

Release of
The Global Competitiveness Report 2015-16
and
The Bangladesh Business Environment Study 2015

Presentation by
Dr Khondaker Golam Moazzem
Additional Research Director, CPD

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CENTRE FOR POLICY DIALOGUE (CPD)
B A N G L A D E S H
a c i v i l s o c i e t y t h i n k t a n k

CPD STUDY TEAM

Study Advisors

Professor Mustafizur Rahman

Executive Director, CPD

Dr Debapriya Bhattacharya

Distinguished Fellow, CPD

Team Leader

Dr Khondaker Golam Moazzem

Additional Research Director, CPD

Survey and Analysis

Kishore Kumer Basak

Senior Research Associate, CPD

Meherun Shikha

Research Associate, CPD

and

Md Ariful Islam

Research Associate, CPD

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- CPD has been partnering with the World Economic Forum (popularly known as Davos Forum) in preparing the GCR since 2001
 - CPD has carried out the Executive Opinion Survey (EOS) in Bangladesh (15th)
 - EOS is based on the questionnaire developed by the WEF
- A rapid assessment survey has been carried out on current issues of Bangladesh Economy (12th)
- Major objectives of the press briefing are
 - To release WEF's *Global Competitiveness Report 2015-16* in Bangladesh. The report is being globally launched today.
 - To report the state of competitiveness of Bangladesh in 2014
 - To give voice to concerns as regards business environment in Bangladesh

II. Methodology

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Participation at
GCR 2015-16

II.I Methodology: Executive Opinion Survey (EOS)

- Major Issues highlighted in the survey are:
Problematic factors for business, Infrastructure, Technology, Financial environment, Foreign trade & investment, Business operations & innovation, Security, Governance, Education & human capital, Health, Travel & tourism, Environment and Risks
- Majority of the entrepreneurs are involved in various kinds of industrial activities
 - Ownership of medium and large enterprises
- Survey period: February 01, 2015 to May 01 2015
 - Reference Period: January to December 2014
- Number of respondents: 56 in 2015 (77 in 2014)
 - Political unrest caused a somewhat low response this year
- Most of the companies (93%) are locally-owned and mostly based in Dhaka



Sectoral Distribution of Survey Respondents

Total	56(100%)
Agriculture	2(3.6%)
Industry	28(50%)
Service	13(23.2%)
Mixed	13 (23.2%)

II. Methodology

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II.I 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 the survey and those available in global public domain
 - The index is estimated on the basis of moving average of two years
 - Each 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%

- The GCR 2015-2016 covers 140 countries (144 in 2014); **Included anew (4)**: Benin, Bosnia and Herzegovina, Ecuador, and Liberia; **Excluded (8)**: Angola, Burkina Faso, Timor-Leste, Barbados, Suriname, Libya, Yemen, Puerto Rico.

II. Methodology

II.II 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 (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)

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 (GCR) 2015-16: Major Findings

Ranking of Top Ten Economies: 2014 vs. 2015

Economies	2014-15	2015-16	Change
Switzerland	1	1	↔
Singapore	2	2	↔
United States	3	3	↔
Germany	5	4	↑
Netherlands	8	5	↑
Japan	6	6	↔
Hong Kong	7	7	↔
Finland	4	8	↓
Sweden	10	9	↑
UK	9	10	↓

- List of top 10 countries remain unchanged but rankings of few countries have changed
 - Dominated by highly advanced western and Asian economies
- Improved position:* Germany, Netherlands and Sweden
- Unchanged position:* Switzerland, Singapore, USA, Japan and Hong Kong
- Decelerated position:* Finland and UK
- Switzerland leads the top 10 for the 7th consecutive year
 - World-class research institutions (1st), high spending on research and development (R&D) (1st), and strong cooperation between academic and private sector (3rd).
 - Lead to business sophistication (1st), efficiency in the labour market (1st), with high levels of collaboration between labour and employers (1st).
 - Effective and transparent public institutions (6th), excellent infrastructure and connectivity (6th) and highly developed financial markets (10th).
 - Most stable macroeconomic environment (6th) at a time when many developed countries continue to struggle in this area

- Singapore ranks 2nd for the fifth year in a row, with one of the most consistent performances of all economies, being in the top 10 in nine out 12 pillars
 - Best performer in terms of overall efficiency of markets, higher education and training system (1st), technological adoption (5th), business sophistication (18th), and innovation (stable at 9th)
 - Top-notch infrastructure (2nd), transparent and efficient institutional framework (2nd), and stable macroeconomic environment (12th).
- USA retains 3rd place
 - Unique combination of exceptional innovation capacity (4th), large market size (2nd) and sophisticated businesses (4th).
 - Innovation capacity driven by collaboration between firms and universities (2nd), human capital (4th on availability of scientists and engineers) and company spending on R&D (3rd).
 - Flexible labour markets (4th) and well-developed financial sector (5th).

- In Europe, Spain, Italy, Portugal and France have made significant strides in bolstering competitiveness.
 - Thanks to reform packages aimed at improving the functioning of markets, Spain and Italy climb two and six places respectively.
 - Similar improvements in the product and labour market in France (22nd) and Portugal (38th) are outweighed by a weakening performance in other areas.
 - Greece stays in 81st place this year, based on data collected prior to the bailout in June.
- Access to finance remains a common threat to all economies and is the region's greatest impediment to unlocking investment.

- Among the larger emerging markets, the trend is for the most part one of decline or stagnation.
- Among BRICS countries, three economies advanced: Russia (45), South Africa (49th) and India (55)
 - China remained in last year's position (28th); Brazil (75th) decelerated
- China's new normal is an issue of concern despite having strong economic foundation
- Competitiveness dynamics across Asia is bright but mixed in South East Asia
 - Behind Singapore (2nd), the region's five largest countries (ASEAN 5) are: Malaysia (18th), the Philippines (47th) and Vietnam (56th) - all progress in the rankings.
 - Thailand (32nd) and Indonesia (37th) decelerated
 - Philippines and Vietnam have made significant progress in 2015

Economies	2014-15	2015-16	Change
Malaysia	20	18	↑
China	28	28	↔
Thailand	31	32	↓
Indonesia	34	37	↓
Russian Federation	53	45	↑
Philippines	52	47	↑
India	71	55	↑
Vietnam	68	56	↑
Sri Lanka	73	68	↑
Brazil	57	75	↓
Cambodia	95	90	↑
Nepal	102	100	↑
Bhutan	103	105	↓
Bangladesh	109	107	↑
Pakistan	129	126	↑

