

# SETTING UP A FACTORY IN BANGLADESH

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READYMADE GARMENTS



FOOD PROCESSING



PHARMACEUTICAL



LEATHER PROCESSING



সেন্টার ফর পলিসি ডায়ালগ (সিপিডি)  
Centre for Policy Dialogue (CPD)



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**SETTING UP A FACTORY IN BANGLADESH**  
Institutional, Operational and Legal Requirements in RMG, Leather,  
Food processing and Pharmaceutical Sectors\*

Khondaker Golam Moazzem  
Helen Mashiyat Preoty

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\* Centre for Policy Dialogue (CPD) has formed a website on the registration, certification and licensing issues of the new factories titled "Setup a New Factory" (website: <http://factorysetupbd.com>).

Publisher

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## **Centre for Policy Dialogue (CPD) and GIZ Bangladesh**

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**Disclaimer:** The views expressed in this paper are those of the authors alone and do not necessarily reflect the views of CPD or GIZ Bangladesh Office.

**Citation:** Moazzem, K. G., & Preoty, H. M. (2022). *Setting up A Factory in Bangladesh: Institutional, Operational and Legal Requirements in RMG, Leather, Food Processing and Pharmaceutical Sectors*. Dhaka: Centre for Policy Dialogue (CPD) and GIZ Bangladesh.

Cover Design

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## Executive Summary

1. In Bangladesh, the entire factory set-up procedure is tedious and requires a long list documents including permits, licenses, certifications, registration, and other paperwork. Entrepreneurs and investors find it challenging to locate secretariats or offices to submit the necessary documents. Additionally, not all sectors require the same licenses and permits. This report aims to identify and share the document-related conditions and requirements on registration, licensing and certification from various public agencies for setting up factories in RMG, food processing, pharmaceuticals, leather and footwear sectors. This report does not cover the entire process from a commercial point of view. However, it is prepared from the perspective of various compliance issues including building safety; labour and environmental safety; and fire safety.
2. In order to meet the structural/building safety standards every factory in all the targeted sectors need the building permit from Rajdhani Unnayan Kartipakkha (RAJUK)/city corporation/development authorities according to the factory location. The business or factory owners have to submit a number of documents such as Drawing Auto CAD (DWG), City Survey Porcha, Copy of Allotment Letter, Copy of Duplicate Carbon Receipt (DCR), Environment clearance, Key Point Installation Defense Committee (KPIDC) clearance copy, Special Security Force (SSF) clearance copy, City Corporation Certificate, DC Traffic Certificate, Developer's RAJUK Enlistment Certificate, Electricity Certificate, Draft survey map, Gazette wise map and deeds details, Mouza map, plot joining map, and an exhaustive list of other relevant documents.
3. Similarly, to get fire safety license and fire safety plan, entrepreneurs need to submit the filled-in prescribed form with the necessary documents such as trade license, land deed, approved building design, and NOC (no objection certificate) safety plan, among others. To fulfil environmental safety compliances, factories need to collect the Environmental Clearance Certificate from the Department of Environment (DoE). It requires to submit the NOC from the local authority (City Corporation), project profile containing project details, layout plan, cadastral/cadaster map with Daag and Khatian, BOI (Board of Investment) registration, rent agreement or document of land ownership in case it is not a rented place, and treasury challan for the payment of fee.
4. As for the procedure to obtain license from the Department of Inspection for Factories and Establishments (DIFE), an entrepreneur needs to submit a long list of documents to DIFE for the license alongside with the filled-in forms. Trade license copy rent agreements/copy of land rejection, copy of NID of owner/MD/CEO/director, soil test report, fire license, structural design/drawing prepared by a renowned engineer or engineering consulting firm, load bearing capacity certificate provided by a renowned engineer or engineering consulting firm, building construction certificate provided

by a renowned engineer or engineering consulting firm, building design certificate approved by local authority (city corporation/RAJUK) and so on.

5. In addition to all these licenses/certificates/registrations, there are a few special licences which are required, such as drug license from the Directorate General of Drug Administration (DGDA), along with a standard certificate from Bangladesh Standards and Testing Institution (BSTI). In order to set up a factory in export processing zones (EPZs), the business-owner needs to prepare TIN (tax identification number) certificate, VAT (Value Added Tax) certificate, trade license, Bangladesh Textile Mills Association (BTMA) certificate, permit from Export Promotion Bureau (EPB), fire license, boiler permission, environment clearance, Bangladesh Energy Regulatory Commission (BERC) certificate, and few other documents based on the type of factory.
6. In the readymade garments (RMG) sector, RMG Sustainability Council (RSC), Amfori, Okotex, and ISO 100 are the most familiar names which conduct audits domestically. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) do it sometimes. Factories not complying with the minimum requirements, do not get the contracts or orders. These audits go for extensive examination beyond national safety standards. The government adopted the National Tripartite Plan and drafted a subcontracting guideline titled "RMG Subcontracting Guidelines 2019". As per this freshly introduced guideline, subcontracting factories need to be members of the associations concerned and renew their licenses regularly.
7. There are several challenges and limitations in terms of both institutional and legal aspects. The institutional set-up in Bangladesh is time-consuming and do require extensive paperwork as the business-owners and entrepreneurs still prefer to get license physically rather than applying online. In addition to this, lack of magistracy power of public authorities as well as the conflict between their roles as the responsibilities are unclear. The lack of cooperation at the employers' or owners' or managements' end is also deemed a major barrier. Moreover, the lack of a one-stop service (OSS), the absence of effective punishment measures of the domestic laws, and the discrepancy between the national laws and the international standards are considered as some of the bottlenecks in the legal aspect of the set-up process. It is important to ease the process and ensure that doing business is not difficult in Bangladesh. This can happen only by introducing an OSS, developing capacity of the government agencies in terms of their responsibilities, ensuring effective and proper inspections, and making entrepreneurs more aware of their respective roles.

## Acknowledgements

This study has been conducted by the Centre for Policy Dialogue (CPD), in collaboration with GIZ Bangladesh Office.

The paper is authored by *Dr Khondaker Golam Moazzem*, Research Director, CPD, and *Ms Helen Mashiyat Preoty*, Research Associate, CPD.

The research team registers its sincere thanks to *Dr Shah Md Ahsan Habib*, Visiting Research Fellow at CPD, and Professor (Selection Grade), Bangladesh Institute of Bank Management (BIBM), for his valuable research support. The team also gratefully acknowledges the valuable support received from *Mr Avra Bhattacharjee*, Joint Director, Dialogue and Outreach, CPD, and *Ms Farah Nusrat*, Senior Publication Associate, CPD.

The authors would like to register their deep appreciation to GIZ Dhaka Office, especially to *Mr Michael Klode*, GIZ project coordinator, Sustainability in the Textile and Leather Sector (STILE) project, for his advice and suggestion throughout the study period.

The team would also like to register its thanks to a number of officials from several institutions and relevant experts for extending valuable support to the team.

