

Bangladesh
Private Sector Development
Support Project



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Reducing Administrative Barriers

Results from the ABR Study

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Scope of the Study

- 3 Processes under NBR
 - Duty Drawback
 - Bonded Warehouse License
 - Capital Equipment Clearance
- 2 Processes under DoE
 - Location Clearance Certificate
 - Environmental Clearance Certificate
- 2 Processes under BOI
 - Foreign Loan Documentation
 - Recommendation for Bonded Warehouse License

- Three-pronged approach
 - Process Mapping
 - Business Intermediary Survey
 - Focus Group Discussion

- Common Client Complaints
 - "process is extremely cumbersome"
 - "processing takes too long"
 - "unofficial payments have to be made"
- Common Agency Complaints
 - privilege granted will be abused
 - phantom business
 - legal recourse extremely difficult

Recognize and bridge the barrier

Nine

Six

Agency

Private Sector

9

- Poor information regarding the process
- Heavily dependent on paperwork
- Poor infrastructure with inadequate resources
- Multi-layered decision process
 - decisions of senior officers dependent on files prepared at a different level of the bureaucracy

- Reduce steps
- Reduce required documents
- Establish and enforce time limits on decisions (silence is consent)
- Automate: Use of databases and MIS
- Increase logistics resources and inspection capacity
 - Accepting transportation and logistical support impinges on the ethical position of inspectors

- Law allows for 30 days to process a claim
- Survey findings:

Average Agency time 26 days

Max Agency time 180 days

- Break down of fees:

Official 1%

Service provider 55%

Unofficial 44%

Option 1: Streamline the verification process

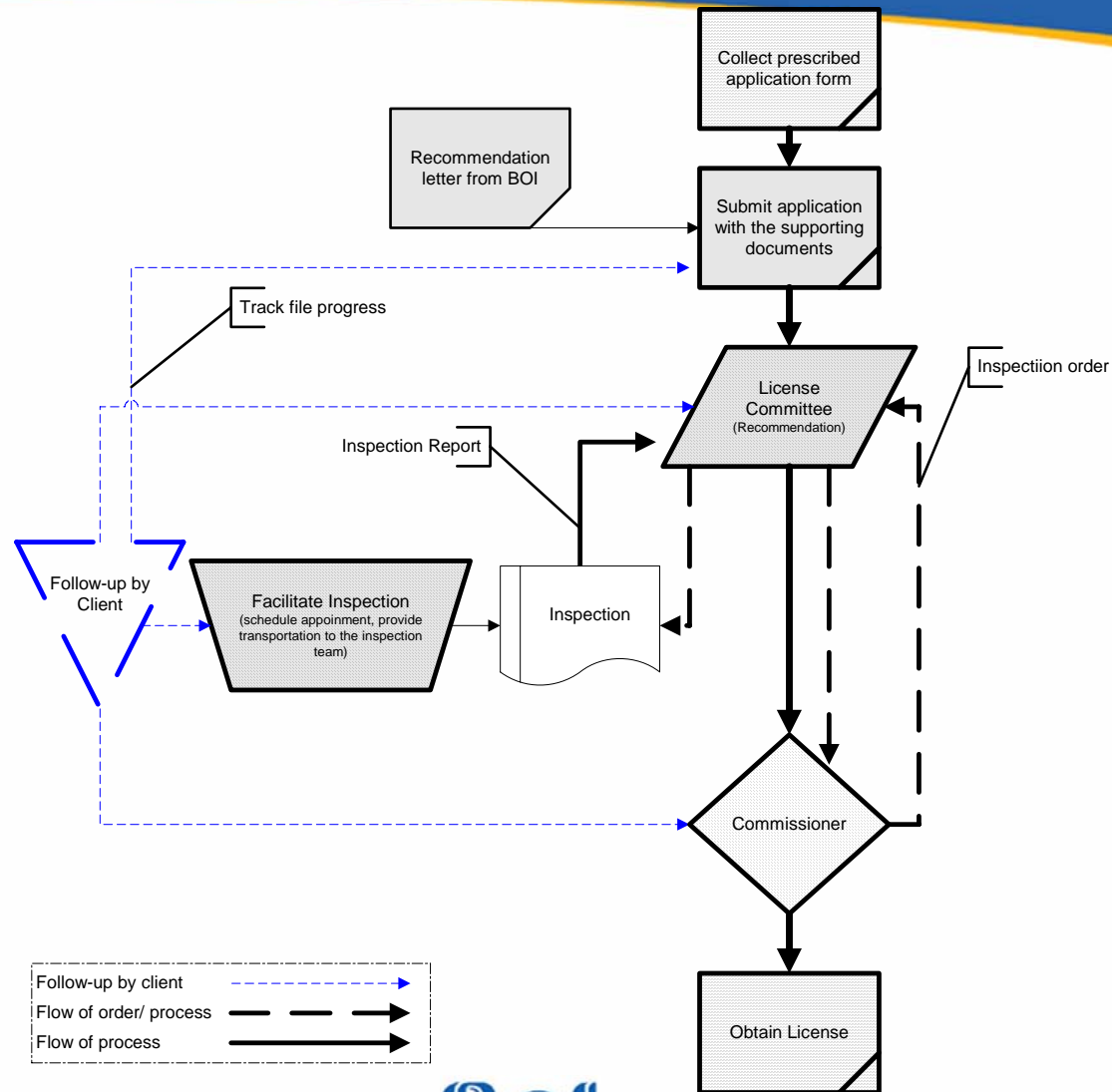
- Establish database of exporter claims/behavior
- Reduce repetition of data

