

Press Briefing on

Release of

The Global Competitiveness Report 2019 and

The Bangladesh Business Environment Study 2019

Presentation by

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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 19th 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 15th year
- Major objectives of the press briefing are
 - To release WEF's *Global Competitiveness Report 2019* in Bangladesh. The report is being globally launched today
 - To report the state of competitiveness of Bangladesh in 2018
 - To give voice to concerns as regards business environment in Bangladesh

II. Methodology

II. Methodology

GCI 4.0

- The new GCI 4.0 provides a much-needed compass for policy-makers and other stakeholders to bridge long term solutions through short term business and government perspectives.
 - It offers guidance on what matters for long-term growth.
 - It can inform policy debates and help shape economic strategies and monitor progress.
- Like its predecessor, the GCI 4.0 assesses competitiveness through the factors that determine an economy's level of productivity—widely considered as the most important determinant of long-term growth and income.
- The GCI 4.0 framework is organized into 12 main drivers of productivity, or 'pillars' (Figure 1).
 - It places a premium on factors that will grow in significance as the 4IR gathers pace: human capital, agility, resilience, and innovation.

II. Methodology

GCI 4.0

- **Pillars:** GCI still have 12 pillars of competitiveness, but pillars have been reorganised, repurposed and names have changed
- **Indicators:** GCI EOS survey will no longer have “health, travel & tourism, environment”
- **Relative weight of Executive Opinion Survey:** From 70% weight on specialized organised data to 30% weight on EOS data.

Figure 1: 12 Pillars of Global Competitiveness index 2019

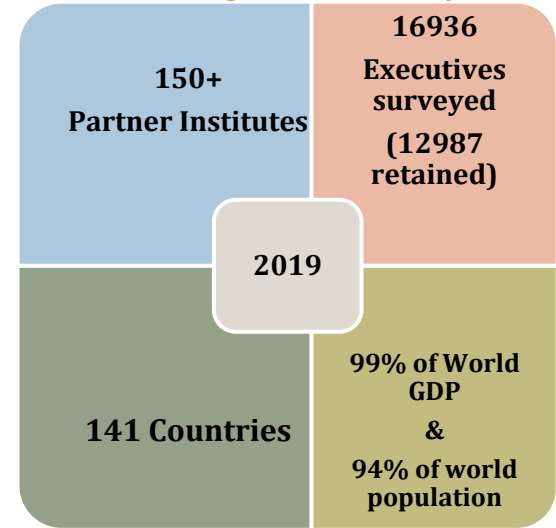


II. Methodology

Executive Opinion Survey (EOS)

- The survey is conducted across the world in 141 countries
 - By a standard survey questionnaire.
 - **Inclusion of countries:** Barbados (77), Gabon (117) and Madagascar (132)
 - **Exclusion of countries:** Liberia (132), Sierra Leone (134)
- The survey tool (EOS) covers a total of 11 issues:
 - Governance, infrastructure, technology, education and human capital, financial system, business operations and innovation, domestic competition, foreign trade and investment, security and risks
- **Number of respondents:** 77 in 2019 (93 in 2018)
 - Most of the companies are private-owned and based in Dhaka, Narayanganj, Chattogram & Gazipur.
- **Survey period:** February to April 2019
- **Reference period:** January to December 2018

Global Coverage of EOS Survey, 2019



Sectoral Coverage of EOS Survey in Bangladesh, 2019

Sectors Covered	
Total	77 (100%)
Agriculture	4 (5.2%)
Industry (manufacturing)	32 (41.6%)
Services	34 (44.2%)
Industry (non-manufacturing)	7 (9.0)

II. Methodology

Assessment of GCI 4.0

- The Global Competitiveness Index (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
- All index has equal weight: 8.3% for each index
- To allow the aggregation of indicators of different nature and magnitude, each indicator entering the GCI is converted into a unit-less score
 - Called 'progress score', ranging from 0 to 100 using a min-max transformation.
- In order to provide a point of reference against which to compare the inaugural edition of the Global Competitiveness Index 4.0, the index was computed for 2017.

II. Methodology

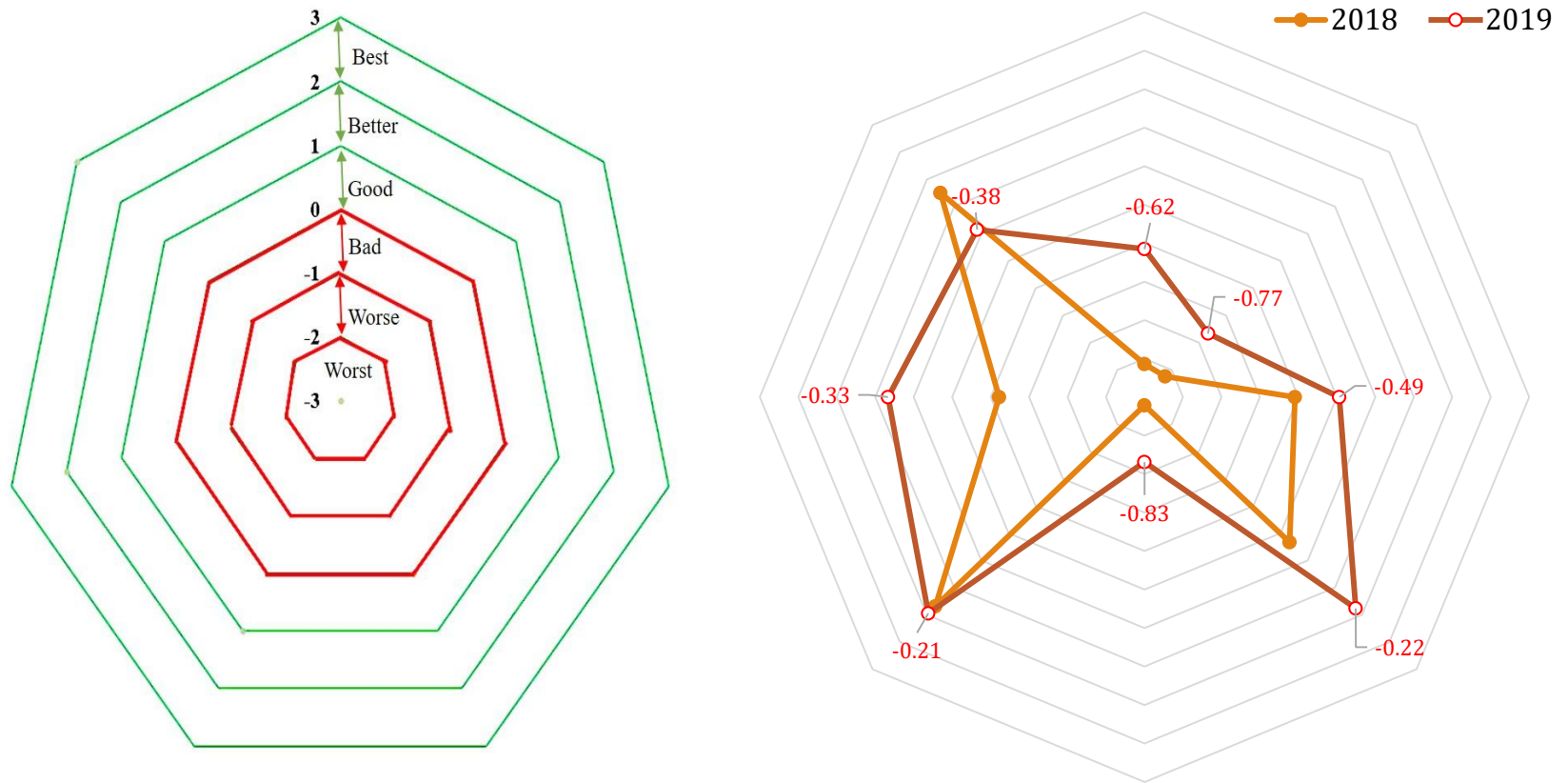
Assessment of GCI 4.0

- 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 (1% and 5% level of significance)

II. Methodology

- Radar Diagram is used to figure out changes in the perception on different issues between 2018 and 2019.

Hypothetical Radar Diagram Presentation



III. Global Competitiveness Report 2019: Major Findings


III. GCR 2019: Major Findings

GCI ranking of top 10 countries

- **Top rank:** Singapore ranked top in 2019 by crossing USA which was in top in 2018.
 - Hong Kong SAR and Netherlands made significant improvement in their rankings by reaching 3rd and 4th positions respectively from their earlier positions of 7th & 6th in 2018.

- **Position improved:** Singapore (1st), Hong Kong SAR (3rd), Netherlands (4th) & Sweden (8th).

- **Position declined:** USA (2nd), Switzerland (5th), Japan (6th), Germany (7th) and United Kingdom (9th).

GCI Ranking of Top 10 Countries			
Countries	2018	2019	Change
Singapore	2	1	
United States	1	2	
Hong Kong SAR	7	3	
Netherlands	6	4	
Switzerland	4	5	
Japan	5	6	
Germany	3	7	
Sweden	9	8	
United Kingdom	8	9	
Denmark	10	10	

III. GCR 2019: Major Findings

- **Singapore's** success hinges on number of issues
 - Singapore improves from an already high base on 10 of the 12 pillars, and its score on every pillar is between 4 and 19 points higher than the OECD average.
 - The country ranks first on the Infrastructure pillar (95.4), where it also ranks first for road quality infrastructure, efficiency of seaport and airport services, and sea transport connectivity.
 - It also tops the health (100), labour market (81.2) and financial system pillars (+2.0 points, 91.3), and achieves a nearly perfect score for macroeconomic stability (+7.1, 99.7, 38th).
 - Singapore ranks 2nd (80.4) for the quality of public institutions, behind Finland, but its performance is undermined by limited checks and balances (65.9, 23rd)—Singapore notably ranks 124th on the freedom of the press Index—and lack of commitment to sustainability (63.5, 66th).
 - Singapore will need to promote entrepreneurship and further improve its skills base, albeit from a relatively high base (78.8, 19th).

III. GCR 2019: Major Findings

- The **United States** ranks 2nd this year, dropping one place. Uncertainty among business leaders affects the performance of nine of the GCI's 12 pillars this year, yet some areas register a more noticeable drop.
 - In particular, within the Product market pillar, domestic competition is six points lower than in 2018 and trade openness is more than four points lower.
 - With respect to Human Capital, the Health conditions (55th) pillar lost 3.5 points and Skills (9th) lost 3.8 points in score since last edition.
 - Within the Labour market pillar (4th), business leaders rate re-skilling programs as less effective (12.2 points lower) and regulations on hiring foreign labour more restrictive 31st (-7.8 points).
- Despite an overall weaker performance this year, the United States remains one of the most competitive economies in the world.
- It is still an innovation powerhouse, ranking 2nd on the Innovation capability pillar and 1st in terms of Business dynamism, boasting the second-largest market, and home to one of the most dynamic financial systems in the world.

III. GCR 2019: Major Findings

- The **Netherlands** overtakes Germany as the most competitive country in Europe.
 - With a score unchanged from last year (82.4), the Netherlands owes its rank progression to the declining performance of both Germany and Switzerland.
- The country's own performance is consistently strong across all pillars, and it appears in the top 10 of six of them.
 - In particular, it receives high marks for macroeconomic stability (100), health (94.2, 21st) and infrastructure quality (94.3, 2nd).
- The innovation ecosystem is well developed, thanks to a highly skilled workforce (84.6, 4th), vibrant business dynamism (80.6, 2nd , just behind the United States and advanced innovation capability (76.9, 10th).
- The institutional framework is among the best in the world (78.6, 4th), too, scoring high in every aspect.
 - This includes security (90.1, 17th), checks and balances (81.1, 3rd), efficiency (77.1, 5th) and commitment of the government to sustainability (88.6, 3rd).

III. GCR 2019: Major Findings

Performance of Selected Asian Countries

- Most of the selected Asian countries have lost their positions.
 - Majority countries have been confronting ups and downs in their rankings in last three years.
- Malaysia has set down by two ranks in 2019 (27th) but it has continued to maintain its lead in the East Asia and the Pacific region
- China's position remained unchanged (28th)
 - China leads among the BRICS economies ahead of Russia (43rd), India (68th), South Africa (60th) & Brazil (71st).
- **Ranks improved** in some of the South East Asian countries: Viet Nam (10 positions) & Cambodia (4 positions).
 - **Ranks declined:** Malaysia (2 positions), Thailand (2 positions), Indonesia (5 positions), and Philippines (8 positions).

Ranking of Selected Asian Economies

Economy	2018	2019	Change
Malaysia	25	27	
China	28	28	
Thailand	38	40	
Indonesia	45	50	
Philippines	56	64	
Viet Nam	77	67	
India	58	68	
Sri Lanka	85	84	
Bangladesh	103	105	
Cambodia	110	106	
Nepal	109	108	
Pakistan	107	110	

III. GCR 2018-2019: Major Findings

Performance of Selected South Asian Countries

- Most of the South Asian countries have lost their positions except Sri Lanka and Nepal
 - Both the countries jumped by 1 positions (84th & 108th)
 - Rest of the South Asian countries slipped by as high as 10 positions in case of India, two positions in case of Bangladesh and three position in case of Pakistan.
- **India's** ranks drop is only partly the consequence of a relatively small decline in score (61.4, -0.7 points), but also, and more significantly, the progress made by several countries ranked close to India: Colombia, Azerbaijan, South Africa and Turkey.
 - Along with Brazil (71st, 60.9), it is among the low-performing BRICS
- India ranks beyond 100th on five pillars and features in the top 50 of just four pillars.
 - It does rank high on macroeconomic stability, market size.
 - Its financial sector (69.5, 40th) is relatively deep and stable but weakening in the soundness of the banking system (60.4, 89th).
- India performs well when it comes to innovation (50.9, 35th), but behind in ICT adoption (31.1, 120th) but has improved sharply.

