

**Release of**  
*The Global Competitiveness Report 2013-14*  
**and**  
*The Bangladesh Business Environment Study 2013*

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**CENTRE FOR POLICY DIALOGUE (CPD)**  
**B A N G L A D E S H**  

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**a c i v i l s o c i e t y t h i n k t a n k**



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## *I. Introduction and Objectives*

- The Centre for Policy Dialogue (CPD) in collaboration with the World Economic Forum (WEF) has been carrying out the Executive Opinion Survey (EOS) since 2001
  - CPD has conducted the 13<sup>th</sup> survey this year
  - EOS is based on the questionnaires developed by the WEF
- CPD also conducted the 10<sup>th</sup> Rapid Assessment Survey on the prevailing economic issues and concerns
- Major objectives of the press briefing are
  - To release WEF's *Global Competitiveness Report 2013-14* in Bangladesh. The report has been globally launched 4 September 2013
  - To report the state of competitiveness of Bangladesh during 2012
  - To state the recent concerns on business environment in Bangladesh



- WEF-CPD survey covers the large and medium companies
  - Total assets should be no less than Tk.10 crores (US\$1.25 million)
- Number of respondents: 71 in 2013 (87 in 2012); difficult to conduct survey due to political unrest during February-April, 2013.
- Both manufacturing and service related firms and related trade bodies were participated in the EOS survey
- Domestic companies held the overwhelming share of total responses (90%)
  - 94% companies are located in the Dhaka region

- Survey conducted:

*February to April, 2013*

- Reference period:

*January to December 2012*

- Rapid Assessment Survey (RAS) was carried out along with the Executive Opinion Survey (EOS)

- This presentation is based on findings of both the surveys

Table: Sectoral Distribution of Survey Respondents

Sectors	2012	2013
<b>Total</b>	<b>87 (100%)</b>	<b>71(100%)</b>
<b>Manufacturing</b>	<b>33(38.1%)</b>	<b>30(42.3%)</b>
<i>RMG</i>	<i>11(13.6%)</i>	<i>12(16.9%)</i>
<i>Pharmaceuticals</i>	<i>4(4.5%)</i>	<i>3(4.2%)</i>
<i>Power generation/Leather</i>	<i>5(5.4%)</i>	<i>1(1.4%)</i>
<i>Others</i>	<i>13(14.6%)</i>	<i>14(19.7%)</i>
<b>Financial Institution</b>	<b>9(10%)</b>	<b>3(4.2%)</b>
<b>Real Estates &amp; Construction</b>	<b>6(6.4%)</b>	<b>2(2.8%)</b>
<b>ICT</b>	<b>11(12.7%)</b>	<b>11(15.5%)</b>
<b>Other Services</b>	<b>28(32.7%)</b>	<b>25(35.2%)</b>



## Assessment of Global Competitive Index

- Global Competitiveness Index (GCI) is an index of weighted average of 12 pillars
  - *Basic requirements sub-index* :(4 pillars) → factor-driven stage
  - *Efficiency enhancers sub-index* :(6 pillars) → efficiency-driven stage
  - *Innovation and sophistication sub-index* :(2 pillars) → innovation-driven stage
- ✓ The twelve pillars include: **Basic Requirements:** Institutions, Infrastructure, Macroeconomic Stability and Health and Primary Education; **Efficiency Enhancers (EE):** Higher Education and Training, Goods Market Efficiency, Labour Market Efficiency, Financial Market Sophistication, Technological Readiness and Market Size; **Innovation and Sophistication:** Business Sophistication, Innovation
- GCI is estimated on the basis of moving averages of two years. Each sub-index has different weights considering country's stages of development
  - ✓ Bangladesh is considered as a country at factor-driven stage

### Weights for Different Categories of Countries

Stage of development	Factor driven Stage 1	Transition from stage 1 - 2	Efficiency driven stage 2	Transition from stage 2 - 3	Innovation driven stage 3
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%



### ■ Assessment of Bangladesh's Business Environment

- Analysis has been performed by employing three statistical techniques
  - Frequency analysis (% of respondents)
  - Weighted index (average weighted response)
  - Chi-square test (level of significance)
- *Executive Opinion Survey* and *Rapid Perception Survey* use qualitative data (7-point Likert scale)
  - Negative responses (scale: -3 ~ -1)
  - Indifferent responses (scale: 0)
  - Positive responses (scale: 1 ~ 3)
- 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)

#### Response Levels











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 2013-2014: GCI

#### Global Competitiveness Index: Rankings

- 148 countries have been assessed in 2013 (144 in 2012).
  - ✓ New inclusion: Myanmar, Bhutan and Lao
  - ✓ Tunisia and Angola were re-instated.
  - ✓ Tajikistan was not covered in this edition.
- Country-set in the top ten ranking is remained unchanged.
  - ✓ Six of top ten countries are European and three from Asia and rest is the USA.
- **Switzerland** retains its 1<sup>st</sup> position again this year with notable performance in innovation and labour market efficiency as well as the sophistication of its business sector.
- Productivity is further enhanced by a business sector that offers excellent on the-job-training opportunities, adapts the latest technologies, and balances employee protection with business efficiency.
  - ✓ Public institutions are among the most effective and transparent in the world (5<sup>th</sup>). Excellent infrastructure (6<sup>th</sup>) and highly developed financial markets (11<sup>th</sup>)
- Switzerland's macroeconomic environment is among the most stable in the world

Economies	2012-13	2013-14	Change
Switzerland	1	1	
Singapore	2	2	
Finland	3	3	
Germany	6	4	
United States	7	5	
Sweden	4	6	
Hong Kong SAR	9	7	
Netherlands	5	8	
Japan	10	9	
United Kingdom	8	10	





### *III. Global Competitiveness Report 2013-2014: GCI*















- **Singapore** ranks 2nd in overall for the third consecutive year, owing to an outstanding performance across all the dimensions of the GCI.
- World's best institutional frameworks (3rd) and also possesses world-class infrastructure (2nd), with excellent roads, ports, and air transport facilities.
- Its economy can also rely on a sound macroeconomic environment and fiscal management (18<sup>th</sup>).
  - ✓ Competitiveness is further enhanced by its strong focus on education
- Singapore's private sector is also becoming increasingly sophisticated (17th) and more innovative (9th), although room for improvement exists in both areas.
  
- **USA** reverses its downward trend, rising by two positions to take 5th place.
- The deleveraging process in the banking sector continues to show positive effects on the stability and efficiency of the country's financial markets.
  - ✓ US companies are highly sophisticated and innovative
- Flexible labour markets and the scale opportunities afforded by the sheer size of its domestic market—these qualities continue to make very competitive.
- Trust in politicians still somewhat weak (50th), concerns about government's ability to maintain arms-length relationships with private sector (54th), and wasteful spending (76th).
- Macroeconomic environment continues to be the weakest part of its competitiveness -117th



### III. Global Competitiveness Report 2013-2014: GCI

#### Performance of Selected Economies

- Only Russian Federation manages to gain in ranks (64) among the BRIC countries
- China retains its position (29) followed by Brazil (56) and India (60)
- In South Asia, India and Pakistan have lost their respective ranks
  - ✓ India (60) lost one position, Pakistan (133) slipped nine ranks
  - ✓ Sri Lanka (65) gained three ranks where Nepal (117) jumped eight position
  - ✓ Bhutan (109) added for the first time and ranked above Bangladesh
  - ✓ Bangladesh moved up eight positions and ranked 110<sup>th</sup>
- From South East Asia Indonesia moved up fast (38<sup>th</sup> from 50<sup>th</sup>) followed by Philippines (59<sup>th</sup> from 65<sup>th</sup>) and Vietnam (70<sup>th</sup> from 75<sup>th</sup>)

Countries	2012-13	2013-14	Change
Malaysia	25	24	
China	29	29	
Thailand	38	37	
Brazil	48	56	
Indonesia	50	38	
India	59	60	
Philippines	65	59	
Russian Federation	67	64	
Sri Lanka	68	65	
Colombia	69	69	
Vietnam	75	70	
Bhutan	--	109	
Bangladesh	118	110	
Nepal	125	117	
Pakistan	124	133	



### III. Global Competitiveness Report 2013-2014: GCI

- Bangladesh is positioned at 110<sup>th</sup>- gained eight positions (118<sup>th</sup> in 2012-13)
  - ✓ Among the same set of countries of 2012-13, Bangladesh ranked 107<sup>th</sup>
  - ✓ Significant advancement in rank but minor improvement in scores (score: 3.65 in 2012-13 vis-à-vis 3.71 in 2013-14; change: 1.64%)
  - ✓ Bangladesh has yet to build its competitiveness to rank of below 100<sup>th</sup> position
- Among the three sub-indices, better performance in Basic Requirement has helped Bangladesh making gains in overall ranking
  - ✓ Basic Requirement: Rank 113<sup>th</sup> (119<sup>th</sup> in 2012) ; Score 3.83 (3.72 in 2012); changes in score: 2.96%
  - ✓ Efficiency Enhancers: Rank 108<sup>th</sup> (107<sup>th</sup>), Score 3.59 (3.62); changes: -0.83%
  - ✓ Innovation and Sophistication: Rank 124<sup>th</sup> (122<sup>nd</sup>), Score 3.03 (2.98); changes: 1.68%
- Ranks in pillars where Bangladesh made progress in 2012
  - ✓ Infrastructure: 132<sup>nd</sup> (134<sup>th</sup> in 2012)
  - ✓ Macro Economic Stability: 79<sup>th</sup> (100<sup>th</sup>)
  - ✓ Market Size: 45<sup>th</sup> (47<sup>th</sup>)
- Ranks in pillars where Bangladesh's position has considerably decelerated
  - ✓ Financial Market Sophistication: 102<sup>nd</sup> (95<sup>th</sup> in 2012)
  - ✓ Institutions: 131<sup>st</sup> (127<sup>th</sup> in 2012)
  - ✓ Labour Market Efficiency: 124<sup>th</sup> (117<sup>th</sup>)
  - ✓ Technological Readiness: 127<sup>th</sup> (125<sup>th</sup>)
- Most of the indicators are remained at the lowest quartile in terms of ranking



### III. Global Competitiveness Report 2013-2014: GCI

#### Bangladesh's Competitiveness

Indices	Rank		Score (out of 7)		% Change in Score
	2012-13	2013-14	2012-13	2013-14	
<b>GCI</b>	118	110	3.65	3.71	1.64
<b>Basic Requirements (BR)</b>	119	113	3.72	3.83	2.96
<i>Institutions</i>	127	131	3.2	3.08	-3.75
<i>Infrastructure</i>	134	132	2.22	2.37	6.76
<i>Macroeconomic Stability</i>	100	79	4.24	4.58	8.02
<i>Health and Primary Education</i>	103	104	5.2	5.3	1.92
<b>Efficiency Enhancers (EE)</b>	107	108	3.62	3.59	-0.83
<i>Higher Education and Training</i>	126	127	2.88	2.83	-1.74
<i>Goods Market Efficiency</i>	95	89	4.10	4.10	0.00
<i>Labour Market Efficiency</i>	117	124	3.91	3.80	-2.81
<i>Financial Market Sophistication</i>	95	102	3.74	3.68	-1.60
<i>Technological Readiness</i>	125	127	2.74	2.69	-1.82
<i>Market Size</i>	47	45	4.36	4.44	1.83
<b>Innovation and Sophistication (IS)</b>	122	124	2.98	3.03	1.68
<i>Business Sophistication</i>	108	113	3.5	3.51	0.29
<i>Innovation</i>	130	131	2.47	2.54	2.83



