-led start-ups, including Uber, faced a number of challenges when setting up their operations. Even well-established global businesses like Tesla have not been able to enter the Bangladesh market as the vehicle registration laws do not recognize electric cars (cars without engines).

## 3.2 KEY CONSIDERATIONS IN CURRENT REGULATORY DELIVERY PRACTICE IN BANGLADESH

### 3.2.1 GENDER DIMENSION IN BUSINESS

Bangladesh secured 48<sup>th</sup> position in the Global Gender Gap Report 2018, which was the highest among its South Asian counterparts. The government of Bangladesh supports gender equality at all levels and aims to ensure the socio-economic and political empowerment of women. The Doing Business 2019 report identifies that the time, cost and number of processes involved in starting and operating a business in Bangladesh is equal for both men and women. However, according to the Regulatory Delivery Diagnostic in Bangladesh (2017) the majority of women entrepreneurs tend to remain in the informal economy (i.e. do not obtain required licenses and abide by government regulations for businesses) with only 2.83 percent of registered businesses being owned by women. This could be attributed to barriers to business formalization facing women and has hindered the establishment of female-owned businesses in Bangladesh. The report also identified that while there is no discrimination in laws, regulatory practices put women in discomfort and discourage them from starting a business. For example, women businessowners took help from male family members to obtain trade licenses and electricity connections.

**Challenges facing women-owned businesses come in the backdrop of GoB placing high importance on women's economic empowerment.** In Bangladesh, women's participation in the labor force was 29.25 percent in 2018 (World Bank, 2019). Quotas in contractual appointments for women were increased and more women are being promoted to fill mid-to-high-level positions in the civil service. The Local Government Law, enacted in 2009, has reserved seats for women to be directly elected. There are quota provisions in the allotment of land in the Bangladesh Small Cottage Industry Corporation's (BSCIC) industrial estates, bank finance and business development services. Women now have national identification cards as registered voters which have empowered them as individuals and not necessarily an extension of the male as a wife or daughter.

Although the government is making investment funds available to women entrepreneurs through commercial banks and helping them understand business opportunities, access to finance remains a major constraint for women who do not own collateral to secure loans. Findings of a focus group discussion of nine women entrepreneurs show that: (i) very few women own properties, (ii) the majority prefer to operate as sole traders, (iii) many of them are not registered under the NBR, so don't file for tax returns annually, (iv) most banks and financial institutions were hesitant to provide credit to women-owned businesses due to lack of collateral or required their husbands/ fathers to act as guarantors (Regulatory Delivery Diagnostic in Bangladesh, 2017).

Bangladesh has made great strides in addressing gender discrimination and empowering women. However, more effort is needed to integrate gender awareness not only in policies, but also practices. More regulatory and incentive-based measures are needed to increase women's participation in Bangladesh's socio-economic development. BIDA, with assistance from BICF-II, is developing a One Stop Shop (OSS) for investor services so that all businesses may obtain the required licenses/permits from an online portal, meaning that face-to-face interactions between regulatory bodies and business people may be reduced. This initiative is expected to provide a more unbiased environment for women businesses, and thus encourage starting and operating more women-owned businesses.

### ***3.2.2 CROSS-STAKEHOLDER PARTNERSHIPS***

While the implementation of reforms requires public sector leadership, it will only succeed if the private and non-profit sectors play a critical role. Cross-sector partnerships are strategic alliances between the public, private and non-profit sectors when partners believe that there is a collaborative advantage to working together to achieve their objectives. The formation and strengthening of high-level cross-sectoral forums and partnerships can help in achieving the required stakeholder consensus on business environment reforms.

Despite the increase in collaborative action between the government, business and non-profit sectors in Bangladesh, some of which are quite successful, the use of partnerships to improve service delivery and competitiveness is highly sporadic. The GoB has established and supported various mechanisms to advocate and implement investment-related reforms to improve the business environment and support private sector development. They include the Private Sector Development Policy Coordination Committee (PSDPCC) and its Working Committees and the Business Initiative Leading Development (BUILD).

# POLICY RECOMMENDATIONS AND CONCLUSION

Bangladesh has tremendous potential to become more productive and therefore, more competitive. Introducing the right set of policies across a number of areas can help the country become more integrated and globally competitive across a broader spectrum of industries – accelerating growth, reducing poverty and creating more jobs. Broadly defined, these areas are: improving business environment, policies to better connect to Global Value Chain (GVC), maximizing agglomeration benefits and strengthening firm capabilities.