III. GCR 2018-2019: Major Findings

- **China** is by far the best performer among the BRICS economies.
 - China's strengths obviously include the sheer size of its market (100, 1st, when combining the domestic and export markets) and macroeconomic stability (98.8, 39th).
- China's performance is almost on par with OECD standards in some areas
 - China outperforms 25 OECD countries on the ICT adoption pillar.
 - Infrastructure is also well developed (77.9, 36th).
 - China has been rapidly increasing its innovation capability (64.8, 24th). The country's innovation ecosystem would benefit from a more efficient, more open and fairer domestic market (57.6, 54th).
- The functioning of the labour market is severely undermined by insufficient workers' rights protection, rigidities in wage determination and redundancy, conflictual industrial relations, low participation of women, high tax on labour, and lack of internal mobility.
- Educational institutions as well as businesses are struggling to keep up with evolving skills needs of the economy (64.1, 64th).
- Of all pillars, Institutions is the weakest (56.8, 58th).

IV. Bangladesh in Global Competitiveness Ranking in 2019

IV. Bangladesh in Global Ranking 2019

- Bangladesh has slipped two positions and ranked 105th out of 141 countries in 2019 (it's rank was 103rd in 2018 out of 140 countries).
 - Overall score has remained unchanged (52.1)
 - Bangladesh's rank would slipped one position if same set of countries for 2018 were considered
- Bangladesh's competitiveness has been declined in 10 out of 12 pillars
 - Significant deterioration in ranks observed in case of macroeconomic stability (-7 positions), labour market (-6 positions), ICT adoption (-6 positions) and infrastructure (-5 positions).
 - Its position has improved in case of product market (+4 positions) and health (3 positions).
- It is **ranked among top 50 countries** only in one pillar: market size (36th)
 - **Ranks between 50-100 (2)**: macroeconomic stability (95th) and health (93th)
 - **Ranks above 100 (9)**: institutions, infrastructure, ICT adoption, education and skills, product market, labour market, financial market, business dynamism and innovation.

IV. Bangladesh in Global Ranking 2019

- **Bangladesh's weakest positions** are in business dynamism (121st), labour market (121st), product market (119th) and skills (117th). Main concerns are:
 - **Business dynamism:** complex administrative requirements (118th) and weak entrepreneurial culture (114th)
 - **Labour market:** lack of flexibility (121st)
 - **Skills:** current work force (120th), skills of current workforce (123rd) future workforce (114th) and skills of future workforce (111st).

Bangladesh's Performance in Different Pillars

Performance Overview 2019 Key ◇ Previous edition ▲ Lower-middle-income group average □ South Asia average



IV. Bangladesh in Global Ranking

Bangladesh's Rank under New GCI 4.0, 2019

Pillars	2018 (140 countries)		2019 (141 countries)		% change between 2018 & 2019	Change in ranks
	Score	Rank	Score	Rank	Score	
Overall	52	103	52	105	0.0	-2
Institution	46.5	108	46	109	1.1	-1
Infrastructure	53.4	109	51	114	4.7	-5
ICT adoption	39.8	102	39	108	2.1	-6
Macroeconomic stability	72.6	88	73	95	-0.5	-7
Health	71.2	96	72	93	-1.1	3
Skills	44	116	46	117	-4.3	-1
Product market	47.8	123	47	119	1.7	4
Labour market	50.9	115	51	121	-0.2	-6
Financial system	51.8	103	52	106	-0.4	-3
Market size	66.5	36	67	36	-0.7	0
Business dynamism	50	120	50	121	0.0	-1
Innovation	30.6	102	31	105	-1.3	-3

positive changes in score indicate upgrading the performance but positive changes in rank indicate downgrading the rank.

IV. Bangladesh in Global Ranking

Bangladesh's position among top 50 countries		
Indicators	Indicators	Rank
8.12	Labour tax rate %	1*24
9.08	Credit gap %	1*98
10.01	Gross domestic product PPP \$ billions	31
1.23	Government long-term vision 1-7 (best)	33
1.18	Conflict of interest regulation 0-10 (best)	34
7.06	Complexity of tariffs 1-7 (best)	34
2.03	Railroad density km/1,000 km[[2	40
3.04	Fibre internet suscriptions per 100 pop.	49

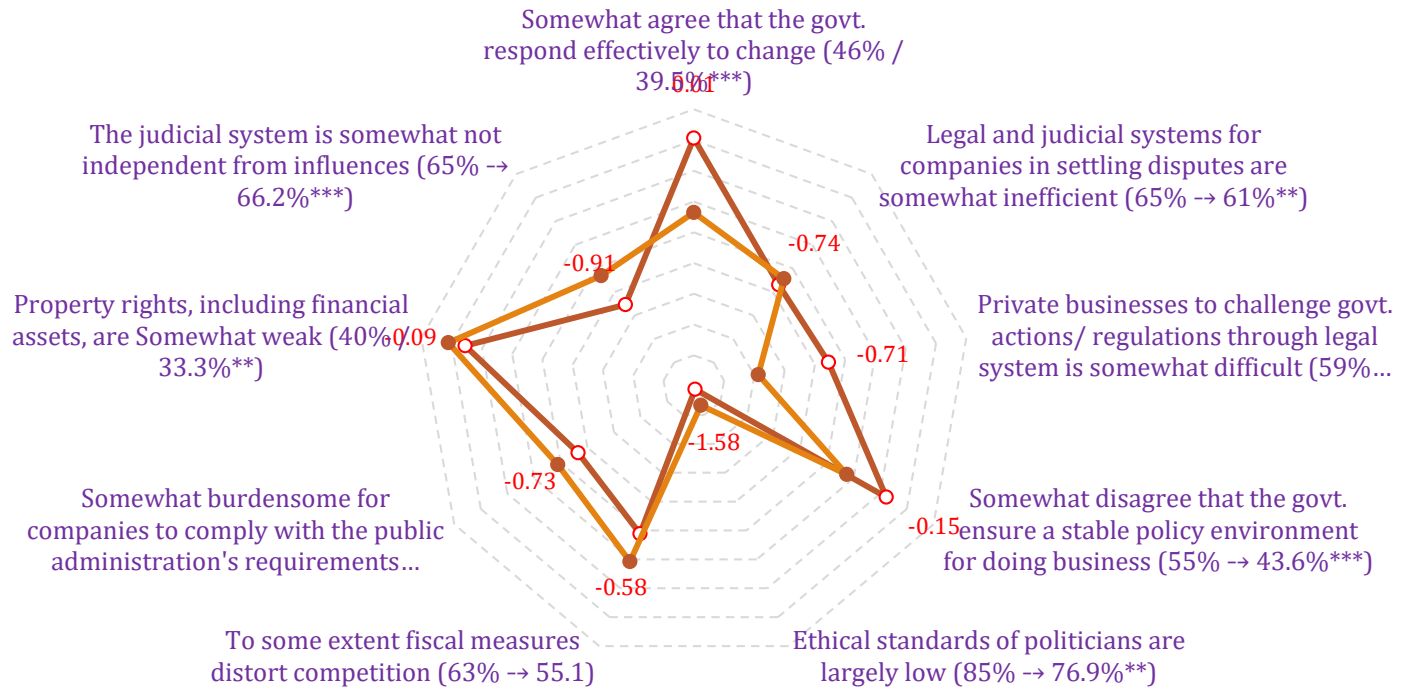
IV. Bangladesh in Global Ranking

Bangladesh's position among 120th and above countries, 2019

Indicators	Indicators	Rank
2.11	Exposure to unsafe drinking water % of population	136
9.09	Banks' regulatory capital ratio % of total risk-weighted assets	136
3.05	Internet users % of adult population	132
1.16	Quality of land administration 0–30 (best)	130
9.06	Soundness of banks 1–7 (best)	130
7.05	Trade tariffs %	130
12.04	Multi-stakeholder collaboration 1–7 (best)	130
11.04	Insolvency regulatory framework 0–16 (best)	129
1.03	Terrorism incidence 0 (very high) -100 (no incidence)	127
8.01	Redundancy costs weeks of salary	127
1.17	Strength of auditing and accounting standards 1–7 (best)	126
1.13	Incidence of corruption 0–100 (best)	125
1.15	Intellectual property protection 1–7 (best)	125
6.03	Quality of vocational training 1–7 (best)	124
1.09	Freedom of the press 0–100 (worst)	123
6.04	Skill set of graduates 1–7 (best)	123

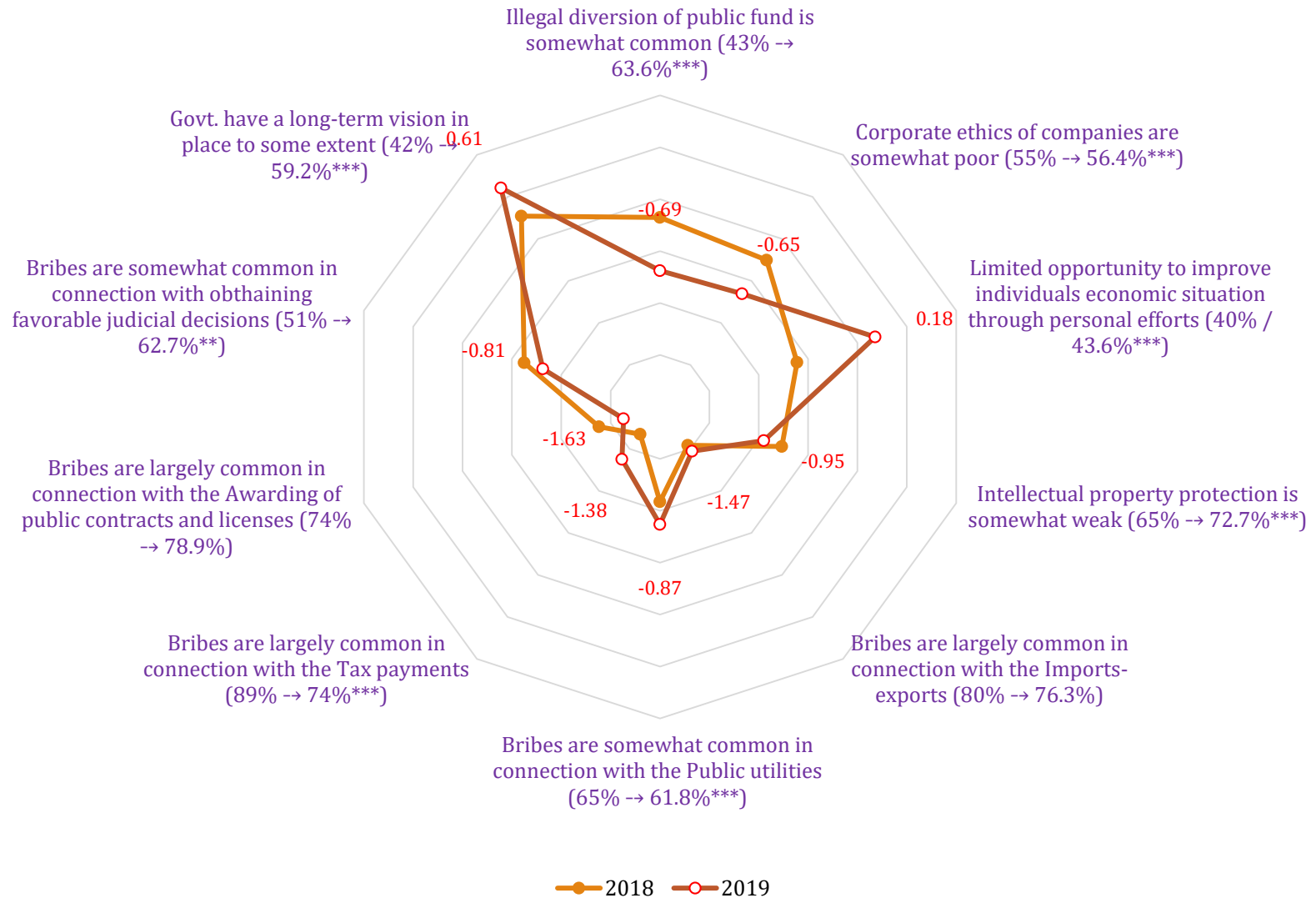
V. Bangladesh's Position under Different Pillars: Detailed Analysis

V.1 Governance



—○— 2019 —●— 2018

V.1 Governance



V.1 Governance

- Institution and governance are the weakest areas in the business competitiveness where majority of indicators perceived to be deteriorated.
 - **Weakest indicators** are bribes for awarding public contracts (78%; -1.6); bribes for export and import (76%; -1.5); bribes in connection with tax payments (74%; -1.4); ethical standards of politicians (77%; -1.6).
 - Extent of corruption has further increased in 2018 which has squeezed scope for doing business particularly for the new entrants and MSMEs
 - Corruption has become a major burden for businesses which reduce competitiveness both in local and global markets.
- Entrepreneurs' perception has **deteriorated in 11 out of 19 indicators**; of which changes in nine indicators are statistically significant.
 - **Illegal diversion of public fund is somewhat common (64%; -0.69); distorting fiscal measures for competition (55%; -0.58)**; judicial system is somewhat not independent from influences (66%; -0.91); bribes in favourable judicial decisions (63%; -0.81); weak intellectual property protection (73%; -0.95); inefficient judicial system for settling disputes (61%; -0.74); and weak property rights (33%; 0.09).
 - Poor corporate ethics (56%; -0.65); bribes for awarding public contracts (79%; -1.63); and burdensome administrative requirements (62%; -0.7)

