

Press Briefing on

**Release of The Global Competitiveness Report 2017-2018
and
The Bangladesh Business Environment Study 2017**



Presented by

Dr Khondaker Golam Moazzem

Research Director, CPD

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CENTRE FOR POLICY DIALOGUE (CPD)

B A N G L A D E S H

a civil society think tank

CPD Study Team

Study Advisors

Professor Mustafizur Rahman

Distinguished Fellow, CPD

Dr Debapriya Bhattacharya

Distinguished Fellow, CPD

Team Leader

Dr Khondaker Golam Moazzem

Research Director, CPD

Survey and Analysis

Shahjahan Ali, *Programme Associate (Project)*

Mastura Safayet, *Programme Associate (Project)*

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I. Introduction and Objectives

I. Introduction and Objectives

- The *Global Competitiveness Report* is a cross-country benchmarking analysis of the factors and institutions that determine long-term growth and prosperity of countries.
 - *World Economic Forum* (popularly known as *Davos Forum*) is publishing the GCR since 1979
- CPD, as a partner, has been carrying out the Bangladesh part of the report since Bangladesh has been included in the GCR in 2001 – this is the 17th year
 - Questionnaire for the Executive Opinion Survey (EOS) is developed by the WEF
 - A Rapid Assessment Survey (RAS) has been carried out on current issues of Bangladesh Economy – this is the 13th year
- Major objectives of the press briefing are
 - To release WEF's *Global Competitiveness Report 2017-2018* in Bangladesh. The report is being globally launched today
 - To report the state of competitiveness of Bangladesh in 2016
 - To give voice to concerns as regards business environment in Bangladesh

II. Methodology

II. Methodology

Executive Opinion Survey (EOS)

- The survey is conducted across the world by a standard survey questionnaire
- The survey tool (EOS) covers a total of 12 pillars:
 - Institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation
 - Additional topics – most problematic factors and global risks for businesses
- Number of respondents: 85 in 2017 (89 in 2016)
 - Most of the companies (90%) are locally-owned and mostly based in Dhaka and Chittagong
- Survey period: February 01, 2017 to May 01 2017
 - Reference Period: January to December 2016

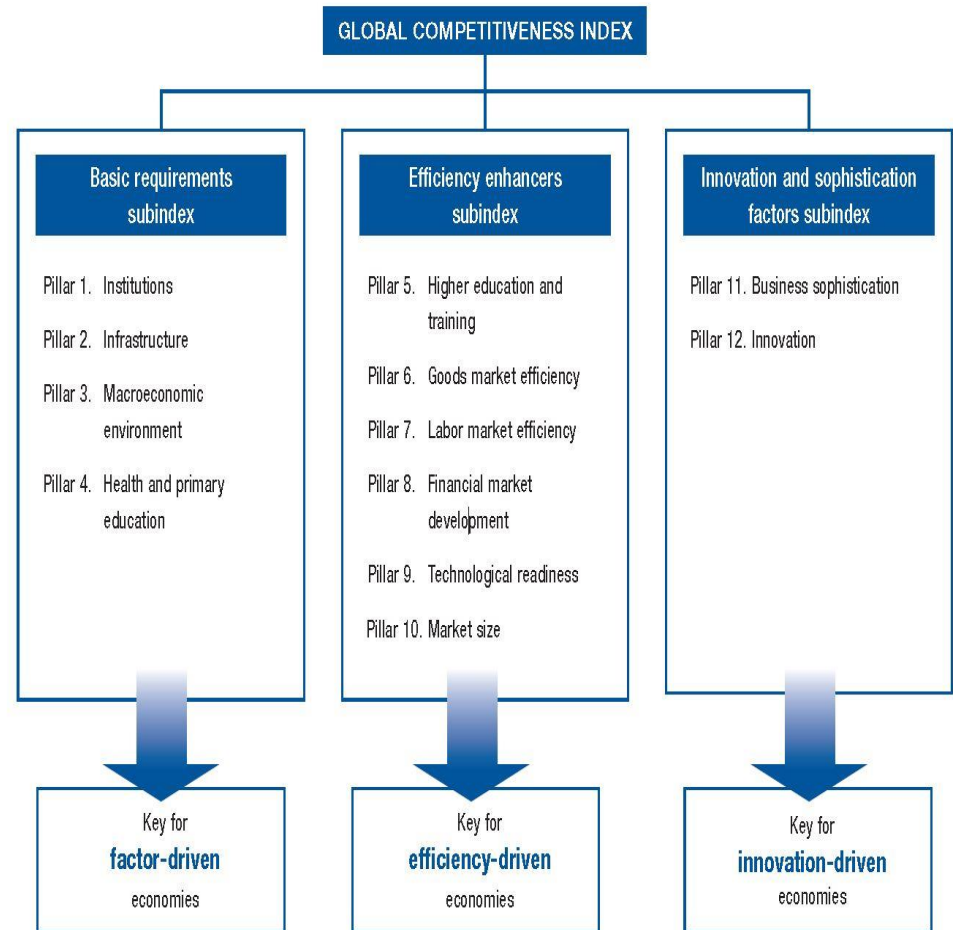


Sectors Covered	
Total	85 (100%)
Agriculture	2 (2.4%)
Industry	42 (49.4%)
Services	36 (42.3%)
Mixed	5 (5.9%)

II. Methodology

Assessment of Global Competitive Index

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



II. Methodology

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%

- **2017-18: Total 137 Countries** were covered (last year: 138 countries).
 - **Dropped:** Barbados (58 in 2016), Bolivia (113), Côte d'Ivoire (104), Gabon (91), and FYR Macedonia (66) (Note: all these countries are failed to comply with minimum requirement)
 - **Reinstated:** Guinea (119 in 2017), Haiti (128), Seychelles (107), and Swaziland (122)

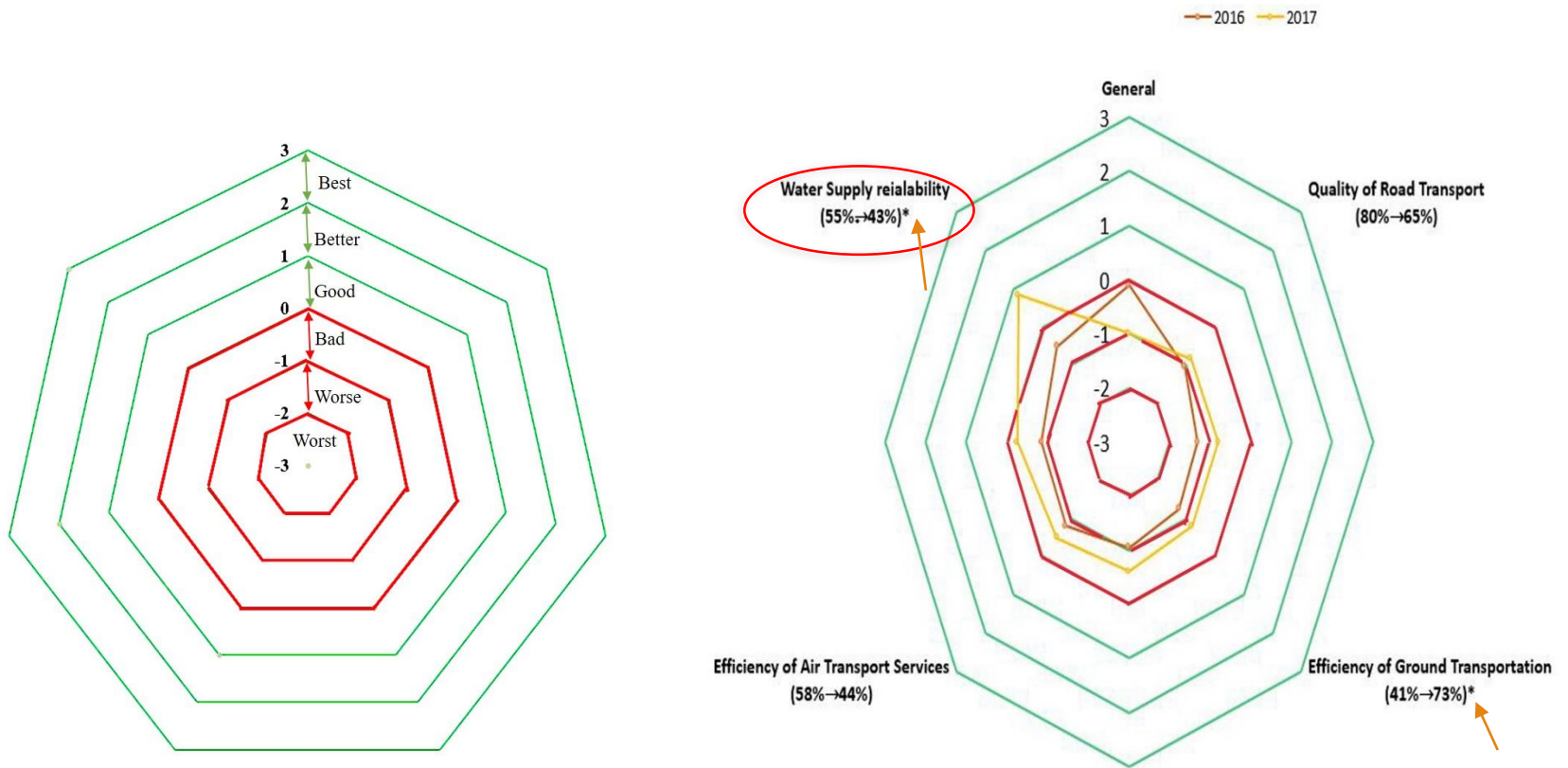
II. Methodology

Assessment of Bangladesh's Business Environment

- Executive Opinion Survey and Rapid Assessment Survey use qualitative data (7-point likert scale)
 - Negative responses (Scale: -3~-1); Indifferent responses (Scale: 0)
Positive responses (Scale: 1~3)
- Analysis has been performed by employing three statistical techniques
 - Frequency analysis (% of respondents); Weighted index (average weighted response); Chi-Square test (5% level of significance)

II. Methodology











- Radar Diagram is used to figure out changes in the perception on different issues between 2016 and 2017.
- Hypothetical Radar Diagram presentation



III. Global Competitiveness Report 2017-18: Major Findings

III. GCR 2017-2018: Major Findings

- Top ten countries remained at the top in this year as well
 - Switzerland ranked top and its position is remained unchanged but Singapore and United States interchanged their positions.
- **Position improved:** United States (2nd), Hong Kong SAR (6th).
- **Position declined:** Singapore (3rd), Sweden (7th), United Kingdom (8th), and Japan (9th).
- Switzerland's success hinges on a number of issues
 - Extremely strong fundamentals including public health, primary education, and comparatively solid macroeconomic environment.
 - Its economy also has a high level of flexibility, with its labour markets, high absorptive capacity for new technologies, and having business sophistication and innovative environment

GCI Ranking of Top 10 Countries			
Economies	2016-17	2017-18	Change
Switzerland	1	1	
United States	3	2	
Singapore	2	3	
Netherlands	4	4	
Germany	5	5	
Hong Kong SAR	9	6	
Sweden	6	7	
United Kingdom	7	8	
Japan	8	9	
Finland	10	10	

III. GCR 2017-2018: Major Findings

- **United States (2nd)** is displaying a constant improvement in score since 2010.
 - The strength came from its performance in efficiency enhancers (financial market development, labour-market efficiency, higher education and training) and innovation and sophistication factors (business sophistication and innovation).
 - It is performed poorly in macroeconomic environment and health and primary education because of policy uncertainty.
- **Singapore's competitiveness has slipped one place**
 - Singapore's macroeconomic environment has slightly deteriorated as a result of rising government debt. Falling marginally behind in terms of technological readiness compared to other advanced countries.
 - It is still possessed superior transport infrastructure (2nd), extremely efficient product and labour markets, and stable & trustworthy financial market.
- **Hong Kong SAR (6th)** has made the largest leap among the top 10 countries
 - World's best physical infrastructure and healthy level of competition and openness ensure extremely efficient markets
- Sweden, UK and Japan have failed to show improvement in their overall rankings particularly due to weak macro-economic management

III. GCR 2017-2018: Major Findings

Performance of Selected Countries

- Malaysia (23rd) has continued its lead in the East Asia and the Pacific region
 - It has an improvement in some pillars compared to last year
- China's position has improved (by 1 place)
 - China has made progress in all pillars except macroeconomic environment and infrastructure
- Most South East Asian countries experienced improvement in their rankings except that of Cambodia
 - Cambodia (94th) slipped five position
- South Asia has maintained its upward trend except-India and Sri Lanka
 - India slipped one place (40th) while Sri Lanka slipped 7 places (85th)

Economies	2016-17	2017-18	Change
Malaysia	25	23	↑
China	28	27	↑
Thailand	34	32	↑
Indonesia	41	36	↑
Russia	43	38	↑
Philippines	57	56	↑
India	39	40	↓
Vietnam	60	55	↑
Sri Lanka	71	85	↓
Brazil	81	80	↑
Cambodia	89	94	↓
Nepal	98	88	↑
Bhutan	97	82	↑
Bangladesh	106	99	↑
Pakistan	122	115	↑

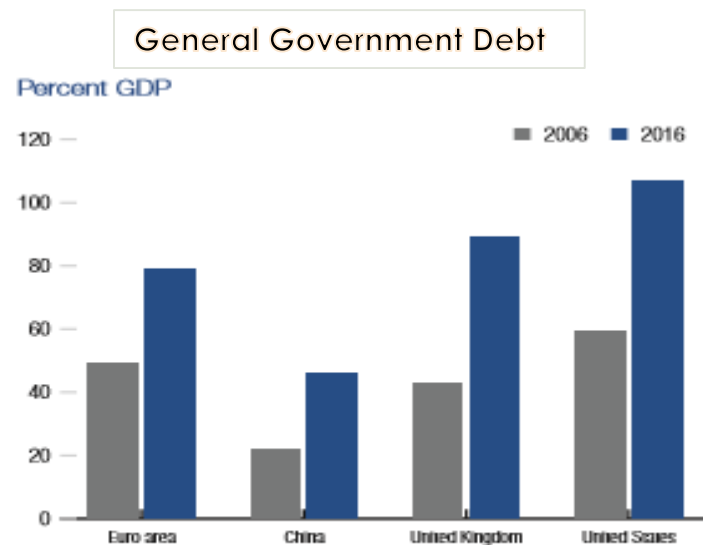
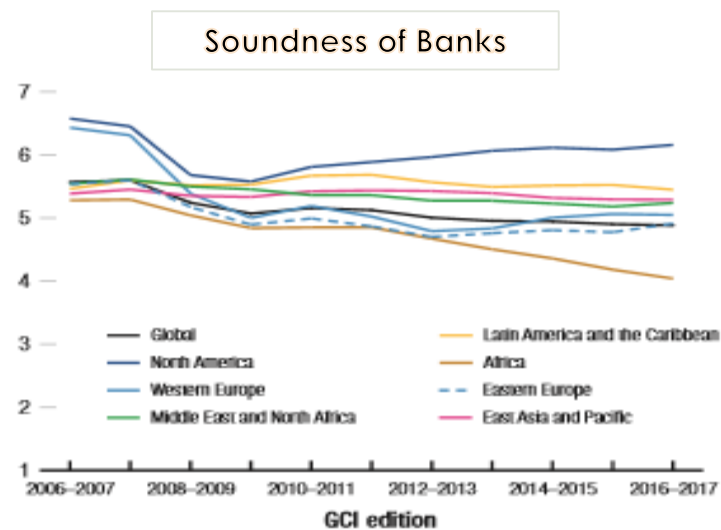
III. GCR 2017-2018: Major Findings

- India (40th) stabilizes this year after its big leap forward of the previous two years.
 - The score improved across most pillars of competitiveness, particularly infrastructure (66th, up two), higher education and training (75th, up six), and technological readiness (107th, up three), reflecting recent public investments in these areas
- Bhutan (82nd) and Nepal (88th) - both able to improve their positions this year - by 15 and 10 places, respectively.
 - Pakistan (115th) is the weakest performer among South Asian countries though its position has improved considerably.

