

**Press Briefing on**

**Release of The Global Competitiveness Report  
2016-2017  
and  
The Bangladesh Business Environment Study 2016**

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*Presented by*

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B A N G L A D E S H

a civil society think tank

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# I. Introduction and Objectives

# I. Introduction and Objectives

- The *Global Competitiveness Report* is a cross-country benchmarking analysis of the factors and institutions that determine long-term growth and prosperity of countries.
  - *World Economic Forum* (popularly known as *Davos Forum*) is publishing the GCR since 1979
- CPD, as a partner, has been carrying out the Bangladesh part of the report since Bangladesh has been included in the GCR in 2001 – this is the 16<sup>th</sup> year
  - Questionnaire for the Executive Opinion Survey (EOS) is developed by the WEF
  - A Rapid Assessment Survey (RAS) has been carried out on current issues of Bangladesh Economy – this is the 12<sup>th</sup> year
- Major objectives of the press briefing are
  - To release WEF's *Global Competitiveness Report 2016-2017* in Bangladesh. The report is being globally launched today.
  - To report the state of competitiveness of Bangladesh in 2015
  - To give voice to concerns as regards business environment in Bangladesh

## II. Methodology

## II. Methodology

### Methodology: Executive Opinion Survey (EOS)

- The survey tool (EOS) covers a total of 11 topics:
  - Infrastructure, Technology, Financial environment, Foreign trade & investment, Business operations & innovation, Security, Governance, Education, Health, etc.
  - Additional topics – most problematic factors and global risks for businesses
- Number of respondents: 89 in 2016 (56 in 2015)
  - Most of the companies (90%) are locally-owned and mostly based in Dhaka and Chittagong
  - Majority of the entrepreneurs are involved in various kinds of industrial activities – medium and large enterprises
- Survey period: **February 01, 2016 to May 01 2016**
  - Reference Period: **January to December 2015**



Sectors Covered	
Total	89 (100%)
Agriculture	1 (1.2%)
Industry	44 (54.9%)
Services	15 (18.3%)
Mixed	29 (26.8%)

## II. Methodology

### Assessment of Global Competitive Index

- Global Competitiveness of Index (GCI) is an index of weighted average of 12 pillars
  - GCI is estimated on the basis of data collected from primary survey and those available in global public domains
  - It is estimated on the basis of moving average of two years
  - Three major sub-index has different weights considering country's stage of development

**Distribution of Weights of Different Factors as per Countries Stage of Development**

Stage of development	Factor driven Stage I	Transition from stage 1-2	Efficiency driven stage 2	Transition from stage 2-3	Innovation driven stage3
GDP Per-Capita (US\$)	<2,000	2,000-2,999	3,000-8,999	9,000-17,000	>17,000
Basic requirements	60%	40-60%	40%	20-40%	20%
Efficiency enhancers	35%	35-50%	50%	50%	50%
Innovation and Sophistication	5%	5-10%	10%	10-30%	30%

- **2016-17: Total 138 Countries** were covered (last year: 140 countries).
  - **Reinstated:** Barbados, Yemen and Brunei Darussalam
  - **New:** Congo
  - **Dropped:** Guinea, Guyana, Haiti, Myanmar, Seychelles, and Swaziland (failed to comply with minimum requirement)



## II. Methodology

### Methodology: Assessment of Bangladesh's Business Environment

- Executive Opinion Survey and Rapid Assessment Survey use qualitative data (7-point likert scale)
  - Negative responses (Scale: -3 ~-1); Indifferent responses (Scale: 0) Positive responses (Scale: 1~3)
- Analysis has been performed by employing three statistical techniques
  - Frequency analysis (% of respondents); Weighted index (average weighted response); Chi-Square test (5% level of significance)
- Various weighted responses are clustered into six groups
  - a) Worst: (-3.0 to -2.01) b) Worse: ( -2.0 to -1.01) c) Bad: (-1.0 to -0.01)
  - d) Good: (+0.01 to +1.0) e) Better: (+1.01 to +2.0) f) Best: (+2.01 to +3.0)

Categorisation of weighted index value

Responses	Completely Disagree	Largely Disagree	Somewhat Disagree	Indifferent	Somewhat Agree	Largely Agree	Completely Agree
Weight	-3	-2	-1	0	+1	+2	+3
Group	Worst (-3.0 to -2.01)	Worse (-2.0 to -1.01)	Bad (-1.0 to -0.01)	Neutral	Good (+0.01 to +1.0)	Better (+1.01 to +2.0)	Best (+2.01 to +3.0)

# III. Global Competitiveness Report 2016-17: Major Findings

# III. GCR 2016-2017: Major Findings

- Top ten countries remained at the top in this year's rank as well

- Ranks of top three countries is remained unchanged
  - Switzerland – 1<sup>st</sup>, Singapore – 2<sup>nd</sup> and United States – 3<sup>rd</sup>

- **Position improved:** Netherlands (4<sup>th</sup>), Sweden (6<sup>th</sup>), and United Kingdom (7<sup>th</sup>)

- **Position declined:** Germany (5<sup>th</sup>), Japan (8<sup>th</sup>), Hong Kong SAR (9<sup>th</sup>), and Finland (10<sup>th</sup>)

Economies	2015-16	2016-17	Change
Switzerland	1	1	↔
Singapore	2	2	↔
United States	3	3	↔
Netherlands	5	4	↑
Germany	4	5	↓
Sweden	9	6	↑
United Kingdom	10	7	↑
Japan	6	8	↓
Hong Kong SAR	7	9	↓
Finland	8	10	↓

- For the 8<sup>th</sup> consecutive year, **Switzerland** held the top position - achieving an even higher score than in previous years

- The country featured in the top 10 of 11 GCI pillars and tops four of them: labour market efficiency, business sophistication, innovation, and technological readiness (for the first time).
  - Intense collaboration between the academic and business worlds yielded innovative products with commercial applications.
















