

BANGLADESH

Business Initiative Leading Development (BUILD)

by

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1. Background and Context

Structured public-private dialogue is a cornerstone in any reform initiative. Without an inclusive, forward-looking, research-backed and fact-based dialogue between the government and private sector, the reform initiative cannot succeed and sustain effectively. A lack of sustainable opportunities for such structured dialogue between the Government and the private sector, coupled with low availability of demonstrable results through existing dialogue initiatives, has meant that this space has been relatively ignored in Bangladesh's private sector development efforts. But the recent development and growth momentum of Bangladesh calls for sustainable private sector development reform initiatives to promote greater trade and investment.



Bangladesh Investment Climate Fund¹ (BICF) recognized the need for a common sustainable platform to coordinate, advocate and foster business reforms in Bangladesh. In October 2011, BICF brought together Dhaka Chamber of Commerce & Industry (DCCI), Metropolitan Chamber of Commerce & Industry (MCCI) and 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, manufacturing to services, and proprietorships to corporates, to establish the platform named **Business Initiative Leading Development (BUILD)**.

Generally, such platforms are anchored in and owned by the Government. However, previous experience and the anti-incumbent tendencies in Bangladesh demonstrated that such a platform would not survive past a change in government. Therefore, IFC advocated **anchoring BUILD in the private sector** instead as they tend to demonstrate much higher continuity, thus ensuring sustainability of the initiative. Such a feature of **full private sector anchoring made BUILD unique, neutral and inclusive** with greater openness as a dialogue platform.

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.

The significant achievements of BUILD in its short life since 2011 clearly demonstrate both the need for such dialogue, as well as the powerful results such dialogue can generate for businesses in Bangladesh. On November 3, 2013, BUILD began a new phase in its journey – the signing of the Trust Deed among DCCI, MCCI and the

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

Chittagong Chamber of Commerce and Industry (CCCI) is not only demonstrative of the private sector’s support for BUILD, but is also an important step in ensuring that BUILD can become a sustainable voice of the private sector for reforms to unlock Bangladesh’s growth and development potential. IFC has been proud to be a partner of the private sector throughout this journey. Currently, BUILD has been consolidating its operations to ensure its sustainability along four strategic pillars – brand, organization/operations, impact and financing.

To the Government, BUILD is ..	To Businesses, BUILD is...	To the Academia, BUILD is ...
<ul style="list-style-type: none"> <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 	<ul style="list-style-type: none"> <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 	<ul style="list-style-type: none"> <input type="checkbox"/> a professional partner in undertaking private sector research <input type="checkbox"/> a platform for reform communication

2. Partnership, Structure and Processes

Governed by a Board of Trustees, BUILD is operated by a professional Secretariat comprising of three core departments: Research, Dialogue and Communications that work under the leadership of a 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 (WC) with the different public sector counterparts. There are four thematic WCs – Taxation, SME Development, Financial Sector Development, and Trade & Investment – through which private sector presents their concerns in a structured manner and reach towards solutions.

Table 1: The structure of the Working Committees at BUILD

WC Theme		Public Sector	Private Sector
Trade & Investment	Agencies:	Ministry of Commerce	MCCI*
	Co-Chairs:	Secretary	President
	Membership:	7	17
SME Development	Agencies:	Ministry of Industries	SME Foundation
	Co-Chairs:	Secretary	Managing Director
	Membership:	8	30
Financial Sector Development	Lead Agencies:	Bangladesh Bank	DCCI*
	Co-Chairs:	Deputy Governor	President
	Membership:	4	18
Taxation	Agencies:	National Board of Revenue	FBCCI*
	Co-Chairs:	Chairman	President
	Membership:	7	23

* MCCI: Metropolitan Chamber of Commerce & Industry; DCCI: Dhaka Chamber of Commerce & Industry; FBCCI: The Federation of Bangladesh Chambers of Commerce & Industry

The Reform Architecture

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 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.

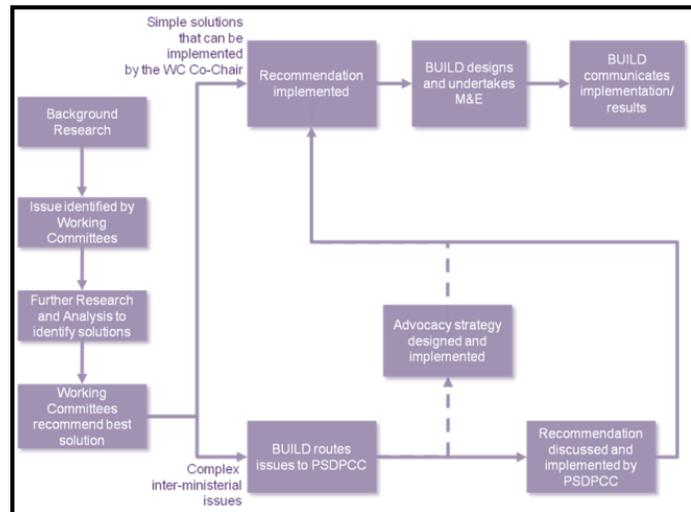


Figure 1: The Reform Architecture of BUILD

3. Results so far

In over three years since BUILD started operations, it has already made some significant and powerful reforms, in the areas of sectoral policy issues, competitive tariff & taxation, streamlined trade facilitation, simplification of regulatory processes for investment and financing, recognition of IP rights and institutional development. Some of these include, but are not limited to the following:

Sectoral policy issues

- BUILD reviewed a wide array of secondary information, identified and recommended 12 high potential sectors out of the 32 thrust sectors mentioned in the current Industrial Policy which have been endorsed by the PSDPCC and accepted Ministry of Industries for consideration in the upcoming industrial policy.
- BUILD, in association of Board of Investment (BOI) and IFC Agribusiness project, is helping to promote agribusiness sector and facilitate policy issues through effective PPD mechanism.