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## List of Abbreviations

BAPA	Bangladesh Agro Processors' Association
BEPZA	Bangladesh Export Processing Zones Authority
BIDA	Bangladesh Investment Development Authority
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BNBC	Bangladesh National Building Code
BOI	Board of Investment
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSTI	Bangladesh Standards and Testing Institution
BTA	Bangladesh Tanners Association
CDA	Chattogram Development Authority
CEO	Chief Executive Officer
CM	Certificate Mark
DCC	Dhaka City Corporation
DGDA	Directorate General of Drug Administration
DIFE	Department of Inspection of Factories and Establishments
DoE	Department of Environment
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
ERC	Export Registration Certificate
FSCD	Fire Service and Civil Defense
IBC	International Building Code
IFC	International Fire Code
ILO	International Labour Organization
IRC	Import Registration Certificate
KDA	Khulna Development Authority
KII	Key Informant Interview
MD	Managing Director
NCC	Narayanganj City Corporation
NFPA	National Fire Protection Association
NID	National Identity (Card)
NOC	No Objection Certificate

OSS	One Stop Service
PDB	Power Development Board
RAJUK	Rajdhani Unnayan Kartipakkha
RJSC	Registrar of Joint Stock Companies
RMG	Readymade Garments
RSC	RMG Sustainability Council
TIN	Tax Identification Number
VAT	Value Added Tax

## 1. INTRODUCTION

Setting up a business in Bangladesh is a process as cumbersome as running a business. The entire process is lengthy and time consuming as it requires quite a long list of licenses, certificates and documents. More precisely, it is difficult for entrepreneurs to know where to go for submitting the documents for the proper license or certificate or permit. Moreover, licenses and permits are not the same for all sectors. As the industries and economies are expanding with time, it is now important that these industries and factories must maintain necessary compliances (building, social, environmental) properly, and build factories by the book.

Priliminarily the factory owners need to obtain building permit from Rajdhani Unnayan Kartripakkha (RAJUK), relevant city corporations, development authorities, fire license from Fire Service and Civil Defense (FSCD), factory layout plan approval and license from Department of Inspection of Factories and Establishments (DIFE), environmental clearance from Department of Environment (DoE), clearance from Bangladesh Export Processing Zones Authority (BEPZA), registration from Bangladesh Standards and Testing Institution (BSTI), and drug license from Directorate General of Drug Administration (DGDA). These licenses and permits are legally bound by several acts, laws and rules.

Private investment in manufacturing has been targeted to be made by a number of established and emerging industries in several prominent sectors. These sectors are: readymade garments (RMG), food processing, pharmaceuticals, and leather and footwear. The investors—both local and foreign—need access to relevant information on licensing, registration and certification, particularly related to four types of compliance issues, namely building safety, fire safety, labour safety, and environmental safety. If the information were easily accessible to the investors, that would have helped them a lot in the process or initiating their businesses.

The objective of this report is to identify and share the document related conditions and requirements on registration, licensing and certification from various public agencies for setting up factories from the institutional, operational and legal aspects in the four targeted sectors. Considering the acute scarcity of information on institutional, operational and legal requirements as regards building and environmental safety, particular emphasis has been assigned to the way forward in order to make the information easily accessible.

## 2. METHODOLOGY

The data for this report have been collected from both primary and secondary sources. In some cases, information are taken from the websites of the responsible government or public agencies. The data have also been collected directly from the secretariat office of the responsible agencies or public and private authorities such as Bangladesh Agro Processing Association (BAPA), BEPZA, FSCD, DIFE, Bangladesh Tanners Association (BTA), and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

Several key informant interviews (KIIs) with both government officials and private sector officials have been conducted. Two KIIs were conducted with officials from the public sector and one KII was conducted with the private sector, one KII was carried out with the worker's representative, and one KII was executed with the RMG Sustainability Council (RSC) as representative of brand and buyers.<sup>1</sup>

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<sup>1</sup> 1 KII with DIFE  
1 KII with FSCD  
1 KII with BTA  
1 KII with BKMEA  
1 KII with Workers representative  
1 KII with RSC.

### 3. INSTITUTIONAL REQUIREMENTS FOR SETTING UP A FACTORY IN THE TARGETED SECTORS

#### 3.1 Mandatory Licensing, Registration and Certification Requirements for Setting up a Factory

Opening up a factory in any of the targeted sectors (RMG, leather, food-processing, and pharmaceuticals) requires quite a long list of commercial documents in addition to the environmental and social registration, licensing and certification.

**Table 1: List of essential license and certificate for factory compliance in Bangladesh**

- Export Registration Certificate (ERC)
- Import Registration Certificate (IRC)
- Registrar of the Joint Stock of Companies (RJSC)
- Name clearance certificate
- Value Added Tax (VAT) registration certificate
- Trade license (for manufacturing)
- Tax Identification Number (TIN)
- Export Promotion Bureau (EPB) enrolment certificate
- Bank Solvency Certificate
- Article of Memorandum
- Certificate of Incorporation
- BOND license and general BOND
- Power Development Board (PDB) testimonial
- Bangladesh Investment Development Authority (BIDA) registration (local and foreign investment projects)
- Ad-hoc IRC/BIDA recommendation/BIDA superishnama
- Bonded warehouse license
- Police clearance certificate
- Construction certificate
- Registration certificate of patent trademarks registration
- Copyright registration
- Work permit for foreign nationals

**Source:** Authors' compilation from Business Start-Up Licenses.

#### 3.2 Sector-Specific License, Registration and Certification Prioritised to Set up Factory

RMG factories, the key export product producers of Bangladesh, are required to comply with several special compliances. In the list of the top 10 green factories in the world, Bangladesh owns seven of them. Even though the overall safety situation in RMG sector is much better than that of other sectors, still there is a lot to be done. Particularly in the small and medium factories and industries, the safety measures are not up to the mark. In many cases, the entrepreneurs are not aware of the licenses that they need to have for establishing a safe workplace and maintaining workplace safety. Those licenses need to be renewed regularly as well.

The leather factories in Bangladesh face troubles as they suffer from several bottlenecks related to overall industrial safety. Safety related licensing is particularly important for leather factories as these production units produce huge quantity of waste waters and chemical residuals. Considering current contribution of the leather industry in environmental pollution and degradation in Bangladesh, safety related licensing deserves special attention.

Food processing industry in Bangladesh has been experiencing hasty growth in the last few years not only in the domestic arena but also at the international level. Quality assurance in this sector is crucial along with food quality assurance. Ensuring food quality is associated with human health conditions. Necessity of maintaining safe and decent workplace received special attention following the Hashem food factory accident which costed the lives of at least 54 people (17 children). Authorities need to ensure that these licenses are regularly renewed.

**Figure 1: Sector-wise licensing, registration and certification requirements<sup>2</sup>**

RMG	Leather	Food Processing	Pharmaceutical
Building Permit from RAJUK	Building Permit from RAJUK	Building Permit from RAJUK	Building Permit from RAJUK
Building Permit from DCC	Building Permit from DCC	Building Permit from DCC	Building Permit from DCC
Building Permit from NCC	Building Permit from NCC	Building Permit from NCC	Building Permit from NCC
Building Permit from CDA	Building Permit from CDA	Building Permit from CDA	Building Permit from CDA
Building Permit from KDA	Building Permit from KDA	Building Permit from KDA	Building Permit from KDA
Fire License from FSCD	Fire License from FSCD	Fire License from FSCD	Fire License from FSCD
Fire Safety Plan from FSCD	Fire Safety Plan from FSCD	Fire Safety Plan from FSCD	Fire Safety Plan from FSCD
Environmental Clearance Certificate by DoE	Environmental Clearance Certificate by DoE	Environmental Clearance Certificate by DoE	Environmental Clearance Certificate by DoE
Factory License by DIFE	Factory License by DIFE	Factory License by DIFE	Factory License by DIFE
Establishment License by DIFE	Advisory Committee's Recommendations	Establishment License by DIFE	Establishment License by DIFE
EPZ License only for EPZ Factories		Standard certificate by BSTI	Drug License by DGDA

Source: Authors' compilation from different sources.

