

CPD Media Briefing

Bangladesh Business Environment 2022 *Findings from the Executive Opinion Survey*

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I. Introduction and Objectives

I. Introduction and Objectives

- The business environment in Bangladesh has **passed an uncertain** time during the post-covid period
- CPD has carried out an 'Executive Opinion Survey (EOS)' during **April-July 2022** under the partnership with the World Economic Forum (WEF)
- The objective of the survey was **to appreciate the perception** of entrepreneurs/businessmen on the state of business competitiveness and **factors and institutions** responsible for long-term growth, especially during the post-pandemic period
 - This survey covered economic, social, governance and environmental issues **to trace out their relationship** with business competitiveness
 - It also covered issues related with shared prosperity, environmental sustainability and management of risk
 - **Domestic issues** concerning businesses during this volatile period are also highlighted
- The WEF has collected data of 11800+ respondents of 121 economies during 2022
 - However, it has **postponed** publishing the *Global Competitiveness Report in 2022*

I. Introduction and Objectives

- Major objectives of the press briefing are-
 - **To report the state** of the business environment of Bangladesh during 2021-22 in the backdrop of the easing of the COVID-19 pandemic;
 - **To compare** Bangladesh's performance of competitiveness with selected Asian competing countries with a view to understand the gaps in competitiveness during the post-pandemic period;
 - **To put forward** suggestions for improvement in the business environment from long term sustainability point of view.

II. Methodology

II. Methodology

- The Executive Opinion Survey (EOS) covers the issues related to following **pillars**:
 - (a) Infrastructure, (b) Safety & security, (c) Financial system, (d) Trade & investment, (e) Competition, (f) Business operations, governance & innovation, (g) Institutions, (h) Building human capital, (i) Working & employment, and (j) Managing economic recovery & risks
- A **Rapid Assessment Survey** has been conducted along with the Executive Opinion Survey highlighting domestic issues concerning the businesses
- **Number of respondents: 74 senior officials** of different private companies
- **Location:** Dhaka, Chattogram, Narayanganj, and Gazipur
- **Survey period: April to July 2022**

Survey Respondents

Sector-wise	Number of Participants	Factory Size	Number of Factories
Agriculture	3 (4.11%)	Large	39 (52.7%)
Manufacturing	37 (50.68%)	Medium	14 (18.9%)
Services	33 (45.21%)	Small & Micro	17 (23%)
Did not Response	1 (1.35%)	Did not Response	4 (5.4%)