# III. GCR 2016-2017: Major Findings

- **Singapore** ranked 2<sup>nd</sup> for the sixth year in a row
  - It topped the higher education and training pillar and the goods market efficiency pillar, and ranked 2<sup>nd</sup> in another five pillars
  - Singapore's public institutions are transparent and highly efficient and its infrastructure amongst world's best
- **The United States** remained stable overall and remained at 3<sup>rd</sup> position.
  - Showed improvement in areas including macroeconomic stability- the result of a declining budget deficit.
  - Driven by innovation, business sophistication, market size, financial market development, labour market efficiency, and higher education and training.
- Netherlands, Sweden, and United Kingdom improved their ranks by showing some positive changes in the pillars.
- Germany, Japan, Hong Kong SAR, and Finland have failed to show improvement in their overall rankings particularly due to weak macro-economic management

# III. GCR 2016-2017: Major Findings

## Performance of Selected Countries

- Malaysia (25<sup>th</sup>) continued to lead East Asia and the Pacific region
  - Lost some ground this year following six years of improvement
- China remained steady at 28<sup>th</sup> position for the third year in a row
- Most South East Asian countries lost their earlier positions – Thailand, Indonesia, Philippines and Vietnam
- Russia (43<sup>rd</sup>) gained two positions and Brazil (81<sup>st</sup>) slipped six positions
- South Asia has maintained its upward trend
  - Competitiveness improved in most economies in the region
  - Except for Sri Lanka (71<sup>st</sup>), all South Asian countries have gained their rankings

Economies	2015-16	2016-17	Change
Malaysia	18	25	
China	28	28	
Thailand	32	34	
Indonesia	37	41	
Russia	45	43	
Philippines	47	57	
India	55	39	
Vietnam	56	60	
Sri Lanka	68	71	
Brazil	75	81	
Cambodia	90	89	
Nepal	100	98	
Bhutan	105	97	
Bangladesh	107	106	
Pakistan	126	122	

# III. GCR 2016-2017: Major Findings

- India has made remarkable improvement
  - Advanced to 39<sup>th</sup> position from 55<sup>th</sup> last year
  - Improvement across the board in key pillars- improvement in institutions(42<sup>nd</sup>) and infrastructure (68<sup>th</sup>) play the main role in increasing its overall competitiveness
- Bhutan (97<sup>th</sup>) and Nepal (98<sup>th</sup>) - both able to improve their positions this year - by eight places and one place, respectively
  - Pakistan (122<sup>nd</sup>) is the weakest performer among South Asian countries

### III. GCR 2016-2017: Major Findings

- Bangladesh moved to **106<sup>th</sup>** position from **107<sup>th</sup>** last year
  - Overall score has improved by 1.06% (from 3.76 to 3.80); gaining higher scores but not in terms of ranks
  - Among the same set of countries of last year, Bangladesh's position would remain unchanged (106<sup>th</sup>)
- Bangladesh is still underperformer in the 'Basic requirement' sub-index; noticeable progress is observed in ranking (ranked 105<sup>th</sup> in 2016-17 from 109<sup>th</sup> in 2015-16)
  - Considerable progress (still in the lowest quantile) has been observed in *Institutions* and *Infrastructure* pillars
    - *Infrastructure*: 114<sup>th</sup> from 123<sup>rd</sup> (value:2.77 from 2.56; 8.2%)
    - *Institutions*: 125<sup>th</sup> from 132<sup>nd</sup> (value:3.15 from 2.94; 7.14%)
- Bangladesh **slid to 65<sup>th</sup> (from 49<sup>th</sup>)** in *Macroeconomic Stability* pillar
  - This has affected further improvement in overall ranking
  - Macro pillar slid because of declining situation in terms of government budget balance (% of GDP), gross national savings (% of GDP) and country credit rating
- Performance deteriorated in case of *Health and Primary Education* (105<sup>th</sup> from 101<sup>st</sup>), and *Financial Market Sophistication* (99<sup>th</sup> from 90<sup>th</sup>)
  - *Rank of Labour Market Efficiency* pillar has improved but the score declined (score -2.98%) compared to that in the last year
- Innovation and sophistication though still in the bottom quartile of countries, but made some positive changes in this year.

### III. GCR 2016-2017: Major Findings

Indices	Rank		Score (out of 7)		% Change in score
	2015-16	2016-17	2015-16	2016-17	
<b>GCI</b>	<b>107</b>	<b>106</b>	<b>3.76</b>	<b>3.80</b>	<b>1.06</b>
<b>Basic Requirements (BR)</b>	<b>109</b>	<b>105</b>	<b>3.93</b>	<b>3.97</b>	<b>1.02</b>
Institutions	132	125	2.94	3.15	7.14
Infrastructure	123	114	2.56	2.77	8.20
Macroeconomic Stability	49	65	4.98	4.79	-3.82
Health and Primary Education	101	105	5.24	5.16	-1.53
<b>Efficiency Enhancers (EE)</b>	<b>105</b>	<b>107</b>	<b>3.58</b>	<b>3.60</b>	<b>0.56</b>
Higher Education and Training	122	118	2.86	3.04	6.29
Goods Market Efficiency	101	96	4.07	4.08	0.25
Labour Market Efficiency	121	120	3.69	3.58	-2.98
Financial Market Sophistication	90	99	3.57	3.54	-0.84
Technological Readiness	127	122	2.62	2.69	2.67
Market Size	40	38	4.68	4.65	-0.64
<b>Innovation and Sophistication (IS)</b>	<b>123</b>	<b>116</b>	<b>3.04</b>	<b>3.16</b>	<b>3.95</b>
Business Sophistication	117	107	3.43	3.52	2.62
Innovation	127	121	2.65	2.80	5.66



# III. GCR 2016-2017: Major Findings

- Bangladesh's rank and score in 12 pillars: **2010-11 vis-à-vis 2016-17**

Indices	Rank		Score (out of 7)		% Change in score
	2010-11	2016-17	2010-11	2016-17	
<b>GCI</b>	<b>107</b>	<b>106</b>	<b>3.55</b>	<b>3.80</b>	<b>7.0</b>
<b>Basic Requirements (BR)</b>	<b>114</b>	<b>105</b>	<b>3.60</b>	<b>3.97</b>	<b>10.3</b>
Institutions	115	125	3.09	3.15	1.9
Infrastructure	133	114	2.39	2.77	15.9
Macroeconomic Stability	80	65	4.45	4.79	7.6
Health and Primary Education	106	105	4.49	5.16	14.9
<b>Efficiency Enhancers (EE)</b>	<b>97</b>	<b>107</b>	<b>3.54</b>	<b>3.60</b>	<b>1.7</b>
Higher Education and Training	126	118	2.57	3.04	18.3
Goods Market Efficiency	102	96	3.82	4.08	6.8
Labour Market Efficiency	108	120	3.89	3.58	-8.0
Financial Market Sophistication	66	99	4.18	3.54	-15.3
Technological Readiness	126	122	2.45	2.69	9.8
Market Size	47	38	4.32	4.65	7.6
<b>Innovation and Sophistication (IS)</b>	<b>109</b>	<b>116</b>	<b>3.00</b>	<b>3.16</b>	<b>5.3</b>
Business Sophistication	105	107	3.47	3.52	1.4
Innovation	119	121	2.52	2.80	11.1

