

CPD Dialogue on
A Recent Update on Business Environment in Bangladesh
and
Launching of *Global Competitiveness Report 2014-2015*

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B A N G L A D E S H
a civil society think tank

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- Business Environment: Conceptual Issues
- Global Competitiveness Report 2014-15
- Methodology
- Performance of World Economies in GCR 2014-15
- Performance of Bangladesh Economy in GCR 2014-15
- Analysis of Business Environment in Bangladesh: 2014
- Findings from Rapid Perception Survey
- Concluding Remarks



Business Environment: Conceptual Issues

- Better business environment in a country depends on number of factors
 - Institutions, infrastructure, macroeconomic stability and health & primary education
 - Higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness and market size
- Depending on the level of economic development, countries need to identify factors which should get priority and should set strategies accordingly
 - *Countries at factor-driven stage* : Institutions, Infrastructure, Macroeconomic Stability and Health and Primary Education
 - *Countries at efficiency-driven stage*: Higher Education and Training, Goods Market Efficiency, Labour Market Efficiency, Financial Market Sophistication, Technological Readiness and Market Size
 - *Countries at innovation-driven stage*: Business Sophistication, Innovation
- Countries at factor-driven stage are usually the low-income economies which suffer in improving basic requirements for businesses
 - Institutions, infrastructure, macroeconomic stability and health & primary education



Business Environment: Conceptual Issues

- Countries need enabling business environment in order to build competitiveness both at domestic and international markets
- National competitiveness depends on four interrelated issues
 - Demand conditions
 - Factor conditions
 - Related and supporting industries and Firm strategy
 - Structure and rivalry
- These issues have been directly and indirectly influenced by business environment related factors

Diamond Model of National Competitiveness



Global Competitiveness Report 2014-2015



Global Competitiveness Report

- The Global Competitiveness Report is the most referred global report assessing global business environment
 - Prepared by the World Economic Forum ('Davos Forum')
- It's a comprehensive document on competitiveness of global economies
 - Covers about 150 economies comprise 99% of world GDP
 - Over 13000 business executives participated in the worldwide executive opinion survey
 - Over 160 partner institutes contributed in the survey process
 - The report is the data point for over 5,600 international organizations

160+

Partner Institutes

Survey 14,000

Business Executives

Combined with 5,000+

International organizations' data points

Produce 114 Indicators

Distributed in 12 Pillars

Used to rank 144 Economies

Accounting for 99% of World GDP

Since 1979

The 12 Pillars of Competitiveness



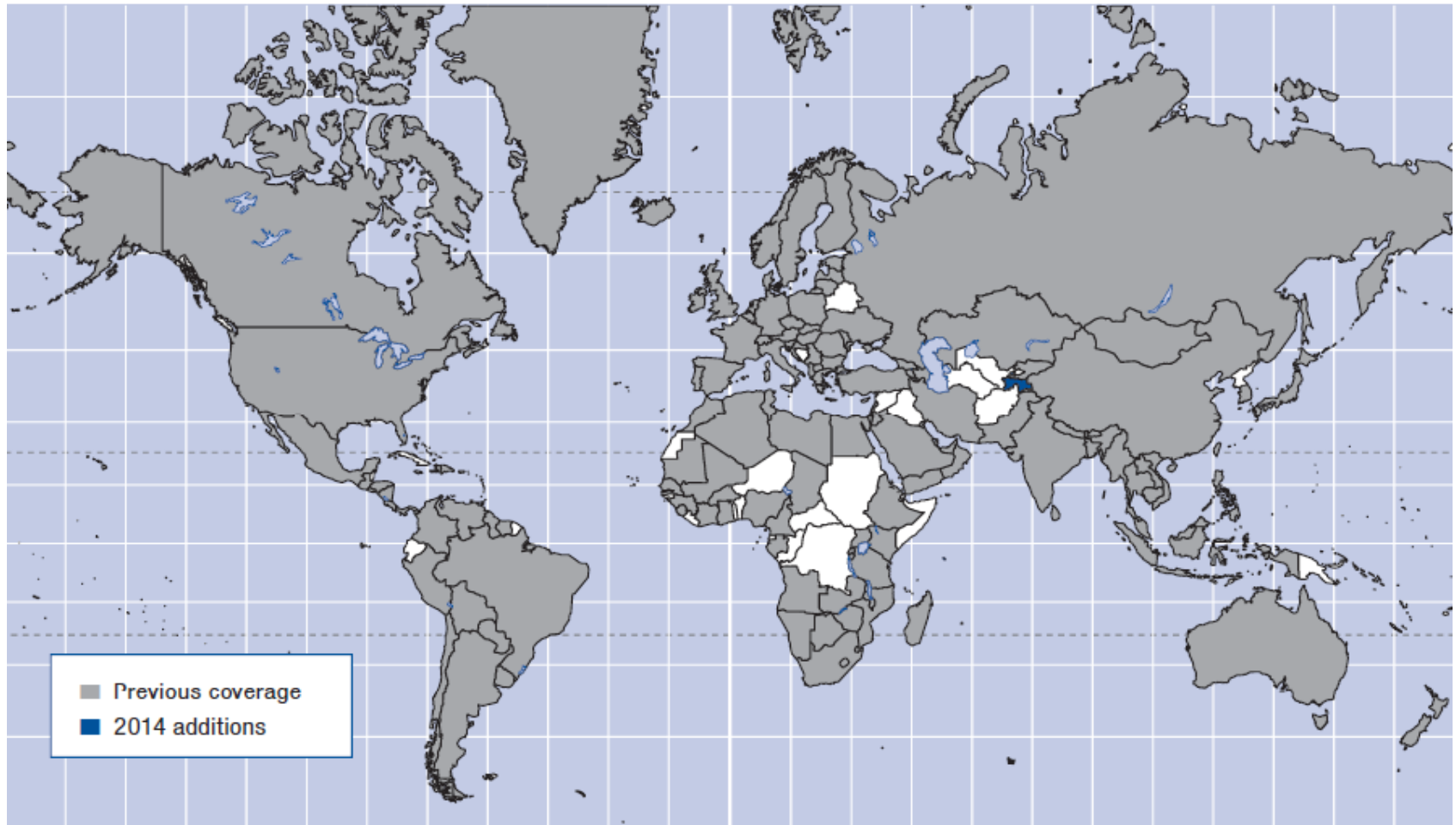
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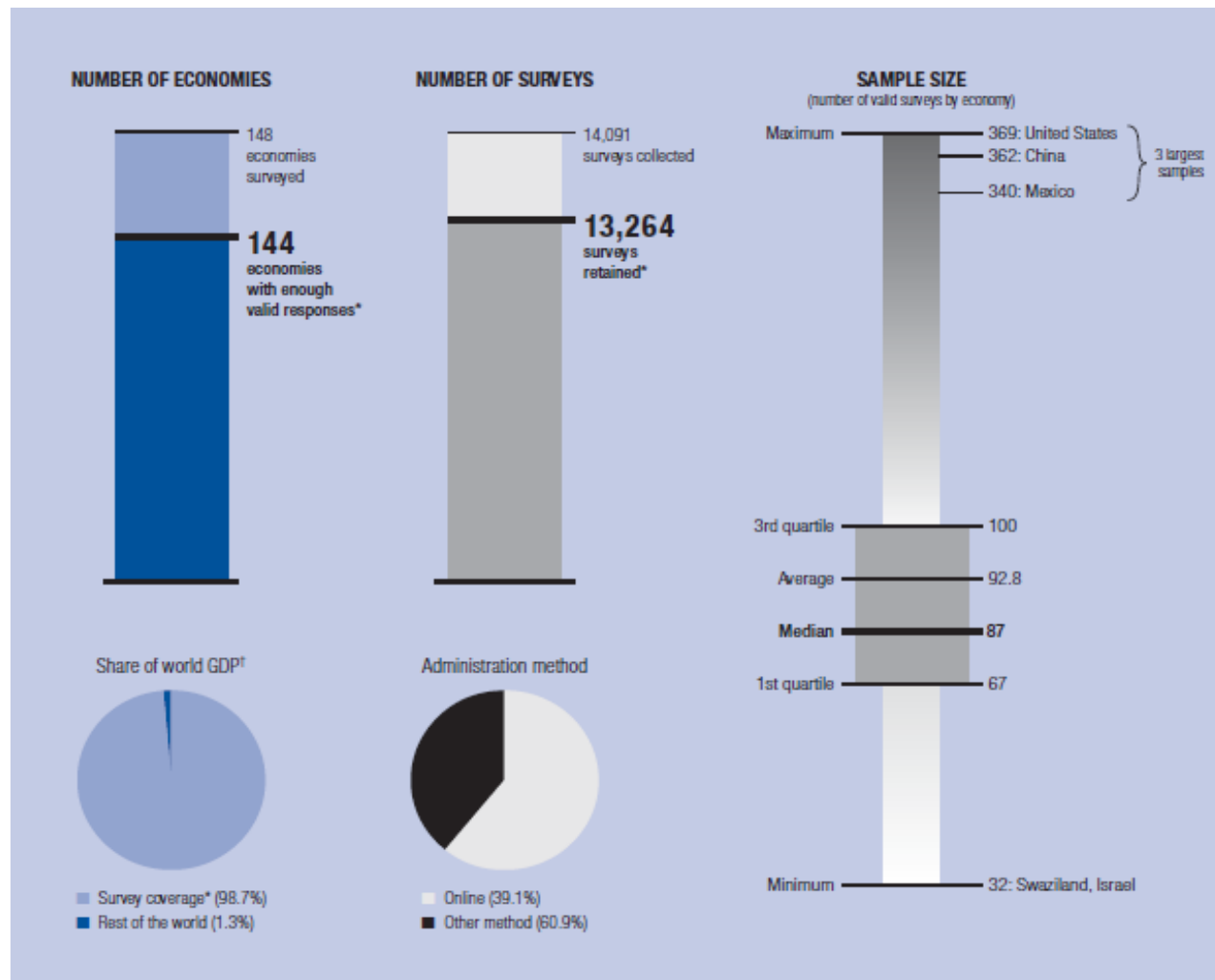
Global Competitiveness Report

