Bangladesh Policy Note
Improving Regulatory Service Delivery

Key Issues and Challenges

Bangladesh has set up an ambitious target of attaining middle-income status by 2021. To achieve this objective, the economy needs to grow at a sustained rate of 7.5-8 percent annually and this would in turn require an increase in private investment to at least 26.6 percent of GDP from 22 percent in 2016/17. Despite the fact that the government has implemented several policy reforms since 2008, investors still face a number of challenges in establishing and operating a business in Bangladesh. This is reflected in the World Bank Group’s Doing Business report, which finds that Bangladesh ranks 177th amongst 190 countries, making it one of the lowest-ranked economies in the South Asia region.

Businesses seeking to operate in Bangladesh have to cope with multiple approvals from several institutions and agencies. A potential private investor has to navigate more than 150 government services to obtain the necessary approvals to start and operate a business in Bangladesh. The processes are regulated by over 36 agencies such as the Bangladesh Investment Development Authority (BIDA), Office of the Registrar of Joint Stock Companies and Firms (RJSC) and the Department of Environment (DoE), with little inter-agency coordination. Navigating the uncoordinated, non-transparent and cumbersome workings of the agencies imposes a high cost on domestic and foreign investors. In addition, the uncertainty and unpredictability of service delivery hampers business activities and operational planning. These challenges affect Bangladesh’s competitiveness and reputation as an investment destination.

The government needs to simplify its delivery of services to attract foreign and domestic investment. A single window model One Stop Shop (OSS) for Investor Services would be very beneficial as it would create a single point of contact between the government and investors. The OSS can potentially introduce transparency by publishing all relevant information pertinent to investing in Bangladesh on the OSS website. In addition, it could make the delivery of services more efficient by automating and integrating processes administered by different agencies. A virtual single government to business (G2B) interface OSS, with an overarching governance model that defines the mandate and role of the OSS and its relationship with other agencies could offer more integrated and effective services to investors.

An interoperable OSS has been a successful tool for many countries to improve their regulatory service delivery. Countries like Macedonia, Azerbaijan and Egypt have achieved positive results by implementing an OSS which is interoperable with other agencies. Evidence of several economies shows that establishment of an OSS for regulatory service delivery reduces the average time and number of procedures needed to deliver services. The World Bank’s Doing Business 2011 study shows that 72 countries with an established OSS could on average deliver necessary approvals for business registration in less than 20 days, while the average for 111 countries without an OSS was over 40 days.

Coordination, delegation, sequencing, and phasing of the reform process, along with regulatory reform (legal and administrative) are key to establishing an effective OSS. Implementing an OSS requires a number of actions including assigning clear responsibility and accountability, following clear guidelines and process maps and developing clear action plans.
Policy Recommendations

To address these issues, in the short term, the government needs to:
- Adopt an OSS Act to establish the broad operational and governance structure of the OSS.
- Adopt Standard Operating Procedures for simplified regulatory processes.
- Develop a web-based OSS model following a single window approach along with a mechanism to ensure interoperability (e.g., sharing of data, coordination of procedures) among institutions.

To address these issues, in the medium to long term, the government needs to:
- Develop OSS rules to finalize the responsibility of the line agencies and formalize Service Level Agreements with OSS operators and line agencies.
- Execute the OSS model following a phased approach.
- Simplify and automate the existing service delivery systems of the following five agencies: Bangladesh Investment Development Authority, National Board of Revenue, Registrar of Joint Stock Companies and Firms, Office of the Chief Controller of Imports & Exports and Rajdhani Unnayan Kartripakkha.
- Simplify and automate the existing service delivery systems of the remaining 31 agencies.
- Update all related Laws/Acts/Rules that govern the administrative processes of the OSS operators and line agencies to ensure that the simplified and automated service deliveries have an adequate legal basis on which to operate.
- Undertake capacity-building activities for government officials involved in the OSS to ensure the OSS can be properly run.
- Introduce a Feedback Loop mechanism to understand the implementation gaps in the OSS – the difference between the rules as written and their implementation in practice.