

An Enabling Environment and Economic Zones for Private Sector Development in Bangladesh

RIA as a Tool to Improve Regulatory
Environment, and its Application to
Bangladesh

Dhaka, Bangladesh
14-15 December 2004

Cesar Cordova
Director, Jacobs & Associates

Foreign Investment Advisory Service
A joint service of the International Finance
Corporation and The World Bank



Contents

1	Introduction.....	2
2	Elements of the Regulatory Problem	2
3	Developing a Strategy and a Toolkit to Respond to Unnecessary Regulatory Burdens	3
4	What is RIA?	7
5	How RIA can be Part of a Government’s Toolkit to Reduce Regulatory Burdens	8
6	RIA’s Two Dimensions	8
7	What is the International Experience of using RIA?	11
8	Elements for Launching RIA in Bangladesh (with a special emphasis on Free Zones and business sector participation)	12
9	Importance of the Role of the Private Sector to the Success of RIA in Bangladesh	14
10	Conclusion	15

1 Introduction

Many studies have shown that there are positive links between high quality regulation, good governance and economic growth. Regulatory policies that enhance competition and reduce regulatory costs can boost efficiency, reduce cost of doing business and stimulate innovation. Reforms that reduce the burdens on businesses and increase the transparency of regulatory regimes support entrepreneurship, market entry and economic growth that, in turn, attract foreign and domestic investors. This is particularly crucial for developing countries where regulatory failures can slow economic growth or even trigger society's backlash against reforms. High quality regulation also provides governments with policy instruments to achieve social and environmental goals, aligning better public and private interests in markets.

This paper discusses how governments can use Regulatory Impact Assessment (RIA) as a tool to improve their regulatory environments, and the application of RIA to Bangladesh. The first section summarizes why poor quality regulations are an obstacle to growth and prosperity. The next section focuses on how some countries have developed a strategic approach and made use of different, but complementary, tools with short term and long-term responses. In the third section, there is a discussion on establishing a policy and setting up overseeing regulatory institutions. This includes sections on what these regulatory institutions need to do to reform the stock of existing regulations, and mechanisms for reforming the flow of new regulations. In the fourth section, there is a brief discussion on what exactly RIA is. The fifth section describes in more detail how RIA can be part of a government's toolkit to reduce regulatory burdens. The sixth section describes the process of preparing a RIA, and the RIA document itself. Next, the paper offers a discussion on the international experience of using RIA. Finally, the paper focuses on the elements for launching RIA in Bangladesh, with a special emphasis of how this process can integrate Free Zones and business sector participation. This last section includes a discussion on how RIA's prompt application to existing and future Free Zones can be an opportunity to experiment and build regulatory capacity. It also discusses the importance of the role of the private sector to the success of RIA in Bangladesh as well as some of the institutional methods for maximizing business participation in the RIA process.

2 Elements of the Regulatory Problem

Low quality regulations are a major obstacle to growth and sustainable development. *At the heart of the problem is the abuse of the regulatory powers arising from the lack of transparency, accountability and efficiency.* Using their power and influence, vested interests inside or outside the government are often able to capture the regulatory process, and are able to install regulations to their

own benefit. These self-interested groups are also able to block needed reform meant to tackle issues of opaque decision-making processes, unaccountable administrative procedures, and corruption. Politicians and regulatory bureaucracies are slow to encourage accountability of those officials with decision-making. As a result, a "regulatory culture" has emerged in some countries, and businesses have come to look to government protection for survival rather than to their own performance.

Lack of transparency is a key problem in this respect. Most regulators are neither equipped to assess the hidden costs of regulation nor to ensure that regulatory powers are used cost-effectively and coherently. Equally damaging is the fact that *good regulation can eventually become bad regulation* – if left frozen in time. Governments give too little attention to reviewing, updating, and eliminating unnecessary or harmful regulation. Many regulations currently on the books date from the early 20th century when economic and social conditions were very different.

Governments must find means of responding more quickly to changing environments. Otherwise, the resultant lack of control degenerates into 'regulatory and legislative inflation.' This refers to a big increase in any red tape associated with licenses, permits and other information requirements by government. Eventually, this overload overwhelms the ability of regulators to implement rules effectively, the ability of the private sector to comply, and the ability of elected officials to monitor these rules. It also results in an inability of the country in question to attract much-needed investment, both foreign and domestic.

