

Reform in Bangladesh's Business Environment and Business Processes: Agenda for the Interim Government

Study Team

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I. Introduction and Objectives

I. Introduction and Objectives

- On 8 August 2024, Bangladesh entered a new political phase with the formation of an **Interim Government**, focused on a "**Reform**" agenda
 - It aimed at promoting **transparency**, strengthening democratic processes, and improving the business environment
- During the **earlier regime**, business environment in Bangladesh **did not make considerable progress**-businesses were largely concentrated to **limited number of business groups**
 - Different sectors including **SMEs experienced a sluggish progress** during the period
 - **Lack of major reform** in policies, laws, institutions and operations constrained developing a participatory and competitive business environment in the country
 - The business environment in Bangladesh experienced a **period of uncertainty** during the Anti-Discrimination Students Movement which continued even after the entering new phase
- **CPD in partnership** with the World Economic Forum (WEF) has been conducting an Executive Opinion Survey since 2001
 - The survey data has been used for **estimating the business competitiveness** of Bangladesh across the world
 - This year, the '**Executive Opinion Survey (EOS)**' has been conducted from **April to July 2024**
 - The survey gathered insights from business leaders on key economic and regulatory issues impacting Bangladesh's competitiveness and growth
- Since the interim government has taken initiative for major reform measures, **CPD** based on the business opinion survey over the last decade would like to **put forward a set of reform agenda**

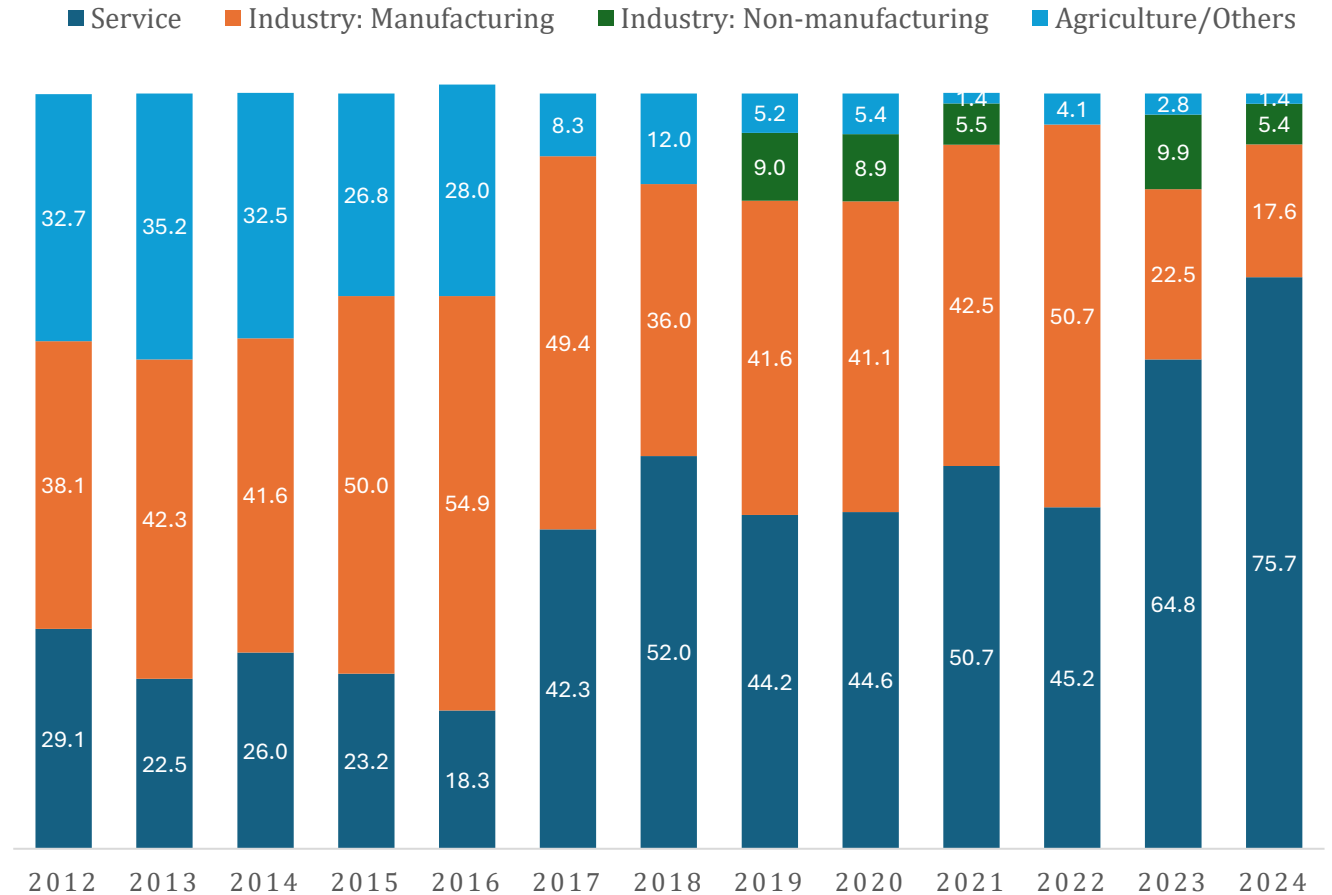
I. Introduction and Objectives

- The study has been carried out based on the data and information collected from two important sources:
 - **CPD-WEF Executive Opinion Survey**: 2008-2019; 2008-2024
 - **CPD-GIZ Study** on Business Process Reengineering (2024)
 - **Key informant interviews (KIIs)** of selected sectoral specialists: FBCCI, BUILD, BASIS, MTB and TIB
- **Major thematic areas** covered under this study include:
 - Governance and Public Institutions
 - Infrastructure
 - Education, Health and Human Capital
 - Technology
 - Financial Environment
 - Business Operations & Innovation
- Executive Opinion Survey (EOS) use qualitative data (**7-point Likert scale**)
 - Negative responses (Scale: 1~3)
 - **Indifferent responses (Scale: 4)**
 - Positive responses (Scale: 5~7)

I. Introduction and Objectives

- The number of respondents vary in different years- between **55-80**
- The figure shows the distribution of respondents across four sectors:
 - **Service**
 - **Industry: Manufacturing**
 - **Industry: Non-manufacturing**
 - **Agriculture/Others**
- The survey period: **February-June**, every year
- Majority of respondents are based on **Dhaka and nearby districts**
 - A few from other districts including Chattagram

**Distribution of Respondents in Different Years:
2012-2024**



Source: CPD EOS survey

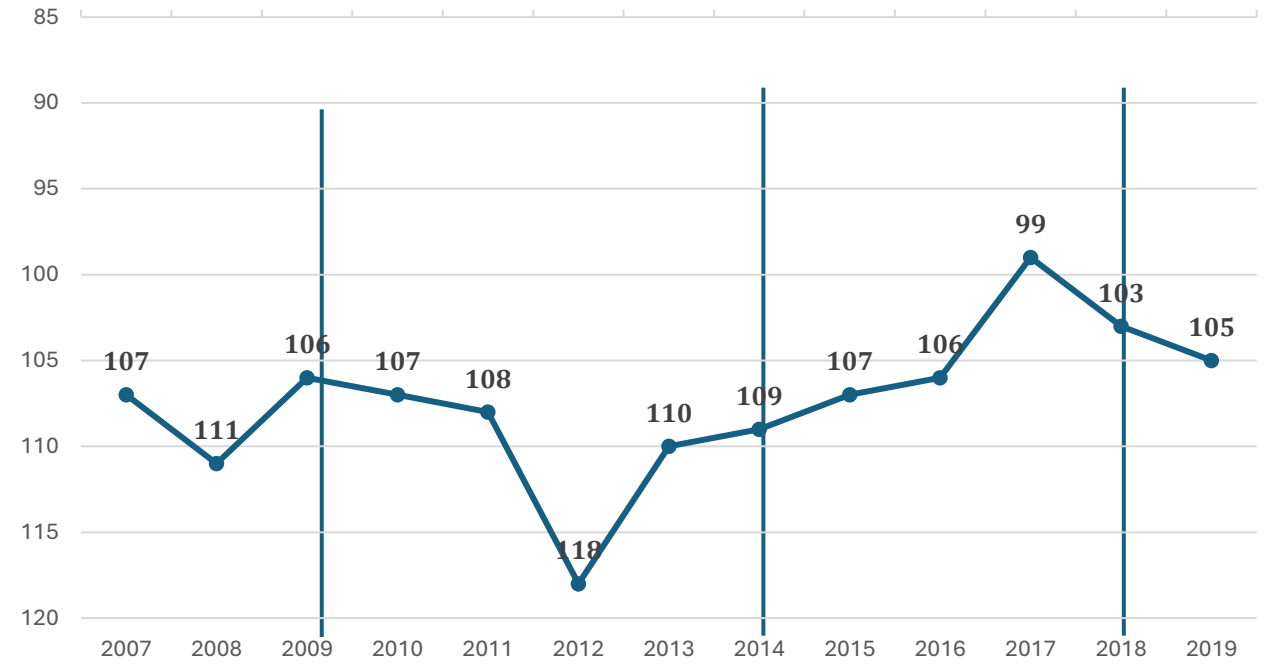
II. Bangladesh's Ranking in the Global Competitiveness Report (2007-19)

II. Bangladesh's Ranking in the Global Competitiveness Report

Bangladesh's Performance

Year	Rank	No of Countries	Ratio (out of 100)	Changes
2007	107	131	81.7	
2008	111	134	82.8	↓
2009	106	131	80.9	↑
2010	107	139	77	↑
2011	108	140	77.1	↓
2012	118	144	81.9	↓
2013	110	148	74.3	↑
2014	109	144	75.7	↓
2015	107	140	76.4	↓
2016	106	138	76.8	↓
2017	99	137	72.3	↑
2018	103	140	73.6	↓
2019	105	141	74.5	↓

Bangladesh's Rank in Different Years

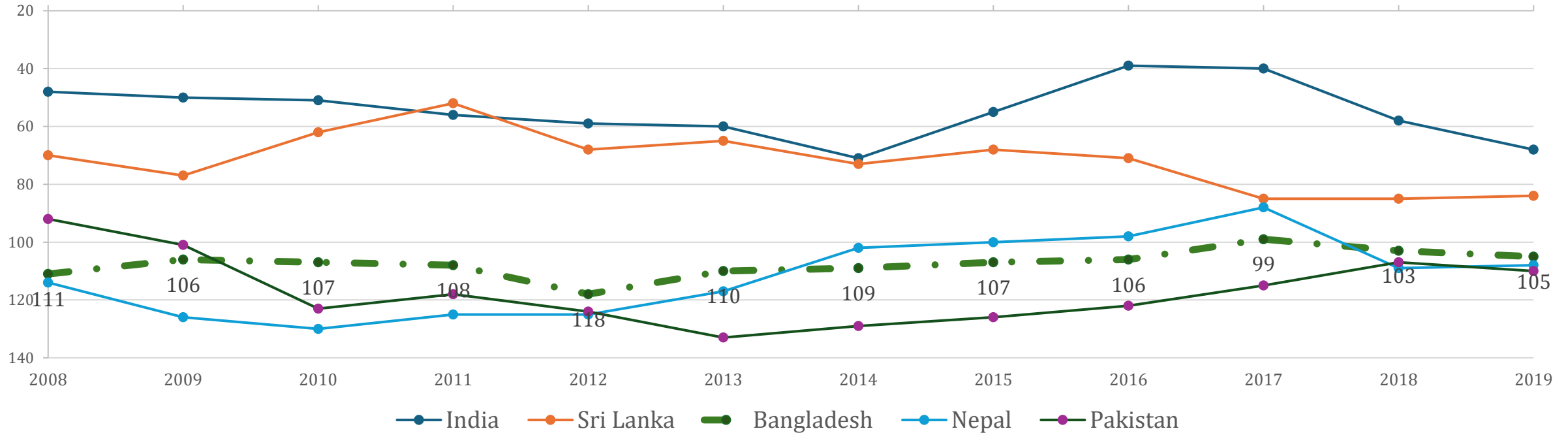


Source: World Economic Forum

- Bangladesh business competitiveness during the previous regime lied in the **weakest quarter** of countries
- Bangladesh's global ranking is **always among behind 100** except in one year (**99 in 2017**): ranking was marginally improved during 2013-2017 period; thereafter the ranking has declined
- Despite its poor ranking, the country made marginal progress in its competitive ranking (in terms of weighted score); from **3.55** to **3.65**
- Such a performance would have **adverse effect on business** after the country will **graduate from LDC** to a developing country in 2026

