

Reforming the business start-up processes

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AMINUR RAHMAN

FOR many people, it may not be obvious why reformation of the business start-up process is a big deal for us. They may not even know what these processes are or which agencies are involved, or that there exists a government agency called the Registrar of Joint Stock Companies and Firms (RJSC) that registers a business. When it comes to budget allocation, even many government officials of concerned ministries, such as commerce (which is the line ministry of this agency) and finance, do not know that this agency exists, a frustrated ex-registrar told me. "It is one of those dumping agencies in the government," he sighed, "where posting as a registrar is viewed as a punishment."

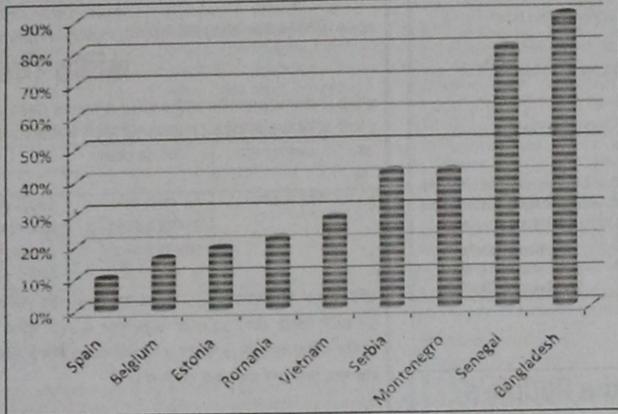
Yet, this historically neglected agency wrote the illuminating story for Bangladesh in this year's Doing Business Report. This annual publication of the World Bank Group measures the regulatory environment of doing business in some 183 countries. The newly launched online registration system and fast track one-day registration system in RJSC has cut the total time of the business start-up process by a month. This reform, along with the reforms in customs automation in Chittagong and the reduced corporate tax rate, has made Bangladesh one of the most active reformers in South Asia. Thanks to the Digital Bangladesh vision of the new government, new leadership at the line ministry and in RJSC, and the tireless efforts of the RJSC officials.

Reducing poverty

If Bangladesh is to achieve the 8% growth necessary to meet the key Millennium Development Goal of halving the poverty rate by 2015, the business environment must improve. Reformation of business registration and other start-up processes is the critical first step in promoting a healthy private sector.

The easier, faster, and cheaper the

business start-up processes are, the more businesses can blossom in an economy. There is now considerable evidence around the world to support this claim. As the figure highlights, business start-up reforms have led to a significant increase in registered businesses around the world. Interestingly, the highest increase, so far, has been observed in Bangladesh. Studies on Mexico, India, Brazil, and the Russian Federation also show that simpler start-up regimes are associated with more new firms being registered.



Business Start-up Reforms and Increase in Registered Businesses (Source: Doing Business 2009, 2010; World Bank Group)

Creating jobs

What does a greater number of businesses mean for the economy? It means many things. More businesses mean more investments, more jobs, and less poverty. About 10 years ago, *Voices of the Poor*, a World Bank study, asked 60,000 poor people around the world how they thought they might escape poverty. The unequivocal answer from both men and women was income from their own businesses or wages earned

from employment.

At the end of last year, the Bangladesh Investment Climate Fund (BICF), managed by IFC in partnership with DFID and the European Union, conducted a perception survey of a nationally represented sample of 1,000 people, about 500 opinion leaders, 100 public officials, and 350 businesses (including SMEs and women owned businesses). High prices and unemployment appeared to be the nation's top two concern in that survey. In focus group discussions related to the survey, we found that people were not looking for handouts from the government to bear the brunt of the price hike, rather they wanted better job opportunities and decent wages to feed their families.

Easier business start-up processes can provide this opportunity. Indeed, a num-

Adaptability in times of crisis

In bad times, such as the financial crisis of the present and the macroeconomic crisis of the past, simpler business entry and exit processes make it easier for the workers and entrepreneurs to rapidly move across sectors to find the best possible use for their skills and capital, as confirmed by a recent study of 28 sectors in 55 countries. Indeed, some of the top business performers of today's world emerged during the crises of the past.

An enabling environment that allows businesses to promptly react to changed market conditions is not only the key to short-term recovery but also to long-term growth. No wonder that Doing Business 2010 finds that during the current financial crisis the highest number of countries since 2004 have undertaken regulatory reforms, and the highest number of those reforms are indeed in the area of business start-up.