## IV. Identification of Problematic Factors for Doing Business

Rank	2012	2013	
1	Inadequate supply of infrastructure (20.39)	Corruption (22.29)	↓
2	Corruption (17.43)	Inadequate supply of infrastructure (18.48)	↑
3	Access to financing (9.88)	Inefficient government bureaucracy (15.71)	↓
4	Inefficient government bureaucracy (9.34)	Access to financing (7.43)	↑
5	Policy instability (8.40)	Government instability/coups (6.57)	↓
6	Inflation (8.33)	Inadequately educated workforce (6.48)	↓
7	Government instability/coups (5.68)	Foreign currency regulations (3.43)	↓
8	Foreign currency regulations (4.12)	Poor work ethic in national labour force (3.33)	↓
9	Tax rates (3.97)	Policy instability (3.24)	↑
10	Inadequately educated workforce (3.81)	Complexity of tax regulations (3.05)	↓
11	Complexity of tax regulations (2.26)	Inflation (2.19)	↑
12	Poor work ethic in national labour force (1.71)	Tax rates (2.10)	↑
13	Crime and theft (1.63)	Crime and theft (1.90)	↔
14	Insufficient capacity to innovate (1.17)	Insufficient capacity to innovate (1.90)	↔
15	Restrictive labour regulations (1.09)	Restrictive labour regulations (1.62)	↔
16	Poor Public Health (0.78)	Poor Public Health (0.29)	↔

- Corruption has jumped to the top position as major problematic factor after five years (22.3%)
- Inadequate supply of infrastructure (18.48) is slid to the second position and inefficient government bureaucracy (15.71) moved up one position and became 3<sup>rd</sup>
  - ✓ Access to finance slid to one position (4<sup>th</sup> position)
- Top three problematic factors have been growing concerns for businesses (56.5% in 2013)
- Government instability is a rising concern which came up to 5<sup>th</sup> position from 7<sup>th</sup> in 2012 and 12<sup>th</sup> in 2011.
- Positive changes were discerned in case of inflation and policy changes .



## IV. Identification of Problematic Factors when Exporting

	2012	2013	
1	Identifying potential markets and buyers (15.99)	Access to trade finance(15.65)	↓
2	Access to imported inputs at competitive prices (11.40)	Inappropriate production technology and skills(14.99)	↓
3	Inappropriate production technology and skills(11.03)	Identifying potential markets and buyers (13.24)	↑
4	Difficulties in meeting quality requirements of buyers (10.75)	High cost or delays caused by domestic transportation(11.71)	↓
5	Access to trade finance(10.57)	Difficulties in meeting quality requirements of buyers (11.16)	↓
6	Tariff barriers abroad(10.57)	Access to imported inputs at competitive prices (10.50)	↑
7	High cost or delays caused by domestic transportation(9.10)	Technical requirements and standards abroad(7.88)	↓
8	Technical requirements and standards abroad(8.09)	High cost or delays caused by foreign transportation(5.80)	↓
9	Rules of origin requirements abroad(4.60)	Tariff barriers abroad(4.81)	↓
10	High cost or delays caused by foreign transportation(4.41)	Burdensome procedures/corruption at foreign borders(2.19)	↓
11	Burdensome procedures/corruption at foreign borders(3.49)	Rules of origin requirements abroad(1.20)	↓
12		Corruption at foreign borders (0.88)	↑

- A number of changes have taken place in the ranking this year – top three factors are now more of a concern for export this year (from 38% in 2012 to 45% in 2013)
- Difficulty in getting access to trade finance made it the topmost problematic factor this year which jumped from the 5<sup>th</sup> position of the last year.
  - ✓ Banks cautious measures in case of purchase of local import bills after the scams of Hall Mark and Bismillah Groups made availability of trade finance more difficult
  - ✓ Inappropriate production technology and skills (14.99) and identifying potential markets and buyers (13.24) are the top three problems for exporting
- High cost for delays due to poor domestic transportation has emerged as an important problematic factor this year . This is partly linked with disruption of supply chain caused by political unrest.



## IV. Identification of Problematic Factors when Importing

Rank	2012	2013	
1	Burdensome import procedures(23.23)	Tariffs and non-tariffs barriers (21.9)	↓
2	Tariffs and non-tariffs barriers (21.9)	Burdensome import procedures(23.23)	↑
3	Corruption at the border(18)	Corruption at the border(18)	↔
4	High cost or delays caused by domestic transportation (12.95)	High cost or delays caused by domestic transportation (12.95)	↔
5	Crime and theft (7.42)	High cost or delays caused by foreign transportation (6.85)	↓
6	Domestic technical requirements and standards (7.33)	Domestic technical requirements and standards (7.33)	↔
7	High cost or delays caused by foreign transportation (6.85)	Crime and theft (7.42)	↑
8	Inappropriate telecommunications infrastructure (2.28)	Inappropriate telecommunications infrastructure (2.28)	↔

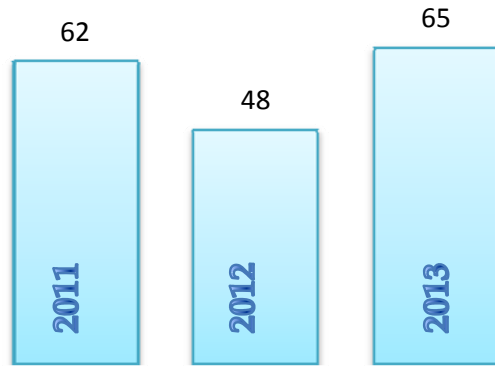
- Tariffs and non-tariff barriers are the most problematic factor in case of import in 2012 followed by the burdensome import procedure and corruption at the border.
- Delays caused by foreign transportation is a rising concern for import
  - ✓ Both import and export have been affected due to the delay in domestic transportation.



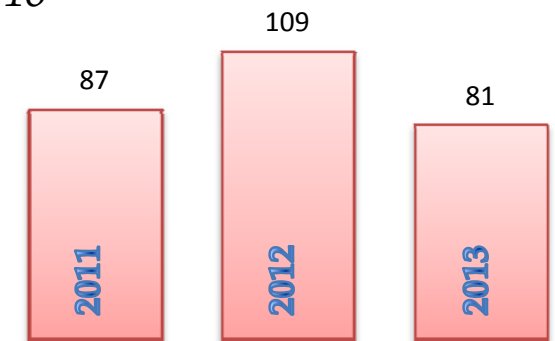
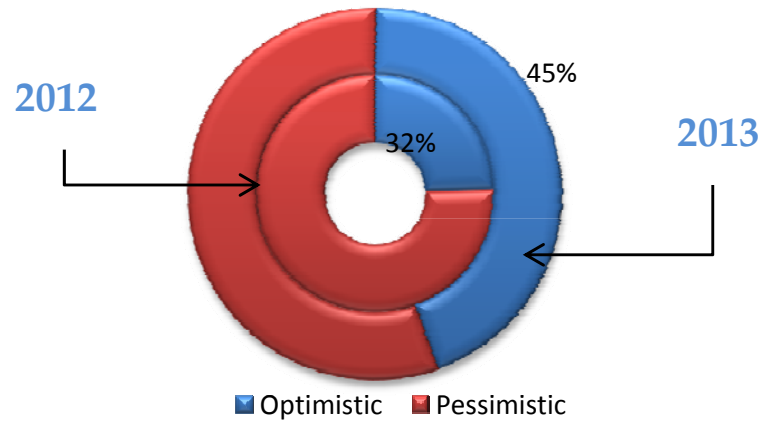
# V. Performance at a Glance

## Total Number of Questions

2011: 149      2012 : 151      2013 : 146

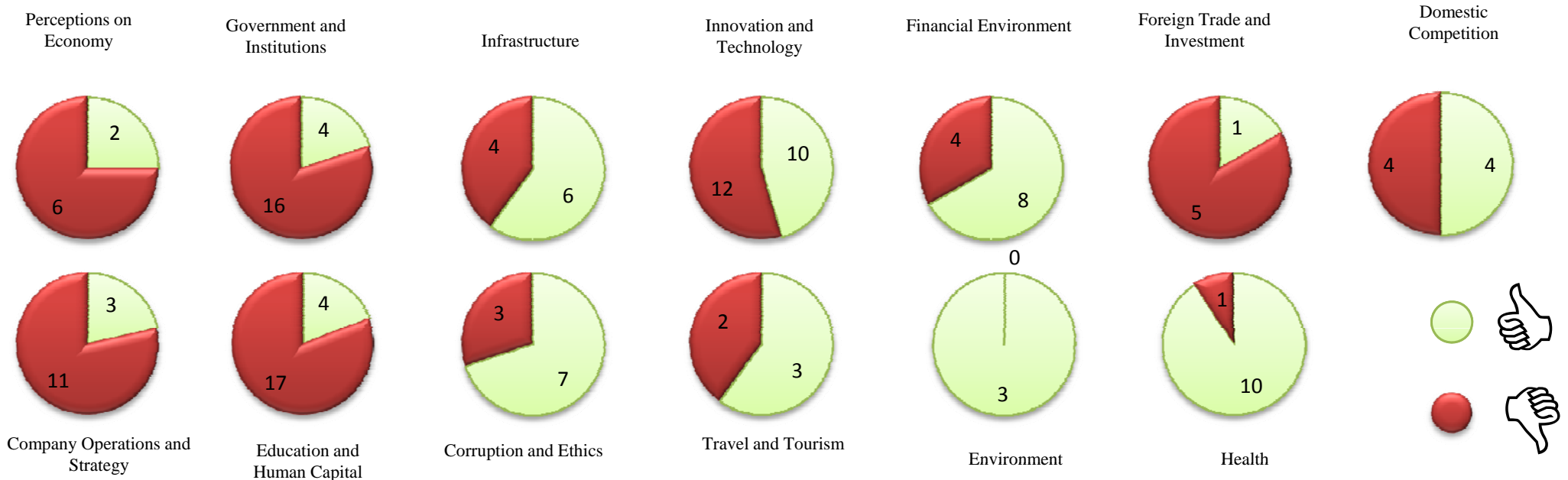


Number of Positively Responded Indicators



Number of Negatively Responded Indicators

## Comparison of Responses Between 2012 and 2013





## Improvements in Business Environment

Factors	Indicators	Level of Improvement
<b>Infrastructure</b>	The quality of electricity supply ( lack of interruptions and lack of voltage fluctuations) is insufficient and suffers frequent interruptions	<b>Worst&gt; Worse</b>
<b>Innovation and Technology</b>	Public sector does not innovate in providing goods and services	<b>Worse&gt;Bad</b>
	ICTs by the government do not improve the quality of government services to citizens sufficiently	<b>Worse&gt;Bad</b>
	New companies with new ideas can grow	<b>Bad &gt;Good</b>
<b>Financial Environment</b>	It is difficult for entrepreneurs with innovative but risky projects to find venture capital	<b>Worst&gt; Worse</b>
	The level of sophistication of financial markets in the country is poor by international standards	<b>Worse&gt;Bad</b>
	Banks in the country is to some extent healthy with sound balance sheets	<b>Bad &gt;Good</b>
<b>Company Operations and Strategy</b>	Production process uses technology and knowledge based intensive methods	<b>Worse&gt;Bad</b>
<b>Government and Public Institutions</b>	Public trust in the ethical standards of politicians is very low	<b>Worst&gt; Worse</b>
	Government's efforts are weak to address income inequality	<b>Worse&gt;Bad</b>