III. GCR 2017-2018: Major Findings

Results Overview and Main Findings

- Three key findings come out from this year's report
- **First**, 10 years after the crisis, the financial sector remains vulnerable across the world
 - GCI indicators show that bank soundness have not recovered to pre-crisis levels
 - New sources of vulnerability have emerged, increasing private debt in emerging economies and the growth of non-regulated capital markets



Source: IMF 2017.

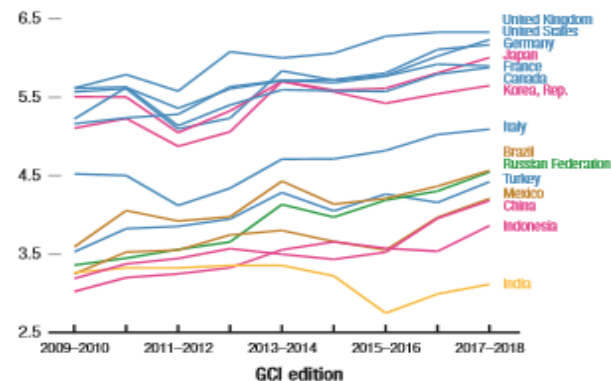
III. GCR 2017-2018: Major Findings

- **Second**, more countries are able to innovate, but they must do more to spread the benefits
 - Major emerging markets such as China, India, and Indonesia are becoming centers for innovation, catching up with advanced economies.

Accelerating progress in increasing the readiness of their people and firms to adopt new technology

- **Third**, both labour market flexibility and worker protection are needed to ensure shared prosperity in the 4IR era

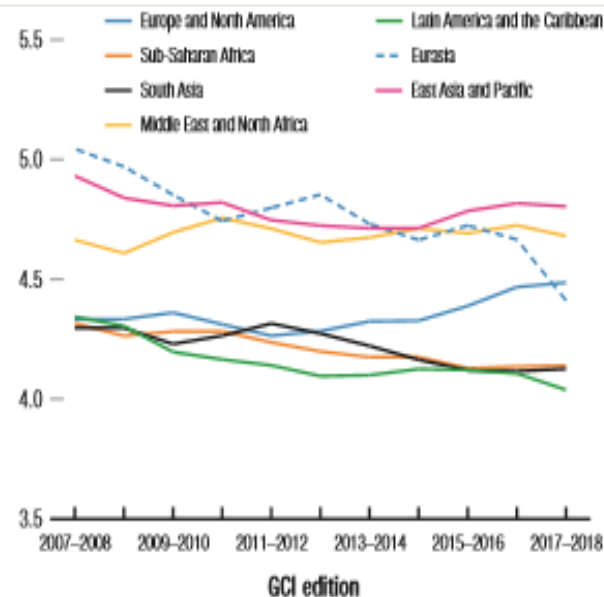
Figure 7: Evolution of technological readiness in large advanced economies and large emerging economies, 2009–2017
Score (1–7)



Source: Calculations based on the results of the Global Competitiveness Index 2009–2010 through 2017–2018.

Note: Colors correspond to regional classifications: ■ Europe and North America; ■ East Asia and Pacific; ■ Latin American and the Caribbean; ■ Eurasia; and ■ South Asia.

Evolution of Labour Market Flexibility



IV. Bangladesh in Global Competitiveness Ranking

IV. Bangladesh in Global Ranking

- For the first time, Bangladesh has entered the 'top 100' countries as its rank has reached 99th position (out of 137 countries) from **106th** of the last year
 - Overall score has improved by 2.6% (from 3.76 to 3.9)
 - Both rank and score of all 12 pillars have experience improvement-an exceptional case
 - Improvement in ranking is perhaps partly linked with drop of three countries which ranked above Bangladesh in the last year.
- Gaining considerable score in 'Basic requirement' sub-index helped to improve the ranking (ranked 101st from 105th)
 - Both infrastructure and institutions have been maintaining their momentum in terms of score and rank
 - Improvement of rank and scores of institutions is quite encouraging thought still at a lower level
 - *Institutions*: 107th from 125th (value: 3.4 from 3.15; increased by 7.9%)
 - *Infrastructure*: 111st from 114th (value:2.9 from 2.77; increased by 4.7%)

IV. Bangladesh in Global Ranking

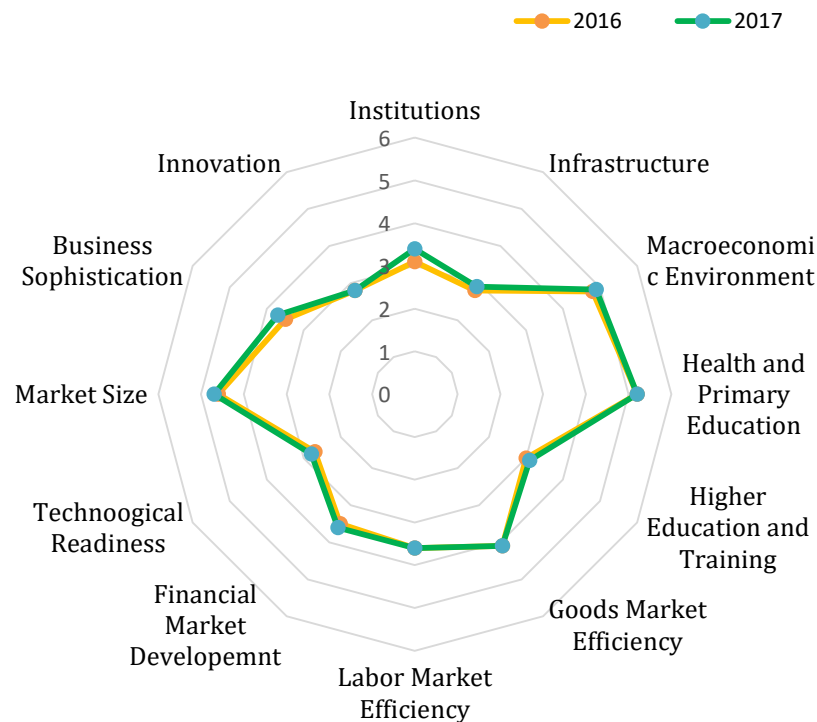
- Bangladesh partly regained its position in macroeconomic stability: 56th from 65th (value: 4.9 from 4.79; increased by 2.3%) and
 - *Health and Primary Education* : 102nd from 105th (value: 5.16 from 5.2; increased by 0.78%)
- Weaknesses in a major clusters namely 'efficiency enhancers' has been continued despite improvement in score and ranking
 - Little change is discerned in most of the related pillars such as financial market sophistication, technological readiness, higher education and training, labour market efficiency.
 - Country's competitiveness in the near future will largely hinge on better performance in these two cluster of pillars.
- 'Innovation and sophistication' made good progress : its rank jumped up from 116 to 106
 - Significant progress is happened in case of business sophistication (from 107 to 91) and innovation (from 121 to 114)
- Bangladesh's average score in most of the pillars is behind those of Average score of South Asia

IV. Bangladesh in Global Ranking

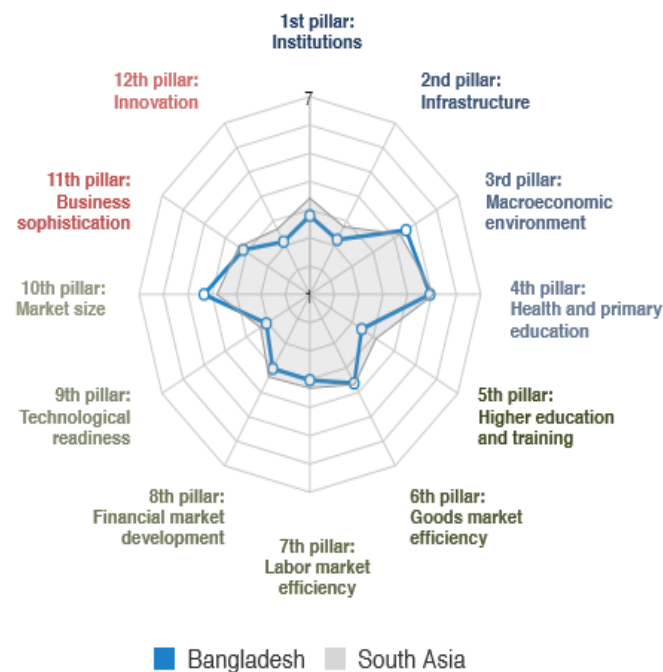
Indices	Rank		Score (out of 7)		% Change in score
	2016-17 (out of 138 countries)	2017-18 (out of 137 countries)	2016-17	2017-18	
GCI	106	99	3.80	3.9	2.6
Basic Requirements (BR)	105	101	3.97	4.1	3.3
Institutions	125	107	3.15	3.4	7.9
Infrastructure	114	111	2.77	2.9	4.7
Macroeconomic Stability	65	56	4.79	4.9	2.3
Health and Primary Education	105	102	5.16	5.2	0.78
Efficiency Enhancers (EE)	107	105	3.6	3.7	2.78
Higher Education and Training	118	117	3.04	3.1	1.97
Goods Market Efficiency	96	94	4.08	4.1	0.49
Labour Market Efficiency	120	118	3.58	3.6	0.56
Financial Market Sophistication	99	98	3.54	3.6	1.69
Technological Readiness	122	120	2.69	2.8	4.1
Market Size	38	38	4.65	4.7	1.08
Innovation and Sophistication (IS)	116	106	3.16	3.3	4.43
Business Sophistication	107	91	3.52	3.7	5.11
Innovation	121	114	2.80	2.8	0.0

IV. Bangladesh in Global Ranking

Comparison of Key Indicators between 2016 and 2017



Comparison of Key Indicators between Bangladesh and South Asia



IV. Bangladesh in Global Ranking

Most Problematic Factors for Doing Business

Rank	2016	2017	Change
1	Inadequate supply of infrastructure (20.4)	Corruption (15.70%)	
2	Corruption (16.5)	Inadequate infrastructure (14.50)	
3	Limited access to financing (9.8)	Inefficient government bureaucracy (11.7)	
4	Inefficient government bureaucracy (9.6)	Inadequately educated workforce (11.5)	
5	Inadequately educated workforce (8.5)	Poor work ethic in national labor force (8.3)	
6	High tax rates (4.6)	Limited access to financing (7.5)	
7	Policy instability (4.4)	Policy instability (5.8)	
8	Complexity of tax regulations (4.1)	High tax rates (4.5)	
9	Crime and theft (4.0)	Government instability/coups (4.3)	
10	Government instability/coups (3.9)	Crime and theft (3.6)	
11	Foreign currency regulations (3.6)	Complexity of tax regulations (3.5)	
12	Insufficient capacity to innovate (3.6)	Insufficient capacity to innovate (3.0)	
13	Poor work ethic in national labor force (3.1)	Poor public health (2.0)	
14	Restrictive labor regulations (1.6)	Foreign currency regulations (3.70)	
15	Inflation (1.5)	Inflation (1.70)	
16	Poor public health (0.9)	Restrictive labor regulations (1.70)	

IV. Bangladesh in Global Ranking

Most Problematic Factors for Doing Business

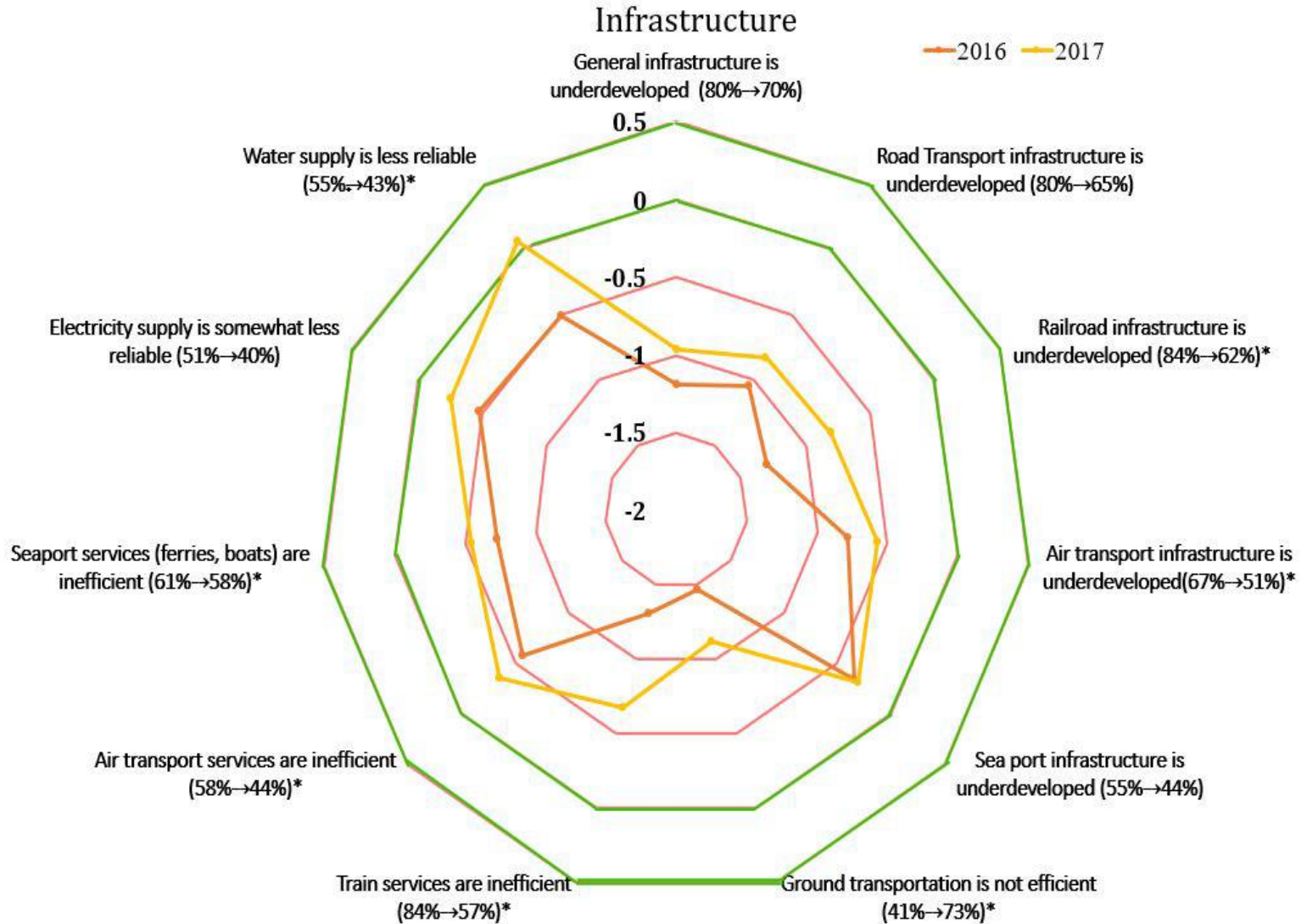
- Overall scores of top 3 and top 5 problematic factors have declined which is positive
 - From 51.8% & 69.6% respectively in 2010 to 41.9% & 61.7% in 2017
 - It implies that entrepreneurs are increasingly put more weight on problems beyond those of top 3 and top 5
 - New problems have emerged as growing concerns for businesses
- **Corruption is viewed as most problematic factor in 2017**
 - It indicates how it incurs additional costs to the businesses despite slight improvement in score
 - Endemic corruption becomes a stumbling block towards developing a competitive business environment
 - Anti Corruption Commission (ACC) should intensify its drive to reduce deep-rooted corruption
- **'Inadequate infrastructure' came down to be the second most problematic factors**
 - Despite huge public and private investment for building infrastructure over last several years, little improvement in perception is discerned about quality of infrastructure