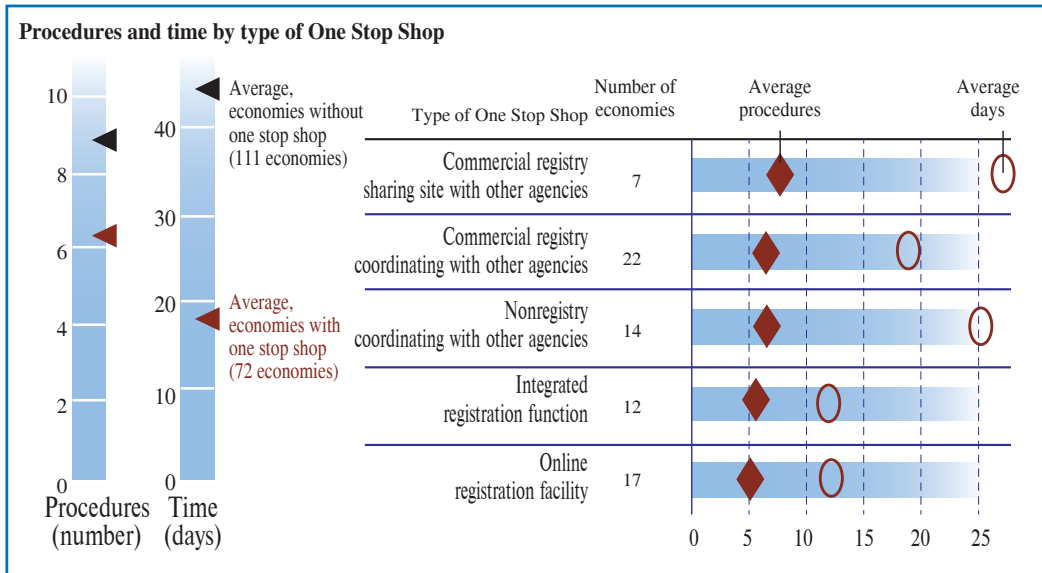
## 4.1 POLICY RECOMMENDATIONS

Regulatory delivery is closely linked with good regulatory policy and design. The first set of recommendations relate directly to regulatory delivery and this is followed by recommendations on regulatory policy and design.

### 4.1.1 POLICY RECOMMENDATIONS FOR IMPROVED REGULATORY DELIVERY

1. **Simplify the processes and develop standard operating procedures (SOPs) to reduce the regulatory burden and bring predictability in regulatory service delivery.** The approval process of different agencies should be reviewed to identify bottlenecks and areas of improvement; and based on the analysis new, simplified and effective processes should be developed to reduce the existing regulatory burden. An SOP for each simplified process should be developed to detail the roles and responsibilities of each government staff member associated with the service delivery, provide details on each step and the people who are responsible, create a specific timeline for each step and sub-step and establish the documentary requirements, fees, etc.
2. **Automate the processes.** Once the processes have been simplified, automating them will minimize the number of visits by an investor to different agencies for obtaining services and reduce unnecessary delays in the approval and inspection process. This will bring more transparency to service delivery as there will be less interaction between government staff and investors. Bangladesh has already taken steps toward this by working to set up a One Stop Shop (OSS) for investor services, including enacting an OSS bill in February 2018.
3. **Develop an integrated ICT-led service delivery model for G2B services.** A single window model OSS for Investor Services will create a single point of contact between the government and investors. It would enhance transparency by publishing all the information relevant to investing in Bangladesh on the OSS website. A virtual single G2B interface such as the OSS, with an overarching governance model that defines the mandate and role of the OSS and its relationship with other agencies, will offer more integrated and effective services to investors. Countries like Macedonia, Azerbaijan and Egypt have achieved positive results by implementing such OSSs, as they have enabled data-sharing and interoperability among government agencies.

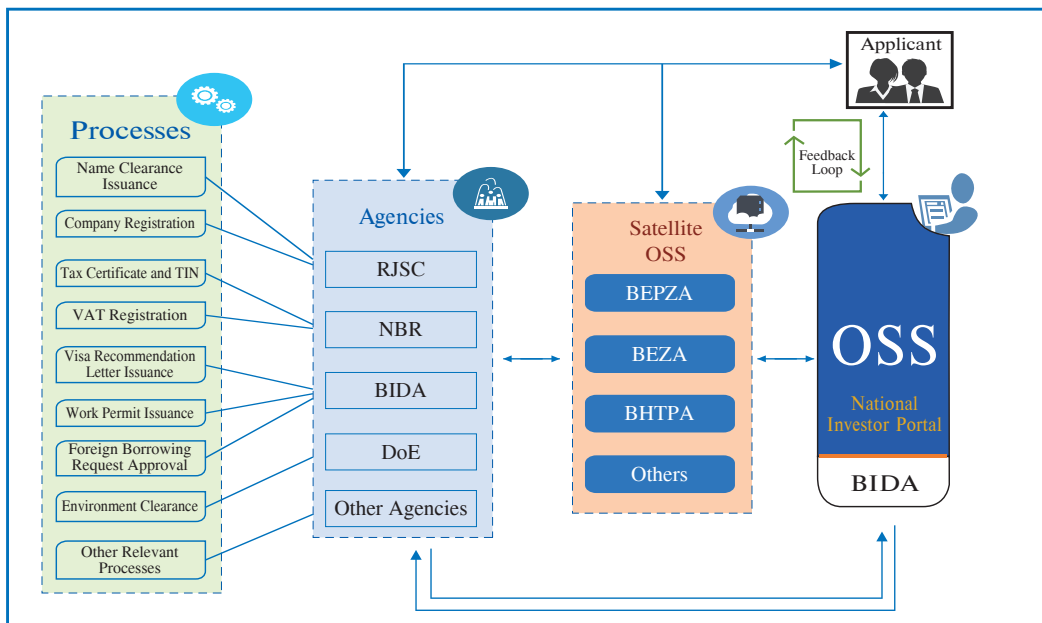
**Figure 3: Number of Processes and Time Required with a One Stop Shop (OSS)**



Source: Doing Business 2011

Figure 4 and Annex B further elaborates on the proposed Bangladesh model and includes an example of an effective OSS system which was implemented in 2006 in Alexandria, Egypt (World Bank, 2006), showing how new business establishments increased and industrial approval times were drastically reduced once the OSS was introduced.

