

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

Topic-1 "Improving the legal and regulatory environment"

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Honorable Finance Minister, Honorable Ministers, Respected Secretaries and Officials of Government of Bangladesh, representatives from the private sector and civil society, visiting development partner delegates, ladies and gentlemen

DFID's presentation on legal & regulatory reform is very complimentary to the following points. My focus on several regulators also bridge to the next priority area on infrastructure. Generically my key point is that the Government may need to reconsider the way that regulators function in Bangladesh: from the standpoint of pay, and independence. Otherwise they run the risk of not being able to fulfill their core functions in an independent manner.

A recent survey by the World Bank Institute (WBI) shows that Bangladesh scores poorly on all six governance indicators for 2004. Out of the 209 countries covered by the survey, Bangladesh was placed in the lowest quartile for political stability, regulatory capacity, rule of law, and control of corruption, and in the second lowest quartile for government effectiveness and voice and accountability. Regulatory Quality worsened conclusively between 1998 and 2004.

Regulatory agencies in Bangladesh are weak and lack independence and capacity to be effective and efficient. None of them are financially autonomous. Their budget is subject to approval by the government and the salary scales of the staff are linked to civil service pay. As a result, they cannot attract or retain skilled staff. To enhance the efficiency and effectiveness of the regulatory agencies, it is important to address generic issues such as low pay scales (raising them to private sector equivalents), bureaucratic management (streamline their operations with new tools such as e-governance), capacity (bring in appropriately skilled people and pay them well).

Some of the critical issues facing the key regulators are as follows:

- **The Bangladesh Telecom Regulatory Commission (BTRC):** There is an urgent need to appoint the remaining two members, preferably from the private sector with technical experience. BTRC's performance in the areas of spectrum management, interconnection, and economic regulatory issues is not satisfactory, mainly due to lack of skilled staff. While the salary scales for skilled staff needed to be enhanced, experts should be hired immediately on contract.

- **The Bangladesh Energy Regulatory Commission (BERC):** Once again, the remaining two members of the five-member Commission should be appointed urgently and the organogram of BERC should be approved by the Government without further delay. Qualified and skilled staff and consultants should be hired on contract to review the pending tariff applications and IPPs.
- **The Securities and Exchange Commission (SEC):** The fifth member of the Commission should be appointed from the private sector. Like the others, SEC should hire qualified and skilled staff and consultants on contract to effectively regulate the capital market.
- **The Bangladesh Bank** should focus on prompt and effective implementation of the Strengthening project to enhance its efficiency and effectiveness. The Bangladesh Bank Order should be further amended to provide full authority to BB on staffing matters and on supervising the Nationalized Commercial Banks.

The World Bank, DFID, ADB and Japan Country Strategy has governance as its core focus, in line with the PRSP, and cuts across the two pillars of the strategy, “Improving the Investment Climate” and “Empowering the Poor.” The Bank Group’s programs will be designed to address the key sectoral governance dimensions as well as the core governance issues and institutions to improve accountability, openness, transparency, and the rule of law.