IV. Bangladesh in Global Ranking

- **Inefficient government bureaucracy is becoming a growing tension (jump up to rank 3rd from 4th)**
 - Inefficiency of bureaucracy relates with lack of their ability to catch up businesses' requirements and their future demands
 - Public sector reform is urgently required with a view to provide the required level of services to the businesses.
- **'Inadequate educated workforce' (4th from 5th) is getting a major constraint for businesses**
 - Businesses suffer due to lack of availability of skilled workers and professionals. Without these, domestic industries would find it difficult to upgrade their existing level of competitiveness
 - Shortages of skilled workers and professionals push large enterprises to recruit foreign nationals with necessary skills
- **Surprisingly 'Poor work ethics' has emerged as a newer form of constraints**
 - Businesses are facing troubles with changing composition of labour force and their poor work ethics
 - Lack of dedication, hard work and commitment among a large section of newly entered and young labour force constrain businesses to grow.

V. Bangladesh's Position under Different Pillars: Detailed Analysis

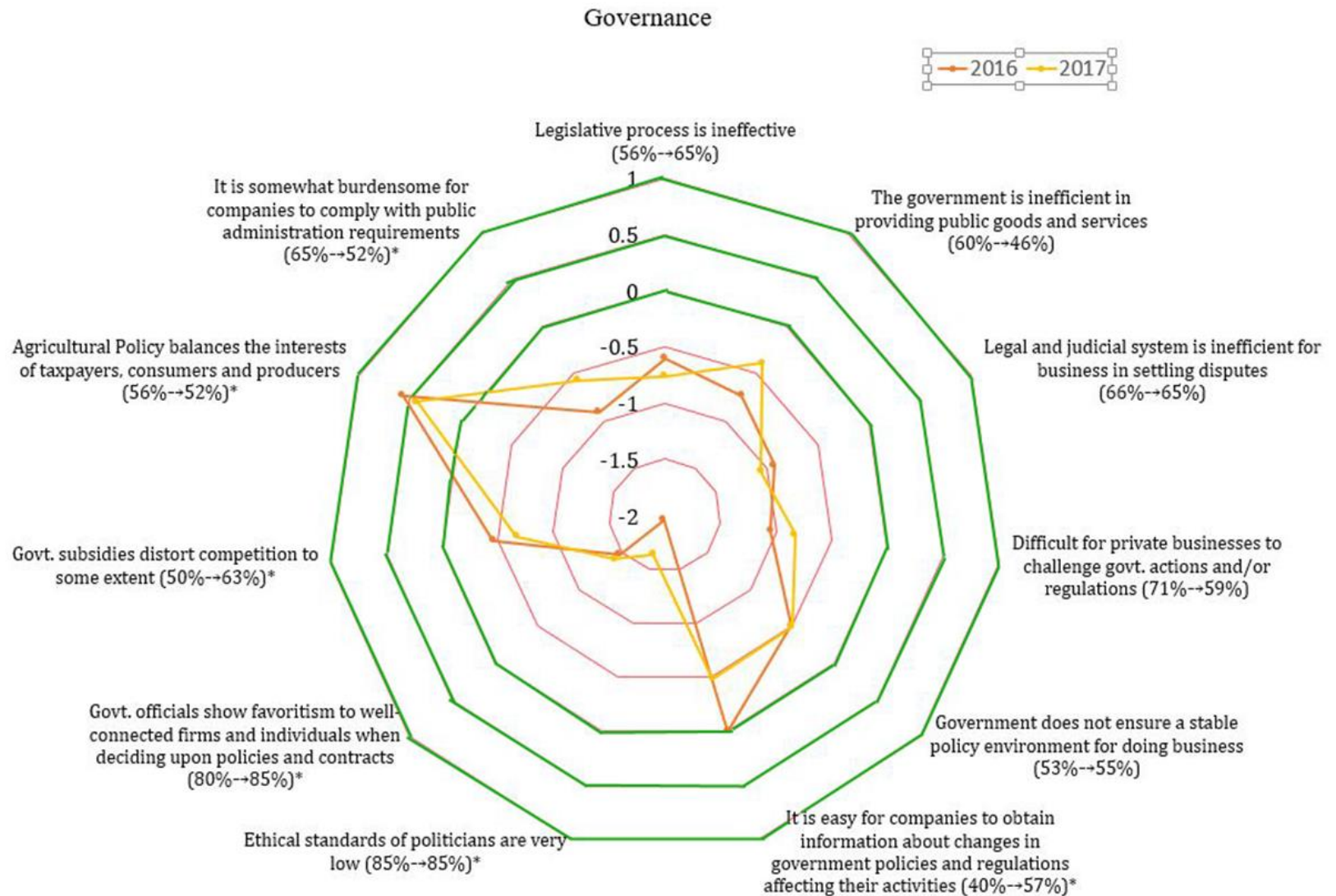
V. Infrastructure



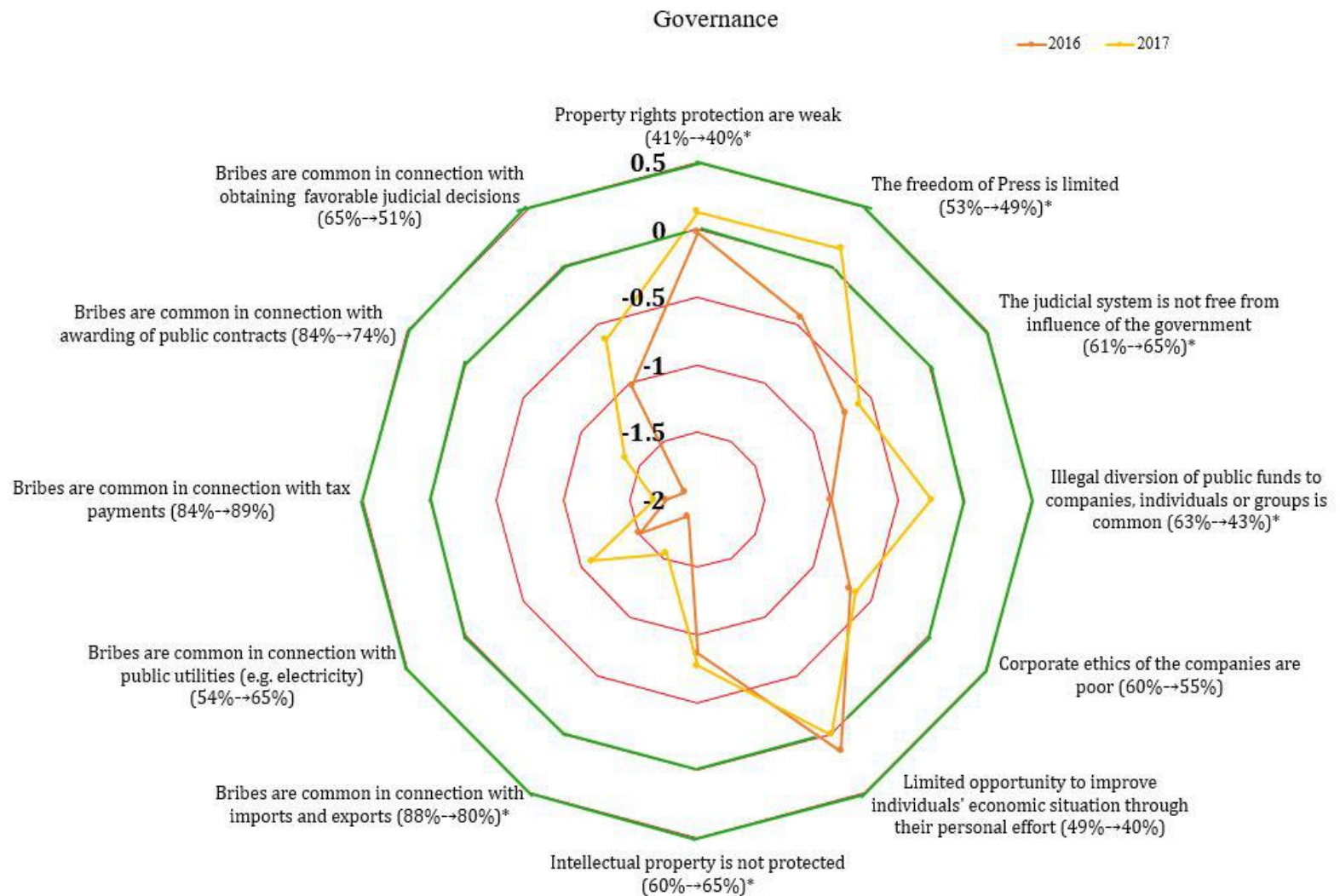
V.I Infrastructure

- An overall improvement in country's infrastructure has been discerned during 2016 (though at a low benchmark level)
 - Bangladesh's global rank on infrastructure has moved up to 111st from 114th position; 7 out of 9 indicators showed improvement in ranking
 - Significant jump in ranks observed in case of quality of rail infrastructure, electricity supply and road infrastructure
- Entrepreneurs were unpleasant about seaport infrastructure as little improvement in the facilities has occurred during 2016
 - High congestion in Chittagong sea port caused long turn-around time, extra time for unloading and re-loading, delay in shipment and extra shipment charges
- Slow progress of 'fast track' infrastructure projects and other important projects are causing delay in creating better enabling business environment. This partly discourages local and foreign investment in medium to high-value industries
- Businesses are increasingly feeling the pressure of lack of multi-modal infrastructural facilities connected with major inland and out-bound trade routes.

V.II Governance



V.II Governance



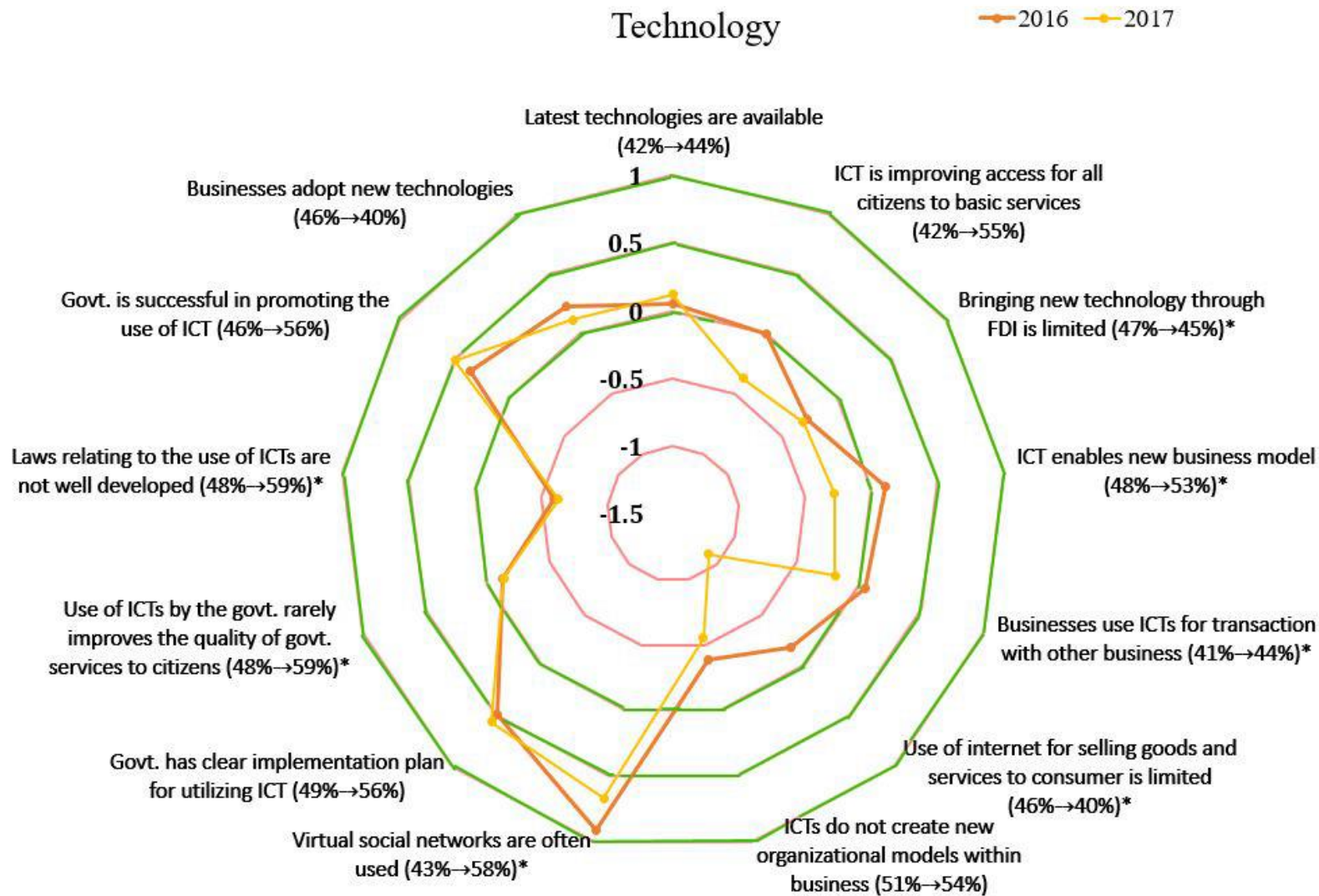
V.II Governance

- Although governance is the most weakest part of Bangladesh's competitiveness, a number of indicators reflect positive changes this year
 - Bangladesh's global rank on institutions has improved from 125th to 107th
 - Improvement in perception (though at low benchmark level) is observed in following issues
 - Government's inefficiency in providing public goods and services (46%; bad), difficulty for businesses to challenge government actions/regulations (59%; bad); poor ethical standards of politicians (85%; worse); and cumbersome for businesses to comply with public admin requirement (52%; bad)
 - Businesses perceived improvement in case of their dealings with public offices
 - Illegal diversion of public funds to companies (bad, 43%), use of bribes are common in connection with imports and exports(worse, 80%), public utilities (worse, 65%), and public awarding of public contracts (bad, 74%).
 - Since those improvement occurred at a very low benchmark level, businesses often get limited benefit