**Figure 4: Proposed One Stop Shop (OSS) Model for Bangladesh**



Source: BICF II 2017 database

4. **Establish a risk-based approval and inspection system, which will make better use of resources and speed up service delivery.** Introducing such a system will improve service delivery significantly as it will focus on actual risks, and low and medium risk applications will get faster approvals. The system will also allow the inspectorate to focus more on high risk activities and on cases of non-compliance. It will save resources for both the public and private sector, as low risk and compliant operations may face fewer inspections.
5. **Introduce an online information portal containing all information relevant to regulatory delivery requirements and procedures.** The online portal will bring more transparency on documentary requirements, fees, procedures, forms etc. It will also help an investor produce a more correct and complete application for a service. Many delays occur because of incorrect and/or incomplete applications, the submission of more accurate and complete applications will help a government agency process them faster.
6. **Review and update the existing legal framework to accommodate simplified and automated processes.** The government should review and develop a roadmap for updating the regulations relevant to private sector development (e.g. Companies Act, Bankruptcy Act etc.) and minimize regulatory gaps. The government may consider undertaking measures such as a “regulatory guillotine” to discard obsolete laws and regulations and develop new ones. Bangladesh could follow the example of a country like Moldova, which simplified its inspection mechanisms by mapping the institutional and legal framework to reduce services from more than 400 to 107. (Jacobs and Associates, 2005).
7. **Develop the institutional capacity of agencies providing regulatory services to ensure better implementation of simplified, automated and integrated service delivery.** Automated and integrated service delivery requires a new set of skills with a change in mindset – from regulator towards facilitator. This process will require long-term planning for staff capacity development, change management and in some cases institutional re-structuring and capacity enhancement.

#### ***4.1.2 POLICY RECOMMENDATIONS FOR REGULATORY POLICY-MAKING AND DESIGN***

8. **Put in place a system that accommodates innovative business activities.** It is important to have an adequate understanding among policymakers regarding new business ideas, for example in areas of disruptive technology which has helped shift the way people do things, such as Uber or Airbnb (transportation, hotels, etc.), to be able to prepare appropriate regulations and hence encourage innovative businesses to enter and operate in the country.
9. **Introduce an evidence-based policy-making mechanism to develop and amend regulatory instruments for more effective regulations.** The government should establish an evidence-based policy-making mechanism (commonly known as a ‘Regulatory Impact Assessment’ – RIA) to select appropriate solutions in a systematic way for addressing a specific challenge. Bangladesh is currently in the process of conducting an RIA pilot to demonstrate the importance of this approach for rule-making processes to the GoB.



- 10. Introduce a systematic approach for developing and amending laws and regulations through problem identification and stakeholder consultation.** Introduction of an evidence-based policy-making mechanism will require long-term planning to bring change in the existing regulatory system. Thus, the government of Bangladesh should opt for implementing two fundamental approaches of the mechanism – problem identification and stakeholder consultation.
- 11. Introduce a mechanism to solicit feedback from the private sector on regulatory service delivery to address gaps in regulatory implementation.** The government should introduce a mechanism to receive feedback from the private sector about problems faced when receiving regulatory services. The feedback will help the government identify gaps between service delivery quality and targets and take action to address this. The government is already taking steps such as introducing the Legislative Impact Assessment (LIA) into Bangladesh’s lawmaking process.

#### ***4.1.3 POLICY RECOMMENDATIONS FOR GENDER INCLUSIVITY AND ENVIRONMENTAL PROTECTION THROUGH EFFECTIVE G2B REGULATORY SERVICE DELIVERY***

- 12. Integrate the gender dimension in regulatory service delivery to facilitate more gender inclusive regulations.** The government should develop a strategy to ensure participation of women-owned/led businesses in the relevant law-making process. One of the mechanisms could be to encourage women entrepreneurs to participate in the regulatory consultation process. Policymakers may consider making it mandatory to send relevant bills or drafts to business membership organization representing women businesses for review and input before finalizing the bill. They may also commission research to better understand challenges faced by small and medium enterprises owned by women.
- 13. Develop and implement appropriate environmental standards to promote export and green business.** The nature of businesses is changing continuously, and the arrival of new and improved technology is making it easy to conserve the environment without compromising economic growth. Therefore, the government should be dynamic and upgrade its environmental standards and incentives for green businesses continuously.