The GCR 2014-15: Coverage of World Economies



Global Competitiveness Report

Executive Opinion Survey: Key Info



Global Competitiveness Report

- Centre for Policy Dialogue (CPD) has been partnering with the World Economic Forum in preparing the Global Competitiveness Report since 2001
 - CPD has carried out Executive Opinion Survey (EOS) in Bangladesh
 - EOS is based on the questionnaire developed by the WEF
- The Survey is divided into 14 sections:
 - I. About Your Company II. Overall Perceptions of Your Economy III. Infrastructure
 - IV. Innovation and Technology Infrastructure V. Financial Environment
 - VI. Foreign Trade and Investment VII. Domestic Competition
 - VIII. Company Operations and Strategy IX. Government and Public Institutions
 - X. Education and Human Capital XI. Corruption, Ethics and Social Responsibility
 - XII. Travel & Tourism XIII. Environment XIV. Health
- CPD conducted a rapid assessment survey along with the EOS on the current issues and concerns of Bangladesh economy



Methodology: Executive Opinion Survey (EOS)

- 14th Executive Opinion Survey has been carried out in 2014
- The survey covers entrepreneurs and businessmen involved in manufacturing and service sectors: medium and large enterprises
- Number of respondents: 77 in 2014 (71 in 2013)
- 93% companies located in Dhaka region and their head offices are in Bangladesh.
- Survey period: February to April 2014
- Reference period: January to December 2013

Sectoral Distribution of Survey Respondents

Sectors	2013	2014
<i>Total</i>	<i>71(100%)</i>	<i>77 (100%)</i>
Manufacturing	30 (42.3%)	32 (41.6%)
<i>RMG</i>	12 (16.9%)	8 (10.4%)
<i>Pharmaceuticals</i>	3 (4.2%)	10 (13.0%)
<i>Power generation/Leather</i>	1 (1.4%)	3 (3.9%)
<i>Others</i>	14 (19.7%)	11 (14.3%)
Financial Institution	3 (4.2%)	7 (9.1%)
Real Estates & Construction	2 (2.8%)	4 (5.2%)
ICT	11 (15.5%)	9 (11.7%)
Other Services	25 (35.2%)	25 (32.5%)



Methodology: Assessment of Global Competitive Index

- Global Competitiveness 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 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%

- The Global Competitiveness Report 2014-15 covers 144 countries (148 in 2013)
 - Tajikistan (1): re-instated
 - Excluded (5): Benin, Bosnia and Herzegovina, Brunei Darussalam, Ecuador and Liberia (because of unavailability of data)



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)

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)



Performance of World Economies in the GCR 2014-15



Performance of World Economies

- List of countries remain unchanged in the group of top ten but their rankings have changed in some cases
 - Dominated by highly advanced western and Asian economies
- A number of rearrangement has taken place in the top 10 list
- Improved position:* USA, Japan and UK
- Unchanged position:* Switzerland, Singapore, Hong Kong and Netherlands
- Decelerated position:* Finland, Germany, Sweden
- For the 6th consecutive year Switzerland leads the top 10
 - Top- notch academic institutions, high spending on R&D, and strong cooperation between the academic and business worlds contribute to making it a top innovator
 - Sophistication of companies that operate at the highest end of the value chain constitutes another notable strength
 - Productivity is further enhanced by an excellent education system and a business sector that offers excellent on-the-job-training opportunities

Ranking of Top Ten Economies: 2013 vs. 2014

Economies	2013-14	2014-15	Change
Switzerland	1	1	↔
Singapore	2	2	↔
United States	5	3	↑
Finland	3	4	↓
Germany	4	5	↓
Japan	9	6	↑
Hong Kong SAR	7	7	↔
Netherlands	8	8	↔
United Kingdom	10	9	↑
Sweden	6	10	↓



Performance of World Economies

- Singapore ranks 2nd for the fourth consecutive year
 - World's best institutions (3rd), 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 along with strong focus on education
- The United States goes up in the rankings for a second year in a row and regains the 3rd position
 - Companies are highly sophisticated and innovative, supported by an excellent university system that collaborates with the business sector in R&D
 - Powered by flexible labour markets and the scale opportunities afforded by the sheer size of its domestic economy
- Finland continues to exhibit a strong performance despite its drop of one place to 4th position
 - Decline is mainly driven by a slight deterioration of its macroeconomic conditions
- Germany drops one place to 5th position this year
 - Small drop is the result of some concerns about institutions and infrastructure



Performance of World Economies

- In Europe, several countries were severely hit by the economic crisis, such as Spain (35th), Portugal (36th) and Greece (81st)
 - These countries have made significant strides in improving the functioning of their markets and allocation of productive resources.
- Some countries continue to face major competitiveness challenges, such as France (23rd) and Italy (49th)
 - Appear yet to have fully engaged in this process.
- The divide between a highly competitive North and a lagging South and East persists
 - A new outlook at the European competitiveness divide between countries implementing reforms and those that are not can now also be observed.
- Such changes in the competitiveness of EU economies as well as other developed economies have lessons for economies with substantive trade engagement with EU
 - Bangladesh may take lessons from the fluctuating fortunes in terms of status of competitiveness of western economies



Performance of World Economies

- Among BRICS countries two economies advanced while others ,faltered
 - Russia and China advanced in ranking
 - South Africa (56th), Brazil (57th) and India (71st) decelerated in ranking
- In Asia, the competitiveness landscape remains starkly contrasted.
- The competitiveness dynamics in South East Asia are remarkable.
 - Behind Singapore (2nd), the region's five largest countries (ASEAN 5) are: Malaysia (20th), Thailand (31st), Indonesia (34th), the Philippines (54th) and Vietnam (68th) - all progress in the rankings.
 - Indeed, the Philippines has made significant progress in ranking among South East Asian countries since 2010.

Countries	2013-14	2014-15	Change
Malaysia	24	20	↑
China	29	28	↑
Thailand	37	31	↑
Indonesia	38	34	↑
Philippines	59	52	↑
Russian Federation	64	53	↑
Brazil	56	57	↓
Cambodia	88	95	↓
Vietnam	70	68	↑
India	60	71	↓
Sri Lanka	65	73	↓
Nepal	117	102	↑
Bhutan	109	103	↑
Bangladesh	110	109	↑
Pakistan	133	129	↑



Performance of World Economies

- By comparison, South Asian economies lag behind, with only India featuring in the top half of the rankings.
 - But India (71st) and Sri Lanka (73rd) have slipped from their positions of last year
 - Nepal (102nd) and Bhutan (103rd) improved significantly - advancing 15 and 6 positions respectively
 - Both the countries now ranked above Bangladesh
- Bangladesh is ranked 109th - gaining one position
 - Pakistan gained 4 positions (129th): one of the lowest ranked economies in South Asia



Performance of World Economies

- Survey respondents have identified three major global risks
 - Political and social instability
 - Fiscal crises in key economies
 - Prolonged negligence in developing critical infrastructure
- Such risks may have critical implications in the context of domestic business environment of Bangladesh
- Second set of risks include
 - Liquidity crises
 - Failure of major financial institutions
 - Greater incidence of environmental shocks
- Local entrepreneurs should take into account possible implications of those risks as well.

Major Global Risks: Perception of Respondents

Serial	Factor	2014
1	Profound political and social instability	15.00
2	Fiscal crises in key economies	13.46
3	Prolonged neglect of critical infrastructure and its d	12.31
4	Liquidity crises	9.71
5	Failure of a major financial mechanism or institution	9.52
6	Greater incidence of environmentally related event	6.35
7	Oil price shock to the global economy	5.96
8	Mismanaged urbanization	4.52
9	Major escalation in organized crime and illicit trade	3.94
10	Failure of climate change mitigation and adaptation	3.56
11	Breakdown of critical information infrastructure and	3.46
12	Large-scale terrorist attacks	2.60
13	Violent interstate conflict with regional consequen	2.60
14	Escalation of economic and resource nationalization	2.60
15	Food crises	1.63
16	Escalation in large-scale cyber attacks	1.06
17	Water crises	0.67
18	Pandemic outbreak	0.67
19	Massive incident of data fraud/theft	0.38





Performance of Bangladesh Economy in the GCR 2014-15



Performance of Bangladesh Economy

- Bangladesh ranks 109th in 2014 (110th in 2013)
 - Within the same set of countries of 2013, Bangladesh's advances two positions (108th).
- Very marginal improvement (*or no improvement*) both in terms of rank and score
 - Ranking score is 3.72 in 2014 (3.71 in 2013) (slide 23)
- Holding the same position (113th) in Basic Requirement sub-index which rather constrained making progress in overall ranking
 - Better performance in Efficiency Enhancers (from 108th to 103rd) and Innovation & Sophistication (from 124th to 122nd) have made limited contribution in improving overall ranking.
- Positive changes were observed in 7 pillars (on the basis of score)
 - Infrastructure, Macroeconomic stability, Higher education; Goods market efficiency, Financial market sophistication; Market size, Innovation
- Major deterioration (on the basis of score) was observed in 5 pillars
 - Institutions, Health and primary education; Labour market efficiency, Technological readiness, Business sophistication
- Bangladesh's competitiveness ranking has remained trapped in the group of countries ranking below 100 (slide 24)
- Bangladesh's rank could be upgraded and be at par with economies having similar income category if it could be ranked higher in terms of institution and infrastructure (slides 25-26)