## V. Performance at a Glance

### Improvement in Business Environment

Factors	Indicators	Level of Improvement
<b>Corruption, Ethics and Social Responsibility</b>	Undocumented extra payments or bribes made by firms connected with annual tax payments are very common	<b>Worst&gt; Worse</b>
	The corporate ethics of firms is not good enough in the country	<b>Worse&gt;Bad</b>
	Individuals have little opportunity to improve their economic situation through their personal efforts regardless of the socio-economic status of their parents	<b>Bad &gt;Good</b>
<b>Environment</b>	Enforcement of environmental regulation is lax	<b>Worse&gt;Bad</b>
<b>Health</b>	Quality of healthcare provided for ordinary citizens is poor	<b>Worse&gt;Bad</b>
	No serious impact of the heart disease and related cardiovascular problems will have on company's in the next five years	<b>Bad &gt;Good</b>
	No serious impact of cancer will have on company's in the next five years	<b>Bad &gt;Good</b>
	No serious impact of the chronic respiratory will have on company's in the next five years	<b>Bad &gt;Good</b>
	No impact of mental illness will have on company's in the next five years	<b>Good&gt;Better</b>
	No impact of the HIV/AIDS will have on company's in the next five years	<b>Better&gt;Best</b>

## Decline in Business Environment

Factors	Indicators	Level of decline
Perception of Economy	The economy will not experience moderate growth in next 12 months	Good > Bad
	The incidence of common crime and violence impose much costs on businesses	Good > Bad
	The threat of terrorism does not impose much significant costs on business	Better > Good
Innovation & Technology	Laws relating to the use of ICT (e.g. electronic commerce, digital signatures, consumer protection) is quite underdeveloped	Bad > Worse
	ICTs use for communicating and carrying out transactions with other business is not good in the country	Good > Bad
Trade and Investment	Rules governing foreign direct investment (FDI) are moderately encourage FDI	Better > Good
Domestic Competition	The quality of local suppliers is not adequate	Good > Bad
Company Operations and Strategy	Companies are not responsive to customers and do not seek customer retention	Good > Bad



## Decline in Business Environment

Factors	Indicators	Level of decline
<b>Governance &amp; Public Institutions</b>	The legal framework for private businesses to settle disputes is moderately inefficient	<b>Bad &gt;Worse</b>
	Government reform are somewhat never implemented efficiently	<b>Bad &gt;Worse</b>
	The composition of public spending is wasteful	<b>Bad &gt;Worse</b>
	The level of taxes relatively have impacts on incentives to works	<b>Good &gt;Bad</b>
	The press is relatively free	<b>Better&gt;Good</b>
	The access to online content is relatively free	<b>Better&gt;Good</b>
<b>Education and Human Capital</b>	Labor-employer relations are not generally cooperative	<b>Good &gt; Bad</b>
	Businesses do not provide women with the same opportunities as men to rise to positions of leadership	<b>Good &gt; Bad</b>
<b>Travel and Tourism</b>	Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes	<b>Good &gt;Bad</b>
	Foreign visitors are usually welcome in the country	<b>Best&gt;Better</b>



## VI.1 Overall Perception on the Economy

Level	2012	2013
Bad (-1.00 to - 0.01)	1. Economic activity is to some extent undeclared or unregistered (57%). 2. National government is quite ineffective in managing major global risks (70%).	1. Economic activity is to some extent undeclared or unregistered (54%). ⇔ 2. National government is quite ineffective in managing major global risks (63%). ⇔ 3. The economy will not experience slow growth in next 12 months (34%). ↓✓ 4. The incidence of common crime and violence impose costs on businesses (61%) ↓✓
Good (0.00 to 1.00)	3. The economy will experience moderate growth in next 12 months (36%). 4. The incidence of common crime and violence does not impose much costs on businesses (56%) 5. Organized crime impose slight significant costs on businesses (59%) 6. Business-government relations is generally cooperative in the country (49%). 7. Business- non government relations is generally cooperative in the country (54%).	5. Organized crime impose slight significant costs on businesses (49%) ⇔ 6. Business-government relations is generally cooperative in the country (42%). ⇔ 7. Business- non government relations is generally cooperative in the country (54%). ⇔ 8. The threat of terrorism does not impose much significant costs on business (48%) ↓✓
Better	8. The threat of terrorism does not impose much significant costs on business (75%)	

### Deteriorated Perception

- ✓ Entrepreneurs have foreseen an economic slowdown in 2013 due to various problems in domestic and external markets (-0.14; 34% in 2013 vis-à-vis 0.06; 36% in 2012). Significant change in the perception on this issue.
  - Political unrest in the run-up to the national parliamentary election in 2013 was a major reason for such perception
  - Cost of business has gone up due to rise in common crime and violence (-0.51; 61%) and threat of terrorism.

### Unchanged Remark

- ✓ Perception on government's weak role in managing global risks has remained unchanged. Perception on organised crime and business-government relation are unchanged



Level	2012	2013
Worst (-3.00 to -2.01)	1. The quality of electricity supply ( lack of interruptions and lack of voltage fluctuations) is insufficient and suffers frequent interruptions (94%).	
Worse (-2.00 to -1.01)	2. General infrastructure (e.g. transport, telephony and energy) is underdeveloped (80%). 3. Roads are underdeveloped (74%). 4. The railroad system is underdeveloped (78%).	1. The quality of electricity supply ( lack of interruptions and lack of voltage fluctuations) is insufficient and suffers frequent interruptions (89%). <span style="color: green;">▲</span> ✓ 2. General infrastructure (e.g. transport, telephony and energy) is underdeveloped (78%). <span style="color: red;">↔</span> 3. Roads are underdeveloped (71%). <span style="color: red;">↔</span> 4. The railroad system is underdeveloped (84%). <span style="color: red;">↔</span>

### Positive Changes

- Quality of electricity supply (lack of interruption and lack of voltage fluctuation) has made positive and significant improvement (-2.07, 94% in 2012 vis-à-vis -1.56, 89% in 2013) despite the fact that perception on this issue is still at a very low level.
  - ✓ Significant improvement in production capacity and power supply due to public and private investment made this positive changes
  - ✓ Perception remains in 'worse' category- inefficiency in power generation and lack of diversity in sourcing are major weaknesses for power sector development

### Unchanged remarks

- Perceptions of the entrepreneurs were remained at weak levels in case of underdeveloped infrastructure (1.14, 89%), sub-standard roads and highway for transportation (-1.20, 71%), quality of national ground transport (rail roads, port facilities, postal service) and changes between different modes of transportation.



Level	2012	2013
Bad (-1.00 to -0.01)	<p>5. Air transport infrastructure is not developed enough (50%).</p> <p>6. Port facilities are underdeveloped and inefficient by international standards (54%).</p> <p>7. National ground transport network (buses, trains, trucks, taxis, etc. ) offer somewhat inefficient transportation within country (71%) .</p> <p>8. The country's postal is not efficient enough (56%).</p> <p>9. The changes between different modes of transport (e.g. from port to rail or airport to roads) are quite inefficient (55%).</p>	<p>5. Air transport infrastructure is not developed enough (66%). ⇔</p> <p>6. Port facilities are underdeveloped and inefficient by international standards (54%). ⇔</p> <p>7. National ground transport network (buses, trains, trucks, taxis, etc. ) offer somewhat inefficient transportation within country (56%). ⇔</p> <p>8. The country's postal is not efficient enough (56%). ⇔</p> <p>9. The changes between different modes of transport (e.g. from port to rail or airport to roads) are quite inefficient (67%). ⇔</p>
Good (0.00 to 1.00)	<p>10. The air transport network provide quite well connections to the overseas markets offering the greatest potential to the country's business (42%).</p>	<p>10. The air transport network provide quite well connections to the overseas markets offering the greatest potential to the country's business (48%). ⇔</p>

- Positive but unchanged remarks on air transport network for providing connection to the overseas markets (0.42, 48%).
  - ✓ Airways have been increasingly used for goods transport to major markets to reduce the lead time



Level	2012	2013
Worse (-2.00 to -1.01)	<ol style="list-style-type: none"> <li>1. The quality of scientific research institutions are minimal (79%).</li> <li>2. On research and development (R&amp;D), business and universities do not collaborate.(71%)</li> <li>3. A failed entrepreneurial project is considered an embarrassment. (75%)</li> <li>4. Government procurement decisions don not foster innovation.(75%)</li> <li>5. The level of access to the Internet in schools is very limited (74%).</li> <li>6. Public sector does not innovate in providing goods and services (70%)</li> </ol>	<ol style="list-style-type: none"> <li>1. The quality of scientific research institutions are minimal (70%). ⇔</li> <li>2. On research and development (R&amp;D), business and universities do not collaborate (78%). ⇔</li> <li>3. A failed entrepreneurial project is considered an embarrassment. (81%) ⇔</li> <li>4. Government procurement decisions don not foster innovation.(83%) ⇔</li> <li>5. The level of access to the Internet in schools is very limited (66%). ⇔</li> <li>7. Laws relating to the use of ICT (e.g. electronic commerce, digital signatures, consumer protection) is quite underdeveloped (64%). ↓✓</li> </ol>

### Improved Perceptions



















- Entrepreneurs expressed better remarks on a number of indicators related to use of technology
  - ✓ Entrepreneurs perceived that new companies with innovative ideas have the scope to grow in the country (-0.07, 41% in 2012 vis-à-vis 0.03, 47% in 2013) perhaps due to rise in access to credit though at limited scale and rise in the demand for diversified products/services in the domestic market
  - ✓ Improvement of the role of the public sector in terms of better quality of services to the citizens (0.56, 54%), promoting use of ICT (-0.04, 39%) and supporting innovations of goods and services (-0.97, 64%)
- Role of public sector should be enhanced further to promote innovation in the private sector

### Deteriorated Perceptions

- Despite government's drive for building 'Digital Bangladesh' ICT related rules and its usages have remained at weak state and in cases have deteriorated during 2012
  - ✓ Laws relating to the use of ICT (e.g. electronic commerce, digital signatures, consumer protection) is quite underdeveloped (-0.93, 51% in 2012 vis-à-vis -1.09, 64% in 2013)
  - ✓ ICTs use for communicating and carrying out transactions with other businesses is not good in the country (0.15, 48% in 2012 vis-à-vis -0.35, 51% in 2013)