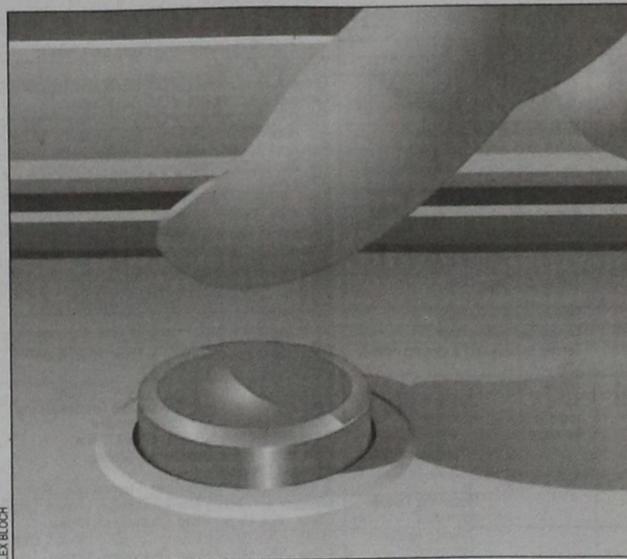
Competition -- lower prices and better quality for consumers

Easier start-up processes create more business and more businesses means more competition, ceteris paribus. In Bangladesh, we still struggle with high prices of essentials. Various efforts to monitor or control prices have had mixed results so far. In such an environment, easier start-up can enable new businesses to enter the market and compete against the incumbents. This results in better quality products and/or lower prices. As a recent study in Mexico demonstrates, easing business start-up increased new start-ups by about 4%, and the competition from the new entrants lowered prices by 1% and reduced the income of the incumbent businesses by 3.5%.

Formal economy

Bangladesh has a huge informal economy. Burdensome regulations is one of key causes of informality that leads the firms to operate under the radar of government regulations. The businesses don't want to deal with the cumbersome, unclear and unpredictable regulations, or the predatory public officials who arbitrarily implement them. The end result is a loss-loss for everybody.

A growing informal sector means a narrow tax net and lack of tax revenue for the government. It also means a higher tax burden and uneven playing field for



Business registration at the push of a button.

the firms that operate formally as firms in the informal sector take undue advantage through tax evasion. Tax evasion of the informal firms, however, does not come without a significant cost. Hiding in the informal sector means more uncertainty, lack of longevity of the business, lack of access to credit, lack of market information and other government services, and lack of protections (i.e., no limited liability). Finally, informality means poor quality jobs, lack of protection, and poor pay for the workers employed in the informal firms.

A key element of the business start-up process -- incorporation of the company -- is the gateway to the formal economy. Not surprisingly, our perception survey revealed that the majority of businesses believed that it was better to register and conduct business formally. This gives them greater access to loans, greater security to do business (limited liability), and the ability to grow and be more productive. Despite the desire to be registered, however, many such businesses do not register because of the costly and complicated registration process and harassment and rent seeking by the

government officials. Once again, this makes the case for reforming the business start-up processes to make them simpler, easier, and cheaper so that more firms can become formal, grow, and create more jobs to make poverty history.

Reform quickly

In the global race to improve the investment climate, reform of business start-up processes appears to be the most popular regulatory reform. In 2007/08, 49 countries made it easier to start a business, which grew to 61 countries in 2008/09. Bangladesh made a great start in the race by cutting the time by a month to start a business. But we have miles to go. Our global rank of starting a business has slipped down from 90 to 98. This means that countries which were behind Bangladesh last year are now ahead of it because they reformed the business start-up processes more aggressively than we did. If Rwanda can top the list of global reformers, why can't we? After all, running this race is a big deal for all of us.

Aminur Rahman is an economist with the Investment Climate Advisory Services of the World Bank Group.

The dearest departed

Remembering K.Z. Alam, Bar-at-Law

M. SYEDUZZAMAN

IT'S hard to believe that it has been a year that my friend K.Z. Alam, our friend Shelly, left us for eternity (September 13, 2008). On that day, many of us like me lost our dearest friend.