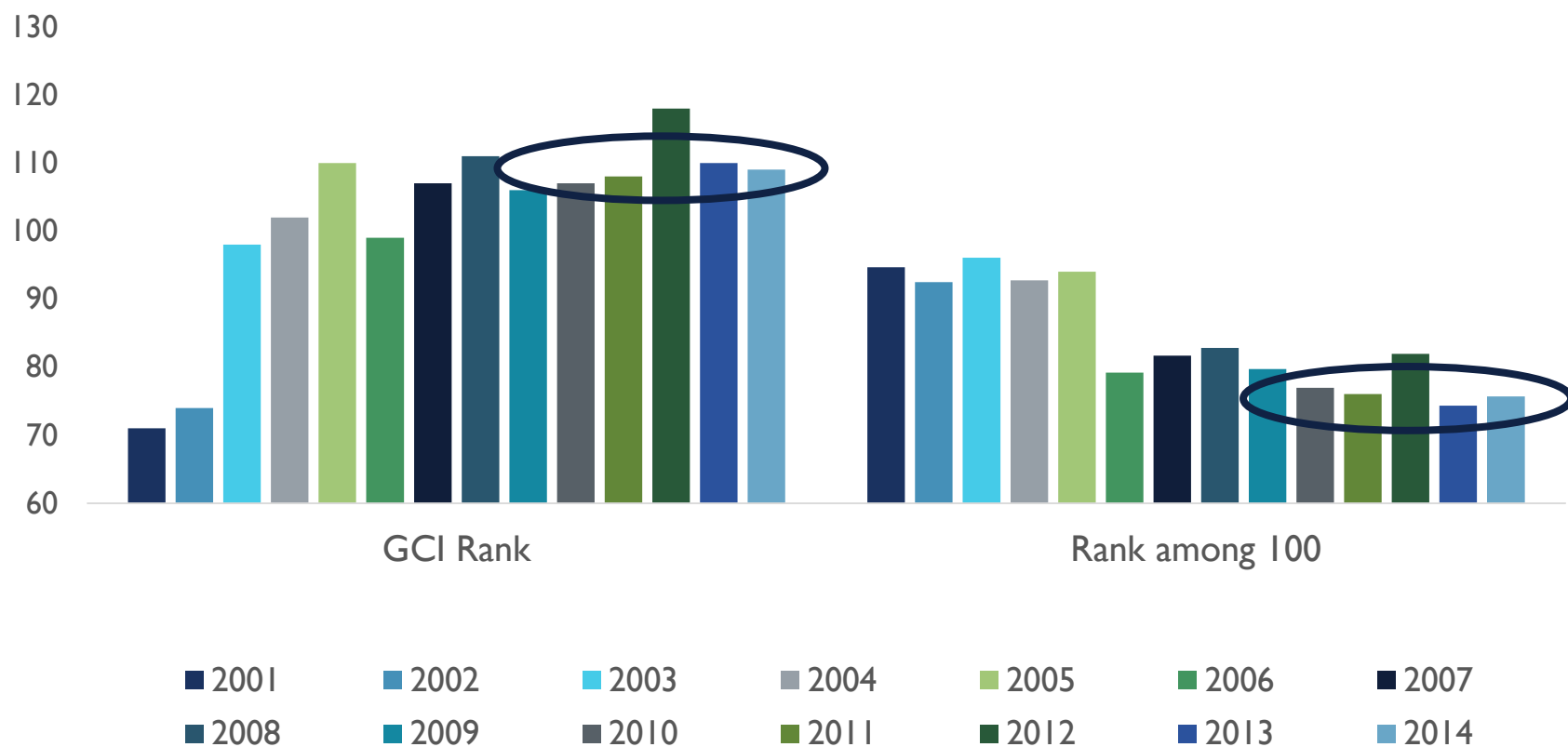
Performance of Bangladesh Economy

Indices	Rank		Score (out of 7)		% Change in Score
	2013-14	2014-15	2013-14	2014-15	
GCI	110	109	3.71	3.72	0.27
Basic Requirements (BR)	113	113	3.83	3.84	0.26
<i>Institutions</i>	131	131	3.08	2.96	-3.90
<i>Infrastructure</i>	132	127	2.37	2.45	3.38
<i>Macroeconomic Stability</i>	79	72	4.58	4.69	2.40
<i>Health and Primary Education</i>	104	102	5.3	5.29	-0.19
Efficiency Enhancers (EE)	108	103	3.59	3.60	0.28
<i>Higher Education and Training</i>	127	125	2.83	2.86	1.06
<i>Goods Market Efficiency</i>	89	84	4.10	4.20	2.44
<i>Labour Market Efficiency</i>	124	124	3.80	3.67	-3.42
<i>Financial Market Sophistication</i>	102	88	3.68	3.77	2.45
<i>Technological Readiness</i>	127	126	2.69	2.66	-1.12
<i>Market Size</i>	45	44	4.44	4.46	0.45
Innovation and Sophistication (IS)	124	122	3.03	3.02	-0.33
<i>Business Sophistication</i>	113	118	3.51	3.45	-1.71
<i>Innovation</i>	131	129	2.54	2.58	1.57



Performance of Bangladesh Economy

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



Performance of Bangladesh Economy

Performance of Bangladesh and Selected Asian Economies

	Vietnam	Lao PDR	Cambodia	Bangladesh
GCI	4.23 (68)	3.91 (93)	3.89 (95)	3.72 (109)
Basic Requirements (BR)	4.44 (79)	4.13 (98)	4.09 (103)	3.84 (113)
<i>Institutions</i>	3.51 (92)	3.92 (63)	3.25 (119)	2.96 (131)
<i>Infrastructure</i>	3.74 (81)	3.38 (94)	3.05 (107)	2.45 (127)
<i>Macroeconomic Stability</i>	4.66 (75)	3.78 (124)	4.60 (80)	4.69 (72)
<i>Health and Primary Education</i>	5.86 (61)	5.44 (90)	5.44 (91)	5.29 (102)
Efficiency Enhancers (EE)	3.99 (74)	3.58 (107)	3.65 (100)	3.60 (103)
<i>Higher Education and Training</i>	3.74 (96)	3.28 (110)	2.92 (123)	2.86 (125)
<i>Goods Market Efficiency</i>	4.24 (78)	4.41 (59)	4.17 (90)	4.20 (84)
<i>Labour Market Efficiency</i>	4.37 (49)	4.59 (34)	4.63 (29)	3.67 (124)
<i>Financial Market Sophistication</i>	3.77 (90)	3.69 (101)	3.80 (84)	3.77 (88)
<i>Technological Readiness</i>	3.12 (99)	2.83 (115)	3.02 (102)	2.66 (126)
<i>Market Size</i>	4.69 (34)	2.67 (121)	3.31 (87)	4.46 (44)
Innovation and Sophistication (IS)	3.35 (98)	3.51 (80)	3.15 (116)	3.02 (122)
<i>Business Sophistication</i>	3.58 (106)	3.87 (79)	3.52 (111)	3.45 (118)
<i>Innovation</i>	3.12 (87)	3.14 (84)	2.79 (116)	2.58 (129)



Performance of Bangladesh Economy

Subindex I (weight 60%)
Basic Requirement (3.84)
Institutions (2.96)
Infrastructure (2.45)

Subindex II (weight 35%)
Efficiency Enhancers (3.60)

Subindex III (weight 5%)
Innovation and Sophistication (3.02)

GCI
Score: 3.72
Rank: 109th

Scenario 1

Subindex I (weight 60%)
Basic Requirement (4.07)
Institutions (3.25)
Infrastructure (3.05)

Subindex II (weight 35%)
Efficiency Enhancers (3.60)

Subindex III (weight 5%)
Innovation and Sophistication (3.02)

GCI
Score: 3.85
Rank: 95th

Scenario 2

Subindex I (weight 60%)
Basic Requirement (4.41)
Institutions (3.92)
Infrastructure (3.74)

Subindex II (weight 35%)
Efficiency Enhancers (3.60)

Subindex III (weight 5%)
Innovation and Sophistication (3.02)

GCI
Score: 4.10
Rank: 78th



Performance of Bangladesh Economy

Problematic Factors for Doing Businesses

Rank	2013	2014	
1	Corruption (22.29)	Inadequate supply of infrastructure (20.31)	↓
2	Inadequate supply of infrastructure (18.48)	Corruption (19.70)	↑
3	Inefficient government bureaucracy (15.71)	Inefficient government bureaucracy (14.50)	↔
4	Access to financing (7.43)	Government instability/coups (9.38)	↓
5	Government instability/coups (6.57)	Access to financing (8.77)	↑
6	Inadequately educated workforce (6.48)	Policy instability (7.03)	↓
7	Foreign currency regulations (3.43)	Inadequately educated workforce (4.34)	↑
8	Poor work ethic in national labour force (3.33)	Crime and theft (3.56)	↓
9	Policy instability (3.24)	Complexity of tax regulations (2.86)	↓
10	Complexity of tax regulations (3.05)	Tax rates (2.52)	↓
11	Inflation (2.19)	Inflation (2.43)	↔
12	Tax rates (2.10)	Foreign currency regulations (2.26)	↑
13	Crime and theft (1.90)	Poor work ethic in national labour force (1.30)	↑
14	Insufficient capacity to innovate (1.90)	Insufficient capacity to innovate (0.43)	↔
15	Restrictive labour regulations (1.62)	Poor Public Health (0.35)	↓
16	Poor Public Health (0.29)	Restrictive labour regulations (0.26)	↑

- Inadequate supply of infrastructure is viewed as most problematic factor for doing business in Bangladesh
 - Corruption came down to 2nd position (19.7%) and inefficient govt. bureaucracy (14.5%) remained on the 3rd spot
- Second (4-6) and third (7-9) tier of factors are becoming more problematic this year: concerns over government instability increased; lack of adequate access to finance became less crucial but still a problematic issue (5th position)



Performance of Bangladesh Economy

Problematic Factors when Exporting

Rank	2013	2014	
1	Access to trade finance (15.65)	Identifying potential markets and buyers (15.59)	↓
2	Inappropriate production technology and skills (14.99)	Difficulties in meeting quality requirements of buyers (12.85)	↓
3	Identifying potential markets and buyers (13.24)	High cost caused by domestic transportation (12.75)	↓
4	High cost caused by domestic transportation (11.71)	Access to imported inputs at competitive prices (11.74)	↓
5	Difficulties in meeting quality requirements of buyers (11.16)	Inappropriate production technology and skills (10.63)	↑
6	Access to imported inputs at competitive prices (10.50)	Access to trade finance (10.43)	↑
7	Technical requirements and standards abroad (7.88)	Technical requirements and standards abroad (9.31)	↔
8	High cost or delays caused by foreign transportation (5.80)	Tariff barriers abroad (7.59)	↓
9	Tariff barriers abroad (4.81)	High cost caused by international transportation (3.95)	↑
10	Burdensome procedures at foreign borders (2.19)	Rules of origin requirements abroad (2.43)	↓
11	Rules of origin requirements abroad (1.20)	Corruption at foreign borders (2.23)	↓
12	Corruption at foreign borders (0.88)	Burdensome procedures at foreign borders (0.51)	↑

- New set of problematic factors has emerged as major constraints for export in 2014
 - *Identification of potential markets and buyers* (15.6%), difficulty in meeting quality (12.9%), High cost of transportation at domestic level (12.8%), difficulty in accessing imported inputs at competitive price
- Some improvement took place in case of less difficulty in accessing trade finance and appropriate production technologies