Level	2012	2013
Bad (-1.00 to - 0.01)	<p>7. Laws relating to the use of ICT (e.g. electronic commerce, digital signatures, consumer protection) is quite underdeveloped. (51%)</p> <p>8. Foreign direct investment (FDI) bring very few new technology in the country (45%).</p> <p>9. ICTs poorly improving access for all citizens to basic services (48%).</p> <p>10. The government do not have a clear implementation plan for utilizing ICTs to improve country's overall competitiveness (40%).</p> <p>11. ICT creating very few new business models, services and products in the country (47%).</p> <p>12. ICT do not create new organizational models (e.g. virtual teams, remote working, telecommuting) within businesses (52%).</p> <p>13. The existing internet bandwidth capacity limits businesses to perform their activities or embark on new business opportunities. (67%)</p> <p>14. Businesses use a small scale internet for selling their goods and services for consumers (64%)</p> <p>15. Digital content to some extent is not accessible (50%)</p> <p>16. ICTs by the government do not improve the quality of government services to citizens sufficiently (49%)</p> <p>17. The internet do moderately increase the sales of business and allowing to access new customers (52%).</p> <p>18. New companies with new ideas do not grow significantly (41%).</p>	<p>6. Public sector does not innovate in providing goods and services (64%) </p> <p>8. Foreign direct investment (FDI) bring very few new technology in the country (38%). </p> <p>9. ICTs poorly improving access for all citizens to basic services (55%). </p> <p>10 The government do not have a clear implementation plan for utilizing ICTs to improve country's overall competitiveness (46%). </p> <p>11. ICT creating very few new business models, services and products in the country (56%) </p> <p>12. ICT do not create new organizational models (e.g. virtual teams, remote working, telecommuting) within businesses (59%). </p> <p>13. The existing internet bandwidth capacity limits businesses to perform their activities or embark on new business opportunities. (58%) </p> <p>23. ICTs use for communicating and carrying out transactions with other business is not good in the country (51%).  </p> <p>14. Businesses use a small scale internet for selling their goods and services for consumers (63%) </p> <p>15. Digital content to some extent is not accessible (39%) </p> <p>16. ICTs by the government do not improve the quality of government services to citizens sufficiently (54%) </p> <p>17. The internet do moderately increase the sales of business and allowing to access new customers (63%). </p> <p>19. In promoting the use of ICTs government is not quite successful (39%) </p>
Good (0.00 to 1.00)	<p>19. In promoting the use of ICTs government is quite successful (53%)</p> <p>20. The latest technologies in the country is quite available (50%)</p> <p>21. Businesses absorb new technology largely (50%)</p> <p>22. The use of virtual social networks (e.g. Facebook, Twitter, LinkedIn) is used for professional and personal communication (56%)</p> <p>23. ICTs use for communicating and carrying out transactions with other business is good in the country (48%) .</p>	<p><b>18. New companies with new ideas can grow (47%).</b> </p> <p>20. The latest technologies in the country is quite available (56%) </p> <p>21. Businesses absorb new technology largely (46%) </p> <p>22. The use of virtual social networks (e.g. Facebook, Twitter, LinkedIn) is used for professional and personal communication (55%) </p>

## Unchanged Remarks

- Entrepreneurs perception was remained at same level in a number of issues which include availability of latest technologies (0.46, 56%), better absorption of new technologies ( 0.23, 46%) and use of virtual social networks for professional and personal communication.
- Similarly, no change in the negative perception about quality of scientific research institution, collaboration of business and universities for R&D, access to internet in schools and internet bandwidth capacity
- Major ICT related issues are remained with negative views
  - ✓ Slow progress in ICT use for basic services (-0.55, 55%), lack of clear implementation plan for ICT use for building competitiveness (-0.16, 46%), creation of few new business models, services and products by using ICT (-0.45, 56%), limited use of ICT for creating new business organisational models (-0.55, 59%), poor internet bandwidth limits business performance (-0.61, 56%), and moderate use of internet for sales (-0.70, 63%)
- Entrepreneurs have negative but unchanged views on a number of other issues which include limited role of FDI in bringing new technologies and lack of fostering innovation through government procurement
  - ✓ 81% respondents perceived that a failed entrepreneurial project is considered to be an embarrassment (-1.29).



Level	2012	2013
Worst (-3.00 to -2.01)	1. It is difficult for entrepreneurs with innovative but risky projects to find venture capital (90%)	
Worse (-2.00 to -1.01)	2. It is difficult to obtain bank loan with only a good business plan and no collateral (77%) 3. The regulation and supervision of securities exchanges are ineffective in the country( 74%). 4. There are significant price bubbles: assets are overvalued (71%). 5. The level of sophistication of financial markets in the country is poor by international standards (68%)	1. It is difficult for entrepreneurs with innovative but risky projects to find venture capital (92%) ↑✓ 2. It is difficult to obtain bank loan with only a good business plan and no collateral (78%) ⇔ 3. The regulation and supervision of securities exchanges are ineffective in the country( 70%) ⇔ 4. There are significant price bubbles: assets are overvalued (79%) ⇔

### Improved Perceptions

- Despite having positive changes in perception in number of indicators, perception on majority of indicators remained at the same level as they were earlier. As a result the financial sector has remained at a weak state and in a sense, was getting weaker in 2012.
  - ✓ Entrepreneurs' perceived that banks have maintained a healthy balance sheet (0.14, 44%) mainly due to strong demand for credit and other financial services
  - ✓ Level of sophistication of financial market has improved in 2012 compared to the previous year although the level was still in negative terrain (-1.01, 68% in 2012 vis-à-vis -0.46, 55% in 2013).
- Positive changes in entrepreneurs' responses as regards easier access to venture capital for innovative but risky projects did not indicate significant improvement in terms of availability (-2.07, 90% in 2012 vis-à-vis -1.76, 92% in 2013)
  - ✓ Some private and public sector initiatives provide venture capital on a limited scale



Level	2012	2013
Bad (-1.00 to - 0.01)	<p>6. The financial sector do not provide a wide variety of financial products and services to business(42%)</p> <p>7. To obtain financing for business development is difficult in the country( 60%)</p> <p>8. It is quite difficult to raise money by issuing shares on the stock market (44%)</p> <p>9. Financial auditing and reporting standards regarding company financial performance is relatively week (48%)</p> <p>10. The interests of minority shareholders are somewhat not protected by the legal system(70%)</p> <p>11. Banks in the country is not healthy with sound balance sheets( 59%)</p>	<p>5. The level of sophistication of financial markets in the country is poor by international standards (55%) <span style="color: green;">↑</span>✓</p> <p>6. The financial sector does not provide a wide variety of financial products and services to business( 46%) <span style="color: red;">↔</span></p> <p>7. To obtain financing for business development is difficult in the country( 63%) <span style="color: red;">↔</span></p> <p>8. It is quite difficult to raise money by issuing shares on the stock market (47%) <span style="color: red;">↔</span></p> <p>9. Financial auditing and reporting standards regarding company financial performance is relatively week (61%) <span style="color: red;">↔</span></p> <p>10. The interests of minority shareholders are somewhat not protected by the legal system ( 73%) <span style="color: red;">↔</span></p> <p>* Financial services are not quite affordable for businesses (47%)</p>
Good (0.00 to 1.00)		<p>11. Banks in the country is to some extent healthy with sound balance sheets (44%) <span style="color: green;">↑</span>✓</p>

### Unchanged Perception

- No major change in the negative perception on key indicators related to the financial sector. This includes financing for business development (-0.65; 63%) , availability of bank loan with no collateral (-1.55; 78%) and ineffective regulation of securities exchange (-1.03; 70%)
  - ✓ Interests of minority share holders are not protected in the capital market (-0.77, 73%)
- Financial auditing and reporting standards are perceived to be low (-0.62, 61%) and no improvement was discerned in 2012.
  - Implementation of Financial Reporting Act is urgently required
- Overall, financial services are perceived to be not easily affordable for conducting businesses (-0.14, 47%).



Level	2012	2013
Bad (-1.00 to -0.01)	<ol style="list-style-type: none"> <li>1. The level of efficiency of customs procedures are moderately inefficient in the country (67%)</li> <li>2. It is to a certain extent difficult to obtain trade finance at affordable cost (42%)</li> <li>3. Foreign ownership of companies is rare (63%)</li> </ol>	<ol style="list-style-type: none"> <li>1. The level of efficiency of customs procedures are moderately inefficient in the country (57%) ⇔</li> <li>2. It is to a certain extent difficult to obtain trade finance at affordable cost (64%) ⇔</li> <li>3. Foreign ownership of companies is rare (52%) ⇔</li> </ol> <p>* When importing goods the time necessary for border clearance fluctuates (67%)</p>
Good (0.00 to 1.00)	<ol style="list-style-type: none"> <li>4. Non-tariff barriers do not limit the ability of imported goods to complete in the domestic market (44%)</li> </ol>	<ol style="list-style-type: none"> <li>4. Non-tariff barriers do not limit the ability of imported goods to complete in the domestic market (43%) ⇔</li> <li>5. Rules governing foreign direct investment are moderately encourage foreign direct investment (FDI) (54%) ↓✓</li> </ol>
Better (1.01 to 2.0)	<ol style="list-style-type: none"> <li>5. Rules governing foreign direct investment are moderately encourage foreign direct investment (FDI) (64%)</li> </ol>	

### Deteriorated Perceptions

- Entrepreneurs' perceived that FDI related rules and regulations are not favourable for encouraging more FDI inflow (1.04, 46% in 2012 vis-à-vis 0.47, 54% in 2013)
  - ✓ Despite rise in flow of FDI, rules and measures related to tax rates, investment in EPZs and private EPZs and operationalisation of SEZs are not perceived to be favourable

### Unchanged remarks

- No major changes in the negative perception as regards operational aspects related to trade
  - ✓ These include inefficient custom procedure (-0.67; 57%), difficulty in obtaining trade finance (-0.71; 64%) and excess time required for border clearance (-0.83; 67%)
- Perception on use of non-tariff barriers against imported goods was somewhat positive and does not, to some extent, limit the ability of imported goods to compete in the domestic market (0.33, 43%)



Level	2012	2013
Bad (-1.00 to -0.01)	1. Buyers make purchasing decisions based on the lowest price (65%) 2. Anti-monopoly policy to some extent does not promote competition in the country (46%) 3. Corporate activity is dominated by a few business groups (71%) 4. Well-developed and deep clusters is quite non-existent (41%) 5. High-quality, specialized training services are not available enough (67%)	1. Buyers make purchasing decisions based on the lowest price (63%) ⇔ 2. Anti-monopoly policy to some extent does not promote competition in the country (49%) ⇔ 3. Corporate activity is dominated by a few business groups (69%) ⇔ 4. Well-developed and deep clusters is quite non-existent (52%) ⇔ 5. High-quality, specialized training services are not available enough (73%) ⇔ 6. The quality of local suppliers is not adequate (39%) ↓✓
Good (0.00 to 1.00)	6. The quality of local suppliers is good (42%) 7. Competition in the local market is intense in most industries (51%) 8. Local suppliers are numerous and include the most important materials, components, equipment and services (51%)	7. Competition in the local market is somewhat exist in most industries (61%) ⇔ 8. Local suppliers are numerous and include the most important materials, components, equipment and services (55%) ⇔

### Deteriorated Perceptions

- Quality of local suppliers have decelerated in 2012 and it can not meet the requirements of the buyers (0.34, 42% in 2012 vis-à-vis -0.24, 39% in 2013) which is a warning for suppliers involved in the global value chains.