Option 2: Streamline the determination process

- Adopt standardized coefficients by industry

Option 3: Duty exemption (instead of drawback)

Bonded Warehouse



Bonded Warehouse (cont.)

BOI	CBC
Submit application (6 docs)	Submit application (25+ docs)
Physical inspection	License committee (LC)
Brief prepared	Physical inspection
Verified	Inspection report
Presented to EC	Recommendation from the LC to commissioner
Recommendation letter issued	License issued

25 days

108 days

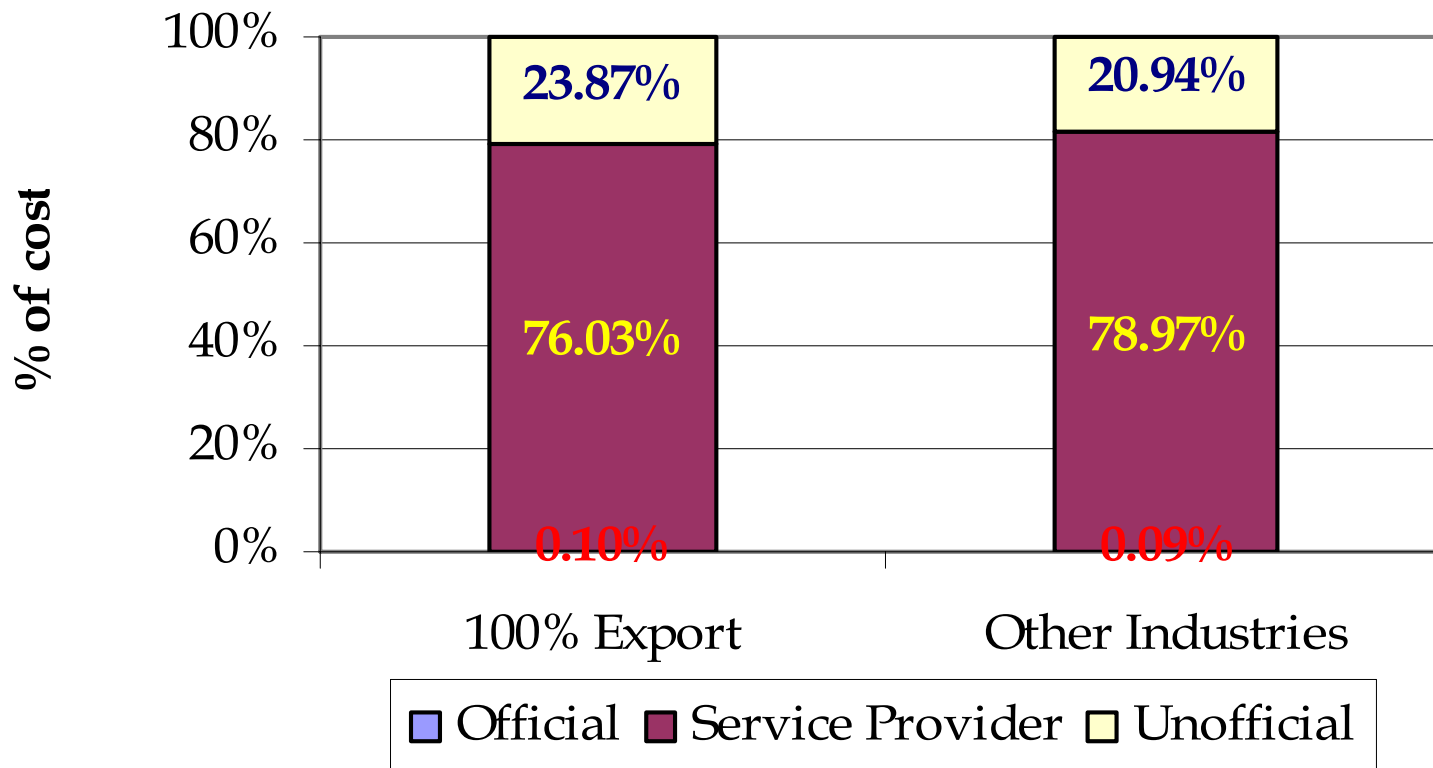
Option 1: Eliminate the requirement for BOI recommendation

- inspection and verification completed by both agencies
- resource constraints at BOI
- reduce the time and cost

Option 2: Require escrow accounts from license holders

Capital Machinery Clearance

Average distribution of fees as a percentage of total cost



Customs: Options for Reform

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Option 1: Better monitoring and enforcement of
internal controls

Option 2: Strengthening HR Capacity

Option 3: Institute a risk-based system of inspection

- Replace ad hoc/discretionary selection of physical inspections
- Develop risk based system for selection

Option 4: Motivate C&F to partner in reform efforts

- Require periodic recertification
- Revoke or suspend licenses in case of abuse

Table: Staff Strength at DoE

	Dhaka Office		Total DoE Office	