<sup>2</sup>The rectangular boxes represent the common licensing, registration and certification required and the circular boxes represent the special license required.

The pharmaceutical industry is considered to be the next promising export sector after RMG. It employs sophisticated technology that produces drugs and medicines using local human resources. Considering the sensitivity of the drugs and medicines and their association with health, social, industrial and environmental safety need to be prioritised. Factory permits are mandatory to produce quality medicines and to maintain desired working environment.

Regarding environment and safety related requirements, the following regulations are relevant: The Boilers Act, 1923, Bangladesh Boiler Regulation 1951 (Amendment 2007), Fire Prevention and Extinction Act 2003, Fire Prevention and Extinction Rules 2014, Fire Service Rules 1961, Electricity Rules 2020, Gas Sales Rule 2014, Bangladesh Energy Regulatory Commission Act 2003, Bangladesh Energy Regulatory Commission Act (Amendment 2005), Bangladesh Energy Regulatory Commission Act (Amendment 2010), Bangladesh Petroleum Act 1974, Bangladesh Gas Act 2010, the Explosive Act 1884, the Explosive Substances Act 1908, the Explosive Rules 2004, Carbide rules 2003, the Gas Cylinder Rules 1991, Petroleum Law 2016, Mines and Minerals Regulation and Development Act 1992, Mines and Minerals Rules 2012, CNG

Rules 2005, National Environment Policy 2018, Environment Laws, Environment Conservation Act 1995 (Amedment 2000, 2002), Bangladesh Labour Act 2006 (Amentment 2013, 2018), Labour Welfare Foundation Law 2006 (Amendment 2013), Bangladesh EPZ Labour Act, 2019, and Labour Rules 2015 (details of some important regulations are in Annexure 1).

#### **4. AUTHORITIES RESPONSIBLE FOR LICENSING, REGISTRATION AND CERTIFICATION FOR BUILDING SAFETY**

They required licenses, registration and certifications are issued by different government agencies including RAJUK, city corporations and development authorities.

##### **4.1 Construction Permit from RAJUK**

Construction permits need to be collected from the building authorities who have the right to declare a building safe by issuing permit to establish factory. The entrepreneurs who want to open up a factory in the capital city need to collect building permit from RAJUK by submitting the following documents listed in Table 2.

**Table 2: Requirements for building permit from RAJUK**

Mandatory Documents	Others Documents	Clearance	Certificate	Drawing and Map	DEED (Whichever required)	Tax and Signature	Others
<ul style="list-style-type: none"> <li>• Indemnity Bond</li> <li>• Drawing AutoCAD (DWG)</li> </ul>	<ul style="list-style-type: none"> <li>• Action taken according to Gadget</li> <li>• City Survey Porcha</li> <li>• Copy of Allotment Letter</li> <li>• Copy of Duplicate Carbon Receipt (DCR)</li> <li>• Copy of Power of Attorney</li> <li>• Dhaka Transport Co-ordination Authority</li> <li>• FAR Calculation Document</li> <li>• Instrument documents</li> <li>• Letter of Gov. allotted Land/Plot</li> <li>• Mutation copy</li> <li>• NID copy</li> </ul>	<ul style="list-style-type: none"> <li>• Civil Aviation clearance copy Clearance</li> <li>• Certificate NOC from different authorities</li> <li>• Clearance from the Department of Housing and Public Works</li> <li>• Environment clearance</li> <li>• Key Point Installation Defence Committee (KPIDC) clearance copy</li> <li>• Special Security Force (SSF) clearance copy</li> <li>• Titas Clearance Certificate</li> </ul>	<ul style="list-style-type: none"> <li>• City Corporation Certificate</li> <li>• DC Traffic Certificate</li> <li>• Developer's RAJUK Enlistment Certificate</li> <li>• Electricity Certificate</li> <li>• Enlistment Certificate of Civil Engineer</li> <li>• Fire Service Certificate</li> <li>• Land Use Clearance Certificate</li> <li>• Special Project Permission Certificate</li> <li>• WASA Certificate</li> </ul>	<ul style="list-style-type: none"> <li>• Ammonia Sheet (JPG)</li> <li>• Auto Cad (DWG)</li> <li>• Old Drawing (for 3RC)</li> <li>• Draft survey map</li> <li>• Gazette wise map and deeds description</li> <li>• Mouza map</li> <li>• Plot joining map</li> </ul>	<ul style="list-style-type: none"> <li>• Heba Deed</li> <li>• Lease Deed</li> <li>• Ownership Deed</li> <li>• Purchase deed</li> </ul>	<ul style="list-style-type: none"> <li>• Land tax copy</li> <li>• Holding tax receipt</li> <li>• Engineer signature copy</li> </ul>	<ul style="list-style-type: none"> <li>• Architect Signature Copy</li> <li>• If any other queries related to construction permit</li> <li>• Plot joining paper</li> <li>• Revisional Settlement (RS) Porcha</li> <li>• Soil test Report (if any)</li> <li>• Undertaken papers</li> <li>• Owner's photo</li> </ul>

Source: RAJUK website.

## 4.2 Construction Permit from City Corporations

City corporations also have the authority to issue building permits for factories. In this report, only Dhaka City Corporation (DCC) and Narayanganj City Corporation (NCC) are covered as these are the most factory-dense industrial areas.

### 4.2.1 Construction permit from DCC

Official approval is required not only from RAJUK and but also from the city corporation for undertaking construction work in Dhaka. After the building safety negligence of RAJUK was brought in the light, Dhaka City Corporation (DCC) was given this responsibility to oversee the building permit. A number of documents are required to submit for the construction permit from DCC (Table 3).

**Table 3: Requirements for construction permit from DCC**

License name	Required document
Construction permit from DCC	1. Filled up No objection Certificate (NOC) for multistoried building application (For the areas under Dhaka North City Corporation)
	2. Tk 250 has to be submitted as the application fee through challan
	3. If the land owner is not applying by himself and nominating someone on his behalf then the attested copy of the power of attorney
	4. Land ownership document
	5. Attested copy of holding tax
	6. The drawing and design of the building
	7. As per the format of the agreement mentioned in the form on a non-judicial stamp equivalent to Tk 300

**Source:** Authors' compilation from the DCC website.

### 4.2.2 Construction permit from NCC

Narayanganj is a factory-dense area where the most non-compliant factories are situated. Factories that are intended to be set up in the Narayanganj areas need the construction permit from NCC by submitting the following documents. A number of documents are required to submit for the construction permit from NCC (Table 4).