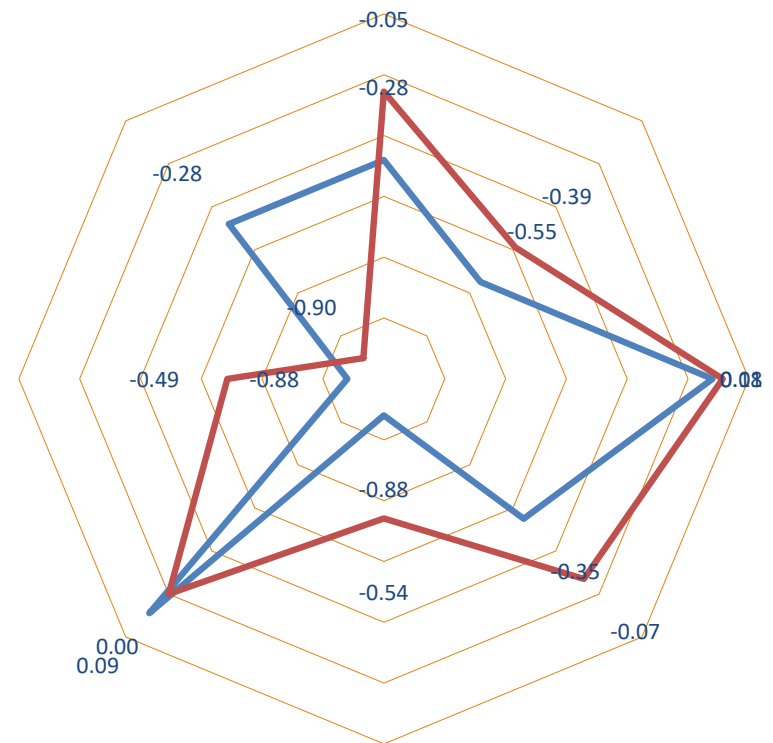
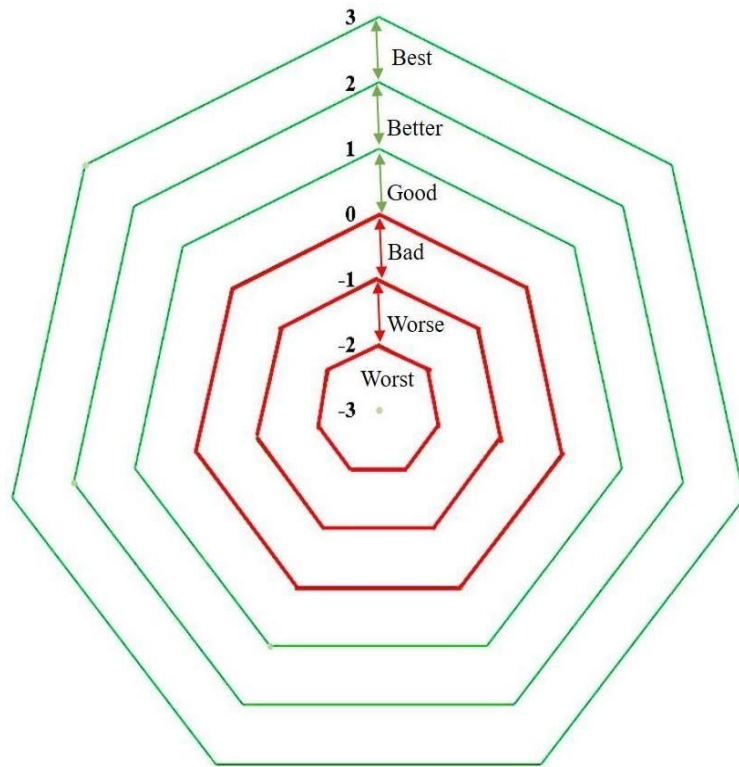
II. Methodology

- Executive Opinion Survey (EOS) and Rapid Assessment Survey (RAS) 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 different statistical techniques
 - **Frequency analysis** (% of respondents)
 - **Weighted index** (average weighted response)
 - Chi-square test

II. Methodology

- Radar diagram is used to figure out changes in the perception on different issues between 2021 and 2022