Performance of Bangladesh Economy

Problematic Factors when Importing

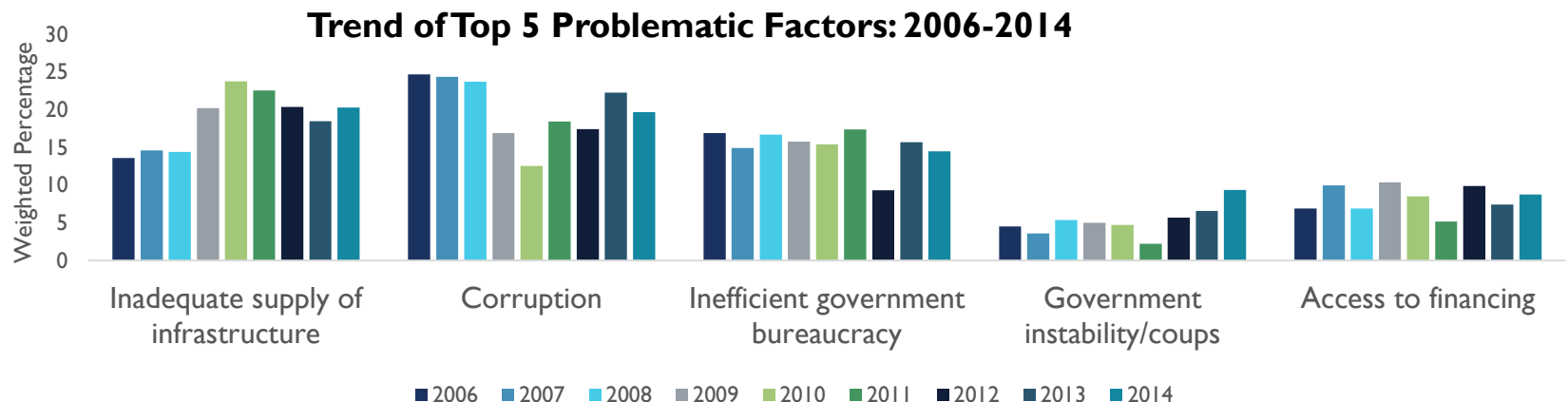
Rank	2013	2014	
1	Burdensome import procedures (23.23)	Tariffs (22.22)	↓
2	Tariffs (21.9)	Burdensome import procedures (18.96)	↑
3	Corruption at the border (18)	Corruption at the border (18.55)	↔
4	Delays caused by domestic transportation (12.95)	Delays caused by domestic transportation (14.07)	↔
5	Crime and theft (7.42)	High cost caused by international transportation (8.87)	↓
6	Domestic technical requirements and standards (7.33)	Domestic technical requirements and standards (7.34)	↔
7	High cost caused by international transportation (6.85)	Crime and theft (6.93)	↑
8	Inappropriate telecommunications infrastructure (2.28)	Inappropriate telecommunications infrastructure (3.06)	↔

- Challenges for import are almost the same both in nature and extent in this year.
 - High tariff rates (22.2%) ; burdensome import procedures (18.9%) and corruption (18.6%) and delays caused by domestic transportation (14.1%)



Performance of Bangladesh Economy

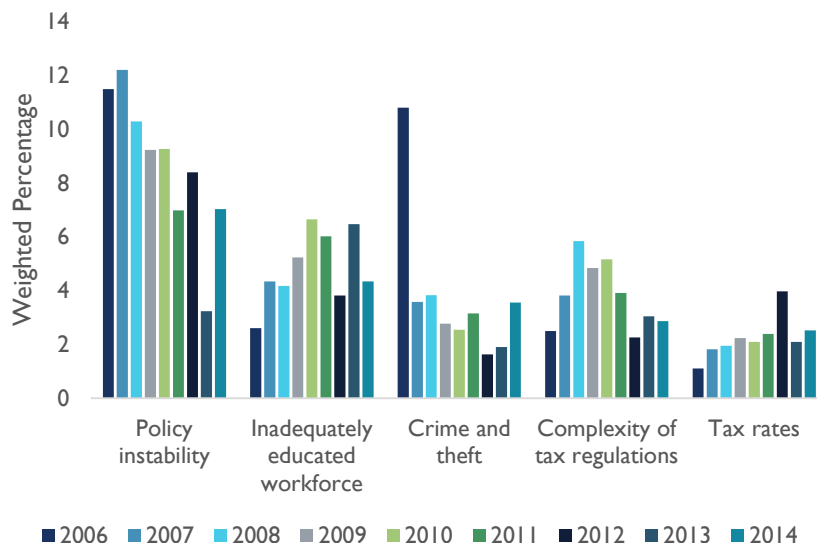
- Trends in the responses of major problematic factors over the last 9 years (2006-14) remain the same although extent of their adverse impact has changed over time
- Top 3 factors are considered to be most important problematic factors for doing businesses for over a long period
 - Inadequate infrastructure, corruption and inefficient government bureaucracy.
- Extent of impact has changed over time: problems caused by inadequate infrastructure was the highest in 2010; similarly extent of problem related to corruption was highest in 2006
 - Ups and downs in top 3's response levels: lack of adequate effort for reducing the extent of adversities caused by those factors
 - Rising trend in perception on government instability: Added risk for businesses



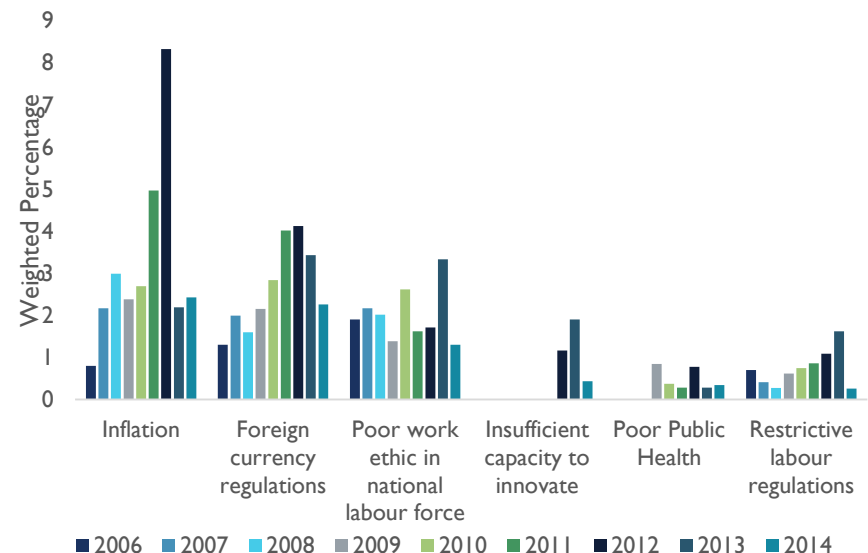
Performance of Bangladesh Economy

- Gradual deceleration in the level of response in few indicators: Policy instability; complexity of tax regulations
 - Uptrend in case of responses on few other indicators: Tax rate, labour regulations
- Ups and downs in case of responses on other problematic factors
 - Inflation, inadequately educated workforce, foreign currency regulation
- Lack of concerted effort from concerned public institutions towards reducing the bottlenecks

Trend of Problematic Factors between 6-10: 2006-14



Trend of Problematic Factors between 11-15: 2006-14





Analysis of Business Environment in Bangladesh: 2014



Perception on the Economy

Perceptions	2013-14	2014-2015
Outlook for country's economy in the next 12 months is optimistic	Bad (34%)	Good* (48%)
Threat of terrorism does not impose costs on businesses	Good (48%)	Good (53%)
Incidence of common crime and violence impose costs on businesses	Bad (61%)	Bad (66%)
Organised crime does not impose cost on businesses	Good (49%)	Good (46%)
Most economic activity is undeclared or unregistered	Bad (54%)	Bad (50%)
Business-govt. relation is not cooperative	Good (42%)	Bad (39%)

- 48% respondents are optimistic about economic prospect during January-December 2014
 - Positive shift in the perception this year about projecting domestic political environment
- About 40% businessmen perceived that business-government relationship is not in proper order and more importantly, perception about it has deteriorated (from 'good' to 'bad').
 - Rebuilding the relationship with businesses should be a major priority for the government
- No major shift is discerned in the perception on: limited adverse impact of common crime/violence (66%), no substantive costs of threat of terrorism (53%) and of organized crime (46%)



Infrastructure

Perceptions	2013-14	2014-2015
General infrastructure is underdeveloped	Worse (78%)	Worse (79%)
Road transport infrastructure is underdeveloped	Worse (71%)	Worse (79%)
Railroad system is underdeveloped	Worse (84%)	Worse (81%)
Air transport infrastructure is underdeveloped	Bad (66%)	Worse (68%)
Sea port facilities are underdeveloped and inefficient	Bad (54%)	Bad (51%)
Air transport network provide connections well to foreign markets	Good (48%)	Good (41%)
National ground transport network is not efficient	Bad (56%)	Bad (61%)
Electricity supply is insufficient and suffers frequent interruption	Worse (89%)	Worse (79%)
Country's postal system is not efficient enough	Bad (56%)	Bad (59%)
Changes between different modes of transport are quite inefficient	Bad (67%)	Bad (60%)

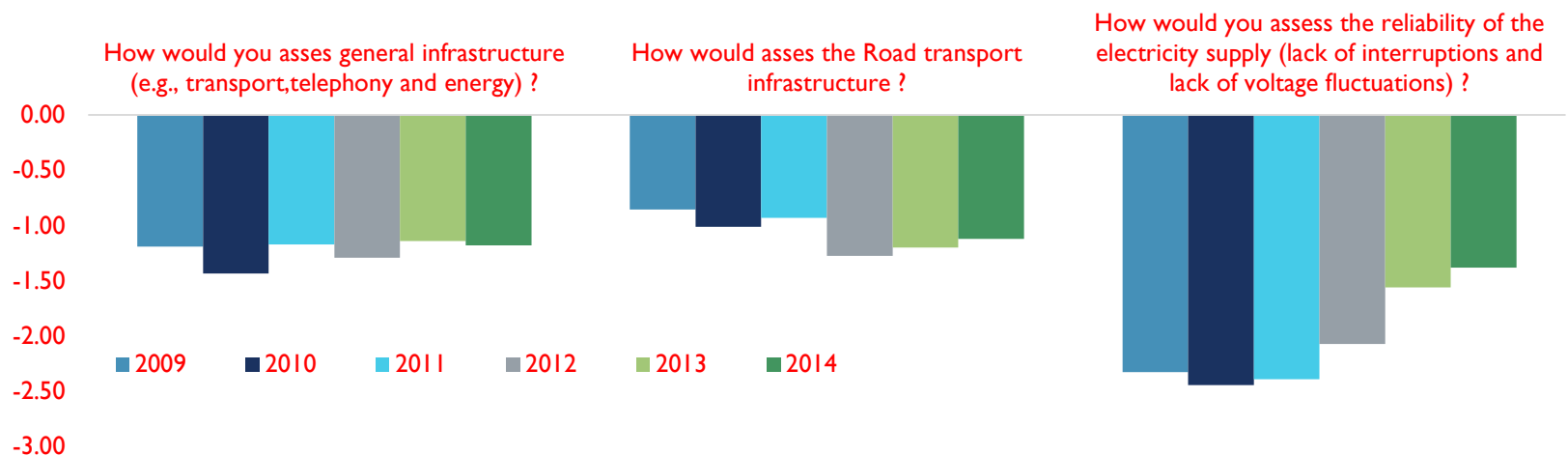
- Respondents' poor perception on development of infrastructure raised doubt about the claim made on considerable progress in this sector.
 - No major shift in perception: perception on quality of air transport infrastructure has worsened (68%).
 - Poor perception ('worse') about road transport infrastructure has further strengthened this year with the rise in level of response having similar views (from 71% to 79%).
 - Perception about electricity supply did not make noticeable change (from 89% to 79%).
 - As a whole, country's *general infrastructure* is among the bottom-ranked countries.