3 Developing a Strategy and a Toolkit to Respond to Unnecessary Regulatory Burdens

Since the mid-1970s, governments of many developed and developing nations have launched broad reform policies to improve their regulatory framework. The aim of these reform policies has been to improve the quality of the regulatory environment on an ongoing basis via the efficient use of government's regulatory powers. These various measures have included:

- introducing screening laws and checks-and-balances to oversee rule-making processes;
- reviewing regulations and formalities to identify those regulations that are outdated or ineffective;
- streamlining and simplifying those regulations, making use of e-government tools;

- using a wider range of market incentives;
- adopting more flexible and international regulatory approaches where appropriate; and
- introducing greater discipline, co-ordination and transparency within regulatory processes.

A sound regulatory policy prompts commitment to reform, sustains transparency, and promotes consistency and co-ordination between the different components of reform. As can be seen in Box 1 below, the three main axes of action to launch and sustain a sound regulatory policy include: (i) establishing management capacity; (ii) reviewing the stock of existing regulations; and (iii) controlling the flow of new regulations.

Box 1: Tool Kit for Improving The Capacities of National Administration to Assure High Quality Regulation	
A.	Building a Regulatory Management System
1.	Adopt regulatory reform policy at the highest political levels, with explicit standards for regulatory quality and principles of regulatory decision-making
2.	Build regulatory management capacities through central institutions
B.	Upgrading the Quality of Existing Regulations
3.	Review and update existing regulations (for instance, through launching a Regulatory Guillotine System)
4.	Reduce red tape and government formalities (for instance, transforming licenses and permits into notifications to be inspected later)
5.	Improve access to regulation through one-stop-shops, codification and registries
C.	Improving the Quality of New Regulations
6.	<i>Establish and enforce a Regulatory Impact Assessment (RIA) system</i>
7.	Use alternatives to regulation
8.	Engage in systematic public consultation procedures with affected interests

Source: OECD.

It is important to note here that the reform strategy establishes clear objectives and frameworks for implementation, including clear principles against which the quality of the regulation can be measured.

Establishing a policy and setting up regulatory review institutions

Instituting an efficient regulatory policy requires strong political will. Maintaining and enforcing the policy requires even stronger determination. Without such efforts, any attempt will be doomed and probably will “vaccinate” the bureaucracy against future efforts, deeply entrenching cynicism and apathy.

However, while strong political will is necessary, it is by itself insufficient. As can be seen in Box 2, competent rule makers as well as credible institutions are also essential so as to put in place authorities in charge of a systematic and

mandatory review of new laws and regulations. These oversight bodies should have a similar mandate to those high-powered institutions controlling the constitutionality and legality of all measures (e.g., council of states or ministries of justices) or the respect of budgetary limits (e.g., ministries of finances).

Box 2: Setting up a Regulatory Oversight Body

In the past twenty years, many countries have established *ad hoc* oversight bodies in charge of ensuring the quality of the regulatory system. For maximum political leverage, they are often located at the highest administrative level in the centre of the government secretariat (e.g. prime minister or presidential offices). Experience shows that the successful implementation of regulatory reform is facilitated by the allocation of specific powers, responsibilities and resources to such agencies. The main functions of these oversight bodies are to:

1. Monitor and enforce the rule-making administrative procedures;
2. Review the quality of the justification and proportionality reports, and if it exists, the RIA statement;
3. Train rule makers in new regulatory techniques, and
4. Advocate and promote the reform of existing regulations.

Source: OECD

Reforming the stock of existing regulations

Reforming the stock of existing regulations is a never-ending task necessary for oversight bodies to modernize and maintain a country's regulatory environment in good shape. Many techniques for reviewing the stock of regulation can be used and adapted. They primarily focus on the content, and on the simplification of form and access to regulation.