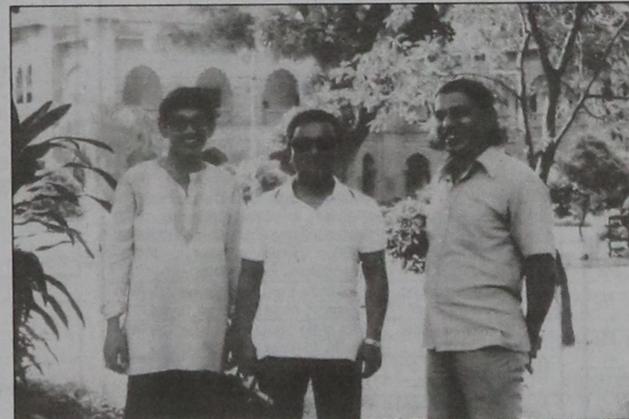
We came together at the Dhaka College in 1949, and continued together through our university days (1951-56). Our friendship endured the test of time -- whether at home or abroad. The binding force and factor behind keeping a small group of us together was Alauddin -- Mir Mohammed Alauddin, who literally saw him off to the other world, sitting by him when he breathed his last. It was my great misfortune that I was out of the country at the time.

Shelly grew up through many struggles and sufferings. But he was a born fighter, a born rebel, and associated himself with all left leaning student movements. The guiding forces behind all his activities, whether as a student, a growing professional, a family member, a friend, and a common citizen, were justice and fairness. He demonstrated courage to face the world at a young age, and never retreated.

His decision to become a lawyer was a natural culmination of all these traits of his character. He left for England in 1956

leaving behind his wife Ranu, who joined him after giving birth to their first child -- daughter Shipra. Shelly returned home in 1964 with his sweet young son Aru, and with a broken heart, soon after losing his lovely wife Ranu in London. But he never gave up. Those were the days when he came out at his best as a father -- caring for his son round the clock -- but also getting into the mainstream of legal profession at the then East Pakistan High Court. His debut in the field was through the Lam & Lam, a law firm started with Barrister Amirul Islam.

Shelly demonstrated his spirit, courage and the promise of turning into a hard working top class lawyer during the Agartala case against Bangabandhu and his associates. He was the one who took the initiative to bring a distinguished British lawyer to defend Bangabandhu, working with late A. Salam Khan, leader of the defending team. Nothing drove him those days other than his love and admiration for Bangabandhu Sheikh Mujibur Rahman. For his bold and selfless devotion for the Agartala case, Barrister K.Z. Alam was incarcerated by the Pakistan army in 1971, and came out alive from the Dhaka Cantonment literally by the skin of his teeth. In the meantime he got married to Nurjahan, and they had a lovely young son -- Biru sometime thereafter.



Barrister K. Z. Alam on the right, son Arif Alam on the left, and the writer in the middle (February 1982).

K.Z. Alam was appointed Asstt. Attorney General/Deputy Attorney General by the new government of Bangladesh, working closely with late Barrister Syed Ishtiaq Ahmed, the Additional Attorney General, and Fakir Shahabuddin -- the first Attorney General of Bangladesh.

After the gruesome tragedy of August

1975, Shelly gave up his positions, and soon thereafter defended Col. Taher in the case, which was conducted not in public, but inside the Dhaka Central Jail. After that he returned to his profession.

Shelly was a man who would take any risk out of conviction. Human greed and avarice never touched him. But he liked to enjoy life -- with his family, with friends,

with professional colleagues, and wherever he was, he was the life of the party, bringing out his British style of speaking and joking -- entrancing the entire group. I probably had more opportunities than any of our other friends to enjoy his company (except perhaps Alauddin), as we lived almost next to each other, within a few minutes walking distance, for long eighteen years.

Though a lawyer of top caliber and ability, he did not take up many cases -- unlike most of his other colleagues. He was extremely selective in taking up cases -- and would refuse many cases if he saw no merit in them. He spent many days in the courts helping friends and friends' friends, going out of his way, without any fees or consideration. He once told me that until the early years of this millennium, he lost no case, which he took up. The one that he lost was refusal of bail to his client by the court.

Shelly lived a simple life, but was a person of high taste and style. His sartorial elegance did not escape the notice of his colleagues and friends. Behind his lively exterior, he lived with many inner conflicts -- arising from the prevailing political environment, the state of the judiciary, and family matters, sharing his agonies with very few close friends. Alauddin and I were privy to some of

these. It was not inconsistent with his character that he politely turned down offers of high office with due respects to the authorities.