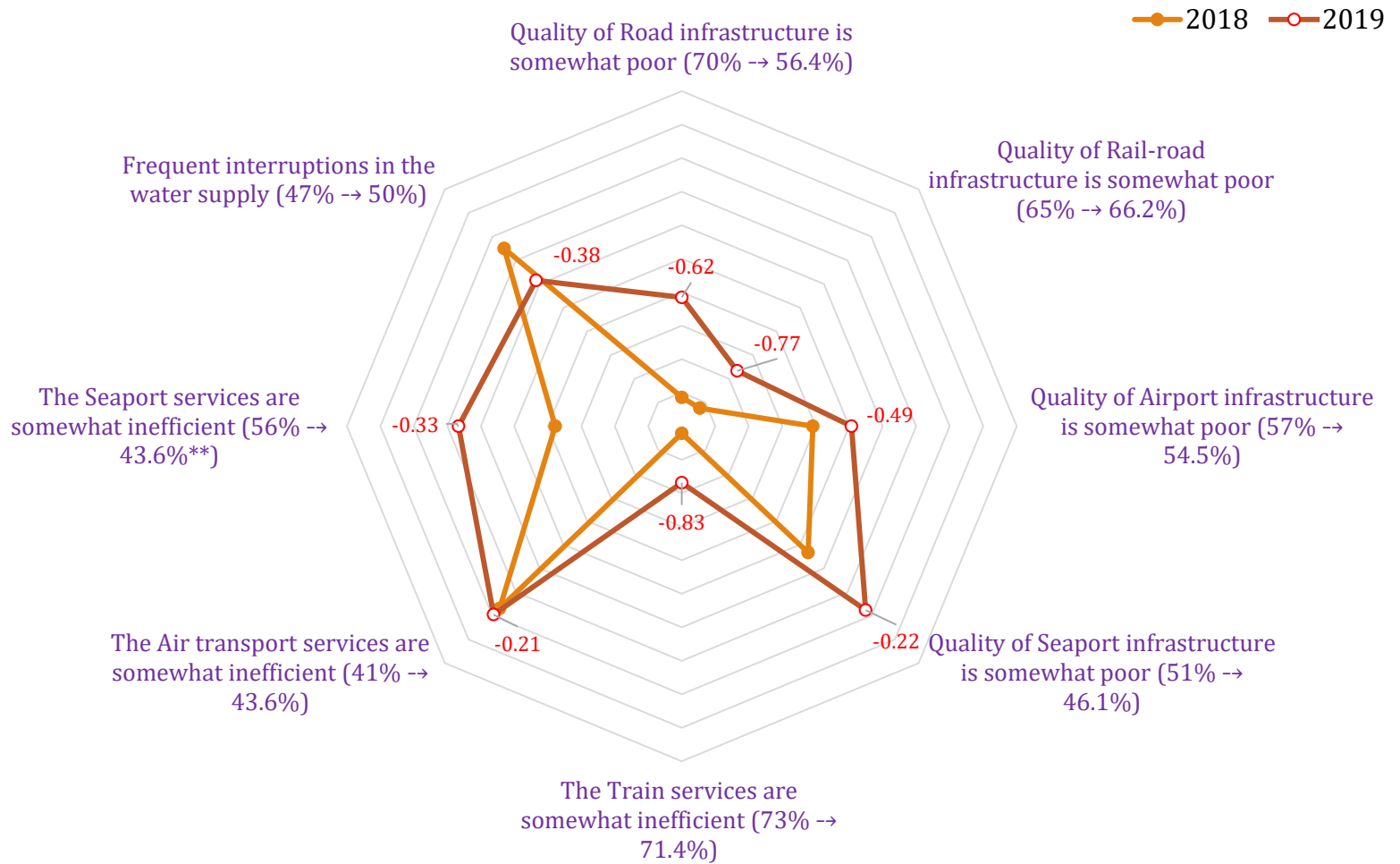
V.1 Governance

- **Enhancing operational efficiency of public institutions requires transparency and accountability mechanism** and efficient dispute settlement process.
 - With growing presence of foreign companies in Bangladesh, public service delivery need to be quicker and should follow accepted global norms and practices.
 - Newly set up institutions such as BIDA, BEZA, Competition Commission, Financial Reporting Council and other public institutions such as NBR, BB, BSEC, MoLE, MoE, MoF, MoC, MoI, MoA and MoJT, BPDB, Petrobangla, Rajuk and CUK need to ensure timely delivery of their services without any illegal practices.
 - BIDA's one-stop service (OSS) needs to cover all essential services; similarly, as promised, BEZA should start the operation of its one-stop service for the new investors.
 - **Public authorities should follow the proper rules and norms in handling the dispute issues of the private** sector particularly those with foreign investors.
 - A mishandling of dispute with foreign companies might raise the concern as regards dispute settlement mechanism of the country.

V.1 Governance

- Entrepreneurs' perception has somewhat improved (though at a lower level) in number of indicators. Some of these changes are statistically significant.
 - Government response to effective changes in public policies (39%; 0.01); ensuring stable policy environment (44%; -0.15); and long-term vision for the country (59%; 0.61)
 - Private businesses have scopes to challenge government decisions through legal system (59%; -0.71); somewhat opportunities are there to improve individuals' economic situation (44%; 0.18)
- Business is suffering for weak enforcement of rules/laws and for inadequate addressing of corruption issues with regard to public contracts, diversion of public funds, tax payments and export/import
 - Regulatory and operational reforms are needed with a view to ensuring transparency, accountability and timely delivery of services.
 - SMEs/new entrants/prospective entrants are disproportionately faced adverse impact of poor governance and could not grow/initiate their businesses.
 - Develop a ICT based service delivery model under different ministries/departments with a view to achieve efficiency, transparency and accountability in delivering services.

V.2 Infrastructure



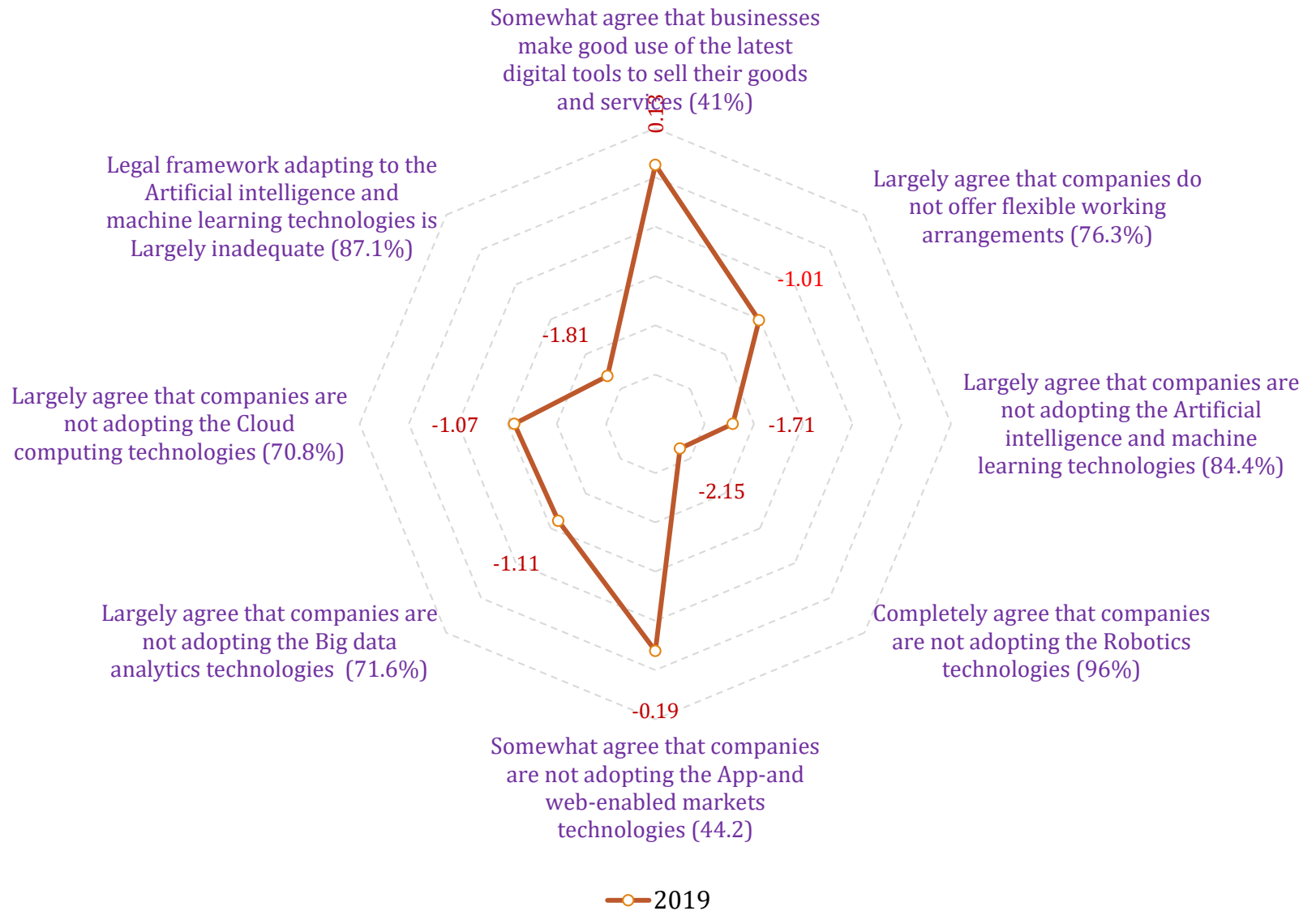
V.2 Infrastructure

- Entrepreneurs' perception on infrastructure has improved in 2019 but level of improvement is still inadequate to ensure accepted level of quality and efficiency of services.
 - Quality of railroad and related services are perceived to be the weakest.
- **56% respondents mentioned that quality of** road infrastructure is somewhat poor but has partly improved (from -0.91 in 2018 to -0.62 in 2019).
 - **Positive changes observed** in case of airport infrastructure (55%; -0.49); level of efficiency in airport services (44%; -0.21) and seaport services (44%; -0.33)
 - **Negative changes observed** in case of water supply due to rise in frequent interruptions (50%; -0.25)
- Despite **significant public investment** for infrastructure development over the last one decade, quality and standards of essential infrastructure services have yet to reach the accepted level.
 - **Bangladesh was ranked 72nd in infrastructure** part of logistic performance index in 2010 which has downgraded to 100th in 2018.
- **Fast-tracked infrastructure projects could not maintain** their timeline and has been depriving the private sector from getting essential services
 - According to the MoP report, faulty construction and excessive movement of vehicles in Dhaka-Chittagong highway has forced to undertake R&M project just after 3 years of completion at a cost of 1/5th of the main project.