Infrastructure

- Over the last six years, perception about general infrastructure has experienced little change: it was stuck in 'worse' category
 - Limited progress in road transport infrastructure
 - Though 'negative' but positive changes in perception observed in case of availability of electricity supply.
- Infrastructure conducive for efficient operation of business supply chain is largely absent in the country
 - Infrastructure development should be more 'focused' towards 'development of supply chain' in the country

Trends in Level of Perception on Selected Infrastructure Indicators: 2009-14



Government & Public Institutions

Perceptions	2013-14	2014-2015
Parliament is ineffective to some extent as a law-making Institution	Bad (63%)	Worse* (67%)
Legal framework is inefficient for private businesses in settling disputes	Worse (76%)	Worse (76%)
It is difficult for private businesses to challenge govt. actions/regulations through legal system	Bad (69%)	Worse* (76%)
Ethical standards of politicians are very low	Worse (87%)	Worst* (94%)
Government reforms are never implemented efficiently	Worse (84%)	Worse (76%)
Politicians' ability is poor to govern effectively	Worse (86%)	Worse (86%)
Govt. officials show favouritism to well-connected firms and individuals when deciding upon policies and contracts	Worse (87%)	Worse (82%)
Government spends public revenue inefficiently	Worse (74%)	Worse (86%)
Taxes reduce the incentive to work to some extent	Bad (60%)	Bad (55%)
Taxes reduce the incentive to invest to some extent	Bad (56%)	Bad (57%)
Govt. subsidies and/or tax breaks distort competition to some extent	Bad (61%)	Bad (50%)
Agriculture polity balances the interests of taxpayers, consumers and producers	Good (46%)	Good (52%)
Complying with govt.'s administrative requirements is burdensome	Bad (69%)	Worse (79%)



Government & Public Institutions

Perceptions	2013-14	2014-2015
Obtaining information about changes in government policies and regulations is difficult	Bad (55%)	Bad (62%)
Property protection rights are weak	Bad (68%)	Bad (61%)
Protection of intellectual property, including anti-counterfeiting measures are weaker	Worse (77%)	Worse (84%)
Government's efforts to address income inequality are ineffective	Bad (68%)	Worse (77%)
Press is somewhat free	Good (59%)	Good (51%)
Online contents are not restricted	Good (50%)	Good (64%)
Police services can not be relied upon to enforce law and order	Worse (71%)	Worse (79%)

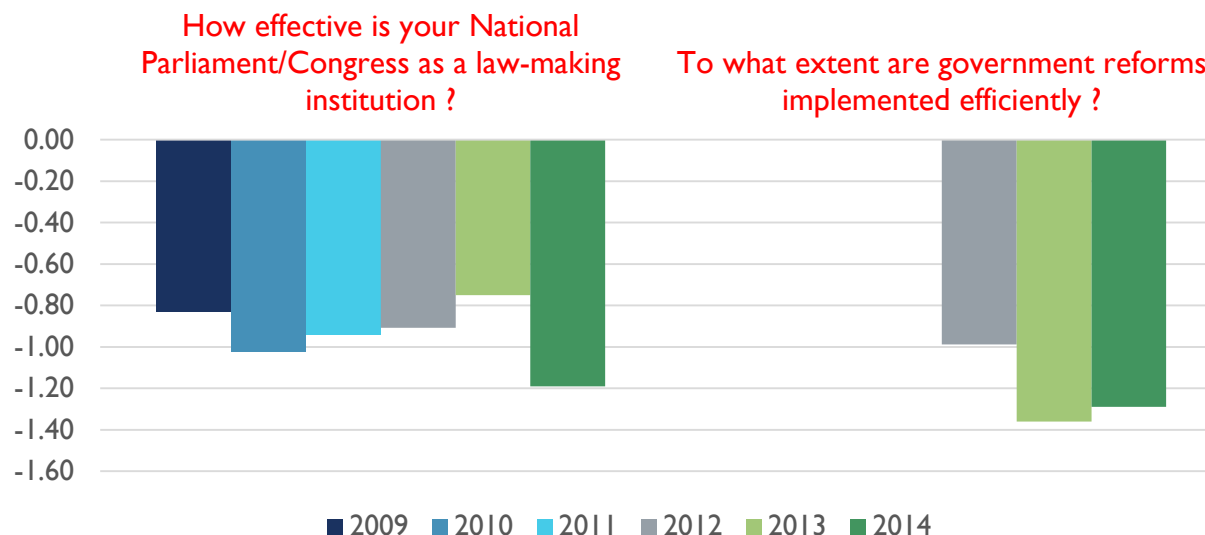
- The level of development of public institutions could not cater to the need of growing demand of businesses for providing efficient services
- Perception regarding a number of indicators has declined (from bad to worse)
 - Ineffective parliament (67%), difficulty in challenging government legal action (76%), burdensome government procedure (79%), poor ethical standards of politicians (94%) and ineffective efforts to address income inequality (77%)
- Some positive changes in perception: government subsidy spending, online contents
- Some negative changes in perception: inefficient public spending, difficulty in obtaining information, free media, police service.



Government & Public Institutions

- A significant deterioration in the perception was observed in key indicators related to government and public institutions particularly in last two years
- Government should seriously think about growing dissatisfaction regarding the performance of public institutions as service-providers

Trends in Level of Perception on Selected Governance Indicators: 2009-14



Corruption, Ethics & Social Responsibility

Perceptions	2013-14	2014-2015
Judiciary is influenced by members of govt., citizens or firms to some extent	Worse (83%)	Worse (80%)
Government's efforts to combat corruption and bribery are ineffective	Worse (86%)	Worse (92%)
Diversion of public funds to companies, individuals or groups due to corruption is very common	Worse (89%)	Worse (80%)
Bribes in connection with imports and exports are very common	Worse (87%)	Worse (89%)
bribes in connection with public utilities are very common	Worse (83%)	Worse (85%)
Bribes in connection with tax payments are very common	Worse (86%)	Worst (92%)
Bribes in connection with awarding of public contracts and licences are very common	Worse (87%)	Worst (92%)
Bribes in connection with obtaining favourable judicial decisions are very common	Worse (80%)	Worse (69%)
Poor corporate ethics of companies	Bad (71%)	Worse (70%)
Little opportunity exists to improve one's economic situation through their personal efforts	Good (40%)	Bad (47%)



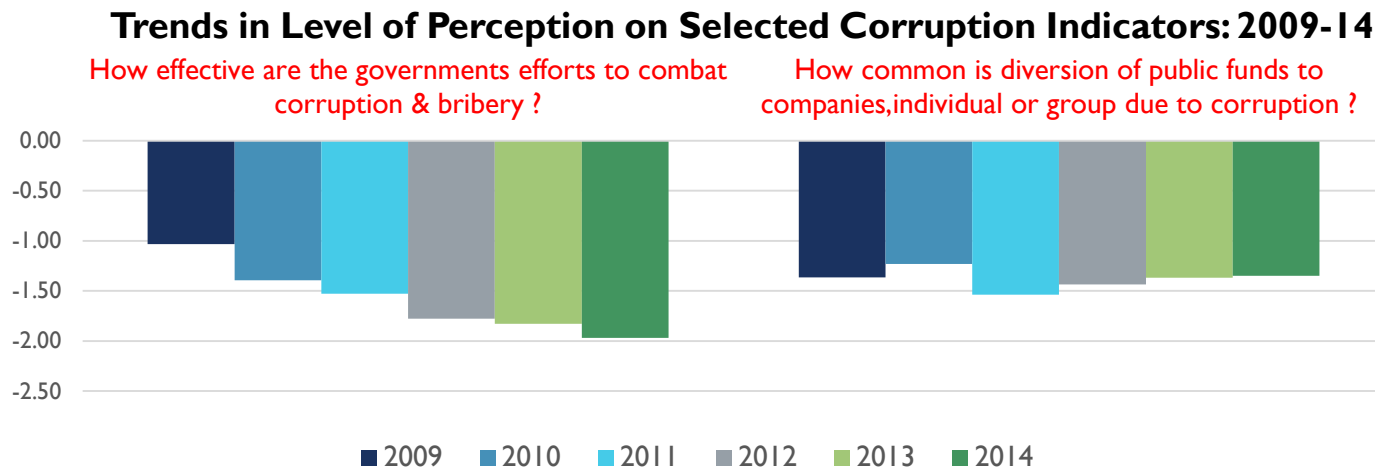
Corruption, Ethics & Social Responsibility

- No sign of tangible improvement in perception about corruption, ethics and social responsibility issues.
- Perception of entrepreneurs in number of indicators has 'worsened' in 2014: practice of bribes in connection with tax payments (92%) and awarding public contracts (92%), poor corporate ethics (70%)
 - Little opportunity exists to improve one's economic situation through their personal efforts (47%)
- Unchanged (bad/worse/worst) perception in a number of indicators: quality of judicial independence (80%), diversion of public fund to companies (80%), bribes in connection with imports/exports (89%), public utilities (85%) and favourable judicial outcome (69%)
 - Government's efforts to combat corruption and bribery are ineffective (92%)