Hypothetical Radar Diagram Presentation

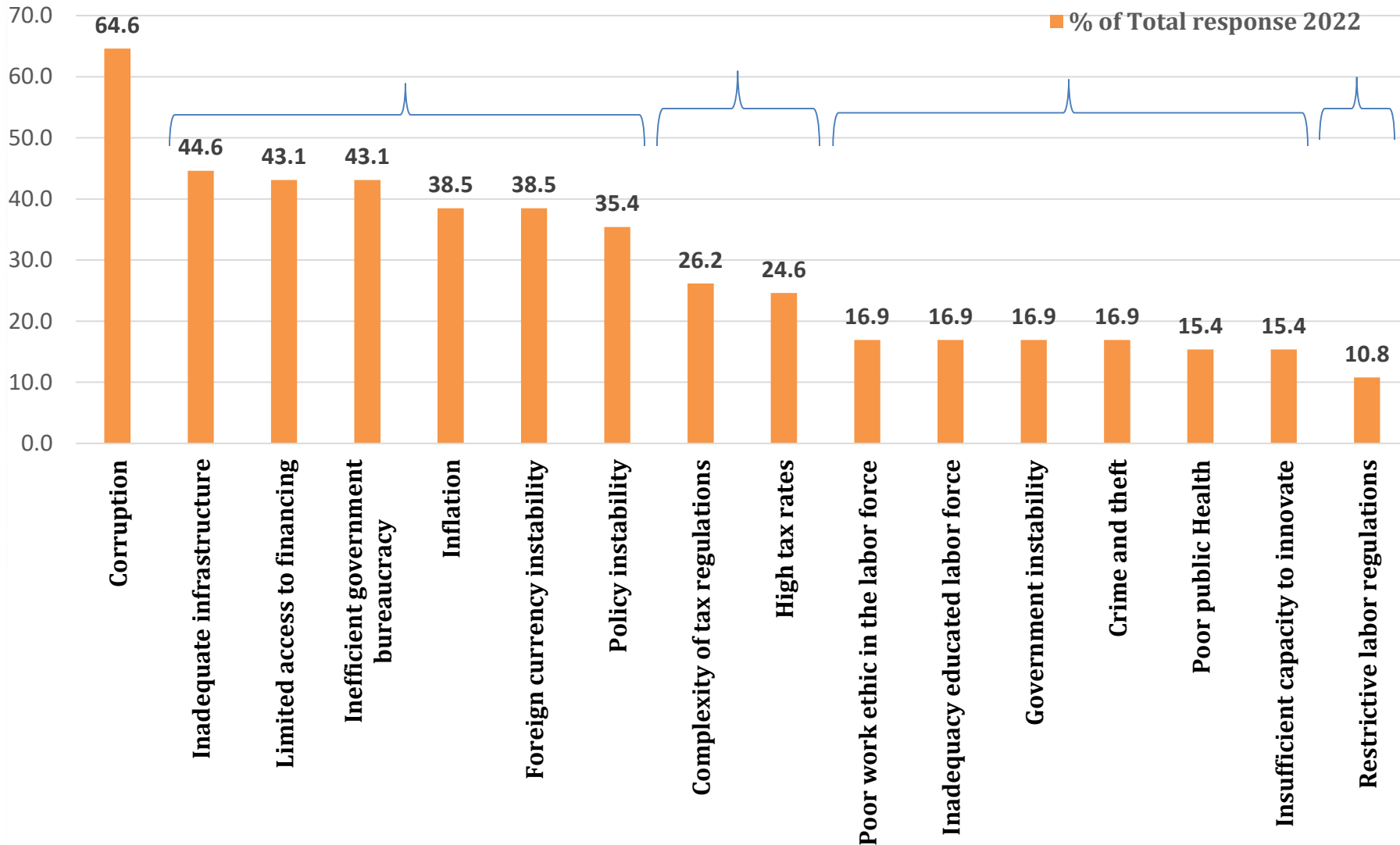


— 2022 — 2021

III. Key Features of Bangladesh