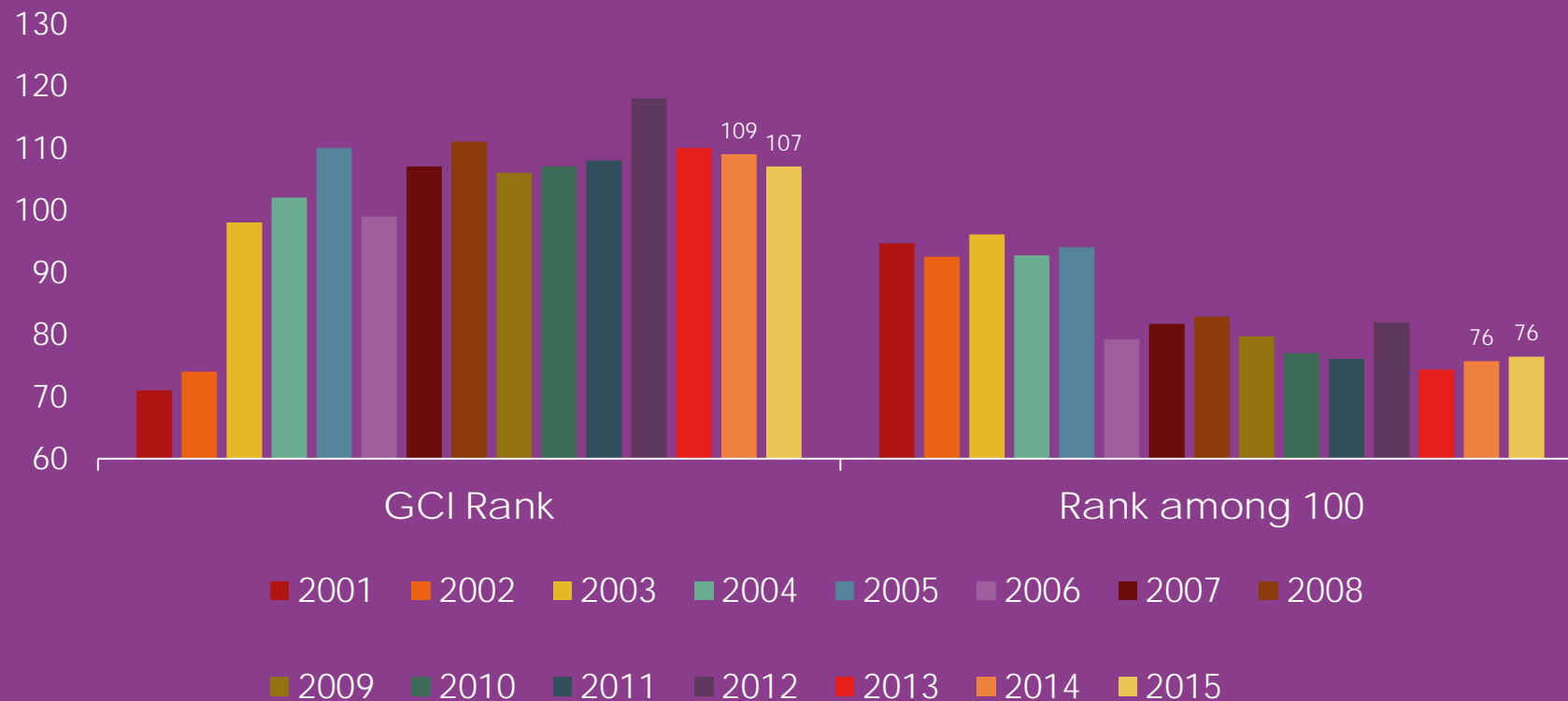
- Bangladesh's ranking has improved: from 109th in 2014 to 107th in 2015
- Bangladesh has advanced mainly due to better performance in 'basic requirements'
 - Reflection of rising confidence on improvement in some of the pillars
- Performance in efficiency enhancers declined both in ranking and score
- Significant improvement has discerned in few indicators
 - Macroeconomic stability (ranking: from 72 to 49 and score:4.69 to 4.98)
 - Infrastructure (from 127 to 123 and score 2.45 to 2.56)
 - Market size (from 44 to 40 and score: 4.46 to 4.68)
- Significant deterioration is observed in few indicators
 - Institutions (from 131 to 132 and score: 2.96 to 2.94)
 - Financial market sophistication (from 88 to 90 and score:3.77 to 3.57)
 - Goods market efficiency (84 to 101) and score:4.2 to 4.07)
- Positive changes discerned in case of labour market efficiency and innovation
 - Negative changes occurred in case of health and primary education, technological readiness and business sophistication

Bangladesh's Performance: 2014 Vs. 2015

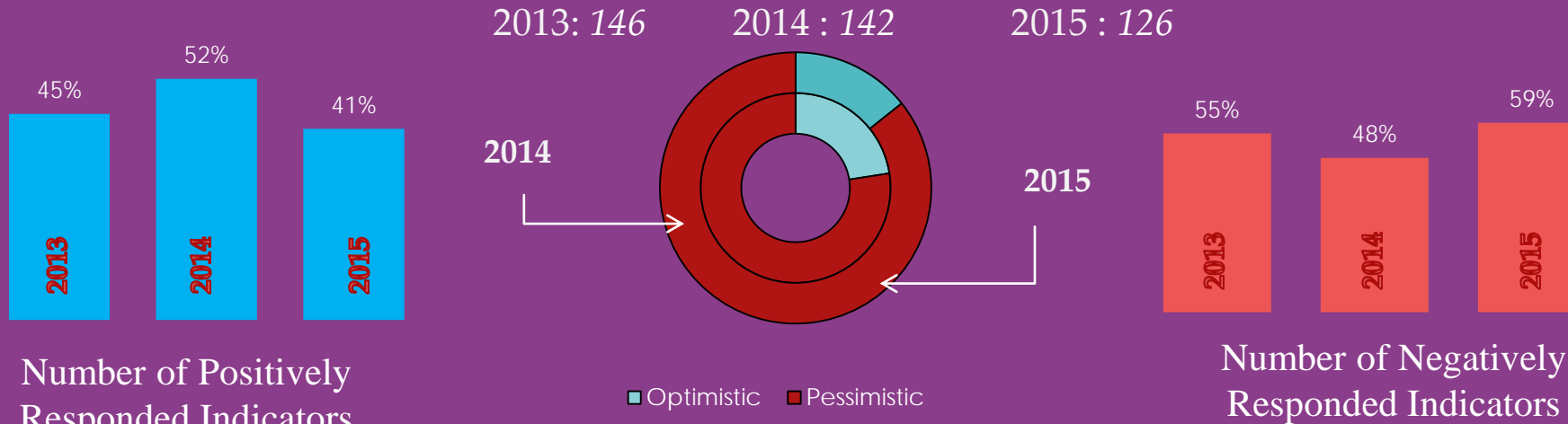
Indices	Rank		Score (out of 7)		% Change in Score
	2014-15	2015-16	2014-15	2015-16	
GCI	109	107	3.72	3.76	1.1
Basic Requirements (BR)	113	109	3.84	3.93	2.3
Institutions	131	132	2.96	2.94	-0.7
Infrastructure	127	123	2.45	2.56	4.5
Macroeconomic Stability	72	49	4.69	4.98	6.2
Health and Primary Education	102	101	5.29	5.24	-0.9
Efficiency Enhancers (EE)	103	105	3.6	3.58	-0.6
Higher Education and Training	125	122	2.86	2.86	0.0
Goods Market Efficiency	84	101	4.2	4.07	-3.1
Labour Market Efficiency	124	121	3.67	3.69	0.5
Financial Market Sophistication	88	90	3.77	3.57	-5.3
Technological Readiness	126	127	2.66	2.62	-1.5
Market Size	44	40	4.46	4.68	4.9
Innovation and Sophistication (IS)	122	123	3.02	3.04	0.7
Business Sophistication	118	117	3.45	3.43	-0.6
Innovation	129	127	2.58	2.65	2.7