Corruption, Ethics & Social Responsibility

- Although perception regarding corruption and ethical and social issues remain in 'worse' condition, but trends in perception over time are not same for all issues
 - Perception on government efforts to corruption has deteriorated
 - Perception on diversion of public fund for companies, individuals or groups due to corruption has slightly improved
- Government exerts limited effort towards improving the situation.
 - Effective functioning of ACC is important to ensure better distribution of public resources as well as better functioning of market mechanism
 - Strong political position of the ruling party is necessary in order to withstand corruption



Education & Human Capital

Perceptions	2013-14	2014-2015
Education system is not developed enough to meet the needs of a competitive economy	Bad (63%)	Bad (63%)
Quality of primary schools is poor	Worse (66%)	Bad (68%)
Quality of math and science education is poor	Bad (63%)	Bad (61%)
Quality of business schools is poor	Bad (49%)	Bad (43%)
Difficult for companies to find employees with the required skill for their business need	Bad (56%)	Bad (53%)
Country is unable to retain talented people	Worse (86%)	Worse (75%)
Country is unable to attract talented people from abroad	Worse (82%)	Worse (83%)
Scientists and engineers are rarely available	Bad (53%)	Bad (44%)
Hiring and firing of workers are flexible	Good (63%)	Good (51%)

- Visible improvement is discerned in case of perception on quality of primary school (68%) and better labour-employer relation (59%): Indicates better engagement of public institutions which would positively impact on the labour market.
- Limited or no progress in most of the indicators raise concerns about effort for development of 'upper tier' human resources
 - Poor quality of maths/science, business school, workers' skill-demand mismatch, unavailability of scientists/engineers; lack of wage-productivity relationship and wage discrimination



Education & Human Capital

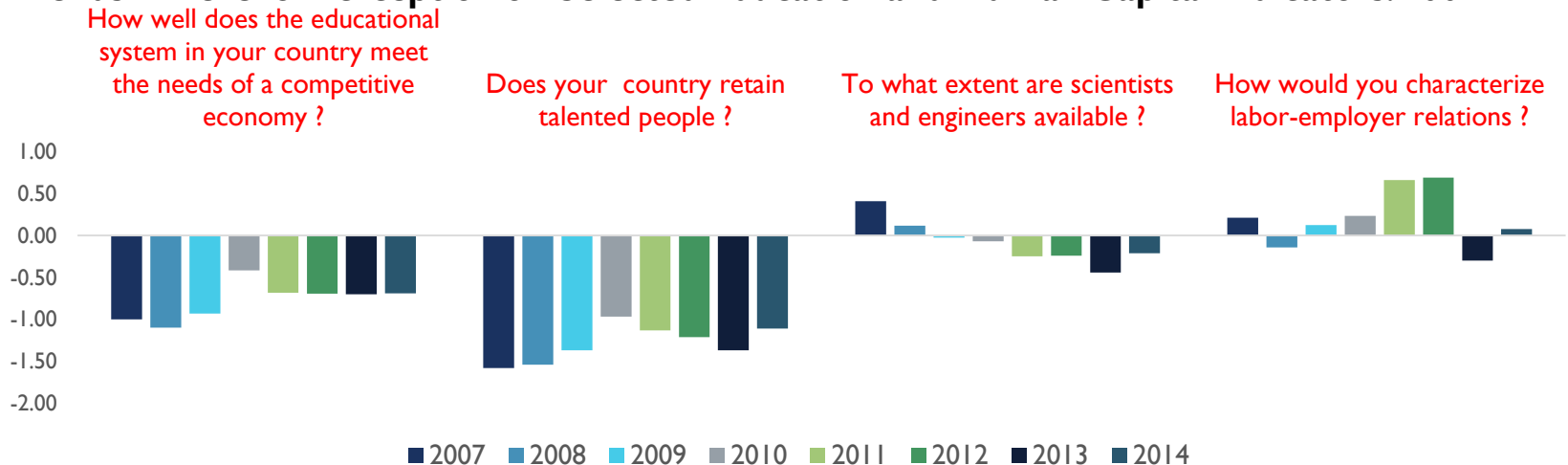
Perceptions	2013-14	2014-2015
Labour-employer relations are generally cooperative	Bad (51%)	Good* (59%)
Wages are set by each individual company	Good (55%)	Good (65%)
Pay is not related to worker productivity	Bad (52%)	Bad (51%)
Labour regulation impedes the hiring of foreign labour	Bad (49%)	Bad (52%)
Companies do not invest in training & employee development	Bad (70%)	Bad (72%)
For similar work, wages for women are below those of men	Bad (62%)	Bad (43%)
Businesses provide women limited opportunities as men to rise to positions of leadership	Bad (49%)	Bad (44%)
Formal safety net does not provide protection for the general population from economic insecurity in the event of job loss or disability	Worse (80%)	Worse (88%)



Education & Human Capital

- Various stated efforts towards improvement in human resources have yet to make significant contribution over the last several years
 - Although perception about overall progress of education system is negative but it is affirmative in the sense that limited positive contribution have been made towards meeting the need of competitive economy
 - No concerted effort to retain talented people as well as scientists and engineers in the country
 - Labour-employer relationship moved in a pendulum: no gradual progress over time

Trends in Level of Perception on Selected Education and Human Capital Indicators: 2009-14



Innovation & Technology

Perceptions	2013-14	2014-2015
Latest technologies are somewhat available	Good (56%)	Good (47%)
Business can adopt new technologies	Good (46%)	Good (41%)
Bringing new technology through FDI is limited	Bad (38%)	Bad (42%)
Quality of scientific research institutes is very poor	Worse (70%)	Worse (74%)
Collaboration between business and universities R&D is very rare	Worse (78%)	Worse (81%)
Failed entrepreneurial project is regarded as an embarrassment	Worse (81%)	Worse (77%)
Govt. purchasing decisions do not foster innovation	Worse (83%)	Worse (78%)
Public sector does not innovate in providing goods and services	Bad (64%)	Worse (71%)
New companies with innovative ideas can grow	Good (47%)	Good (47%)
Govt. is successful in promoting the use of ICT	Bad (39%)	Good (49%)
ICTs poorly improving access for all citizens to basic services	Bad (55%)	Bad (49%)
Govt. does not have clear implementation plan for utilizing ICTs to improve country's overall competitiveness	Bad (46%)	Bad (41%)
Use of ICTs by the govt. rarely improves the quality of govt. services to citizens	Bad (54%)	Bad (49%)
Laws relating to the use of ICTs are not well developed	Worse (64%)	Worse (71%)
ICTs rarely enable new business model	Bad (56%)	Bad (41%)



Innovation & Technology

Perceptions	2013-14	2014-2015
ICTs do not create new organizational models within business	Bad (59%)	Bad (52%)
Existing internet bandwidth is somewhat satisfactory for business activities	Bad (58%)	Good* (43%)
Businesses rarely use ICTs for transactions with other businesses	Bad (51%)	Bad (44%)
Use of internet for selling goods and services to customer is limited	Bad (63%)	Bad (47%)
Internet access in schools is very limited	Worse (66%)	Bad* (66%)
Virtual social networks are used often	Good (55%)	Good (57%)

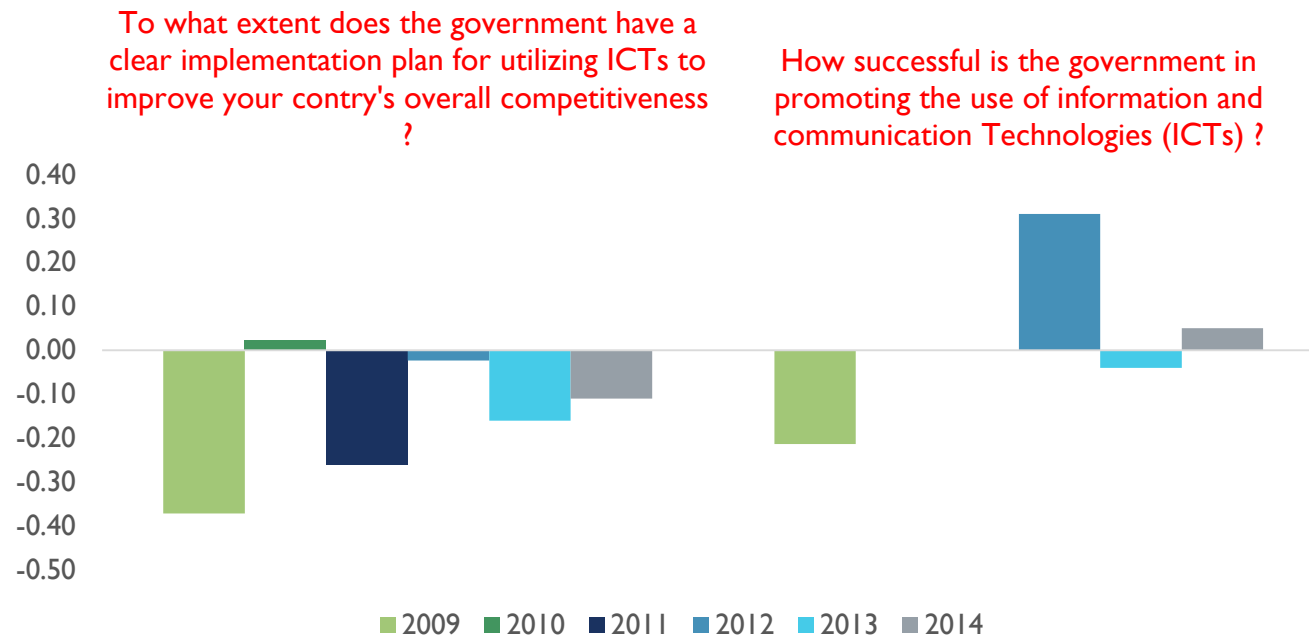
- Entrepreneurs have appreciated various efforts made with regard to use of ICT in businesses and in skill development
 - Government's efforts to promote ICT (49%), satisfactory internet bandwidth (43%), internet access in school (66%)
- Deteriorated perception: Public sector still not in a position to innovate to provide goods and services (71% vis-à-vis 64%)
- Perceptions on some issues are positive but remain unchanged: availability of latest technology, new companies with new ideas can grow and use of virtual social network.
- Ample scopes for improvement in the use of ICT in different purposes
 - Lack of clear implementation plan for utilizing ICTs (41%), underdeveloped laws relating to ICTs (71%), quality of govt. services (49%), and use of internet for selling products (47%)
 - Scope for improvement in accessing basic services (49%), creating enable new business model (41%), creating new organizational models (52%), and ICTs for transaction (42%)



Innovation & Technology

- Despite the poor benchmark condition in ICT related activities, businessmen acknowledged gradual improvement in government's efforts towards implementing ICT related plan of action.
- However positive results from those activities have not yet exposed in full.