## **4.2 CONCLUSION**

Bangladesh’s promising economic outlook, based on remarkable progress over the last decade, inspired the government to set a goal of attaining upper middle-income country status by 2021. However, achieving this will require improvement on multiple fronts, including strengthening the overall business environment to increase private investment to at least 27 percent of GDP. Identifying and overcoming obstacles to the growth of private investment remains a challenge needing priority attention.

**Despite all of Bangladesh's achievements, this report sheds light on four key constraints in Bangladesh's regulatory regime.**

1. The regulatory system, which is characterized by cumbersome and complex processes, is one of the pressing issues that require addressing. It is urgent that it be streamlined as the challenges in the existing system discourage many domestic and foreign firms from investing in Bangladesh. It is crucial to put in place a good inspection system which ensures action to improve quality in four key areas: increasing compliance, minimizing uncertainty, fighting corruption, and reducing costs for businesses (Jacobs and Associates, 2005).
2. There is lack of coordination among line agencies, meaning that investors often need to interact with multiple agencies to obtain a single service. This results to investors having to bear higher transaction costs. Resolving this issue is crucial for developing a sound regulatory delivery framework in Bangladesh with ICT-enabled services that enable data-sharing and interoperability among government agencies.
3. Service delivery is unpredictable. This delays business operations and hampers business entry and operational planning, and it makes it hard to find information, which can lead to discretionary interpretation of rules by officials. To address this issue Bangladesh needs to improve in several areas including consultation methods, consistency of laws and regulations, strengthen policy framework, information transparency, grievance mechanisms, and security of property rights.
4. Lack of consistent mechanism for receiving feedback from private sector is a serious problem for which business-friendly regulations are not adopted. Government officials are often unsure of the effectiveness of a certain law or regulatory delivery mechanism, which often leads to gaps in regulatory implementation, and creates a service delivery disconnect between the government and private sector firms.

**Bangladesh has already made several commitments to address some of these issues.**

The government has taken initiatives to establish a Legislative Impact Assessment (LIA) system to evaluate changes in policies before enacting them, which is a step in the right direction. In addition, an OSS Bill was enacted in February 2018 that aims to set up an automated interface for providing consolidated investor services. The pilot OSS was launched in early 2019 and is currently providing 14 investor services.

**To address the regulatory challenges, the government should consider a series of short-to medium-term initiatives that provide the greatest payoffs.**

These are the four main recommendations:

- The government should simplify processes relevant to investor service delivery.
- The government should develop an integrated and ICT-led G2B service delivery platform.
- The existing legal framework should be reviewed to accommodate the simplified processes, OSS, and innovative businesses.
- To address regulatory gaps and incorporate the feedback of the service recipients, the government should opt for evidence-based policy-making with systematic stakeholder consultation.

**In Bangladesh, regulatory reform must be part of a larger program to support economic and governance changes.** The study also acknowledges that Bangladesh is doing certain things right. For instance, the trade license automation and simplification (examples given in chapter 2) process has drastically reduced the time and cost of renewing and getting new trade licenses and increased business entry in parts of the country. The recommendations made in this chapter are intended to act as ideas to improve regulations in the country.

**To effectively implement these actions, it will require strengthening the institutional capacity of several government institutions,** including BIDA, that provide regulatory services to investors. While appropriate programs and processes are often in place, a lack of capacity in government departments means they are not carried out correctly and effectively. To address this, it is crucial to have training programs and expert workshops to build government capacity.

Effective regulatory service delivery has played a critical role in improving the business environment of many countries around the world and can significantly help Bangladesh to achieve its economic and investment targets. With a coordinated inter-governmental effort to improve the regulatory delivery system, Bangladesh can further accelerate the remarkable economic and social progress of the last decade and achieve its aspirations of an upper middle-income country status in the coming years, and a developed economy thereafter.