V.II Governance

- Business perception for a number of indicators showed deceleration in the performance of a number of institution-related indicators
 - Ineffective legislative process (65%; bad); distortive effect of government subsidies (63%; worse); and inefficient judicial system in settling business disputes (65%; worse)
- Entrepreneurs' response are 'good' and showed positive changes in number of other cases
 - Press freedom has improved in this year (49%; good).
 - Agricultural policy somewhat made balances among the stakeholders but it has declined in 2016
 - Weak but improved property rights protection (40%; good)
 - Limited and reduced opportunities to improve individuals economic situation through their personal efforts (40%; good)
- Some indicators still 'bad' or 'worse': govt. official favours to well connected firm and individuals when dealing upon policies and contracts (85%; bad).
- Public sector reform is urgently needed in order to improve the level of efficiency of service delivery, ensuring legal protection and competitive practices

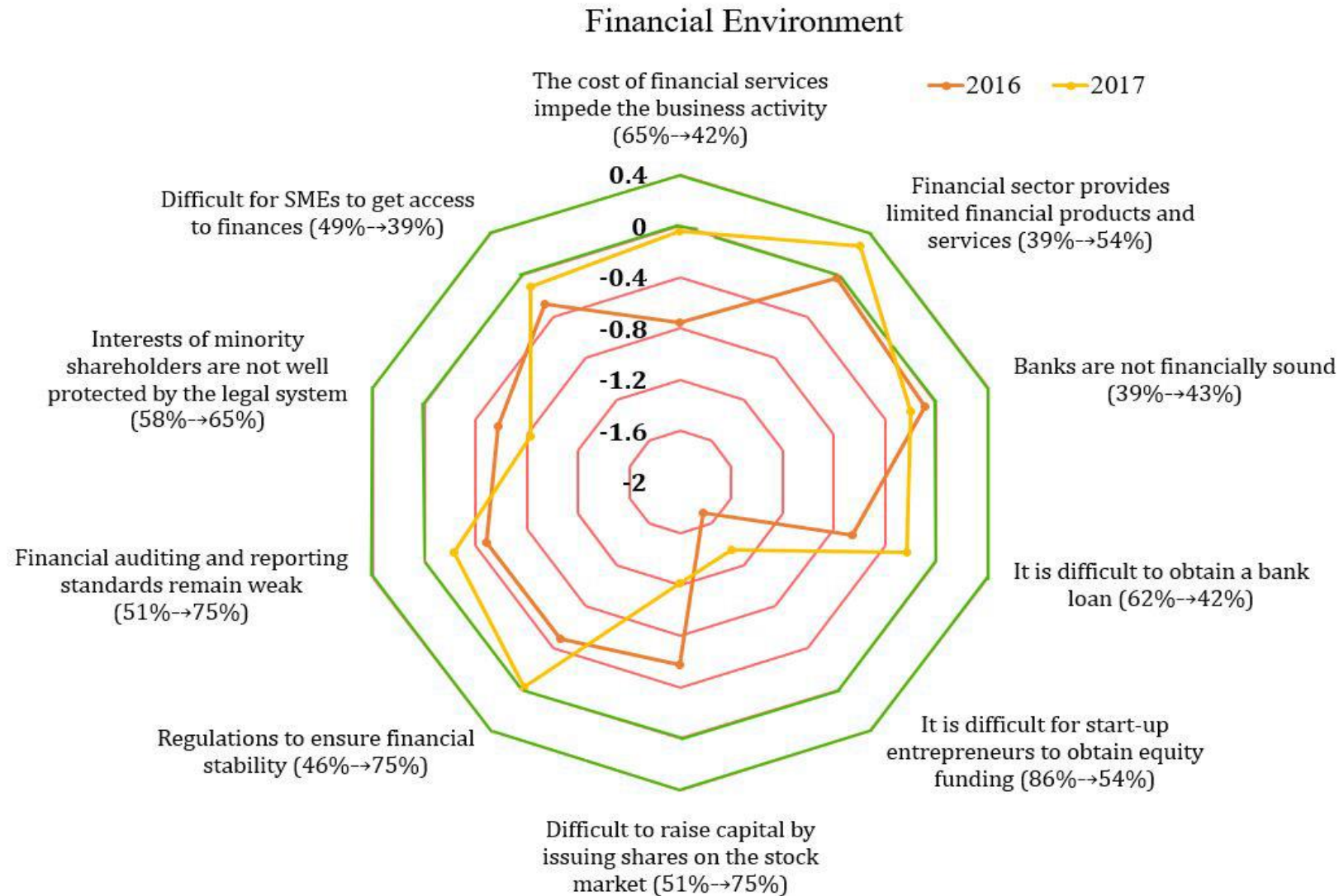
V.III Technology



V.III Technology

- Bangladesh is most laggard in case of technological readiness despite the fact that its position has improved (from 122nd to 120th) in 2017.
 - Out of seven indicators, improved perception is found in 5 indicators
 - Most industrial enterprises are lagged in using IT-enabled technologies
- Businessmen perceived some improvement in policy and promotional areas
 - Moderate success in promoting use of ICT (56%; good)
 - A clear implementation plan for utilizing ICT (56%; good)
 - Availability of latest technologies (44%; good)
- Use of ICT as business tool is yet to get popularity rather perception shows some deceleration
 - ICT use for ensuring basic services (55%; bad); limited availability of ICT enabled business models (53%; bad); limited use of ICT for transactions with other businesses (44%; bad); lack of use of internet for selling goods/services (40%; worse); and limited use of virtual social network (58%; good)
- Uses of ICTs by government rarely improve the quality of government services to citizen (59%; bad)
- Bangladesh is still at the nascent stage in case of creating IT-enabled business environment
 - Quick implementation of some of the important ICT projects is urgently needed: Kalikoir High tech park, Bangabandhu high tech park, IT training and incubation centre, & innovation and entrepreneurship development

V.IV Financial Environment



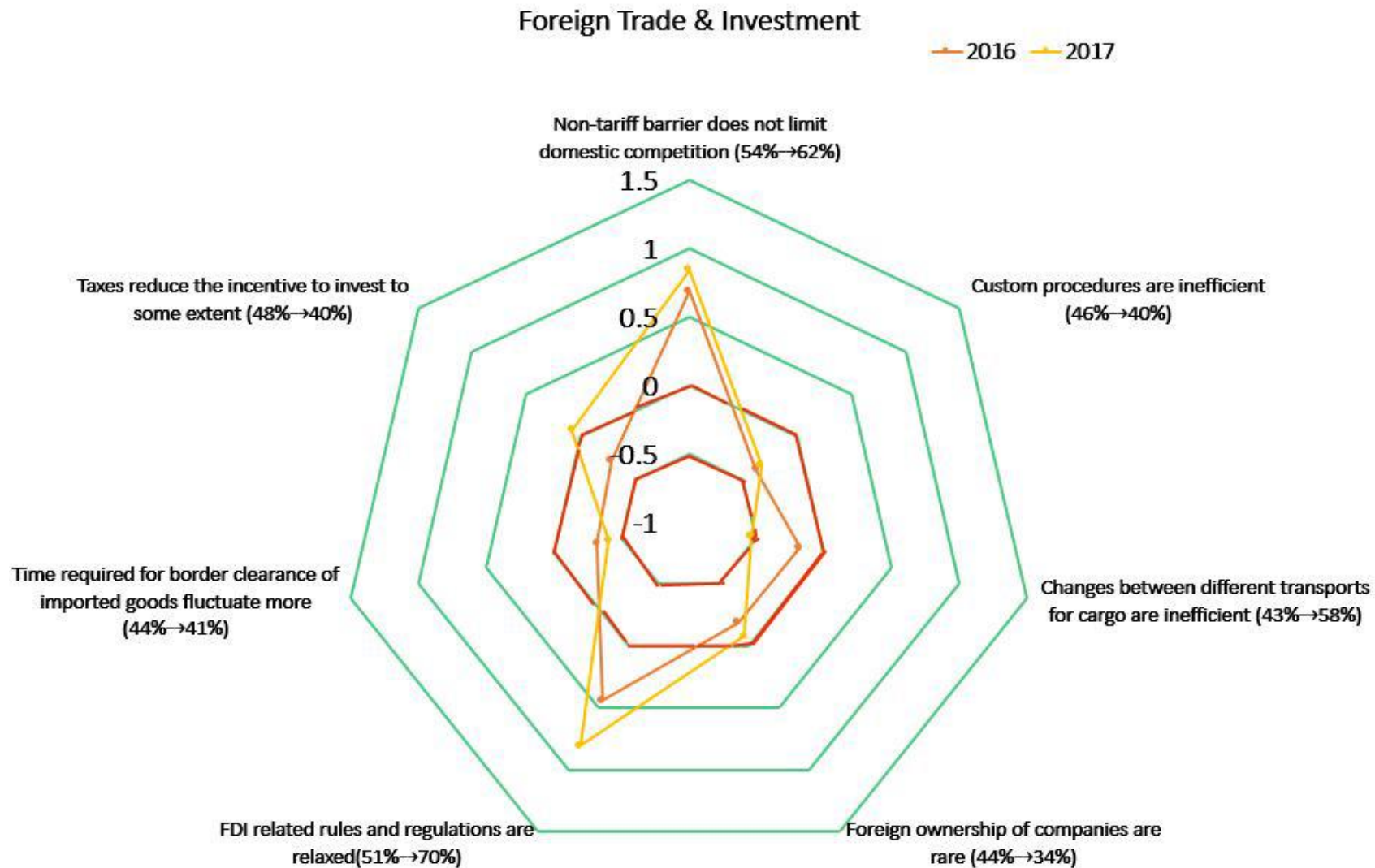
V.IV Financial Environment

- Sophistication of the financial market, once regarded as good as that of middle income economies, has been degraded over the years and has entrapped into the level of that of least competitive economies.
 - The position has moved one step up (98 in 2017) from the last year
 - Six out of eight indicators are found to be stepped up and the rest two are stepped down
 - Improvement in ranks of few indicators, though at low level, is mentionable: availability of financial services, affordability of financial services and ease of access to loans
 - Significant decline in rank: legal rights issue
- Perception on most of the indicators is either 'bad' or 'worse' except in the following indicator
 - 54% respondents mentioned that financial sector provided somewhat required number of financial products and services ('good')
- Entrepreneurs' perception on number of issues indicate some progress in 2016 though at a low level
 - Those issues are: regulation to ensure financial stability (75%; bad), financial auditing and reporting standard (75%; bad) and cost of financial services for pursuing the business actively (42%; bad)

V.IV Financial Environment

- Few other issues with positive responses: less difficulty to obtain bank loan (42%, bad), less difficulty for SMEs to get access to finances (39%; bad) and considerable difficulty for start-up entrepreneurs to obtain equity funding (54%; worse)
- Improvement in availability of fund is owing to the pressure to disburse huge amount of idle funds in commercial banks (at low lending rate)
- Entrepreneurs expressed more dissatisfaction on few issues in this year
 - Poor financial soundness of banks (43%; bad), difficulties to raise capital by issuing shares on stock market (75%) and less protected the interest of minority shareholders (65%; bad)
- Overall Bangladesh's financial sector has confronted a number of challenges
 - Failure to control the rise of classified loan particularly in the SCBs
 - Further weakening situation in the governance of the banking sector by amending the Banking Company Act in favour of the board
 - Concentration of loan to few large groups
 - Poor financial condition of a number of insurance companies
- Needs major overhauling in governance of the financial sector
 - CPD proposed a financial sector reform commission in order to identify the problems and possible way-out.