### Unchanged Remarks

- Domestic market to a large extent has not been able to ensure competitive practices; and no major change is perceived towards ensuring better competition in the market.
  - ✓ Ineffective anti-monopoly policy (-0.32; 49%), dominance of few business groups in corporate activity (-0.66; 69%) and buyers' purchase decision led by price not by quality (-0.72; 63%)
- Existence of competition in most industries (0.72; 61%) and numerous local suppliers (0.51; 55%) are positive side of the market but no improvement was discerned in 2012.



Level	2012	2013
Worse (-2.00 to -1.01)	<ol style="list-style-type: none"> <li>1. Competitive advantage of companies in international market is based upon low-cost or natural resources (81%)</li> <li>2. Companies do not spend money on R&amp;D (79%)</li> <li>3. The willingness to delegate authority to subordinates is low- 74%)</li> <li>4. Management compensation do not based on performance rather than fixed salaries (75%)</li> <li>5.. Production process uses labour intensive methods (73%)</li> </ol>	<ol style="list-style-type: none"> <li>1. Competitive advantage of companies in international market is based upon low-cost or natural resources (93%) ⇔</li> <li>2. Companies do not spend money on R&amp;D (90%) ⇔</li> <li>3. The willingness to delegate authority to subordinates is low (81%) ⇔</li> <li>4. Management compensation do not based on performance rather than fixed salaries (77%) ⇔</li> </ol>

### Improved Perception

- Entrepreneurs' perceived that labour-intensive methods were applied more in the production process in 2012 which is a positive aspect in case of employment generation by the private sector (-1.03, 73% in 2012 vis-à-vis -0.74, 73% in 2013). However, the perception level is still very low.

### Deteriorated Perception

- On the other hand, companies are non-responsive towards customer satisfaction and perception in this regard has deteriorated in 2012 (0.16, 46% in 2012 vis-à-vis -0.16, 46% in 2013)
  - ✓ Building confidence at customers' level is one of the key for business success

### Unchanged Negative Remarks

- No improvement as regards strengthening the production process raises the concern as regards building competitiveness in the value chain



## VI.7 Company Operations and Strategy

Level	2012	2013
Bad (-1.00 to -0.01)	6. Exporting companies have a narrow, primarily involved in individual steps of the value chain (60%) 7. Companies use a little sophisticated marketing tools and techniques (56%) 8. Companies do not introduce new business models, organizational structures or designs that allow them to differentiate their goods in the market (60%) 9. International distribution and marketing not at all owned and controlled by domestic companies (48%) 10. Senior management positions are held by usually relatives or friends without regard to merit (54%) 11. Corporate governance management has little accountability to investors and boards of directors (40%)	5. Production process uses labour intensive methods (73%) <span style="color: green;">▲</span> ✓ 6. Exporting companies have a narrow, primarily involved in individual steps of the value chain (68%) <span style="color: red;">↔</span> 7. Companies use a little sophisticated marketing tools and techniques (64%) <span style="color: red;">↔</span> 8. Companies do not introduce new business models, organizational structures or designs that allow them to differentiate their goods in the market (62%) <span style="color: red;">↔</span> 9. International distribution and marketing not at all owned and controlled by domestic companies (64%) <span style="color: red;">↔</span> 10. Senior management positions are held by usually relatives or friends without regard to merit (60%) <span style="color: red;">↔</span> 11. Corporate governance management has little accountability to investors and boards of directors (51%) <span style="color: red;">↔</span> 12. Companies are not responsive to customers and seek customer retention (46%) <span style="color: red;">▼</span> ✓ <ul style="list-style-type: none"> <li>• Companies do not have the capacity to innovate (64%)</li> <li>• Companies do not have sophisticated supply chain in place (59%)</li> </ul>
Good	12. Companies are responsive to customers and seek customer retention (46%)	

- ✓ This includes narrow presence of companies in the value chain (-0.80; 68%), lack of sophisticated marketing tools and techniques (-0.67; 64%), lack of sophisticated supply chains (-0.61; 59%), lack of control of marketing channels by domestic companies (-0.84; 64%), lack of initiative to introduce new designs (-0.62; 62%); low-cost based competitive advantage in international market (-1.81; 93%); and lack of capacity for innovation and development (-0.72; 64%)
- Corporate activity in most cases does not follow the 'rules of the game'
  - ✓ This is perceived to be evident in case of filling up major senior management positions by relatives regardless merit (-06.9; 60%), lack of willingness to delegate authority to subordinates (81%) and compensation is based on fixed salaries not on performance (-1.21; 77%)





Level	2012	2013
Worst (-3.00 to -2.01)	1. Public trust in the ethical standards of politicians is very low (88%).	
Worse (-2.00 to -1.01)	2. The ability of politicians is very weak to govern effectively (79%). 3. Government officials highly favoritism show to well connected firms and individuals when deciding upon policies and contracts(84%) 4. Intellectual property protection and anti-counterfeiting measures are weak and properly enforced (77%) 5. Police services can not relied upon at all to enforce law and order(71%) 6. Government's efforts are weak to address income inequality(68%)	1. Public trust in the ethical standards of politicians is very low (87%) ↑ 2. The ability of politicians is very weak to govern effectively (86%) ↔ 3. Government officials highly favoritism show to well connected firms and individuals when deciding upon policies and contracts (87%) ↔ 4. Intellectual property protection and anti-counterfeiting measures are weak and properly enforced (77%) ↔ 5. Police services can not relied upon at all to enforce law and order(71%) ↔ 7. The legal framework for private businesses to settle disputes is moderately inefficient (76%) ↓ 8. Government reform are somewhat never implemented efficiently (84%) ↓✓ 9. The composition of public spending is wasteful (74%) ↓✓

### Improved Perception

- Entrepreneurs perceived that despite all limitations public trust in the ethical standards of politicians has improved in 2012 (-2.01, 88% in 2012 vis-à-vis -1.83, 87% in 2013)
  - ✓ This was the single indicator where perception was 'worst' in all previous years. Changes toward positive direction implies politicians perhaps somewhat increase building their trust at the grass-root level although it is still at a low level.
- Government's effort to address income inequality has changed towards positive direction in 2012 (-1.16, 68% in 2012 vis-à-vis -0.90, 68% in 2013). Various initiatives addressing the poor, marginalised and informal sectors made these changes.



Level	2012	2013
Bad (-1.00 to -0.01)	<ul style="list-style-type: none"> <li>7. The legal framework for private business in settling disputes is moderately inefficient (63%)</li> <li>8. Government reform are somewhat never implemented efficiently (68%)</li> <li>9. The composition of public spending is quite wasteful (67%)</li> <li>10. The national Parliament is ineffective to some extent as a law-making institution( 60%)</li> <li>11. The legal framework for private business in challenging the legality of government actions and regulations is moderately inefficient (56%)</li> <li>12. Government subsidies and tax breaks is insignificantly distort competition (43%)</li> <li>13. Complying with administrative requirements for business by the government is somewhat burdensome (63%)</li> <li>14. For business obtaining information about changes in government polices and regulations affecting their activities are quite impossible (49%)</li> <li>15. Property rights, including financial assets are not well-protected (52%)</li> </ul>	<ul style="list-style-type: none"> <li>6. Government's efforts are somewhat weak to address income inequality (68%) ↑</li> <li>7. The legal framework for private business in challenging the legality of government actions and regulations is moderately inefficient (69%) ⇔</li> <li>10. The national Parliament is ineffective to some extent as a law-making institution (63%) ⇔</li> <li>12. Government subsidies and tax breaks is insignificantly distort competition (61%) ⇔</li> <li>13. Complying with administrative requirements for business by the government is somewhat burdensome (69%) ⇔</li> <li>14. For business obtaining information about changes in government polices and regulations affecting their activities are quite impossible (55%) ⇔</li> <li>15. Property rights, including financial assets are not well-protected (68%) ⇔</li> <li>16. The level of taxes relatively have impacts on incentives to works (60%) ↓✓</li> <li>* The level of taxes relatively have impact on incentives to investment (56%)</li> </ul>
Good (0.00 to 1.00)	<ul style="list-style-type: none"> <li>16. The level of taxes relatively have no impact on incentives to work or invest (40%).</li> <li>17. The agriculture policy to some extent balances the interests of taxpayers, consumers and producers.(63%)</li> </ul>	<ul style="list-style-type: none"> <li>17. The agriculture policy to some extent balances the interests of taxpayers, consumers and producers.(46%) ⇔</li> <li>18. The press is relatively free (59%) ↓✓</li> <li>19. The access to online content is relatively free (50%) ↓✓</li> </ul>
Better (1.01 to 2.0)	<ul style="list-style-type: none"> <li>18. The press is relatively free (75%)</li> <li>19. The access to online content is entirely free (83%)</li> </ul>	



## **Deteriorated Perceptions**

- Perception regarding inefficient operation of public sector has deteriorated in 2012.
  - ✓ Public sector reforms were somewhat less efficiently implemented (-0.99, 68% in 2012 vis-à-vis -1.36, 84%) which caused lack of improvement in fiscal burden, productivity and efficiency in the operation and management
  - ✓ Wasteful public spending is still a major concern for public expenditure management (-1.29; 74%)
  - ✓ Entrepreneurs' perceived that tax levels have further deteriorated incentives to work (0.16, 40% in 2012 vis-à-vis -0.64, 60% in 2013) as well as incentive to invest (-0.58; 56%)
- A further deterioration in the perception as regards inefficient legal framework for private businesses to settle disputes (-0.77, 63% in 2012 vis-à-vis -1.16, 76% in 2013).
  - ✓ Effective operation of organisations involved in international and domestic arbitrations should be ensured
- Entrepreneurs' perceived that freedom of press has somewhat suffered some erosion in 2012 (0.49; 59%) which is a concern for ensuring active role of media as a key civil society players of the country
  - ✓ Lack of development of availability of online contents is another weakness in the digitalization process in the country (50%)



## Unchanged Perceptions

- No improvement in the perception was discerned as regards reduction of inefficiency in the public sector
  - ✓ Weak ability of politicians to govern the institutions (-1.54; 86%), favouritism by the government officials (-1.65; 87%), burdensome administrative requirement (-0.92; 69%), ineffective national parliament as a law making institution (-0.75; 63%) and weak law enforcement and police service (-1.41; 71%)
  - ✓ Agricultural policy somewhat balanced the interests of tax payers (0.32; 46%) which is a positive development.
- Businesses have been affected due to lack of improvement in a number of institutional bottlenecks
  - ✓ Weak intellectual protection measures (-1.23; 77%) and weak protection for property rights (-0.87; 68%)