- i. Reforming regulatory content often involves deregulation and re-regulation efforts. In the first case, total or partial elimination of current regulations is pursued. Many economic regulations can be replaced by a stronger enforcement of competition policy and a well-functioning judiciary. In the case of social and environmental policies, the government should focus on re-regulating better and smarter -- in order to reduce compliance costs and at the same time achieve the objectives. One such technique has been used by such countries as France, Sweden, Hungary, Mexico and Moldova and consists of setting up a Regulatory Guillotine system, as can be seen in Box 3 below.

Box 3: Regulatory “Guillotine System” to Remove Unwanted Regulations

The *Guillotine* is a method for rapidly reviewing a large number of existing regulations, and eliminating those that are no longer required without the need for lengthy and costly legal action on each regulation. It is a clear, decisive, and speedy mechanism to eliminate unwanted regulations. It can be used to create a comprehensive and central regulatory registry with a sound legal basis (i.e. the regulations or licenses and permits not registered are not legal and thus cannot be enforced).

The central principle of the mechanism is to change the burden of proof for justifying the retention of a regulation or administrative procedure. In practice, this means that all ministries and agencies need to justify clearly and convincingly to an independent body, before a given date, that the regulation (license, inspection system, etc) needs to be kept on the books. After that date, all regulations that remain unjustified are automatically eliminated by an omnibus law or regulation. Some countries have used a RIA test as part of the justification memorandum.

The Guillotine approach was pioneered by Sweden in the 1980s to review, in a matter of months, all their subordinated regulations. Mexico also used the Guillotine in the late 1990s to review its business licenses and permits. Hungary used the Guillotine very effectively to review, eliminate, and replace regulations not consistent with a market democracy. Moldova is planning to launch an ambitious Guillotine review sometime in 2005.

- ii. Administrative simplification programs are considered essential by many governments to ensure regulatory quality. A range of policy tools for regulatory simplification exists such as:
 - the creations of one-stop shops;
 - the use of IT and e-government technologies to increase access to regulations and help meet requirements;
 - the reduction of permits and licenses;
 - the use of time limits for decision-making; and
 - the institution of specific programs to reduce the burdens on SMEs.

Mechanisms for reforming the flow of new regulations

Three tools have been key to improving the processes and outcomes of rule making and thereby controlling the quality of regulations. These key tools are i) better consultation mechanisms among ministries or with regulated and other stakeholders, ii) the encouragement of the use of alternatives, and iii) the setting up of a RIA system.

- i. Public consultation among ministries or regulatory agencies, and regulated parties and other stakeholders, and accountability techniques. These can be passive (that is, without explicitly soliciting responses from regulated parties) or active (as and when a genuine dialogue is established between rule-makers and regulated parties). Best practices in public consultation are highly contextual: different forms of consultations may need to be combined in order to achieve different objectives.
- ii. Systematic consideration of regulatory alternatives in order to improve

compliance and reduce enforcement costs. In many circumstances, non-regulatory alternative instruments can be more effective in meeting regulatory objectives than traditional command and control regulation (Box 4 below).

iii. Regulatory Impact Analysis (RIA) is a fundamental tool used to examine the potential costs and benefits of government regulation.

Box 4: Alternative Instruments to Regulations		
Market Situation	Type of Solution	Policy Instruments
Competition	Market-driven solutions	<ul style="list-style-type: none"> • Free market • Free market governed only by general competition policy • Mandatory information disclosure (to enhance consumer choice) • Private sector voluntary regulation (voluntary agreements, private standards) • Market incentives established by government (taxes, pricing signals, property rights) • Process regulation (requiring firms to assess risks and take most cost-effective action)
Monopoly	Government-driven solutions	<ul style="list-style-type: none"> • Performance regulation (standard objectives set by government) • Command-and-control regulation • Regulated private monopoly • Contracting out monopoly to the private sector • Corporate public monopoly • Public monopoly • Government ban on economic activity
No Formal Economic Activity		

4 What is RIA?

RIA is an "evidence-based decision method" used to reach regulatory decisions, which attempts to clarify and balance the relevant factors framing a policy choice. It pushes rule makers and regulators toward making objective decisions that weigh the cost of possible solutions (including the decision to do nothing) to specific problems against wider economic and distributional goals. RIA is a tool with which to make decisions rather than to explain the merits of a decision.