II. Bangladesh's Ranking in the Global Competitiveness Report

Bangladesh's ranking in comparison with selected countries of South Asia



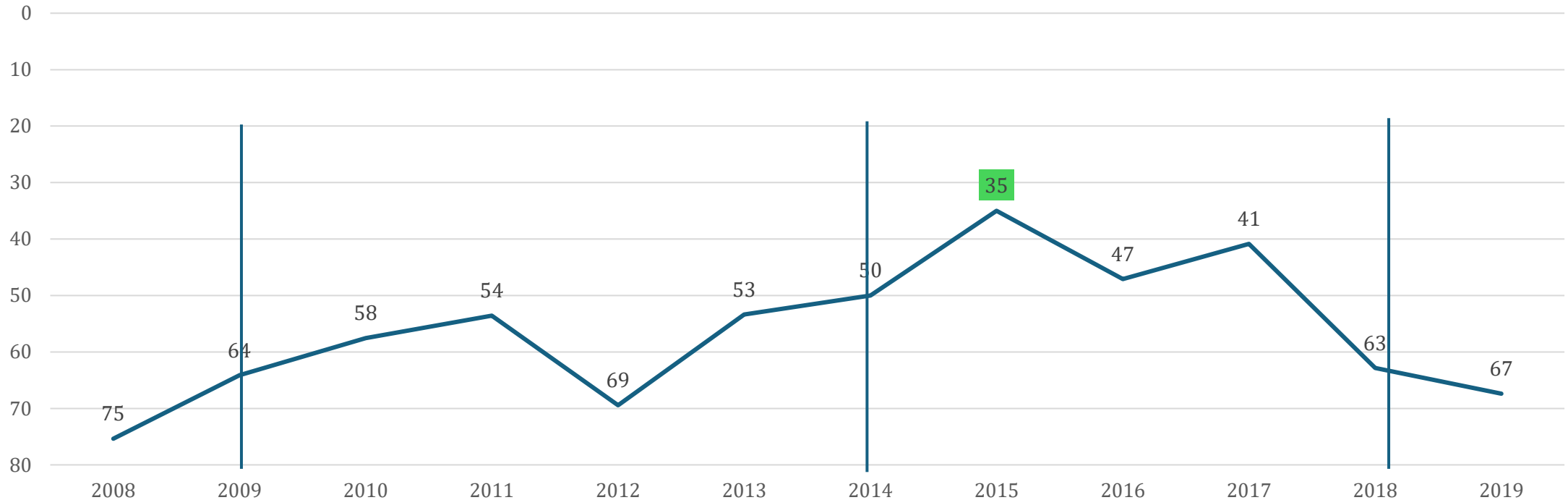
Source: World Economic Forum

- Bangladesh's business competitiveness is always **behind that of India and Sri Lanka**
 - Bangladesh's ranking is **better** than Nepal's and Pakistan's, though there have been some dips.
- Compared to other economies, Bangladesh **did not improve** its position
 - The overall trend appears to be declining, with some **minor recoveries**
- In a competitive global world, such **minor shifts indicate less dynamism** in the business environment in Bangladesh

III. Major Problematic Factors in Doing Business (2012-24)

III. Major Problematic Factors in Doing Business

Bangladesh's Global Ranking on Macroeconomic Stability



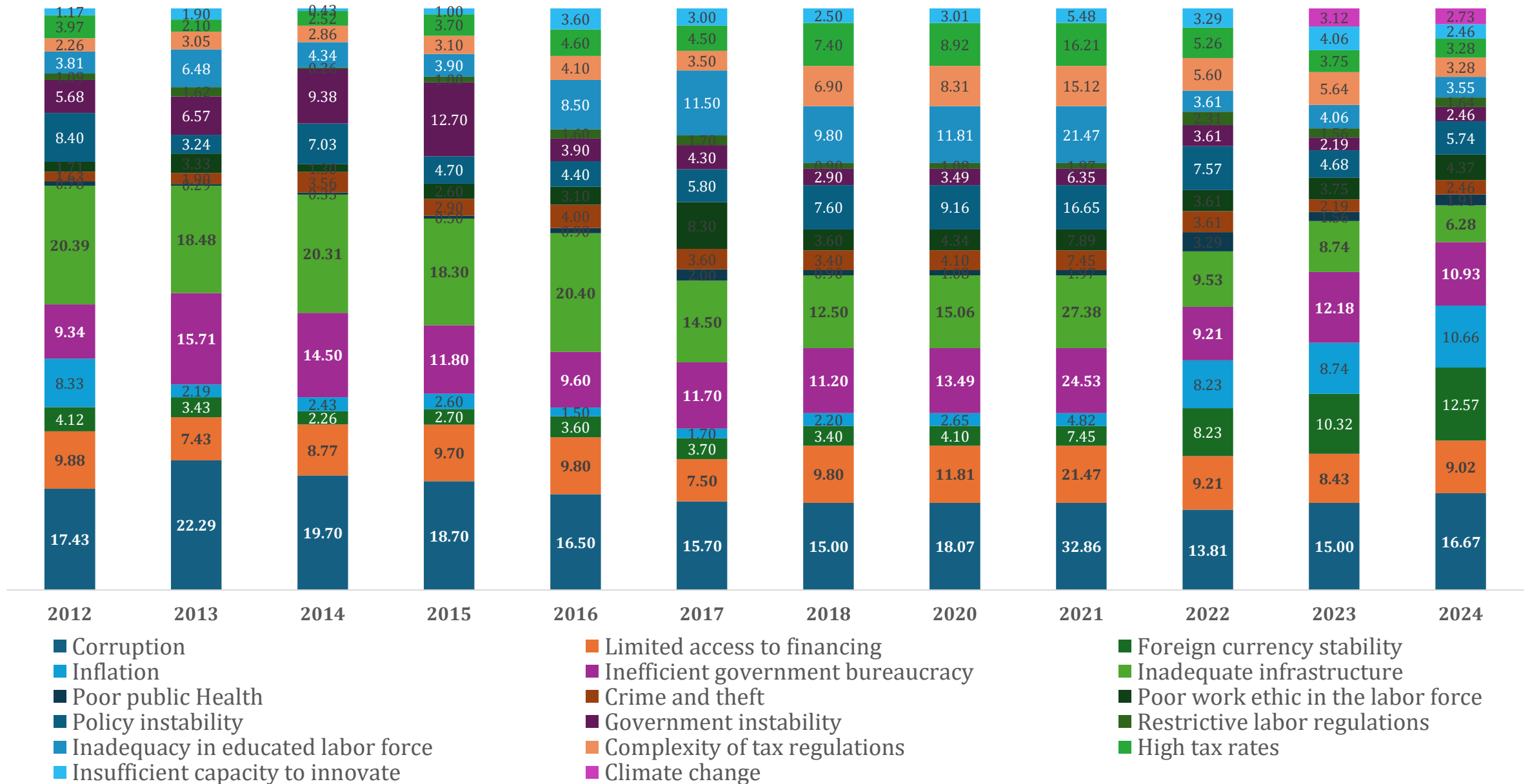
Source: World Economic Forum

- Countries' **macroeconomic stability** shows dramatic changes in ranking from year to year.
 - From 2009 to 2011, it **improved** at a good pace, but in 2012, the ranking **declined** significantly
 - After that, it improved steadily, with a **notable rise in 2015**
 - Since 2016, it **continued to decline** at a faster rate due to different types of macroeconomic challenges

III. Most Problematic Factors for Doing Business in Bangladesh

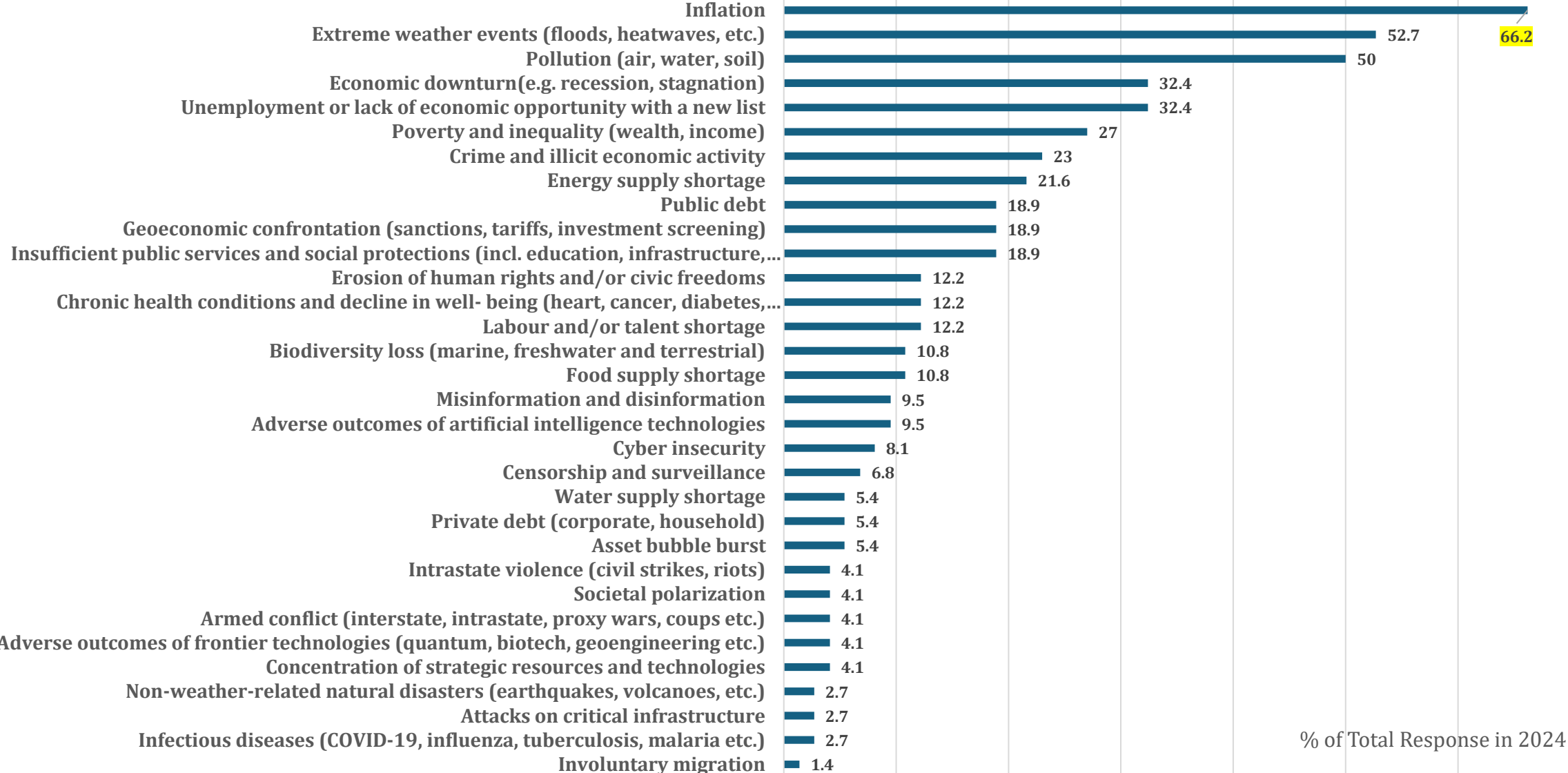
- **Major problematic factors** considered for the analysis include **17 factors**:
 - Corruption
 - Inefficiency government bureaucracy
 - Foreign currency stability
 - Inflation
 - Limited access to financing
 - Inadequate infrastructure
 - Policy instability
 - Poor work ethic in the labor force
 - Inadequacy in educated labor force
 - High tax rates
 - Complexity of tax regulations
 - Climate change
 - Crime and theft
 - Insufficient capacity to innovate
 - Government instability
 - Poor public Health
 - Restrictive labor regulations
- The position of the problematic factors has been evolved over time such as –
 - **Corruption** has always been the **leading** problematic factor
 - Inadequate **infrastructure's** role has gradually **reduced**
 - Inefficient **bureaucracy** has remained a **major factor** over the years
 - Limited access to **financing** has remained a **major** problematic factor
 - Foreign **currency instability** has become a dominant factor in **recent years**
 - **Inflation** has become a major factor in **recent years**
 - **Policy instability** is a **moderate-level** problem