**Table 4: Requirements for construction permit from NCC**

License name	Required document
Construction permit from NCC (building safety)	A written application needs to be submitted to the mayor with the following documents
	1. Copy of the chalan of application fee
	2. One copy of receipt of the submitted form (including number and amount of money)
	3. Copy of national identity card (NID) or passport
	4. Copy of TIN certificate
	5. Land ownership document
6. The drawing and design of the building	

**Source:** Authors' compilation from the NCC website.

## 4.3 Construction Permit from Development Authorities

Similar to the city corporations, development authorities also have the right to issue the permits for building. As Chattogram and Khulna is where many factories are located outside Dhaka, this study only covers Chattogram Development Authority (CDA) and Khulna Development Authority (KDA).



#### 4.3.1 Construction permit from CDA

Similar to Narayanganj, several factories are located at Chattogram. Construction permit from CDA is needed for the factories that will be set up in Chattogram (Table 5).

**Table 5: Requirements for building permit from CDA**

License name	Required document
Building Permit from CDA (building safety)	The documents mentioned below needs to be submitted in PDF format
	1. Copy of the chalan of application fee
	2. One copy of receipt of the submitted form (including number and amount of money)
	3. Copy of NID or passport
	4. Copy of TIN certificate
	5. If the land is inherited
	a. Scanned copy of RS and BS Khatian
	b. Scanned copy of inheritance certificate
	6. In case of property owned at the time of purchase
	Scanned copy of BS Namjari/Original Namjari <i>Khatian</i>
	Scanned copy of the original corresponding donor and recipient name and details related pages
7. Approved planned area (residential/commercial/industrial etc.)	
a. Scanned copy of BS Namjari Khatian	
b. Scanned copy of original possession certificate	
c. Scanned copy of the pages containing the name of the donor collection, the description of the original allotment deed/lease deed and the terms and conditions of the lease deed	
8. Scanned copy of original attorney deed (where applicable)	
9. Attested scan copy of original lease agreement (if applicable)	
10. Mouza map (A3/A4 size)	
11. Location map (A3/A4 size)	

**Source:** Authors' compilation from the CDA website and other sources.

#### 4.3.2 Construction permit from KDA

Khulna is also a divisional city where factories are situated. Construction permit from KDA is needed for the factories that will be set up in Khulna (Table 6).

**Table 6: Requirements for building permit from KDA**

Permit name	Requirements
Building Permit from KDA (building safety)	1. The RS mouza map needs to be submitted to the KDA office for the permission of factory setup in the desired place
	2. The forms can be collected from the KDA and the entrepreneur can apply physically

**Source:** Authors' compilation from KDA website and other sources.

## 5. AUTHORITIES RESPONSIBLE FOR LICENSING FOR FIRE SAFETY

Fire safety in Bangladesh is one of the most concerning issues in industrial safety since the majority of the industrial accidents are actually fire incidents. From June 2021 to March 2022, 157 industrial accidents happened involving fire. Given the importance of fire safety in factories and establishments, it is very important that fire license and fire safety plan for multistoried building is approved before the factory operation starts. Factories from all the sectors need to collect fire license from Fire Service and Civil Defence (FSCD).

### 5.1 Fire License from FSCD

For starting any business or establishment fire license from FSCD is required. The fire license needs to be renewed every year, and the FSCD officials do inspect the factories on a regular basis. Following documents listed in Table 7 are required to be submitted to FSCD to obtain fire license.

**Table 7: Fire license from FSCD**

Permit name	Requirements
Fire License with FSCD	1. Assessment form
	2. Filled-in prescribed application form/ online application
	3. Land deed
	4. Certification to the effect that there is no case
	5. Trade license
	6. NOC safety plan (7 floors and above)
	7. Building design by an engineering firm
	8. Memorandum of Association in case of limited companies
	9. Deed of agreements
	10. Cover letter from BEPZA (in case of EPZ factories)

**Source:** Authors' compilation from FSCD website and other sources.

**Notes:** BEPZA = Bangladesh Export Processing Zones Authority; EPZ = Export Processing Zone.

## 5.2 Special Safety Permit from FSCD for Multistoried Building

The factories that are multistoried buildings (above six stories) need to collect this permit from FSCD. Following documents have to be submitted as in Table 8.

**Table 8: Fire safety plan from FSCD**

Permit name	Requirements
Fire Safety Plan for multistoried building with FSCD	1. Assessment form
	2. Filled-in prescribed application form/online application form
	3. Land Deed
	4. Certification to the effect that there is no case
	5. Trade license
	6. No Objection Certificate (NOC) safety plan (7 floors and above)
	7. Building design by an engineering firm
	8. Memorandum of Association in case of limited companies

(Table 8 contd.)

(Table 8 contd.)

Permit name	Requirements
	9. Deed of agreements
	10. Covering letter from BEPZA (in case of EPZ factories)
	11. Submission of the engineering drawing or design (the design has to be made and finalised by an engineering consulting firm)
	12. Filled in prescribed application form

**Source:** Authors' compilation from FSCD website and other sources.

## 6. AUTHORITIES RESPONSIBLE FOR SAFETY COMPLIANCES REQUIREMENTS FOR ENVIRONMENTAL SAFETY

### 6.1 Environmental Clearance Certificate from the DoE

Maintaining environmental safety specially in the chemical intensive sectors or industries is crucial. In order to fulfil environmental safety compliances, the factories need to collect the Environmental Clearance Certificate from the DoE (Table 9).

**Table 9: Environmental clearance certificate from the DoE**

Certificate name	Requirements
Environmental Clearance Certificate	1. No Objection Certificate (NOC) from local authority (City Corporation)
	2. Project profile containing project details
	3. Layout plan
	4. Cadastral/ cadaster map with Daag and Khatian
	5. Board of Investment (BOI) registration
	6. Rent agreement or document of land ownership in case it is not a rented place
	7. Treasury challan for the payment of fee

**Source:** Authors' compilation from DoE website and other sources.

## 6.2 License for Factories from DIFE

For setting up a factory, submitting a number of relevant documents to DIFE for licence is mandatory. DIFE is the last regulatory authority who will provide the license to the factory. Before going to DIFE, all other licenses and permits need to be cleared. Table 10 shows the list of documents required for obtaining license from DIFE for factories.

**Table 10: Factory license from DIFE**

Required forms and challan	Required documents with form no. 76	Required documents with form no. 77
<ul style="list-style-type: none"> <li>For approving the factory lay-out plan filled form no.76</li> <li>Full filled form no. 77</li> <li>License fee through treasury challan</li> </ul>	<ul style="list-style-type: none"> <li>Trade license copy</li> <li>Rent agreements/ copy of land rejection</li> <li>Copy of NID of owner/MD/CEO/director</li> <li>Soil test report</li> <li>Structural design/drawing prepared by a renowned engineer or engineering consulting firm</li> <li>Load bearing capacity certificate provided by a renowned engineer or engineering consulting firm</li> <li>Building construction certificate provided by a renowned engineer or engineering consulting firm</li> <li>Building design certificate approved by local authority (city corporation)</li> </ul>	<ul style="list-style-type: none"> <li>Trade license copy</li> <li>Rent agreements/ copy of land rejection</li> <li>Copy of NID of owner/MD/CEO/director</li> <li>Electricity demand note</li> <li>Memorandum of article</li> <li>Copy of approved factory layout plan</li> <li>Local authority (City Corporation) approved building design copy of the factory and letter of approval and layout plan</li> <li>Main copy of treasury challan</li> <li>List of employees/workers of the factory</li> <li>Fire license copy</li> </ul>

**Source:** Authors' compilation from DIFE website and Labour Inspection Management Application (LIMA) app.

## 6.3 License for Establishments from DIFE

Similarly, if anyone starts an establishment, following documents need to be submitted to DIFE. DIFE is the last regulatory authority who will provide the license to the establishment. Before going to DIFE, all other licenses and permits need to be cleared. Table 11 shows the list of documents required for obtaining license for establishments from DIFE.