## IV. Most Problematic Factors for Doing Business in Bangladesh

## IV. Most Problematic Factors for Doing Business

Rank	2015	2016	Change
1	Corruption (18.7)	<b>Inadequate supply of infrastructure (20.4)</b>	
2	Inadequate supply of infrastructure (18.3)	<b>Corruption (16.5)</b>	
3	Government instability/coups (12.7)	<b>Limited access to financing (9.8)</b>	
4	Inefficient government bureaucracy (11.8)	<b>Inefficient government bureaucracy (9.6)</b>	
5	Limited access to financing (9.7)	<b>Inadequately educated workforce (8.5)</b>	
6	Policy instability (4.7)	<b>High tax rates (4.6)</b>	
7	Inadequately educated workforce (3.9)	<b>Policy instability (4.4)</b>	
8	High tax rates (3.7)	<b>Complexity of tax regulations (4.1)</b>	
9	Complexity of tax regulations (3.1)	<b>Crime and theft (4.0)</b>	
10	Crime and theft (2.9)	<b>Government instability/coups (3.9)</b>	
11	Foreign currency regulations (2.7)	<b>Foreign currency regulations (3.6)</b>	
12	Inflation (2.6)	<b>Insufficient capacity to innovate (3.6)</b>	
13	Poor work ethic in national labor force (2.6)	<b>Poor work ethic in national labor force (3.1)</b>	
14	Insufficient capacity to innovate (1.0)	<b>Restrictive labor regulations (1.6)</b>	
15	Restrictive labor regulations (1.0)	<b>Inflation (1.5)</b>	
16	Poor public health (0.5)	<b>Poor public health (0.9)</b>	

## IV. Most Problematic Factors for Doing Business

- Overall score of top 3 and top 5 problematic factors have decelerated over the years
  - 2010: 51.8% and 69.6% and 2016: 48.4% and 66.2%
  - It implies that problems are increasingly dispersed from few core issues to other non-core issues
- Lack of infrastructure and corruption have been two major problems in Bangladesh for a long period
  - Public investment for infrastructure development has yet to make significant contribution to businesses
- Limited access to financing has become a major problem: 3<sup>rd</sup> this year from 5<sup>th</sup> last year
  - Businesses are more concerned about cost of borrowing (interest rate) than availability of fund

## IV. Most Problematic Factors for Doing Business

- Inefficient government bureaucracy is a major challenge and its rank is remained at 4<sup>th</sup>
  - Reform in the public sector is a must in order to cater to the need of dynamic and new entrepreneurs of the private sector
- Surprise entry: Inadequate supply of educated workforce entered top 5 for the first time.
  - Employers are looking for more skilled, talented and trained workforce
  - Existing system of human resource development has limited capacity to ensure adequate supply of skilled and trained professionals and workers
- Some of the issues appeared to be less concerning for the businesses
  - Policy instability, government instability, inflation and labour regulations
- Tax related issues particularly high tax rate and complicated tax payment system are the growing concerns for the businesses

# V. Bangladesh's Business Environment

# V.I Infrastructure

Perception	2015-2016	2016-2017
General infrastructure is underdeveloped	Worse (79%)	Worse (80%)
Road Transport infrastructure is underdeveloped	Worse (73%)	Worse (76%)
Railroad infrastructure is underdeveloped	Worse (84%)	Worse (84%)
Air transport infrastructure is underdeveloped	Bad (66%)	Bad (68%)
Sea port infrastructure is underdeveloped	Bad (57%)	Bad (55%)
Ground transportation is not efficient	Worse (87%)	Worse (85%)
Train services are inefficient		Worse (84%)
Air transport services are inefficient		Bad (58%)
Seaport services (ferries, boats) are inefficient		Bad (61%)
Electricity supply is somewhat less reliable	Worse(73%)	Bad* (51%)
Water supply is less reliable		Bad (55%)

- Entrepreneurs observed limited progress in infrastructure facilities during 2015 except that in electricity
  - Bad/worse: Road (76%), Rail (84%), Air (68%) and Sea (55%) transport
- Perception on electricity supply has improved significantly (from 'worse' to 'bad')
  - Thanks to public and private sector investment on electricity generation
  - More investment is required for improvement of transmission and distribution of electricity system
- More investment is needed for the development of road, rail, air and sea transport facilities with a view to create an efficient transport network in the country.

# V.II Technology

Perception	2015-2016	2016-2017
Latest technologies are available	Good(39%)	Good (42%)
ICT is improving access for all citizens to basic services	Bad (57%)	Good* (42%)
Bringing new technology through FDI is limited	Bad (64%)	Bad (47.4%)
ICT enables new business model	Bad (43%)	Good (48%)
Businesses use ICTs for transaction with other business	Bad (50%)	Good (41%)
Use of internet for selling goods and services to consumer is limited	Bad (48%)	Bad (46%)
ICTs do not create new organizational models within business	Bad (56%)	Bad (51%)
Virtual social networks are often used	Good (64%)	Good (69%)
Govt. has clear implementation plan for utilizing ICT	Good (45%)	Good (56%)
Use of ICTs by the govt. rarely improves the quality of govt. services to citizens	Bad (57%)	Bad (39%)
Laws relating to the use of ICTs are not well developed	Worse (75%)	Bad* (48%)
Govt. is successful in promoting the use of ICT	Good (46%)	Good (55%)
Businesses adopt new technologies		Good (46%)



## V.II Technology

- Use of ICT is increasingly perceived as an important instrument for doing business and official works
  - Visible progress is observed in case of ensuring better services for citizens by using ICT (42%), developing ICT enabled new business models (48%) and using ICT for business transactions (41%)
  - Perception on laws relating to the ICT sector though improved but need further progress ('bad'; 48%)
- Availability of latest technology (42%), uses of social networks (69%), adopting new technologies for business have been perceived as 'good'.
- 56% respondents considered that govt. has clear implementation plan for utilizing ICT (last year: 45%)
  - 55% appreciated government's effort to promote use of ICT (last year: 48%)
- Positive changes in perception is reflected in case of development of ICT infrastructure for ensuring better access to ICT enabled services

