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Dialogue on **Business-Related Barriers and Possible Way-out**

Addressing Regulatory, Institutional, and Operational Barriers in Bangladesh's Business Environment: ***Business Process Reengineering Approach***

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1. Introduction

1. Introduction

- Bangladesh is strategically located with a market of over **174 million people**, standing at the crossroads of significant economic advancement
 - However, its business landscape faces multifaceted challenges within the **existing regulatory, institutional, and operational framework**
- The systemic inefficiencies are starkly highlighted in international business-related publications
 - Bangladesh's positions in the World Bank's Doing Business 2020 report (**173rd out of 190**)
 - World Economic Forum's Global Competitiveness Report 2020 (**105th out of 140**)
- The **procedural delays** in starting a business, **averaging 15.5 days** compared to the OECD average of 4.2 days, and complexities in trading across borders, reflect the inefficiencies in Bangladesh's business processes. (World Bank, 2020)
 - Challenges in the financial sector, notably in **SME credit access** due to a deficient credit information system (**ranked 122nd globally**), and the **prolonged process of resolving insolvency**, which **averages 4.2 years**, deter potential investments. (World Bank, 2020).
 - 68% of businesses citing it as the most problematic factor in the **World Economic Forum's Global Competitiveness Report 2023**, further complicating the business environment.
 - The bureaucratic hurdles and a low score of **0.49 in the UNCTAD Digital Economy Report 2022** for e-government development underscore the urgent need for digital modernization (IMF, 2020)

1. Introduction

- The World Bank and the World Economic Forum have underscored **the necessity for regulatory reforms** to enhance the business climate, advocating for **streamlined legal procedures** and **greater regulatory transparency** to attract investments and encourage entrepreneurial activities.
 - Efforts to reform Bangladesh's **business and audit regulations** have seen mixed results.
- The concept of **Business Process Reengineering (BPR)** is introduced as a strategic response to these challenges
 - BPR advocates for a **radical revaluation and redesign of business processes** to achieve dramatic improvements in critical performance measures such as cost, quality, service, and speed.
- This approach is seen as essential for addressing the entrenched inefficiencies and **aligning Bangladesh's business practices with global standards**, thereby improving its competitive stance and fostering a more conducive environment for business growth and development.
- This study tries to undertake the following four issues:
 - (a) **assessment of business operations**
 - (b) **identification of operational challenges**
 - (c) **Streamlining Regulatory Barriers**
 - (d) **Development of a Comprehensive Business Enhancement Strategy**

2. Concept of Business Process Reengineering (BPR) & Analytical Methods

2. Concept of Business Process Reengineering (BPR) & Analytical Methods

- Business Process Reengineering (BPR) framework begins with **the identification of regulatory, institutional, and operational limitations** (Figure 1).
 - It outlines a progression **from recognizing these challenges to redesigning processes** for improved efficiency.
 - The final stage shows the **implementation** of the new, streamlined processes, completing the cycle of business improvement.
- O’Neill and Sohal (1999) indicates that successful BPR initiatives require a deep understanding of current business processes, strategic alignment, and integration with Total Quality Management (TQM) principles.

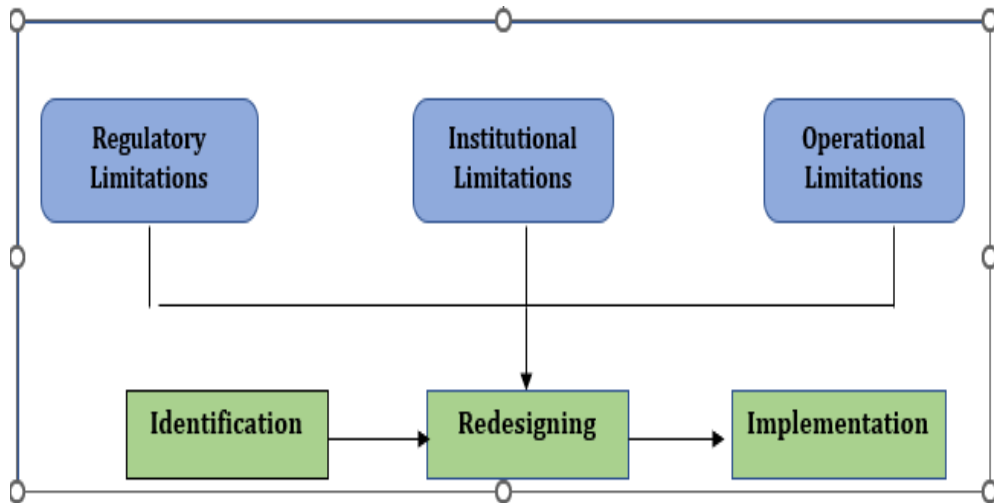


Figure 1: Conceptual flowchart of Business Process Reengineering

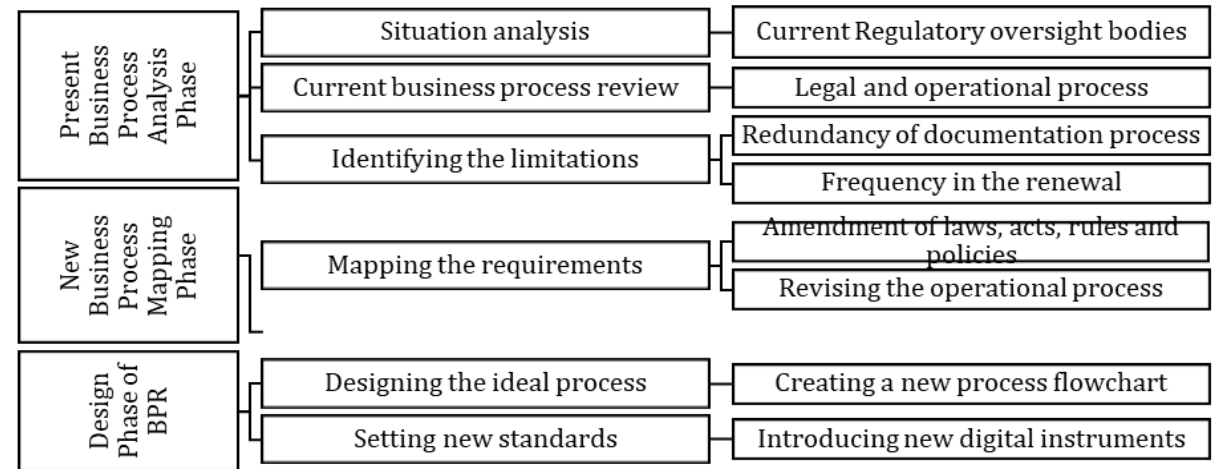


Figure 2: Detailed flowchart of Business Process Reengineering

2. Concept of Business Process Reengineering (BPR) & Analytical Methods

- Employs a **three-phase BPR approach**
 - (a) Understanding current processes
 - (b) Defining new requirements
 - (c) Designing optimized procedures
- **Methodological approach** involves critical examination of legal and regulatory documents and the publication "Business Start-up Licenses: A Regulatory Guide, 5th Edition" by BUILD and BIDA.
 - Utilizes **key informant interviews** and **focus group discussions** with stakeholders from various public and private organizations
- **The data collection process** combines **primary (interviews and focus groups)** and **secondary sources** for a comprehensive understanding