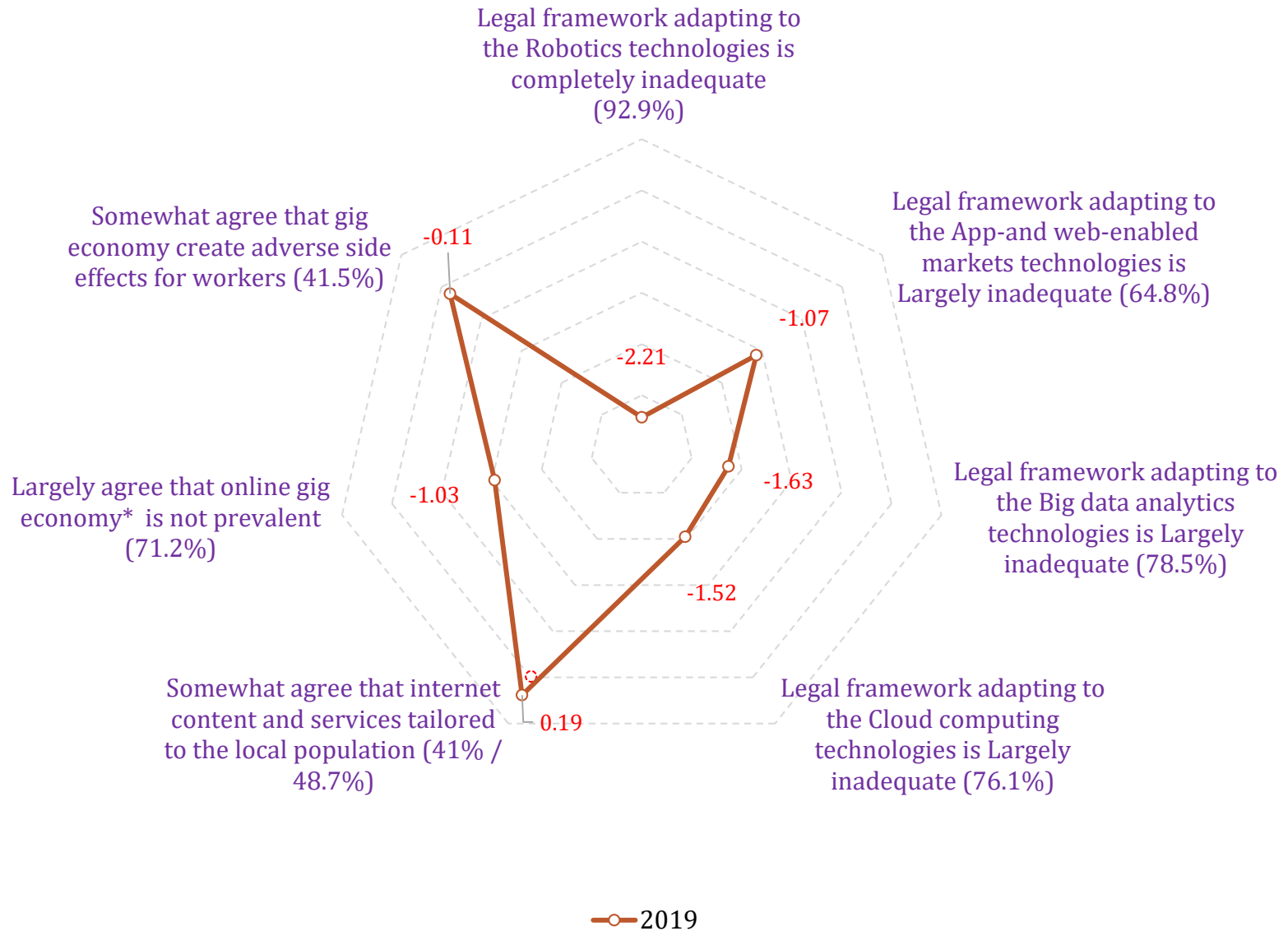
V.2 Infrastructure

- A **number of concerns have emerged** with regard to services of different infrastructural facilities
 - Rising number of deaths/injuries among users of infrastructural facilities
 - Growing traffic congestion in major cities
 - Non-compliance in driving vehicles, safety standard and practices
 - Lack of awareness among the users of different facilities
- **Strengthening of rules, laws and** practices for ensuring safe, healthy and smooth use of transport
 - Amendment of laws/ rules and their proper implementation: the *Road Transport Act 2018* need to be implemented;
 - Initiatives against anti-competitive practices by the so-called associations of the transport sector particularly of road and waterways;
 - Effective enforcement of safety standards and practices in case of vehicles, drivers, roaduse and safety management etc.
- **Addressing concerns with regard to quality** and standards of infrastructure projects that have been/are being implemented
 - Strengthen monitoring and reporting system
 - Public disclosure of project related information, inclusion of independent member in the project monitoring committees
 - Independent audit of key infrastructure projects

V.3 Technology



V.3 Technology



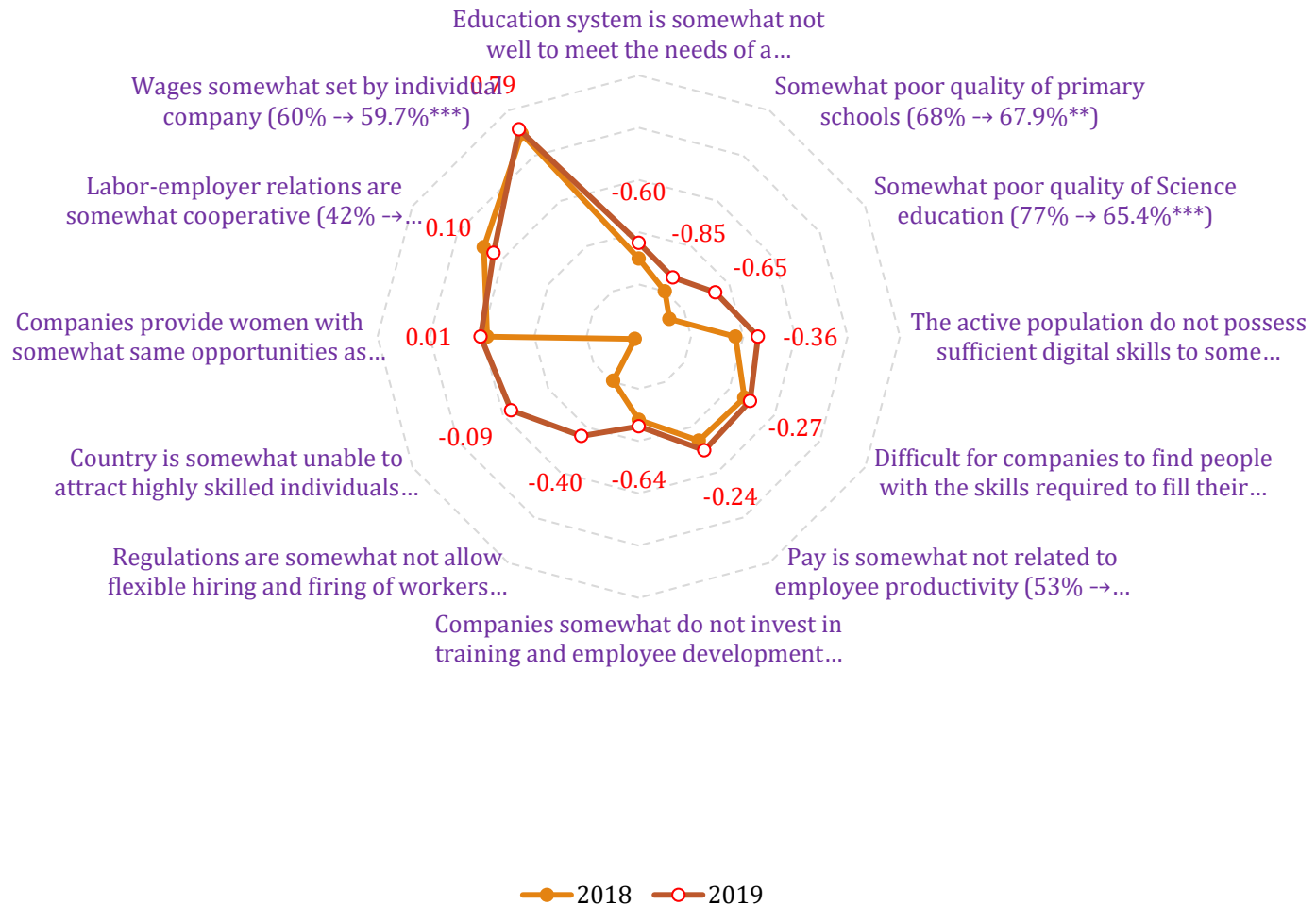
V.3 Technology

- Technology related issues have been restructured from 4IR point of view.
 - **Issues which are dropped:** ICT use, visual social networks, laws relating to ICT, and adoption of latest technologies
 - **Issues which are introduced:** use of digital tools, robotics, app- and web-enabled markets, legal framework of those technologies, gig economy and flexible working hours
- Bangladesh is not ready both in terms of using those technologies as well as setting legal framework.
 - **Major weaknesses are observed with regard to almost no use of robotics in industrial operations (96%; -2.15)** and inadequate legal framework (93%; -2.2), absence of adoption of AI and machine learning technologies (87%; -1.8) & adapting their legal framework (84%; -1.7).
 - Moderate performance is observed in case of adoption of app- and web-enabled markets (44%; -0.19) and internet content and services tailored to local population (41%; -0.19)
- **Bangladesh is behind in using other 4IR technologies; and related legal framework is poor**
 - Companies are not using 4IR technologies such as big data (72%; -1.11), cloud computing tech (71%; -1.07), online gig economic activities (71%; -1.03)
 - Related legal framework is not ready such as for big data (79%; -1.63); cloud computing tech (76%; -1.52).

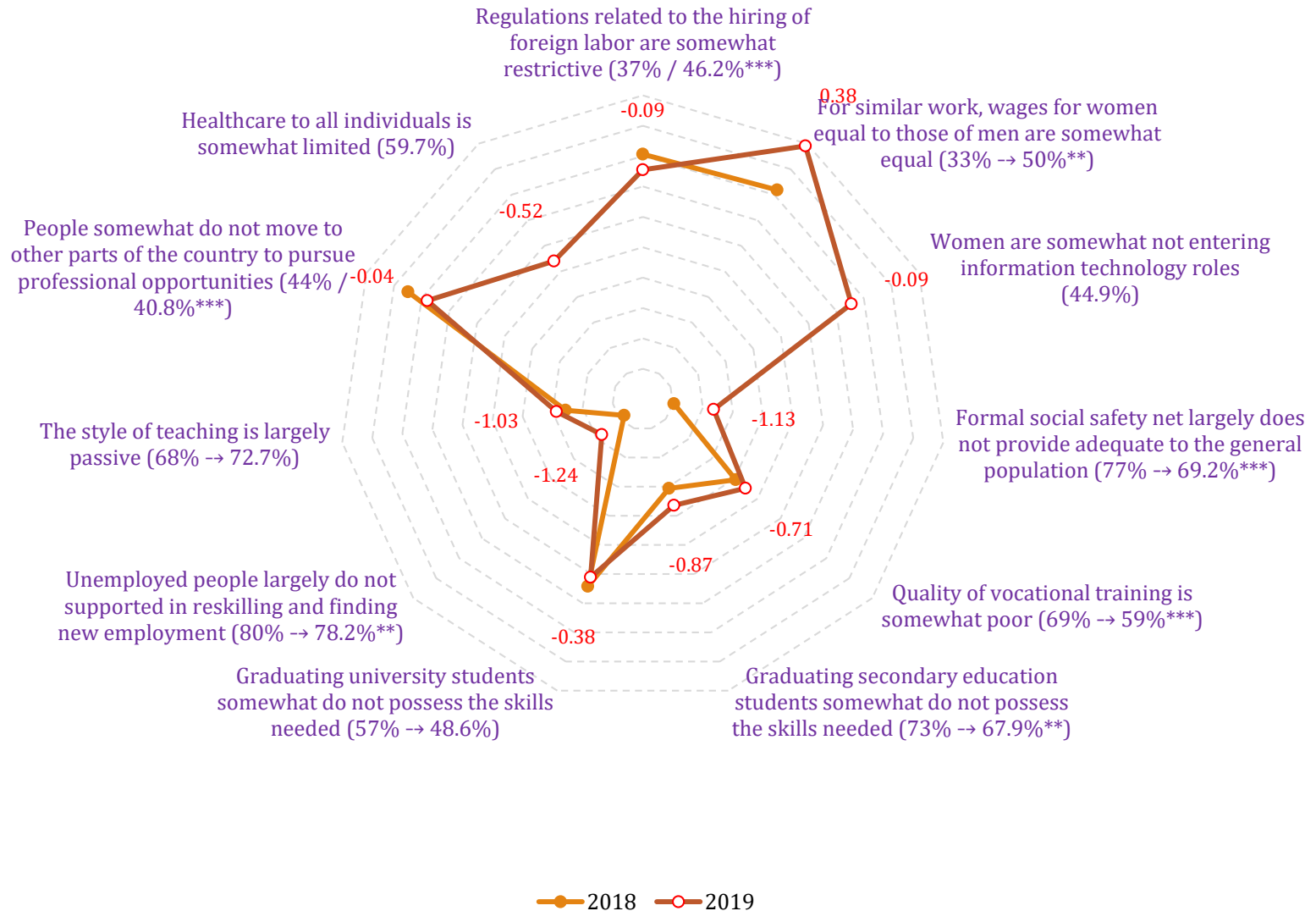
V.3 Technology

- 41.5% entrepreneurs mentioned that gig economy would create partial adverse side effects for workers (-0.11).
 - With the changes in the world of work due to adoption of 4IR technologies, it would require shifting in required skills from manual and repetitive to cognitive and socio-behavioural ones
- 4IR apprehended to create a labour market with limited number of labour laws, minimum wage regulations, or pension schemes protecting workers.
 - Besides the labour standards may drop further as technologies can significantly undermine the formation of unions and workers' bargaining power.