Business Environment 2022

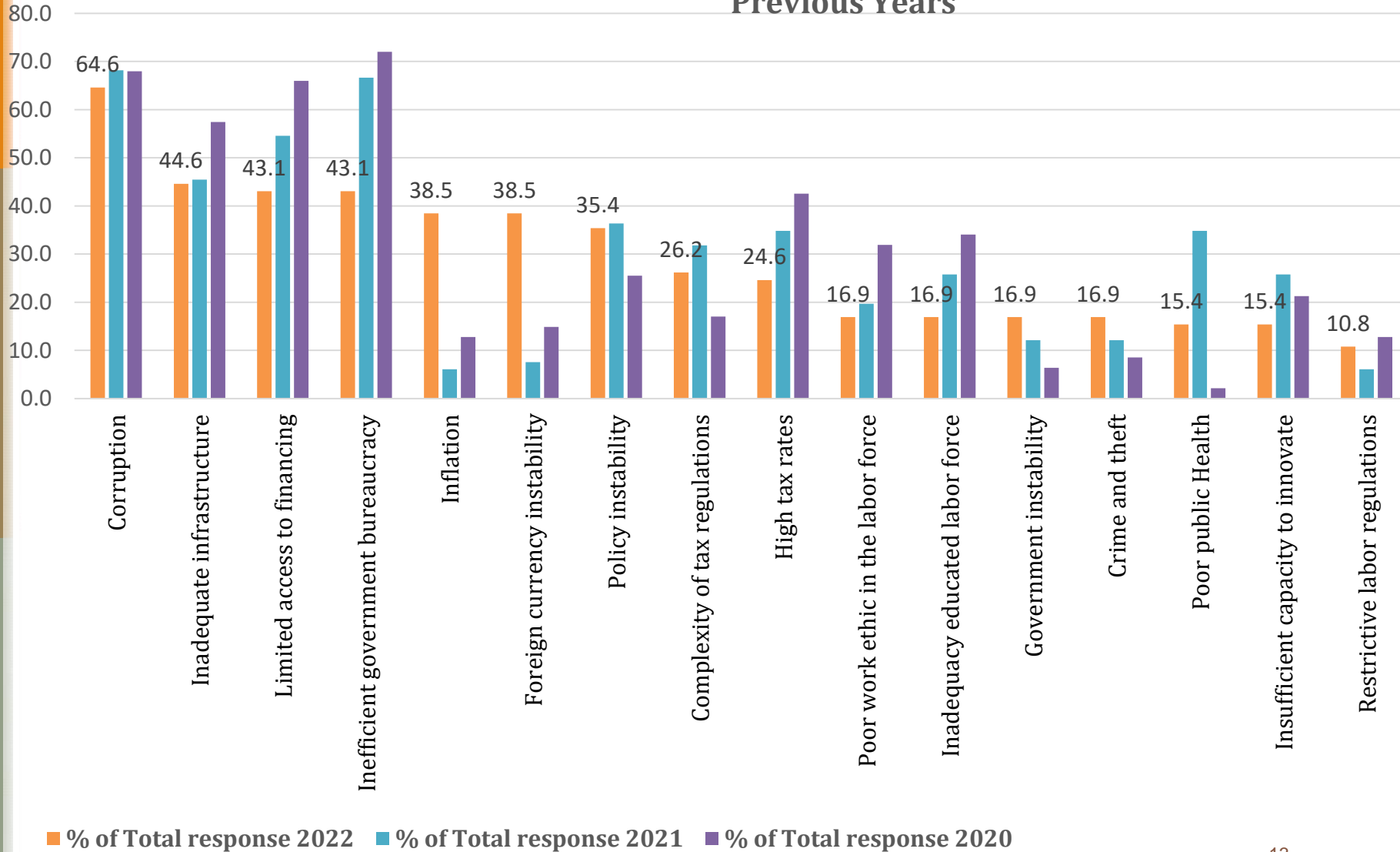
III. Key Features of Bangladesh Business Environment 2022