3. Present Business Environment in Bangladesh

3.1 Permits Needed for Setting Up a Factory in Different Sectors

Readymade Garments (RMG) Industry	Leather and Leather Processing Industry	Pharmaceutical Industry	Food Processing Industry	Ceramic Manufacturing Industry
Certificate of Incorporation	Certificate of Incorporation	Certificate of Incorporation	Certificate of Incorporation	Certificate of Incorporation
Article of Association and Memorandum of Article	Article of Association and Memorandum of Article	Article of Association and Memorandum of Article	Article of Association and Memorandum of Article	Article of Association and Memorandum of Article
Partnership Deed	Partnership Deed	Partnership Deed	Partnership Deed	Partnership Deed
Trade License	Trade License	Trade License	Trade License	Trade License
Fire License	Fire License	Fire License	Fire License	Fire License
Factory Layout Plan from DIFE	Factory Layout Plan from DIFE	Factory Layout Plan from DIFE	Factory Layout Plan from DIFE	Factory Layout Plan from DIFE
Factory or Establishment License from DIFE	Factory or Establishment License from DIFE	Factory or Establishment License from DIFE	Factory or Establishment License from DIFE	Factory or Establishment License from DIFE
VAT Registration Certificate	VAT Registration Certificate	VAT Registration Certificate	VAT Registration Certificate	VAT Registration Certificate
Tax Identification Number	Tax Identification Number	Tax Identification Number	Tax Identification Number	Tax Identification Number
Directorate of Textile Registration				
Membership from BGMEA/BKMEA	Membership from LFMEAB/BTA	Membership from BAPI	Membership from BAPA	Membership Certificate from BCMEA
Bank Solvency Certificate	Bank Solvency Certificate	a) Bank Solvency Certificate	Bank Solvency Certificate	Bank Solvency Certificate
		b) Product Inclusion and Trade Name Check		
		c) Recipe Approval for Introduced and Non-introduced Products		
		d) Drug license from the DGDA		
Quality and Testing Certificate			Standard certificate from BSTI	
Export Registration Certificate	Export Registration Certificate	Export Registration Certificate	Export Registration Certificate	Export Registration Certificate
Import Registration Certificate	Import Registration Certificate	Import Registration Certificate	a) Import Registration Certificate b) Phytosanitary Certificate for Export of Plant & Plant Related Products c) Import Permit of Plant & Plant-related Products	Import Registration Certificate
Environmental Clearance Certificate	Environmental Clearance Certificate	Environmental Clearance Certificate	Environmental Clearance Certificate	Environmental Clearance Certificate
Bond License	Bond License	Bond License	Bond License	Bond License
Bonded Warehouse License	Bonded Warehouse License	Bonded Warehouse License	Bonded Warehouse License	Bonded Warehouse License
Export Promotion Bureau (EPB) Enrolment Certificate	Export Promotion Bureau (EPB) Enrolment Certificate	Export Promotion Bureau (EPB) Enrollment Certificate	Export Promotion Bureau (EPB) Enrollment Certificate	Export Promotion Bureau (EPB) Enrollment Certificate

Source: Compiled from "Business Start-up Licenses: A Regulatory Guide" published by BUILD and BIDA and websites of various government bodies

3.2 Current Regulatory Oversight Bodies

- Regulatory institutions in Bangladesh can be categorized into four main types: **Fiscal Regulatory Institutions, Financial Regulatory Institutions, Certification Regulatory Agencies, and Monitoring/Regulatory Institutions**
- **Legal and operational framework for establishing a company in Bangladesh** necessitates navigation through a multi-layered legal framework, including **registration, financial regulations adherence, and labor laws compliance.**
- **Company registration process** initiation at the Registrar of Joint Stock Companies and Firms (RJSC) for company registration
 - Steps include obtaining a **Name Clearance**, submitting **Articles and Memorandum of Association**, and other documentation requirements and ensuring **compliance with the Companies Act** and regular filings to maintain corporate governance norms. (BUILD, 2017)
- Acquisition of operational licenses including **Trade Licenses, Tax Identification Numbers (TIN), VAT registrations** for certain turnover thresholds, and sector-specific licenses such as Export and Import Registration Certificates, Factory or Establishment licenses, Fire Safety licenses, Environmental Clearance Certificates.
 - Specific regulatory licenses may also be required for particular sectors e.g. **BSTI certification** for the food industry, **Drug License** from DGDA for the pharmaceuticals industry. Manufacturing operations face more stringent regulatory licensing compared to commercial operations or the service industry. (BUILD, 2017)

3.3 Permits and Certificates Provided by Different Regulatory Oversight Bodies

Regulatory Oversight Bodies	Name of Licenses
Bangladesh Bank	1. Establishment of new banks in the private sector
Bangladesh Securities and Exchange Commission (BSEC)	1. Alternative Investment Fund 2. Fund Manager Registration 3. Venture Capital Firm
Export Promotion Bureau (EPB)	1. Certificate of Origin 2. APTA Certification 3. EPB Enrollment Certificate 4. TPS-OIC Certification 5. GSP Certificate of Origin 6. SAFTA, SAPTA Certificate
Fire Service and Civil Defence (FSCD)	1. Fire License
National Board of Revenue (NBR)	TIN Certificate VAT Registration Tax Holiday Certificate Customs Clearance for Import and Export
Bangladesh Telecommunication Regulatory Commission (BTRC)	1. License for IGW, IIG and ICX Services 2. License for Voice over Internet Protocol Service Provider (VSP) 3. License for Internet Services Provider 4. License for Call Center and Cyber Cafe
Office of the Registrar of Joint Stock Companies and Firms (RJSC)	Name Clearance Certificate Registration of Private and Public Companies
Bangladesh Investment Development Authority (BIDA)	1. Recommendation Letter for import Registration 2. Registration of Local and Foreign Investments 3. License for Approval of Foreign Loan 4. Approval of Remittance 5. Approval/Extension of Work Permit for Expatriate