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# ANNEXES

# ANNEX A – FULL LIST OF PROCESSES

Category	No.	Process	Incumbent Office	
<b>Trading</b>	1	Trade License (for Commercial Firms)	City Corporation Office	
	2	Trade License (for Manufacturing Firms)	City Corporation Office	
	3	Taxpayer's Identification Number (for Company)	National Board of Revenue	
	4	Trade Mark Registration	Department of Patents, Design and Trade Marks	
<b>Export Import</b>	5	Export Permit	Office of Chief Controller of Imports and Exports	
	6	Import Permit	Office of Chief Controller of Imports and Exports	
	7	NOC for Capital Machineries Import	Bangladesh Investment Development Authority	
	8	Declaration as a Group Leader for Import on Join Basis	Concerned Banks	
	9	Import Registration Certificate (IRC)-Regular-Recommendation Letter	Bangladesh Investment Development Authority	
	10	Import Permit Recommendation Letter	Bangladesh Investment Development Authority	
	11	Utilization and deceleration (UD) permit from BGMEA	BGMEA	
	12	Import Registration Certificate (IRC-Commercial)	Office of Chief Controller of Imports and Exports	
	13	Recommendation Letter for Import Registration Certificate (Ad-hoc)	Bangladesh Investment Development Authority	
	14	Export Registration Certificate (ERC)	Office of Chief Controller of Imports and Exports	
	15	Indenting Registration Certificate (IRC-Indenting)	Office of Chief Controller of Imports and Exports	
	16	License for Drugs (Medicine) Export	Directorate General of Drug Administration	
	17	Jute Goods Export License	Department of Jute	
	18	Raw Jute Export License	Department of Jute	
	19	Export License for Narcotics Drugs	Department of Narcotics Control (DNC)	
	20	Import License for Narcotics Drugs	Department of Narcotics Control (DNC)	
	21	Registration for Foreign Medicine	Directorate General of Drug Administration	
	22	EPB Registration for Textile Units		
	23	EPB Registration for Non-Textile Organizations		
	24	GSP (EU) Certificate of Origin for Textile Goods	Export Promotion Bureau (EPB)	
	25	GSP (EU) Certificate of Origin for Non-Textile Goods	Export Promotion Bureau (EPB)	
	26	GSP (Except EU) Certificate of Origin for Non-Textile Organization	Export Promotion Bureau (EPB)	
	27	Bonded Warehouse License	Customs Bond Commissionerate	
	28	Utilization Permit (UP)	Customs Bond Commissionerate	
	<b>Investment</b>	29	Establishment of New Private Bank	Banking Regulation and Policy Department
		30	Alternative Investment Funds	Bangladesh Securities and Exchange Commission
		31	Fund Manager Registration	Bangladesh Securities and Exchange Commission

<b>Investment</b>	32	Approval of factory plan and certificate of registration for factories and establishment	Department of Inspection and Establishment (DIFE)
	33	Name clearance certificate for company	Registrar of Joint Stock Companies and Firms (RJSC)
	34	Registration of (Public and Private) company	Registrar of Joint Stock Companies and Firms (RJSC)
	35	Registration of local investment projects	Bangladesh Investment Development Authority
	36	Registration with BSCIC	Bangladesh Small & Cottage Industries Corporation (BSCIC)
	37	VAT Registration	National Board of Revenue
<b>Foreign Investment</b>	38	License for approval of Foreign Loan/Deferred Payment	Bangladesh Investment Development Authority
	39	Approval of Remittance	Bangladesh Investment Development Authority
	40	Approval/Renewal of Branch/Liaison and Representation Office-New	Bangladesh Investment Development Authority
	41	Renewal of Branch/Liaison and Representative Office-Extension	Bangladesh Investment Development Authority
	42	Approval/extension of work permit for expatriate-New (Commercial)	Bangladesh Investment Development Authority
	43	Approval/extension of work permit for expatriate-Extension (Commercial)	Bangladesh Investment Development Authority
	44	Approval/extension of work permit for expatriate-New (Industrial)	Bangladesh Investment Development Authority
	45	Approval/extension of work permit for expatriate-Extension (Industrial)	Bangladesh Investment Development Authority
	46	E-Visa Recommendation for Foreign Investors/Workers (Commercial)	Bangladesh Investment Development Authority
	47	E-Visa Recommendation for Foreign Investors/Workers (Industrial)	Bangladesh Investment Development Authority
	48	E-Visa I/P1 Recommendation for Foreign Investors/Workers (Commercial)	Bangladesh Investment Development Authority
	49	E-Visa I/P1 Recommendation for Foreign Investors/Workers (Industrial)	Bangladesh Investment Development Authority
	50	Registration of Foreign Investment project with BOI	Bangladesh Investment Development Authority
	51	Approval for foreign borrowing agreement	Bangladesh Investment Development Authority
<b>Real Estate/ Logistics/ Utility</b>	52	Business establishment license other than factories	Department of Inspection and Establishment (DIFE)
	53	Ownership transfer of BSCIC Industrial Plot	Bangladesh Small & Cottage Industries Corporation (BSCIC)
	54	Approval of Gas connection	Titas Gas Transmission & Distribution Company Limited
	55	Allotment of Land in the Export Processing Zone	Bangladesh Export Processing Zones Authority [BEPZA]
	56	Approval of Telephone Connection	Bangladesh Telecommunication Company Limited (BTCL)
	57	Approval of Electricity Connection	Dhaka Electricity Supply Company Limited (DESCO)
	58	Approval of Water Connection	Dhaka Water Supply and Sewerage
<b>Sectoral Business</b>	59	Allotment of land in the Industrial Estate	Bangladesh Small & Cottage Industries Corporation (BSCIC)
	60	Construction Permit by RAJUK	Rendani Unnayan Kartipakkha (RAJUK)
	61	Reference for allotment of plot or acquisition of land in public/private owned industrial area	Bangladesh Investment Development Authority