Most Problematic Factors for Doing Business in 2022



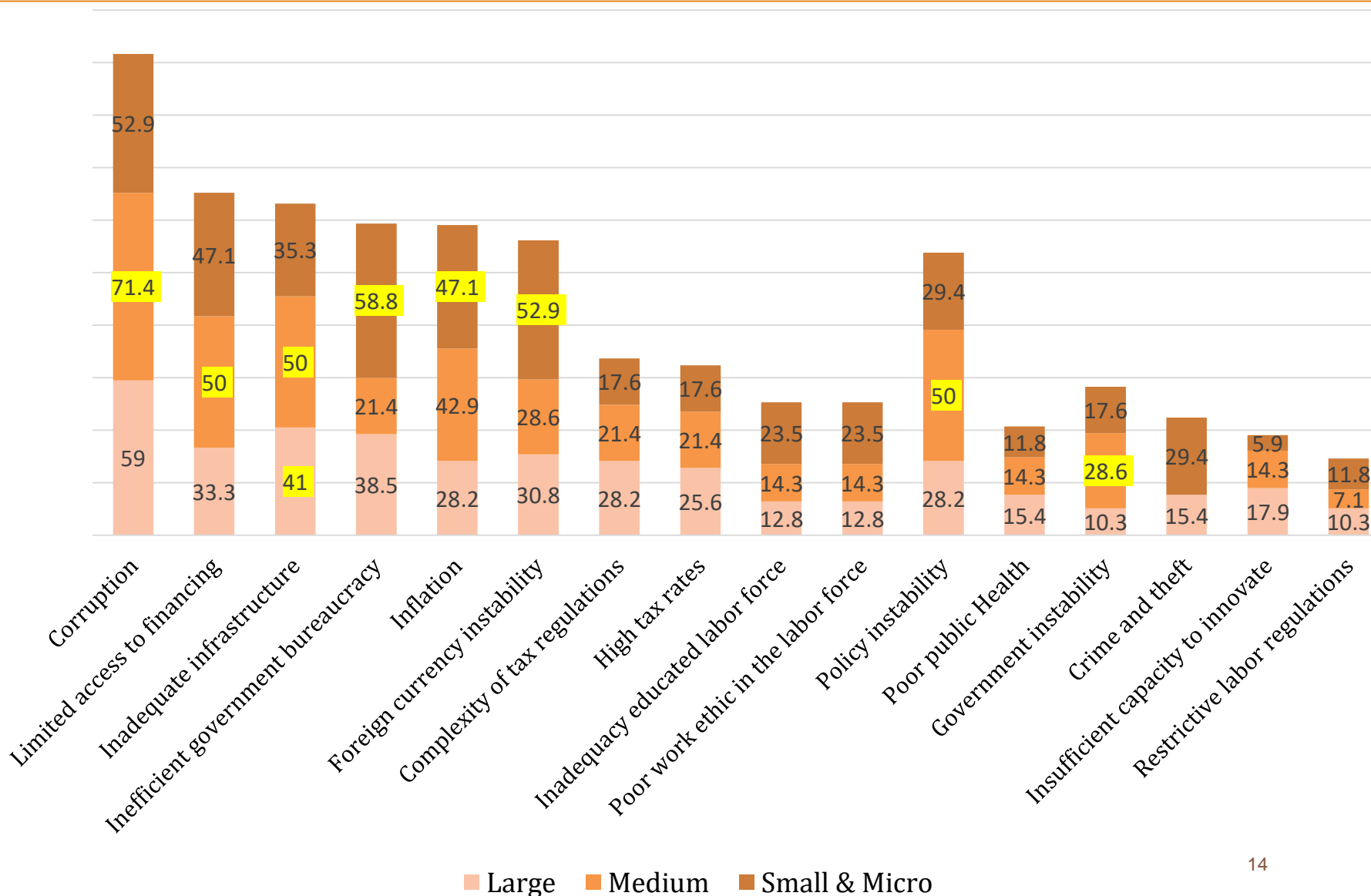
III. Key Features of Bangladesh Business Environment 2022