Regulatory Oversight Bodies	Name of Licenses
Dhaka City Corporation (DCC)	Trade License (for Commercial and Manufacturing firms)
Department of Agricultural Extension (DAE)	Registration of Fertilizer Import and Production Health Clearance Certificate for Plant and Plant Products Pesticide Wholesale and Retail License Phytosanitary License
Bangladesh Economic Zones Authority (BEZA)	1. Project Clearance 2. Work Permit & Visa Recommendation 3. Import and Export Permit 4. Local Sale and Purchase Permit 5. NoC for Bank Loan
Customs Bond Commissionerate (CBC)	1. Bonded Warehouse License 2. License for Customs Agent 3. Utilization Permit
Department of Environment (DoE)	1. Environment Clearance Certificate 2. Captive Power Plant 3. Environmental Clearance Certificate for Installation of Generator
Department of Inspection for Factories and Establishments (DIFE)	1. Approval of Factory Plan 2. Certificate of Registration of Factories and Establishment
Directorate General of Drug Administration (DGDA)	License for Drugs Export Registration of foreign medicine Project Approval for Pharmaceutical Business Product Inclusion with Trade Name Check

Source: Compiled from “Business Start-up Licenses: A Regulatory Guide” published by BUILD and BIDA and websites of various government bodies

3.3 Permits and Certificates Provided by Different Regulatory Oversight Bodies

- Numerous institutions with specific mandates lead to a **complex regulatory environment** for businesses in Bangladesh, causing **overlapping regulations, bureaucratic delays, and increased compliance costs**, particularly for new entrants and foreign investors.
- For example: A pharmaceutical company in Bangladesh needs to obtain multiple permits and licenses to start production.
 - Regulatory Bodies Involved:
 - DGDA: Issues Drug Licenses, product inclusion, trade name checks, and registration of foreign medicines.
 - DoE: Provides Environmental Clearance Certificates.
 - NBR: Handles VAT Registration, Tax Identification Numbers, and Customs Clearances.
 - Scenario: A new food processing company aims to introduce a line of packaged food products.
 - Regulatory Bodies Involved:
 - BSTI: Issues quality and testing certificates.
 - DIFE: Provides Factory Layout Plan approvals and Factory or Establishment licenses.
 - BFSA: Ensures compliance with food safety regulations and standards.

3.3 Permits and Certificates Provided by Different Regulatory Oversight Bodies

- Multiple agencies require **similar documentation** with different formats and submission processes. Sequential approval processes cause delays, e.g., the **Trade License** is required before applying for the **DIFE license**.
- Coordination between these bodies from business side leads to delays due to different processing times, manual paperwork, and lack of streamlined communication.
- Navigating multiple agencies increases **compliance costs**, necessitating the hiring of legal experts and consultants to manage documentation and follow-up processes.
- Advocacy for the creation of an **overarching body or a unified regulatory hub** to simplify the regulatory process and reduce the administrative burden for businesses.
 - **A unified hub** would act as a **one-stop-shop for licensing and compliance**, improving transparency and reducing the time required for regulatory navigation. (Allioui and Mourdi, 2023)

Adoption of technology to develop **an integrated digital platform** for regulatory compliance, offering online applications, tracking, payments, and information dissemination. (CAREC, ADB, 2022)

- The platform could include **sector-specific windows** managed by industry experts, combining **centralization benefits with specialized focus**.
- Implementation of the unified system in phases, beginning with **sectors experiencing the highest regulatory burdens**, to manage the transition effectively and foster a more business-friendly environment.

4. Identifying the Operational and Institutional Barriers

4.1 Redundancy in Documentation

- A major issue in the business processes of Bangladesh is the **extensive redundancy of documentation**
 - Repetitive documentation escalates **administrative costs** and fosters inefficiencies within the system
 - **This** hinders **operational efficiency** and burdens business owners
- **Lack of coordinated efforts** among governmental authorities
 - **Absence of a unified document management strategy** exacerbates the issue, leading to delays and increased frustration for business owners
- **Agro and Agro-Processing Firms:** Required to submit identical documents multiple times (Table)
 - A trade license and various commercial documents are required to obtain a Phytosanitary Certificate for exporting plant-based products.
 - This certificate process itself necessitates submission of the same documents again.
- **Manufacturing Enterprises:** Required to present a copy of a fire license to acquire a trade license from the City Corporation
 - Despite the fire license being part of the trade license acquisition process itself.

List of documents required to obtain permits in the agro-processing sector

Documents required to obtain different certificates			
Release Order for Import & Export of Plant & Plant-related Products	Phytosanitary Certificate for Export of Plant & Plant-related Products	Wholesale License of Pesticide	Registration of Pesticide
Phytosanitary Certificate for Export of Plant & Plant-related Products		Registration of Pesticide	
Trade License	Trade License	Trade License	Trade License
Packing List	Packing List	VAT Registration Certificate	VAT Registration Certificate
Commercial Invoice	Commercial Invoice	Bank Solvency Certificate	Bank Solvency Certificate

Source: Compiled from "Business Start-up Licenses: A Regulatory Guide" published by BUILD and BIDA

4.2 Challenges of Frequent Renewals

- Businesses in Bangladesh face the burden of frequently renewing a wide range of licenses and documents, including **trade licenses, fire licenses, drug licenses, and environmental clearances**.
 - The annual renewal requirements impose a heavy administrative load, consuming significant time and resources that detract from primary business activities.
 - Dhaka City Corporation offers **296 different types of trade licenses**, with fees ranging from **BDT 500 to BDT 50,000**.
 - The renewal process in Bangladesh involves **seven to eight steps**, although trade licenses are **initially granted for one year** with an option to **renew for up to five years** concurrently.
- Frequent renewals **disrupt the seamless flow of business operations**, forcing entrepreneurs to divert attention from strategic and productive endeavors to manage renewal complexities.
 - Delays and potential for **rent-seeking behaviors** arise, complicating the renewal process and affecting overall business efficiency.