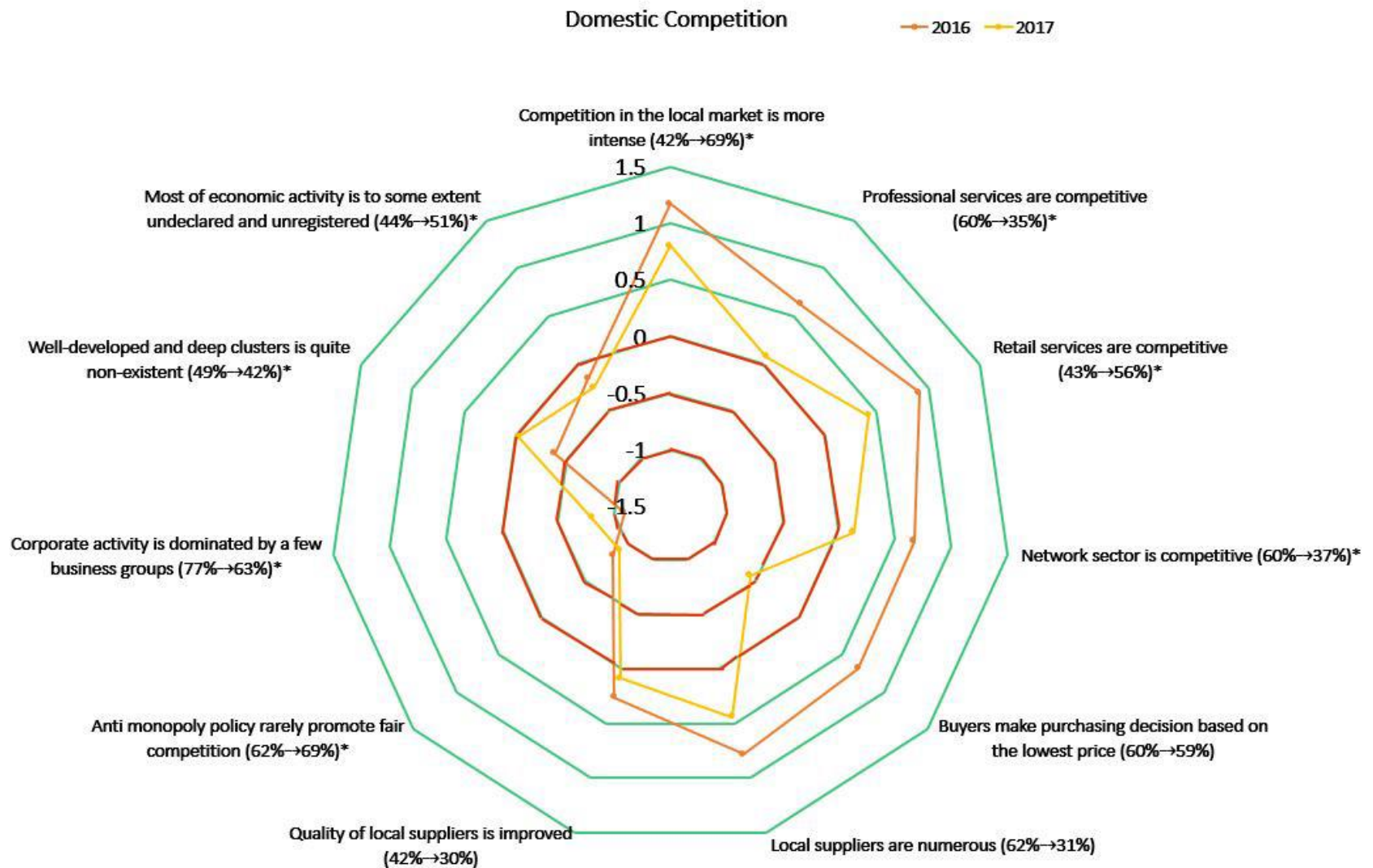
V.V Foreign Trade and Investment



V.V Foreign Trade and Investment

- Foreign trade and investment have made slow progress during 2016 and in number of areas, performance has deteriorated further
 - 40% of the respondent mentioned that custom procedure is to some extent inefficient (bad)
 - Foreign ownership of companies is still not so wide (34%; bad) despite that fact that FDI related rules and regulations are relaxed (70%; good).
- A visible progress in perception is observed on role of taxes in improving the incentive to invest (40%; good) and less adverse impact of NTBs on domestic competition (62%; good)
- Entrepreneurs' perception has deteriorated in 2016 in number of issues
 - Growing inefficiency in cargo handling through different modes of transportation system (58%; worse)
 - Higher time required for border clearance of imported goods (41%; bad)
- Foreign trade and investment has been confronted with growing inefficiency in logistics, transport and cargo handling facilities in sea and air ports
 - Need to improve existing transport and logistic facilities
 - Immediate need to improve cargo handling facilities
 - Need to create efficient multi-modal transport and logistic facilities

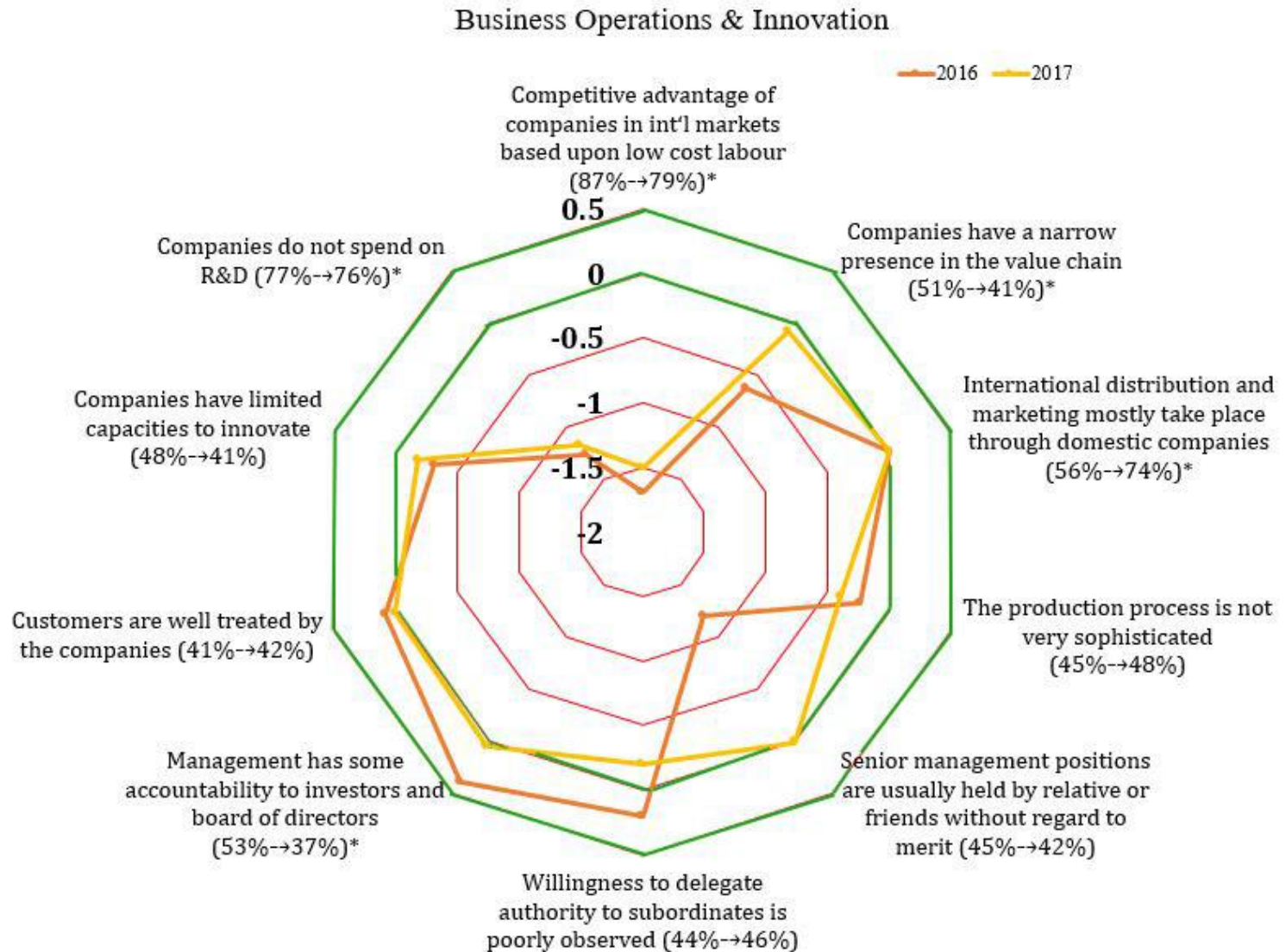
V.VI Domestic Competition



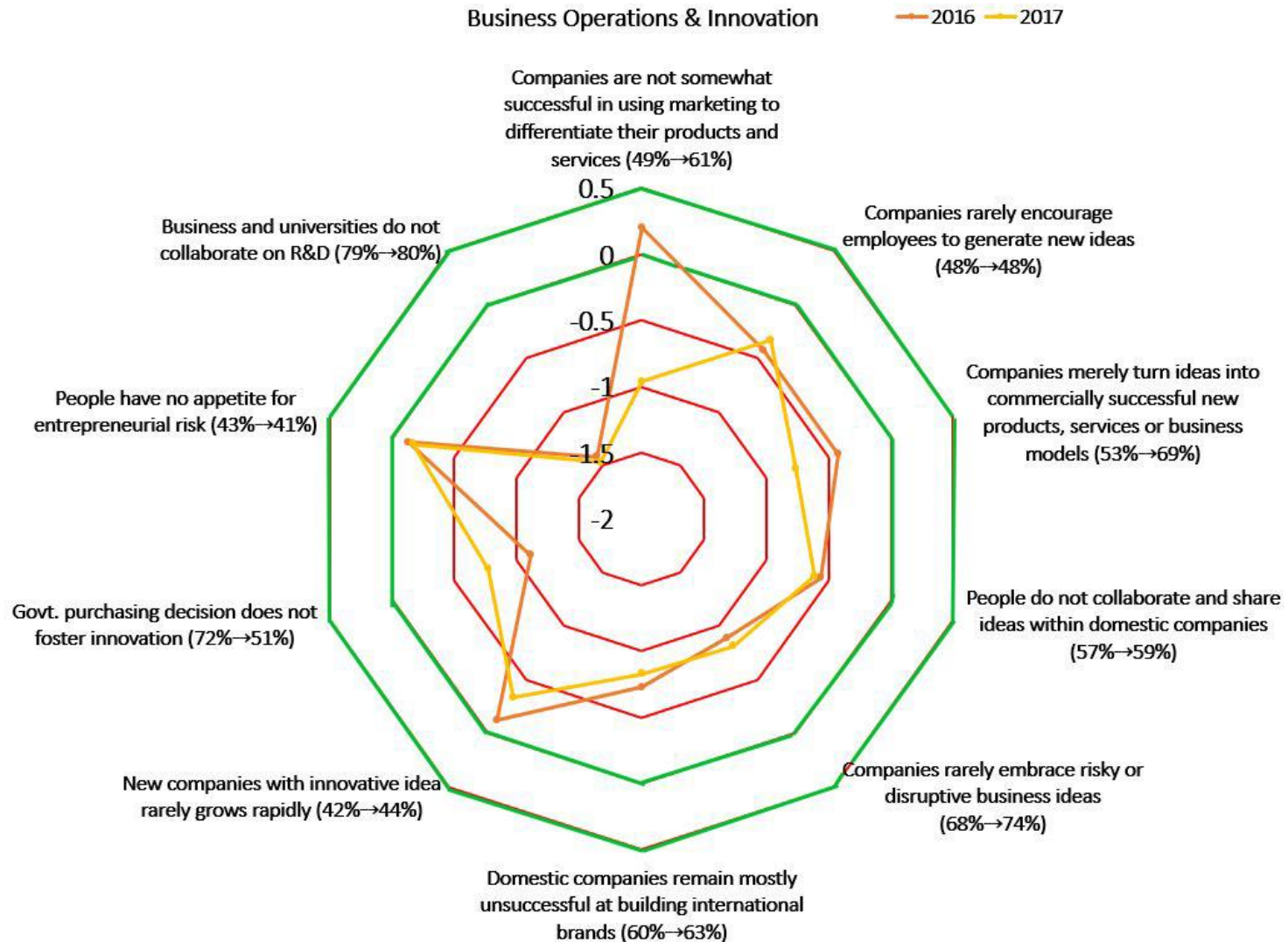
V.VI Domestic Competition

- Domestic competitive environment is perceived to be deteriorated in 2016
 - Major deterioration in perception is observed in case of: intensity of competition (69%; good); less competitive professional services (35%; good); less competitive retail services (56%; good); and poor competitive network (37%; good)
 - There is significant drop in the perception on business practices such as buyers' decision to purchase based on price only (59%; worse), limited availability (31%; good) and poor quality of local suppliers (30%; good); promotion of competition by anti monopoly policy (69%; worse) and existence of undeclared and unregistered economic activities (51%)
- Entrepreneurs' perception has improved on number of issues
 - Well-developed and deep clusters which somewhat are growing (42%; good); and less dominance of corporate activity by few businesses to some extent (63%; bad).
- Improvement of competitive environment in the domestic market needs to be ensured in order to create enabling business environment for all categories of enterprises
 - Ensuring competition by implementing relevant rules and regulations such as effective enforcement of 'The Competition act'

V.VII Business Operation and Innovation



V.VII Business Operation and Innovation



V.VII Business Operation and Innovation

- The overall rank and score of business sophistication have improved in 2016
 - 5 out of 9 indicators are found to be improved, 3 declined and 1 unchanged
 - Noticeable changes observed in case of: state of cluster development, value chain breadth and willingness to delegate authority to the juniors
 - Rank dropped in case of: quantity of local suppliers, control of international distribution network and extent of marketing
- Entrepreneurs' perceptions show positive changes in 2016 in few cases
 - Limited presence of companies in the value chain (41%, bad); limited innovative capacity of companies (41%); and government purchase decisions influence innovation at a low level (51%; bad)
 - Improvement in corporate governance as senior management positions are relatively less held by relatives and friends (42%; good)
- Negative changes in the perception are observed in number of cases
 - Unsophisticated production process (48%; bad); lack of willingness to delegate authority (46%; bad); less accountability of management to investors (37%; good); and almost non-existence of R&D collaboration between businesses and universities (80%; worse)
 - Lack of success of companies in using marketing to differentiate products/services (61%; bad); companies merely turn ideas into commercially successful new products or business models (69%; bad)

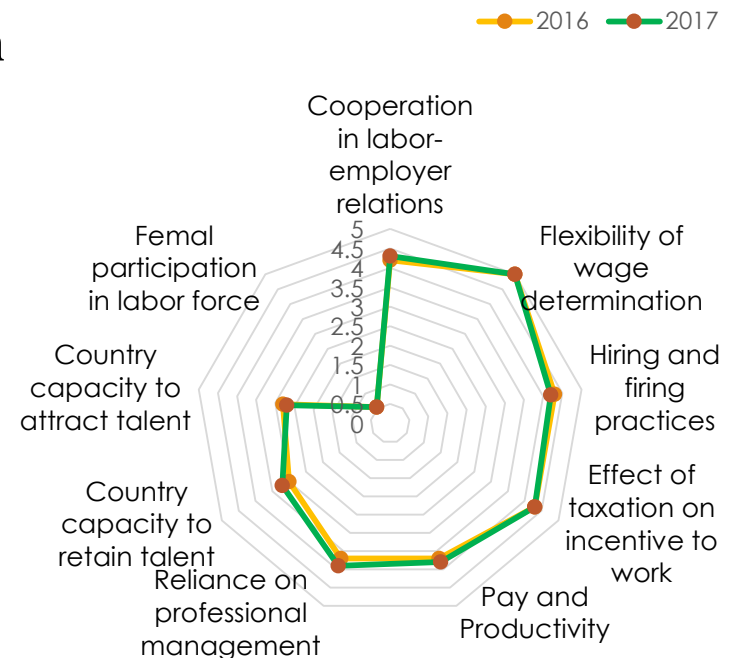
V.VII Business Operation and Innovation

- Besides, entrepreneurs are somewhat not so positive on number of issues
 - Domestic companies remain unsuccessful at building international brands (63%; bad); people have less appetite for entrepreneurial risks (41%; bad); and customers are less well-treated by companies (42%; bad)
- A number of new issues have been added where perception is mostly negative.
 - 51% of the respondents expressed that companies do not employ a diverse workforce.
 - 49% of the respondent opined that companies do not invest in emerging new technology.
- Besides, corporate sector needs to put due attention on following issues
 - Improvement in corporate governance, expansion of corporate practices, further increase of presence in the global value chains, more spending on R&D, develop the culture of business-university collaboration and develop the capacity to innovate and to develop new ideas
 - Lessons from advanced developing countries would be useful