III. Most Problematic Factors for Doing Business in Bangladesh



III. Most Problematic Factors for Doing Business in Bangladesh

Top Risks Factors for the Economy for the Next Two Years



Source: CPD EOS survey

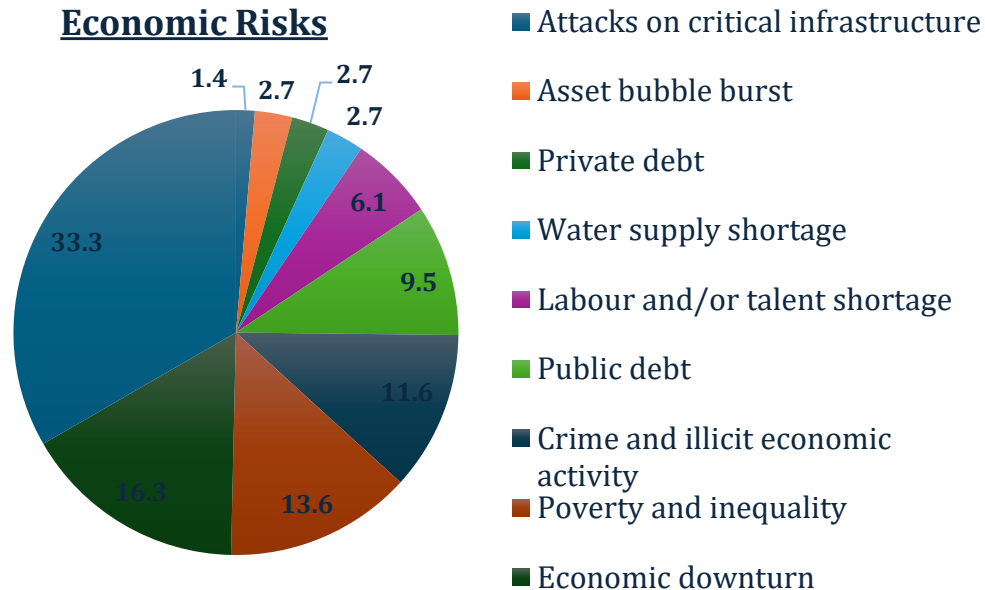
III. Most Problematic Factors for Doing Business in Bangladesh

Top Risks factors for the Economy for the Next Two Years

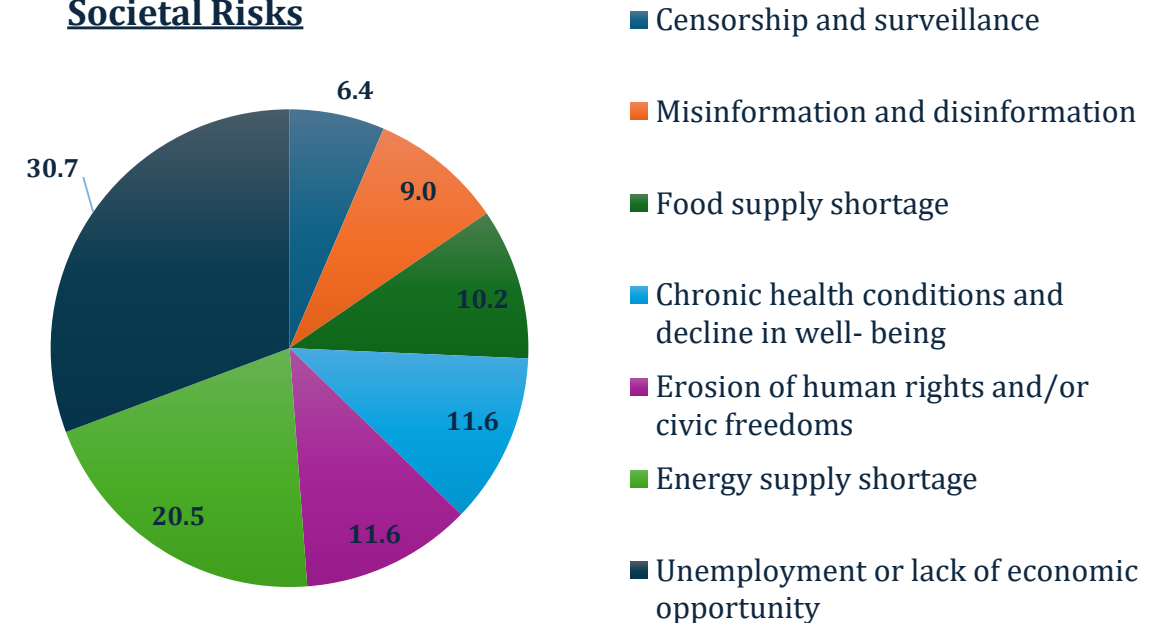
- The **top three economic risks** for Bangladesh for the upcoming **two** years are-
 - **Inflation** (33%)
 - **Economic downturn** (e.g., recession, stagnation) (16.3%)
 - **Poverty and inequality** (wealth, income) (13.3%)
- The economic prospect of the immediate future is **highly uncertain**

- The **top societal risks** for the upcoming **two** years are-
 - **Unemployment** (30.7%)
 - **Energy supply shortage** (20.5%)
 - **Chronic diseases** and health conditions (heart, cancer, diabetes) (11.6%) and **Erosion of human rights** (11.6%)

Economic Risks



Societal Risks



In percentage

III. Most Problematic Factors for Doing Business in Bangladesh

Selected Indicators: Performance was 'Good'

Indicators	
• Reliance on professional management	• Inclusive workforce: religious , ethnic/racial background
• Hiring and firing practices	• Inclusive workforce: Low-income background
• Cooperation in labour-employer relations	• Attractiveness of the public sector as an employer
• Ease of hiring foreign labour	• Skill levels of the workforce: Management skills
• Extent of staff training , companies	• Skill levels of the workforce: Technology skills
• Wage inequality between men and women	• Skill levels of the workforce: Self-efficacy
• Inclusion of women in leadership	• Skill levels of the workforce: Working with others
• Ease of finding skilled employees in local lab. Market	• Innovation of basic goods and services: Agri and food
• Efficiency of air transport services	• Government long-term vision
• Attitudes towards entrepreneurial risk	

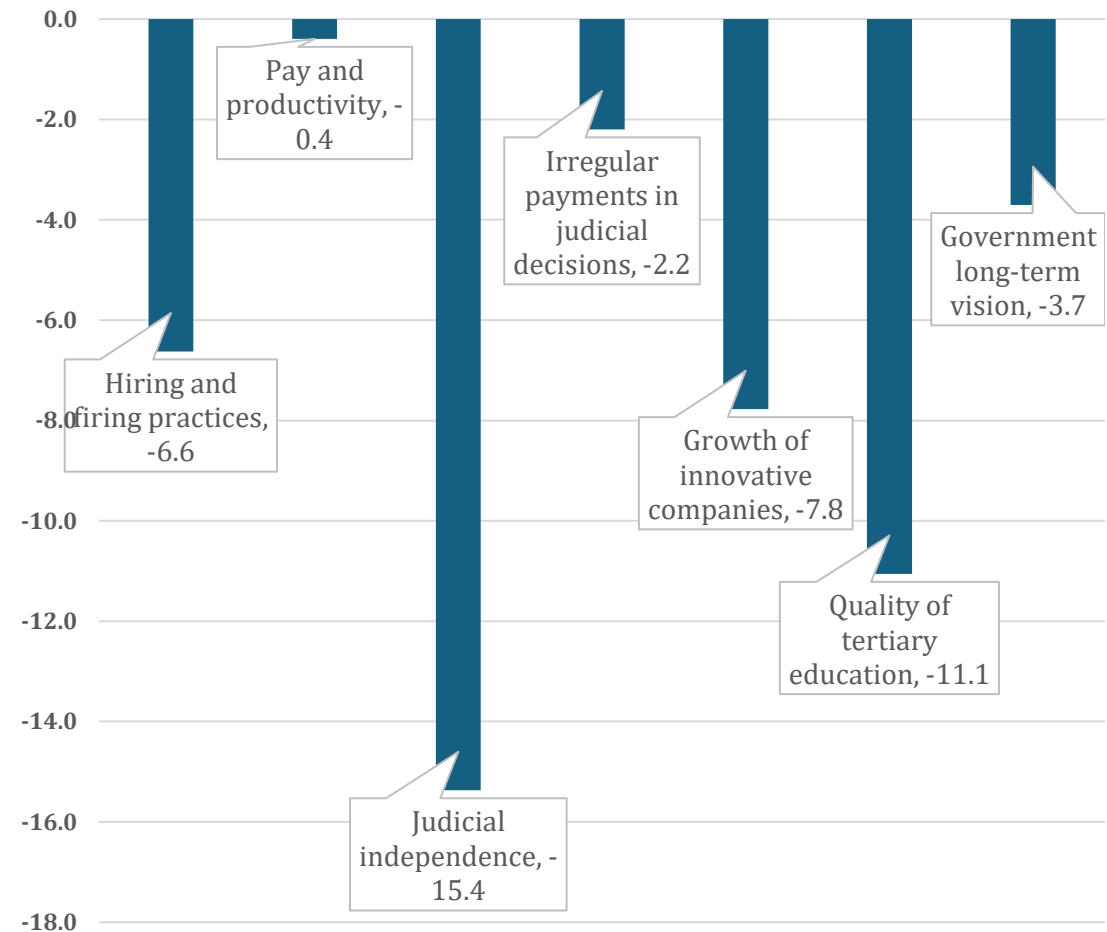
- Majority of **good indicators** are related with the **private sector** and their engagement and effort for modernization
- Only a **few indicators** are found which are related with **public sector** and their engagement
 - Attractiveness of the public sector as employer, government's long-term vision
- Few **public sector related indicators** made progress (though below the neutral level): ease of compliance of government regulations, quality of road and quality of primary education

III. Most Problematic Factors for Doing Business in Bangladesh

Major Indicators where the performance declined

- Notable declines in **judicial independence** and **quality of tertiary education** significantly impact governance and innovation
 - This **raises concerns** about the ability of the judiciary to operate free from external pressures and influence.
 - **Which undermines** the rule of law, lead to unfair trials, and reduce public trust in the legal system
 - Poor quality in tertiary education **results in a workforce lacking essential skills**, diminishing a country's competitiveness and innovation capacity.
- The **decline in long-term vision** shows the government is **not effectively planning** for the future or developing sustainable strategies. which makes it difficult to address key issues like infrastructure, education, and economic growth