4.3 Challenges of Digital Services Integration

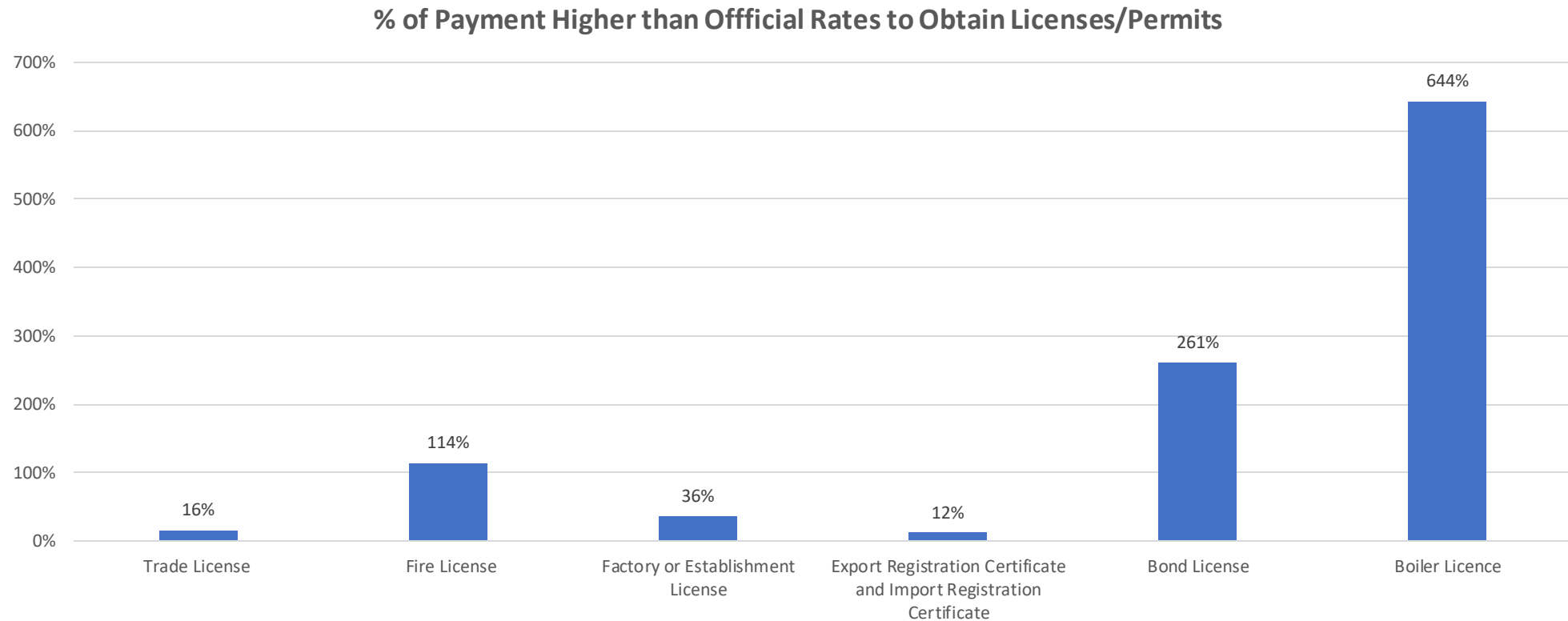
- In Bangladesh, **the integration of digital services into business operations**, particularly government-related processes, faces significant challenges.
 - These include inconsistent internet connectivity, high costs of digital services relative to average incomes and a lack of digital literacy and awareness among the population.
 - **Despite digitalization initiatives**, essential business-related government services like **licensing and registration are not fully automated**.
- Reports from business operators contradict claims by the Dhaka City Corporation about the complete digitization of the trade license renewal and application process.
 - Operators report the **need for personal interactions with authorities and occasional unofficial payments** to facilitate processing.
 - Transition to a fully online system for renewals has been made, yet businesses are still required to make **additional payments** ranging between 5,000 and 9,000 BDT or higher.
 - Even though documentation is **submitted digitally**, it undergoes **manual verification** to prevent fraud, leading to delays due to the high volume of applications.
 - Similar issues are reported in the registration processes for import and export businesses, where digital submissions are counterbalanced by manual checks.
- These inefficiencies lead to **procedural delays**, and increased operational costs, and place Bangladeshi businesses at a competitive disadvantage in the global market.

4.4 Unaccounted Fees and Extended Processing Times in Licensing

- Businesses frequently encounter unofficial and unregulated fees, leading to financial strain and unpredictability in operational expenses.
 - These undocumented payments are perceived as **necessary to expedite the licensing process**, creating ethical and compliance dilemmas.
 - High levels of corruption impact all business sectors, with **100% of large companies, 66.67% of medium-sized enterprises, and 61.9% of small and micro enterprises** reporting it as a major issue.
 - **58.6% of businesses** report that **bribes** are common in awarding **public contracts and licenses**. (Moazzem and Anika, 2024)
- Anecdotal information shows that costs for **securing essential permits**, such as fire and environmental clearance licenses, can range from **50,000 to 100,000 BDT over official fees**
 - Renewal of these licenses incurs additional expenses varying from BDT **500 to several thousand**.

4.4 Unaccounted Fees and Extended Processing Times in Licensing

- Figure shows the discrepancies between **official and actual costs for license renewal** in an **RMG** enterprise, illustrating the financial burden of miscellaneous fees.



Source: Collected from an anonymous business corporation

4.5 Extended Processing Times in Licensing

- The timeline for obtaining and renewing licenses often **exceeds official periods**, leading to significant delays.
 - For example, trade license renewal, officially taking no more than **seven business days**, often spans **10 to 15 days** due to inefficiencies and additional fees.
 - Delays disrupt business operations, hinder expansion plans, and reduce investor confidence.
- Many businesses use **third-party agents** to navigate bureaucratic hurdles and manage paperwork, exemplified by the 220 tanneries in the Savar cluster relying on a few agents to handle licensing procedures.

4.6 High cost of borrowing

- One significant challenge in the business environment of Bangladesh pertains to **the high interest rates imposed on loans**, particularly for firms seeking financial support.
 - This is higher compared to **neighbouring countries**: India (9%), Vietnam (6%), Cambodia (1%), and China (3.45%).
- Beyond interest rates, businesses also face **non-interest charges**. SME and retail sectors face a **1% supervision fee** (Small and Medium Enterprise (SME) Credit Policies & Programmes).
 - The SME sector encounters **processing fees** with a ceiling of **BDT 20,000**, which varies according to the loan amount. These added expenses further exacerbate the financial strain on businesses.
- High rates increase the cost of capital, discouraging entrepreneurship, hindering expansion, and limiting resources for business operations.

Table 4: Dimensions and consequences of high-interest rates for businesses

Dimensions	Consequences
High-interest rates on business loans	Increased cost of capital, discouraging entrepreneurship and hindering business expansion.
Non-interest charges on loans	Additional financial strain due to supervision fees and processing fees, exacerbating financial burdens.
Cumbersome loan application and approval process	Delays in accessing funds, adding administrative complexities and documentation requirements.

4.7 Cumbersome borrowing process

- The **cumbersome and time-consuming loan application and approval process** adds another layer of challenge.
- Businesses must submit extensive documentation, including trade licenses, fire licenses, drug licenses, environmental clearances, and tax clearance certificates for loans over 5 lakh BDT.
- Despite efforts to streamline, the process can extend to several days or more, contingent on the submission of all required documentation
 - Banks have **limited ability to reduce the documentation** burden due to regulatory requirements.

Table 4: Dimensions and consequences of high-interest rates for businesses

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4.8 Limited Access to Financing

- According to the Business Environment Report 2023 by the Centre for Policy Dialogue, **38% of businesses identified limited access to financing as a problem.**
 - However, challenges persist, especially for new entrepreneurs and SMEs. (Moazzem & Anika, 2024)
- The process of securing credit is complex, involving **exhaustive paperwork, adherence to regulations, and multiple licenses and clearances**, consuming time and redirecting resources from core business activities.
- **Lack of collateral** required for traditional loans hampers the **ability of start-ups and SMEs to scale**, innovate, or maintain daily operations.
 - **High collateral** requirements **disproportionately** impact new and small businesses that may not have sufficient assets, leading to credit denial and stifling growth potential.
- **Credit terms, including repayment schedules and interest rates**, can be restrictive and misaligned with a **business's cash flow**, leading to financial strain and reduced operational efficiency.