## V.III Financial Environment

Perception	2015-2016	2016-2017
The cost of financial services impede the business activity	Worse (66%)	Bad* (65%)
Financial sector provides limited financial products and services	Good (39%)	Bad* (39%)
Banks are not financially sound	Bad (45%)	Bad (39%)
It is difficult to obtain a bank loan	Bad (66%)	Bad (62%)
It is difficult for start-up entrepreneurs to obtain equity funding	Worse (89%)	Worse (86%)
Difficult to raise capital by issuing shares on the stock market	Good (45%)	Bad* (51%)
Regulation and supervision of securities exchange are ineffective	Bad (47%)	Bad (46%)
Financial auditing and reporting standards remain weak	Bad (63%)	Bad (51%)
Interests of minority shareholders are not well protected by the legal system	Bad (57%)	Bad (58%)
Difficult for SMEs to get access to finances	Bad (51%)	Bad (49%)

- Financial sector is gradually trapped into performers of bottom-end quartile countries and could not come out from there
  - No indicator is left which is found to be at least 'good' in this year (last year: two indicators were good)
  - All indicators are perceived to be either as 'bad' or 'worse'

# V.III Financial Environment

## Trend of major financial sector related indicators

- Frustrating trend in the level of perception is discerned on the performance of the financial sector
  - Availability of financial products and services (from 'good' to 'bad')
  - Soundness of banks (from 'better' to 'bad')
  - Raising capital by issuing shares on the stock market (from 'good' to 'bad')

Perception	2010-2011	2016-2017
Availability of financial products and services by financial sector	Good (42%)	Bad* (39%)
Soundness of banks	Better (75%)	Bad (39%)
Obtaining a bank loan	Worse(68%)	Bad (62%)
Obtaining equity funding for start-up entrepreneurs	Worse (82%)	Worse (86%)
Raising capital by issuing shares on the stock market	Good (61%)	Bad* (51%)
Financial auditing and reporting standards	Bad (45%)	Bad (51%)
Protection of minority shareholders' interest	Bad(54%)	Bad (58%)

## V.III Financial Environment

- Perceptions have deteriorated in case of availability of financial products and services (39%) and raising capital through stock market (51%)
  - No improvement in perception as regards financial auditing and reporting standards (weak; 51%).
  - Establishment of Financial Reporting Council under the FRA and starting its operation immediately are urgently needed
- Financial sector needs overhauling of its operation:
  - Reform in the financial sector should highlight on privatization of NCBs, NPL, overdependence on few borrowers, compliance with BASEL II and III, strengthening SEC, financing SMEs and new entrepreneurs, enforcement of Financial Reporting Act, bank solvency and interests of minority shareholders.

# V.IV Foreign Trade and Investment

Perception	2015-2016	2016-2017
Non-tariff barrier does not limit domestic competition	Good (44%)	Good (54%)
Custom procedures are inefficient	Bad (71%)	Bad (46%)
Changes between different transports for cargo are inefficient	Bad (60%)	Bad (43%)
Foreign ownership of companies are rare	Bad (46%)	Bad (44%)
FDI related rules and regulations are relaxed	Good (47%)	Good (51%)
Time required for border clearance of imported goods fluctuate more	Bad (62%)	Bad (43%)
Taxes reduce the incentive to invest to some extent	Bad (57%)	Bad (48%)

- No visible change in the perception is observed in any indicator related to trade and investment
  - Although changes in the share of respondents towards positive direction.
  - Positive perceptions exist in case of limited barrier created by NTBs (54%) and relaxed FDI rules and regulations (51%)
- Negative perceptions exist in case of inefficient custom procedures (46%) and cargo transportation (43%) and delay in import procedure (43%)
  - 48% respondents felt that existing tax structure reduces the incentive to invest; Need necessary reform in the tax structure and tax payment procedure.

# V.V Domestic Competition

Perception	2015-2016	2016-2017
Competition in the local market is more intense	Better (76%)	Better (78%)
Professional services are competitive		Good (60%)
Retail services are competitive		Good (65%)
Network sector is competitive		Good (60%)
Buyers make purchasing decision based on the lowest price	Bad (58%)	Bad (61%)
Local suppliers are numerous	Good (51%)	Good (62%)
Quality of local suppliers is improved	Good (31%)	Good (42%)
Anti monopoly policy rarely promote fair competition	Worse (73%)	Bad* (62%)
Corporate activity is dominated by a few business groups	Bad (73%)	Worse (77%)
Well-developed and deep clusters is quite non-existent	Bad (53%)	Bad (49%)
Most of economic activity is to some extent undeclared and unregistered	Bad (65%)	Bad (44%)

# V.V Domestic Competition

- Overall environment of domestic competition appears to be moderately good condition.
  - Entrepreneurs perceived following aspects as 'good'/'better' in terms of competition: level of intensity of competition in the local market (78%), professional services (60%), retail services (65%) and network sectors (60%)
  - Both number of suppliers (62%) and their quality (42%) are viewed by the respondents as 'good'
  - Perception on effectiveness of anti monopoly policy is found somewhat positive (from 'worse' to 'bad')
- Entrepreneurs concerned about growing presence of few groups in most corporate activities (77%)
  - Competitive environment in the market would be adversely affected-limiting the scope for SMEs
- A number of issues are remain as 'bad' : buyers decision to purchase based on lowest price (61%) and non-existence of developed cluster (49%)
  - Most economic activities are unregistered or undeclared (44%); formalization of unregistered activities is important
- Quality and efficiency in domestic competition will be the challenges for future
  - Effective operation of 'competition commission' is urgently needed