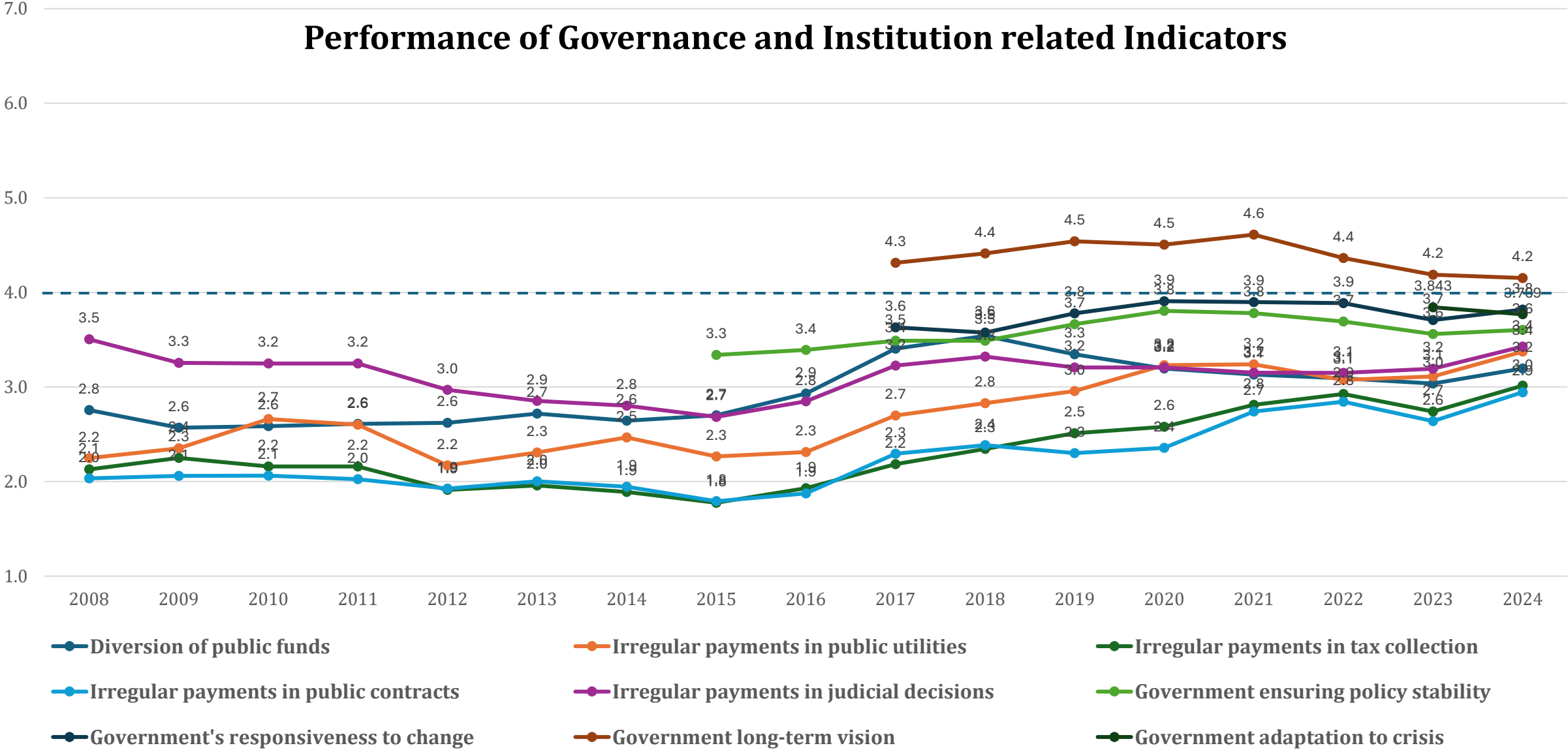
Selected Indicators: Performance Declined



IV. Challenges in Different Areas: Agenda for Reform

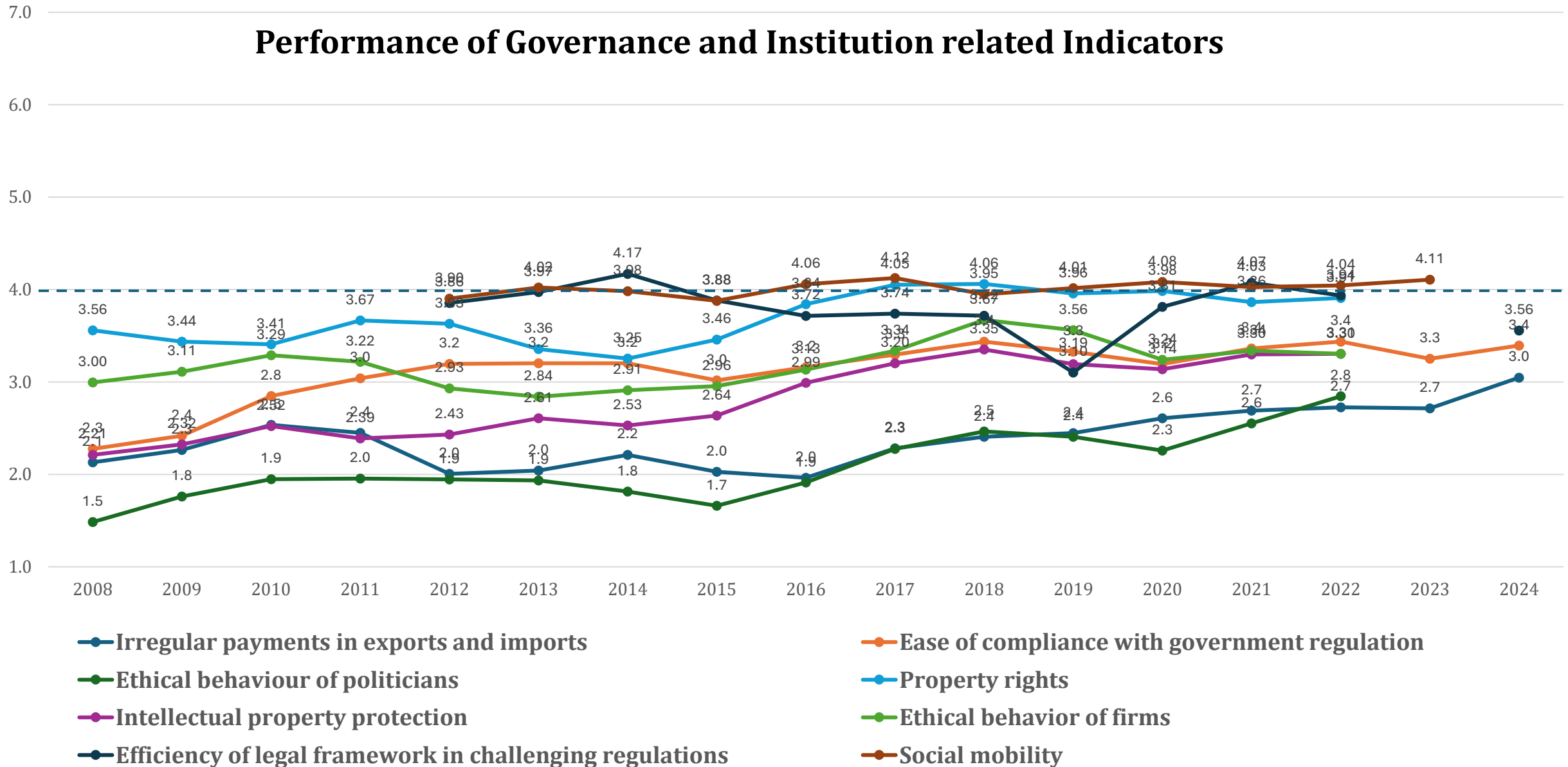
IV.1 Challenges in 'Governance and Institutions': Agenda for Reform

Performance of Governance and Institution related Indicators



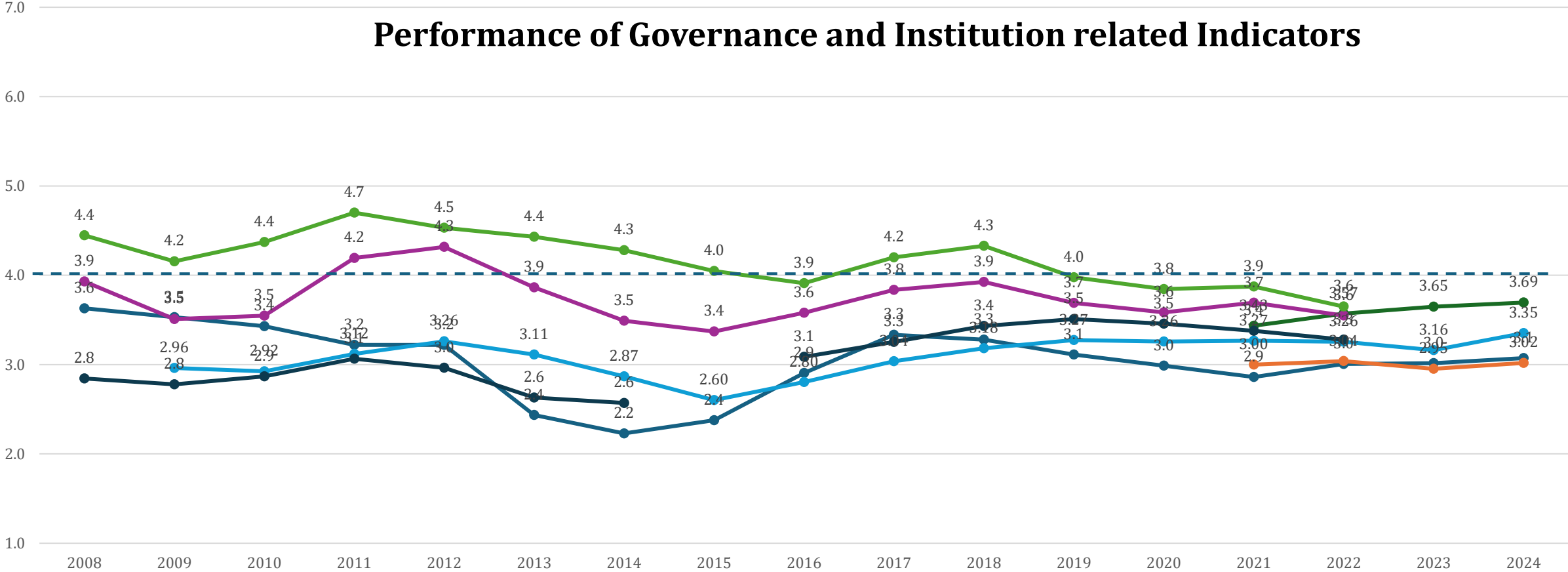
IV.1 Challenges in 'Governance and Institutions': Agenda for Reform

Performance of Governance and Institution related Indicators



IV.1 Challenges in 'Governance and Institutions': Agenda for Reform

Performance of Governance and Institution related Indicators



- Judicial independence
- Adequate protection for cultural heritage
- Business costs of crime and violence
- Reliability of police services
- Adequate protection for the environment and nature
- Efficiency of legal framework in settling disputes
- Business costs of Organized crime

IV.1 Challenges in 'Governance and Institutions': Agenda for Reform

Case 1: Limitations within the Legal Framework

Table: 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

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Case 1: Limitations within the Legal Framework

Table : Limitations for businesses within the Legal Framework

Law	Provisions	Impediments to Businesses
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

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Case 2: 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
- 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

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Case 2: 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)	1. TIN Certificate 2. VAT Registration 3. Tax Holiday Certificate 4. 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)	1. Name Clearance Certificate 2. 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)	1. Registration of Fertilizer Import and Production 2. Health Clearance Certificate for Plant and Plant Products 3. Pesticide Wholesale and Retail License 4. 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)	1. License for Drugs Export 2. Registration of foreign medicine 3. Project Approval for Pharmaceutical Business 4. Product Inclusion with Trade Name Check

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Case 2: 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) Enrolment Certificate	Export Promotion Bureau (EPB) Enrolment Certificate	Export Promotion Bureau (EPB) Enrolment Certificate

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

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Case 3: 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)

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Agenda for Action: Governance

Concerns/ challenges	Recommendations	Institutions to be responsible
Ease of compliance with government regulation	<ul style="list-style-type: none"> • Form a ‘regulatory reform commission’ to identify business-related bottlenecks and way-out • Form a ‘better business forum’ to exchange views on problems and solutions • Mandatory formalization of all businesses involved in the supply-chains • Digitalization of business-operations and services and transactions • Include business leaders on the reform committees to assess their needs 	<ul style="list-style-type: none"> • Prime Minister’s office/Chief Advisor’s office • Trade bodies (FBCCI, MCCI, BGMEA, DCCI, BUILD etc.) • Ministries of ICT and other • BASIS
Ethical behavior of politicians	<ul style="list-style-type: none"> • Fixed and financial assets, direct and indirect engagement with any political party and entity of politicians, must be made public • Effective grievance mechanism in all public entity such as: digital case management, regular feedback to relevant stakeholders • Introduction of ‘ombudsman’ in public and private offices • Politicians and government officials should not receive extra privileges, such as tax-free vehicles and houses 	<ul style="list-style-type: none"> • National Parliament • Election Commission • Local government organizations