Table 7 Dimensions and consequences of low credit availability for businesses

Dimensions	Consequences
Limited access to financing for start-ups and SMEs	Constrains growth, innovation, and daily operations due to lack of capital.
High collateral requirements and bureaucratic hurdles	Disproportionate impact on new/small businesses, leading to credit denial and stifling growth.
Restrictive credit terms and challenging credibility assessments	Financial strain and reduced operational efficiency due to misaligned repayment schedules and rigorous assessments.

4.8 Limited Access to Financing

- New entrepreneurs face challenging credibility assessments based on personal life, academic and family background, business plans, sector understanding, and potential recovery strategies in case of failure.
- Banks assess **the efficiency and credit repayment track record** of existing businesses seeking loans, alongside the skillset required for new ventures.
 - Loan amounts for SMEs are often minimal, making the cost of managing loan defaults outweigh the benefits.
 - **50% of start-up entrepreneurs** reported difficulty obtaining **equity funding**.
 - **55.7% of businesses** reported poor access to finance for SMEs in 2023, **up from 45.9% in 2021**, highlighting the need for more inclusive and accessible financial services. (Moazzem et al., 2022)
- The tannery sector in the Savar cluster faces unique challenges
 - These include not receiving land handover deeds after relocating from Hazaribag
 - Low working capital, and
 - Existing mortgages on Hazaribag properties
 - Struggling to meet high collateral requirements for new loans.

4.9 Challenges in Export and Import Support

- Heavy reliance on the readymade garment (RMG) sector **limits the growth of other promising sectors** such as leather products, plastics, jute products, agricultural goods, and home textiles.
 - **High tariff rates, supplementary duties, and complex registration procedures** create obstacles for exporters.
 - Lack of transparency in **regulatory and administrative systems** discourages investment, hindering the development of new projects.
 - Challenges with **profit repatriation** and **outbound financial transfers** present significant hurdles for foreign investors and companies.

5. Identifying the Regulatory and Legal Barriers

5.1 Inefficiencies in the Taxation System

- **The National Board of Revenue (NBR) of Bangladesh confronts several challenges**, including management, organizational, and capacity constraints that contribute to issues such as tax fraud and tax avoidance.
 - Current VAT management procedures and core business processes are **predominantly manual** and **administratively intensive**, necessitating modernization for better compliance, transparency, and efficiency.
- Businesses frequently complain about **harassment from VAT/Tax administration even after clearing payments**.
 - Tax payments are typically assessed through a third party, with non-compliance leading to potential disqualification.
- Businesses are **required to maintain tax records** dating back five years, imposing a significant administrative burden. Reports of previously assessed files being randomly selected for reassessment, perceived as harassment or extortion.
- Despite digitalization, the VAT filing system has not fully mitigated challenges.
 - **57.1% of businesses believing bribery is common** in tax-related interactions, **up from 47.8% in 2021**.
 - The **tax system is perceived as complex and burdensome**, with **59.4% of businesses** indicating difficulties in compliance. (Moazzem & Anika, 2024)

5.2 Limitations within the Legal Framework

Table 8 Limitations for businesses within the Legal Framework

Law	Provisions	Impediments to Businesses
Income Tax Act	Disallowance of expenses without Proof of Submission of Tax Return (PSR)	Businesses face challenges due to the informal economy's reluctance to issue PSR, risking the disallowance of legitimate expenses and increasing operational costs.
	Abolition of cash payments over Tk 20,000 for salaries	This change forces businesses to adopt digital payment methods, potentially reducing net earnings for low-income workers due to transaction fees.
	Tax officials' search and seizure rights	Grants tax authorities extensive powers, raising privacy concerns, the potential for misuse, and disruption to legitimate business operations.
	Mandatory audits by chartered accountants for all companies	Imposes financial burdens on small businesses, which may struggle with the costs of compulsory professional audits.
	Prohibition on offsetting losses from one business against another	Impacts conglomerates and diversified businesses by removing the ability to mitigate financial risks through loss offsetting, potentially discouraging expansion.
	Tax on income generated by employee welfare funds	This new tax undermines private sector employees' retirement benefits and contradicts social security efforts, creating a disparity with tax-exempt government funds.
	Capital Gain Tax (CGT) regime inconsistencies	The varying CGT rates introduce investment uncertainty and administrative burdens, complicating compliance and deterring potential investors.
VAT and Supplementary Duty Act	Treatment of damaged or destroyed goods in VAT filings	Introduces complexities in accounting and tax filings for businesses, making it challenging to accurately account for VAT on damaged goods.
	Complexities in VAT adjustments	The detailed rules for increasing and decreasing VAT adjustments add to the complexity of VAT filings, increasing the administrative burden on businesses.
	Broad 'Supply' definition under VAT law	The expansive definition of 'supply' can lead to uncertainties in VAT liabilities, especially for services like entertainment, catering, and interior design.
	VAT exemptions and Withholding VAT at Source	Conflicts in VAT exemptions and withholding responsibilities can result in double taxation, particularly when exemptions and charged VAT do not align.

5.2 Limitations within the Legal Framework

Table 9 Limitations for businesses within the Legal Framework

Law	Provisions	Impediments to Businesses
Bangladesh Companies Act	High Paid-up Capital Requirement for One-Person Companies (OPCs)	Discourages entrepreneurs from forming OPCs due to high capital requirements and burdensome operational obligations, hindering small business growth.
	Abolition of the common seal requirement	Simplifies some procedural aspects but raises concerns about document authentication and formalities in business transactions.
	Appointment of individuals as company attorneys	Allows companies more flexibility in document execution but poses risks regarding the extent of authority granted and its potential misuse.
	Absence of clear merger and acquisition (M&A) provisions	The lack of detailed M&A guidelines presents challenges in navigating legal and competitive landscapes for businesses seeking to restructure.
	Need for Alternative Dispute Resolution (ADR) and transparency measures	The absence of ADR provisions and mandates for independent directors in the law highlights gaps in resolving disputes and ensuring corporate governance transparency.
	Misalignment with modern financial systems	The current law does not adequately address the needs of modern financial transactions and systems, necessitating updates to support business growth and investment.
	Inefficiencies in the Registrar of Joint Stock Companies and Firms (RJSC) operations	Outdated processes and a lack of modern ICT resources at the RJSC lead to registration delays and transparency issues, affecting business confidence.
	Limited jurisdiction and capacity of Company Courts	The small number of Company Courts and their limited jurisdiction result in slow dispute resolutions, impacting corporate operations.
	Restrictions on AGM locations and shareholder participation	Requirements for physical AGM locations limit shareholder participation, while inconsistencies with stock market laws pose compliance challenges.
Gaps in corporate governance and accountability	The absence of mandatory independent directors and auditors in the law may lead to governance issues, lack of transparency and accountability in corporate practices.	

