Bangladesh Investment Climate Fund

Business Environment Reform - BICF Experience

DECD International Seminar, Bangkok
17 January 2012
## BICF Program Logical Framework

### Goal/Impact: Making Bangladesh a better place to do business

<table>
<thead>
<tr>
<th>Increased Employment</th>
<th>New formal (direct and indirect) jobs supported through BICF interventions by 0.15 million</th>
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</thead>
<tbody>
<tr>
<td>Increased Private Investment</td>
<td>Increase in private investment by US$ 650 million</td>
</tr>
</tbody>
</table>

### Purpose/Outcome

| Reduced Regulatory Compliance Cost | • Compliance Cost Savings of $189 million realized  
• Public & Private tied-up funds of $500 million released  
• Increase in Tax to GDP ratio from 9.3% FY2010 to 11.3% in FY2015 |
|-----------------------------------|------------------------------------------------------------------------------------------------|
| Improved Investment Climate | • GoB budget of US$ 19.5 million allocated to sustain BICF interventions  
• Bangladesh position in the Doing Business ranking |
BICF Phase 2: Program Approach

Vision

Multi year DFID-EU funded program managed by IFC.
Improve overall business regulation,
Enable private economic zones and Strengthen institutional and civil service capacity for PSD

Program Areas

Regulatory Simplification

Private Investment Generation

Focus

Simplified business tax administration
Simplified regulatory compliance, including dispute resolution
In economic zones and outside zones through PPPs or private sector

Approach

Technical inputs (laws, procedures), automation of G2B services, capacity building and institutional strengthening
BICF Interventions: An Example

RESULTS:
- Reduction in time and cost for dispute resolution by 50%
- Pool of ADR specialist (200)
- Value of Funds released (USD 150 million)
- Locked-up revenue released (USD 350 million)

Sustaining Private Sector Initiative
- MCCI
- ICC-B
- DCCI

Sustaining GoB Initiative
- Arbitration Act 2001; BEZA regulation; Tax & VAT law;
- Announcement to use ADR for resolving Commercial & Tax disputes
How Digital Bangladesh is Simplifying Business: Dhaka Customs House

**Before Automation**

1. Appoint C&F Agent
2. Collect flight rotation number from freight building
3. Collect IGM from Biman Bangladesh (freight Building)
4. Pre-noting IGM from Custom House
5. If amendment required then submit hardcopy of IGM - amendment done manually by hand
6. Submits Bill of Entry (B.E) from DTI Section and collect Hash Number
7. Collect B.E. Registration Number from Custom Long Room

**After Automation**

- C&F Agent logs into system and gets rotation number
- Views IGM and inputs B.E. into system - gets B.E. registration number
- If amendment is required then user can submit amendment request through the web
- Status can be tracked online by both Customs and Agents

**Before Automation**:
- 6 Days
- 40 Steps

**After Automation**:
- 3 Days
- 20 Steps
Results of Bonded Warehouse Licensing Reform

Costs (USD)

<table>
<thead>
<tr>
<th>Time (day)</th>
<th>Costs (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>133</td>
<td>4161</td>
</tr>
<tr>
<td>43</td>
<td>2442</td>
</tr>
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</table>
## BICF – Key Achievements

<table>
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<tr>
<th>Purpose/outcome</th>
<th>Results</th>
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</table>
| **Reduced Regulatory Compliance Cost**                                        | - $36 million compliance cost savings  
- Time to register a company reduced from 35 days to 1 day  
- Time to register a property reduced from 425 to 245 days; registration fees cut by 55%  
- Bol online Registration system reduced registration time 15 to 1-2 days  
- Time to obtain Bonded Warehouse Licensing reduced by 3 months  
- Automation of Dhaka Customs House Clearance Procedures (import 6 to 3 days) |
| **Strengthening the framework to enable and sustain private investments**     | - Special Economic Zones Act enacted  
- Instituted social compliance program in all EZs; over 90% firms compliant in all zones; grievance resolve rate 95%  
- Reforms to VAT Law and Regulations  
- Developed a group of 40 PSD champions within GoB; directly supported 5 reforms which resulted $12 million CCS  
- Skills development council established to market demand  
- GoB allocated $8 million to sustain BICF interventions  
- Underway: Supporting the draft Competition Act; company Act, digital signature and e-payment related regulations |
...but we have an eye on the future: key lessons from BICF Phase 1

- Buy-in at the top and higher level engagement with government are critical
  - Engage continuously with clients at a strategic level;

- Provide comprehensive solutions, start with a part being aware of the whole
  - Technical inputs, capacity building, systems improvements, communications;
  - Exit strategy is equally important;

- Scenario planning is important given the political context
  - Be flexible to re-align with client’s priorities;

- Keep reaching out to the eventual beneficiary to track impact
  - Regular beneficiary feedback mechanisms; reforms need to be sustained.

*Source: BICF team discussions; Donor reviews; stakeholder feedback*
Key Results Measurement Challenges

• Connecting program objectives to broader development goals
• Establishing counterfactuals for attribution; Linking outcomes to impacts
• Data unavailability particularly in secondary sources
• Limited tools and techniques. Example: Jobs
• Frequent mid-course correction/adjustment of program objectives due to political economy issues
THANK YOU

Questions, Suggestions, feedback?