V.4 Education and Human Capital



V.4 Education and Human Capital



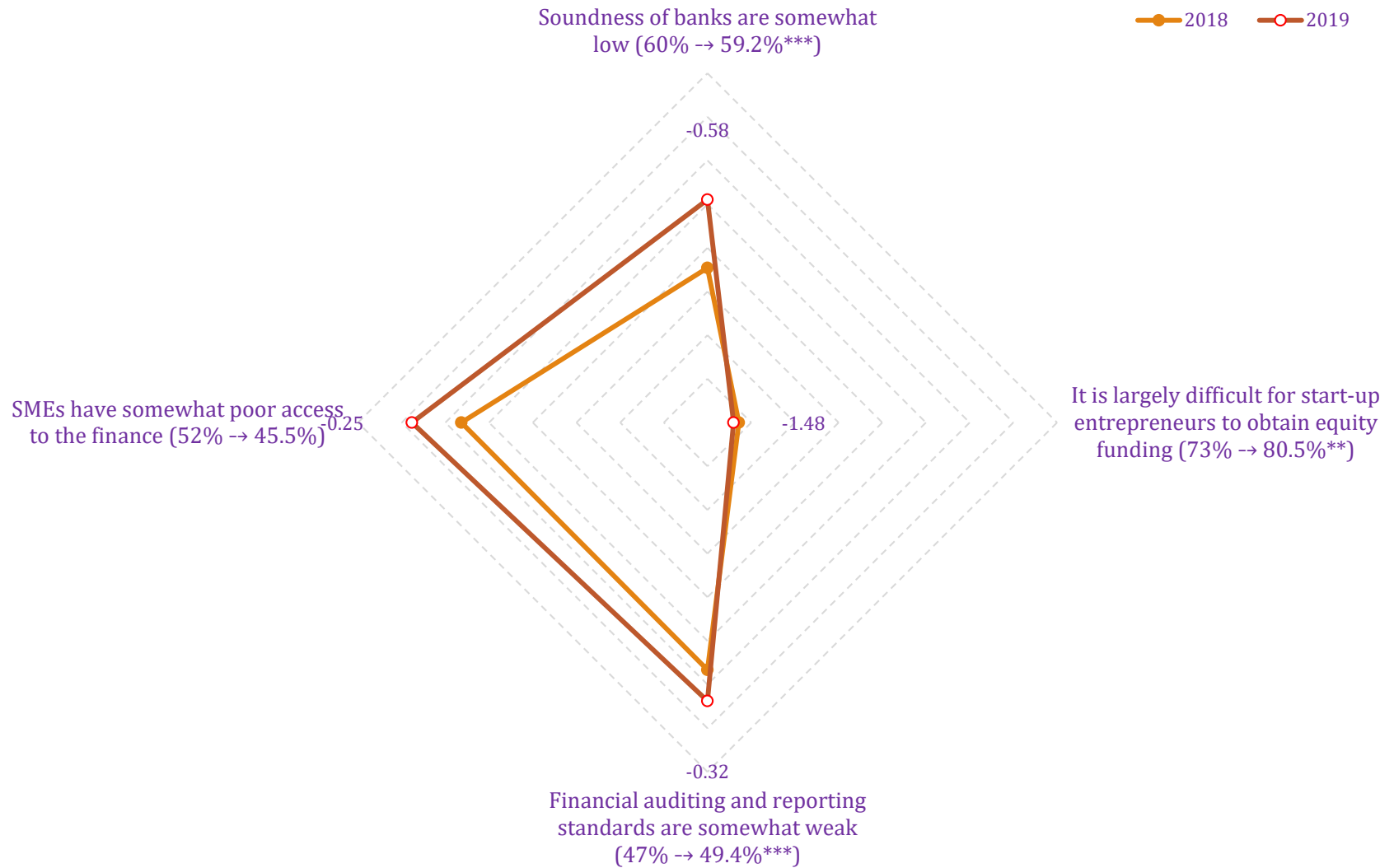
V.4 Education and Human Capital

- Entrepreneurs have positively acknowledged the performance of most of the indicators related to education and human capital.
 - **Significant positive changes** in perception observed in case of country's ability to attract highly skilled individuals from abroad (39%; -0.09); flexible hiring/firing of workers (43%; -0.40); equal wage for male and female workers (50%; 0.38); and formal social safety net attempted to cover selected group of people (69%; -1.13)
 - **Changes are mainly observed in wage and employment** related issues.
 - **Significant weak state** is observed **on some of the education related indicators**: passive style of teaching (73%; -1.03); unemployed people do not get support in reskilling and finding new jobs (78%; -1.24)
- Changes in education and skill development are rather slow.
 - Education system is not adequately meet the needs of competitive economy (62%; -0.60)
 - Poor quality of primary education (68%; -0.85); quality of science education (65%; -0.65); quality of vocation training (59%; -0.71) – are still major concerns.
- 49% responded that graduate students lack adequate skills (-0.38)
 - Graduated secondary education students do not possess the required skills (68%; -0.87).

V.4 Education and Human Capital

- Quality of basic academic and skill and training related education remain in weak state and the state of progress is very slow.
- Potential job-seekers face lots of constraints.
 - Companies somewhat did not invest in training and employee development (63%; -0.64); payment and productivity are not linked (49%; -0.24)
 - Companies found it difficult to people with required skills for their jobs (54%; -0.27)
- Overall, education and skill development training could not cater to the need of the private sector.
 - Majority of job aspirants may have minimum academic qualification but have lack of required skills.
 - Consequently companies are increasingly recruiting foreign professionals in skill-oriented management and other professional jobs.
- **Allocation for the education and technology** sector in FY2020 was Tk.13213 crore (15% of the budget and 2.1% of GDP)
 - This allocation is much lower than the 7FYP target of 2.8% of GDP and UNESCO target of of 6% of GDP
- Improvement in **academic curriculum, quality of teaching**, more focus on science, mathematics and English (along with mother language), orientation with IT literacy and better job-related training are required.

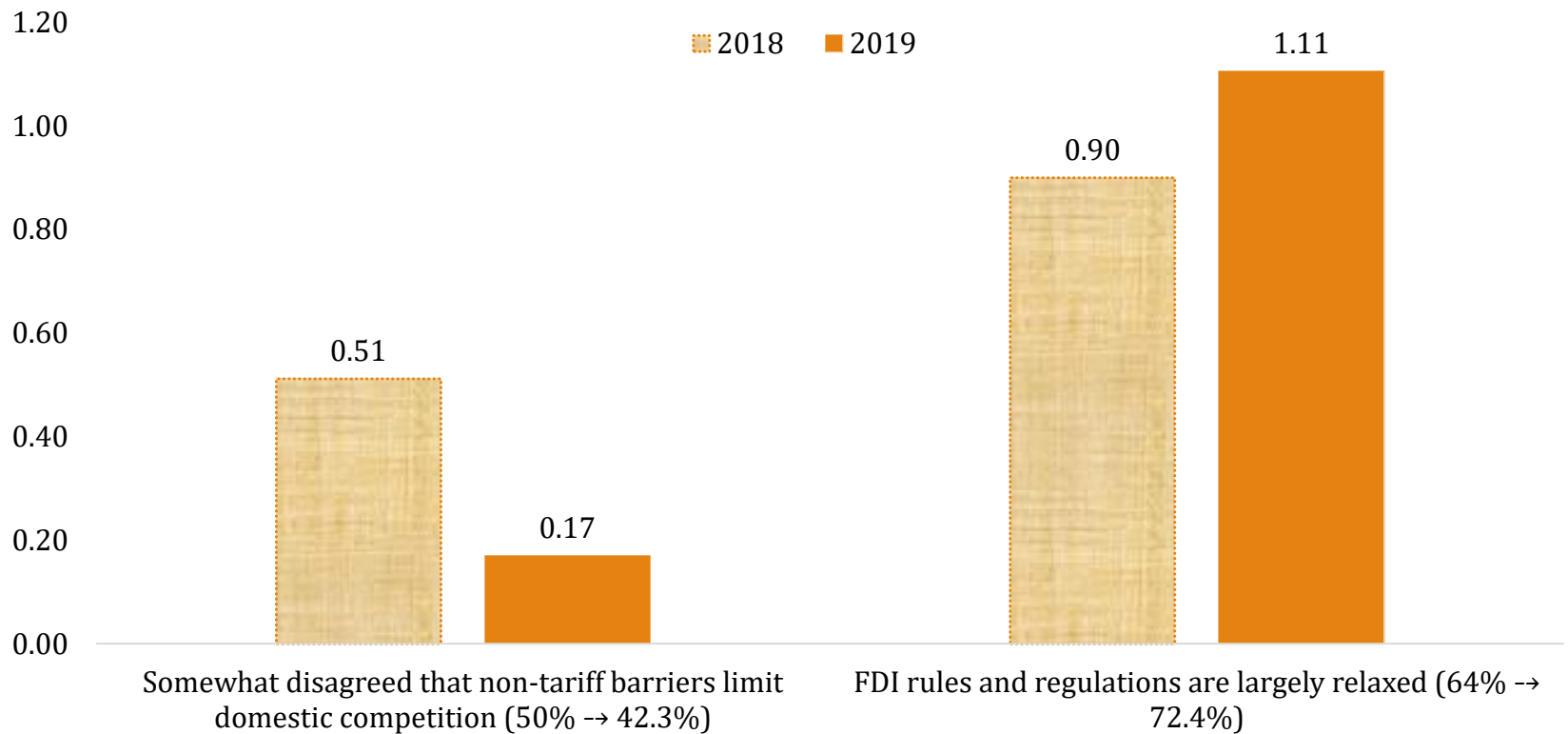
V.5 Financial Environment



V.5 Financial Environment

- Financial sector is continued to struggle with its poor performance.
 - All performance indicators are in negative terrain.
- 59% respondents expressed their dissatisfaction about weak soundness of banks (-0.58) though the level of response has somewhat improved.
- Despite various initiatives for enhancing finance to MSMEs, perception about access to finance remain in poor state (46%; -0.25).
 - High lending rate and various kinds of procedural difficulties constrain access to credit for most of the MSMEs
 - Share of SME loan has decreased from 21.42% of overall outstanding loan in March, 2018 to 19.63% in March, 2019.
- Financial auditing and reporting standards still in weak state (49%; -0.32) though marginal improvement is discerned in this regard.
 - The Financial Reporting Council has yet to make visible initiatives against financial irregularities of the companies listed in the capital market.
 - The scope of the FRC needs to be widened beyond the capital market in order to cover non-listed entities.

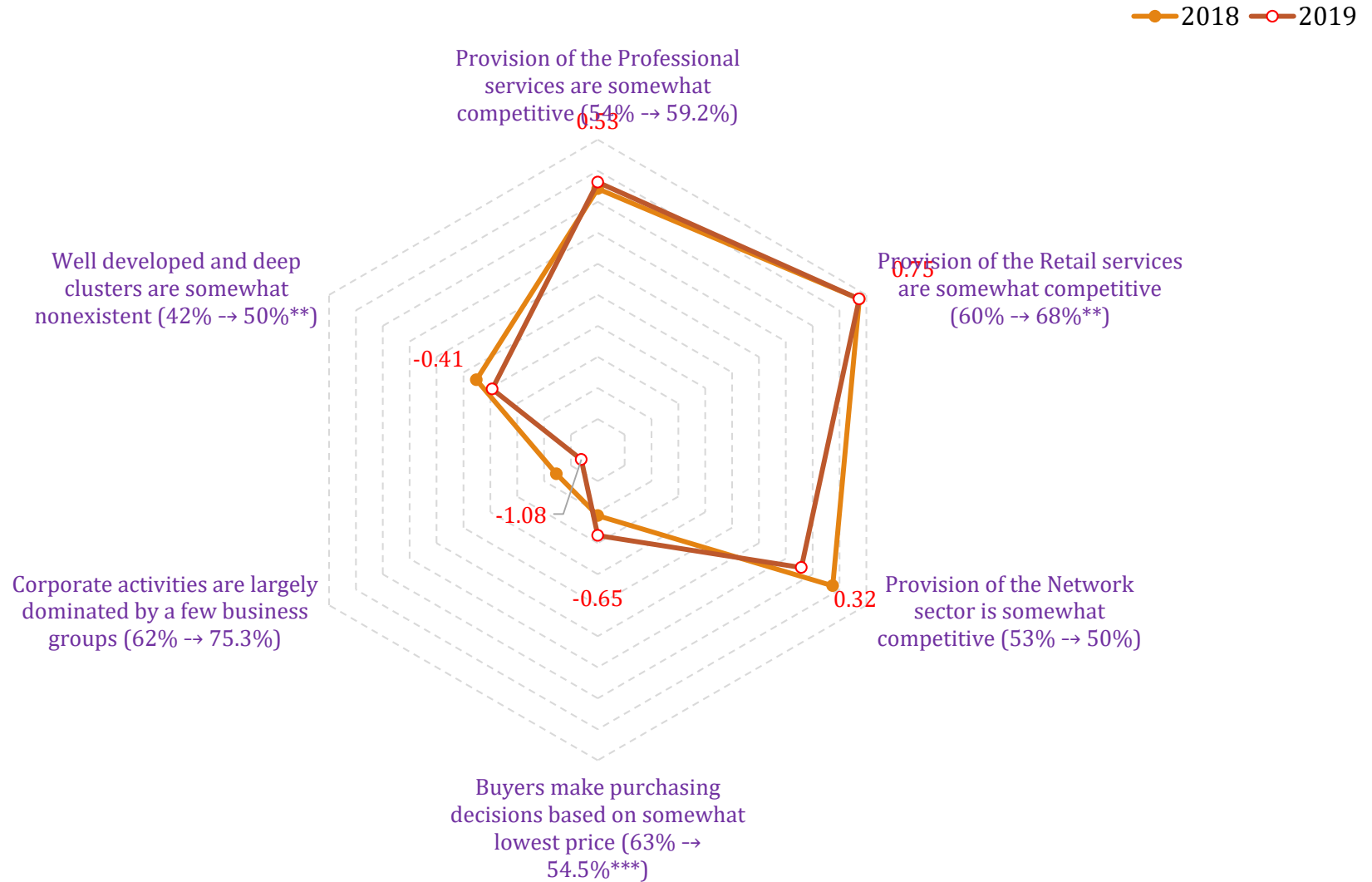
V.6 Foreign Trade & Investment



V.6 Foreign Trade & Investment

- Entrepreneurs perceived that foreign trade and investment regime have improved in 2018.
 - 42% respondents mentioned that non-tariff barriers somewhat limit domestic competition (0.17) which was better compared to the last year (50%; 0.51).
 - Lack of specific objectives and timeline for changes in duty structure as well as absence of proper assessment of those changes, often failed to ensure desired level of impact on industries.
- 72% respondents indicated that FDI rules & regulation are largely relaxed (1.11) and the situation has improved further.
 - Despite those progress, due to lack of ready infrastructural facilities FDI inflow in the country still at a low level.
 - Slow progress of development work of new SEZs could not help to accommodate foreign investors' demand for much needed infrastructural facilities.