6. New Business Process Mapping Phase

6.1 New Business Process Mapping Phase: Operational Issues

Tables 10 and 11 address operational hurdles faced by businesses in Bangladesh and propose strategic recommendations aimed at fostering a more agile and responsive business environment.

Table 10 Solutions for Overcoming Operational Limitations

Limitation	Recommendations	Target Regulatory Bodies
Duplication of required documents for licenses	Unified document management to minimize duplication. Accelerate service digitalization, aiming for a consolidated digital platform for business-related governmental services, registrations, and licensing thus reducing redundancy and enhancing efficiency.	National Board of Revenue (NBR), Directorate of Factories and Establishments (DIFE), Fire Service and Civil Defence (FSCD), Bangladesh Standards and Testing Institution (BSTI),
Timeconsuming renewal process	Simplify renewal procedures, prolong license validity reduce the frequency of renewals, and customize renewal schedules to business needs, easing administrative burdens and aligning with sector-specific demands.	Department of Environment (DoE), Directorate General of Drug Administration (DGDA), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Investment
Undocumented fees and extended processing times	Establish a transparent, fair licensing system with clear documentation of all fees and accountable fee collection. Strengthen oversight and accountability to combat corruption. Align licensing practices with international governance standards	Development Authority (BIDA), Dhaka city Corporation, Customs Bond Commissionerate (CBC), Export promotion Bureau(EPB)
High interest rates and lengthy approval process	Reassess interest rates for competitiveness and streamline the loan application and approval process with more flexible lending criteria. Innovate credit assessment models to boost credit access to SMEs and startups	Bangladesh Bank, SME Foundation, Commercial Banks, Financial Institutions,
Limited access to financing, especially for SMEs	Develop broader and inclusive financing options for SMEs with lower collateral demands and provide targeted support, including financial aid and mentorship, to nurture small and emerging businesses.	Bangladesh Investment Development Authority (BIDA)
Primitive and inefficient tax system	Modernize the tax system to enhance efficiency and transparency, enhance compliance mechanisms and align with international best practices, and provide ongoing training for officials to improve digital system proficiency.	National Board of Revenue (NBR), Ministry of Finance

6.1 New Business Process Mapping Phase: Operational Issues

Tables 10 and 11 address operational hurdles faced by businesses in Bangladesh and propose strategic recommendations aimed at fostering a more agile and responsive business environment.

Table 11 Solutions for Overcoming Operational Limitations

Limitation	Recommendations	Target Regulatory Bodies
Inconsistent internet connectivity and high costs	Strengthen digital infrastructure and accessibility. Automate and streamline government procedures to reduce delays and costs, leveraging public-private partnerships to enhance digital connectivity.	Ministry of Posts, Telecommunications and Information Technology (MoPTIT), Bangladesh Telecommunication Regulatory Commission (BTRC)
Unpredictable power supply and extended outages	Invest in robust infrastructure for a consistent power supply, offer incentives for alternative energy, and ensure infrastructure policies are periodically reviewed to maintain relevance and efficiency.	Ministry of Power, Energy and Mineral Resources (MPEMR), Bangladesh Power Development Board (BPDB)
Bureaucratic inefficiencies and regulatory barriers	Refine trade regulations and procedures, create targeted market access policies ensuring compliance with global standards, and engage in public-private partnerships to reduce regulatory barriers.	Ministry of Commerce, Bangladesh Investment Development Authority (BIDA), Ministry of Industries
Adherence to International Standards	Ensure that licensing, regulation, and business operations adhere to international governance and ethics standards, with regular policy reviews to stay aligned with global benchmarks.	
Support Mechanisms for New and Small Businesses	Provide targeted support for small and emerging enterprises, including financial aid, mentorship, and streamlined bureaucracy. Formulate policies to address the unique challenges of startups and SMEs.	SME Foundation, Bangladesh Bank, Bangladesh Investment Development Authority (BIDA)
Public Private Partnerships	Foster public-private partnerships to utilize private sector expertise in streamlining governmental functions and improving service delivery, and collaborate on infrastructure, digitalization, and innovation efforts.	Ministry of Finance, Bangladesh Investment Development Authority (BIDA), Ministry of Commerce
Regular Review and Continuous Improvement	Establish a system for regular review of business processes. Encourage stakeholder feedback and incorporate continuous improvement practices in governmental operations.	Ministry of Commerce, Ministry of Industries, Bangladesh Investment Development Authority (BIDA)

6.2 New Business Process Mapping Phase: Legal Issues

- Tables 12 and 13 analyze current Bangladeshi business laws, focusing on the Income Tax Act 2023 and the Bangladesh Companies Act. They offer targeted recommendations for tax and governance reforms to align with global standards and foster economic growth.

Table 12 Solutions for Overcoming Legal Limitations (Bangladesh Company Law 2020, 2020) (Bangladesh Company Act 1994, 1994)

Laws	Provisions	Recommendations	Target Regulatory Body
Bangladesh Companies Act	High OPC capital requirement	Reduce capital requirements to foster entrepreneurship and simplify OPC setup.	Ministry of Commerce (MoC)
	Abolition of the common seal	Establish alternative authentication mechanisms and streamline verification.	
	Power to appoint attorneys	Define attorney authority scope and establish accountability safeguards.	
	Lack of M&A provisions	Create clear M&A provisions to simplify processes and reduce costs.	
	No ADR and transparency provisions	Introduce ADR mechanisms and mandate independent directors for transparency.	
	Misalignment with modern financial systems	Update laws to reflect modern financial practices and incentivize formalizing the informal sector.	
	Company reconstruction challenges	Align with competition laws and simplify reconstruction and amalgamation processes.	
	RJSC operational inefficiencies	Invest in ICT for RJSC and streamline processes for better efficiency and transparency.	
	Limited Company Courts	Expand the number and jurisdiction of Company Courts to reduce corporate dispute delays.	
	AGM and shareholder participation	Enable virtual AGM participation and align with stock market regulations.	
	Corporate governance gaps	Require the appointment of independent directors and auditors for enhanced governance.	
	Stock market law conflicts	Resolve discrepancies between company and stock market laws for clearer compliance.	