Competitive tariff & taxation

- BUILD advocated for rationalization of Corporate Income Tax (CIT) rate and as a result, the CIT for non-publicly traded companies has been reduced from 37.5% to 35%.
- BUILD also advocated and made recommendations on rationalization of the Turnover Tax System for SMEs with annual turnover less than BDT 80 lacs which was reduced to 3% from 15%. Cottage Industries are now allowed to be enlisted as VAT-exempted firms in the district level.
- Tax slab for Local Procurement of Raw Materials was reduced from 5% to 3% and tax payment for small investors with total proceeds up to BDT 500,000 was exempted.
- To access Solar Lantern at rural areas beyond the coverage of national electricity Grid, BUILD advocated with Lighting Bangladesh project and reduced the import tariff on Solar Lantern from 12% to 5%.
- To promote quality product sourcing, the Supermarket trade VAT has been reduced from 4% to 2% as paid by other shops.

Streamlined trade facilitation

- The approval process for obtaining import and export registration certificate by the industrial and commercial traders have been significantly reduced and streamlined by BOI and the office of the Chief Controller of Imports & Exports. Only Industrial Ad-hoc IRC recommendation time was reduced from 63 days to 14 days.



- Requirements for Suppliers Credit Report have been simplified in the foreign exchange guideline generating direct compliance cost savings to the private sector (banks and importers) of USD 10.6 million.

Simplification of regulatory processes for investment and financing

- For manufacturing, a major step is setting up factories. With BUILD's recommendation, the **factory plan approval, registration & licensing** procedures have been simplified by the Department of Factories & Establishments (DIFE).
- Based on the BUILD recommendation, Bangladesh Bank through Bangladesh Automated Clearing House (BACH) exempted charges on Regular Value Cheques (below BDT 50,000) that simplified the banking transaction for smaller businesses.
- BUILD is also working with BOI to help them map out and simplify investors' service processes.

Recognition of IP rights, institutional development.

- Four recommendations are under implementation by Ministry of Finance/Bangladesh Bank to enable ICT entrepreneurs for higher valuation of IP assets as equity.
- Based on BUILD's recommendation, the Department of Factories & Establishments was upgraded to a Directorate to strengthen it with greater administrative and financial authority.
- To support financial inclusion and ease financial transaction in general, specially for micro entrepreneurs, Banks can now establish ATM Booths easily as per new guidelines of Bangladesh Bank.

To showcase the reform initiatives, BUILD has published several licensing guides in partnership with BOI. These include **Comprehensive Licensing Guide** 3rd Edition, **Fish and Fisheries Business Start-up Licenses and Pharmaceuticals Business start-up License**. BUILD is also conducting **Business Confidence Surveys** in partnership with a local survey firm to inform stakeholders of the views and opinions of the private sector, BUILD completed its second round of Business Confidence Survey based on businesses in Dhaka and Chittagong and is currently undertaking the Third round covering businesses in Dhaka and Chittagong.

4. Expected Results

BUILD has come a long way from focusing on quick-win regulatory simplifications with quick turnaround, which have helped it establish trust and solidify partnerships. It is now a competent and reliable reform partner engaging itself in long-term and more comprehensive policy reform and advocacy such as National Industrial Policy, Import Policy, Export Policy and National Budget proposal. BUILD will continue its efforts to sustain the institutional capacity to deliver broader national and sectoral reform recommendations on a continued basis.

5. Private Sector Growth Component

BUILD is a unique public-private dialogue platform. While PPDs may focus on various areas including governance, economic policy, economic integration, agriculture, social inclusion, etc. BUILD has been established with the sole aim of **facilitating private sector growth**. BUILD's thematic working committees, namely Trade & Investment, Taxation, Financial Sector and SME, have also been formed in line with the different aspects of private sector development agenda. Moreover, BUILD is the reform partner of the high-powered **Private Sector Development Policy Coordination Committee (PSDPCC) which** is the apex body of the government that has been formed focusing exclusively on private sector. Established at the Prime Minister's Office and headed by the Principal Secretary to the Prime Minister of Bangladesh, it is **comprised of 10 ministries relevant to PSD**.

One of the most significant milestones for BUILD has been its establishment as the preferred reform partner in the upcoming Industrial Policy where it is working with the Ministry of Industries to support drafting the new Industrial policy. The work is expected to have an inclusive policy impact on the private sector development in Bangladesh.



Biographies of Authors:

Asif Ibrahim is the Chairman of BUILD Board of Trustees representing Dhaka Chamber of Commerce & Industry (DCCI). A former president of DCCI, Asif Ibrahim is a key champion of PPD in Bangladesh, specially in formation of BUILD. He is also Vice Chairman of Newage Group of Industries, a business house involved mainly in manufacturing and exporting ready-made garments, textiles and plastic products.

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