**Table 11: Establishment license from DIFE**

License name	Requirements
Factory or establishment License from DIFE	<ol style="list-style-type: none"> <li>Full filled form no. 77</li> <li>License fee through treasury challan</li> <li>Required documents to be submitted with form no. 77 <ul style="list-style-type: none"> <li>Trade license copy</li> <li>Rent agreements/ copy of land rejection</li> <li>Copy of NID of owner/MD/CEO/director</li> <li>Power demand note</li> <li>Memorandum of article</li> <li>Copy of approved factory layout plan</li> <li>Local authority (City Corporation) approved building design copy of the factory and letter of approval and layout plan</li> <li>Main copy of treasury challan</li> <li>List of employees/workers of the factory</li> <li>Fire license copy</li> </ul> </li> </ol>

**Source:** Authors' compilation from DIFE website and Labour Inspection Management Application (LIMA) app.

## 7. AUTHORITIES FOR ISSUING SPECIAL LICENSES

### 7.1 Drug License from DGDA

To open a pharmaceutical factory, the owner will have to collect building permit, fire license, environmental clearance, license from DIFE. Additional to all these, he/she will also have to collect drug license from DGDA. Following documents are required if an entrepreneur wants to open a pharmaceutical factory.

**Table 12: Drug License from DGDA**

License name	Requirements
Drug License from Drug Administration's General Directorate (DGDA)	<ul style="list-style-type: none"> <li>• Filled in Form 7 from Drug Administration's General Directorate (DGDA)</li> <li>• Bank statement of license fee payment</li> <li>• Treasury challan with filled in form no. 7</li> <li>• Receiving the store deposit or photocopying the rent agreement.</li> <li>• The ownership deed</li> </ul>

**Source:** Authors' compilation from DGDA website.

### 7.2 Standard Certificate for Food Processing by BSTI

Opening up a pharmaceutical factory requires issuing building permits, fire license, environmental clearance, license from DIFE. Additionally, BSTI registration is only applicable

**Table 13: Standard certificate from BSTI**

Safety compliances	Requirements
Standard certificate from BSTI	1. Filled in BSTI Certificate Mark (CM)
	2. Trade License
	3. Permit from BOI/BSCIC
	4. Trademark Registration/Copy of Application
	5. Label/Marking/Logo

**Source:** Authors' compilation from the BSTI website.

for the processed foods that are under the products list brought under Mandatory Certification Marks Wing.

## 8. CHALLENGES AND INSTITUTIONAL LIMITATIONS

### 8.1 Gaps in the Institutional Aspect of the Requirements

The institutional procedure for setting up factories in Bangladesh is time-consuming requires lengthy paperworks. Most of the public authorities such as DIFE, FSCD, RAJUK and other public entities, now, have the automated licensing system. Even though there are online applications and automated system options, the entrepreneurs still prefer to get the license physically through all the necessary paperwork. Besides, there are also other limitations and challenges in terms of the institutional procedures that both the regulatory authority and employers face.

**Lack of magistracy power:** The public institutions and agencies are usually entitled to magistracy power. Some public agencies or authorities do not have the magistracy power to fine or penalise the defaulters. The lack of magistracy power of these entities leads to non-abidance of laws, rules and acts by the owners or entrepreneurs.

**The responsibility of the public agencies are not clear:** All the public entities and agencies have a separate set of responsibility that they have to fulfil. The FSCD is responsible to ensure fire safety, RAJUK's responsibility is to ensure building safety and the DoE must ensure environmental compliances. But whenever an accident happens, it is difficult to identify whose duty was to oversee the situation. The duties of the responsible agencies may not be clear which usually causes confusion among the ministries.

**Conflict between the roles of public institutions:** The responsibilities of public institutes often conflict due to a lack of clear idea between them regarding their individual responsibilities. After experiencing an accident in any of the industries, the questions started to arise on the issue that who had the responsibility to look after and prevent this accident. It is always misunderstood that DIFE has all the responsibilities regarding the safety, but each of the public authorities have different sets of responsibilities related to safety. All of the institutes need to accomplish their duties individually to achieve a safer working environment.

**The regulatory authorities slack in inspection system:** The inspection is an important tool to keep the factories or industries in check. Different public entities inspect the factories yearly to make sure that the factories are keeping up with the social, environmental and labour compliances. But complaints against these authorities are often noticed stating that they don't do their duty rightly and slack in the inspection. There is no protocol for license cancellation in the existing framework. Once the license has been provided, there is no risk of cancellation, so authorities violate the laws, rules and acts.

**The institutional structure is mostly remediation-oriented, not prevention-oriented:** Currently, institutional safety measures in Bangladesh are driven by remedial measures. However, prevention should be prioritised while setting up any factories. Prioritising prevention of industrial accidents is key to ensuring necessary safety measures. First, the building where the workers will work has to be safe and secure before the grant of the approval for occupancy. Second, safety (e.g., building safety, fire safety, environmental safety) must be ensured through a maintenance system and programmes for continuous training after the building has been occupied. Remediating an existing factory or industry is much costlier and less effective than initially constructing an industrially safe building before establishing a factory or industry there.

**The unwillingness of the employers to cooperate:** The employers set up the factories, so the employers must do the best they can to ensure compliance. But often there are complains that the employers are not cooperative enough whenever there is a factory visit or inspection.

## 8.2 Gaps in the Legal Aspect of the Requirements

There are plenty of legal documents that set the minimum requirement for factory or industry set up. These documents or specific laws, rules and acts are not perfect and have quite a few faults of their own.

**The lengthy timeline of license, certificate or registration:** One limitation or gap that is often said to exist in the legal procedure of the factory setup is the lengthy and time-consuming procedure. As the factories require quite a long list of permits issued or provided by several different public agencies or entities, the timeline gets extended.

**The legal requirements are not cohered among themselves:** Expert engineers from FSCD stated that the amended BNBC has become weaker than the previous one. The amended BNBC lowers the building safety standard substantially. As per Fire Law 2003, buildings above six stories are classified as high-rise buildings. As per NFPA, IFC, IBC, it is above 23m; as per Indian code it is above 15m. The discrepancy between the building safety standards is a key concern.

**There is no one-stop service:** The setting-up process is lengthy and needs several visits to different licensed regulatory bodies. This is problematic and often usually discourages entrepreneurs. In addition, these long visits are troublesome and often a barrier to communication.

**The punishment measures of the domestic laws are not very impactful:** The punishment measure for violating the legal requirements that need to be fulfilled are found to be low in terms of monetary value in most cases. These insignificant measures do

not really motivate the business to follow the minimum requirements since the benefit of not doing so is much more profitable.