Level	2012	2013
Worse (-2.00 to -1.01)	1. Primary schools are of poor quality (73%) 2. Talented people leave to pursue opportunities in other countries (70%) 3. Formal social safety net not at all provide protection from economic insecurity in the event of job loss or disability (82%)	1. Primary schools are of poor quality (66%) ⇔ 2. Talented people leave to pursue opportunities in other countries (86%) ⇔ 3. Formal social safety net not at all provide protection from economic insecurity in the event of job loss or disability (80%) ⇔ * Country unable to attract talented people from abroad (82%)
Bad (-1.00 to -0.01)	4. The educational system not well enough in meet the needs of a competitive economy (61%) 5. The quality of math and science education is relatively poor in the country's school (62%) 6. The quality of management or business schools is relatively poor in the country (44%) 7. Scientists and engineers are rather unavailable in the country (52%) 8. Pay is somewhat unrelated to worker productivity (45%) 9. Labour regulation to some extent limits the ability to hire foreign labour (52%) 10. Companies invest a little in training and employee development (68%) 11. For similar work, wages for women are not equal always those of men (52%)	4. The educational system is not well enough in meet the needs of a competitive economy (63%) ⇔ 5. The quality of math and science education is relatively poor in the country's school (63%) ⇔ 6. The quality of management or business schools is relatively poor in the country (49%) ⇔ 7. Scientists and engineers are rather unavailable in the country (53%) ⇔ 8. Pay is somewhat unrelated to worker productivity (52%) ⇔ 9. Labour regulation to some extent limits the ability to hire foreign labour (49%) ⇔ 10. Companies invest a little in training and employee development (70%) ⇔ 11. For similar work, wages for women are not equal always those of men (62%) ⇔ 12. Labor-employer relations are not generally cooperative (51%) ↓✓ 13. Businesses do not provide women with the same opportunities as men to rise to positions of leadership (49%) ↓✓ * It is hard for companies to find employees with the required skill for their business need (56%)
Good (0.00 to 1.00)	12. Labor-employer relations is generally cooperative (51%) 13. Business provide women equal opportunities for positions of leadership (40%) 14. The hiring and firing of workers is flexibly determined by employers (63%) 15. Wages are set up to each individual company (64%)	14. The hiring and firing of workers is flexibly determined by employers (63%) ⇔ 15. Wages are set up to each individual company (55%) ⇔



### **Deteriorated Perception**

- Entrepreneurs' perception has deteriorated in case of social compliances in the industrial sector
  - ✓ Labour-employer relationship is perceived to be less cooperative in 2012 (-0.30; 51%) and opportunity for women in leadership positions has further declined (-0.13; 49%)
  - ✓ Despite improvement in social compliances, industrial relation is not up to the mark in the manufacturing sector

### **Unchanged Remarks**

- Human resource development is perceived to be somewhat at standstill in 2012
  - ✓ No improvement in the perception as regards poor quality of primary school (-1.07; 66%), poor quality of math & science (-0.82; 63%), weak educational system for competitive economy (-0.70; 63%), unavailability of scientists and engineers (-0.44; 53%), unable to attract talented people from abroad (-1.42; 82%), reduce brain drain (-1.37; 86%) and poor quality of business school (-0.46; 49%)
- Employment related issues are perceived to be at weak state in most cases
  - ✓ Lack of relationship between wage and productivity (-0.48; 52%), less spending in training and employee development (-0.83; 70%), discriminative wage for male and female workers (-0.46; 62%) and difficulty in finding worker with required skill (-0.35; 56%)
- No change in the perception as regards limited/insignificant role formal social safety net to provide protection people from economic insecurity in the event of job loss or disability (-1.46; 80%)



## VI.10 Corruption, Ethics and Social Responsibility

Level	2012	2013
Worst	1. Undocumented extra payments or bribes made by firms connected with annual tax payments are very common (88%)	
Worse (-2.00 to -1.01)	2. The judiciary to some extent is influenced of members of government, citizens or firms (75%) 3. The government's effort to combat corruption and bribery is ineffective fully (87%) 4. Diversion of public funds to companies, individuals or groups due to corruption is not uncommon (80%) 5. Undocumented extra payments or bribes made by firms connected with imports and exports are quite common (90%) 6. Undocumented extra payments or bribes made by firms connected with public utilities (e.g. telephone, electricity) are common (82%) 7. Undocumented extra payments or bribes made by firms connected with awarding of public contracts and licenses to some extent are common (90%) 8. Undocumented extra payments or bribes made by firms connected with obtaining favorable judicial decisions are sometime common (67%) 9. The corporate ethics of firms is not good enough (70%)	1. Undocumented extra payments or bribes made by firms connected with annual tax payments are very common (86%) ↑ 2. The judiciary to some extent is influenced of members of government, citizens or firms (83%) ↔ 3. The government's effort to combat corruption and bribery is largely ineffective (86%) ↔ 4. Diversion of public funds to companies, individuals or groups due to corruption is not uncommon (89%) ↔ 5. Undocumented extra payments or bribes made by firms connected with imports and exports are quite common (87%) ↔ 6. Undocumented extra payments or bribes made by firms connected with public utilities (e.g. telephone, electricity) are common (83%) ↔ 7. Undocumented extra payments or bribes made by firms connected with awarding of public contracts and licenses to some extent are common (87%) ↔ 8. Undocumented extra payments made by firms connected with obtaining favorable judicial decisions are sometime common (80%) ↔

### Positive Changes

- Respondents perceived few positive changes in case of prevalence of corruption
  - ✓ Bribes made in connection with annual tax payment were perceived to be declined in 2012 (-1.91; 86%) although level of perception is still highly negative. Perhaps due to positive changes in tax administration
  - ✓ Entrepreneurs perceived that corporate ethics of the firms have somewhat improved in 2012 despite having negative impression about it (-0.96; 71%)
  - ✓ It appears to the respondents that individuals can somewhat improve their economic situation through personal efforts regardless of socio-economic status of their parents (0.03, 40%)



## VI.10 Corruption, Ethics and Social Responsibilities

Level	2012	
Bad (-1.00 to -0.01)	10. Individuals have less opportunity to improve their economic situation through their personal efforts regardless of the socio-economic status of their parents (40%)	9. The corporate ethics of firms is not good enough in the country (71%) ↑
Good (0.00 to 1.00)		10. Individuals have little opportunity to improve their economic situation through their personal efforts regardless of the socio-economic status of their parents (40%) ↑

### Unchanged Remarks

- Significant change was not discerned in the negative perception as regards undocumented payments/bribery at different levels
  - ✓ Bribes are common in number of cases such as in connection with imports and exports (-1.71; 87%), public utilities (-1.49; 83%), awarding public contracts and licensing (-1.86; 87%); favourable judicial decision (-1.28; 80%) and diversion of public funds to companies, individuals or groups (-1.37; 89%)
  - ✓ In this context, government's effort against corruption and bribery is perceived to be ineffective (-1.83; 86%).
    - Government should have handled properly number of corruption related incidences that took place during 2012





Level	2012	2013
Bad (-1.00 to -0.01)	1. Country's marketing and branding campaigns to attract tourists is relatively ineffective (61%) 2. The government's effort is quite ineffective to ensure that the Travel and Tourism sector is being developed in sustainable way (65%)	1. Country's marketing and branding campaigns to attract tourists is relatively ineffective (55%) ⇔ 2. The government's effort is quite ineffective to ensure that the Travel and Tourism sector is being developed in sustainable way (69%) ⇔ 3. Senior executives are not quite likely to be recommended to extend their first business trip in the country for leisure purposes (41%) ↓✓
Good (0.00 to 1.00)	3. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (46%) 4. The development of the Travel & Tourism industry is a priority for the government of the country (46%)	4. The development of the Travel & Tourism industry is a priority for the government of the country (47%) ⇔
Better		5. Foreign visitors are usually welcome in the country(89%) ↓
Best 2.0 1 to 3.0)	5. Foreign visitors are usually welcome in the country(98%)	

### Deteriorated Perception

- Respondents perceived that foreigners' visit to Bangladesh were getting difficult
  - ✓ Although foreigners are still moderately welcome in the country, but the level of perception as regards this has decelerated in 2012 (1.87; 89%)
  - ✓ Similarly, senior executives may not quite likely to be recommended to extend their first business trip in the country (-0.04; 41%)

### Unchanged Perception

- No noticeable changes observed in case of effective measures to attract tourists (-0.44; 55%) and developing tourism sector (-0.96; 69%) and prioritising it (0.23; 47%)



Level	2012	2013
Worse (-2.00 to -1.01)	1. Enforcement of environmental regulation is lax (77%)	
Bad (-1.00 to -0.01)	2. Environmental regulation is lax (63%) 3. The quality of natural environment is poor (51%)	1. Enforcement of environmental regulation is lax (72%) ↑ 2. Environmental regulation is lax (65%) ↔ 3. The quality of natural environment is poor (48%) ↔

### Improved Perception

- Entrepreneurs perceived that enforcement of environmental regulations has somewhat made positive changes in 2012 although it is still negative (-0.87, 72% )
  - ✓ Various initiatives undertaken particularly by the Department of Environment against industrial pollution somewhat make positive changes.

