

**Session-3:** Enhancing Competitiveness for promoting trade, investment and private sector development

**Topic-1** "Improving the legal and regulatory environment"

*Draft intervention by Charlotte Seymour-Smith, Director for Asia, DFID*

Minister Saifur Rahman, Honourable Ministers, Government of the People's Republic of Bangladesh officials, representatives from the private sector and civil society, visiting development partner delegates, ladies and gentlemen. I will speak generally regarding the regulatory environment and the World Bank will then look at the specific problem of developing effective regulators.

Improving the business environment is critical to achieving growth in Bangladesh as it is a systemic issue that cuts across all forms of private sector activity – from small informal firms – to large formal ones. The degree to which forms are informal are often a function of the burden of regulation, and corruption associated with adherence.

Appropriate regulation is increasingly part of the competitiveness formula for any country competing in the global market place, and having an obsolete, corrupt, bureaucratic and high cost regulatory and legal environment can create or destroy jobs faster than most other policy tools. It is the cornerstone of an investment climate that creates a conducive environment for firms to invest and create jobs. Appropriate regulation means that state being clear on its role in facilitating growth, market development and ensuring competition. This implies that Government should not be involved in direct provision of services or finance to the private sector unless there is a very good reason in terms of market failure or strategic importance. It means moving away from being involved in business, to regulating and spurring businesses themselves to grow.

The Bangladesh Government has made substantial commitments to improving the investment climate, especially through regulatory reform in its PRSP. We fully support this thrust and understand that it will take time and political commitment during a difficult period of transition. The Government has agreed to start streamlining up to 10 key regulatory barriers identified with the private sector and development partners. It has also agreed to set up a regulatory unit that will have substantial reform oversight. It has also agreed the need to review the role of existing institutions. All of these commitments we development partners collectively stand behind and will support through the upcoming Private Sector Development Support Project (PSDSP) with the honourable Executive Chairman of the Board of Investment. It will be imperative that these intentions translate into action as soon as possible. Streamlined regulatory mechanisms should also be introduced in economic zones to maximise the impact on job creation.

We have agreed a set of comprehensive targets and actions that are actionable on this front in the next year.

It will be vital for Government to start also strategically reviewing the architecture it has created to support a competitive investment climate. This should include targeting the real capacity it will need in its regulators and line ministries. This may mean that ideas to cluster ministries, create competency standards in the economic sphere, and reduce the number of overlapping institutions should be thought about longer term within the context of the PRSP.