***The national laws are not the same as the international standard:*** The national laws, rules and acts are mostly applicable in the process of setting up. These national standards often deviate from international standards like those of the International Labour Organization (ILO). The deviation causes problems, especially for the brand buyers as the brands are abided by international standards whereas the factories are set based on national laws.

## **9. CONCLUSION AND RECOMMENDATION FOR EASING THE PROCESS OF SETTING UP FACTORIES**

In Bangladesh, the selected four sectors are expanding and, hence, huge potentials to attract businessmen and investors. For that reason, more industries are being built. However, setting up a factory in any of the four targeted sectors can be difficult since all relevant information are not available or found under one roof, and due to many other limitations. This is why it is important to ease the process and ensure that doing business does not seem difficult in Bangladesh.

***Introduction of a one-stop service (OSS):*** Each regulatory authority that provides any of the permits should have a one-stop service. There should be one single place from where the entrepreneurs can avail all the necessary information that are needed. Many government entities have the facility to apply online, but not all of them have it. So automated licensing, and registration facilities should be included in case of each authority.

***Capacity development of government agencies to implement responsibilities:*** Government agencies need to identify clear responsibilities and develop SoPs for implementation of activities related to the mandate. Each relevant Ministry should

provide an assessment of current resources and capabilities and compare that to the capacities needed to effectively implement their roles.

***Entrepreneurs should be more aware of their roles:*** The factory is set up by the entrepreneurs or owners, therefore, it is their duty and role to do it properly, abiding by the laws. A safe and healthy workplace will boost the production and greater revenue than an unsafe one. Therefore, employers or owners need to first understand the importance of workplace safety as well as social and environmental safety. Then, they need to cooperate with the regulatory authorities and help them carry out their responsibility.

***Proper inspections need to be ensured:*** It is very important to ensure that the authority bodies pay attention to the factory's safety issues and inspect the factory even before giving it the permit to start production and operation. Ensuring a safe workplace starts with setting up the building for the factory. So it is very important to check whether the factory is appropriate for workers to work in it or not. Regular inspections also need to be done with equal importance as the renewal of the licenses is provided through that.

With the aim to make the entire factory set up process a little easier for the entrepreneurs and investors, the Centre for Policy Dialogue (CPD) has formed a website on the registration, certification and licensing issues of the new factories titled "Setup a New Factory".<sup>3</sup> This website only covers the registration, certification and licensing requirements from the aspects of social, environmental, building, and labour safety compliance.

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<sup>3</sup>Centre for Policy Dialogue (CPD) has formed a website on the registration, certification and licensing issues of the new factories titled "Setup a New Factory" (<http://factorysetupbd.com/>).

## ANNEXURE

### Annex 1: Legal Requirements for Setting up a Factory in the Targeted Sectors

#### *The Boilers Act, 1923 (Replaced by Boiler Bill 2022)*

Bangladesh has been operating based on the century- old boiler act until very recently as the new Boiler Bill 2022 has been passed. This boiler bill will replace the boiler act aiming to check boiler-related accidents and ensure a safer work environment in industrial mills through standard boilers. As most of the workers' unnatural deaths are now being taken place at the country's workplaces due to mismanagement in the industrial organisations, the new boilers bill just intends to address these. If any factory wants to build or establish boiler, they have to follow the protocol of Boilers Bill.

#### *Bangladesh National Building Code (BNBC), 2006 (Amended 2020)*

To regulate the technical details of building construction and to maintain the standard of construction, the Bangladesh National Building Code (BNBC) was first published in 1993. It was a detailed document specifying safe and acceptable practices in all aspects of building design and contraction. Later on, it was amended in 2007 and 2020. BNBC contains essential aspects of requirements to ensure a safe working environment. Such as, the definition of the high rise building, how the fire system will be in the factory or industry, how the storage system of the buildings will be, the size of windows and doors, the size of the area of the premises, and the number of restrooms in each floor of the factory. The building permits that are usually provided to the factory owners or entrepreneurs are under this code.

#### *Bangladesh Labour Act, 2006 (Amended 2013, 2019)*

Bangladesh Labour Act is the most widely used law for the labour safety in all the sectors or industries. It is a very detailed law mentioning all the labour complinaces that need to be maintained from the beginging of the factory establishment. Provision on wage and employment, child labour, maternity leave and benefit, minimum wage, freedom of association, safety committee, and trade union formation are very crucial for ensuring social and labour compliances of any factory or industries.

#### *Fire Prevention and Extinction Act, 2003*

The Fire Prevention and Extinction Act 2003 identifies the basic definitions and terms related to fire, fire accidents and how to prevent these. Workshop, warehouses, high rise buildings, commercial buildings and establishments need to collect the fire license under this law. This act also follows the renewal of the fire license and inspection process. This act also provides the fire fighting department with some power and role as follows—it can instruct any person to leave the place; can displace any establishment; can stop water flow to the nearest locality for fighting fire; can disperse mass people gathering and can take necessary steps to fight the fire. The punishment of operating any building or establishment as a workshop and warehouse without a fire license is also defined as per this act.

### ***Electricity rules, 2020***

Initially, the electricity rules 1922 was made to fulfil the objective of the electricity act. Further, it was amended in 2020, and the new electricity act states the definition related to it, the process of collecting electricity connection, license, transfer or change of the electricity lines. The details on getting electricity lines in the factories and the metering system must be done by this law.

### ***National Environment Policy, 2018***

National Environment Policy indicates what is required to match with the environmental compliances. The environmental licenses are provided under this policy. According to the national environmental policy, environmental licensing and inspection of the factories are done.

Apart from these there are several laws such as Gas Sales Rule 2014, Bangladesh Energy Regulatory Commission Act 2003, The Bangladesh Petroleum Act 1974, Explosive Act 1884, Explosive Substances Act, 1908, Explosive Rules 2004, National Environment Law etc.

ILO conventions on setting up factories: Bangladesh has ratified all the fundamental conventions on freedom of association and protection of the right to organise, collective bargaining, forced labour, minimum age, worst forms of child labour force labour, and priority conventions on labour inspection, employment policy, tripartite consultation, minimum wage fixing, prevention of major industrial accidents.

But there are so many essential conventions that Bangladesh has not ratified yet, such as occupational safety and health, radiation protection, employment injury benefit, working environment (air pollution, noise, and vibration), occupational health services, safety and health contraction, chemicals convention.

## **Annex 2: Audits/Standards in the Export-Oriented RMG Sector**

After the Rana Plaza incident, a new public and private audit administration was introduced as the third phase of the factory inspection system in Bangladesh and the Accord and Alliance on Fire and Building Protection program was formed. Since then, audit has become a very effective tool to ensure safety and social compliance in Bangladesh's RMG sector. The brand buyers usually conduct an audit to keep the garments factories in check. These audits can be half-yearly or yearly. If any factory don't comply with the minimum requirements, the buyer doesn't give the order contact to that factory. The national safety standards are the minimum, and the audits go beyond that. In the RMG sector, RMG Sustainability Council (RSC), Amfori, Okotex, ISO 100 are the most familiar names that conduct audits. Sometimes BGMEA and BKMEA do it. In fact The BGMEA has partnered with the BKMEA to develop a unified code of conduct for the Bangladesh readymade garment (RMG) industry as multiple audits usually create confusions. This unified audit will be carried out a thorough assessment of the feasibility of a common code of conduct for social audits, including national laws, rules, policies, international conventions such as the United Nations Guiding Principles (UNGPs), and buyers code of conduct and third-party audit protocols.