<b>Sectoral Business</b>	62	Import Pesticide License	Department of Agricultural Extension (DAE)
	63	Tea Trading License	Bangladesh Tea Board
	64	Conductor's License	Bangladesh Road and Transport Authority (BRTA)
	65	Fitness Renewal (Vehicles)	Bangladesh Road and Transport Authority (BRTA)
	66	Registration as Fertilizer Dealership	Bangladesh Chemical Industries Corporation (BCIC)
	67	Trustee to a Fund	Bangladesh Securities and Exchange Commission
	68	Registration as Seed Dealer	Seed Wing
	69	Registration of Pesticide	Department of Agricultural Extension (DAE)
	70	License for Repackaging Pesticide	Department of Agricultural Extension (DAE)
	71	Manufacturing or Formulation of Pesticide License	Department of Agricultural Extension (DAE)
	72	License for Jeweler Business	Deputy Commissioner's (DC) Office, Dhaka
	73	License for Selling (Wholesale) Cotton Cloth	Deputy Commissioner's (DC) Office, Dhaka
	74	License for Selling (Retail) Cotton Cloth	Deputy Commissioner's (DC) Office, Dhaka
	75	License for Selling (Wholesale) Cotton Yarn	Deputy Commissioner's (DC) Office, Dhaka
	76	License for Selling (Retail) Cotton Yarn	Deputy Commissioner's (DC) Office, Dhaka
	77	License for Selling (Retail) Cement	Deputy Commissioner's (DC) Office, Dhaka
	78	License for Selling Milk Products	Deputy Commissioner's (DC) Office, Dhaka
	79	License for Selling Iron and Steel Materials	Deputy Commissioner's (DC) Office, Dhaka
	80	Certificate for Manufacturing Boilers (Domestics)	Office of the Chief Inspector of Boilers
	81	Certificate for Renewal of Boilers	Office of the Chief Inspector of Boilers
	82	Certificate for Boiler Operation	Office of the Chief Inspector of Boilers
	83	Change of Ownership of Boiler	Office of the Chief Inspector of Boilers
	84	No Objection Certificate for Import of Boilers	Office of the Chief Inspector of Boilers
	85	Registration of Boilers for User	Office of the Chief Inspector of Boilers
	86	Jute Goods Manufacturers License	Department of Jute
	87	License for Brick Kiln	Respective DC Office of Different districts
	88	License for Saw Mill	Respective Divisional Forest Offices/ DC Office of Different districts
	89	Registration for hatchery	Department of Fisheries (DoF)
	90	License for Fish Feed Business	Department of Fisheries (DoF)
	91	License and Registration for Call Center	Bangladesh Telecommunication Regulatory Commission
	92	Production and Processing License of Narcotics Drugs	Department of Narcotics Control (DNC)
	93	Selling License for Narcotics Drugs (Retail)	Department of Narcotics Control (DNC)
94	Alcohol or Liquor License for Hotel/Restaurant (Commercial)	Department of Narcotics Control (DNC)	
95	Project Approval for Pharmaceuticals (Manufacturing) Business	The Directorate General of Drug Administration	
96	Packing Materials Approval (for Pharmaceuticals Products)	The Directorate General of Drug Administration	
97	Recipe Approval for Introduced and Unintroduced Products (for Pharmaceutical Product Registration)	The Directorate General of Drug Administration	
98	Product Inclusion and Trade Name Check (for Pharmaceutical Product Registration)	The Directorate General of Drug Administration	

<b>Services</b>	99	Bank Solvency Certificate	Concern Banks and Financial Institutions
	100	Route Permit for Vehicles	Bangladesh Road and Transport Authority (BRTA)
	101	Driving License	Bangladesh Road and Transport Authority (BRTA)
	102	Community Radio License	Radio Station-2
	103	Issuance of UNESCO Coupon	Bangladesh National Commission for UNESCO (BNCU), Ministry of Education
	104	License for Petroleum Filling Station	Department of Explosive (The Chief Inspector)
	105	No Objection Certificate for Filling and CNG Station	Deputy Commissioner's (DC) Office, Dhaka
	106	License for CNG Filling Station	Department of Explosive (The Chief Inspector)
	107	License for Carrying Petroleum by Land	Department of Explosive (The Chief Inspector)
	108	License for Carrying Petroleum by Water	Department of Explosive (The Chief Inspector)
	109	License for Class I and II Petroleum (Bulk, Non Bulk)	The Chief Inspector, Explosive Department
	110	Man-power Recruiting License	Bureau of Manpower Employment and Training (BMET)
	111	Registration for Vehicle (Reconditioned)	Bangladesh Road and Transport Authority (BRTA)
	112	Driving Instructor License	Bangladesh Road and Transport Authority (BRTA)
	113	FM Radio License	Radio Station-2
	114	License for Movie Theater (Cinema Hall)	Respective DC Office of Different Districts
	115	Registration of Hotel and License for Hotel	Ministry of Civil Aviation and Tourism (MOCAT)
	116	Registration of Restaurant & License for Restaurant	Ministry of Civil Aviation and Tourism (MOCAT)
117	Registration Certificate for Travel Agency	Ministry of Civil Aviation and Tourism (MOCAT)	
118	License for Customs Agent/Clearing & Forwarding Agent	Customs Bond Commissionerate	
<b>Safety, Quality &amp; Standard</b>	119	Salubrity/Health Certificate	Department of Fisheries (DoF)
	120	License for Fish Inspection and Quality Control	Department of Fisheries (DoF)
	121	Certification Mark (CM) License	Bangladesh Standards and Testing Institutions (BSTI)
	122	Radiation Certificate	Atomic Energy Centre (AEC)
	123	User's License (Precursor Chemical) for Narcotic Drugs	Department of Narcotics Control (DNC)
	124	Environmental Clearance Certificate	Department of Environment
	125	Fire License	Fire Service and Civil Defense (FSCD)
<b>IT</b>	126	License for Internet Service Provider-ISP (National/Zonal)	Bangladesh Telecommunication Regulatory Commission
	127	License for Cyber Cafe	Bangladesh Telecommunication Regulatory Commission
	128	License for International Internet Gateway (IIG) Service	Bangladesh Telecommunication Regulatory Commission
	129	License for International Gateway (IGW) Services	Bangladesh Telecommunication Regulatory Commission
	130	License for Interconnection Exchange (ICX) Service	Bangladesh Telecommunication Regulatory Commission
	131	License for VoIP Service Provider (VSP)	Bangladesh Telecommunication Regulatory Commission