# V.VI Business Operation and Innovation

Perception	2015-2016	2016-2017
Competitive advantage of companies in int'l markets based upon low cost labour	Worse (95%)	<b>Worse (87%)</b>
Companies have a narrow presence in the value chain	Bad (50%)	<b>Bad (51%)</b>
International distribution and marketing mostly take place through domestic companies	Worse (69%)	<b>Good (30%)</b>
The production process is not very sophisticated	Bad (54%)	<b>Bad (45%)</b>
Senior management positions are usually held by relative or friends without regard to merit	Bad (56%)	<b>Bad (45%)</b>
Willingness to delegate authority to subordinates is poorly observed	Bad (53%)	<b>Bad (44%)</b>
Management has some accountability to investors and board of directors	Good (35%)	<b>Good (53%)</b>
Customers are well treated by the companies	Bad (42%)	<b>Good (41%)</b>
Companies have limited capacities to innovate	Bad (55%)	<b>Bad (48%)</b>
Companies do not spend on R&D	Worse (70%)	<b>Worse (77%)</b>
Companies are somewhat successful in using marketing to differentiate their products and services	Good (49%)	<b>Good (49%)</b>
Companies rarely encourage employees to generate new ideas	Bad (60%)	<b>Bad (48%)</b>
Companies merely turn ideas into commercially successful new products, services or business models	Bad (55%)	<b>Bad (53%)</b>



# V.VI Business Operation and Innovation

Perception	2015-2016	2016-2017
People do not collaborate and share ideas within domestic companies	Worse (73%)	<b>Bad (57%)</b>
Companies rarely embrace risky or disruptive business ideas	Bad (58%)	<b>Bad (68%)</b>
Domestic companies remain mostly unsuccessful at building international brands	Bad (64%)	<b>Bad (60%)</b>
New companies with innovative idea rarely grows rapidly	Bad (59%)	<b>Bad (42%)</b>
Govt. purchasing decision does not foster innovation	Worse (59%)	<b>Worse (72%)</b>
People have no appetite for entrepreneurial risk	Good (15%)	<b>Bad* (43%)</b>
Business and universities do not collaborate on R&D		<b>Worse (79%)</b>
Business services are not available (research, marketing, business support etc.)		<b>Bad (47%)</b>
Companies do not collaborate in sharing ideas and innovating		<b>Worse (71%)</b>
People are not exposed to ideas from outside their environment/community		<b>Bad (48%)</b>

# V.VI Business Operation and Innovation

- Perception in most indicators are found to be at the same level although some improvements discerned in terms of extent of responses of the respondents.
  - **Better perception:** International distribution and marketing are controlled by domestic companies (30%) and Companies treat the customers well (41%)
  - Companies are gradually extending their capacity in the value chain (both in backward an forward linkages)
  - Companies' capacity to satisfy customers has improved
  - **Bitter perception:** People are likely to avoid entrepreneurial risk (43%) due to lack of institutional cooperation to support risky ventures
- **Positive perception:** 'Good' perception about accountability of management to the investors (53%)
  - It did not commensurate with the perception about senior management position which considered to be held by relatives or friends disregarding merits (45%)
  - Corporatisation of business activities is urgently needed

# V.VI Business Operation and Innovation

- Perception on marketing as a tool for differencing product and services (49%) has improved
- **Negative perception:** Businesses are still operated at 'low-level equilibrium' model with limited capacity to upgrade
  - Narrow presence of value chain (51%); less spending on R&D (77%), lack of collaboration with university (79%); and business services (47%) are unavailable (research, marketing, business support etc)
  - Limited capacity to generate new ideas (48%) and new products (53%) and to collaborate idea with other domestic companies (57%)
  - Half of the respondents think that people rarely think out of the box
  - Labour based competitive advantage (87%) and production processes (45%)
  - 72% responded that government's purchasing decision does not foster innovation
- Overall, Bangladesh heavily suffers in improving business operation due to
  - Lack of R&D for generating new ideas and products; absence of public-private partnership and lack of business-university initiatives

# V.VII Security

Perception	2015-2016	2016-2017
Threat of terrorism is less costly for business	Good (39%)	Good (43%)
Incidence of crime and violence somewhat impede business	Bad (66%)	Bad (51%)
The organized crime (mafia-oriented racketeering, extortion) impose costs on business	Bad (45%)	Bad (51%)
Police Service can not be relied upon to enforce law and order	Bad (65%)	Bad (68%)

- Business is more affected by crime and violence than terrorism
  - 43% mentioned about less cost of terrorism for businesses while 51% mentioned that incidence of crime and theft would have more adverse effect on businesses.
  - 68% respondents found that the police service is unreliable to enforce law and order
- Security risk is a major concern for businesses now-a-days
  - Better intelligence capacity of law enforcement authorities to handle domestic and cross-border terrorism and violence is necessary

# V.VIII Governance

Perception	2015-2016	2016-2017
Legislative process is ineffective	Worse	Bad* (56%)
The government is inefficient in providing public goods and services	Worse (80%)	Bad* (60%)
Legal and judicial system is inefficient for business in settling disputes	Worse (84%)	Bad* (66%)
Difficult for private businesses to challenge govt. actions and/or regulations	Worse (76%)	Worse (71%)
Government does not ensure a stable policy environment for doing business	Bad (66%)	Bad (53%)
It is easy for companies to obtain information about changes in government policies and regulations affecting their activities	Bad (55%)	Good* (40%)
Ethical standards of politicians are very low	Worst (96%)	Worse* (85%)
Govt. officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts	Worse (86%)	Worse (80%)
Govt. subsidies distort competition to some extent	Bad(54%)	Bad (50%)
Agricultural Policy balances the interests of taxpayers, consumers and producers	Good (47%)	Good (56%)
It is somewhat burdensome for companies to comply with public administration requirements	Bad (64%)	Bad (65%)
Property rights protection are weak	Bad (48%)	Bad (41%)
The freedom of Press is limited	Bad (54%)	Bad (53%)

# V.VIII Governance

Perception	2015-2016	2016-2017
The judicial system is not free from influence of the government	Worse (80%)	Bad* (61%)
Illegal diversion of public funds to companies, individuals or groups is common	Worse (75%)	Bad* (63%)
Corporate ethics of the companies are poor	Bad (73%)	Bad (60%)
Limited opportunity to improve individuals' economic situation through their personal effort	Bad (42%)	Good* (49%)
Intellectual property is not protected	Worse (70%)	Bad* (60%)
Bribes are common in connection with imports and exports	Worse (91%)	Worse (88%)
Bribes are common in connection with public utilities (e.g. electricity)	Worse (84%)	Worse (78%)
Bribes are common in connection with tax payments	Worst (89%)	Worse (84%)
Bribes are common in connection with awarding of public contracts	Worst (88%)	Worse* (84%)
Bribes are common in connection with obtaining favorable judicial decisions		Worse* (65%)