5 How RIA can be part of a government's toolkit to reduce regulatory burdens

Governments can pursue many internal and external objectives with a RIA system. Internally, RIA can become a key mechanism for assessing the impact of new or existing regulations among the affected ministries – thereby giving more coherence to public policy interventions. It can help reduce duplicative and contradictory policies. RIA helps to identify possible difficulties and shortcomings during the implementation and enforcement phase of regulation.

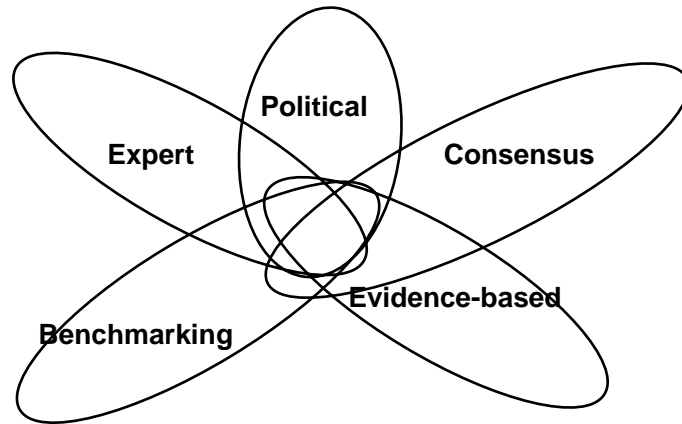
RIA has external objectives too. It enhances the regulatory transparency and accountability of administration. As its use expands, RIA can help define which government actions are suited to a market economy. Furthermore, RIA reduces regulatory burdens and thus promotes economically sustainable development.

6 RIA's Two Dimensions

Two dimensions need to be explored to understand RIA: (i) the process of preparing a RIA, and (ii) the RIA document itself.

- i. *RIA is a process of systematic, consistent and sequential procedures* for examining selected potential impacts arising from government action or non-action, and of communicating the information to decision-makers and the public. RIA complements and sometimes competes with other methods of making a regulatory decision, such as the use of trusted experts, by consensus reached among a group of stakeholders, the benchmarking of an outside model, and of course, through the political process. A successful RIA will always be integrated with other methods of public decision-making, as can be seen in Figure 1.

Figure 1: Methods to take a regulatory decision



Far from being a technocratic tool that can be simply "added on" to the decision-making system by policy directive, RIA is a method for transforming the view of what is appropriate action. Indeed, RIA is a method by which the proper role of the state can also be determined. RIA works best as part of the consultation process with other ministries, the general public, and - in particular - the business sector, in order to increase its acceptance by stakeholders and the public.

- ii. *RIA is also a document* whose content helps rule makers to broaden their mission from highly-focused problem-solving to balanced decisions that trade off problems against wider economic and distributional goals.¹

Experience makes it clear that RIA's most important contribution to the quality of decisions is not the precision of the calculations used, but the action of analyzing -- questioning, understanding real-world impacts, and exploring assumptions. Significant cultural changes are required to make such analysis genuinely a part of increasingly complex decision-making environments.

Additionally, it should be noted that the content of RIA varies according to the necessities and capacities of countries, and the emphasis chosen by the government. Many early adopters tend to tilt the RIA toward an analysis of regulatory impacts on small and medium enterprises. Nevertheless, most RIA templates tend to include the different categories used by the United Kingdom² or Canada, as can be seen in Box 5 below.

¹ For more information, please refer to the Recommendation of the Council of the OECD on Improving the Quality of Government Regulation as seen on the following website: [http://www.oilis.oecd.org/olis/1995doc.nsf/LinkTo/OCDE-GD\(95\)95](http://www.oilis.oecd.org/olis/1995doc.nsf/LinkTo/OCDE-GD(95)95)

² This template can be seen on the following UK government website: <http://www.cabinetoffice.gov.uk/regulation/docs/ria/pdf/ria-guidance.pdf>

Box 5: The Six Sections of Canada's RIA

1. **Description** outlines the regulations, defines the problem and shows why action is necessary.
2. **An alternative** lists options besides regulation and other types of regulation.
3. **Benefits and Costs** quantify the impact.
4. **Consultation** shows who was conferred with and the results.
5. **Compliance and Enforcement** explains the policy on conforming to the regulations and tools to ensure it is respected.
6. **Contact Person** is the individual best able to answer questions from RIAS readers.