<b>Chamber &amp; Association Membership</b>	132	BGMEA Membership (Factory Base)	BGMEA
	133	BGMEA Membership (Buying House)	BGMEA
	134	BASIS Membership Certificate	Bangladesh Association of Software Information Services (BASIS)
	135	Bangladesh Engineering Industry Owners' Association (BEIOA) Membership Certificate	Bangladesh Engineering Industry Owners Association (BEIOA)
	136	BKMEA Membership	BKMEA Head Office
	137	Chamber Membership Certificate of DCCI	Dhaka Chamber of Commerce & Industry
	138	Stock Broker/Stock-Dealer Registration Certificate (Issued by DSE)	Dhaka Stock Exchange
<b>Special Category</b>	139	Police Clearance Certificate	Dhaka Metropolitan Police
	140	Copyright Registration	Directorate of Archives and Libraries
	141	ISBN Registration	Directorate of Archives and Libraries
	142	Certificate for Patent (Letters of Patent)	Department of Patents, Design and Trade Marks
	143	Registration Certificate for Designs	Department of Patents, Design and Trade Marks
	144	Geographical Indication Goods (GI) Registration	Department of Patents, Design and Trade Marks
	145	Work Permit for Expatriate Personnel (Working in EPZ)	Bangladesh Export Processing Zones Trade Marks
<b>Explosives &amp; Chemicals</b>	146	Gas or Empty Cylinder Import License	Department of Explosives
	147	License for Sulfuric Acid	Respective DC Office of Different Districts
	148	License for Explosive Importing by Water or Land	Department of Explosives
	149	License for Explosive Transportation by Land	Department of Explosives
	150	LPG Cylinder Storage License	Department of Explosives
<b>Environment</b>	151	Environmental Clearance Certificate	Department of Environment

# ANNEX B – NOTE ON ONE STOP SHOP (OSS) FOR INVESTOR SERVICES

This note presents and contrasts two options for an effective One Stop Shop (OSS) for investor services in Bangladesh, and recommends the single interface model in order to ensure better integration of government operations and more streamlined service delivery for investors.

## 1. BACKGROUND

To start and operate a business in Bangladesh, and obtain the necessary approvals, a potential private investor has to navigate over 150 government services which are regulated by 54 agencies. Moreover, agencies such as the Bangladesh Investment Development Authority (BIDA), Office of the Registrar of Joint Stock Companies and Firms (RJSC), and Department of Environment (DoE) often do not coordinate with each other in delivering services. Navigating the non-transparent and cumbersome service delivery of the relevant agencies imposes a high cost on both domestic and foreign investors. In addition, the uncertainty and unpredictability of service delivery hampers business entry and operational planning in Bangladesh. This also affects Bangladesh's reputation as an investment destination.

A One Stop Shop (OSS) for investor services can help ensure better coordination among respective agencies and much easier entry for potential investors in Bangladesh.

Establishing an effective and efficient OSS will require enactment of an appropriate OSS law (the development of the bill is in progress), deregulation, process simplification, automation and data sharing among all the related agencies that serve investors.

The government is currently considering an OSS model that will develop at least four (4) physical and virtual OSSs - one for each of the relevant investment agencies. Experience from the rest of the world suggests that a more effective solution would be an OSS model that designates each of the relevant investment agencies as a "satellite OSS" and is comprised of a single contact interface linked to each satellite OSS. The following sections describe the drawbacks of the multiple OSS model and the benefits of the single interface model.

## 2. DRAWBACKS OF MULTIPLE/FRAGMENTED OSS

If the government opts for the multiple OSS model without the presence of a national investment portal as described in the following sections, the following challenges are likely to arise:

1. The presence of multiple OSSs will transform the concept of "one stop" into "multiple stops" from the very beginning.
2. An investor may not be aware of the appropriate place for obtaining the necessary information required for investing in Bangladesh. The investor will have to navigate multiple OSSs to obtain the information, which would be an additional hassle and consequently discourage investment in Bangladesh.