RSC is a private national tripartite initiative to continue the significant accomplishments in workplace safety further in Bangladesh. It conducts structural, electrical, fire and life safety and boiler safety



inspections, along with operating an independent occupational safety and health complaints mechanism available to workers in covered RMG factories. All factories producing for signatory companies must undergo independent regular structural, electrical and fire safety inspections under RSC. Under the Technical Remediation Guidance of RSC, they have Electrical Single Line Diagram Guidance, Fire Rating Requirement of Steel Construction, Fire Safety Testing and Commissioning Verification Inspection Guidance, Glossary Of Terms, Information Sheet on Third-party Certificates for Fire Safety Systems, RSC Fire Safety Manual for RMG Buildings, RSC Guidance on Product Certification and Certification Marks, RSC requirements: Extension of Factory Buildings, RSC Boiler Safety Programme: Summary of findings of External Visual Inspection, Technical Guidance on Verifying Passive Fire Protection Measures (Intumescent Paint or Cementitious Coating) on Steel Building and many more.

**Annex Table 1: Required documents for audits**

Audit Name	Requirements
Amfori	<ul style="list-style-type: none"> <li>• Performance area 1: Social Management System and Cascade Effect</li> <li>• Performance area 2: Workers Involvement and Protection</li> <li>• Performance area 3: The rights of Freedom of Association and Collective Bargaining</li> <li>• Performance area 4: No Discrimination</li> <li>• Performance area 5: Fair Remuneration</li> <li>• Performance area 6: Decent Working Hours</li> <li>• Performance area 7: Occupational Health and Safety</li> <li>• Performance area 8: No Child Labour</li> <li>• Performance area 9: Special protection for young workers</li> <li>• Performance area 10: No Precarious Employment</li> <li>• Performance area 11: No Bonded Labour</li> <li>• Performance area 12: Protection of the Environment</li> <li>• Performance area 13: Ethical Business Behaviour</li> </ul>
TUV Rheinland Bangladesh Pvt. Ltd. Document Checklist (BSCI Audit)	<ol style="list-style-type: none"> <li>1. Original Certificate/ License/ Permission <ul style="list-style-type: none"> <li>• Incorporation Certificate</li> <li>• Factory License</li> <li>• Trade License</li> <li>• Fire License</li> <li>• EPZ Permission (Only for EPZ Area)</li> <li>• Boiler License</li> <li>• Generator Waiver/ License</li> <li>• Environment Clearance Certificate</li> <li>• Acid Using License (Only for Textile and Washing Plant)</li> <li>• Group Insurance Certificate/ Updated Evidence of Biometric System/ Group Insurance Premium Copy</li> <li>• Bond License, Export Promotion Bureau (EPB) Certificate, TIN Certificate</li> <li>• Export and Import Registration Certificate (ERC/IRC)</li> <li>• BGMEA/ BKMEA/ LFMEAB Membership Certificate</li> <li>• Fire Insurance Copy (If any)</li> </ul> </li> <li>2. Building Approval and Layout <ul style="list-style-type: none"> <li>• Building Approval Plan</li> <li>• Floor/ Machine Layout Approval</li> <li>• Accord/Alliance Report or any other assessment report related to building</li> </ul> </li> <li>3. Test Report <ul style="list-style-type: none"> <li>• Drinking Water, Waste Water, Stack Air Emission, Air Quality, Noise Level, Temperature and Humidity Level, etc.</li> <li>• Environmental Impact Assessment (EIA), Energy Survey/ Assessment (Water Consumption, Gas and Electricity Consumption etc.)</li> </ul> </li> </ol>

(Annex table 1 contd.)

(Annex table 1 contd.)

Audit Name	Requirements
	<p>4. Policy and Procedures</p> <ul style="list-style-type: none"> <li>• Child Labour and Child Labour Remediation</li> <li>• Young Labour</li> <li>• Recruitment</li> <li>• Prohibition of Forced Labour</li> <li>• Harassment or Abuse, Compensation and Benefits</li> <li>• Leave</li> <li>• Maternity Benefit</li> <li>• Working Hour</li> <li>• Working Hour Approval</li> <li>• Prohibition of Discrimination</li> <li>• Disciplinary Action Procedure</li> <li>• Health and Safety</li> <li>• Emergency Preparedness Procedures</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Environment, Wastage Management Procedure</li> <li>• Anti-Corruption or Anti-Bribery Policy</li> </ul> <p>5. Documents – PA1 to PA4</p> <ul style="list-style-type: none"> <li>• Company Organogram and Job Responsibilities according to Organogram, Authorization Letter of BSCI MR</li> <li>• Supply Chain Mapping, Stake Holder Mapping</li> <li>• Contract Agreement with Service Provider (Security, Cleaning, Food, Transport, etc.)</li> <li>• Sub-Contractor/ Sub supplier Policy and Procedure and Monitoring Record</li> <li>• Capacity Planning, Contingency Plan</li> <li>• Company’s Mission and Vision, Long Term Goal</li> <li>• Trade Union/ PC/ WWA/ WWC Formation Record, Meeting Minutes</li> <li>• Grievance Procedure, Grievance Record, Survey Record on Grievance Procedure</li> </ul> <p>6. Documents—PA5 to PA6</p> <ul style="list-style-type: none"> <li>• Attendance Summary, Wage Sheet, Time Card, Pay Slip</li> <li>• Fair Remuneration or Living Wage Template</li> <li>• Resign or Terminate Workers List and Files</li> <li>• Maternity Register and Files</li> <li>• Annual Leave Encashment Record</li> <li>• Festival Bonus Record</li> <li>• Increment Record</li> <li>• Provident Fund Record (If any)</li> <li>• Production Record and Piece Rate Calculation for Piece Rate Workers</li> <li>• Leave Register</li> </ul> <p>7. Documents – PA7 and Others</p> <ul style="list-style-type: none"> <li>• Risk Assessment and Internal Audit Report, Workers Health Checkup Record</li> <li>• Safety Committee Record and Meeting Minutes</li> <li>• Training Record: First Aid, PPE, H&amp;S, Chemical Safety, Fire Fighting (Internal and External), Fire Drill (Internal and External)</li> <li>• Firefighting Equipment List, Fire Team Allocation, First Aider List, Machine List, Chemical List, Toilet List</li> <li>• Accident Register and Investigation Records, Hospital Agreement</li> <li>• Maintenance Schedule and Record: Fire Fighting Equipment, Electrical Equipment and Machineries, Compressor, Boiler and Generator Maintenance, House Keeping Record, Wastage Agreement and Disposal Record, PPE Issue Register</li> </ul>

(Annex table 1 contd.)

(Annex table 1 contd.)