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Agenda for Action: Governance

Concerns/ challenges	Recommendations	Institutions to be responsible
<ul style="list-style-type: none"> • Diversion of public funds • Irregular payments in public contracts • Irregular payments in public utilities 	<ul style="list-style-type: none"> • Enforcement of public procurement transparently • Competitive bidding process following international guideline to streamline the procurement as project timelines, performance expectations, and technical requirements • Amendment of ‘e-procurement’ guidelines to ensure the engagement of private sector and civil society • Financial disclosure of parties involved in public contracts should be mandatory • Ensure responsibility of parties involved till the end of implementation • Strengthen public financial management through fair and transparent auditing • Strengthen public financial management through effective operation of the public accounts committee (PAC) of the national parliament • Allocating funds only to those measures that create real performance and contribution to the development of the country 	<ul style="list-style-type: none"> • National Parliament • Parliamentary Standing Committees for Financial Oversight • Election Commission • Local government organizations • IMED • OCAG • Internal audit of respective ministries • NBR • FIU • Ministry of Planning • Procurement Unit • Utility providing agencies

IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Agenda for Action: Governance

Concerns/ challenges	Recommendations	Institutions to be responsible
Irregular payments in tax collection	<ul style="list-style-type: none"> • Enforcement of digital payment system • Financial disclosure of the persons and their relatives involved in tax collection process • Strengthen financial reporting of corporate houses and personal income taxpayers • Increase tax net • Apply instruments to identify tax-avoidance and tax evasion related issues • Introduce integrated financial/document related transaction/transfer system as like ‘adhar card’ in India 	<ul style="list-style-type: none"> • NBR • FIU • Tax collecting offices • ICT Ministry • BASIS
Irregular payments in judicial decisions	<ul style="list-style-type: none"> • Modernising judicial system and improving the administration of justice by utilising technology • Following international protocol • Selection of judges in open and transparent process following a specific guidelines • Make the judiciary functional without influence from outside • Introduce electronic case management systems • Establishing of e-Court systems 	<ul style="list-style-type: none"> • Supreme court/High court • Ministry of law, justice and parliamentary affairs

IV.1 Challenges in 'Governance and Institutions': Agenda for Reform

Agenda for Action: Governance

Concerns/ challenges	Recommendations	Institutions to be responsible
Irregular payments in exports and imports	<ul style="list-style-type: none"> • Effective enforcement of ASYCUDA10-digit in exports and imports • Digital payment system • Detailing out the HS Code up to 10-digit level • Financial disclosure of the persons and their relatives involved in exports and imports 	<ul style="list-style-type: none"> • Ministry of Commerce • Bangladesh Customs • NBR • FIU
Government ensuring policy stability	<ul style="list-style-type: none"> • Prepare action plan to ensure effective enforcement of policies, laws and rules • Regular monitoring of progress of enforcement of public policies • Make the Public Estimate Committee Functional of the National Parliament to address the policy related issues • Prepare, update, and revise the polices, laws and rules in accordance with the broader goals of inclusivity, equal access, reducing inequality, green growth etc. • The interim government should promptly establish a local governing authority to address this gap. • Without such action, citizens will face serious difficulties with essential services, including obtaining birth and death certificates. 	<ul style="list-style-type: none"> • Concerning ministries • Planning wing of respective ministries • Trade bodies • CSOs • Citizens • Ministry of Planning • Ministry of Law • National Parliament • PEC of the National Parliament • Local Government Department

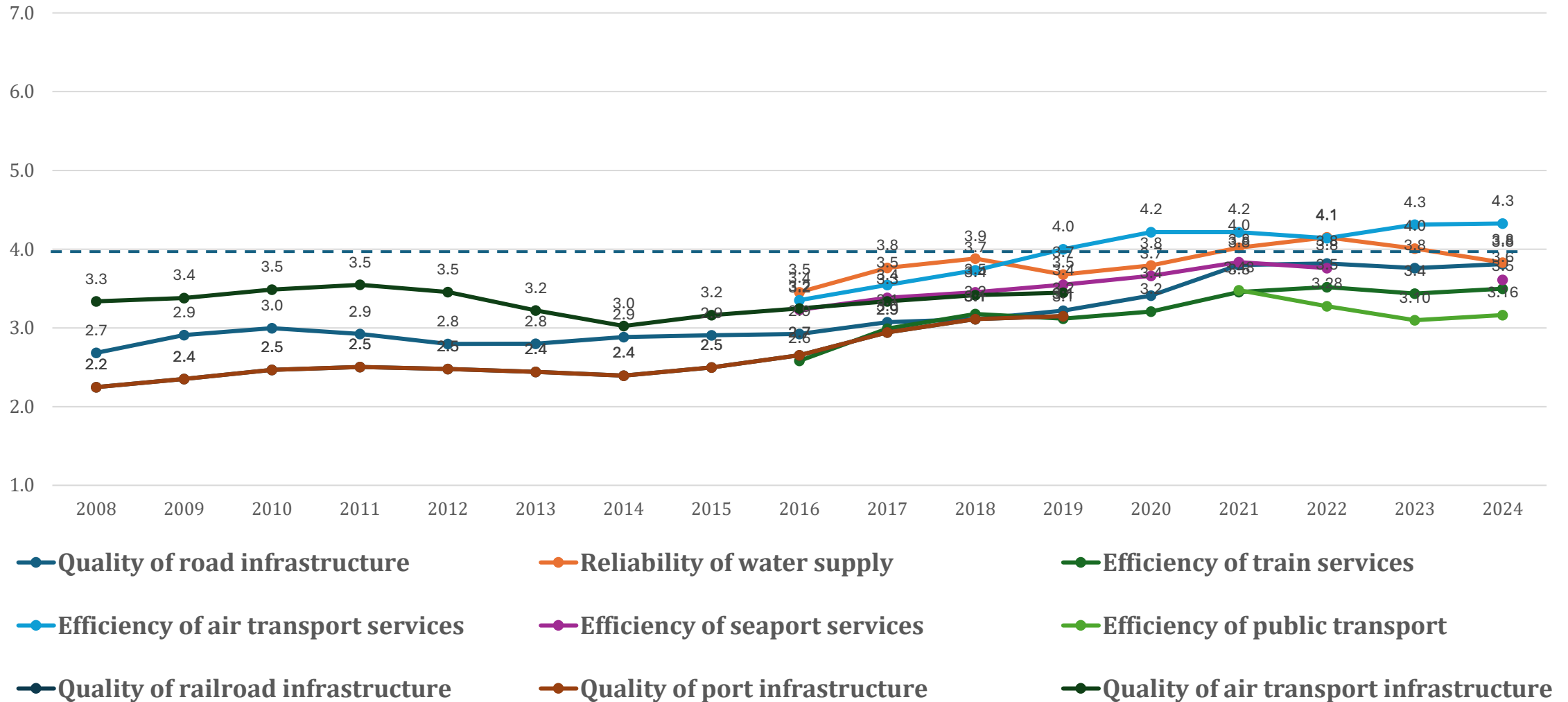
IV.1 Challenges in ‘Governance and Institutions’: Agenda for Reform

Agenda for Action: Governance

Concerns/ challenges	Recommendations	Institutions to be responsible
Government's responsiveness to change	<ul style="list-style-type: none"> • Identify the changes demand by the people on a regular basis and thereby take initiatives to amend and change • Take initiatives to amend laws and rules in accordance with international accord and guidelines and commitments • Do regular surveys through different public and private agencies to identify the issues for changes • Government institutions such as the Anti-Corruption Commission, the Bangladesh Public Service Commission, and the Bangladesh Election Commission should operate as autonomous bodies, free from affiliation with or influence by any political party. 	<ul style="list-style-type: none"> • CSOs • Citizens • Concerning ministries • Trade bodies • Public and private surveying agencies
Government long-term vision	<ul style="list-style-type: none"> • Develop a clear development vision for the country that would contribute to economic growth and improve the investment environment. • Investing in digitisation and the development of the IT sector brings long-term benefits. 	<ul style="list-style-type: none"> • National Election • National Parliament • Election Manifesto of Political Parties

IV.2 Challenges in Infrastructure: Agenda for Reform

Performance in Infrastructure related Indicators: 2008-2024



IV.2 Challenges in Infrastructure: Agenda for Reform

Agenda for Action: Infrastructure

Concerns/ challenges	Recommendations	Institutions to be responsible
Quality and efficiency of road infrastructure	<p>Short Term</p> <ul style="list-style-type: none"> • A traffic taskforce need to be formed to guide and update traffic system <p>Medium Term</p> <ul style="list-style-type: none"> • 'Building Information Modeling' (BIM) technology can be introduced in the construction management of highway <p>Long Term</p> <ul style="list-style-type: none"> • Integrated transport and land use planning will also help improve the sustainability of transport systems, through the reduction of distance traveled • Size of roads and highways (such as 2-lane or 4-lane) should be determined by thorough research • While designing structures, the choice of technology and methods is an important factor to consider • Stakeholders' consultation is the most important aspect to prioritize • Involve multiple stakeholders in road infrastructure projects can highlights the necessity for an effective communication and collaboration platform 	<ul style="list-style-type: none"> • Ministry of road and communication • Local government departments • Third party monitoring • Multilateral development agencies for financing and monitoring

IV.2 Challenges in Infrastructure: Agenda for Reform

Agenda for Action: Infrastructure

Concerns/ challenges	Recommendations	Institutions to be responsible
Quality and efficiency of road infrastructure	<ul style="list-style-type: none"> • Choosing the right technology and alternative design methods could help reduce the infrastructure costs • Selection of raw materials for infrastructure should be done by experts. The qualifications of the resource persons are very important as well • While designing bridges, a cost-effective model should be followed • Raising funds from the capital market can be an option for infrastructure development • Ensure pre-feasibility and feasibility for undertaking road projects • Ensure competitive bidding in selecting contractors 	<ul style="list-style-type: none"> • Ministry of road and communication • Local government departments • Third party monitoring • Multilateral development agencies for financing and monitoring
Reliability of water supply	<ul style="list-style-type: none"> • Invest in upgrading and expanding water supply systems to ensure reliability • Develop and maintain robust plans to ensure uninterrupted water supply during emergencies, focusing on critical areas • Focus on long-term sustainability by introducing future-proof technologies to address water challenges, such as climate change and population growth 	<ul style="list-style-type: none"> • Ministry of Water Resources • WASA • Local Government