Trends in Level of Perception on Selected Innovation & Technology Indicators: 2009-14



Financial Environment

Perceptions	2013-14	2014-2015
Level of sophistication of financial markets is poor by intern't'l standards	Bad (55%)	Bad (56%)
Financial services are not quite affordable for businesses	Bad (47%)	Bad (40%)
Financial sector provides variety of financial products and services	Bad (46%)	Good* (39%)
Banks are generally healthy with sound balance sheets	Good (44%)	Good (49%)
Difficult to obtain bank loan with only good business plan & no collateral	Worse (78%)	Worse (74%)
Difficult to find venture capital for projects which are innovative but risky	Worse (92%)	Worse (88%)
Companies find difficulties to obtain financing for business development	Bad (63%)	Bad (59%)
Somewhat easy to raise capital by issuing shares on the stock market	Bad (47%)	Good* (42%)
Regulation and supervision of securities exchange are ineffective	Worse (70%)	Bad* (62%)
Financial auditing and reporting standards are weak	Bad (61%)	Bad (62%)
Interests of minority shareholders are not protected by the legal system	Bad (73%)	Worse* (74%)

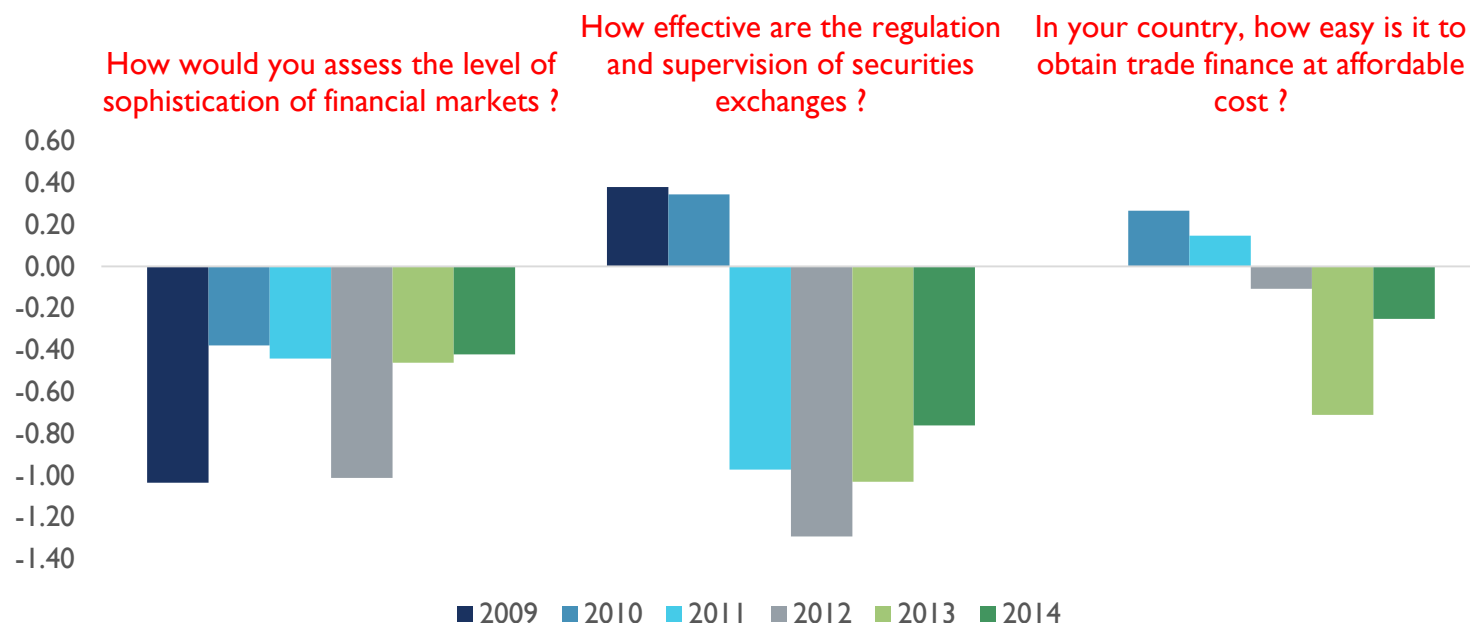
- Some positive changes (not necessarily 'good') are discerned in case of perception on offering variety of financial products & services (39%), raising capital through capital market and regulatory and supervisory role of SECs (62%)
- Poor and unchanged perception: poor sophistication of financial market (56%), unaffordable financial services (40%), difficulty in getting bank loan (74%), difficulty in finding venture capital (88%), and poor financial reporting and auditing standards (62%)



Financial Environment

- Financial sector has yet to regain its earlier position because of lack of needed progress
- Sophistication in the financial system, effective regulatory and monitoring role of SEC and access to credit at affordable rate of interest

Trends in Level of Perception on Selected Financial Environment Indicators: 2009-14



Domestic Competition

Perceptions	2013-14	2014-2015
Competition in the local market is intense	Good (61%)	Good (66%)
Buyers make purchasing decision based on the lowest price	Bad (63%)	Bad (58%)
Local suppliers are numerous	Good (55%)	Good (58%)
Quality of local suppliers is poor	Bad (39%)	Bad (37%)
Anti monopoly policy does not promote competition	Bad (49%)	Bad (47%)
Corporate activity is dominated by a few business groups	Bad (69%)	Bad (67%)
Well-developed and deep clusters is quite non-existent	Bad (52%)	Bad (44%)
High quality, specialized training services are not available	Bad (73%)	Worse (75%)

- Deteriorated performance: Businesses are suffering from limited availability of skilled and professional human resources mainly owing to lack of high quality and specialized training services
- Positive but unchanged situation: intense competition in local market (66%), numerous local suppliers (58%)
- Negative but unchanged situation: poor quality of local suppliers (37%), inefficient anti-monopoly policy (47%), domination of corporate activity by few business groups (67%), lack of well developed clusters



Company Operations & Strategy

Perceptions	2013-14	2014-2015
Competitive advantage of companies in int'l markets based upon low-cost labour	Worse (93%)	Worse (92%)
Companies have a narrow presence in the value chain	Bad (68%)	Bad (61%)
Companies do not spend on R&D	Worse (90%)	Worse (91%)
Companies merely have the capacities to innovate	Bad (64%)	Bad (66%)
Production process uses labour intensive methods	Bad (73%)	Bad (60%)
Companies merely use sophisticated marketing tools and techniques	Bad (64%)	Bad (61%)
New business models, organizational structures or designs are merely introduced by the companies	Bad (62%)	Bad (56%)

- Improved perception: better treatment of customers by the companies (36%)
 - Slowly moving from fixed salary based to performance based compensation system (70%)
- Negative but unchanged perception: competitive advantage is still based on low-cost not quality (92%), companies do not delegate authority to subordinates (80%), limited spending on R&D (91%), narrow presence in the value chain (61%) and labour intensive production process (60%)



Company Operations & Strategy

Perceptions	2013-14	2014-2015
Customers are somewhat well treated by the companies	Bad (46%)	Good (36%)
International distribution & marketing take place through foreign companies	Bad (64%)	Bad (63%)
Willingness to delegate authority to subordinates is rarely observed	Worse (81%)	Worse (80%)
Compensation is based on fixed salaries	Worse (77%)	Bad* (70%)
Senior management positions are usually held by relatives or friends without regard to merit	Bad (60%)	Bad (55%)
Management has little accountability to investors and board of directors	Bad (51%)	Bad (47%)
Companies do not have sophisticated supply chains in place	Bad (59%)	Bad (64%)

- **Negative but unchanged perception:** Companies have very little capacity to innovate (66%), rare use of sophisticated marketing tools and techniques (61%), companies merely introduce new business structure (56%), and international distribution take place through foreign companies (63%)
 - Senior management positions held by relatives (55%), management has little accountability to board directors (47%) and non-existent of sophisticated supply chain



Health

Perceptions	2013-14	2014-2015
Quality of healthcare provided for ordinary citizens is poor	Bad (69%)	Worse (77%)
Healthcare is mostly accessible among elites	Bad (59%)	Bad (64%)
HIV/AIDS will have no impact on companies in the next five years	Best (81%)	Better* (78%)
Tuberculosis will have no impact on companies in the next five years	Better (80%)	Better (66%)
Malaria will have no impact on companies in the next five years	Better (85%)	Better (70%)
Heart disease and related cardiovascular problems might have impact on companies in the next five years	Good (53%)	Bad* (51%)
Cancer will have no impact on companies in the next five years	Good (61%)	Good (48%)
Mental illness will have no impact on companies in the next five years	Better (74%)	Better (65%)
Diabetes may impact on companies in the next five years	Bad (51%)	Bad (52%)
Chronic respiratory disease will have no impact on companies	Good (47%)	Good (44%)
Healthcare needs are not met by company	Bad (49%)	Bad (49%)

- Deteriorated Perception: Quality of healthcare (77%), Impact of heart diseases (51%) and no impact of HIV/AIDS (78%)
- Unchanged Perception: No impact of TB (66%), malaria (70%), mental illness (65%), cancer (48%)



Travel & Tourism

Perceptions	2013-14	2014-2015
Senior executives are very likely to recommend extending their trip for leisure purposes while visiting first time for business	Bad (41%)	Good (41%)
People are extremely friendly towards foreign visitors	Better (89%)	Best (88%)
Development of travel & tourism industry is not a priority for the govt.	Good (47%)	Bad* (51%)
Country's marketing and branding campaigns are not effective in attracting tourists	Bad (55%)	Bad (62%)
Government's efforts are ineffective to ensure that the travel & tourism sector is being developed in sustainable way	Bad (69%)	Worse* (70%)