## V.VIII Governance

- Governance is the most weakest part of Bangladesh's competitiveness
  - Most indicators are still in 'bad' and 'worse' category. However, positive changes are discerned in the level of responses
- **Better perceptions:** Improvement in effective functioning of legislative process (bad; 56%), in providing public goods and services (bad; 60%), in trusting on judicial system (bad; 61%) and settling disputes (66%)
  - Improvement in perception is observed in case of protection of intellectual property (bad; 60%), bribes in connection with awarding contracts (worse; 84%) and getting favourable decisions by judicial decisions (worse; 65%) and illegal diversion of public fund (bad; 63%)
  - Most cases improvement were in the nature of lessening 'adverse' perception.
    - Significant improvement is required for ensuring enabling business environment
- **Positive perception:** Agriculture policy somewhat made balances between stakeholders (good; 56%)
  - Better support to producers, easy availability of food products to consumers and maintaining low level of inflation made positive contribution

## V.VIII Governance

- **Negative perceptions:** Business environment has adversely affected due to burdensome administrative procedure (65%) and weak protection of property right (41%); bribes in connection with exports and imports (88%), public utilities (78%), and tax payment (84%).
- Perception on some issues have changed
  - Ethical standard of politicians is still found to be at a very low level but there are some improvement in perception in this year (worse; 85%)
  - Almost no change in the perception on freedom of press (bad; 53%); this issue was earlier perceived as one of the success indicators of Bangladesh
  - Ensuring free media is necessary for improving business competitiveness of Bangladesh



# V.IX Education and Human Capital

Perception	2015-2016	2016-2017
Education system is not developed enough to meet the needs of a competitive economy	Bad (57%)	Bad (57%)
Quality of primary school is poor	Worse (73%)	Bad* (66%)
Quality of math and science education is poor	Bad (64%)	Bad (55%)
Quality of business school is poor	Bad (50%)	Bad (45%)
The availability of high quality professional training service is poor	Bad (63%)	Bad (53%)
The internet used in school for learning purposes is poor	Bad (63%)	Bad (64%)
The quality of scientific research institution is very poor	Worse (71%)	Worse (64%)
Difficult for companies to find employees with the required skill for their business need	Bad (55%)	Bad (52%)
Pay is not related to the workers productivity	Bad (54%)	Bad (40%)
Companies does not invest in training & employee development	Worst (64%)	Bad (61%)
Hiring and firing or workers are flexible	Good (48%)	Good (41%)
Country is unable to retain talented people	Worse (84%)	Bad* (61%)
Country is unable to attract talented people from abroad	Worse (87%)	Worse (68%)
Scientist and engineer are rarely available	Bad (54%)	Bad (41%)

# V.IX Education and Human Capital

Perception	2015-2016	2016-2017
Businesses provide women opportunities as men to rise to positions of leadership	Bad (54%)	Good* (42%)
Labor-employer relations are cooperative	Bad (39%)	Good* (47%)
Wages are set by each individual company	Good (66%)	Better* (78%)
Taxes and social contribution do not affect the incentive to work	Good (31%)	Good (46%)
Labor regulation impedes the hiring of foreign labour	Bad (56%)	Bad (46%)
For similar work, wages for women are below those of men	Bad (54%)	Bad (47%)
Formal safety net does not provide protection for the general population	Worse (95%)	Worse (85%)
The quality of vocational training is poor	Bad (61%)	Bad (63%)
Secondary education students do not possess the skills needed by business		Bad (65%)
University-level students do not possess the skills needed by business		Bad (43%)
Labour market policies do not help unemployed people to reskill		Worse (73%)
Style of teaching is frontal, teacher based, and focused on memorizing		Worse (71%)
People do not move to other parts of the country for professional reasons		Good (56%)
Very few of the adult population have a university degree		Bad (47%)

# V.IX Education and Human Capital

- Poor performances in most indicators related to education and human capital adversely affect skill development in the country
  - **Better perception:** Quality of primary school (66%); Companies investment in training and development (61%); Retaining talented people (61%), Opportunities for women (42%); Labour-employer relationship (47%) and setting wages (78%).
  - Although these indicators have managed to improve their current level, many of these responses are still negative
  - Companies are increasingly taking interest on training and development, ensuring equal opportunities for women, and maintaining better relations with labour
- **Positive perceptions:** Flexible regulation in hiring and firing of employees (41%), taxes do not affect incentive to work (46%) and limited domestic migration (56%).

# V.IX Education and Human Capital

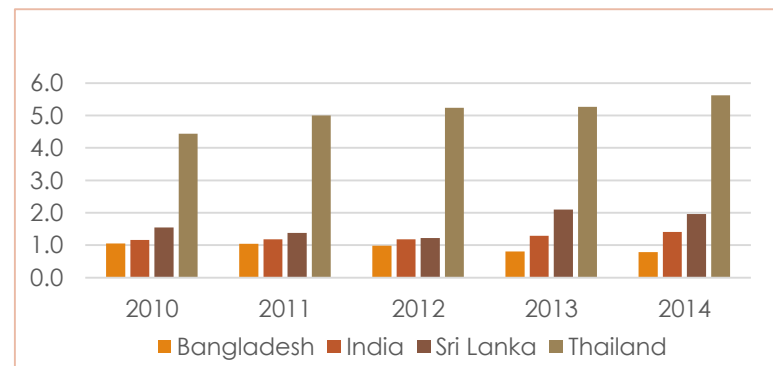
- **Negative perceptions:** A number of negative perceptions on the education sector is observed
  - Under-developed education system (57%), poor quality of math-science education (55%), business school (45%), limited use of internet in school (64%), poor quality of vocational training (63%), old fashioned style of teaching (71%), few people with university degree (47%), Secondary education students (65%) and university-level students (43%) do not possess the skills needed by business
  - Research and development issues: poor quality of scientific research institutes (64%) and hard to find scientists and engineers (41%)
- Without adequate investment in education, training and human resource development, businesses would find it difficult to get skilled labour force for upgrading
  - Skill development initiatives have been undertaken by the government with the support of the development partners for 8 sectors
  - Need long term investment in other potential and emerging sectors

# V.X Health

Perception	2015-2016	2016-2017
Accessibility of health care is limited to the elites	Bad (65%)	Bad (71%)
The quality of healthcare is poor	Worse (73%)	Worse (73%)
Health-related absence does not cost on business		Good (38%)