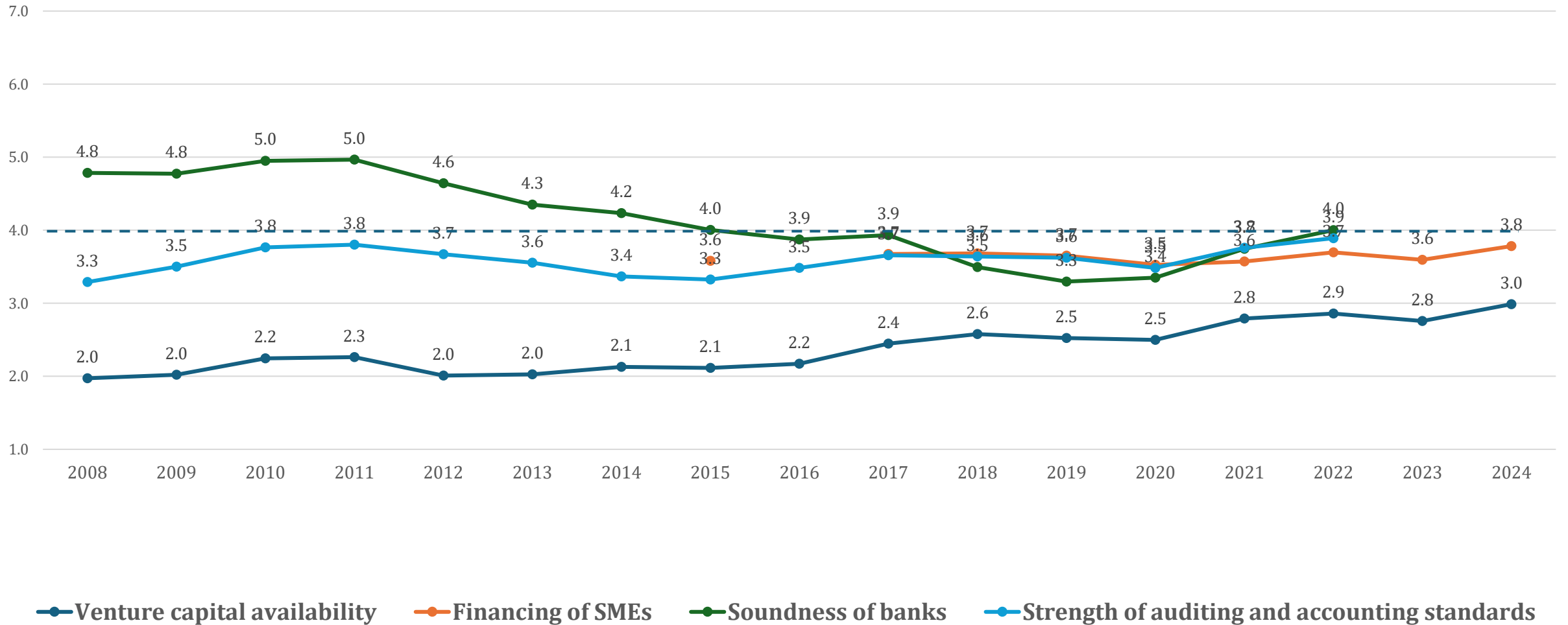
IV.2 Challenges in Infrastructure: Agenda for Reform

Agenda for Action: Infrastructure

Concerns/ challenges	Recommendations	Institutions to be responsible
Port and Railway	<ul style="list-style-type: none"> • An integrated railway network, especially for the ports should be developed • Government may also consider developing of ports' supportive financial system where service delivery and other formal systems will be customized according to the need of efficient port development • Efficiency of the Dhaka-Chittagong Corridor need to be enhanced so that it could match improvements in the Port's capacity • Private sector participation in the port industry can improve port operational efficiency and financial management • Reducing port-induced semi-trailer truck traffic by developing wider intermodal rail and river connectivity 	<ul style="list-style-type: none"> • Bangladesh Land Port Authority • Ministry of Shipping • Ministry of Railways
Public transport	<ul style="list-style-type: none"> • Implement intelligent traffic systems that use data and analytics to optimize traffic flow and creating efficient traffic signal systems that prioritize public transportation • Increasing the number of buses, trains, and water taxis, as well as introducing new modes of public transportation such as light rail or monorail 	<ul style="list-style-type: none"> • City Corporations • Bangladesh Police

IV.3 Challenges in Financial Environment: Agenda for Reform

Performance in Financial Environment Related Indicators: 2008-2024



IV.3 Challenges in Financial Environment: Agenda for Reform

Agenda for Action: Financial Environment

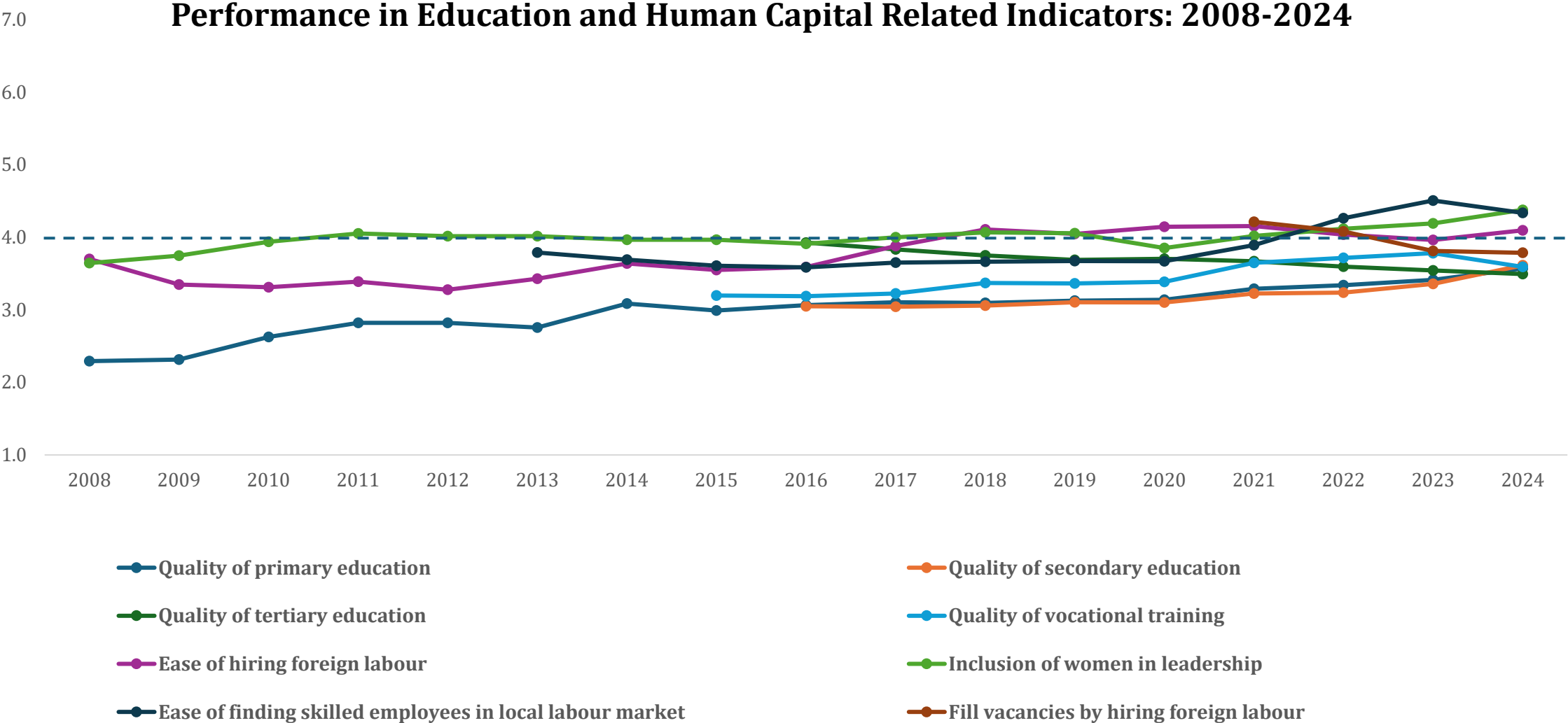
Concerns/ challenges	Recommendations	Institutions to be responsible
<ul style="list-style-type: none"> Limited access to financing, especially for SMEs 	<ul style="list-style-type: none"> Develop broader and inclusive financing options for SMEs with lower collateral demands and provide targeted support, including financial aid and mentorship, to nurture small and emerging businesses 	<ul style="list-style-type: none"> Bangladesh Bank SME Foundation Commercial Banks Financial Institutions, BIDA
<ul style="list-style-type: none"> High interest rates and lengthy approval process 	<ul style="list-style-type: none"> 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 	
<ul style="list-style-type: none"> Fragile condition of commercial banks 	<ul style="list-style-type: none"> While Bangladesh Bank's support for banks in extreme conditions is commendable, stronger actions-such as shutting down one or two banks-should be taken against poor management to serve as a deterrent 	<ul style="list-style-type: none"> Bangladesh Bank
<ul style="list-style-type: none"> Negative effect of demutualisation 	<ul style="list-style-type: none"> Qualified personnel must be appointed as independent directors in the interest of the country's capital market Central Bank's supervision needs to be strengthened to address demutualization issue 	<ul style="list-style-type: none"> Bangladesh Bank Stock Exchanges

IV.3 Challenges in Financial Environment: Agenda for Reform

Agenda for Action: Financial Environment

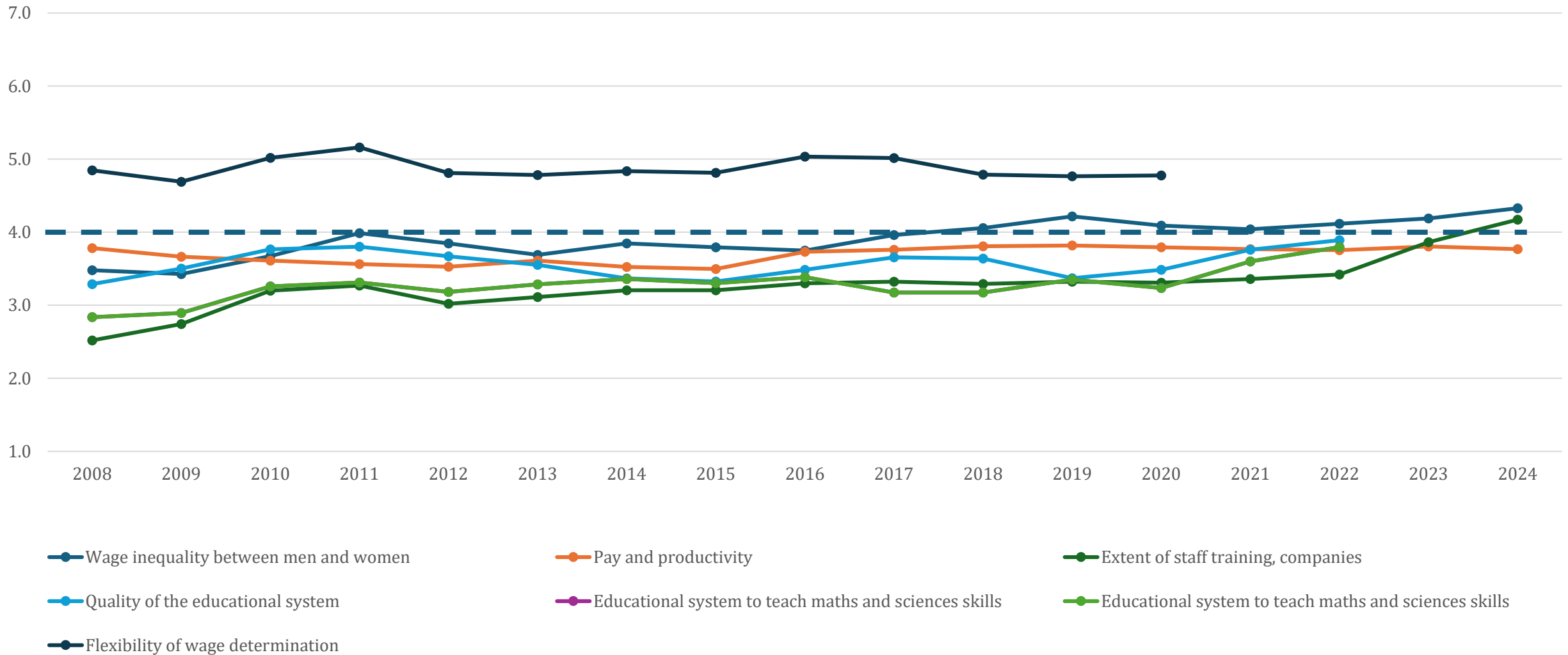
Concerns/ challenges	Recommendations	Institutions to be responsible
<ul style="list-style-type: none">• Soundness of banks	<ul style="list-style-type: none">• Financial sector should also introduce banking ombudspersons and others such as securities ombudspersons, tax ombudspersons, law enforcement ombudspersons and trade ombudspersons• A dispute resolution committee needs to form• Committees formed by the interim government need to publish their initial reports	<ul style="list-style-type: none">• Bangladesh Bank