### Unchanged Perception

- Despite few positive changes, overall environment is still perceived to be very poor and no major changes took place in 2012 (-0.08; 48%)
  - ✓ Moreover, environmental laws and regulations are still lax (-0.58; 65%)



Level	2012	2013
Worse (-2.00 to -1.01)	1. Quality of healthcare provided for ordinary citizens is poor(83%)	
Bad (-1.00 to -0.01)	2. Healthcare is mostly accessible among elites (69%) 3. A serious impact of the Diabetes will have on company's in the next five years (55%) 4. A typical employee health care needs are not met by company (43%) 5. A serious impact of the Heart disease and related cardiovascular problems will have on company's in the next five years (60%) 6. A serious impact of Cancer will have on company's in the next five years (42%) 7. A serious impact of the Chronic respiratory will have on company's in the next five years (51%)	1. Quality of healthcare provided for ordinary citizens is poor(69%) ↑✓ 2. Healthcare is mostly accessible among elites (59%) ⇔ 3. A serious impact of the Diabetes will have on company's in the next five years (51%) ⇔ 4. A typical employee health care needs are not met by company (49%) ⇔
Good (0.00 to 1.00)	8. A less impact of mental illness will have on company's in the next five years (64%)	5. No serious impact of the Heart disease and related cardiovascular problems will have on company's in the next five years (53%) ↑✓ 6. No serious impact of Cancer will have on company's in the next five years (61%) ↑✓ 7. No serious impact of the Chronic respiratory will have on company's in the next five years (47%). ↑✓
Better (1.01 to 2.0)	9. A smaller impact of the tuberculosis will have on company's in the next five years (66%) 10. A minor impact of the malaria will have on company's in the next five years (68%) 11. A negotiable impact of the HIV/AIDS will have on company's in the next five years (74%)	8. No impact of mental illness will have on company's in the next five years (74%) ↑ 9. A smaller impact of the tuberculosis will have on company's in the next five years (80%) ⇔ 10. A minor impact of the malaria will have on company's in the next five years (85%) ⇔
Best (2.01 to 3.0)		11. No impact of the HIV/AIDS will have on company's in the next five years (81%) ↑✓



## Positive Remarks

- Health sector observed a number of positive changes during 2012 as remarked by the respondents. Most of those changes are significant.
  - ✓ Quality of public and private healthcare services perceived to make positive changes although its level is still below the line (-0.94, 69%)
  - ✓ In this connection, businessmen found positive changes in case of impact of different diseases on the operation of their companies in next five years. Changes were in case of heart diseases and related cardiovascular problems (0.44, 53%), cancer (0.82, 61%), chronic respiratory (0.55, 47%), mental illness (1.28, 74%), tuberculosis (1.63, 80%), malaria (1.58, 85%) and HIV/AIDS (2.20, 81%)

## Unchanged Remarks

- Despite improvement in public health services, it is still highly concentrated among those who could afford the services.
  - ✓ No change in the perception that healthcare is mostly accessible among elites (-0.61; 59%)
  - ✓ A typical employee health care needs are somewhat not met by company (-0.30; 49%)



## VII. Rapid Assessment Survey

Level	2012	
Worse (-2.00 to -1.01)	1. Insider trading in Bangladesh's stock market is pervasive (80%) 2. The monitoring & supervision system of the SEC to regulate the market is inefficient (88%) 3. Government's macro economic management during 2011 is not good (75%). 4. The supply of gas was not increase significantly in 2011 (70%) 5. Availability of bank credit in 2011 compared to the previous years is difficult to get (72%)	1. Insider trading in Bangladesh's stock market is pervasive (70%) ⇔ 2. The monitoring & supervision system of the SEC to regulate the market is inefficient (79%) ⇔ 4. The supply of gas did not increase significantly in 2012 (70%) ⇔ 6. Governments effort to reduce industrial pollution is ineffective (74%) 7. The investment environment in Bangladesh in 2013 will deteriorate further (73%) ↓ • Hallmark incident had an adverse impact on the availability of financial services (e.g. credit, L/C opening etc.) (76%) * It will not be wise for the government to build the Padma Bridge by using 100% local resources (79%) * The impact of recent price hike of petroleum products (January 2013) in terms of investment will be negative (76%)
Bad (-1.00 to -0.01)	6. The government's effort to reduce industrial pollution is ineffective (67%). 7. The investment environment in Bangladesh in 2012 will deteriorate further. (57%) 8. Bangladesh tax system is complex. (56%) 9. Governments initiatives in the last three years were inadequate to build digital Bangladesh by 2021. (57%)	3. Government's macro economic management during 2012 is not good (57%) ↑ 5. Availability of bank credit in 2012 compared to the previous years is difficult to get (68%) ↑ 8. Bangladesh tax system is complex (67%) ⇔ 9. Government did not undertake sufficient measures in the last four years to build Digital Bangladesh by 2021 (47%) 10. Money laundering through the formal banking system in Bangladesh is pervasive (43%) ↓✓ * The efficiency of financial institutions of Bangladesh is poor (51%)
Good (0.00 to 1.00)	10. Money laundering through the formal banking system in Bangladesh is somewhat rare (43%).	* Withdrawing/Cancelling GSP facilities by USA to Bangladesh will not have not have adverse impact on Bangladesh's export performance (56%)
Better (1.01 to 2.0)		* Concerned sectors should take necessary measures to ensure core labour standards at the factory level to maintain US GSP facilities (80%)

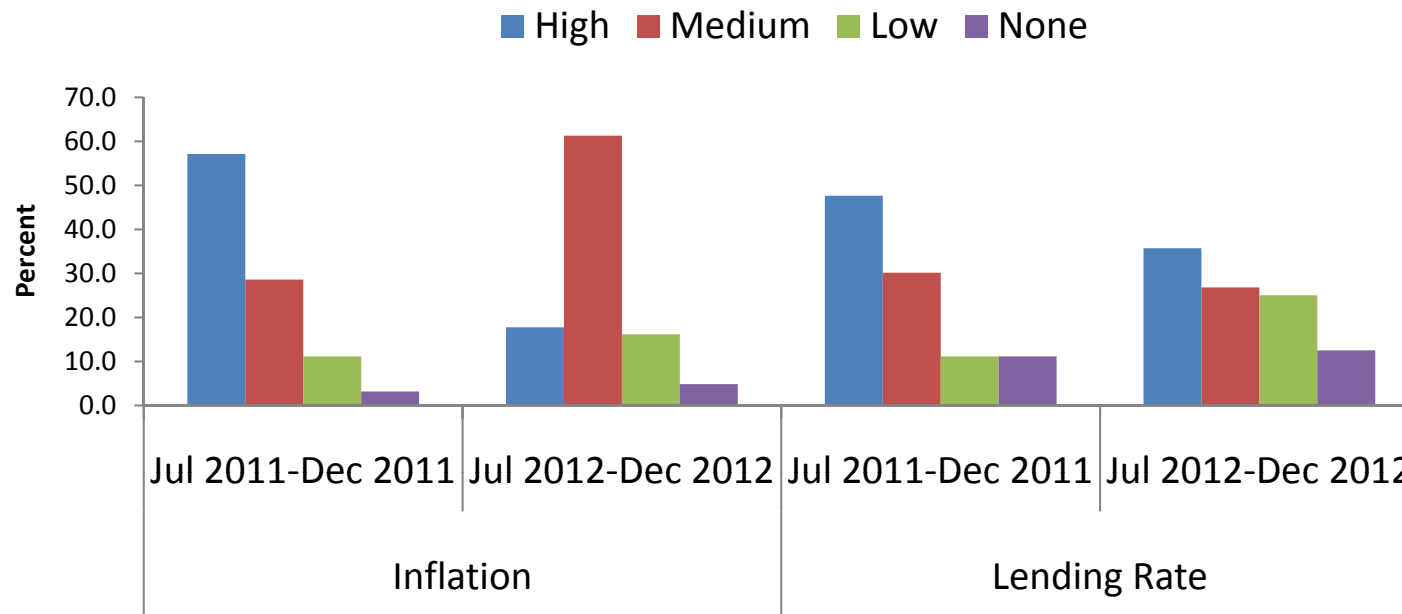


## VII. Rapid Assessment Survey

- 73% respondents replied that investment environment in the country will deteriorate in 2013 (-1.07)
  - ✓ More than 57% respondents expressed their concerns about weak macroeconomic management in 2012 (-0.68)
  - ✓ 68% expressed their concerns with regard to difficulty in getting credit (-0.93)
- Most of the problems in the capital market still prevails. These are evident in case of following issues:
  - ✓ Inefficient supervision to regulate the capital market (79%, -1.33 )
  - ✓ Pervasive insider trading in the stock market (70%, -1.12)
- Entrepreneurs negatively reacted regarding following issues
  - ✓ Hallmark incident had an adverse impact on the availability of financial services (e.g. credit, L/C opening etc.) (-1.06, 76%)
  - ✓ It will not be wise for the government to build the Padma Bridge by using 100% local resources (-1.67, 79%)
  - ✓ Impact of recent price hike of petroleum products (January 2013) in terms of investment will be negative (-1.09, 76%)
- Entrepreneurs' reaction was affirmative in the context of GSP related issues
  - ✓ Withdrawal/cancellation of GSP facilities by USA to Bangladesh may not have significant adverse impact on Bangladesh's export performance (0.45, 56%)
  - ✓ However, entrepreneurs suggested that concerned sectors should take necessary measures for ensuring core labour standards at the factory level (1.36, 80%)



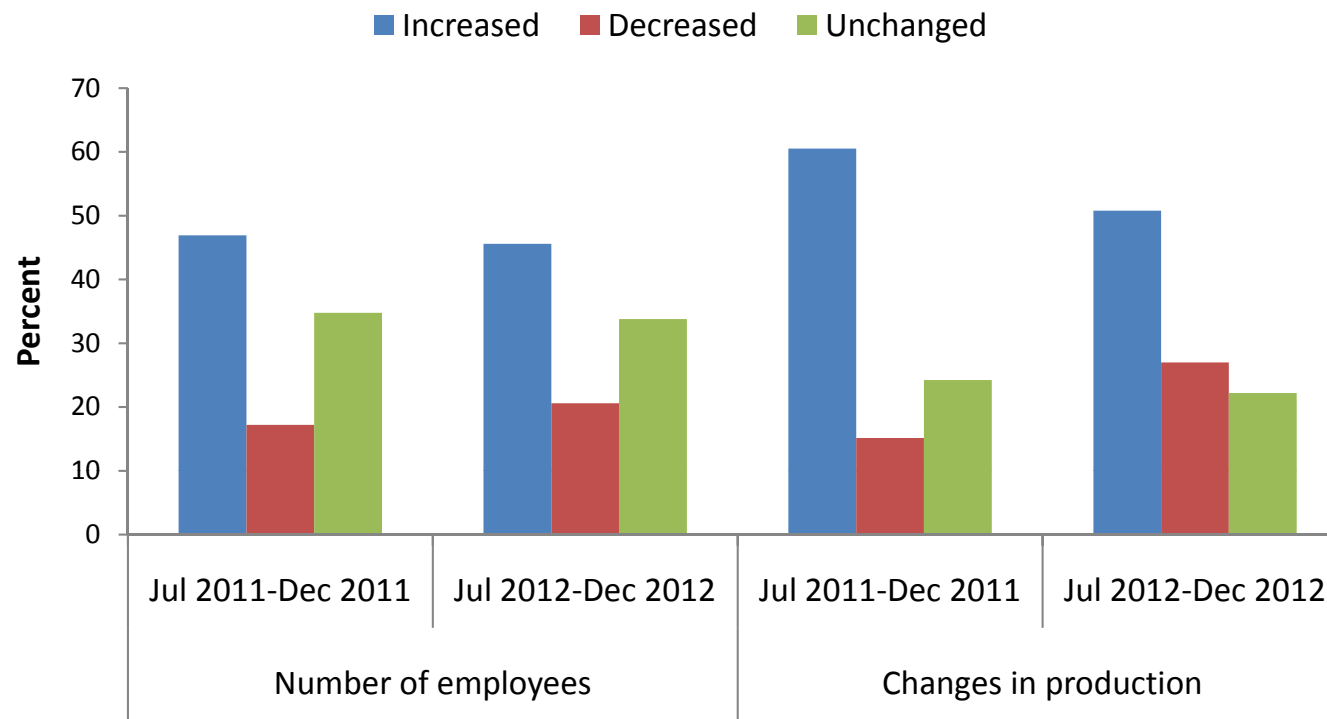
## Effect of Inflation and Bank Lending Rates on Production of Surveyed Firms



- The severe impact of inflation on production during the first half of FY2012 has been somewhat decelerated in the first half of FY2013 although the impact was still significantly high (Medium: 29% in FY1H of 2012 vis-a-vis 61% in FY1H in 2013)
  - ✓ Effective measures undertaken by the government has reduced high rate of inflation in FY1H in 2013 although overall inflation was remained at high level.
- A slow reduction in the interest rate made some changes in the extent of impact of production during FY1H in 2013 . Perception regarding cost of production has spreaded between 'high' to 'low' levels.