- In relative terms, Bangladesh's ranking has slightly decelerated this year
 - Although in absolute term, Bangladesh's overall score has increased by 1.1% this year

Bangladesh's Competitiveness Remain Stuck at Lower Level: GCI and Normalised Ranks



Total Number of Questions



Comparison of Responses Between 2014 and 2015



IV. Most Problematic Factors for Doing Business

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Rank	2014	2015	Change
1	Inadequate supply of infrastructure(20.3)	Corruption (18.6)	↓
2	Corruption (19.7)	Inadequate supply of infrastructure (18.5)	↑
3	Inefficient government bureaucracy (14.5)	Inefficient government bureaucracy (11.6)	↔
4	Government instability/coups (9.4)	Government instability/coups(11.6)	↔
5	Limited Access to financing (8.8)	Limited access to financing (9.8)	↔
6	Policy instability (7.0)	Policy instability (4.9)	↔
7	Inadequately educated workforce (4.3)	High tax rates (4.1)	↓
8	Crime and theft (3.6)	Crime and theft (3.6)	↔
9	Complexity of tax regulations (2.9)	Inadequately educated workforce (3.5)	↑
10	Tax rates (2.5)	Complexity of tax regulations (3.2)	↑
11	Inflation (2.4)	Foreign currency regulations (2.8)	↓
12	Foreign currency regulations (2.3)	Poor work ethic in national labor force (2.7)	↓
13	Poor work ethic in national labour force (1.3)	Inflation (2.6)	↑
14	Insufficient capacity to innovate (0.4)	Insufficient capacity to innovate (1.0)	↔
15	Poor Public Health (0.3)	Restrictive labor regulations (0.6)	↓
16	Restrictive labour regulations (0.3)	Poor public health (.05)	↑

- Corruption takes the lead in the most problematic factors (18.6%); the other two most important factors are: Inadequate supply of infrastructure (18.5%), and Inefficient government bureaucracy (11.6%)
- The extent of impact of top three factors has reduced
 - Aggregate response of top three obstacles is 48.8% in 2015 which was lower than that of last year (54.5%)
- Perception about some of the problematic factors have further intensified
 - Negative perception on Instability of the government has increased (from 9.4% to 11.6%)
 - Access to financing is perceived to be more difficult (from 8.8% to 9.8%)
 - High tax rate is increasingly being considered as a major obstacle for doing business
 - Poor work ethic and complexity of tax regulations are also becoming more problematic
- Some factors are becoming less problematic in 2015: Inadequately educated workforce (3.5%), Crime and theft (3.6%), Inflation (2.6%) and Poor public health (.05%)
- Businesses are increasingly concerning on efficiency related problems

V. Bangladesh's Business Environment in 2015

Perception	2014-2015	2015-2016
General infrastructure is underdeveloped	Worse (79%)	Worse (78.83%)
Road Transport infrastructure is underdeveloped	Worse (79%)	Worse (73.21%)
Railroad infrastructure is underdeveloped	Worse (81%)	Worse* (83.93%)
Air transport infrastructure is underdeveloped	Worse (68%)	Bad (65.45%)
Sea port infrastructure is underdeveloped and inefficient	Bad (51%)	Bad (57.14%)
Ground and water transport network is not efficient enough	Bad (61%)	Worse* (71.43%)
Electricity supply is insufficient and suffers frequent interruption	Worse (79%)	Worse*(73.21%)

- Weak infrastructure is still a major challenge: perception remains the same as last year
 - Air transport infrastructure perceived to make some improvement this year: from worse (68%) to bad (65.5%)
 - Ground and water transport networks have further worsened (from 61% to 71.4%) and the change in perception is found to be significant.
- Perception on few issues even within the same category have made significant changes
 - Electricity supply (moderately improved) and railroad infrastructure (further worse)

Perceptions	2014-2015	2015-2016
Latest technologies are somewhat available	Good (47%)	Good(39%)
ICTs poorly improving access for all citizens to basic services	Bad (49%)	Bad (57%)
Bringing new technology through FDI is limited	Bad (42%)	Bad (64%)
ICTs rarely enable new business model	Bad (41%)	Bad (43%)
Business rarely use ICTs for transaction with other business	Bad (44%)	Bad (50%)
Use of internet for selling goods and services to consumer is limited	Bad (47%)	Bad (48%)
ICTs do not create new organizational models within business	Bad (52%)	Bad (56%)
Virtual social networks are often used	Good (57%)	Good* (64%)
Govt. have clear implementation plan for utilizing ICTs to improve country's overall competitiveness	Bad (46%)	Good (45%)
Use of ICTs by the govt. rarely improves the quality of govt. services to citizens	Bad (49%)	Bad* (57%)
Laws relating to the use of ICTs are not well developed	Worse (71%)	Worse (75%)
Govt. is successful in promoting the use of ICT	Good (49%)	Good (46%)

- Perception regarding government's implementation plan for utilizing ICTs in order to improve overall competitiveness has significantly improved- from bad (46%) to good (45%)
 - Bangladesh accolades global recognition for ICT development
- No major change in perception about most of the issues is discerned in 2015
 - Availability of latest technology among entrepreneurs is perceived to be not satisfactory: perception level has reduced from 47% to 39%
 - Perception about number of activities are found to remain unchanged as 'bad'
 - Government effort for improving access for all citizens to basic services (57%), ICT enable new business model (43%), business use of ICT for transaction with other businesses (50%), use of internet for selling goods and services to consumer (48%); use of virtual social network (64%)
 - Perception has further deepened in case of limited availability of new technology through FDI (64%)
- Huge effort is required both at public and private sectors in order to develop ICT based domestic technological capacity.