- Perceptions remain poor on health related issues
  - Access to healthcare services is limited (71%)
  - Quality of healthcare is very poor (73%)
- **Positive perception:** Health-related absence somewhat does not cost on business (38%)
  - Government's health budget is below the required level; public investment for the health sector (in terms of share of total ADP and share of GDP) has declined over the years.
- Public health expenditure in BD, as % of GDP is much lower than other developing countries

Health expenditure, public (% of GDP)



# V.XI Travel and Tourism

Perception	2015-2016	2016-2017
Development of travel & tourism industry is not a priority for the govt.	Bad (61%)	Bad (46%)
Country's marketing and branding campaigns in attracting tourists are very inefficient	Worse (77%)	Bad* (58%)
Government's efforts are ineffective to ensure that travel and tourism sectors is being developed in an environmentally sustainable way	Worse (74%)	Bad* (60%)
The quality tourism infrastructure is poor	Bad (59%)	Bad (52%)
Very few international tourists visit mainly for the natural assets		Bad (41%)

- Travel and tourism although at below the standards but made positive changes as perceived by the respondents.
  - Better perceptions: Country's marketing and branding campaigns though inefficient but made some positive changes (bad; 58%).
  - Similarly, government's effort on developing tourism sector though inefficient but some positive changes took place this year (bad; 60%)
- However, a number of issues remain at a poor state. Businessmen perceived that developing the tourism sector is not a priority of the government (46%)
  - 52% of respondents mentioned that tourism infrastructure is poor
- 2016 has been declared as the year of tourism
  - Limited activities have been undertaken so far
  - No significant changes in terms of local and foreign tourists observed till date.

# V.XII Environment

Perception	2015-2016	2016-2017
Country's environment regulations are somewhat lax	Bad (70%)	Bad (47%)
Quality of the natural environment is poor	Bad (60%)	Bad(42%)
Enforcement of environment regulations is very lax	Worse (76%)	Bad* (65%)

- No major change observed in the perception on environmental issues; but minor positive changes observed in the perception
  - 65% asserted that enforcement of environmental regulations is very lax (worse; 76% in last year)
- Perspectives on environment related issues remain at the low level
  - Environment regulations are lax (Bad; 47%)
  - Poor quality of natural environment (Bad; 42%)
- Environment is heavily affected due to unplanned industrial activities, lack of enforcement of environmental regulations, limited capacity to regulate laws and regulations
  - Enforcement of environmental regulations need to get more priority in government activities
  - Establishment of industrial zones (e.g. SEZs) is important with necessary facilities to protect environment

# V.XIII Global Risks

- Entrepreneurs have identified top global risks for doing business in Bangladesh within next 10 years
  - Energy price shock (weight 11.8%)
  - Failure of national governance (8.9%)
  - Failure of urban planning (8.5%)
  - Failure to develop critical infrastructure (8.4%)
  - Failure of climate change adaptation (7.4%)

**Factors of Global Risks**

Serial	Factors	2016
1	Energy price shock	11.82
2	Failure of national governance	8.92
3	Failure of urban planning	8.45
4	Failure of critical infrastructure	8.37
5	Failure of climate-change adaptation	7.43
6	Cyber attacks	7.20
7	Data fraud or theft	6.42
8	Failure of financial mechanism or institution	4.85
9	Biodiversity loss and ecosystem collapse	4.62
10	Asset bubble	3.91
11	Fiscal crises	3.44
12	Illicit trade	3.29
13	Unemployment or underemployment	3.21
14	Critical information infrastructure breakdown	2.19
15	Natural catastrophes	2.19



# VI. Findings from the Rapid Assessment Survey

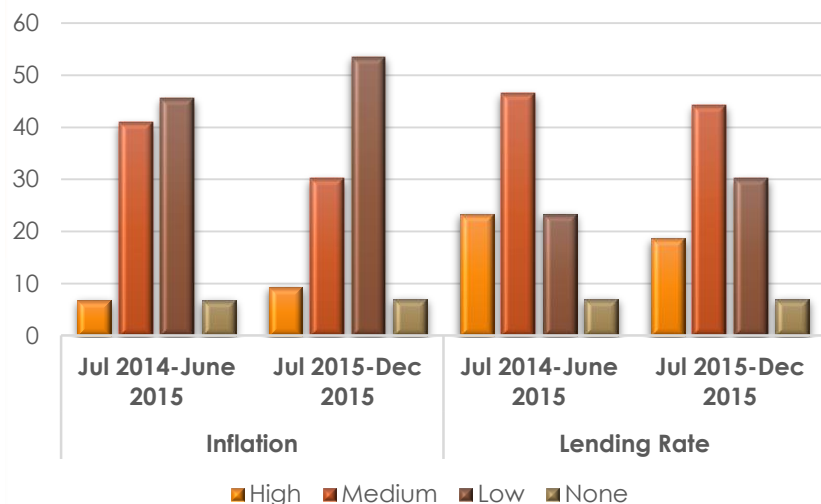
# VI Findings from Rapid Assessment Survey

Perception	2015-2016	2016-2017
Bangladesh's tax system is slightly complex	Bad (73%)	Bad (59%)
Insider trading in Bangladesh's stock market is pervasive	Bad (75%)	Worse* (74%)
Monitoring & supervision of SEC to regulate market is somewhat inefficient	Bad (69%)	Bad (60%)
Money laundering through formal banking system is pervasive	Bad (64%)	Bad (48%)
Investment environment will deteriorate	Bad (62%)	Bad (33%)
The demand for individual farm's product during 2016 will improve	Good (35%)	Good (53%)
Firms' investment in 2016 will improve	Bad (44%)	Good (60%)
Well monitored and supervised the banking sector by the Bangladesh Bank in 2015	Good(39%)	Good (45%)
TPP will affect Bangladesh's export once it will be in operation		Bad (48%)
SEZs will meet the need of the investors		Good (68%)

# VI Findings from Rapid Assessment Survey

- **Better perception:** 60% entrepreneurs hopeful about their firm's investment prospect in 2016
  - Less political chaos, moderate inflation level and some positive changes in infrastructure facilities are the inspiring facts.
- **Bitter perception:** 74% found that insider trading in stock market is prevailing
  - Weak monitoring of stock markets is still a concern (60%)
- **Positive perceptions:** 53% entrepreneurs expected that demand for firms' products will increase in 2016 (good).
  - 68% of entrepreneurs are very hopeful that SEZs would be able to meet investors' demand of required infrastructure
- Entrepreneurs are concerned about the Trans-Pacific Partnership (TPP). 48% mentioned that if enforced it will adversely affect Bangladesh's export ('bad').