### Changes in Number of Employees and production

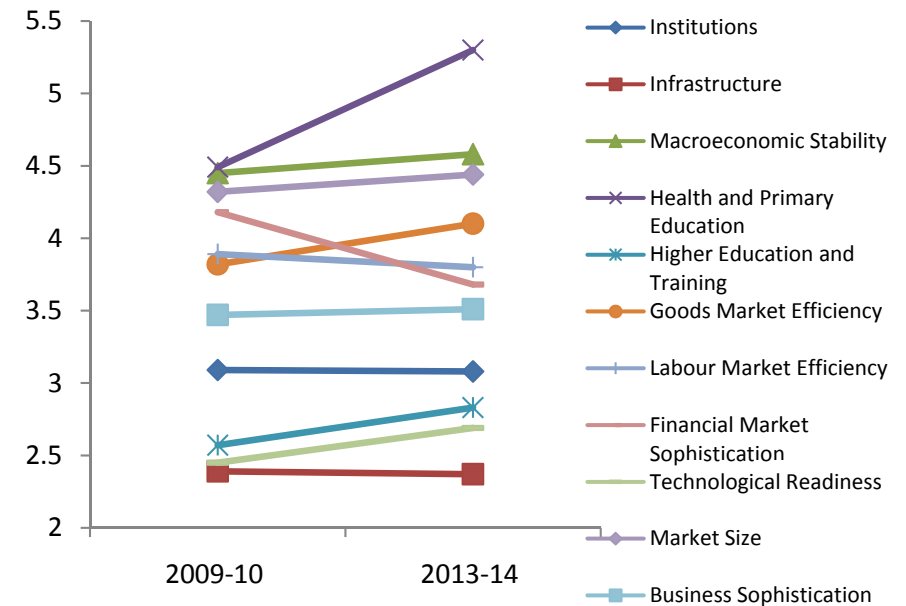
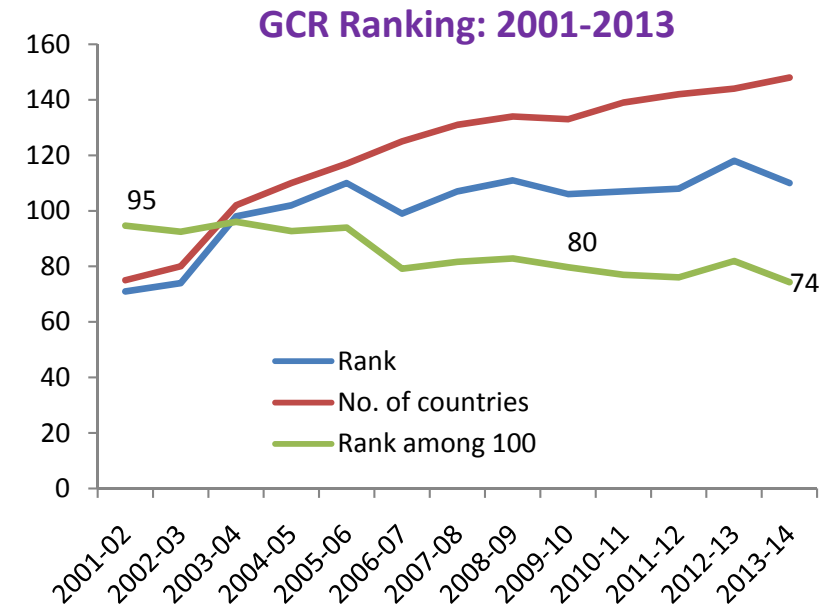


- There was almost no change in the perception as regards rise in number of employees between H1 of FY2012 and H1 of FY2013. Moreover, number of employees was remained unchanged for one-third firms (increased: 46% in H1 of FY2013 vs. 47% in H1 of FY2012 )
  - ✓ However, growth in production has somewhat decelerated due to high inflation and moderately high interest rate (increased: 50.8% vs. 60.5%)



## VIII. Bangladesh's Competitiveness during 2009-2013

- In the journey of competitiveness for over 12 years, Bangladesh has made a rather slow progress
  - ✓ If the same set of countries participated in 2001 are considered, Bangladesh has advanced only two (2) ranks over this period
  - ✓ Progress of competing countries was better (China:39→24; Vietnam: 60→54)
- The progress in competitiveness during last five years was not so impressive.
- Among the 12 pillars, significant rise in scores was discerned in case of health, goods market efficiency, higher education and training and technological readiness
- At the same time, significant decline in the score has taken place in case of financial market sophistication and to some extent in infrastructure
- Because of weaknesses in key indicators under basic and efficiency enhancers, better performance in other indicators could not make significant progress of country's competitiveness.

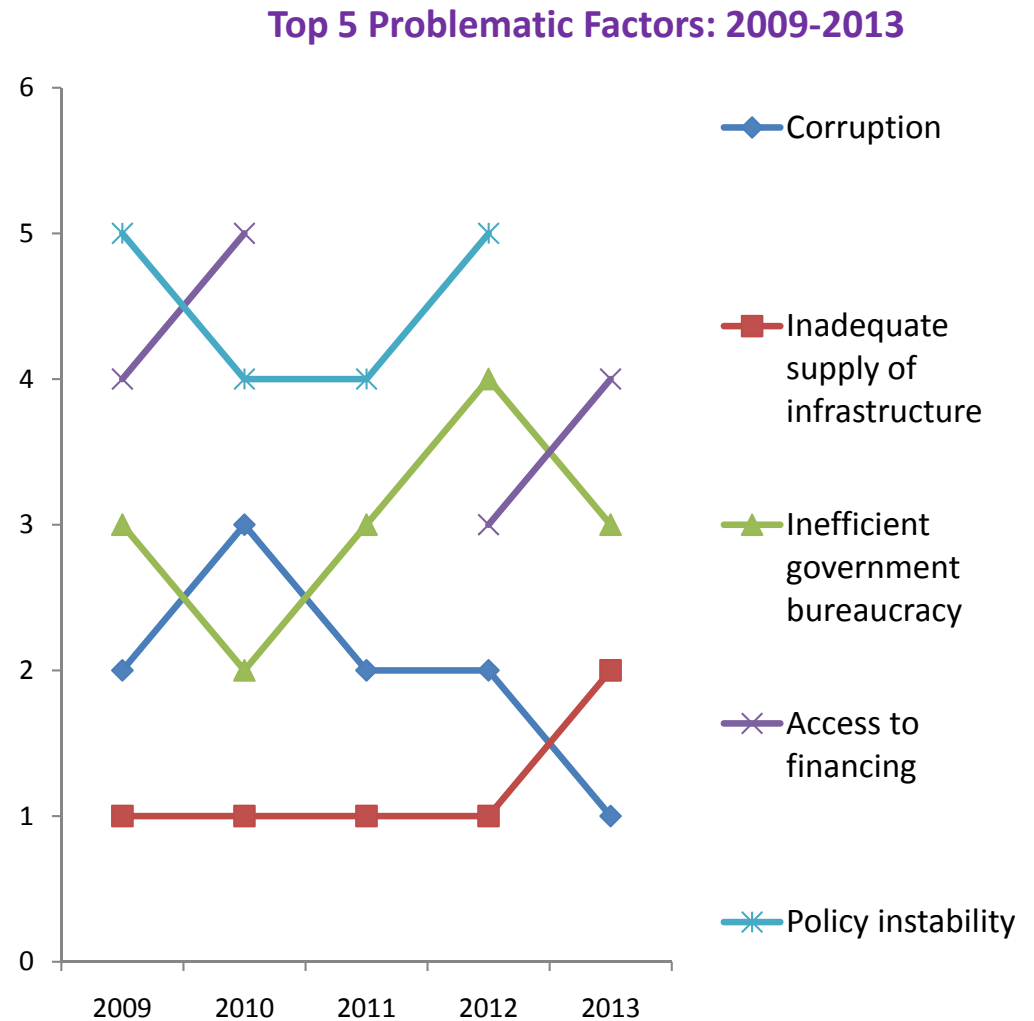


**Changes in Scores of Major Pillars: 2009-2013**



## VIII. Bangladesh's Competitiveness during 2009-2013

- Constraining factors that were major impediment for businesses over the last five years remained almost the same.
  - ✓ Corruption, infrastructure and inefficient government bureaucracy were the key problematic factors in the country
  - ✓ After four years, positive changes in infrastructural development and negative changes in corruption have replaced positions as 'first' and 'second/third' in 2013



- Bangladesh's rank in the GCI has moved upwards to 110 in 2013 from 118 in 2012.
  - ✓ This upward movement has helped her only to recover her earlier position
  - ✓ Had there been no deceleration in ranking in 2012, positive changes made in 2013 could facilitate further rise in her ranking
- Key factors contributing to positive changes during 2013 include macroeconomic stability, infrastructural development and goods market efficiency
  - ✓ Few specific policies (monetary policy) and initiatives (public and private investment in the energy and power sector) have contributed towards making positive changes in the competitiveness
- At the same time, Bangladesh's progress has been slowed down particularly because of further weakening of the financial market and, to some extent, business sophistication including industrial relations.
- Corruption has returned back as the lead constraining factor along with inefficient government bureaucracy
  - ✓ This indicates that Bangladesh is still struggling with structural and governance weaknesses. Existence of these weaknesses are pulling down the economy from attaining higher level of competitiveness
  - ✓ Political instability has emerged as a growing concern from the perspective of business competitiveness



## *IX. Concluding Remarks*

- Entrepreneurs perceived a significant economic slowdown in 2013 perhaps due to political unrest in the run-up to the national parliamentary elections
- Despite government announcement for building 'Digital Bangladesh', IT related issues have not yet been properly addressed in government's policies and operations
- Performance of the public sector has remained in question due to weak public expenditure management and lack of proper initiative for undertaking required reform measures
- Despite having positive changes as regards some issues, key corruption related concerns have remained at the same state. Lack of initiative to contain corruption is a major weakness of the government.
- Health sector has experienced a number of positive changes in 2013 including better access to public and private sector healthcare services.
- During the last 5 years, Bangladesh's competitiveness has made some progress but not adequate enough that could facilitate targeted levels of growth and investment
  - ✓ Because of weaknesses in key basic indicators and efficiency indicators, better performance in other indicators could not make significant progress of country's competitiveness.
- Constraining factors which are major impediments to building competitiveness have remained the same over the years
  - ✓ Corruption, infrastructure and inefficient government bureaucracy
  - ✓ Government should put highest effort to improve the above-mentioned structural and governance related weaknesses and bottlenecks



***THANK YOU***