IV.4 Challenges in Education and Human Capital: Agenda for Reform



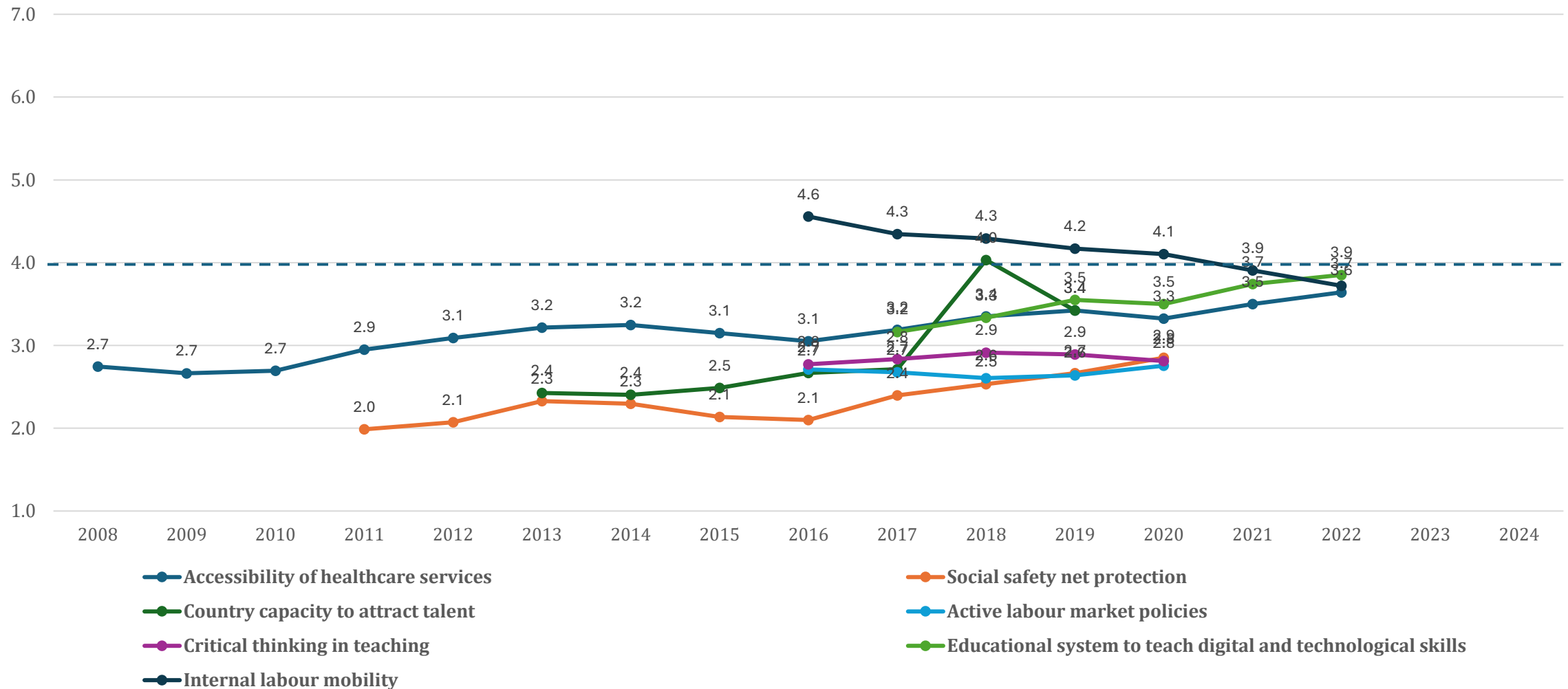
IV.4 Challenges in Education and Human Capital: Agenda for Reform

Performance in Education and Human Capital Related Indicators: 2008-2024



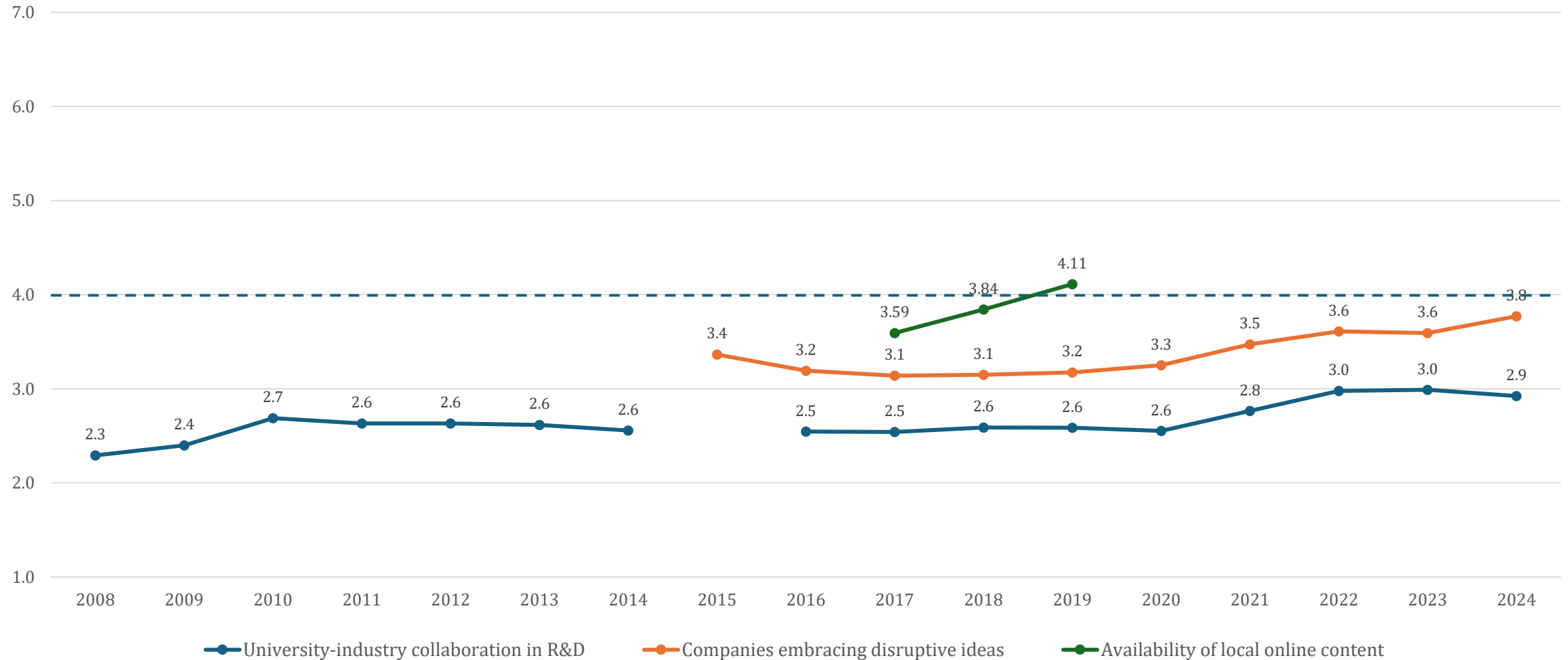
IV.4 Challenges in Education and Human Capital: Agenda for Reform

Performance in Education and Human Capital Related Indicators: 2008-2024



IV.4 Challenges in Education and Human Capital: Agenda for Reform

Performance in ICT related Indicators: 2008-2023



IV.4 Challenges in Education and Human Capital: Agenda for Reform

Agenda for Action: Education and Human Capital

Concerns/ challenges	Recommendations	Institutions to be responsible
<ul style="list-style-type: none"> Quality of the education system Ease of finding skilled employees in local labour market 	<ul style="list-style-type: none"> Government's per capita spending on primary education ranking as the 15th lowest among 112 countries, which needs to be increased Subjects related to vocational training needs to be included in primary and secondary education The primary education level should be extended up to class eight to ensure a stronger foundation for all students. The Ministry of Education should work collaboratively with other ministries, such as the Ministry of Expatriates' Welfare & Overseas Employment, to create more cohesive strategies that align with the needs of different sectors The teacher recruitment process needs to be rigorously evaluated and strengthened to ensure high-quality educators are in place. Technical Training Centre (TTC) should include under the ministry of education Educational institutions should align their curricula and activities with business and market demands to better equip students with relevant skills RMG, textile etc. 	<ul style="list-style-type: none"> Ministry of Education University Grants Commission (UGC) Bangladesh Association of Software and Information Services (BASIS)

IV.4 Challenges in Education and Human Capital: Agenda for Reform

Agenda for Action: Education and Human Capital

Concerns/challenges	Recommendations	Institutions to be responsible
<ul style="list-style-type: none">Country capacity to attract talentSocial safety net protection	<ul style="list-style-type: none">Short term reskilling/ upskilling courses need to offer students who are dropouts in their early years of schoolingA Comprehensive database should be developed to track expatriates returning to Bangladesh after completing overseas projectsThis database would allow the government to utilize their skills by hiring them for relevant roles, creating economic benefits for the country	<ul style="list-style-type: none">Ministry of EducationUniversity Grants Commission (UGC)Bangladesh Association of Software and Information Services (BASIS)Ministry of Expatriates' Welfare and Overseas Employment

IV.4 Challenges in Education and Human Capital: Agenda for Reform

Agenda for Action: Education and Human Capital

Concerns/challenges	Recommendations	Institutions to be responsible
University-Industry collaboration in R&D	<ul style="list-style-type: none"> • Create innovation hubs or incubators within universities that facilitate joint projects and provide resources for startups • Implement joint funding programs for research that addresses industry-specific challenges 	<ul style="list-style-type: none"> • Ministry of Education • University Grants Commission (UGC) • Bangladesh Association of Software and Information Services (BASIS)
Companies embracing disruptive ideas	<ul style="list-style-type: none"> • Prioritize the involvement of local firms in government procurement and software development a dedicated quota can be introduced • Tax exemptions timeline for ICT companies need to be extended • ICT experts should be involved in the authority • In the IT sector, human resources are considered the raw materials and can contribute up to 95% of domestic value. • Allowing of offshore companies to be legalised • Requirements of being enlisted in the Stock exchanges can be relaxed 	<ul style="list-style-type: none"> • Ministry of Commerce • Bangladesh Investment Development Authority (BIDA) • BSEC

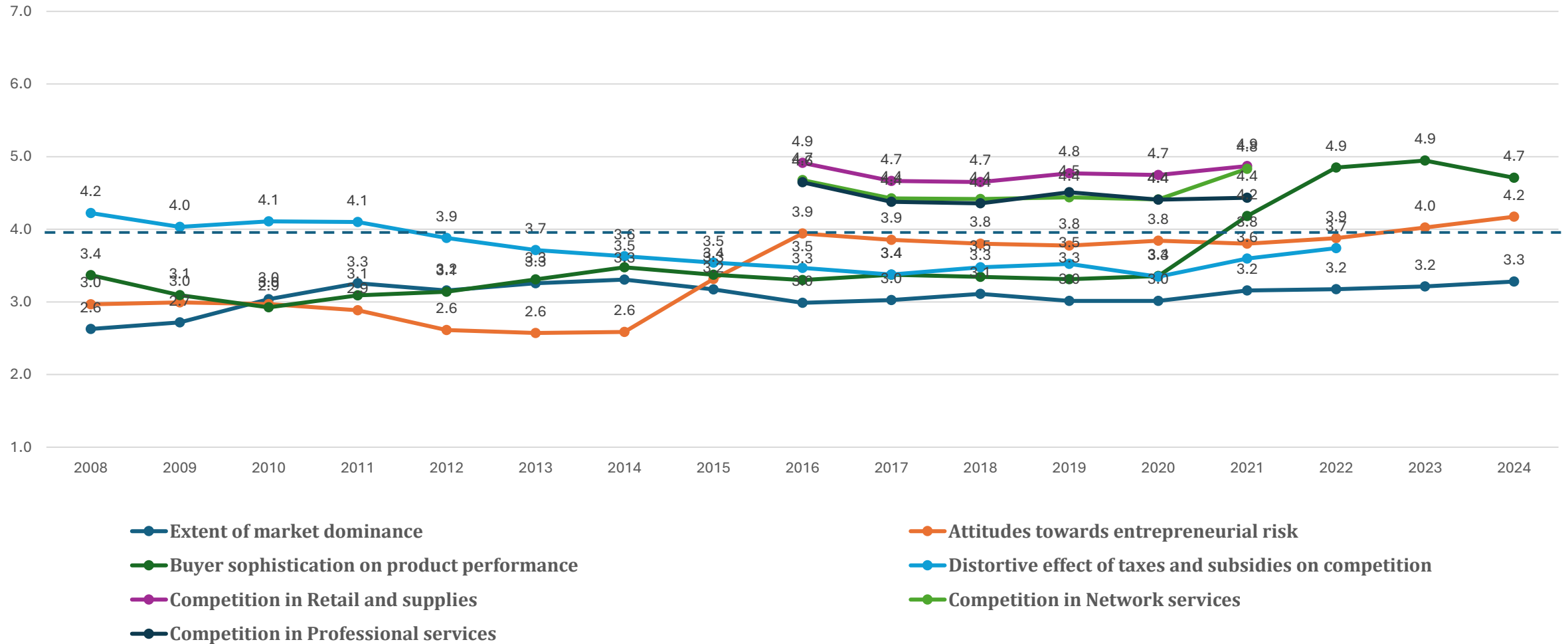
IV.4 Challenges in Education and Human Capital: Agenda for Reform