Source: OECD

A word of caution

RIA is a powerful tool, but it requires consistent investment in terms of political will and budgetary support. In recent years, the OECD has evaluated the existing RIAs according to 10 quality criteria or tests, as seen in Box 6 below.

Box 6: Getting Maximum Benefit from RIA: Best Practices

1. **Maximize political commitment to RIA.** Reform principles and the use of RIA should be endorsed at the highest levels of government. RIA should be supported by clear ministerial accountability for compliance.
2. **Allocate responsibilities for RIA program elements carefully.** Locating responsibility for RIA with regulators improves “ownership” and integration into decision-making. A central body is recommended to oversee the RIA process and ensure consistency, credibility and quality. It needs adequate authority and skills to perform this function.
3. **Train the regulators.** Ensure that formal, properly designed programs exist to give regulators the skills required to do high quality RIA.
4. **Use a consistent but flexible analytical method.** The cost/benefit principle should be adopted for all regulations, but analytical methods can vary as long as RIA identifies and weighs all significant positive and negative effects and integrates qualitative and quantitative analyses. Mandatory guidelines should be issued to maximize consistency.
5. **Develop and implement data collection strategies.** Data quality is essential to useful analysis. An explicit policy should clarify quality standards for acceptable data and suggest strategies for collecting high quality data at minimum cost within time constraints.
6. **Target RIA efforts.** Resources should be applied to those regulations where impacts are most significant and where the prospects are best for altering regulatory outcomes. RIA should be applied to all significant policy proposals, whether implemented by law, lower level rules or Ministerial actions.
7. **Integrate RIA with the policy-making process, beginning as early as possible.** Regulators should see RIA insights as integral to policy decisions, rather than as an “add-on” requirement for external consumption.
8. **Communicate the results.** Policy makers are rarely analysts. Results of RIA must be communicated clearly with concrete implications and options explicitly identified. The use of a common format aids effective communication.
9. **Involve the public extensively.** Interest groups should be consulted widely and in a timely fashion. This is likely to mean a consultation process with a number of steps.
10. **Apply RIA to existing as well as new regulation.** RIA disciplines should also be applied to reviews of existing regulation.

Source: OECD and Scott Jacobs, Jacobs and Associates.

A successful RIA system can start small but should grow rapidly -- converging towards these “best practice” benchmarks. Most importantly, RIA requires an adequate institutional framework for its proper implementation and enforcement. To ensure ownership by the regulator and at the same time establish quality control and consistency, responsibilities should be shared between regulators and a central control unit.

Another danger is that policy makers tend to expect quick results from RIA. Significant time lags – sometimes as long as a decade - between the implementation of RIA and the corresponding economic and governance outcomes can discourage reformers. Nonetheless, the experience shows that a clear relationship exists, and that results are attained when perseverance and patience to push through reforms are sustained.

7 What is the international experience of using RIA?

Today, there is a trend in many countries towards adopting more rigorous and standardized methodologies, particularly as experience and expertise with the use of RIA accumulates. More than half of the OECD governments, and many Eastern European countries in transition from socialist economies, now routinely use RIA in regulatory decisions, and most others use it in defined cases.

In Asia, the degree of acceptance of this new public governance tool is variable but growing. A survey organized by the Centre on Regulation and Competition (CRC) at the University of Manchester in 2003 -2004,³ indicated that **at least nine Asian countries have developed elements of a modern RIA: India, Jordan, Korea, Malaysia, Oman, Pakistan, the Philippines, Sri Lanka, Thailand.**

Among these countries, **the Philippines and Malaysia** have made the most progress. **Philippines** established RIA as a legal requirement, though the government had not published the implementing regulations and guidelines. In practice, the Philippines government has concentrated its RIA effort on new economic regulations -- complementing its efforts through enhanced public consultation and the use of public notices and invitations to comment, followed by public meetings.