Audit Name	Requirements
	<ul style="list-style-type: none"> <li>• Others Training: Orientation, BSCI CoC, Mid-Level Management, Local Law, Grievance Procedure, Disciplinary Action Procedure, Risk Assessment Awareness, Injury Analysis Awareness, Environmental Awareness, Anti-Corruption or Anti-Bribery Mapping and Training</li> <li>• Personal File: Fire Safety Officer, Welfare Officer, Doctor, Nurse, Boiler Operator, Generator Operator, Electricians, Security Guard, Workers</li> </ul>

**Source:** Authors' compilation from different sources.

### Annex 3: Setting up a Factory at Export Processing Zones (EPZs)

BEPZA is a government body in charge of the employment creation, development, operation, and management of industrial zone like Export Processing Zone and promoting investment in Bangladesh. BEPZA has been established by Act no. 36 of 1980 to boost industrialisation, export, employment generation, and technology transfer within the land. To meet the growing need to attract FDI, Local Investment and industrialisation, the government took the initiative to set up EPZs in the different parts of the country. At present, there are eight EPZs in Bangladesh.

Industries which are 100 per cent export-oriented are entitled to set up factory in the EPZs. Investors who have established factories in the EPZs enjoy certain facilities, such as customs bonded warehousing. Factories or industries located in the EPZs will have to get registration/license from the concerned Customs Bond Commissionerate. Customs have issued special rules to facilitate and monitor the import and export activities by the factories established in the EPZs titled "The Customs (Export Processing Zones) Rules, 1984".

Any investor enjoys several facilities for opening factory in the EPZs. These include export and import activities are conducted on the basis of Import Permit (IP) and Export Permit (EP) issued by the BEPZA; work permits issued by the BEPZA; secured and protected bonded area; off-shore banking; import on Documentary Acceptance (DA) basis; Back to Back L/C; Import and export on CM basis; import from DTA (Domestic Tariff Area); 10 per cent sale (export) to DTA; customs clearance at factory site; simplified sanction procedure; sub-contracting with export oriented industries inside and outside the EPZ; and relocation of foreign industries. Three types of investors set up their factories in EPZs. These are:

**Type - A:** 100 per cent foreign-owned, including Bangladesh nationals ordinarily resident abroad.

**Type - B:** Joint venture between foreign and Bangladesh entrepreneurs resident in Bangladesh.

**Type - C:** 100 per cent Bangladesh entrepreneurs resident in Bangladesh.

Based on the three different types factory set up in EPZ requires the following documents.

1. TIN Certificate
2. VAT Certificate
3. Trade License
4. BTMA certificate
5. Permit from EPB
6. Fire License
7. Boiler permission
8. Environment certificate
9. Bangladesh Energy Regulatory Commission (BERC) Certificate
10. Fire policy from insurance company
11. Custom Bond registration
12. General Bond from custom

After setting up the factory the EPZ authorities continuously inspect the factories to ensure that those are being operated smoothly and by the laws, rules and acts. In addition, the EPZ regulatory authority does inspection of all the safety, social, environmental compliances via EPZ inspectors and industrial police.

#### **Annex 4: Public Institution's Plan to Address Informal RMG Factories**

The factories that are known as informal are not actually informal by definition. These ready-made garments factories are actually seasonal factories. The seasonal factories are the factories that are usually in operation seasonally when the orders are at peak. Informal factories don't have any registration to do any business. The workers or employees are usually temporary or contractual. One special type of subcontracting factory set up by RMG officials or new entrepreneurs who buy a few machines and hire workers to start production are usually called the seasonal factories. Most of these factories do not maintain compliance. They are not even eligible to become any association member. These types of factories are more appropriate to say informal factories. Bangladesh government has actually no institutional control over these types of factories yet since these are not registered by the law and are not even affiliated with any association. Unfortunately, the government does not seem to have any plan to address the problem of informal factories; however a new Subcontracting Guideline has been drafted recently for the RMG factories.

Hundreds of subcontracting factories that have been growing do not maintain government rules and regulations like building, environmental, fire and workers' safety. Not all the factories have fire licenses and are not listed with any association. Even the government is not monitoring them. The Department of Inspection for Factories and Establishments (DIFE) observed subcontracting factories. DIFE inspectors visit the factories and monitor everything when a factory is set up. If any issues are found, the inspectors give recommendations and a specific period to address those. Some do not pay wages timely, forcing workers to hit the streets, and blemishing the whole sector.

It is not easy to get clearance from the public agencies or entities for subcontracting factories as the representatives of public agencies or entities are not really cooperative. The factories that are working on a subcontracting basis don't have enough money to rent a big space and keep up with all the safety compliances by maintaining the code. Therefore, adequate funds and finances are required to

build a safe workplace. Non-compliant subcontracting factory owners often express the desire to be listed with associations and welcome government monitoring. But to be listed, BGMEA and BKMEA fixed some criteria, and most of the subcontracting factories cannot meet them, they claimed. These informal factories cannot become a BGMEA or BKMEA or any association member since they operate with low capital less machineries' and small scale capacity.

Many former RMG officials set up subcontracting factories to take advantage of the windfall. They set up the factories seasonally, get the orders, make the workers work form them and pay the workers half of the wages. Sometimes they don't even pay them any wage at all. These owners don't follow any legal procedure and don't treat the workers as they deserve to be treated. The government adopted the National Tripertrite Plan and drafted a subcontracting guidelines titled "RMG Subcontracting Guidelines 2019". As per this freshly introduced guidelines, subcontracting factories have to be members of the associations concerned and renew their licences regularly. The subcontracting factories will also have to comply with the related law and rules and the government-approved checklist. According to the guidelines, only the factories that are fully complaint will be eligible for doing the job of subcontractors and there must be an agreement, the copy of which must be given to the affiliated trade body.

### Annex Table 2: Special features of the subcontracting guidelines

Issues	Special features
Permit	The factories will have to get approval for the factory layout plan from the responsible authority
Minimum wage	Government-set minimum wages be ensured for the workers in the subcontracting factories and the structural designs of the factories be approved by the authorities concerned
Workers insurance	Workers of the subcontracting factories must get group insurance coverage and the factory authorities will pay the premiums on a regular basis
Monitoring and remedial measures	The compliance status of the subcontracting factories needs to be monitored regularly and remedial measures in the event of deviations will be taken, if any, and inform their respective trade bodies of it

**Source:** Authors' illustration from RMG sector subcontracting guidelines-2019.

Just having a guideline will not be enough, and the government needs to come up with a plan to look after the informal factories and factory workers. All the seasonal, informal and small-scale factories need to brought under the regulation of government. Government can also declare that all the factories will need to follow the subcontracting guidelines. By doing this, the minimum of safety and labour compliances will be ensured.

Setting up a factory in Bangladesh is a lengthy and time-consuming process. It requires a long list of licenses, certificates, and other documents. Also, it is difficult for entrepreneurs and investors to access required information and support under one roof. Private investment has been targeted to be made by a number of established and emerging manufacturing industries in several prominent sectors. These sectors are: readymade garments (RMG), food processing, pharmaceuticals, and leather and footwear. The investors—both local and foreign—need access to relevant information on licensing, registration and certification, particularly related to four types of compliance issues, namely building safety, fire safety, labour safety, and environmental safety. If the information were easily accessible to the investors, that would have helped them a lot in the process of initiating their businesses. It is hoped that this report will be useful for investors and entrepreneurs where the study will work as a one-stop resource to facilitate essential access to a range of compliance related information and support for setting up factories in the above-mentioned sectors. The objective of this report is to present the institutional, operational and legal requirements for setting up a factory in Bangladesh.



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