6.2 New Business Process Mapping Phase: Legal Issues

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Table 13 Solutions for Overcoming Legal Limitations (Income Tax Act 2023, 2023) (Bangladesh VAT and Supplementary Duty Act 2012, 2012)

Laws	Provisions	Recommendations	Target Regulatory Body
Income Tax Act 2023	Disallowance without PSR	Incentivize electronic transactions for PSR collection and provide alternatives for proof of expenditure.	Ministry of Finance (MoF)
	Abolition of cash salary payments	Subsidize MFS fees or seek alternative, cost-effective salary payment methods.	
	Search and seizure by tax officials	Require warrants for searches and establish transparent procedures with legal recourse options.	
	Mandatory audits for all companies	Adopt a risk-based audit approach with exemptions or simplified procedures for small businesses.	
	Loss offsetting prohibition	Reintroduce loss offsetting to support business diversification and risk mitigation.	
	Tax on employee welfare fund incomes	Reassess welfare fund taxation to ensure parity with government funds and protect retirement benefits.	
	CGT regime	Standardize CGT rates and provide clear guidelines to ease investor compliance.	
VAT and Supplementary Duty Act of 2012	VAT on damaged goods	Simplify VAT accounting for damaged goods to ease tax filing processes.	Ministry of Commerce (MoC)
	VAT adjustments complexity	Offer clear guidelines and support for navigating VAT adjustments.	
	'Supply' under the VAT act	Clarify the definition of 'supply' and streamline exemptions to prevent double taxation.	
	VAT exemptions and withholding	Align VAT exemptions with supplier charges and clarify withholding responsibilities.	

7. New Business Process Design Phase

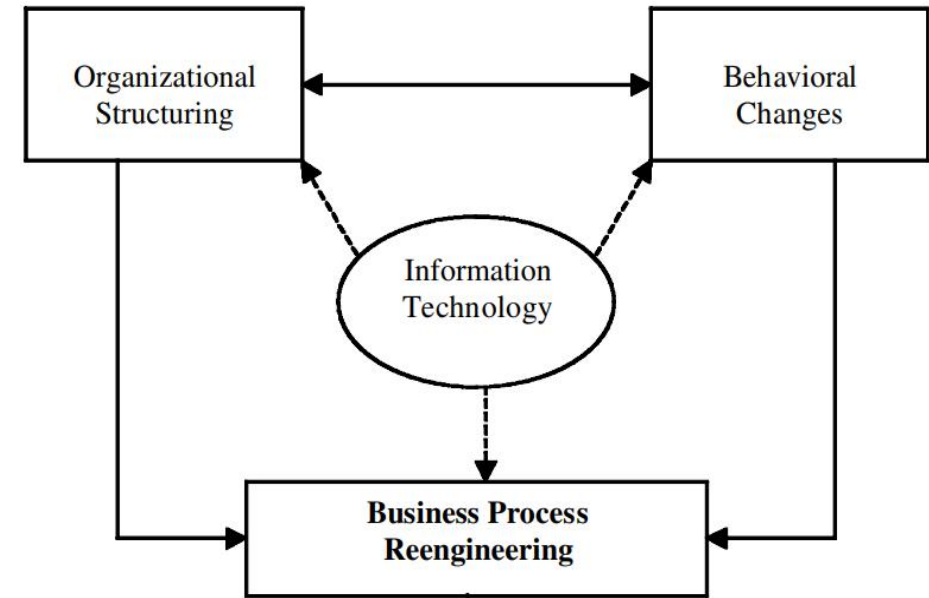
7. Designing New Business Process Reengineering

- The envisioned **New Business Process Mapping Phase** aims to **establish a re-engineered business ecosystem** that is more **efficient and adaptable to market dynamics**.
- The initiative seeks to foster a conducive environment for growth, innovation, and competitiveness, aligning with Bangladesh's goal to position itself as a leading economy in the region (Business Process Reengineering, 2023).
- BPR advocates for a **fundamental reevaluation and restructuring of business operations** to achieve significant gains in performance metrics such as cost efficiency, quality, service, and speed.
 - The primary aim is to **discard redundant activities** and **optimize processes** to enhance the country's competitive edge on a global scale
- Bangladesh could benefit from successful BPR implementations in countries like China, India, and Vietnam.
 - These countries have made considerable advancements through regulatory reforms, digital transformation, and the promotion of innovation and entrepreneurship, providing a valuable framework for Bangladesh to emulate.
- **Integrating IT solutions** allows businesses to **automate operations, enhance communication, and leverage real-time data** for informed decision-making and improved operational efficiency (Gunasekaran & Ichimura, 1997).

7. Designing New Business Process Reengineering

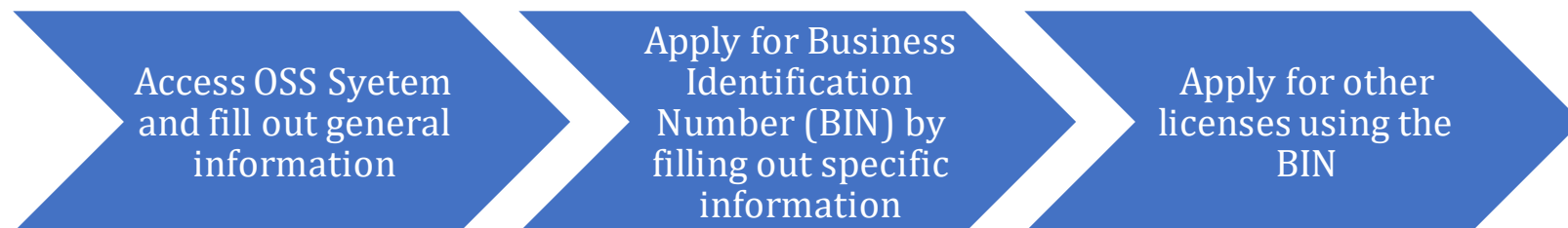
- Figure 2 illustrates how Business Process Reengineering (BPR) can address the complex business processes in Bangladesh.
- BPR focuses on **fundamentally rethinking and redesigning business processes** to achieve significant improvements in performance metrics such as cost, quality, and speed.
- **IT is positioned at the center**, highlighting its crucial role in enabling BPR.
- IT integrates various elements, facilitating streamlined processes, automation, and enhanced efficiency.
- IT supports the **implementation of BPR** by providing tools for process mapping, workflow automation, and data analytics.
- BPR leads to **changes in organizational structure**, aligning it with streamlined processes and enhanced IT capabilities.
- New structures are more flexible, allowing quicker adaptation to changes and reducing bureaucratic inefficiencies.
- Successful BPR **requires changes in organizational culture and employee behavior**, fostering a mindset of continuous improvement and adaptability.
- IT facilitates training programs and knowledge sharing, helping employees adapt to new processes and technologies.

Figure 2: Business Process Reengineering



7.1 Streamlined Registration and Licensing

- **Creation of an Integrated Online Platform**
 - Develop a **comprehensive digital platform** to **streamline all business registration and licensing procedures**.
 - Serve **as a central hub for entrepreneurs and business owners**, facilitating efficient and user-friendly registration and licensing processes.
- **Simplification of Registration Process with Business Identification Number (BIN)**
 - Introduce the concept of a **Business Identification Number (BIN)**.
 - Upon submission of essential documents (NID, partner photographs, evidence of premises, and certificate of incorporation), businesses will be assigned **a unique BIN**.
 - BIN will serve as **a singular reference** for all future transactions, submissions, and application tracking on the platform.
 - Aim to eliminate repetitive paperwork and physical visits, saving time and resources for business operators.
- **One-Stop-Shop Approach for Licenses and Permits**
 - Adopt a **one-stop-shop model** on the platform to allow businesses to apply for and obtain multiple licenses and permits through a **single, integrated process**.
 - Minimize **redundant documentation requirements** and significantly expedite the overall licensing process.
 - Introduce a simplified and expedited **permit application process** for faster setup and operational scale-up.