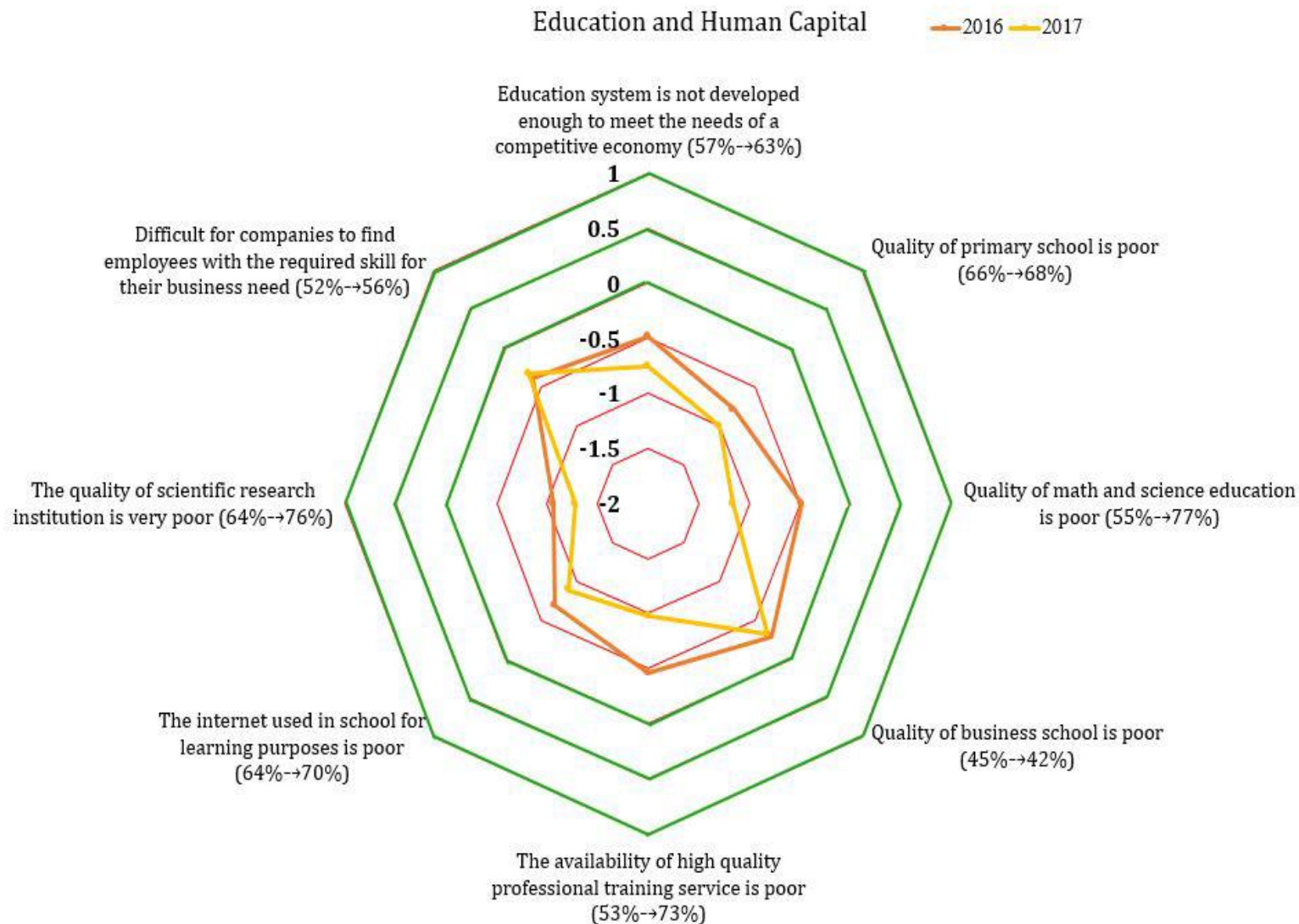
V.VIII Labour Market Efficiency

- Bangladesh's labour market is least efficient.
 - Almost no change in the rank and score in 2017
 - Ranks in most of the indicators are in the lowest quartile
- Positive perception is observed in following cases:
 - Flexibility of wage determination, hiring and firing practices and cooperation in labour-employer relationship
- Negative perception is prevailed in following cases:
 - Female participation in labour force, limited capacity to attract talented people, less reliance on professional management, and weak pay and productivity relationship issues

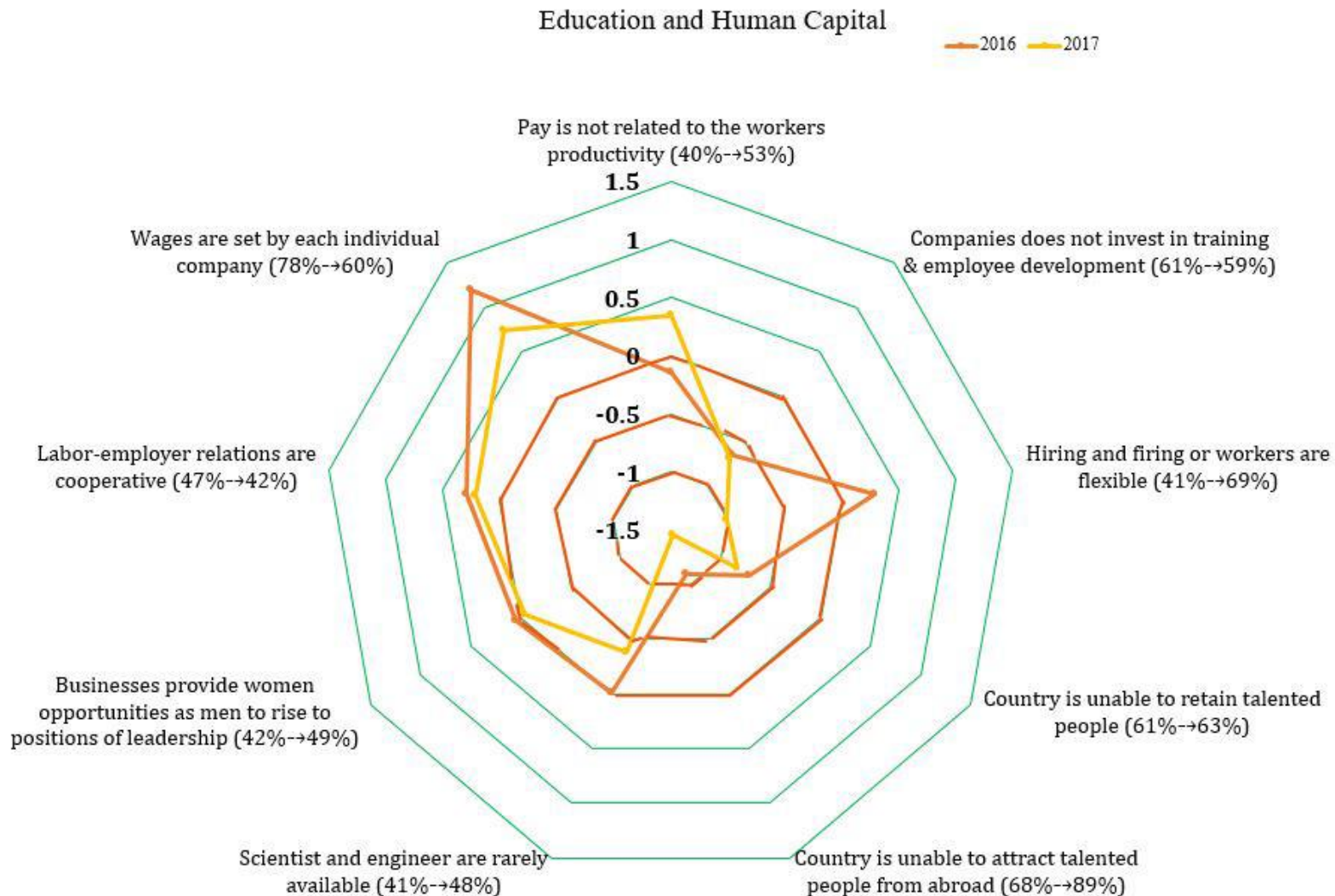
Labor Market Efficiency 2016-17



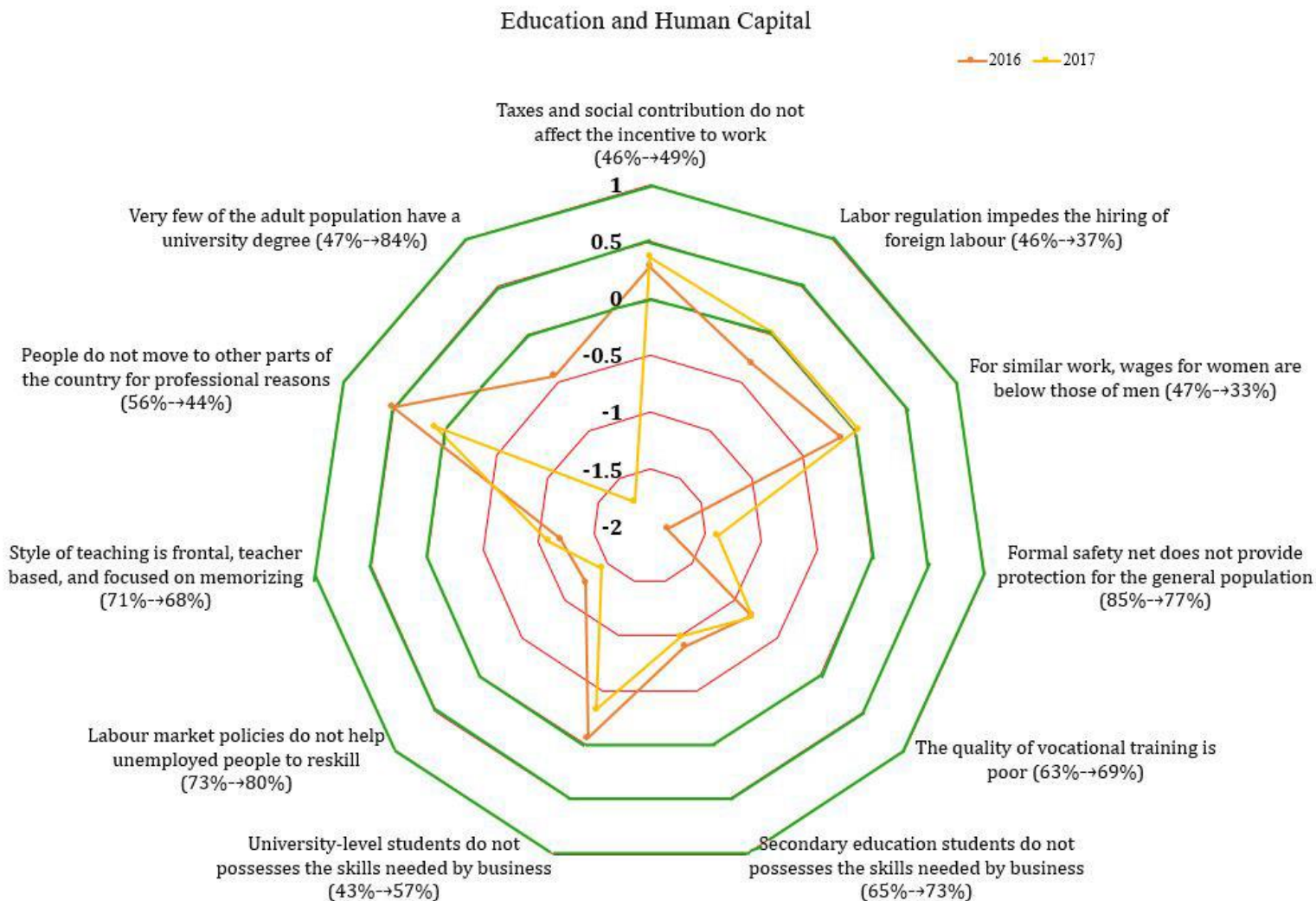
V.IX Education and Human Capital



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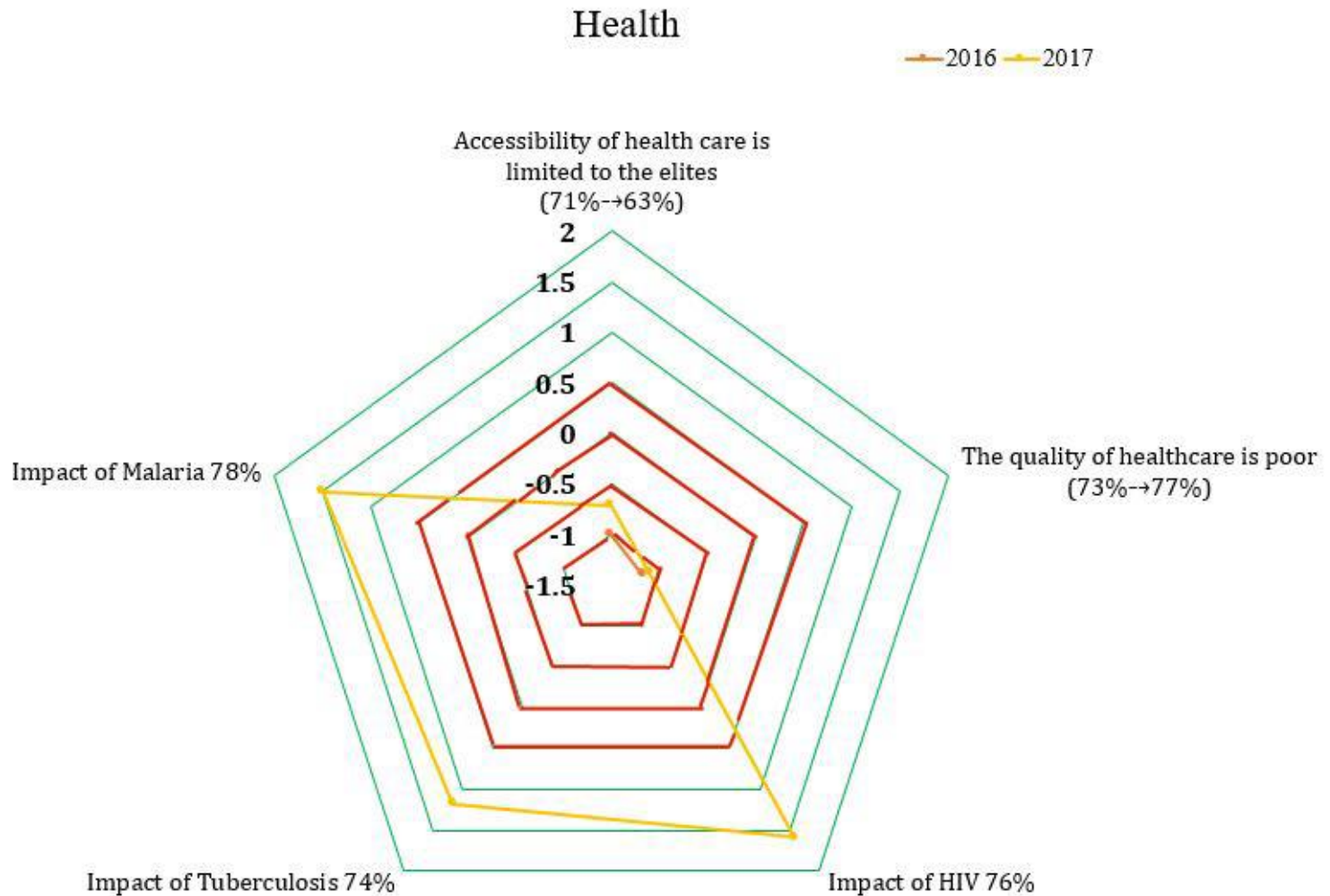
V.IX Education and Human Capital