Agenda for Action: Education and Human Capital

Concerns/challenges	Recommendations	Institutions to be responsible
<p>Inconsistent internet connectivity and high costs</p>	<ul style="list-style-type: none"> • Strengthen digital infrastructure and accessibility • Automate and streamline government procedures to reduce delays and costs • Leveraging public-private partnerships to enhance digital connectivity 	<ul style="list-style-type: none"> • Ministry of Posts, Telecommunications and Information Technology (MoPTIT), Bangladesh Telecommunication Regulatory Commission (BTRC)
<p>Unpredictable power supply and extended outages</p>	<ul style="list-style-type: none"> • Invest in robust infrastructure for a consistent power supply • Offer incentives for alternative energy • Ensure infrastructure policies are periodically reviewed to maintain relevance and efficiency 	<ul style="list-style-type: none"> • Ministry of Power, Energy and Mineral Resources (MoPEMR), • Bangladesh Power Development Board (BPDB)

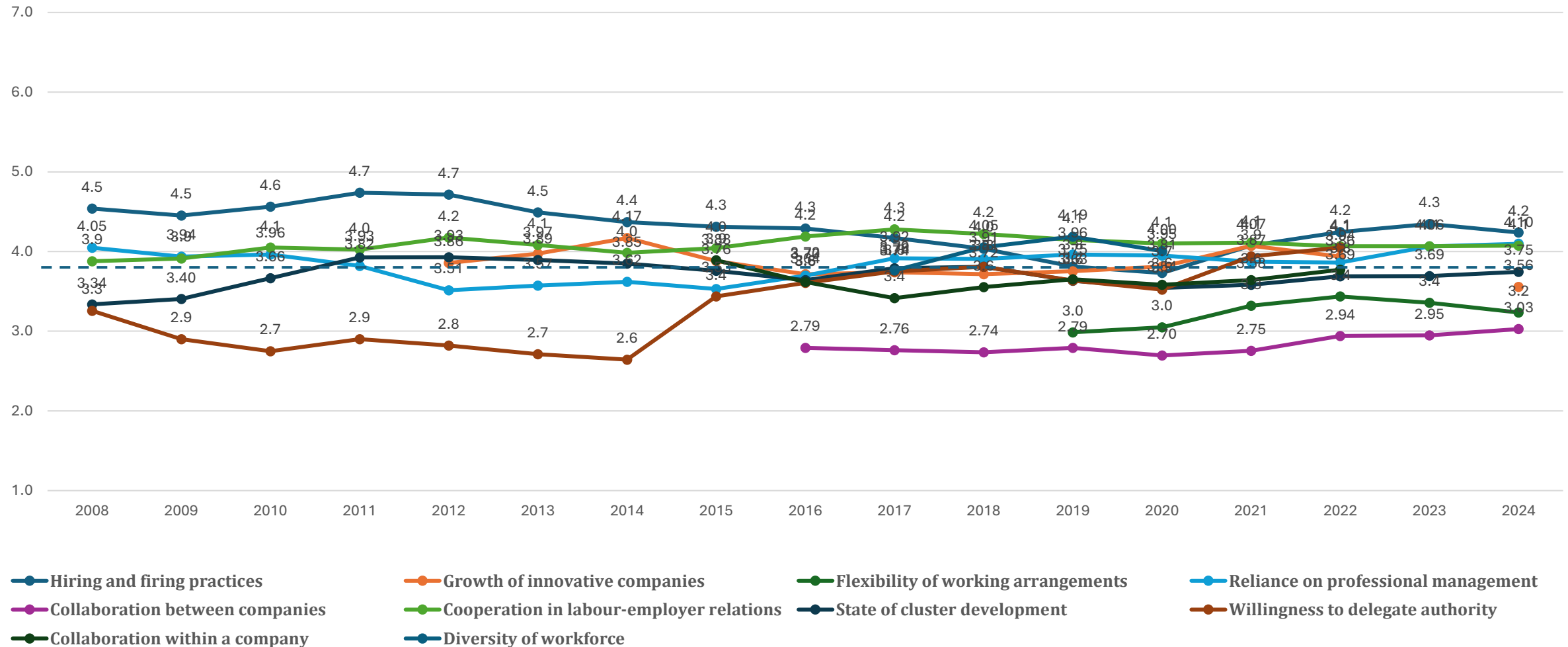
IV.5 Challenges in Domestic Competition and Business Operations: Agenda for Reform

Performance in Domestic Competition related Indicators: 2008-2024



IV.5 Challenges in Domestic Competition and Business Operations: Agenda for Reform

Performance in Business Operations & Innovation related Indicators: 2008-2024



IV.5 Challenges in Domestic Competition and Business Operations: Agenda for Reform

Agenda for Action: Business Operations and Domestic Competition

Concerns/challenges	Recommendations	Institutions to be responsible
Growth of Companies	<ul style="list-style-type: none"> • Making mandatory registration and licensing for businesses • Taking actions for businesses having no formal registration • Digitizing government regulations and systems can significantly reduce corruption by increasing transparency and accountability which attract companies to be registered 	<ul style="list-style-type: none"> • Ministry of Commerce • Bangladesh Bank • Ministry of Industries and Testing Institution (BSTI) • BIDA • City Corporations • RJSC
Adherence to International Standards	<ul style="list-style-type: none"> • Ensure that licensing, regulation, and business operations adhere to international governance and ethics standards, with regular policy reviews to stay aligned with global benchmarks 	<ul style="list-style-type: none"> • Ministry of Commerce • Bangladesh Investment Development Authority (BIDA) • Ministry of Industries
Time-consuming renewal process	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Directorate of Factories and Establishments (DIFE), • Bangladesh Standards and Testing Institution (BSTI) • BIDA • City Corporations • RJSC

IV.5 Challenges in Domestic Competition and Business Operations: Agenda for Reform

Agenda for Action: Business Operations and Domestic Competition

Concerns/ challenges	Recommendations	Institutions to be responsible
Support Mechanisms for New and Small Businesses	<ul style="list-style-type: none"> • Provide targeted support for small and emerging enterprises, including financial aid, mentorship, and streamlined bureaucracy. • Formulate policies to address the unique challenges of start-ups and SMEs 	<ul style="list-style-type: none"> • Ministry of IT and Telecommunication • SME Foundation, Bangladesh • Bank, Bangladesh Investment Development Authority (BIDA) • BASIS • A2i
Enhanced Financial Access and Support	<ul style="list-style-type: none"> • Introduce government-backed schemes to provide seed funding and grants for innovative business ideas and models • Introduce biometric verification for bank loan collateral and land registration to enhance the security and reliability of financial transactions while making the process easier for businesses 	<ul style="list-style-type: none"> • Bangladesh Bank, • Ministry of Finance, SME Foundation • Mobile-based financial system
Productivity	Focusing on the improvement productivity in the agriculture sector, which includes horticulture, aquaculture and Animal Husbandry.	<ul style="list-style-type: none"> • Ministry of Planning • Ministry of Fisheries And livestock • Ministry of Agriculture • Ministry of Food

IV.5 Challenges in Domestic Competition and Business Operations: Agenda for Reform

Agenda for Action: Business Operations and Domestic Competition

Concerns/challenges	Recommendations	Institutions to be responsible
Incentivisation and Support for SMEs and Startups	<ul style="list-style-type: none"> • Review the performance of special economic zones to facilitate SMEs with tax incentives, infrastructural support, and simplified regulatory processes • Establish incubation centres that provide mentorship, funding, and networking opportunities for new entrepreneurs. • Include sector-specific support programmes, such as tech incubators, light engineering incubators and creative industry hubs 	<ul style="list-style-type: none"> • SME Foundation • BIDA • Ministry of Industry • Ministry of Commerce • BSCIC • BEZA • BSCIC
Sustainability and Environmental Compliance	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Department of Environment and Climate Change • Ministry of Industries • Ministry of Agriculture • Bangladesh Bank • NBR

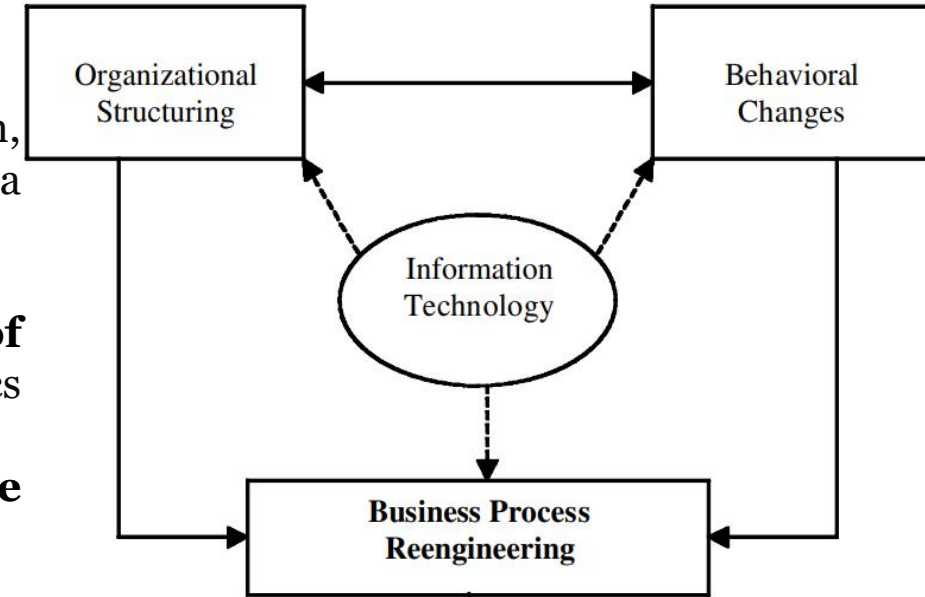
V. New Business Process Designing: Agenda for Action

5. New Business Process Designing: Agenda for Action

5.3 New Business Process Design

- 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).

Figure 2: Business Process Reengineering



5. New Business Process Designing: Agenda for Action

5.3.1 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.



5. New Business Process Designing: Agenda for Action

5.3.2 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.
- **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.

5.3.3 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**.
- **Incubation Centres**

Establish **incubation centres** that provide mentorship, funding, and networking opportunities for new entrepreneurs.

5. New Business Process Designing: Agenda for Action

5.3.4 Enhanced Financial Access and Support

- **Reform the Banking and Financial Sector**
 - Offer lower interest rates and streamlined loan processes for businesses, especially SMEs.
- **Government-Backed Schemes**
 - Introduce **government-backed schemes to provide seed funding and grants** for innovative business ideas and models.

5.3.5 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.
- **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**.

5.3.6 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.
- **Independent Regulatory Body**
 - Establish **an independent regulatory body** to oversee the effective implementation of reforms and ensure continuous improvement

5. New Business Process Designing: Agenda for Action

5.3.7 Monitoring and Feedback Mechanism

- **Robust Monitoring System**
 - Implement **a robust monitoring system** to regularly assess the performance of the new business processes.
- **Feedback Loop**
 - Create **a feedback loop** involving businesses, government agencies, and other stakeholders for continuous improvement of the processes.

5.3.8 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.
- **Environmental Impact Assessments**
 - Integrate **environmental impact assessments** as a part of the business process for industries with significant environmental footprints.

Thank you!