Perceptions	2014-2015	2015-2016
The cost of financial services extensively impede the business activity	Bad (40%)	Worse* (66%)
Financial sector provides variety of financial products and services	Good (39%)	Good (39%)
Banks have been suffering from lack of efficiency	Good(49%)	Bad (46%)
Difficult to find venture capital for projects which are innovative but risky	Worse (88%)	Worse (89%)
Somewhat easy to raise capital by issuing shares on the stock market	Good (42%)	Good (45%)
Regulation and supervision of securities exchange are ineffective	Bad (62%)	Bad (47%)
Financial auditing and reporting standards remain weak	Bad (62%)	Bad* (63%)
Interests of minority shareholders are not well protected by the legal system	Worse (74%)	Bad* (57%)
Difficult to obtain a bank loan In terms of procedures and requirements for business	Worse (74%)	Bad* (66%)

- Perception about efficiency and compliance related to the financial sector has weakened.
 - High cost of financial services is perceived to impeded the business activity (66%) and change in the level of perception is quite significant
 - Bank’s level of efficiency has downgraded from ‘good’ (49%) to ‘bad’ (46%)
 - Slight improvement in the perception on interests of minority shareholders protected by legal system: from ‘worse’ (74%) to ‘Bad’ (57%)
 - Perception on availability on venture capital, regulation and supervision mechanism, financial auditing and reporting standards remain below the minimum required level
- Various initiatives undertaken are found to be less effective in order to improve efficiency and competitiveness
 - Financial sector needs further reform in order to become more competitive and efficient

Problematic Factors when Exporting

Rank	2014	2015	Change
1	Identifying potential markets and buyers (15.59)	Identifying potential markets and buyers (16.08)	
2	Difficulties in meeting quality/quantity requirements of buyers (12.85)	Difficulties in meeting quality/quantity requirements of buyers (13.29)	
3	High cost or delays caused by domestic transportation (12.75)	High cost or delays caused by domestic transportation (13.15)	
4	Access to imported inputs at competitive prices (11.74)	Inappropriate production technology and skills 12.31)	
5	Inappropriate production technology and skills (10.63)	Access to imported inputs at competitive prices (11.89)	
6	Access to trade finance (10.43)	Access to trade finance (8.67)	
7	Technical requirements and standards abroad (9.31)	High cost or delays caused by international transportation (6.57)	
8	Tariff barriers abroad (7.59)	Technical requirements and standards abroad (6.29)	
9	High cost or delays caused by international transportation(3.95)	Tariff barriers abroad (5.73)	
10	Rules of origin requirements abroad (2.43)	Rules of origin requirements abroad (3.64)	
11	Corruption at foreign borders (2.23)	Burdensome procedures at foreign borders (1.54)	
12	Burdensome procedures at foreign borders (0.51)	Corruption at foreign borders (0.84)	

Problematic Factors when Exporting

- First three problematic factors remain same this year
 - Difficulty in identifying potential markets and buyers (16.08%), difficulties in meeting quality/quantity requirements of buyers (13.29%) and high cost or delays caused by domestic transportation (13.15%)
- Perception about few issues has changed positively
 - Difficulty in accessing imported inputs at competitive prices (11.89%), complying with technical requirements and standards abroad (6.29%), tariff barriers abroad (5.73%), and corruption at foreign borders (0.84%)
- Few factors are perceived to be more problematic than before
 - Inappropriate production technology and skills (12.31%), High cost or delays caused by international transportation (6.57%), Burdensome procedures at foreign borders (1.54%)
- Overall, export suffers due to weaknesses in internal and external connectivity, lack of diversity in products and markets and poor networking of entrepreneurs

Problematic Factors when importing

Rank	2014	2015	Change
1	Tariffs (22.22)	Tariffs (21.5)	↔
2	Burdensome import procedures (18.96)	Burdensome import procedures (20.8)	↔
3	Corruption at the border (18.55)	Corruption at the border (17.3)	↔
4	High cost or delays caused by domestic transportation (14.07)	High cost or delays caused by domestic transportation (13.8)	↔
5	High cost or delays caused by international transportation (8.87)	Crime and theft (8.5)	↓
6	Domestic technical requirements and standards (7.34)	High cost or delays caused by international transportation (8.2)	↑
7	Crime and theft (6.93)	Domestic technical requirements and standards (8.6)	↑
8	Inappropriate telecommunications infrastructure (3.06)	Inappropriate telecommunications infrastructure (3.2)	↔

Problematic Factors when importing

- Major problematic factors for import have remained the same this year although extent of challenges has slightly changed
 - Tariffs (21.5 %), Burdensome import procedures (20.8%), Corruption at the border (17.3%) and High cost or delays caused by domestic transportation (13.8%)
- 'Crime and theft' has become more problematic this year (6.93 in 2014 vs. 8.5 in 2015)
 - Monitoring and surveillance mechanism need to be improved
- Negative perception on few issues have changed in positive direction
 - High cost or delays caused by international transportation (8.2%)
 - Domestic technical requirements and standards (8.6%)
- Import faces challenges with increasing inefficiency concerning issues related to border and behind the border

- Import of goods in the local market faces bottlenecks but at a moderate level
 - NTBs are not so problematic for imported products in Bangladesh (44%)
 - Customs procedures are still inefficient as mentioned by 71% respondents
 - Multimodal connectivity is perceived to be less efficient by 60% entrepreneurs
 - Border clearance is time consuming and required time for clearance fluctuates (62.3%)
- Foreign investment is not getting momentum
 - Foreign owned companies are less prevalent (46.3%) despite the fact that rules and regulations concerning FDI is not so restrictive (47%)
 - High taxes are a major hindrance for more investment as it reduces the incentive to invest