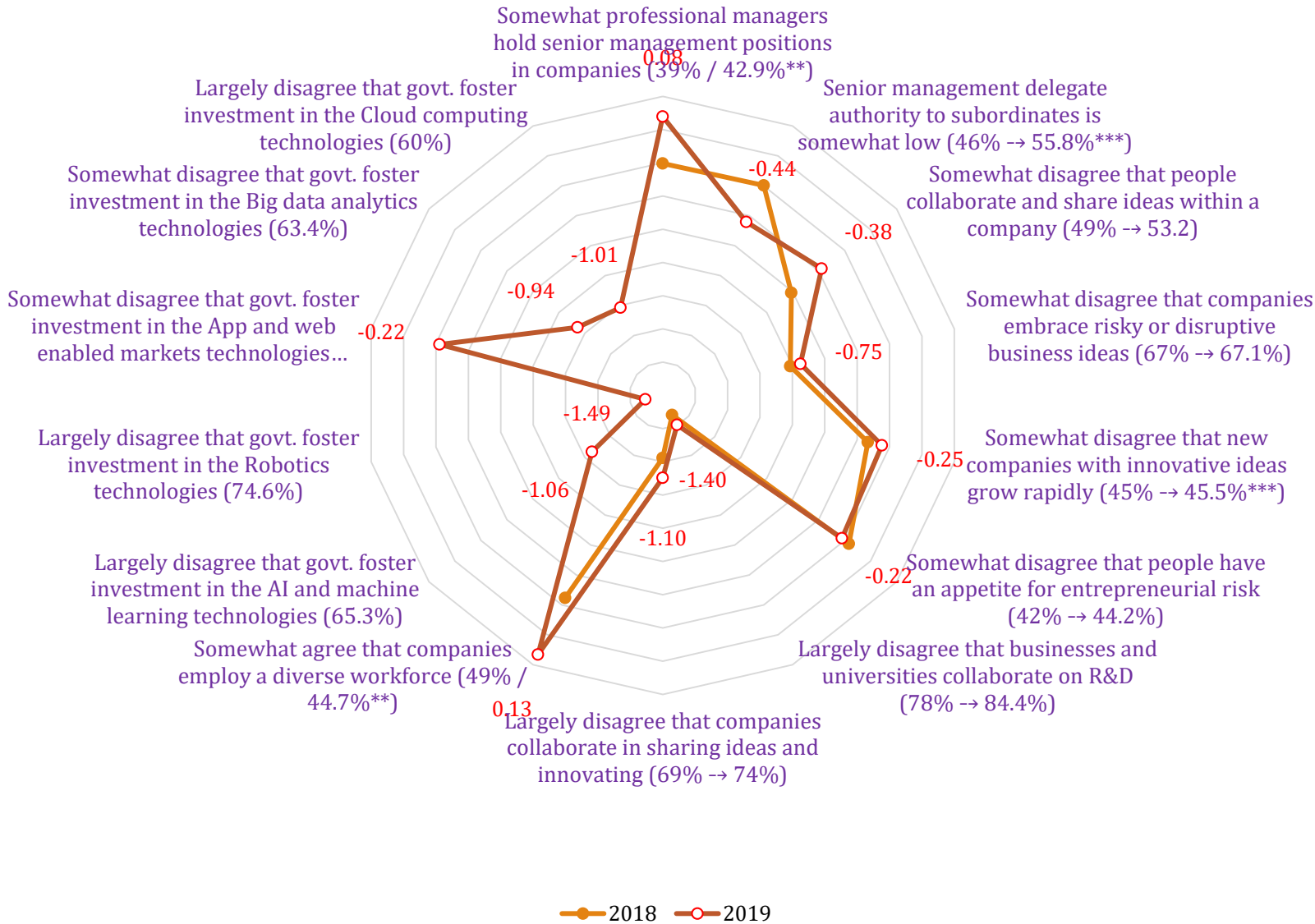
V.7 Domestic Competition



V.7 Domestic Competition

- Domestic competitive environment has deteriorated in 2018.
 - No visible progress is discerned in key indicators rather degraded in some of the indicators.
- Entrepreneurs' expressed their concern about domination of few business groups in major corporate activities
 - **75% respondents mentioned that the situation has deteriorated** in 2018 (from -0.89 in 2018 to -1.08 in 2019).
 - The Competition Commission which is in operation since 2012 has yet to undertake major drive against anti-competitive practices of different dominant groups (SMPs).
- Entrepreneurs mentioned that retail services (68%; 0.75), professional services (59%; 0.53) and network sector (50%; 0.32) are somewhat competitive with the presence of large number of buyers and suppliers.
 - In all these areas, perception level has either stagnant or deteriorated in this year.
- 50% respondents mentioned that well developed and deep clusters are almost non-existent and the situation has declined (from -0.30 to -0.41).
 - SME Foundation has identified 177 clusters in 51 districts. These clusters facing multiple challenges such as absence of appropriate technologies, inadequate supply of raw materials, absence of modern designing knowledge, absence of testing facilities, lack of adequate access to finance, limited number of skilled workers etc.

V.8 Business Operations & Innovation

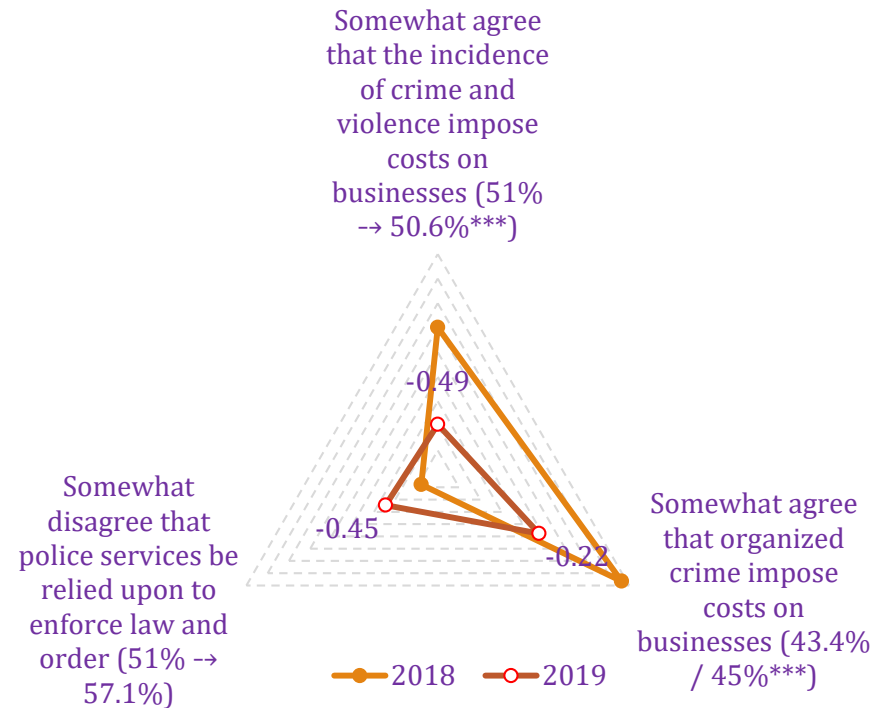


V.8 Business Operations & Innovation

- No significant improvement is observed in companies' business operations and innovation related activities during 2018.
 - Performance is below at par in majority of issues.
 - The weakest performance is discerned **in case of fostering investment in robotics technologies (74.6%; -1.49); business-university** collaboration for R&D (84%; -1.4); sharing ideas and innovations through company-collaboration (74%; -1.1) and fostering investment in AI and machine learning technologies (65%; -1.06)
- Marginal improvement is discerned in case of holding senior management positions by professional managers (43%; 0.08); employment of diverse workforce (45%; 0.13); and collaboration and sharing ideas (53%; -0.38)
 - Different sectors should set minimum academic qualification and skills for different positions as part of standardisation of jobs (e.g. RMG sector).
- Perception has further deteriorated in case of **less delegation of authority to sub-ordinates (56%; -0.44)** & less appetite to take entrepreneurial risks (44%; -0.22).
 - Majority of enterprises are family-owned private limited companies/proprietor-based companies with limited progress in corporatization of their activities.
 - Need to follow corporate guidelines with regard to roles and responsibilities of board and management in the operation and decision making.

V.9 Security

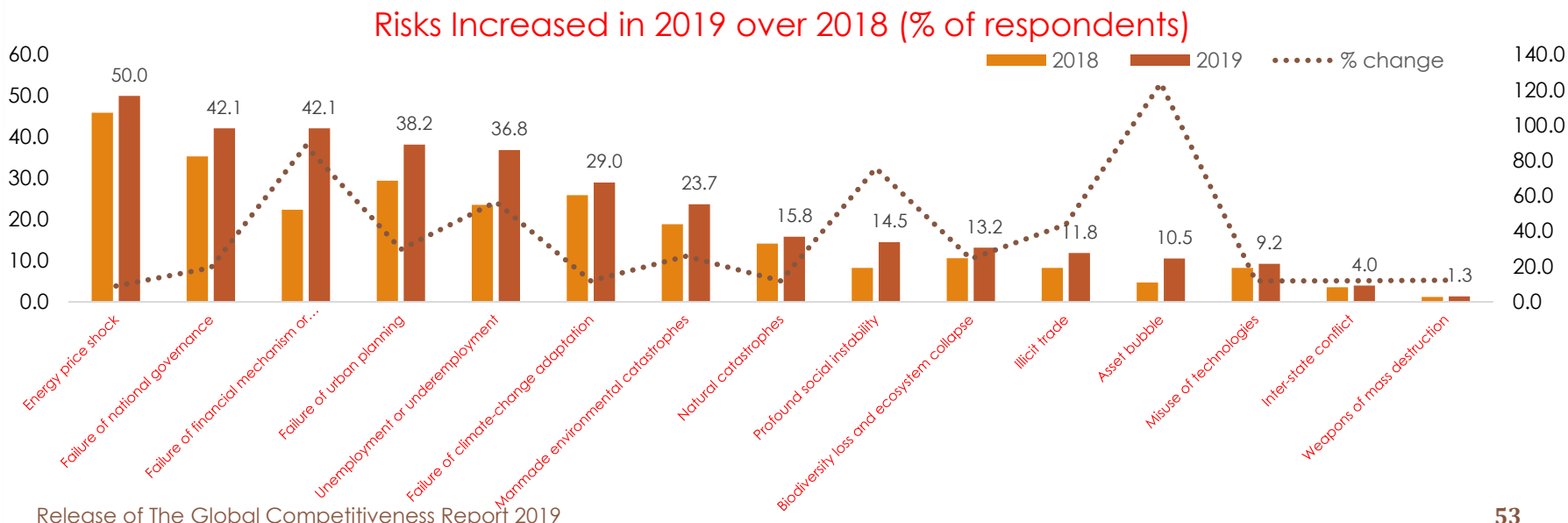
- Entrepreneurs' perception has somewhat deteriorated in 2018 in number of cases.
 - Rise in crime and violence caused higher business cost (51%; -0.5)
 - Rise in organised crime imposed higher business costs (45%; -0.22)
- Such deteriorating situation has disproportionate impact particularly on MSMEs and informal sector.
- Marginal improvement in perception has discerned in case of police services in ensuring law and order although the level is still below par (57%; -0.45).
- Rise of incidences of crime is often happened through organized groups who has close relation with political parties and government officials and law enforcement agencies (Sarker, 2016).
- Bangladesh has slipped in the Global Peace Index to 101st position (out of 162 countries) in 2019 from 92nd position in 2018.