Most Problematic Factors for Doing Business in 2022 Compared to Previous Years



III. Key Features of Bangladesh Business Environment 2022

Most problematic factors for doing business in 2022 (Size-wise)



III. Key Features of Bangladesh Business Environment 2022

- Some **significant changes** are observed in case of top problematic factors in doing business during 2022
- **Corruption** has been topping the list in 2022 as it did in earlier years
 - **64.6%** of respondents complained about high level of corruption as the major problematic factor
- **44.6%** of respondents complained about **inadequate infrastructure** as the second most problematic factor, whereas **inefficient government bureaucracy** and **limited access to finance** placed third together
 - The severity of these three problematic factors has **reduced** compared to the previous years – it indicates that the businesses have also been **suffering from new arising factors** (see slide 11)
- A new set of factors have emerged as important. These include **inflation** (38.5%) followed by **foreign currency instability** (38.5%) and **policy instability** (35.4%)
 - Given the uncertain business environment, businesses need comprehensive policy support targeting the short-, medium- and long-term challenges
- Businessmen's perception regarding **high tax rate** has further improved
 - It is ranked the eighth important factor (24.6%), which was earlier ranked fourth problematic factor
 - A gradual **reduction in top-tier tax rates** may contribute to improving the perception

III. Key Features of Bangladesh Business Environment 2022

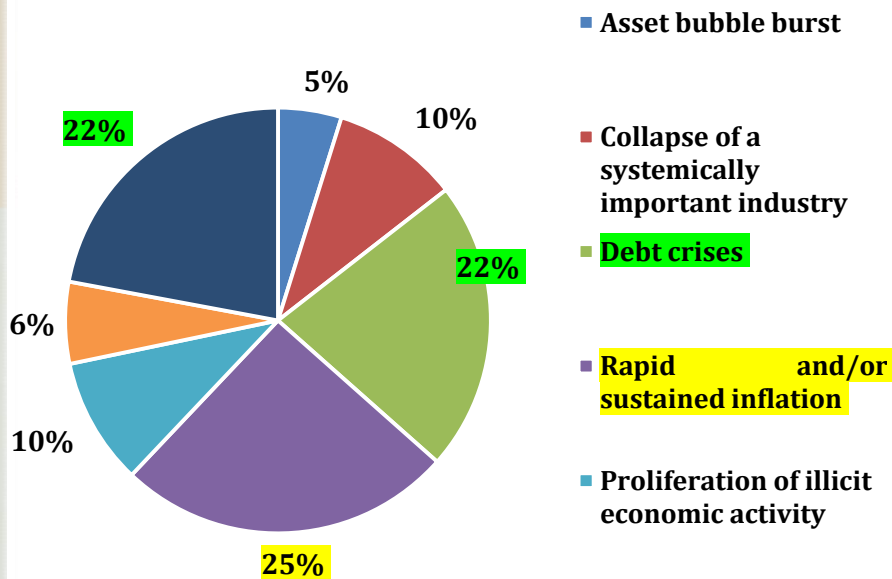
- In contrast, **complexity of tax regulation** is perceived as more problematic (26.2%) than the high tax rate
 - Perception regarding public health has been significantly improved (15.4%) compared to the previous year
 - This happened perhaps because of the decreasing Covid affected cases among the working population
- The level of severity of problems is different for **different categories of enterprises** (see slide 13)
 - By and large, corruption **severely affects all categories** of businesses. 52.9% of small and micro enterprises have considered corruption as the most problematic factor, 71.4% of medium and 59% of large
 - **Medium enterprises** marked limited access to finance, inadequate infrastructure, policy instability, and government instability as bigger problematic factors
 - **Small & micro enterprises** are facing the pressure of **inflation, instability of foreign currency**, and inefficient government bureaucracy
 - Large enterprises found more problematic issues in case of inadequate infrastructure, inefficient government bureaucracy and foreign currency instability
- Hence, government needs to ensure **customized policy support** for different categories of enterprises targeting diverse challenges

III. Key Features of Bangladesh Business Environment 2022

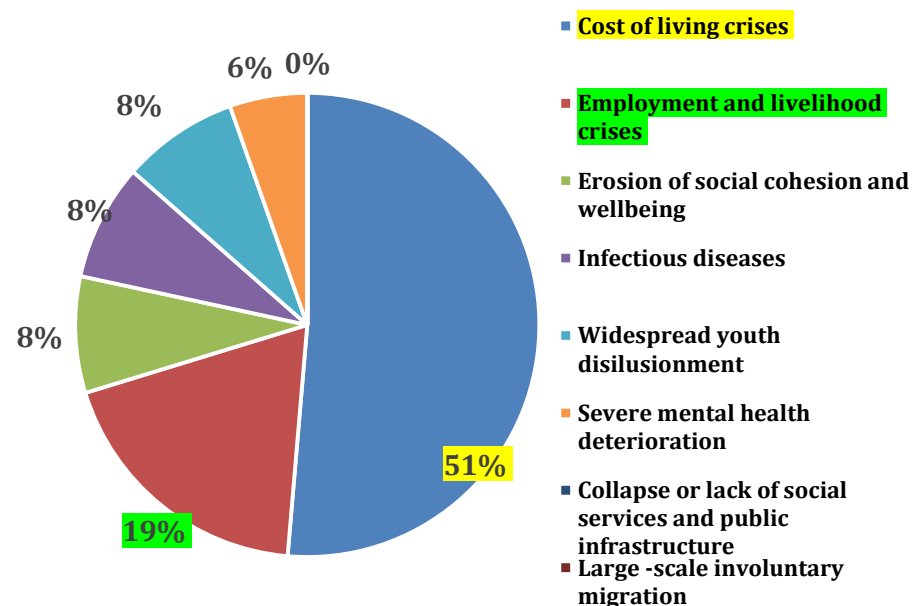
- The **top three economic risks** for Bangladesh for upcoming years are-
 - Rapid & sustained inflation (25%)
 - Debt crisis (22%)
 - Severe commodity price shocks or volatility (22%)

- The **top three societal risks** for upcoming years are-
 - Cost-of-living crisis (51%)
 - Employment and livelihood crisis (19%)
 - Infectious diseases (8%)