Perceptions	2014-2015	2015-2016
Non-tariff barriers marginally limit the ability of imported goods to compete in the domestic market	Good	Good (43.39%)
Customs procedures (related to the entry and exit of merchandise is not so efficient	Bad	Bad (70.91%)
Changes between different modes of transport for cargo (e.g. from port to rail or airport to roads) are not efficient		Bad (60.38%)
Foreign ownership of companies is not so prevalent	Bad	Bad (46.30%)
Rules and regulations on foreign direct investment is not so restrictive	Good	Good (47.05%)
Time required for border clearance of imported goods fluctuate more	Bad (57%)	Bad (62.26%)
Taxes reduce the incentive to invest to some extent		Bad (56.60%)

V.VI Domestic Competition

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Perception	2014-2015	2015-2016
Competition in the local market is more intense	Good (61%)	Better (76%)
Buyers make purchasing decision based on the lowest price	Bad (63%)	Bad (58%)
Local suppliers are numerous	Good (55%)	Good* (51%)
Quality of local suppliers is improved	Bad (39%)	Good (31%)
Anti monopoly policy rarely promote fair completion	Bad (49%)	Worse* (73%)
Corporate activity is dominated by a few business groups	Bad(69%)	Bad (73%)
Well-developed and deep clusters is quite non-existent	Bad (52%)	Bad (53%)
Corporate tax code is complex	-	Bad (48%)
Most of economic activity is to some extent undeclared and unregistered	-	Bad (65%)

- Mixed scenario in case of perception about domestic competition
 - Competition in the local market has improved: from Good (61%) to Better (76%)
 - Perception on quality of local suppliers has changed towards positive direction
 - Anti monopoly policy didn't work as perceived by 73% of respondents - from 'bad' (49%) to worse (73%)
- Negative but stationary situation is observed in case of buyers' purchasing decision based on price (58%), corporate activity dominated by few business groups (73%) and non-existence of well developed and deep clusters (53%)

Perception	2014-2015	2015-2016
Competitive advantage of companies in int'l markets based upon low cost labour	Worse(92%)	Worse (95%)
Companies have a narrow presence in the value chain	Bad (61%)	Bad (50%)
International distribution and marketing mostly take place through foreign companies	Bad (63%)	Worse* (69%)
The production process is not very sophisticated	Bad (60%)	Bad (54%)
Senior management positions are usually held by relative or friends without regard to merit	Bad (55%)	Bad (56%)
Willingness to delegate authority to subordinates is poorly observed	Worse (80%)	Bad* (53%)
Management has some accountability to investors and board of directors	Bad (47%)	Good (35%)
Customers are rarely well treated by the companies	Good (36%)	Bad (42%)
Companies have limited capacities to innovate	Bad (66%)	Bad* (55%)
Companies do not spend on R&D	Worse (91%)	Worse* (70%)
Companies merely turn ideas into commercially successful new products, services or business models	Bad (56%)	Bad (55%)

Perception	2014-2015	2015-2016
Companies are somewhat successful in using marketing to differentiate their products and services	-	Good (49%)
Companies rarely encourage employees to generate new ideas	-	Bad (60%)
People poorly collaborate and share ideas inside the company	-	Bad (49%)
People do not collaborate and share ideas between domestic companies	-	Worse (73%)
People somewhat collaborate and share ideas between domestic and international companies	-	Good (36%)
People do not collaborate and share ideas between companies and universities/research institution	-	Worse (77%)
Companies rarely embrace risky or disruptive business ideas	-	Bad (58%)
Domestic companies remain mostly unsuccessful at building international brands	-	Bad (64%)
New companies with innovative idea rarely grows rapidly	Good (47%)	Bad* (59%)
Govt. purchasing decision do not foster innovation	Worse (78%)	Worse* (59%)
People have some appetite for entrepreneurial risk	-	Good (15%)

- Mixed perception prevails as regards business operation and innovation related activities in 2015
- Positive changes are discerned with regard to a number of issues
 - Willingness to delegate authority to subordinates (53%), management's accountability to investors and board of directors (35%)
- Perception level has deteriorated in number of cases
 - Dominance of foreign companies in international distribution and marketing (69%) and poor customer treatment by the companies (42%)
- Unchanged but poor perception regarding a number of issues
 - Competitive advantage based on low-cost but not quality (95%), limited spending on R&D (70%), narrow presence in the value chain (50%), limited capacities of companies to innovate (55%), merely turn ideas into commercially successful new products, services or business models (55%) Senior management positions are usually held by relative or friends without regard to merit (56%) and production process is not very sophisticated (54%)

- A number of new issues has been added where perception is mostly negative.
 - 60% mentioned that companies rarely encourage employees to generate new ideas
 - 73% expressed that people do not collaborate and share ideas between domestic companies
 - 59% opined that government's purchasing decision do not foster innovation
- A number of new issues have been positively remarked
 - 49% said that companies are somewhat successful in using marketing to differentiate their products and services
 - 36% opined that people somewhat collaborate and share ideas between domestic and international companies
- Need to promote new entrepreneurs and new ideas
 - It is important to take lessons from advanced developing countries how they promote entrepreneurship

Perception	2014-2015	2015-2016
Police Service can be somewhat relied upon to enforce law and order	Worse (79%)	Bad* (25%)
Threat of terrorism is less costly for business	Good (53%)	Good* (39%)
Incidence of crime and violence somewhat impede business	-	Bad (66%)
The organized crime (mafia-oriented racketeering, extortion) somewhat impose costs on business	-	Bad (45%)

- Perception about security related issues has changed towards positive direction
 - Reliability of police service with regard to enforcement of law and order has slightly improved but it is still below the average level (from 'worse' to 'bad')
 - 39% entrepreneurs mentioned that threat of terrorism has rather minimal risks for business
 - 66% mentioned that incidence of crime and violence somewhat impede on business
 - Organized crime (mafia-oriented racketeering, extortion) somewhat impose costs on business (45%)
- Overall perception regarding law and order are not satisfactory and crime and violence is a concerning issue where further improvement is needed

Perception	2014-2015	2015-2016
Parliament is ineffective to some extent as law-making institution	Worse (67%)	Worse (68%)
Legal framework is inefficient for private business in settling disputes	Worse(76%)	Worse (84%)
Ethical standards of politicians are very low	Worst (94%)	Worst* (96%)
Govt. officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts	Worse (82%)	Worse (86%)
Govt. subsidies distort competition to some extent	Bad (50%)	Bad*(54%)
Agricultural Policy balances the interests of taxpayers, consumers and producers	Good (52%)	Good (47%)
Property protection rights are weak	Bad (61%)	Bad* (48%)
The freedom of Press is somewhat limited	Good (51%)	Bad (54%)
Intellectual property is not protected	Worse (84%)	Worse* (70%)
The government is inefficient in providing public goods and services	-	Worse (80%)
Rarely individuals, institutions and businesses obtain justice through the judicial system	-	Worse (76%)
Rarely the government ensures a stable policy environment for doing business	-	Bad (66%)
It is difficult for companies to obtain information about changes in government policies and regulations effecting their activities	-	Bad (55%)