7.2 Digital Transformation of Government Services

- **Digitize All Government Services**
 - Digitize **all government services** related to businesses, including tax filings, customs clearances, and environmental approvals.
 - Implement **complete automation and integrate AI and machine learning tools** for efficient processing and decision-making.
 - Utilize AI and machine learning for real-time processing of **tax filings, customs clearances**, and **environmental approvals** to support manufacturing and service based business companies.
 - Implement **digital solutions for land registration** and agricultural subsidies management.
- **Provide E-Governance Solutions**
 - Offer **e-governance solutions for real-time communication** between businesses and government agencies.
 - Improve transparency and reduce corruption through enhanced digital interaction.
- **Responsible Organizations:** Ministry of Information and Communication Technology, Bangladesh Telecommunication Regulatory Commission (BTRC), Ministry of Commerce(MoC), Ministry of Finance (MoF), Ministry of Industries and and respective industry regulatory bodies such as the Bangladesh Investment Development Authority (BIDA).

7.3 Incentivization and Support for SMEs and Startups

- **Special Economic Zones**
 - Create **special economic zones** with tax incentives, infrastructural support, and simplified regulatory processes for **SMEs and startups**.
 - Offer **customized incentives** tailored to different sectors, such as technology parks for IT startups and agro-processing zones for agricultural SMEs.
- **Incubation Centres**
 - Establish **incubation centres** that provide mentorship, funding, and networking opportunities for new entrepreneurs.
 - Include sector-specific support programs, such as tech incubators, light engineering incubators and creative industry hubs.
- **Responsible Organizations:** SME Foundation, BIDA, Ministry of Industry, Ministry of Commerce

7.4 Enhanced Financial Access and Support

- **Reform Banking and Financial Sector**

- Offer lower interest rates and streamlined loan processes for businesses, especially SMEs.
- Develop innovative financial products tailored to different business sectors, such as **microloans** for small traders and long-term financing for manufacturing units.
- Reduce the amount of collateral for start ups and SMEs with **reduced processing fees**.

- **Government-Backed Schemes**

- Introduce **government-backed schemes to provide seed funding and grants** for innovative business ideas and models.
- Ensure sector-specific funding programs, such as grants for green technology and innovation in agriculture.
- **Responsible Organizations:** Bangladesh Bank, Ministry of Finance, SME Foundation.

7.5 Capacity Building and Skill Development:

- **Training Programs and Workshops**

- Collaborate with educational institutions and professional bodies to offer **training programs and workshops** in business management, digital literacy, and entrepreneurship.
- Develop sector-specific training modules, such as **advanced manufacturing techniques** for the industrial sector and **digital marketing** for the service sector.

- **Training for Government Officials**

- Introduce **regular training programs for government officials** and employees to update their skills in line with the **latest digital governance practices**.
- Include specialized training on sector-specific regulations and compliance requirements.
- **Responsible Organizations:** Ministry of Education, Bangladesh Public Administration Training Centre (BPATC), Ministry of Industry.

7.6 Robust Regulatory Framework

- **Regular Updates and Simplification**
 - Regularly update and simplify the regulatory framework to **align with international best practices** and the changing economic landscape.
 - Ensure sector-specific regulatory updates, such as **modernizing ICT laws** for the technology sector and **streamlining health regulations** for pharmaceuticals.
- **Independent Regulatory Body**
 - Establish **an independent regulatory body** to oversee the effective implementation of reforms and ensure continuous improvement.
 - Focus on sector-specific oversight, ensuring tailored regulatory practices for different industries.
 - **Responsible Organizations:** Ministry of Law, Independent Regulatory Agencies, Ministry of Health, Ministry of ICT.

7.7 Monitoring and Feedback Mechanism

- **Robust Monitoring System**

- Implement **a robust monitoring system** to regularly assess the performance of the new business processes.
- Use sector-specific performance indicators, such as **compliance rates** in manufacturing and **turnaround times** for service sector applications.

- **Feedback Loop**

- Create **a feedback loop** involving businesses, government agencies, and other stakeholders for continuous improvement of the processes.
- Include **sector-specific feedback channels**, allowing businesses to provide targeted input on regulatory and operational issues.
- **Responsible Organizations:** Ministry of Commerce, BIDA, Sectoral Business Associations.

7.7 Sustainability and Environmental Compliance

- **Incentives for Green Technology**
 - Encourage businesses to **adopt sustainable practices** by providing incentives for green technology and compliance with environmental regulations.
 - Offer sector-specific green incentives, such as subsidies for **energy-efficient machinery** in manufacturing and grants for **sustainable agriculture practices**.
- **Environmental Impact Assessments**
 - Integrate **environmental impact assessments** as a part of the business process for industries with significant environmental footprints.
 - Ensure sector-specific environmental regulations, tailored to the unique impacts of different industries.
- **Responsible Organizations:** Department of Environment, Ministry of Environment, Forests and Climate Change, Ministry of Industry.

8. Conclusion

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- The envisioned transformation through BPR is not merely operational; it aims to foster a **paradigm shift in the business culture of Bangladesh**.
- This shift is expected to create a more **dynamic, entrepreneurial, and competitive economy**, which is responsive to the demands of the global market and conducive to sustainable development.
- The success of these initiatives will depend on **collaborative efforts from all stakeholders**, including **government bodies, the private sector, financial institutions, and international partners**.
- In conclusion, the path to a re-engineered business ecosystem in Bangladesh is paved with challenges but offers immense potential.
- The recommendations provided are not just a blueprint for change but **a call to action** for all stakeholders to participate in crafting a robust, resilient, and prosperous business landscape in Bangladesh.
- The successful implementation of these reforms will significantly contribute to the nation's goal of achieving sustainable economic growth and becoming a leading economy in the region

9. Introducing the website “Set Up A New Factory”

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To streamline the factory setup process for entrepreneurs and investors, the **Centre for Policy Dialogue (CPD)**, in collaboration with the **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**, has established a website addressing registration, certification, and licensing matters for new factories, titled "**Setup a New Factory.**" Moving forward, the responsibility for maintaining this platform will be transferred to the **Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)**, tasked with fostering business growth and facilitating industrial development.

Name	Setup a New Factory
URL	http://factorysetupbd.com/
Launching date	2 October 2022
Sectors covered	6 (RMG, Pharmaceutical, Food processing, Leather & footwear, ceramic and Chemical)
Scopes	Operational, environmental, building, and labour safety compliance



Thank you.