In **Malaysia**, elements of a RIA process have been used within the government, though not on a consistent and systematic way. Unlike in the Philippines, the Malaysian RIA, when adopted, was applied to social and environmental

³ A questionnaire on the use of RIA was sent to 311 government departments and agencies with regulatory responsibilities in 99 countries. 40 countries – a country response rate of 40% - with more than one official in some departments replied. In total 68 useable questionnaires were returned, giving an overall response rate from government officials of 17%.

regulations as well as to economic ones. The survey seems to indicate that RIA is used more frequently in Malaysia than in the Philippines. In Malaysia, public consultation before the introduction of new regulations seems well developed with all respondents in agreement. An important difference between the two systems is that in Malaysia a dedicated body is responsible for encouraging and monitoring regulatory improvements.

Other countries in Asia which have started to experiment with RIA are **Vietnam, China and Sri Lanka**. Vietnam recently launched a prototype RIA for helping the government reform two key laws: The Unified Enterprise Law and the Common Investment Law. In addition, China's Ministry of Foreign Trade and Economy (MOFTEC) has recently embarked on a series of RIA seminars for its senior officers. As for Sri Lanka, the Institute of Policy Studies together with the Manchester Center for Regulation and Competition, has initiated a RIA Working Group where public officials and academic participate on the development of a RIA system for the country.

8 Elements for Launching RIA in Bangladesh (with a special emphasis on Free Zones and business sector participation)

Transforming and reengineering administrative and governance methodologies is extremely difficult. Administrative procedures and guidelines developed by OECD countries are hard to adapt to developing, transition and emergent countries with their very different economies, cultures and social and political goals. Furthermore, making RIA a part of the policy-making system must take in account the country's specific public administration history, culture and organization. This means that the development of RIA in a country such as Bangladesh, which has no history of applying the RIA methodology, will require time, imagination, creativity as well as sustained political will. It will also involve trial and error.

However, these difficulties and the time lag between the investment and the clear results does not mean that Bangladesh should forego RIA's benefits. Efficient and business-friendly governance requires the modern methods and tools of the RIA process. Thus, the efforts to implement RIA in the country should be seen as a long-term investment in capacity building and should start as soon as possible.

In practical terms, Bangladesh should implement, step by step, a program of regulatory impact analysis within various ministries. *The basic formula is to "start simple but scale up rapidly as capacities increase"*.

The **first step** should be to reach a political agreement requiring ministries to expand the justification statement for all new laws and regulations to include a discussion of the costs to businesses. For instance, the government could ask all

ministries to answer the basic “regulatory quality” questions proposed by the OECD.⁴ At the heart of this new justification, each minister should be required to certify that the proposed law or regulation minimizes costs to businesses wherever possible.⁵

The **second step** should be to strengthen the RIA process around a checks and balances mechanism driven by a professional, politically neutral and independent body. This advisory body should receive the regulatory justification statements, discuss it with the business sector and make public its comments and suggestions. As the central oversight body gains practice and credibility and the implementers of RIA develop their skills, the government should strengthen the RIA process. The RIA process should evolve to include guidance, training and raising the standards to the RIA statement. The government will need to provide legal mandates, rights and obligation for drafters of RIA, and capacities for a central driving institution.

RIA’s Application in Bangladesh’s Zones

Bangladesh could accelerate the process of using RIA through two complementary instruments: the launch of a full RIA for one or two draft regulations in preparation, and the direct implementation of RIA in the rulemaking processes of its current Export Processing Zones (EPZs) and future Special Economic Zones (SEZs).⁶ For the former, the government should select two or three regulations to be drafted in the next six months focusing on economic, social/environmental or administrative aspects. Then under the supervision of a task force, the drafter will prepare RIA based on one or a combination of already developed RIA procedures.

With the latter, implementing RIA to rulemaking processes of SEZ authorities can also have important results as the new capacities and procedures can be later expanded to the whole country. The combination of the two tools – SEZs and RIAs – should help the country jump-start the national implementation strategy discussed above. Indeed, these zones can operate as laboratories for RIA and other regulatory improvement tools. The zones can also help to establish and develop tools and institutions required for modern regulatory governance, such as one-stop shops and e-government. If the performance of the zones is thoroughly evaluated and benchmarked, they can help disseminate regulatory success, and help avoid national regulatory mistakes.