	First Class Officers	Total Staff	First Class Officers	Total Staff
Sanctioned	29	42	74	244
Actual	8	26	44	168

Table: Breakdown of fees as a % of total cost in ECC

	Green	Orange A	Orange B	Red
Official Fees	15%	21%	22%	5%
Fees of service providers	85%	79%	56%	90%
Unofficial fees	0%	0%	22%	5%
Total	100%	100%	100%	100%

service provider fee is higher as a percent than C&F Agents who are certified

DoE: Options for Reform

Option 1: Results based management

Option 2: Outsource Inspections

- Certified private agencies to carry out inspections
- Code of conduct for certified inspectors
- Still require HR capacity to support recommendations of ECC

Option 3: Increase Manpower at DoE

Option 4: Develop industrial master plan

Foreign Loan Documentation

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- Credit extended to private borrower by international entities
- Government is not a party to the transaction and does not carry liability
- International creditors evaluate and price the loan
- Takes 4-9 months to obtain a pre-loan approval
- Delay increases cost of funds

Option 1: Eliminate foreign loan documentation process

- Require foreign loan registration rather than loan pre-approval
- international creditors can better assess risk/creditworthiness

Option 2: Delegate decision making authority

- Increase competitiveness of private sector
- Help public sector achieve objectives in an efficient and effective manner