3. Multiple OSSs will require multiple system development and data sharing mechanisms, which will increase the cost of development and maintenance.
4. Multiple OSSs may discourage an interoperable mechanism for data and information sharing among the line agencies.
5. There will not be an overarching governance system that maintains the respective duties and obligations of the participating agencies in accordance with the law and standard operating procedures. Without a well-functioning governance system, even relatively simple OSSs with few entities involved have not succeeded, as has been demonstrated in business registration OSSs in countries ranging from Croatia to Kenya and Indonesia.

### 3. OUTLINE OF AN EFFECTIVE VIRTUAL OSS MODEL:

In accordance with global best practices, Bangladesh can significantly benefit from a virtual/electronic OSS which will serve as the single interface between private investors and government agencies.

The design centers on one National Investor Portal housed at BIDA. Initially, there would be three satellite OSSs housed in Bangladesh Export Processing Zones Authority (BEPZA), Bangladesh Economic Zones Authority (BEZA) and Bangladesh High-Tech Park Authority (BHTPA), which would cover different kinds of investments and/or geographic locations, all connected with the National Investor Portal. (The model is capable of incorporating additional satellite OSSs, should the government decide to develop more.) The National and satellite OSSs will interact with various agencies, such as the RJSC, National Board of Revenue (NBR), and DoE at the backend, who will furnish/approve documents relevant to investment.

The applicants will have the option to communicate via the National Investor Portal or approach satellite OSSs/line agencies directly. Once the application enters the system, it will be processed as per the standard operating procedure of the respective OSS/line agency.

If the single interface model is selected, then there are two possible alternative approaches that Bangladesh could consider in attaining an effective OSS model as described above:

- a) Develop a central database and an interactive national portal for investor services where BIDA, BEPZA, BEZA, BHTPA and all relevant line agencies will be connected through a single window model.
- b) BIDA, BEPZA, BEZA and BHTPA will develop their OSSs independently following a pre-agreed ICT specification which allows an interoperable mechanism among the systems and with the line agencies. All of the four OSSs will be linked with the National Investor Portal in order to allow investors to gain access through a single interface.

## **4. MERITS OF THE PROPOSED SINGLE CONTACT INTERFACE MODEL**

The key merits of the proposed OSS model are as follows:

### **A Single Platform for All Information**

If the National Investor Portal is the preferred option, an investor will receive all necessary information required to invest in Bangladesh in a single repository – processes, procedures, document requirements, application forms, fees, and the like.

### **A Single Application Form to Eliminate Information Duplication**

Based on the project type, an investor will have to provide specific information in a modular interface only once. The system will segregate the information as per the requirements of the approving agency.

### **A Single Interface for Better Coordination and Information Transparency**

The National Investor Portal will act as a single window, coordinating with the satellite OSS and the line agencies (as required) to obtain the necessary approvals by furnishing the information provided by potential investors. It will track the status of applications and will update applicants accordingly. All communications between an investor and the government will be channeled through the OSS.

### **An Interoperable System with a Better Back-End Management Facility**

It is expected that the National Investor Portal will not only serve new investors seeking information and services from a single source, but will facilitate an interoperable mechanism with better back-end information management and data dissemination mechanisms.

### **Independently Functioning Satellite OSSs**

If potential investors already have knowledge about relevant procedures/agencies, they will have the option to directly apply through the satellite OSS for necessary approvals. Depending on the capacity of the individual satellite OSS, each of them can have their own website with all necessary information required for investment within their mandate. Although each satellite OSS will be connected to the National OSS (National Investor Portal), the satellite OSSs will function independently and will provide all the necessary approvals as per their mandate.

In summary, a single interface model for the OSS will enable more integrated and effective services for investment than a fragmented system with no overarching governance model.

### Example of Effective Regulation in Egypt

Alexandria OSS was developed by Egypt's General Authority of Investment and Free Trade (GAFI). Services offered by the Alexandria OSS included checks of amendment requests, approval of import/export invoices, issuing recommendation letters to authorities, and others. The image below shows how the One Stop Shop set up in Alexandria helped to reduce the time required to obtain different services.

#### Service time reduced/saved by Alexandria OSS

Steps	No. of days (previously)	No. of days (currently)
New business establishment: incl. legal affairs, lawyer's syndicate, real estate publicity dept., tax ID, commercial registry)-after delegated authority	43	3
*Tax ID (until final Tax ID, a temporary tax paper is issued to facilitate for investor)	30	30
Licensing/approvals:		
Environmental approval (concurrent, four entity committee)	15-30	15-30
Industrial safety approval (concurrent, four entity committee)	7	7
Civil defense (concurrent, four entity committee)	7	7
Social security	2	2
Sales tax registration	1	1
Foreigner work & residency permit, visa issuance and associated approvals	15	15
Industrial project approval (Ministry of Industry and Trade)	30	7
Agricultural project approval (Ministry of Tourism)	30	30
Tourism project approval (Ministry of Tourism)	30	30
Telecom/technology project approval (Ministry of Communications & IT)	15	15
Pharmaceutical project approval (Ministry of Health)	30	30
Locating & registering a land parcel and issuance of building permit		
Option 1: Inside Alexandria City/Zimam: Amlak Agency	??	??
Tanzim/District (concurrent, four entity committee)	30-90	30-90

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