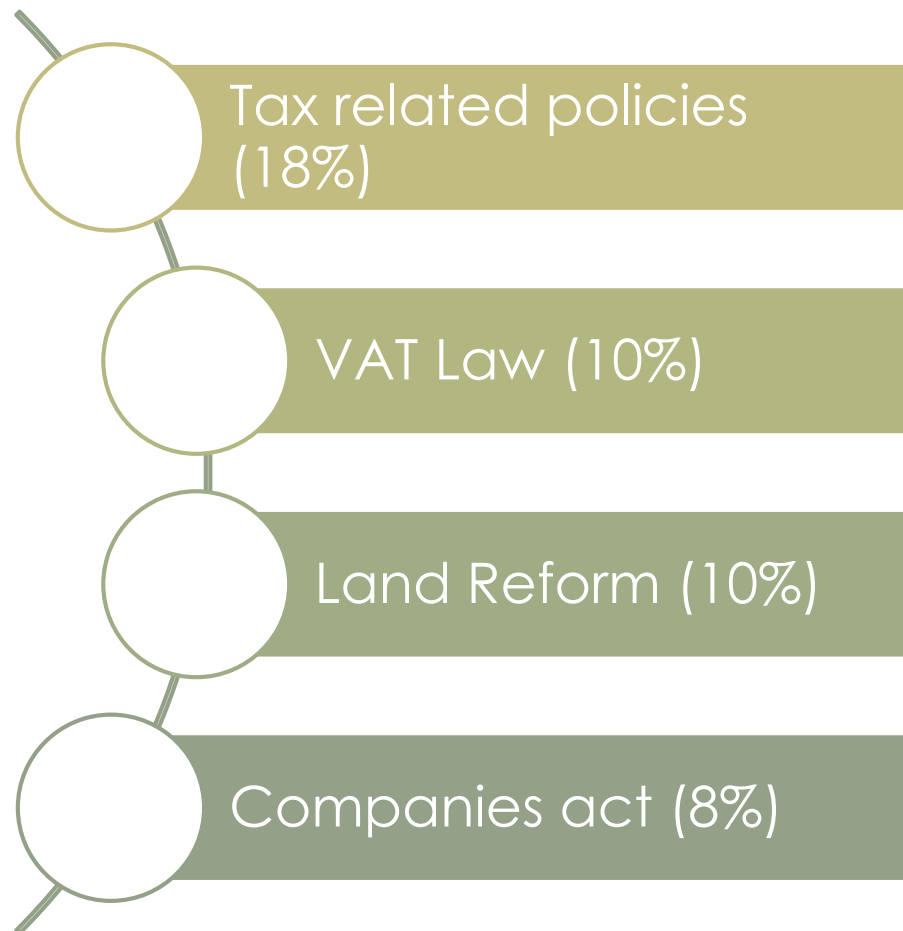
# VI Findings from Rapid Assessment Survey



- Entrepreneurs found that inflation has limited adverse effect on production of their respective firms.
- Interest rate for commercial borrowing is still costlier for businesses at ‘medium’ to ‘high’ level
  - However, the effect has eased this year (37% mentioned low to none effect)
  - Lending rate was also going down during the later part of Jul-Dec 2015
- 40-50% companies have increased their production during July 2014- Dec 2015
  - This is also reflected in number of employees (increased by 40-50%)

# VI Findings from Rapid Assessment Survey

- Respondents identified most important policies/acts/laws that need to be amended/upgraded in order to improve investors' business confidence



# VI Findings from Rapid Assessment Survey

- Professional skills that are absent among fresh entrants in the job market of Bangladesh are as follows

Personal qualities	<ul style="list-style-type: none"><li>• Hard working</li><li>• Loyalty</li></ul>
Technical knowledge	<ul style="list-style-type: none"><li>• Skilled</li><li>• Trained</li></ul>
Communication skill	<ul style="list-style-type: none"><li>• Language proficiency</li><li>• Drafting/reporting ability</li></ul>
Creative and critical thinking	<ul style="list-style-type: none"><li>• Managing well</li><li>• Innovative</li></ul>

# VII. Conclusion

# VII. Conclusion

- Bangladesh is stuck into lower end segment of business competitiveness
  - Improvement in scores but not in terms of ranks- implies that competitiveness is not growing compared to competing countries
- The extent of improvement in ranking and value of key indicators and positive remarks of the entrepreneurs are not adequate enough to graduate the economy at the next level of competitiveness
  - Bangladesh has yet to make visible progress three out of four 'basic requirement': Institution (125<sup>th</sup>) and Infrastructure (114<sup>th</sup>) and Health and Primary Education (105<sup>th</sup>)
  - Even *Macroeconomic Stability* pillar slid significantly from 49<sup>th</sup> to 65<sup>th</sup> position
    - Declined in terms of government budget balance (% of GDP), gross national savings (% of GDP) and country credit rating
- Major problematic factors are increasingly dispersed from few to many
  - Government should gradually focus on efficiency enhancing factors along with basic requirements
- Other than electricity (though still not 'good') none of the infrastructure facility found to have made considerable improvement- rail, road and sea transport
  - Government should develop efficient multimodal transport network within the country for smooth operation of the business supply chain.



# VII. Conclusion

- ICT as a medium of technology for all kinds of economic activities appears to be getting popular
  - Further improvement is required in terms of application of ICT enabled business models and business transactions, effective implementation and enforcement of ICT rules and regulations
- Financial sector is increasingly losing its momentum and trapped into the status of bottom-quartile countries
  - The sector is suffering in terms of poor soundness of banks, limited availability of financial products and difficulty in raising capital through stock market etc.
  - Financial system needs overhauling in order to improve its competitiveness: CPD recommended establishment of a financial sector reform commission
- Governance is the weakest part of business competitiveness of Bangladesh
  - Pace of change in various indicators is not adequate enough to cater to the need of the businesses; corruption is one of the most important challenges
  - Huge public investment related to infrastructure development has yet to ensure crowd-in effect to private investment
- Human resource development remain a less priority issue to the government which is reflected in terms of insignificant improvement in different education and health related indicators
- Finally, Bangladesh economy is not ready to take a transformative journey which would graduate it to the competitive ranking of those of the middle income countries

Thank you