V. 10 Risks

Rise in risks in 2018

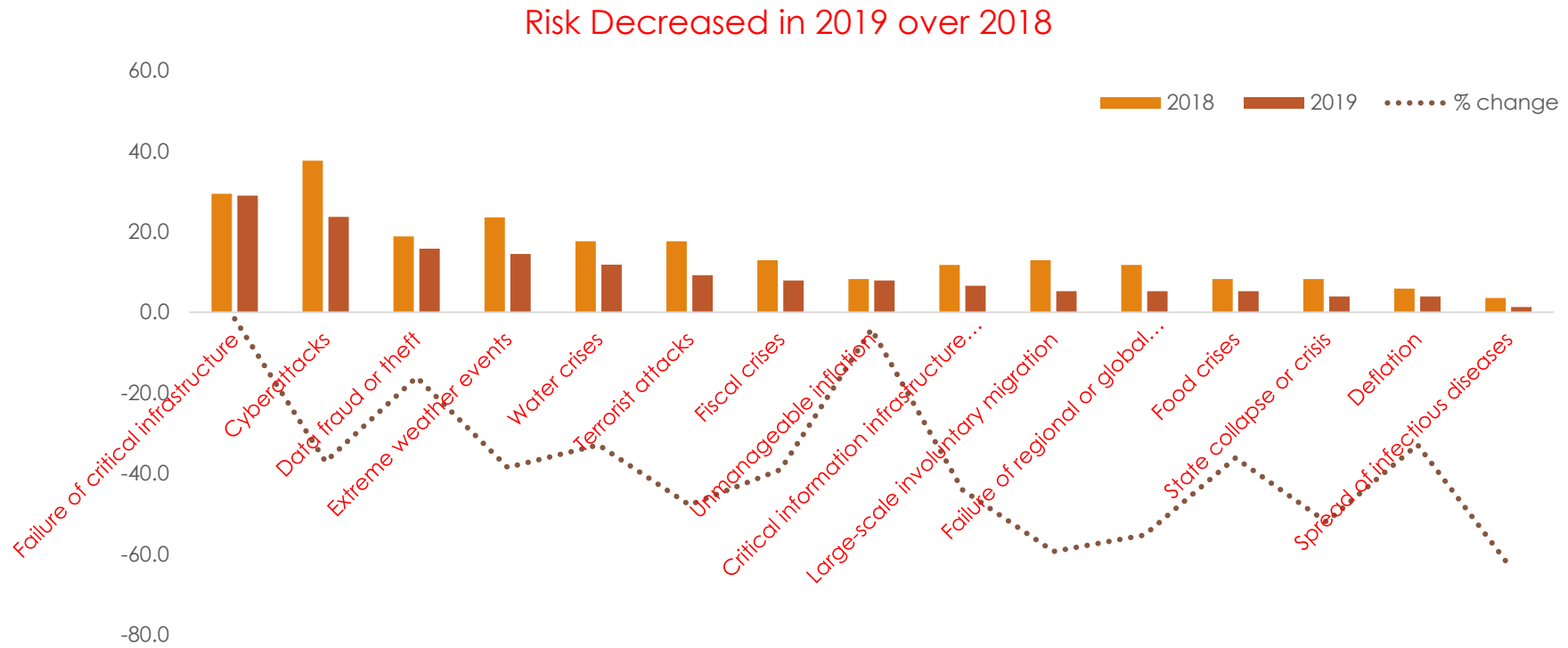
- Bangladesh economy is increasingly facing new types of risks along with some of the traditional ones.
 - **Emerging risks** with growing concerns include: rise in energy price, failure in urban planning, un/underemployment, failure to climate change adaptation and man-made environmental catastrophes (indus. pollution)
 - Risks have **significantly increased** over one year: failure of financial mechanism, profound social instability, **illicit trade and asset bubble**
- In number of areas concerns have been growing at high level: energy price shock, failure of financial mechanism and loss of biodiversity.



V. 10 Risks

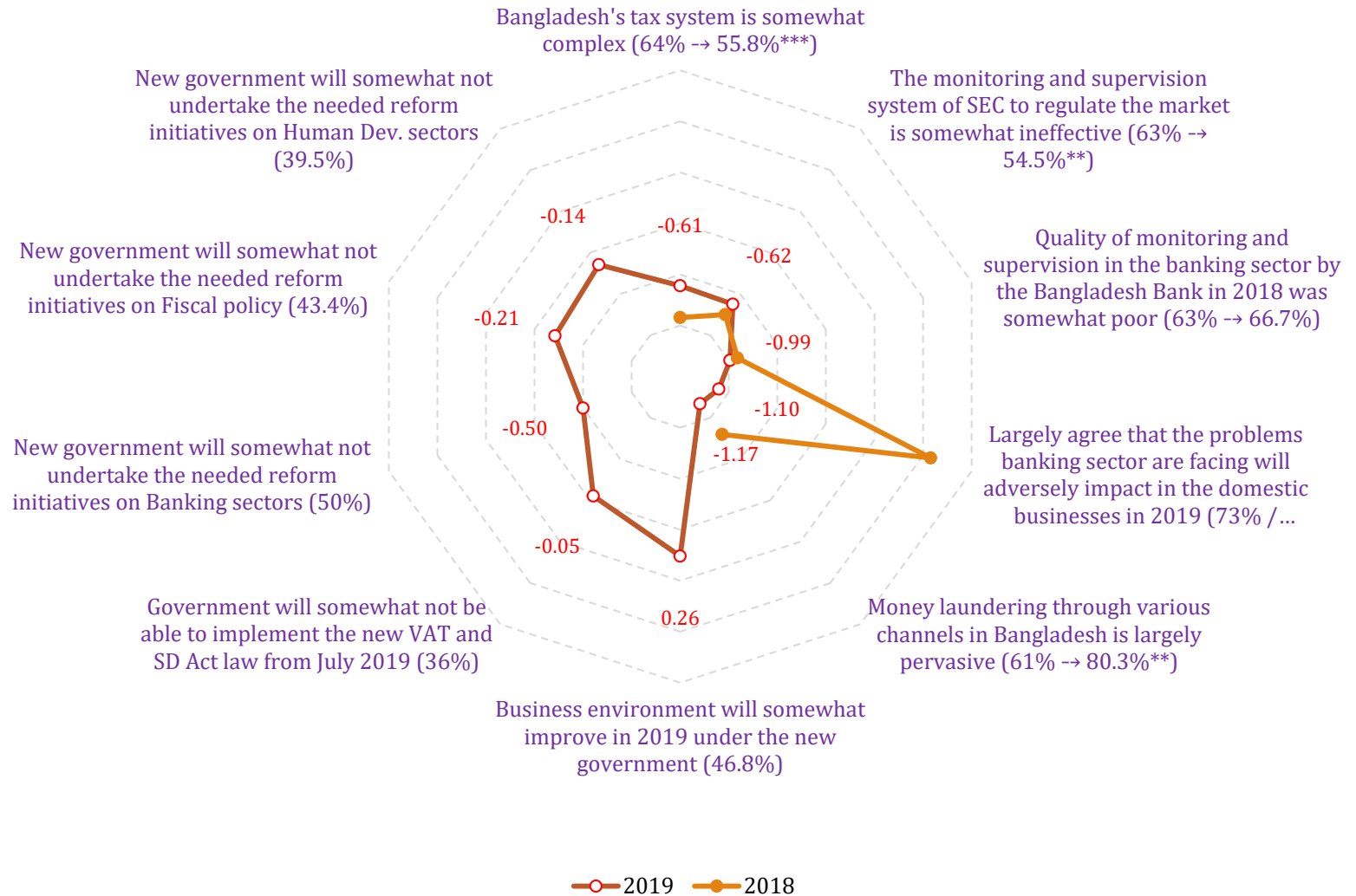
Decline in Risks in 2018

- Risks have **eased** in number of areas in 2019
 - These include cyber attacks, extreme weather events, terrorist attacks, water crises, data fraud/theft
- In number of cases risks have **gradually eased**: failure of critical infrastructure and terrorist attacks.