- The country's education system could not come out from systematic challenges
 - 63% respondent mentioned that education system is not developed enough to meet the needs of a competitive economy.
- Key indicators related to quality of education are perceived to be poor and perception level is deteriorated
 - Quality of primary school (68%; bad), quality of math and science education (77%; worse), quality of business school has been further deteriorated and internet used in school for learning purposes is poor (70%, worse); low quality of scientific research institutions (76%, worse), availability of high professional training service(73%; bad) are other weaknesses
 - Some improvement is observed in perception: quality of vocational training (69%; worse)
- Businessmen frustrated that the country is unable to retain talented people (63%; bad) as well as unable to attract talented people from abroad (89%; worse).
 - Scientist and engineers are rarely unavailable (48%,bad).
 - 80% of the respondent observed that very few adult people have a university degree which constrained recruiting educated professionals

V.IX Education and Human Capital

- Entrepreneurs are facing difficulties in worker related issues
 - 56% of the respondents mentioned that companies faces difficulties to find employees with required skills for their business need
 - 59% of the respondent mentioned that companies do not invest in training and employee development.
 - 49% of the respondent opined that businesses do not provide women similar opportunities as men in the leadership position (bad). Similarly wage differences is still against women though the situation has improved (33%)
 - Labour-employers relationship is somewhat cooperative but it has slightly declined in 2016 (42%)
 - Labour market policies do not help unemployed people to reskill as mentioned by the 80% of the respondents
- Education sector needs to put more focus on quality and skill-oriented professional development with a view to meet the need of the businesses
 - Higher allocation of public resources (only 2.7% of GDP in RBFY17) in secondary and tertiary levels, technical and vocational training are urgently needed
 - Collaboration between businesses and technical schools and universities needs to be established
 - Hiring skilled professionals from domestic labour market should be encouraged

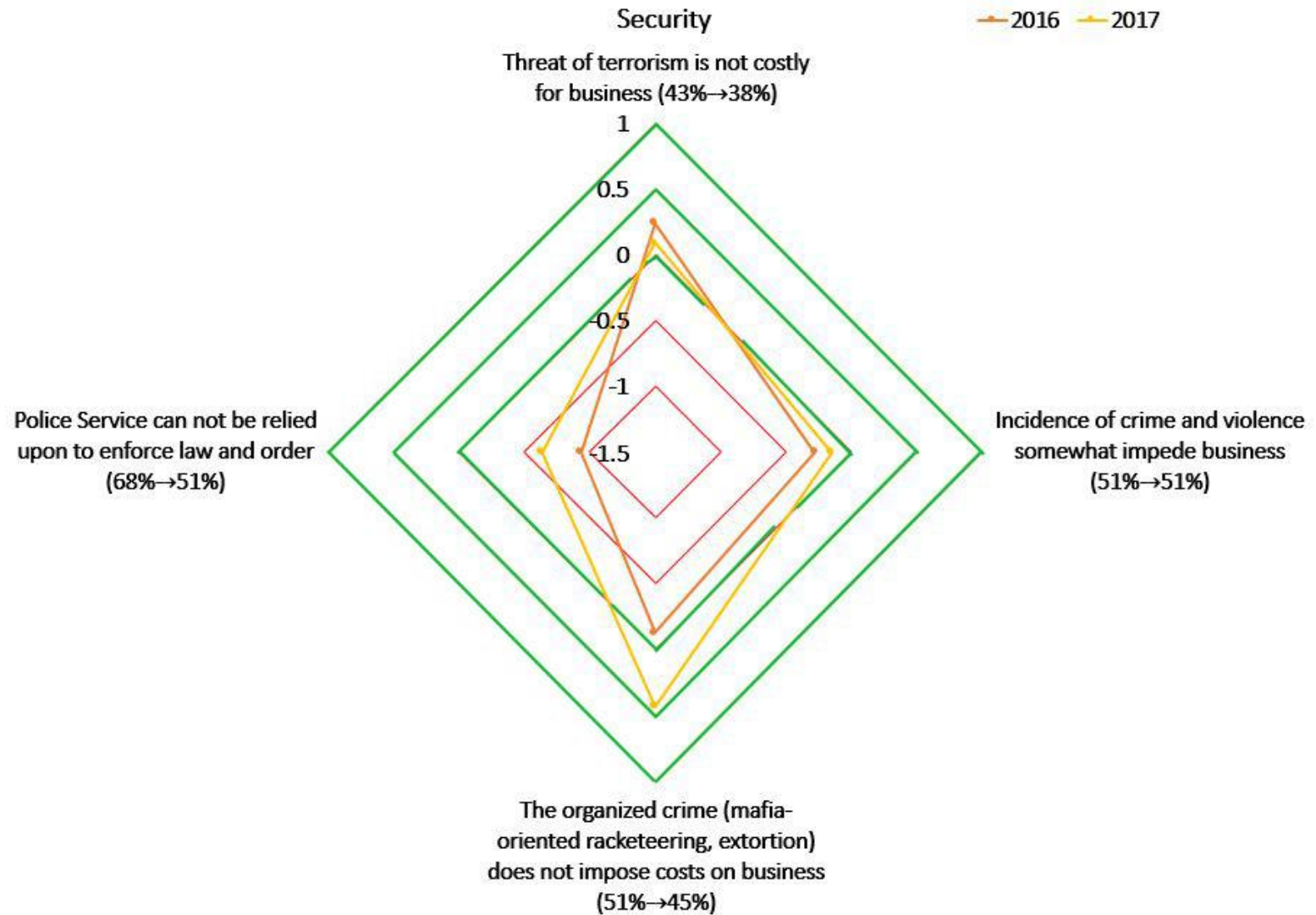
V.X Health



V.X Health

- Perception on health related issues is somewhat positive in 2016.
 - 63% respondent mentioned that accessibilities of health care is limited for elites but shows some improvement
 - 77% perceived that quality of health care is still poor
- Some life-threatening diseases have adverse impact though at limited scale such as impact of HIV (76%), malaria (78%) and tuberculosis (74%).
- Allocation in the health sector in terms of GDP is still much lower though it has marginally improved in recent years (0.75% of GDP in RBFY17)
- Inadequate investment in the health sector leads to poor access to public health, and poor quality of health related issues.
 - Public investment should increase in the health sector as per requirement
 - Public health care facilities should be improved

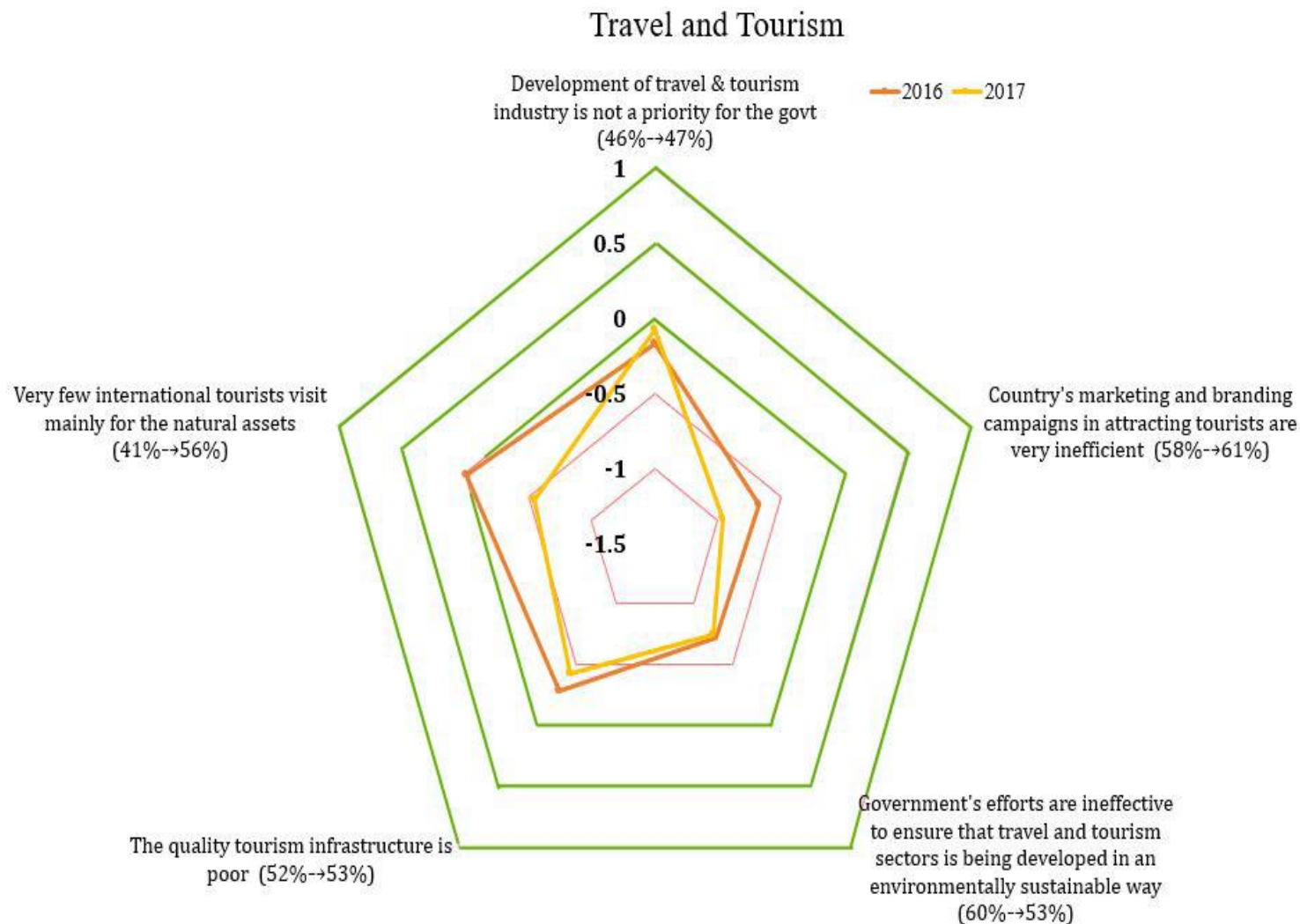
V.XI Security



V.XI Security

- Perception about security related issues has changed towards positive direction
 - 45% of the respondent specified that the less-organized crime somewhat reduced cost on business but in last year 51% opined that higher organized crime somewhat imposed cost of business.
 - Reliability of police service with regard to enforcement of law and order has slightly improved (51%; bad)
- Threat of terrorism was never a major business concern in Bangladesh
 - Unfortunately, perception is weakened in 2016 as 38% respondents mentioned that terrorism has some adverse impact for doing business
 - Recent rise of religious terrorism in the country could be partly responsible for this. However, actions taken by different law enforcement agencies have been positively considered by the respondents as reliability of police and other law enforcement agencies has improved (51%; bad).
- Security risk is a major concern for businesses now a days particularly those working with international supply chains.
 - Strengthening of the institutional and operational capacity of law enforcement agencies is urgently required in order to counter domestic and cross border terrorism.

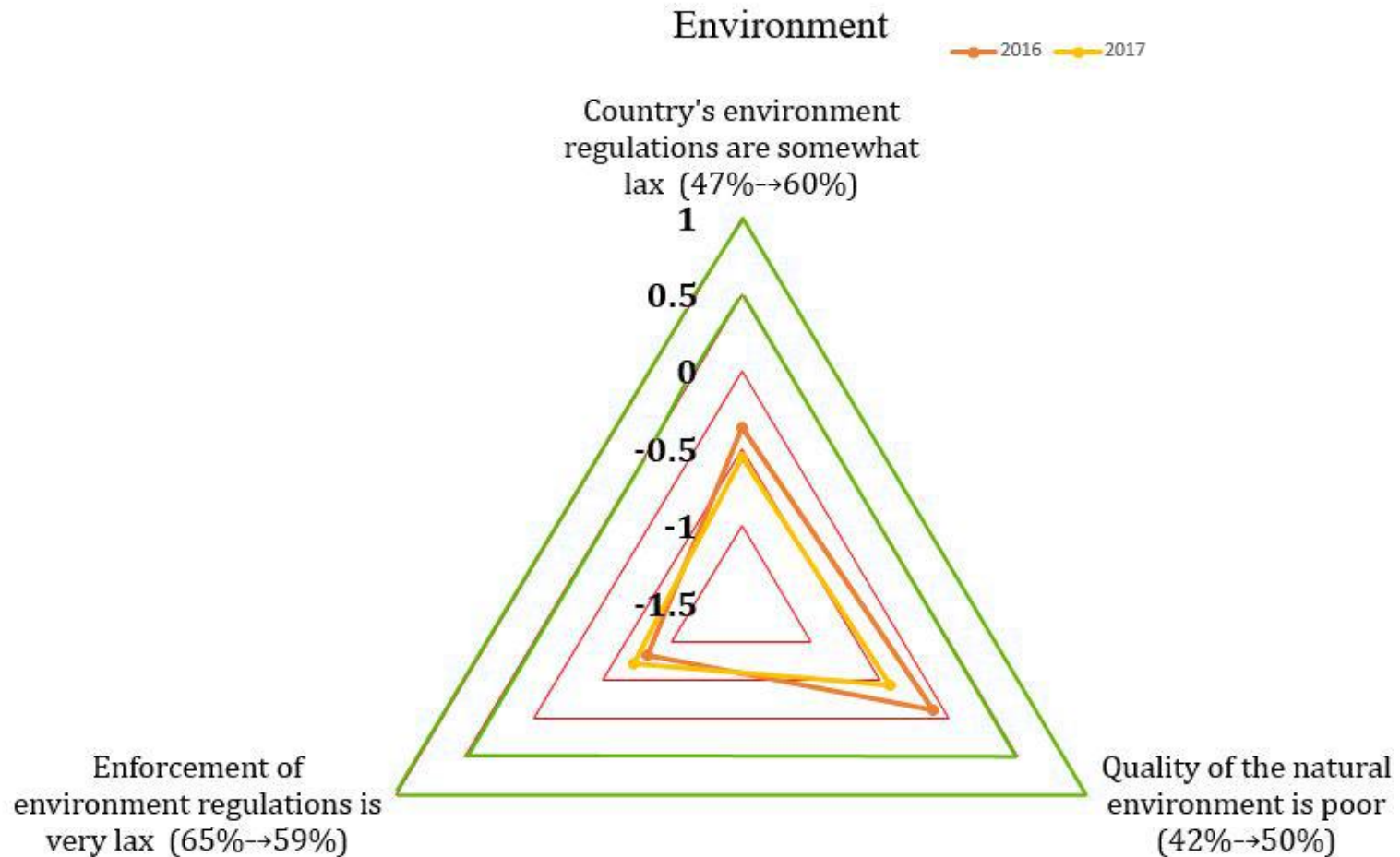
V.XII Travel and Tourism



V.XII Travel and Tourism

- Tourism sector has remained at poor state as it is still not get proper attention in the country.
 - 53% of the respondent asserted that the quality of tourism infrastructure is poor.
 - 61% of the respondent mentioned that country's marketing and branding campaign in attracting tourist is very inefficient.
 - Government efforts are inefficient to ensure developing the tourism sector as environmentally sustainable way as mentioned by 53% of the respondent.
- Despite the announcement for 2017 as the Tourism Year, no major initiatives have been observed to attract tourists in the country
- More allocation and better institutional structure is needed for the development of the tourism sector.
 - Faster implementation of tourist infrastructure related projects should get priority.

