

# Public-Private Dialogue

## Business Initiative Leading Development (BUILD) in Bangladesh

by

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*Presented at the Public-Private Dialogue 2014 Workshop  
(Frankfurt, March 3-6 2014)*

### 1- Background and Context

In the recent years, Bangladesh has showcased its enormous investment potential. However, the FDI performance remains poor and the country suffers from lower fixed capital formation, narrow export diversification and high regulatory burdens, amongst other challenges. Misunderstanding, uneasy relationships and distrust are not rare between public and private sectors and amongst the various private sector business catalysts as well - while some larger firms are able to maintain informal dialogue with the government through various channels, smaller ones struggle to reach the right place to raise their concerns. The public sector also contains different actors (ministries/agencies) and it may be difficult for an outsider to know which department to voice different questions regarding challenge.

The Bangladesh Investment Climate Fund<sup>1</sup> (BICF) recognized the need for a common sustainable platform to coordinate, advocate and foster business reforms in Bangladesh. In October 2011, BICF brought together the Dhaka Chamber of Commerce & Industry (DCCI), the Metropolitan Chamber of Commerce & Industry (MCCI) and the SME Foundation (SMEF), which are not only highly regarded by the government but also have a diverse range of memberships representing the full spectrum businesses, from large to small, from manufacturing to services, from proprietorships to corporates to establish the platform named **Business Initiative Leading Development (BUILD)**. Later in November 2013, the Chittagong Chamber of Commerce & Industry (CCCI) joined the initiative and the BUILD emerged as a permanent legal entity.

BUILD became the first ever research-backed and evidence-based public-private dialogue platform in Bangladesh. ***It aims to improve the business enabling environment through a platform where both the Government and the private sector work together to promote trade and investment, in particular, to: (i) promote an improved investment climate in Bangladesh; (ii) significantly reduce the cost of doing business and; (iii) increase private sector development and investment thereby creating jobs and opportunities for growth.***

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<sup>1</sup> BICF is an investment climate program funded by the UK Government and the European Union managed by IFC.

To the Government, BUILD is ..	To Businesses, BUILD is...	To the Academia, BUILD is ...
<input type="checkbox"/> a key channel for reform recommendations, backed by evidence-based research and advocacy <input type="checkbox"/> a think tank and center for knowledge and expertise <input type="checkbox"/> government's trusted partner in promoting private sector-led reforms for growth	<input type="checkbox"/> a reliable and preferred voice for business reforms <input type="checkbox"/> a joint forum for learning and knowledge-sharing <input type="checkbox"/> an initiative to make a difference in business reform	<input type="checkbox"/> a professional partner in undertaking private sector research <input type="checkbox"/> a platform for reform communication

Globally, such platforms are generally anchored in and owned by the Government. However, given the previous experience and the anti-incumbent tendencies in Bangladesh politics, such a platform would not survive past a change in government. Therefore, IFC advocated to instead anchor BUILD in the private sector as they tend to demonstrate much higher continuity, thus ensuring sustainability of the initiative.

## 2- Partnership, Structure and Processes

Governed by a Board of Trustees, BUILD is operated by a professional secretariat. The BUILD secretariat comprises of three core departments: Research, Dialogue and Communications that work under the leadership of the CEO.

While the private sector partnerships of BUILD are critical for its existence, the vital partnerships of BUILD are those that have been established through its Working Committees (WCs) with the different Government counterparts. There are four thematic WCs through which the private sector presents their concerns in a structured manner and reach towards solutions. These are: Taxation, SME Development, Financial Sector Development, and Trade & Investment.

**Table 1: The structure of the Working Committees at BUILD**

<b>Theme</b>	<b>Government Co-Chair</b>	<b>Private Sector Co-Chair</b>
<b>Trade &amp; Investment</b>	Secretary, Ministry of Commerce	President, MCCI
<b>SME Development</b>	Secretary, Ministry of Industries	Managing Director, SME Foundation
<b>Financial Sector Development</b>	Deputy Governor, Bangladesh Bank	President, DCCI
<b>Taxation</b>	Chairman, National Board of Revenue	President, the Federation of Bangladesh Chambers of Commerce and Industry

BUILD acts under a planned Reform Architecture (Figure 1). Through this reform architecture, the WCs under BUILD, with support from the BUILD Secretariat, act as the core partners of the Private Sector Development Policy Coordination Committee (PSDPCC) where complex inter-ministerial issues are raised