Perception	2014-2015	2015-2016
All stakeholders rarely consulted in shaping the social and economic agendas	-	Bad (61%)
It is somewhat burdensome for companies to comply with public administration requirements	Worse (79%)	Bad* (64%)
The judicial system is not free from influence of the government	Worse (80%)	Worse (80%)
Very Common in the case of illegal diversion of public funds to companies, individuals or groups	Worse (80%)	Worse* (75%)
Corporate ethics of the companies are weak	Worse (70%)	Bad (73%)
Limited opportunity to improve individuals' economic situation through their personal effort	Bad (47%)	Bad (42%)
Very common for companies to make undocumented extra payments or bribes in connection with imports and exports	Worse (89%)	Worse* (91%)
High prevalence of companies to make undocumented extra payment or bribes in connection with public utilities	Worse (85%)	Worse (84%)
Terrifically common for companies to make undocumented extra payments or bribes in connection with tax payments	Worse (87%)	Worst* (89%)
Very common for companies to make undocumented extra payments or bribes in connection with awarding public contracts & licenses	Worst (92%)	Worst (88%)

- Governance related issues have remained unchanged and even deteriorated
 - Stagnant situation in most of the governance related indicators
- Political institutions are still in weak state and below the average level: ineffective parliament as law-making institution (68%) and poor ethical standards of politicians (96%)
 - Changes in the perception are found to be significant
- Major public institutions operate with strong influence of the government including judicial system (80%) which hamper justice to individuals, institutions and businesses (76%)
- Weak enforcement of rules and regulations constrain businesses to be competitive
 - Companies to make undocumented extra payment or bribes in connection with public utilities (84%), tax payments (89%) and awarding public contracts & licenses (88%) and Illegal diversion of public funds to companies, individuals or groups (75%)
 - Weak property protection rights (48%) and less protected intellectual property (70%) constrain businesses
 - Burdensome for companies to comply with public administration requirements (64%)
- Freedom of press has further weakened as perceived by 54% respondent and perception level has downgraded to 'bad' for the first time.

Perceptions	2014-2015	2015-2016
Education system is not developed enough to meet the needs of a competitive economy	Bad (63%)	Bad (57%)
Quality of primary school is extremely poor	Bad (68%)	Worse (73%)
Quality of math and science education is poor	Bad (61%)	Bad* (64%)
Quality of business school is poor	Bad (43%)	Bad (50%)
Difficult for companies to find employees with the required skill for their business need	Bad (53%)	Bad (55%)
Country is unable to retain talented people	Worse (75%)	Worse (84%)
Country is unable to attract talented people from abroad	Worse (83%)	Worse (87%)
Scientist and engineer are rarely available	Bad (44%)	Bad (54%)
Hiring and firing or workers are flexible	Good (51%)	Good (48%)
The quality of vocational training is poor	-	Bad (61%)
The availability of high quality professional training service is poor	Worse (75%)	Bad (63%)
The internet used in school for learning purposes is poor	Bad (66%)	Bad (63%)
The quality of scientific research institution is very poor	Worse (74%)	Worse (71%)
Taxes and social contribution hampers the incentive to work	Bad (55%)	Good (31%)

Perception	2014-2015	2015-2016
Labor-employer relations are not cooperative	Good(59%)	Bad (39%)
Wages are set by each individual company	Good (65%)	Good* (66%)
Pay is not related to the workers productivity	Bad (51%)	Bad (54%)
Labor regulation impedes the hiring of foreign labour	Bad (52%)	Bad*(56%)
Companies does not invest in training & employee development	Bad (72%)	Worst* (64%)
For similar work, wages for women are below those of men	Bad (43%)	Bad (54%)
Businesses provide women limited opportunities as men to rise to positions of leadership	Bad (44%)	Bad (54%)
Formal safety net does not provide protection for the general population	Worse (88%)	Worse (95%)

- Education sector could not come out from systemic challenges.
 - Over 50% of mentioned that education system is not developed enough to meet the needs of a competitive economy.
 - Quality of primary school has further deteriorated as 73% has mentioned about it.
 - Poor quality of education sector is reflected in terms of poor quality of maths and science education (64%), business school (50%), brain drain (84%) and availability of scientist and engineers (54%).
- Perception level is below the average for a number of other issues
 - Quality of vocational training (61%), availability of high quality professional training service (63%) and quality of scientific research institution (71%)

- Entrepreneurs are facing difficulties as in earlier years concerning such worker related issues
 - Although worker recruitment/retrenchment is found to be flexible (48%) but labour-employer relationship is conflicting and it has deteriorated further from 'good' (59%) to 'bad' (39%)
 - 55% mentioned that it is difficult for companies to find employees with required skill for their business need
 - 64% mentioned that investment by companies for training & employment has further deteriorated: from bad (72%) to worst (64%)
- Prevailing discrepancies in labour related issues remain unchanged
 - Gap between productivity and payment (54%), wage differences between men and women (54%) and safety net programmes provide limited protection (95%)
- Development of education sector as is ongoing could not meet the required standard
 - Public investment needs to increase in order to improve the quality and standard of education at primary, secondary and tertiary levels

Perception	2014-2015	2015-2016
Accessibility of health care is limited to the elites	Worse(77%)	Worse* (65%)
The quality of healthcare is poor	Bad (64%)	Bad (73%)

- No change in the perception on health related indicators
 - 65% respondents mentioned that accessibility of health care is still limited although the change in this year is considered to be significant
 - 73% entrepreneurs responded that quality of healthcare is still poor.
- Inadequate investment in the health sector leads to poor access to public health, quality of health related services
 - Long term human resource development was likely to suffer

	2014-2015	2015-2016
Development of travel & tourism industry is not a priority for the govt.	Bad (51%)	Bad (61%)
Country's marketing and branding campaigns in attracting tourists are very inefficient	Bad (62%)	Worse (77%)
Government's efforts are ineffective to ensure that travel and tourism sectors is being developed in an environmentally sustainable way	Worse (70%)	Worse (74%)
The quality tourism infrastructure is poor	-	Bad (59%)