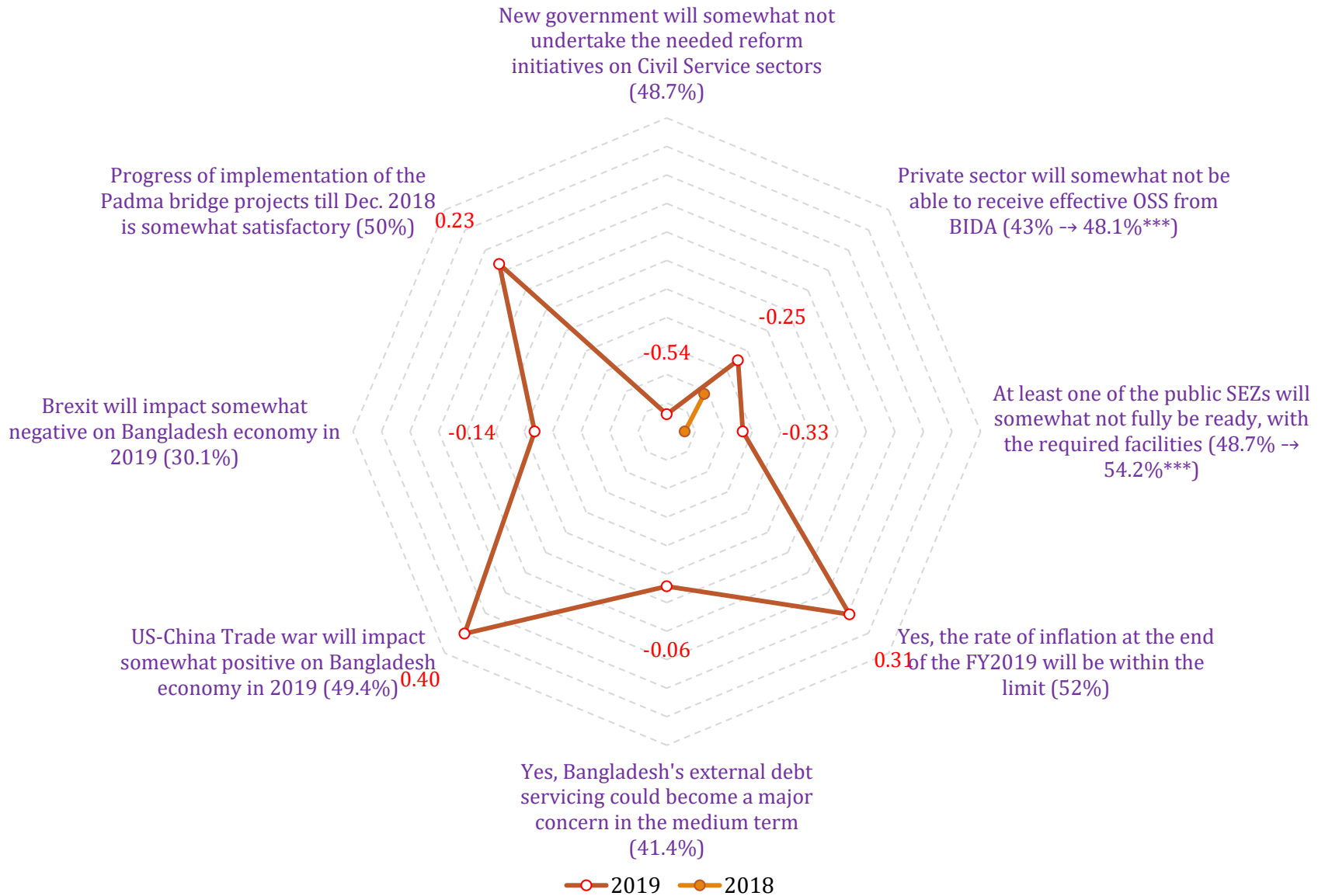


VI. Bangladesh Business Environment 2019

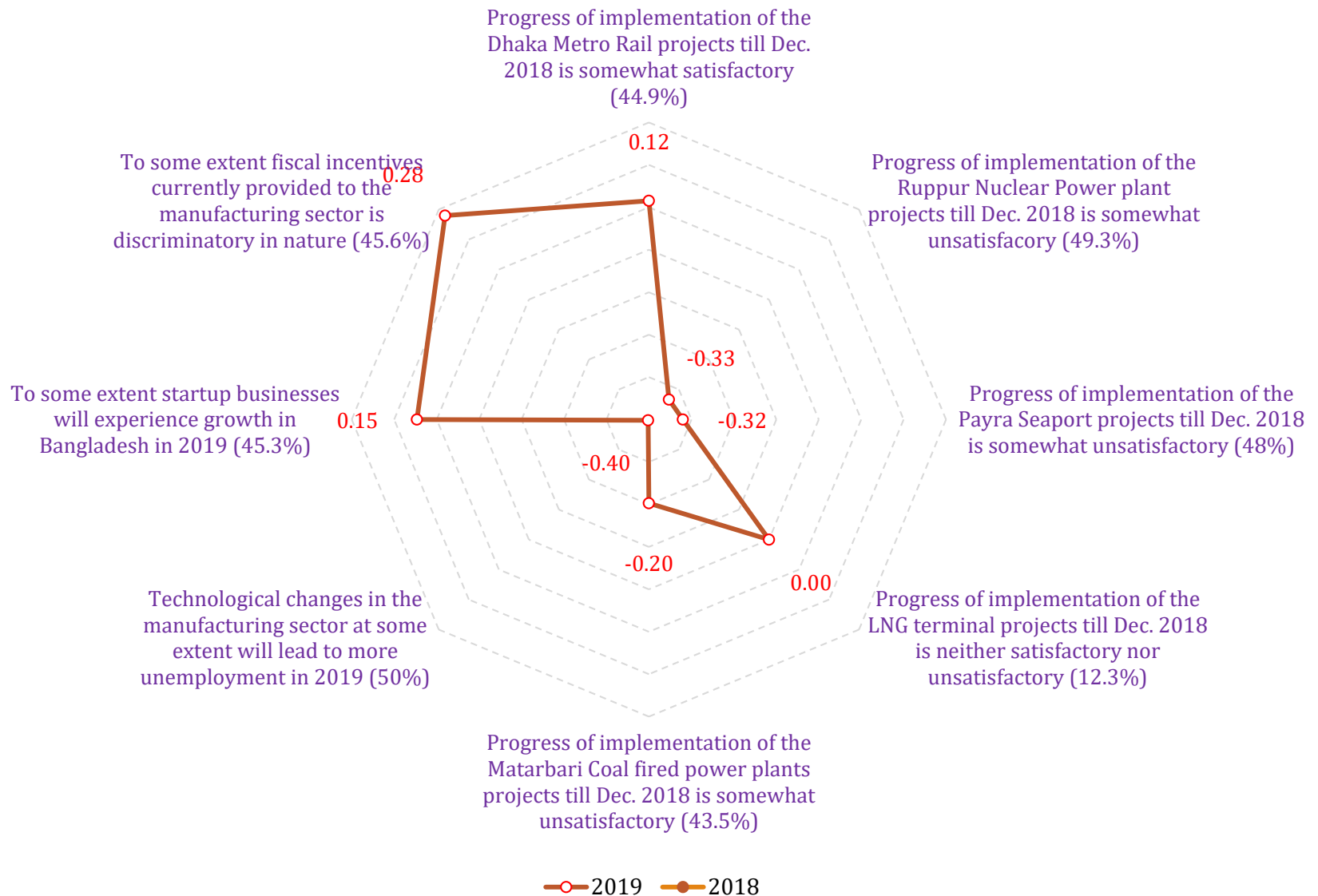
VI. Bangladesh Business Environment



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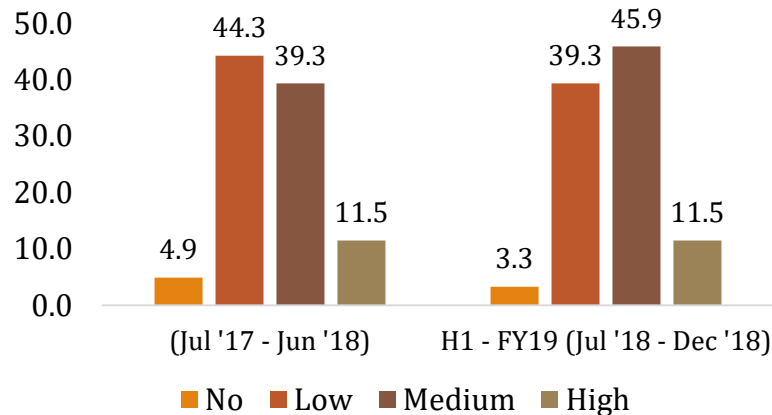
- Entrepreneurs' perception about the role of new government on various issues is not necessarily positive in all accounts.
 - 47% expressed positively that business environment in 2019 will improve (0.26).
- **78% mentioned that problems** in the banking sector will have significant adverse impact in domestic businesses (-1.10 in 2019)
 - The perception has significantly deteriorated in 2019 (+1.08 in 2018)
- 80% **respondents mentioned about further deteriorating** situation in money laundering through various channels (-1.17 from -0.80).
- Businessmen were apprehensive about government's possible initiative to undertake reform measures on different issues.
 - New government would find it difficult to **undertake reform measures** on fiscal policy (43%; -0.21), banking sector (50%; -0.50), civil service (49%; -0.54) and human development (39%; -0.14);
 - Full enforcement of the VAT and SD Act as of July 2019 would be difficult (36%; -0.05)
- Businesses are deprived of **getting benefits of key fast-track infrastructure** projects due to slow progress in implementation.
 - Positive remarks on progress of Padma bridge (50%; 0.23) and Dhaka Metro Rail (45%; 0.12).
 - Negative remarks on progress of Ruppur nuclear power plant (49%; -0.33); Payra seaport (48%; -0.32) and Matarbari coal fired power plant (44%; -0.20)

VI. Bangladesh Business Environment

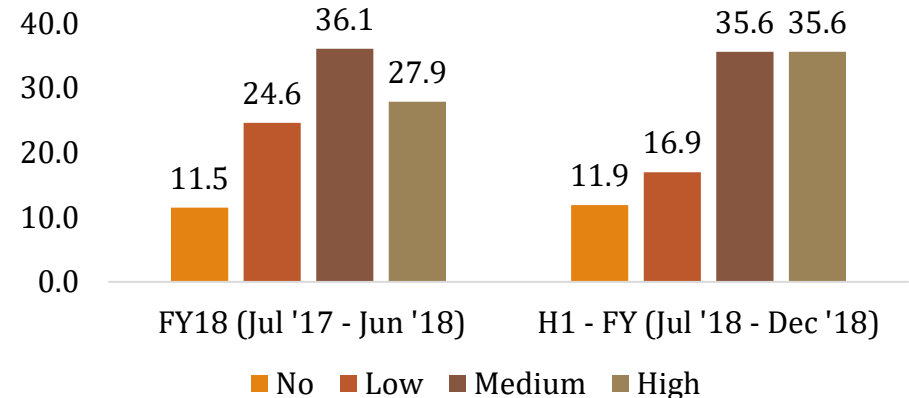
- Newly established institutions have yet to generate expected level of services for the private sector.
 - Perception about BIDA's OSS has improved (48%; -0.25) but it may not provide effective services in due course of time.
 - One public SEZ would not be ready with full facility as per timeline (54%; -0.33).
- 45% respondents mentioned that start up business will somewhat grow in 2019 (0.15)
 - Allocation of Tk.100 crore in the national budget FY2020 would partly facilitate the process.
- Moderate improvement is observed in case of tax system (56%; -0.61).
 - No significant changes observed in case of monitoring and supervision of SEC (55%; -0.62) and Bangladesh Bank (67%; -0.99)
- Businessmen expressed mixed reaction about impact of current global changes in economic and technological issues.
 - Brexit would cause somewhat negative impact on the economy (30%; -0.14); while US-China trade war would have positive impact on the economy (49%; 0.40).
 - External debt servicing could become a major concern in the medium term (41%; -0.06).
- 50% businessmen perceived that technological changes in the manufacturing sector would lead to more unemployment in 2019 (-0.40).

VI. Bangladesh Business Environment

Impact of inflation on production cost

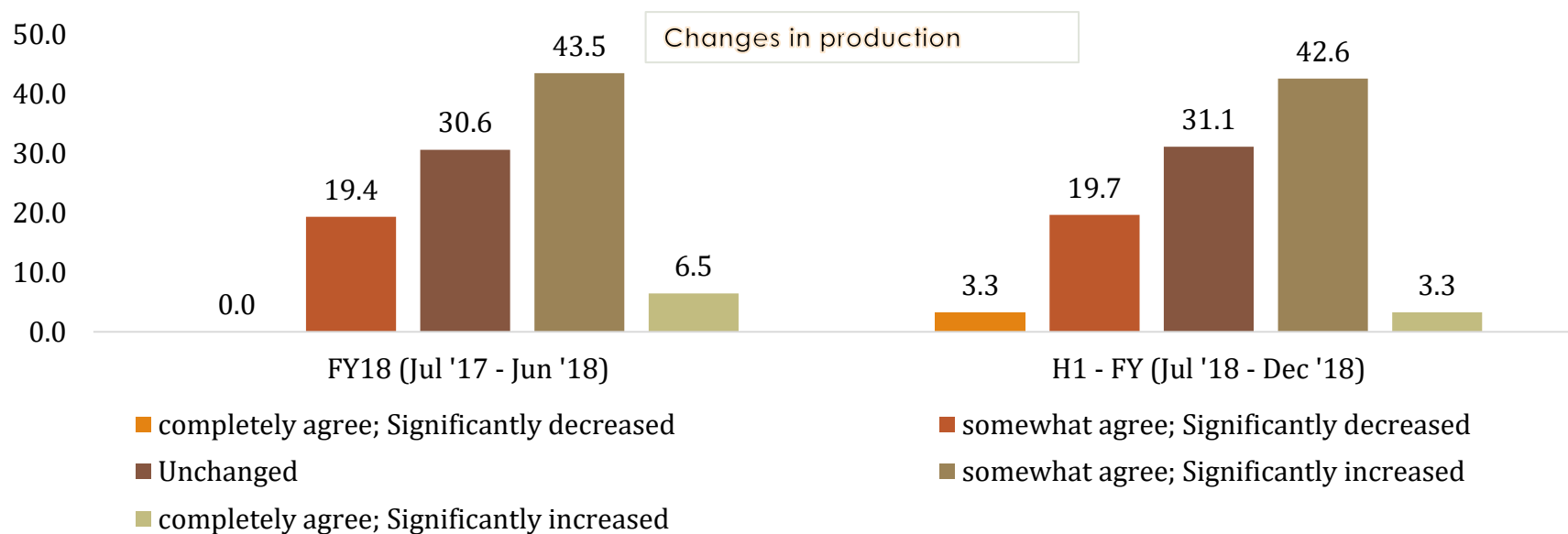
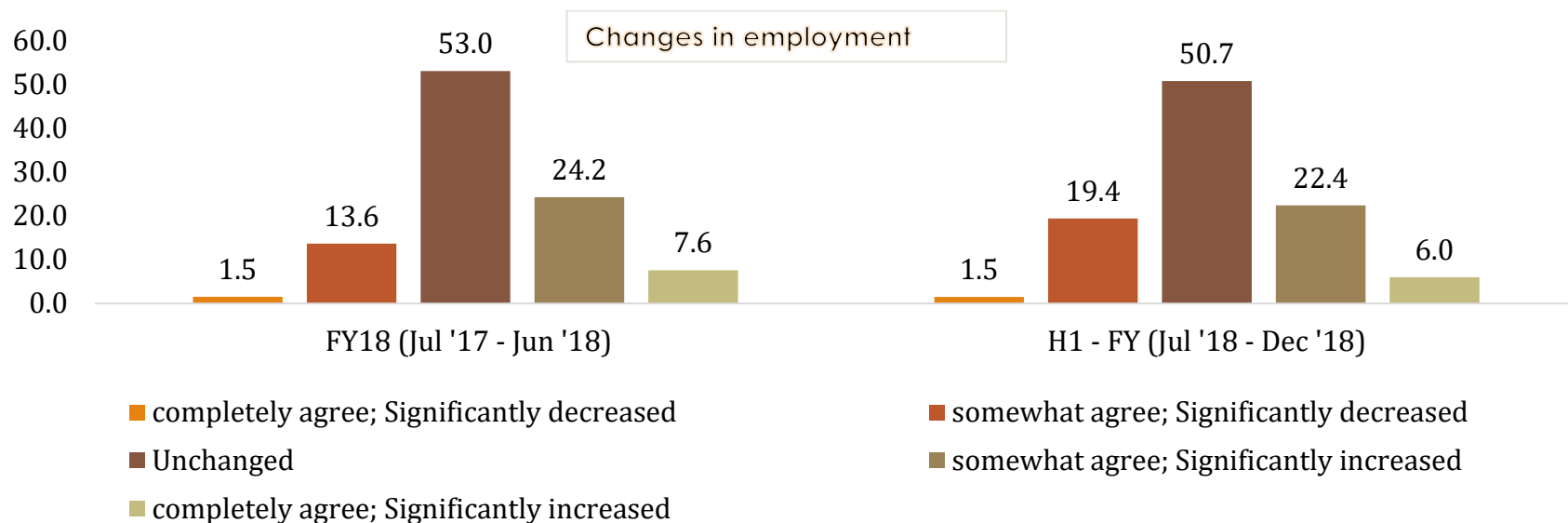


Impact of lending rates on production cost



- **Both inflation and lending rates are found to be costlier in doing business** for respondents' companies during H1 of FY2019 compared to that in FY2018.
- **Consequently rise in employment and production** has slowed down in H1 of FY2019 compared to that in FY2018.
- **Company level performances reflect moderate** level of development of enabling business environment in the country during 2018.

VI. Bangladesh Business Environment



VII. Conclusion

- Bangladesh's business competitiveness in 2018 has deteriorated – it slipped from 103rd to 105th position
 - Bangladesh slipped ranks in 10 pillars and scores in 7 pillars
- Bangladesh's competitiveness has confronted four-pronged challenges
 - **First**, lack of improvement in governance and institutions, poor infrastructure, financial system and business operations– are traditional perennial problems
 - **Second**, lack of preparedness for 4IR technologies, absence of necessary regulatory framework and skills, no clear pathways for businesses – are emerging concerns
 - **Third**, emerging market risks pose additional burden for businesses: rise in energy price, failure in urban planning, un/underemployment, failure to climate change adaptation and industrial pollution
 - **Fourth**, weakening of traditionally considered pillars of strengths– macroeconomic stability.

VII. Conclusion

- Addressing those four pronged challenges through uni-directional approach would not work. A 'business as usual' approach would not help to improve Bangladesh's falling competitiveness.
 - Needs massive regulatory reform targeting public services, financial sector, public sector enterprises with a view to ensuring efficiency, accountability and transparency.
 - Although Bangladesh has advanced in undertaking some reforms (among top 20 business reforming countries) but that would have a marginal impact in overall competitiveness.
- Technology sector needs a fresh outlook since a large pool of labour force would become a burden in the long run unless proper initiatives undertaken.
 - Education and skills needs to be linked with future demand for technologies and businesses.
 - ICT based service delivery mechanism needs to be promoted.
 - Budget allocation for education and technology and skill development need to be gradually increased to 6% of GDP during the end of eighth Five Year Plan (2021-2025) period.
- Need new perspective on labour market in view of changing world of work
 - Unemployment, underemployment, reskilling related issues need more attention

VII. Conclusion

- Businesses are increasingly dominated by few group of companies and the situation has been worsening.
 - Businesses need to make open and competitive for all categories of entrepreneurs particularly for MSMEs and new entrants in businesses.
- Lack of governance and weak institutions have been disproportionately affecting the MSMEs.
 - Addressing corruption in public procurement/contract, licensing, registration and services such as electricity, gas and water, are highly important.
- Despite huge public investment in infrastructure development over the last one decade, its quality and efficiency of services are remain a big concern
 - Amendment of laws/rules and proper enforcement of regulations should get priority.
 - Transparency, accountability and efficiency in the project implementation process need to be ensured.
- Different regulatory bodies and business facilitating public organisations need to be proactive and effective in delivering services
 - BIDA, BEZA, Financial Reporting Council, Competition Commission, BSCIC, SME Foundation, A2I, Bangladesh Computer Council, National Skills Development Council, National Productivity Organisation and other regulatory bodies need to ensure delivering required services in quality, on time and without any corruption.

Thank you