V.XIII Environment



V.XIII Environment

- All indicators related to environment are perceived to be 'bad' or 'worse' and perception level has declined in 2016 except one issue
 - Country's environment regulations are somewhat lax (60%) and quality of natural environment is poor (50%) – perception has declined in 2017.
 - 59% of the respondent mentioned that enforcement of the environment regulation is very lax (last year: bad, 66%).
 - Environment is heavily affected due to unplanned industrial activities, lack of enforcement of environmental regulations and limited capacity to regulate laws and regulations.
- More attention is needed from public and private sector with respect to environmental compliance as it will become a major factor for competitiveness in the coming years
 - Bangladesh needs to improve its environmental standard within next decade in order to continue enjoying the benefit of market access after the end of preferential market access as an LDC possibly in 2027

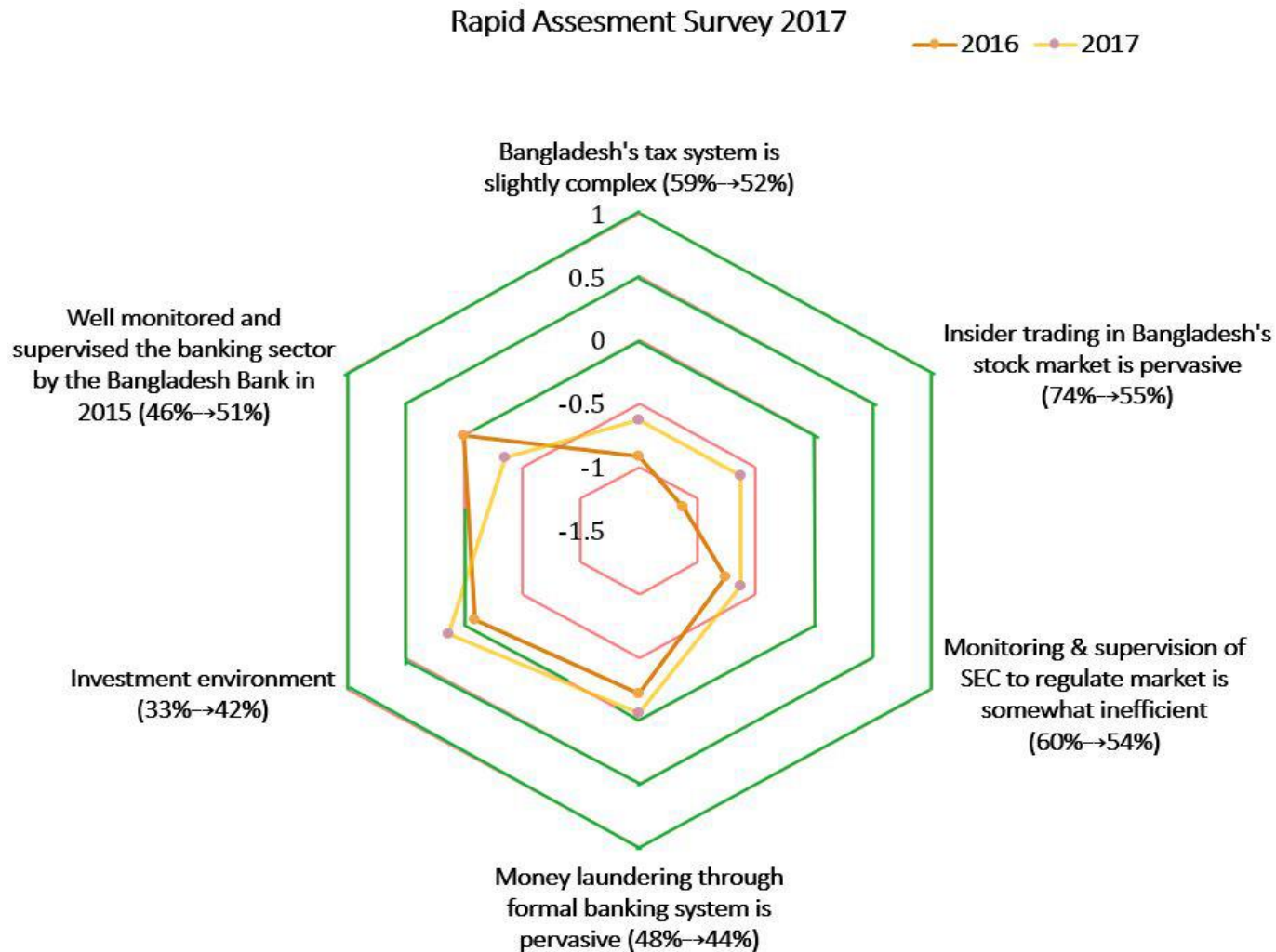
V.XIV Global Risks

- Entrepreneurs have identified top global risks for doing business in Bangladesh within next ten years.
- Risks are changing and new risks are emerging every year
 - Failure of critical infrastructure has been considered as most important global risk as mentioned by 10.5% of the respondents.
 - Unemployment or underemployment is considered as a major challenge by 10.2% of the respondents
 - Energy price shock (8.8%) and failure of national government (7.9%) are other important global risks.
- Others challenges include failure of urban planning (7.6%), failure of climate change adaptation (6.2%), man-made environmental catastrophes (5.1%), terrorist attacks (4.5%) and cyber attacks (4%).

Ranks	Items	Score	Changes in 2017 over 2016
1	Failure of critical infrastructure	10.5%	Deteriorated
2	Unemployment or underemployment	10.2%	Deteriorated
3	Energy price shock	8.8%	Improved
4	Failure of national governance	7.9%	Improved
5	Failure of urban planning	7.6%	Improved
6	Failure of climate-change adaptation	6.2%	Improved
7	Man-made environmental catastrophes	5.1%	New
8	Terrorist attacks	4.5%	New
9	Cyber attacks	4.0%	Improved
10	Extreme weather events	3.7%	New
11	Profound social instability	3.7%	New
12	Failure of financial mechanism or institution	3.4%	Improved
13	Fiscal crises	2.8%	Improved
14	Natural catastrophes	2.8%	Deteriorated
15	Illicit trade	2.5%	Improved

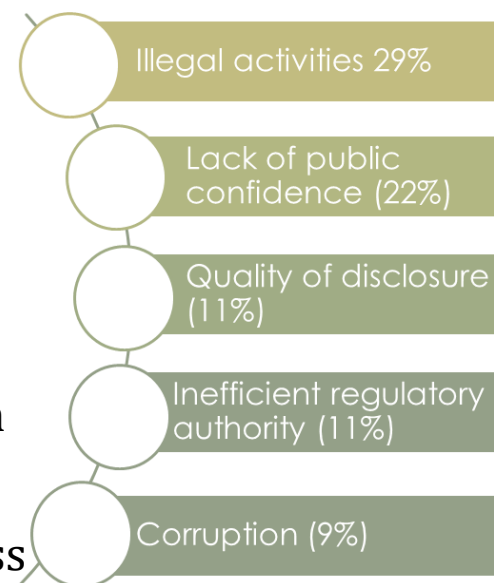
VI. Findings from the Rapid Assessment Survey

VI Findings from Rapid Assessment Survey



VI Findings from Rapid Assessment Survey

- A number of domestic business environment related issues are found to be positive in 2016 and perception level on those issues has improved
 - 42% of the respondent mentioned that investment environment is somewhat positive and it will improve in 2017 over the previous year.
 - Some improvement in perception has been discerned
 - Ease of complexity in tax systems (52%; bad), less pervasive nature of insider trading in stock market (55%; bad), somewhat inefficient monitoring & supervision of SEC (54%; bad), and less pervasive nature of money laundering through formal banking system (44%; good).
 - 51% of the respondent mentioned that monitoring and supervision of the Central Bank has deteriorated in 2016.
- Major challenges with regard to effective operation of the capital market include
 - 29% perceived that capital market is still influenced by Illegal activities
 - 22% mentioned lack of public confidence is a concern
 - 11% replied poor quality of financial disclosure weaken the confidence
 - 11% found inefficient regulatory authority is a weakness
 - 9% found Corruption is a weakness

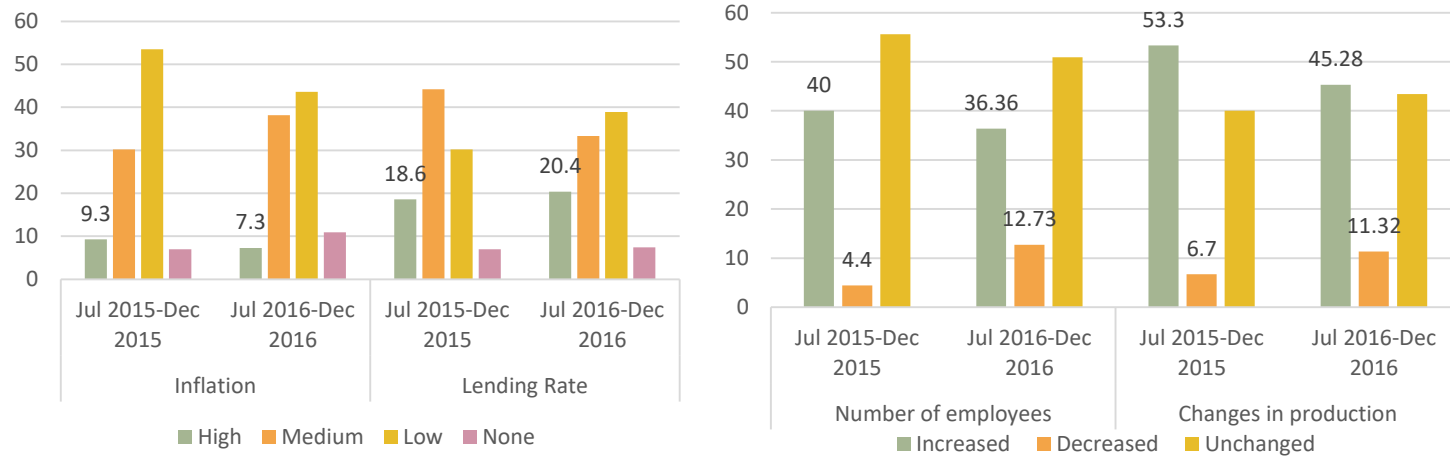


VI Findings from Rapid Assessment Survey

- Perception of some new issues is 'bad'
 - 61% respondents mentioned that implementation of new VAT law in business would be difficult; 44% somewhat not sure about BIDA's service to investors; perception on Bangladesh's international trade and FDI under changing global economic situation (40%) is negative.
 - 45% of the respondents are not satisfied with the pace of work of the fast-tracked projects.
 - 58% were skeptic about SEZs' ability to meet the need of the investors
 - 39% mentioned that appreciation of currency had somewhat adverse impact on businesses

VI Findings from Rapid Assessment Survey

Enterprises' Response on Inflation, Lending Rate, Employment and Production



- Inflation has moderate to low level of impact on firms' operating cost in H1 of 2017 vis-à-vis that of 2016.
 - Banks' lending rate is still a concern for business as impact is dispersed across high, medium and low levels
 - Number of employment in the respondent enterprises did not increase much and same is found in case of production.

VII. Conclusion

VII. Conclusion

- Global economy is passing a period of uncertainty which results in changes in the global competitiveness particularly of developing countries
 - Three key lessons for this year: a) vulnerability of the financial sector; b) rising innovative capacity of developing economies and c) 4IR era demands both labour market flexibility and worker protection
- Bangladesh has entered the top 100 country club for the first time- its rank has jumped from 106th to 99th
 - Gaining considerable score in 'Basic requirement': Infrastructure and institutions
 - Weaknesses in 'efficiency enhancers' has been continued despite some improvement; future competitiveness hinges on improvement in following issues: a) financial sophistication, b) technological readiness, c) higher education and training and d) labour market efficiency
- Corruption once again become the most problematic factor despite some improvement in perception: inadequate infrastructure continues to be a major concern though its position has dropped
 - Surprisingly a new set of issues have been considered more problematic for business: a) Inefficient government bureaucracy, b) Inadequate educated workforce and c) Poor work ethics

VII. Conclusion

- Improvement in perception on governance and institutions is a pleasant surprise though still at a low level
 - Reform in the public sector and strengthening the effort to curb corruption is urgently needed
- Bangladesh is laggard in technological readiness
 - Despite various efforts, IT is still not been considered as mainstream instruments for businesses, government and corporate activities
 - More Investment in the IT sector and quick implementation of key IT related ADP projects are important
- Countries financial sector stuck at a 'low level equilibrium trap' and least effort has been given to improve that
 - Major overhauling is required in terms of regulations, management and operations - both at public and private banks as well as at insurance companies
- Foreign trade and investment has been confronted with growing inefficiency in logistics, transport and cargo handling facilities in port
 - Need to improve exiting transport and logistic facilities

VII. Conclusion

- Lack of domestic competitive environment is a major area of concern for creating equal opportunity for all
 - Growing concentration of businesses; limited and poor quality of local suppliers, lack of effectiveness of anti-monopoly policy – are concerning areas
 - Ensuring competition by implementing relevant rules and regulations such as ‘The Competition act’
- The country’s education system could not come out from systematic challenges
 - Education sector needs to put more focus on quality and skill-oriented professional development with a view to meet the need of the businesses
- Entrepreneurs are hopeful that investment environment is somewhat positive and it will improve in 2017 over the previous year.
 - Some improvement in tax system, stock market and money laundering related activities
 - Further improvement in supervision and monitoring of the Central Bank and SEC is needed
 - Necessary amendment of Bank Company Act and other laws to curb high amount of classified loans, full and effective implementation of FRA and stern action against illegal activities need to be increased

VII. Conclusion

- Bangladesh should gradually put focus on competitiveness requirement of an 'efficiency driven' economy (from the existing factor-driven economy)
 - Country's long term policies and measures should be directed towards accommodating those requirements
 - Businesses should gradually put emphasis on efficiency and productivity in the production process by changing composition of technology and labour
- Bangladesh is losing valuable time to undertake second generation reform measures addressing enhancing efficiency and productivity of the economy.

Thank you