- Tourism sector has remained in poor state as it is not in the priority list of the government
- 77% respondents perceived that country's marketing and branding campaigns in attracting tourists is very inefficient.
- Government's efforts are ineffective to ensure developing the tourism sector as environmentally sustainable way (74%)
 - 59% of the respondents mentioned that the quality of tourism infrastructure is poor
- Institutional mechanism for the tourism sector needs to be improved
 - More allocation of fund is needed in order to complete infrastructure related projects
 - Institutional restructuring is needed for the development of the tourism sector

Perceptions	2014-2015	2015-2016
Country's environment regulations are somewhat lax	Worse (72%)	Bad (70%)
Quality of the natural environment is poor	Bad (63%)	Bad (60%)
Enforcement of environment regulations is very lax	Worse (80%)	Worse (76%)

- Insignificant improvement in environmental regulations though not satisfactory: From worse (72%) to Bad (70%)
- No change in the perception as regards quality of natural environment (60%) and enforcement of environment regulations(76%)
- More attention is needed from public and private sector with respect to environmental compliance as it was likely to become a major factor for competitiveness in the global market

- Entrepreneurs have identified top global risks for doing business in Bangladesh within the next 10 years
- Energy price shock has been considered as the most important global risk as mentioned by 13.6% of the respondents
- Failure of national governance is considered to be a major challenge for business as perceived by 12.6% of respondents
- Failure of critical infrastructure would be the number three challenge in terms of ranks (9%)
- Other major challenges are: failures in case of climate change adaptation (7.5%), financial mechanism (5.2%), urban planning (4.6%) and social instability 3.9%) etc.

Major Risks for Business in Next 10 Years

	Major risks	% of respondents
1	Energy price shock	13.6
2	Failure of national governance	12.6
3	Failure of critical infrastructure	9.0
4	Failure of climate-change adaption	7.5
5	Failure of Financial Mechanism or institution	5.2
6	Failure of urban planning	4.6
7	Profound social instability	3.9
8	Asset Bubble	3.8
9	Biodiversity loss and ecosystem collapse	3.8
10	Cyber attacks	3.7
11	Inter-Sate conflict	3.4
12	Fiscal Crises	2.8
13	Man-made environmental Catastrophes	2.8
14	Critical information infrastructure breakdown	2.7
15	Data fraud or theft	2.7

VI. Findings from Rapid Assessment Survey

VI. Findings from Rapid Assessment survey

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Perception	2014-2015	2015-2016
Bangladesh's tax system is slightly complex	Bad (66%)	Bad (73%)
Insider trading in Bangladesh's stock market is somewhat pervasive	Worse(76%)	Bad (75%)
Monitoring & supervision of SEC to regulate market is somewhat inefficient	Worse(73%)	Bad (69%)
Money laundering through formal banking system is pervasive	Bad(54%)	Bad (64%)
Government's macroeconomic management is not good enough	Bad(56%)	Bad (54%)
Investment environment will deteriorate	Good	Bad (62%)
The demand for individual farm's product during 2015 will improve	-	Good (35%)
Firm investment in 2015 will deteriorate	-	Bad (44%)
Companies are well permitted to access commercial loans from international market	-	Good (58%)
Well monitored and supervised the banking sector by the Bangladesh Bank in 2014	-	Good(39%)
Ongoing infrastructure related projects will not be implemented on time	-	Worse (80%)
Adequate steps are not being taken to address the infrastructure needs of Bangladesh	-	Bad (69%)
The political environment towards the end of 2015 will deteriorate	-	Worse (80%)
The production of individual firms badly affected due to recent political violence	-	Bad (24%)
The export of individual firms badly affected due to recent political violence	-	Bad (25%)
The import of individual firm were badly affected due to recent political violence	-	Bad (27%)
The sales/services of individual firm were badly affected due to recent political violence	-	Worse (20%)
The proposed pay scale for the public sector surely will lead to rise the operational cost of your company	-	Worse (17%)

- Entrepreneurs' are apprehensive about domestic business environment as well as overall investment situation in 2015.
 - 62% mentioned that investment environment will not be favourable and the perception level has declined (from 'Good' to 'bad')
 - Firm's investment may slow down in 2015 as mentioned by 44% of the entrepreneurs.
- Entrepreneurs expressed positive remarks on a number of issues
 - Companies get better access of commercial loans from international market (58%)
 - Banking sector is well monitored and supervised by the Bangladesh Bank in 2014 (39%)
- Perception has changed towards positive directions in number of cases
 - Insider trading in stock market is less pervasive (from worse 76% to Bad 75%)
 - Monitoring & supervision of SEC is less inefficient (worse 73% to Bad 69%)
- About one-fourth of the respondents mentioned that their export and import was badly affected due to recent political violence
 - 20% mentioned that sales were badly affected due to recent political violence
- No improvement in macroeconomic management in 2014 (54%)
- 69% believed that government has not taken adequate steps in order to address infrastructure needs of the country
 - 80% mentioned that ongoing infrastructure projects will not be implemented on time.