Eventually, from the middle of the '90s K.Z. Alam turned into a deeply religious man, changing the way of life, but never giving up the sense of humour and enjoyment of the company of close friends and colleagues. At some point he took up business (RMG), which initially was almost a failure. But he worked hard, and with strong support from his wife Nurjahan, turned it around, returned to solvency and creation of assets. Though he never said this, I had always the feeling that he did it for the sake of his children, to leave behind something for them.

Towards the end of his life he was deeply depressed, though trying to avoid the impression, when it was detected that he had lung cancer -- an inevitable consequence of his heavy smoking for decades, and later on chewing tobacco when he gave up smoking. When he knew that he had only months, weeks or days left, he prepared a document indicating extremely fair allocation of his assets between the members of his family, including his stepdaughter Irri. We shall never see the likes of him again.

M. Syeduzzaman is a former Finance Minister.

The twin troubles

The ever-increasing incidents of extortion and mugging are the twin troubles that have forced the city dwellers to live in excruciating suspense these days. With law and order in a messy state, nothing can be more desirable to the city dwellers on the eve of Eid-ul-Fitr than security.

A.M.N. NURUL HAQUE

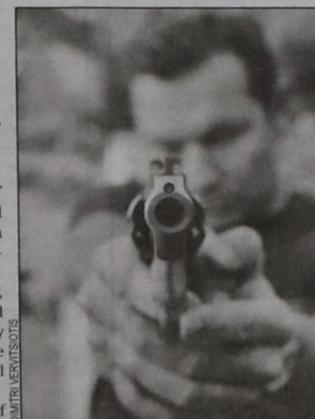
EXTORTION and mugging have increased at an alarming rate in the capital in the recent days, frustrating various measures taken by the law enforcing agencies, because the criminals are in marauding mood just before Eid.

Statistics available with the Dhaka Metropolitan Police (DMP) showed that 58 incidents of muggings took place in August against 43 incidents recorded in

July. But everyday the country's print and electronic media are coming up with a number of reports on extortion and mugging.

According to the intelligence agencies, a large number of self-exiled and wanted criminals, many of them patronised by influential political leaders, have returned to their dens after the national elections.

The rising number of incidents of extortion and mugging has become a serious cause of concern for the helpless



city dwellers, as they can do nothing if

they fall prey to the gangsters. Most of the cases are not reported to the police, either because of fear of reprisal by the criminals or harassment by the police.

Transport owners alleged that they have to pay money regularly to the extortionists at different points on the highway and the traffic police, and highway police also get a share from that.

The IG of Police told newsmen at a press briefing on August 31 that there was extortion on the highways and some policemen may be involved in it. He informed the newsmen that he had directed all concerned police officers to take immediate measures to stop all kinds of extortion.

The "doping parties," who dope food and drinks of their unsuspecting victims before decamping with their belongings, have also redoubled their activities in the recent days. A *Prothom Alo* report carried

on September 14 says at least 300 members of 12 "doping parties" are fully active in the capital ahead of Eid.

At least six people were killed and over 20 others were injured in 15 incidents of gun attacks, either by extortionists or muggers, in the capital in last few days. But inadequate police actions against such criminals have not been able to improve the law and order situation.

The food minister frankly admitted that extortion was an important reason for the price spiral. He was even bold enough to disclose who the extortionists were and how they could operate with impunity. The government may face a real crisis of confidence that the entire nation had reposed on it if it fails to stop extortion.

Rise in crimes like extortion and mugging on the eve of festivals has become a recurrent phenomenon in the capital.

which is matched by the law enforcers' inability to control such crimes. The sufferings are borne by the helpless city dwellers, who have no alternative but submit to the criminals.

The ever-increasing incidents of extortion and mugging are the twin troubles that have forced the city dwellers to live in excruciating suspense these days. With law and order in a messy state, nothing can be more desirable to the city dwellers on the eve of Eid-ul-Fitr than security.

Law and order is such a crucial issue that directly affects the life and living of the common people that there must be no laxity on the part of the government in taking all-out steps to bring down the prices of essentials within the reach of the common people.

A.M.N. Nurul Haque is a columnist of The Daily Star.