At the same time, *it is important to broaden dissemination of RIA in a later stage.*

⁴ This questionnaire can be found on the following website:
[http://www.oalis.oecd.org/olis/1995doc.nsf/LinkTo/OCDE-GD\(95\)95](http://www.oalis.oecd.org/olis/1995doc.nsf/LinkTo/OCDE-GD(95)95).

⁵ For additional information on this issue, please refer to the following UK government website:
<http://www.cabinetoffice.gov.uk/regulation/docs/ria/pdf/ria-guidance.pdf>

⁶ Generally, SEZs are defined according to criteria such as: 1) Geographically delimited area, usually physically secured, 2) single management/administration, 3) separate customs area (duty-free benefits) and streamlined procedures and 4) eligibility for benefits based upon physical location within the zone and in some cases.

Indeed, there is a risk that confining RIA to SEZs would provide ‘better than national treatment’ to only a few businesses in the zone, depriving the vast majority of firms and citizens access to high quality regulations. Furthermore, investing only in regulatory improvements for SEZs may also reduce and leave the rest of the government without available administrative capabilities. In that sense, RIA in SEZs should always be considered a ‘second best’ option to launching the instrument as part of a national regulatory policy.

9 Importance of the Role of the Private Sector to the success of RIA in Bangladesh

The role of the private sector will be critical to the success of the RIA process and the benefits to be reaped by society and the business sector. First, the long gestation period to produce tangible benefits means that a strong constituency (such as the private sector) for RIA needs to develop and endure through political and electoral changes as well as the natural turnover of RIA champions in the public administration.

Second, business involvement in RIA has several significant benefits in terms of improved information. Businesspersons, especially those affected by regulations, can constitute cost-effective sources of the data needed to complete high quality RIA. Consultation can also provide important checks on the feasibility of proposals, on the range of alternatives considered, and on the degree of acceptance of the proposed regulation by affected parties. Moreover, active participation by the business sector means better compliance with the regulation and thus savings in terms of implementation and enforcement.

Some of the institutional methods that Bangladesh could explore to maximize business participation in the RIA process consist of establishing:

- Expert groups, such as academic and industry groups;
- Business Test Panels organized for a particular regulation. They can be fast, but data quality can be a problem;
- Focus groups, which can provide a wide range of data;
- Development together with the business associations of model enterprises that “represent” the affected population;
- Opinion surveys, which can identify major issues, and in particular repeatedly running the FIAS administrative barrier surveys, and
- Direct interviews with businesspersons.

For each of these models, it will be important to define as clearly and precisely as possible the regulatory goals and the rights and obligations of the consulted parties. Additionally, ministries – or a central oversight body - should develop

guidance material and training resources. In order to increase trust in the system, officials in charge of consultation should be required to refer to comments and undertake follow-up action on the government's responses and post them on the internet. An impartial mechanism to monitor the quality of the consultation should be established to help monitor the process, particularly with regard to broadening representation.

10 Conclusion

Economic growth and poverty alleviation in Bangladesh in the next few years will depend largely on private sector growth fuelled by domestic entrepreneurs, mostly in the Small and Medium Enterprise (SME) sector. Foreign investment will play a lesser, but increasingly important role. Larger state-owned companies will also require substantial restructuring and privatizing.

Bangladesh can attain these investment-driven outcomes in large part through substantial reforms of its regulatory framework. One of the important mechanisms by which this will occur is through Regulatory Impact Assessment (RIA). Improving the empirical basis for regulatory decisions through RIA of new regulatory proposals has been accepted by many countries as critical for the permanent improvement of the regulatory environment. Bangladesh can profit from implementation of RIA on a long-lasting basis similar to other developed, transition and developing countries, in order to increase competitiveness and enhance the country's FDI attractiveness. Current efforts by the Bangladesh government to consolidate and coordinate reforms for economic recovery and poverty reduction provide a good opportunity to speed up and expand improvements to the business environment. Implementing RIA at the core of this strategy should be seen as an important good governance investment and a clear signal to the national and international community that Bangladesh is committed to a better regulatory environment. Moreover, investing in RIA today and, in particular, using it as a central principle to design rules and regulations applied within existing Export Processing Zones and future Special Economic Zones, should help develop competencies for further national dissemination, and build a political constituency for further regulatory and structural reforms.