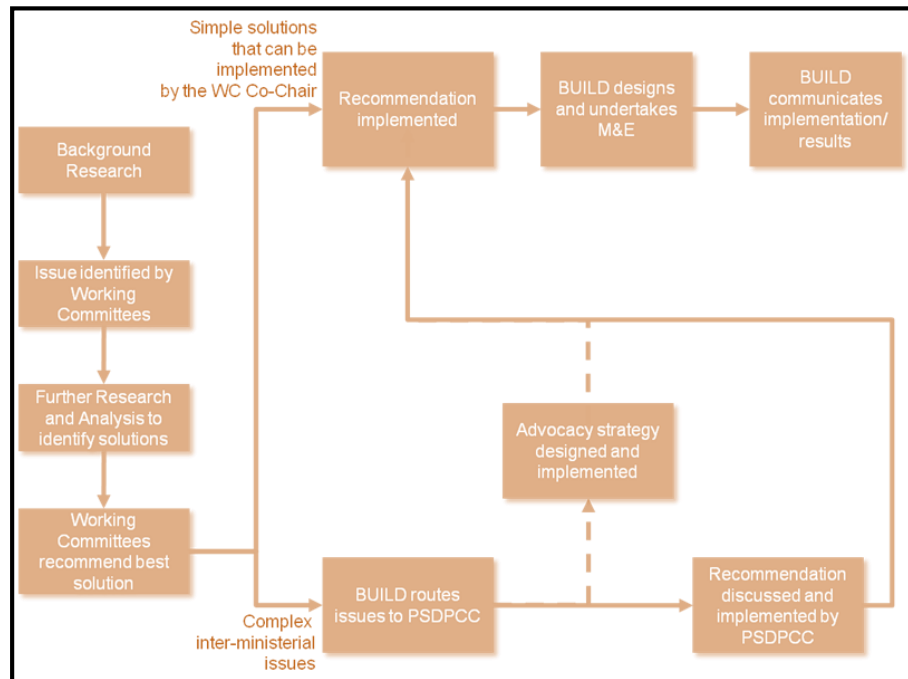


Figure 1: The Reform Architecture of BUILD

alongside

recommendations

proposed by BUILD. The PSDPCC was established at the Prime Minister's Office and is headed by the Principal Secretary to the Prime Minister of Bangladesh and is comprised of 10 ministries relevant to PSD.

### 3-Milestones and Reforms

In just over two years since BUILD started its operations, it has already made some significant and powerful reforms, including but not limited to:

- ❑ **Bonded warehouse license issuance simplification:** The time needed to issue bonded warehouse licenses was reduced from 56 days to 26 days, generating direct compliance cost savings of \$21,000.
- ❑ **Certification Mark license issuance simplification:** The time needed for the Bangladesh Standards and Testing Institute to issue a Certification Mark license was reduced from 74 days to 38 days.
- ❑ **Import and Export Registration Certificate issuance and renewal simplification:** The time needed for the Chief Controller of Imports and Exports to renew Import Registration Certificates was reduced from 6 days to 2.29 days, generating direct compliance cost savings of \$3.88 million. The time needed for the Chief Controller of Imports and Exports to issue IRCs and ERCs was reduced from 11–15 days to 2 hours.
- ❑ **Lowering import duty on ready-made solar lanterns:** BUILD advocated with the National Board of Revenue for a reduction of the import duty on readymade solar lanterns from 39.47 percent to 5 percent; this reform would potentially benefit 50 million people in Bangladesh.
- ❑ **Revision in foreign exchange guideline regarding foreign supplier's credit report:** Three recommendations were implemented by Bangladesh Bank, generating an expected direct compliance cost savings to the private sector of \$9.3 million.

- ❑ **Ranking of thrust sectors** – BUILD reviewed a wide array of secondary information and identified 12 high potential sectors out of the 32 thrust sectors mentioned in the current Industrial Policy, the status of which is now being upgraded by the Ministry of Commerce and Ministry of Industries so that their potential for growth can be fully harnessed. The 12 high potential sectors have already been drafted in the upcoming Industrial Policy.

In addition to these reforms, BUILD has been able to introduce several pioneering works in Bangladesh such as:

- ❑ **Comprehensive Licensing Guide** - a guide to regulations surrounding business in Bangladesh and this guide is expected to become an online license registry in the near future;
- ❑ **Business Confidence Surveys** - as a tool to inform stakeholders of the views and opinions of the private sector BUILD has recently completed its first round of Business Confidence Survey based on businesses in Dhaka and is currently preparing for the second round covering businesses in Dhaka and Chittagong (the second largest business hub of Bangladesh)

The most significant **milestone** for BUILD has been its institutionalization as a Trust partnered by DCCI, MCCI and CCCI which makes BUILD a separate legal entity ensuring its sustainability. In order to strengthen the partnerships with the Government counterparts built through the WCs, BUILD has been working to formally acknowledge these lead agencies as their partners in dialogue and change. In early February, 2014, BUILD signed a Memorandum of Understanding with Bangladesh Bank who co-chairs the Financial Sector Development WC. BUILD is currently following up with the 3 other lead government partners on the same.

In the coming months, BUILD expects to bring forward more reforms, including but not limited to:

- ❑ **Availability of Export Development Fund for non-traditional sectors** - In order to promote export diversification, BUILD has placed recommendations to allow non-traditional sectors such as Shipbuilding to avail Export Development Fund (EDF), a facility managed by the central bank. Bangladesh Bank has agreed to review the recommendations on EDF which, if made available to different sectors, is expected to save at least \$60 million.
- ❑ **Improving access to international markets for local pharmaceutical firms** - BUILD has raised a number of issues relating to the pharmaceutical sector of Bangladesh during its 3<sup>rd</sup> Financial Sector Development Working Committee meeting in which the Bangladesh Bank has agreed to review. In particular, recommendations were made to make it easier for local pharmaceutical firms to remit drug registration fee, simplified process to transact through Exporters Retention Quota accounts and setting up a Single Point Contact Center to expedite foreign exchange related approval leading to sector competitiveness.

## **4- Challenges and Way Forward**

BUILD's achievements so far have been focused mainly on regulatory simplifications, which have helped them establish trust and solidify partnerships with its quick turnaround. Nevertheless, BUILD needs to engage more in long-term and more comprehensive policy advocacy. However, the key challenges lie on BUILD's sustainability from a brand, organization, impact and financing perspective. Sustaining the institutional capacity to deliver reform recommendations on a continued basis is depended on those aspects.

In order to address these and other issues, BICF has been supporting BUILD and working closely with its members in devising a sustainability strategy that addresses these challenges.

## **Biography of Authors**

***Ferdaus Ara Begum*** is the Chief Executive Officer of BUILD. Mrs. Begum was the Executive Director of the SAARC Chamber of Commerce & Industry – regional chamber body – for several years. She has managed numerous projects and coordinated a number of national and international events. She has also worked for CIPE, ITC, JETRO, GIZ in different capacities.

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