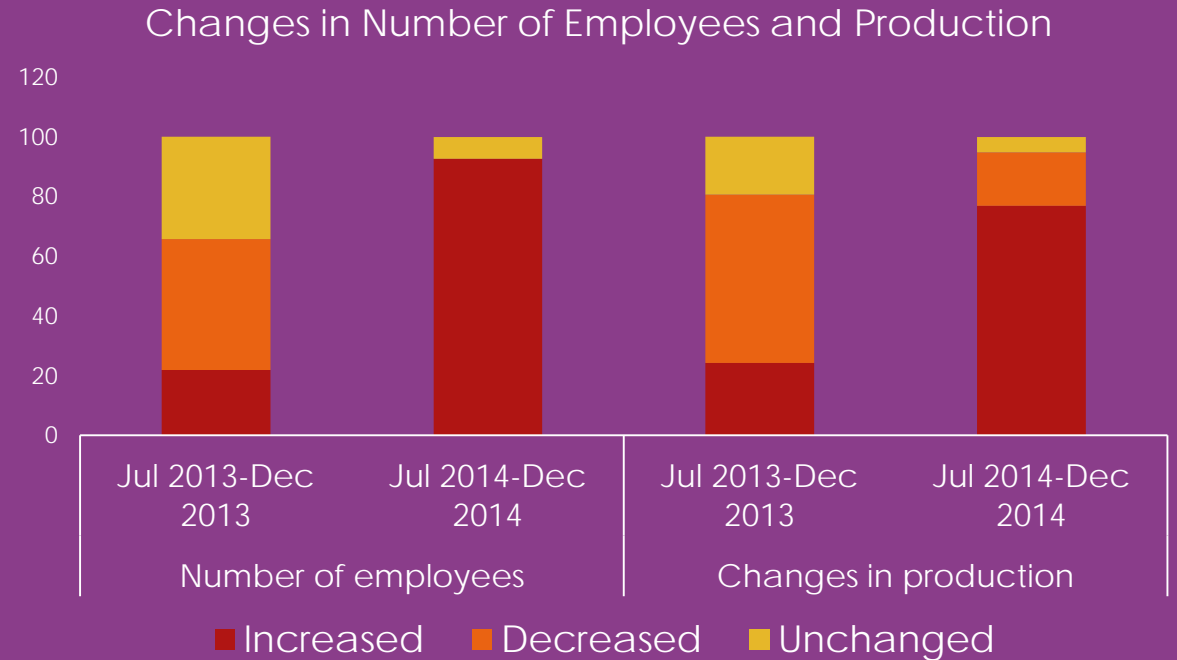
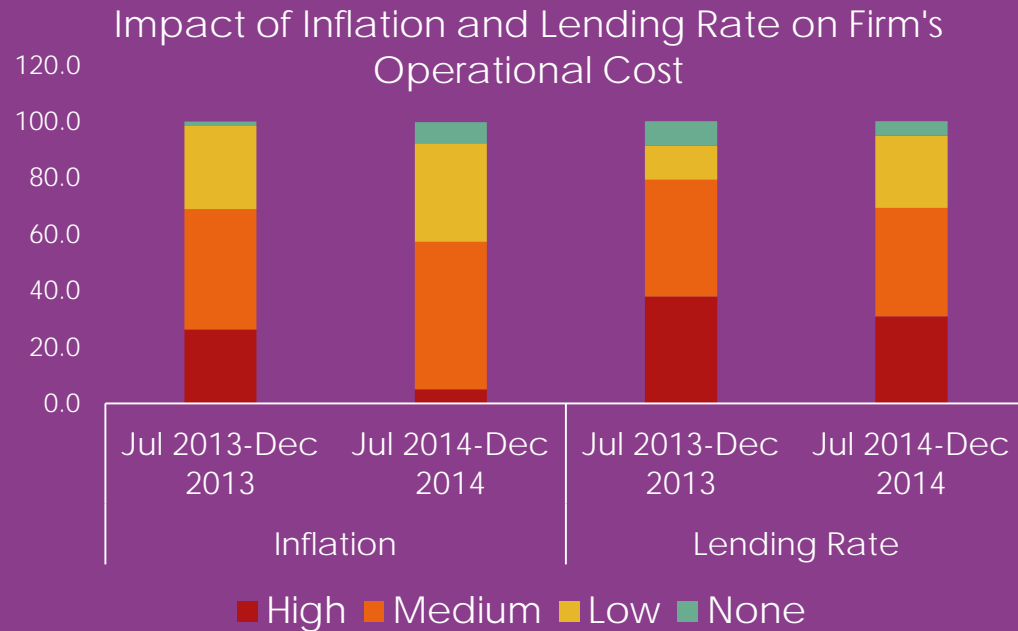
- Major reasons for capital flight from Bangladesh
 - Political unrest (22%), insecurity (15%) and corruption (12%).
 - Other reasons are: black money, avoid taxes, poor scope of investment
- Among the different connectivity initiatives currently under negotiation, BCIM is considered to be more beneficial for Bangladesh.

Among the connectivity initiatives, which one will be relatively more beneficial ?

Issues	%
SAARC Multimodal Connectivity	27.2%
Bangladesh-China-India-Myanmar (BCIM) Economic Corridor	45.7%
BIMSTEC (Transport and Communication Sector)	27.2%
Total	100.0%

Reasons for Capital Flight

Issues	%
Political unrest	22.40%
Insecurity/lack of congenial business atmosphere	14.70%
Corruption	12.10%
Black money/Hide money	6.90%
High Taxes/To avoid tax	6.90%
Poor scope of investment	6.00%
Improper infrastructure	5.20%
Health service	1.70%
Inadequate governance	1.70%
Old laws and regulations	1.70%
Inflation	1.70%
Weak capital market	1.70%
Violence	0.90%
Poor monitoring by Government Institutions	0.90%
Non-growth industries	0.90%



- Inflation had a lower adverse impact on firm's operational cost in 2014: impact was 'low' to 'moderate' level in most cases.
- Lending rates for borrowing from banks have less adverse effect compared to last year
 - 64% mentioned the effect between 'low' to 'medium' level in H1 of FY15 compared to 53.5% in H1 in FY14. Over 30% have mentioned about 'high' adverse impact
 - Both production and employment have jumped significantly in H1 of FY15 compared to that in FY14.

- Global economies have been passing through a 'sub-optimal situation' (e.g. sluggish growth and high unemployment) which is likely to cause varying impact on national economies.
 - Bangladesh is increasingly facing the pain of global challenges
- Bangladesh's rank has advanced two positions mainly due to better performance in 'basic requirements' but at the cost of weakening 'efficiency enhancers'
 - Bangladesh in relative term, still in the lowest quartile and the position has somewhat deteriorated this year
- Major improvements discerned in case of macroeconomic stability, infrastructure and market size
 - Entrepreneurs have appreciated positive changes although changes are still below the required level
 - Major weakness occurred in case of financial market sophistication and goods market efficiency despite undertaking regulatory measures and other initiatives. Further reform is needed in the financial sector
- Governance and institutions are still in weak state and are cause for growing concern for businesses in medium to long term
- Major problematic factors remain the same (infrastructure, corruption and weak government)
 - A number of other issues has become more problematic: instability of the government and tax rate
 - Businesses are increasingly being concerned about efficiency-related problems

- Export and import suffer due to border and behind the border bottlenecks
- Entrepreneurs have identified a number of major risks for their business in next 10 years
 - Energy price shock; failure of national governance and failure of critically needed infrastructure
- Education and health sectors failed to overcome systemic challenges
 - A renewed effort with forward looking perspective and more public investment are needed
 - Lack of investment limits better access to public health and service quality
- Number of positive perception is lower in 2015 (15.9%) compared to last year (22.8%)
 - Those positive changes are sporadic and fails to draw synergies from other positive changes that would have led to overall improvement in specific pillars
 - Present strength of different pillars is not sufficient and adequate enough to bring significant changes in overall competitiveness of the economy in medium to long term period
- In terms of overall competitiveness, the country is stuck at the lowest quartile
 - A plateauing condition prevails for most of the pillars
 - Unless the needed reforms (financial sector, governance, education etc.) are undertaken, it will be difficult to move forward in a highly competitive world.

Thank you.