- Although some improvement is discerned with regard to travel and tourism issues but sector's development remain at poor state or even have worsened
- Positive changes: Senior executives extend their business trip for leisure purposes (41%), people are friendly towards foreign people (88%)
- Deteriorated perception: Development of travel & tourism is not a priority for govt. (51%), Govt.'s efforts are ineffective to ensure tourism sector is being developed in sustainable way (70%)
 - Unchanged perception: Country's marketing and branding campaigns are ineffective (62%)
- Tourism sector is still not considered as a priority sector for development



Environment

Perceptions	2013-14	2014-2015
Country's environment regulations are very lax	Bad (65%)	Worse* (72%)
Enforcement of environment regulations is very lax	Bad (72%)	Worse* (80%)
Quality of natural environment is poor	Bad (48%)	Bad (63%)

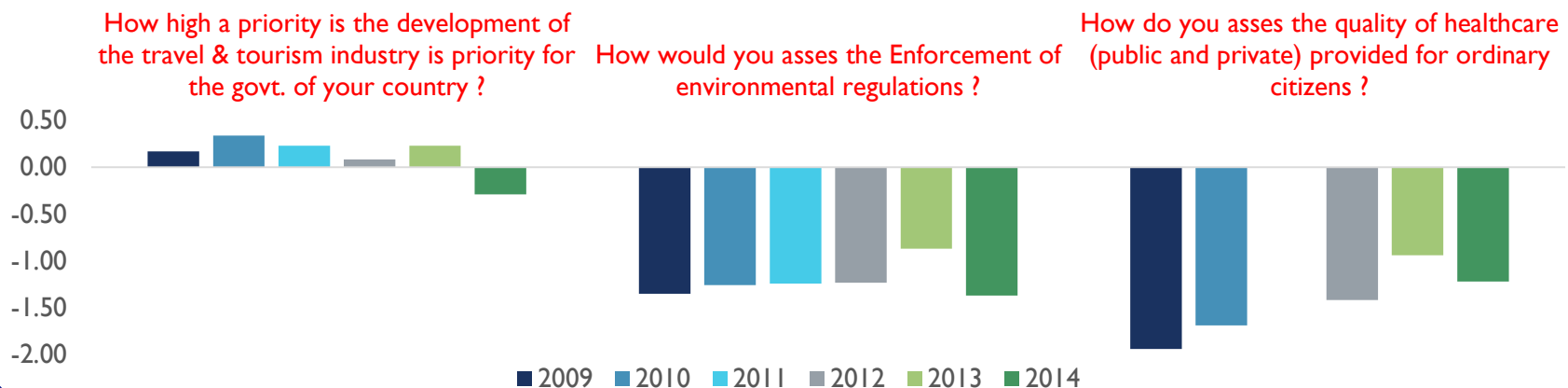
- Deteriorated Perception: Country's environment regulations are very lax (72%)
 - Enforcement of environment regulations is very lax (80%)
- Unchanged Perception: Quality of natural environment is poor (63%)



Health, Travel & Tourism and Health

- Respondents' felt that tourism sector could not retain its importance as a priority sector in government's development strategy
- Enforcement of environmental regulations remain at 'worse' state
 - No noticeable change has discerned over the years although concerned institutions are there
- Quality of public health care services although at very weak state but has slowly changed towards positive direction
 - Reflection of government's effort for development of public health care services

Trends in Level of Perception on Selected Travel, Environment and health related Indicators: 2009-14





Findings from Rapid Assessment Survey



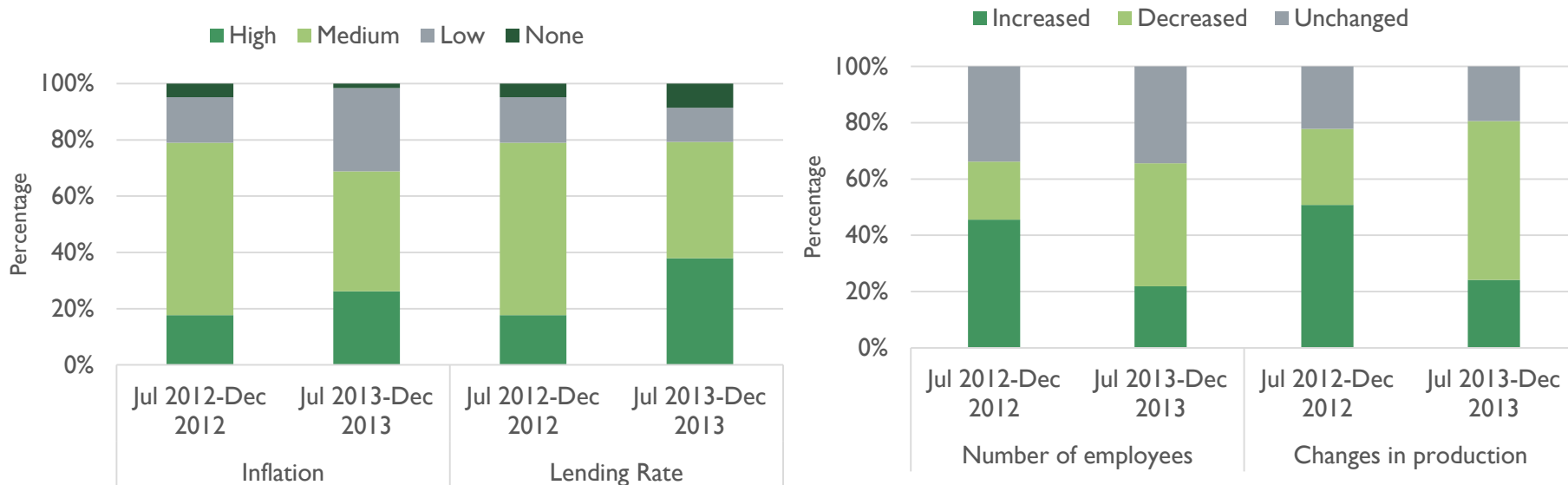
Findings from Rapid Assessment Survey

Perceptions	2013-14	2014-2015
Bangladesh's tax system is complex	Bad (67%)	Bad (66%)
Insider trading in Bangladesh's stock market is pervasive	Worse (70%)	Worse (76%)
Monitoring & supervision of SEC to regulate market is inefficient	Worse (79%)	Worse (73%)
Money laundering through formal banking system is pervasive	Bad (48%)	Bad (54%)
Government's macroeconomic management is not good enough	Bad (57%)	Bad (56%)
Investment environment will deteriorate	Bad (73%)	Bad (34%)
Supply of gas is insufficient	Worse (70%)	Worse (71%)
Financial institutions lack sufficient efficiency	Bad (51%)	Bad (47%)
Demand of products in domestic market is positive		Good (55%)
Demand of products in international market is positive		Good (48%)
No plan for Large/medium investment in 2014		Bad (36.4%)
There are plans for small investment in 2014		Good (59%)
Political environment towards the end of 2014 will be volatile		Bad (32%)

- No major change in perception on selected indicators of immediate concern: complexity in tax system, insider trading in stock market, inefficient monitoring of SEC, problems of money laundering, weak macro management and insufficient gas supply,
- Positive perception: Demand for local products both at home and abroad, plan for small scale investment but not for large scale investment during 2014.



Findings from Rapid Assessment Survey



- Inflation and lending rates have varying impact on firm's cost of production in 2013
 - Over 40% respondents mentioned 'moderate' adverse impact (61% in last year)
 - 26.2% perceived that inflation caused high impact on production cost
- 80% expressed that bank's lending rate caused 'medium' to 'high' rise of firm's cost
- Firm's production and employment were adversely affected due to political unrest
 - 44% mentioned that their total employment has decreased in 2013 (21% in 2012); only 22% mentioned that employment has increased in 2013 (46% in 2012)
 - Production also decreased: 57% has mentioned about that (27% in 2012); 24% mentioned that production has increased (51% in 2012)



Concluding Remarks

- Bangladesh's business competitiveness has stuck at 'lower-bound' level over the last several years and could not break to enter upper level
 - Preparedness for meeting complex and diverse needs of businesses while the country heading towards a middle-income country is by and large absent
- Slow progress in global competitiveness (from 110 to 109) could hardly generate momentum for developing an enabling business environment in the country
- Bangladesh was not able to make adequate progress in basic requirement sub-index of competitiveness
 - Lack of standard institutional structure, infrastructure development, macroeconomic and improved educational system
 - Better position on macroeconomic stability is an exception
- Bangladesh could not take advantage of progress made in some indicators related to efficiency enhancers and innovation
 - Strong positions in goods market efficiency, financial market sophistication, market size
- Entrepreneurs have, however, foreseen better economic prospect in 2014
 - This would have positive implications in overall businesses



Concluding Remarks

- Government should take note of the view that business-government relation is not cooperative and this has seen some regress
 - Rebuilding the relationship with businesses should be a major task confronting the government
- In this connection, government should consider putting in place some platform similar to the 'Better Business Forum' with the objective of narrowing the gap in addressing issues and concerns related to creating enabling business environment in the country
 - Private Sector Development Policy Coordination Committee (PSD PCC), established at the Prime Minister's Office (PMO) could be linked with this forum
- Towards moving out the 'lower-bound' level of competitiveness, further deepening of reforms in a number of areas is urgently needed
 - Reform in public services: enhancing efficiency and productivity, assuring international standard time bound services, demand-based services for businesses, reducing legal and administrative barriers, redefining terms of reference of a number of public institutions, more public investment in supply-chain and trade promoting infrastructure development and reduction of wastage in public spending, reforms in investment facilitating agencies particularly BOI



Concluding Remarks

- Reform in governance in the public sector: strong political commitment for reduction of corruption, setting up integrated mechanism towards ensuring harmonization of financial information, strengthening ACC, reducing time for dispute settlement on commercial issues, supportive mechanism for small, medium and informal sector activities
- Reform in financial sector: removing the dual standard in ensuring governance in the financial sector, ensuring transparency and accountability in the operation of private and public sector financial institutions; making the financial sector ready for maintaining the international standard, strong internal and external monitoring
- Reform in corporate sector governance: Transparency and accountability in corporate management and operations, finalizing the financial reporting act, establishing strong monitoring and enforcement of laws in the capital market, encouraging companies to make corporatized
- Reform in Environmental and social issues: Enhanced monitoring and enforcement of environmental rules and regulations, higher investment for upper tier human resource development, better industrial relations, maintaining workplace safety and security
- Broad-based consultation with participation of government, private sector, civil society and other key stakeholders could help Bangladesh to attain higher GCR ranking in near term future by addressing the above tasks and undertaking the needed reforms.





Thank you!