ECONOMIC RISKS



SOCIETAL RISKS



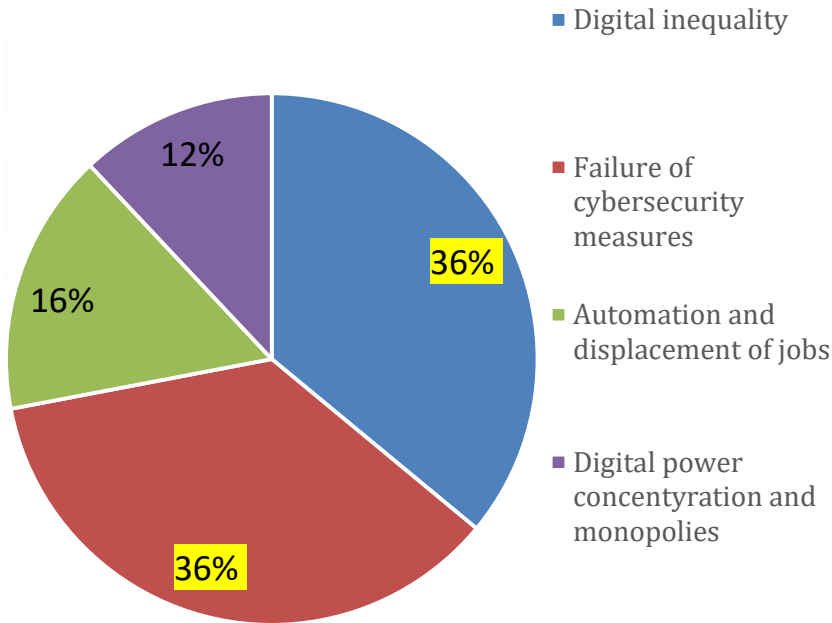
In percentage

III. Key Features of Bangladesh Business Environment 2022

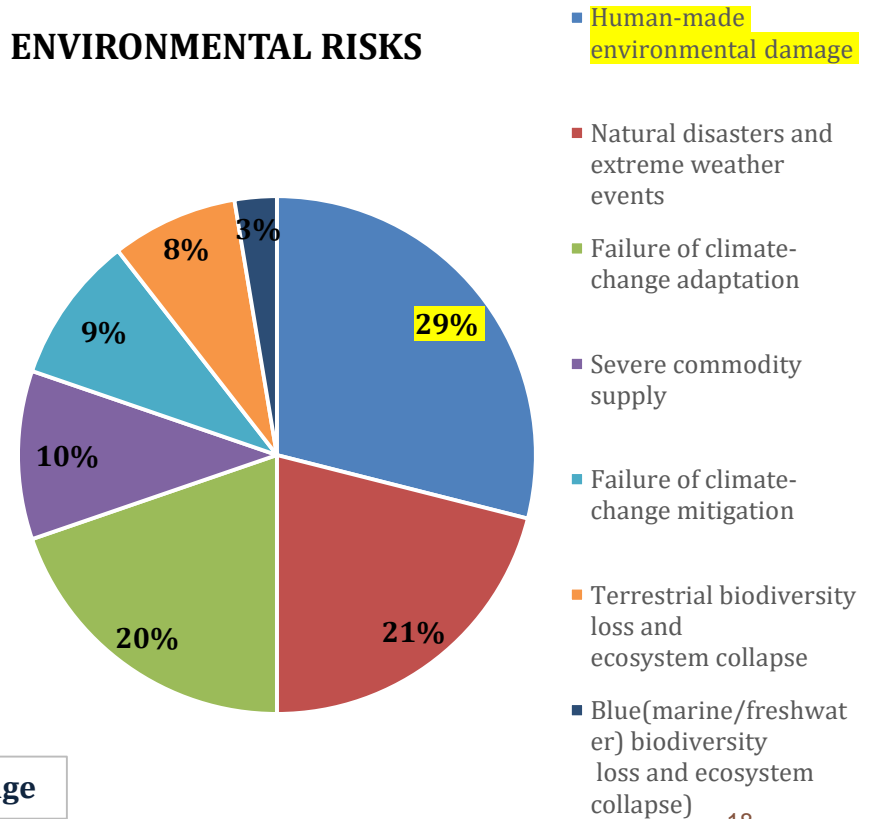
- The **top technological** risks for Bangladesh this year are-
 - Digital inequality (36%)
 - Failure of cybersecurity measures (36%)

- The **top environmental** risks this year are-
 - Human-made environmental damage (29%)
 - Natural disasters and extreme weather events (21%)

TECHNOLOGICAL RISK



ENVIRONMENTAL RISKS

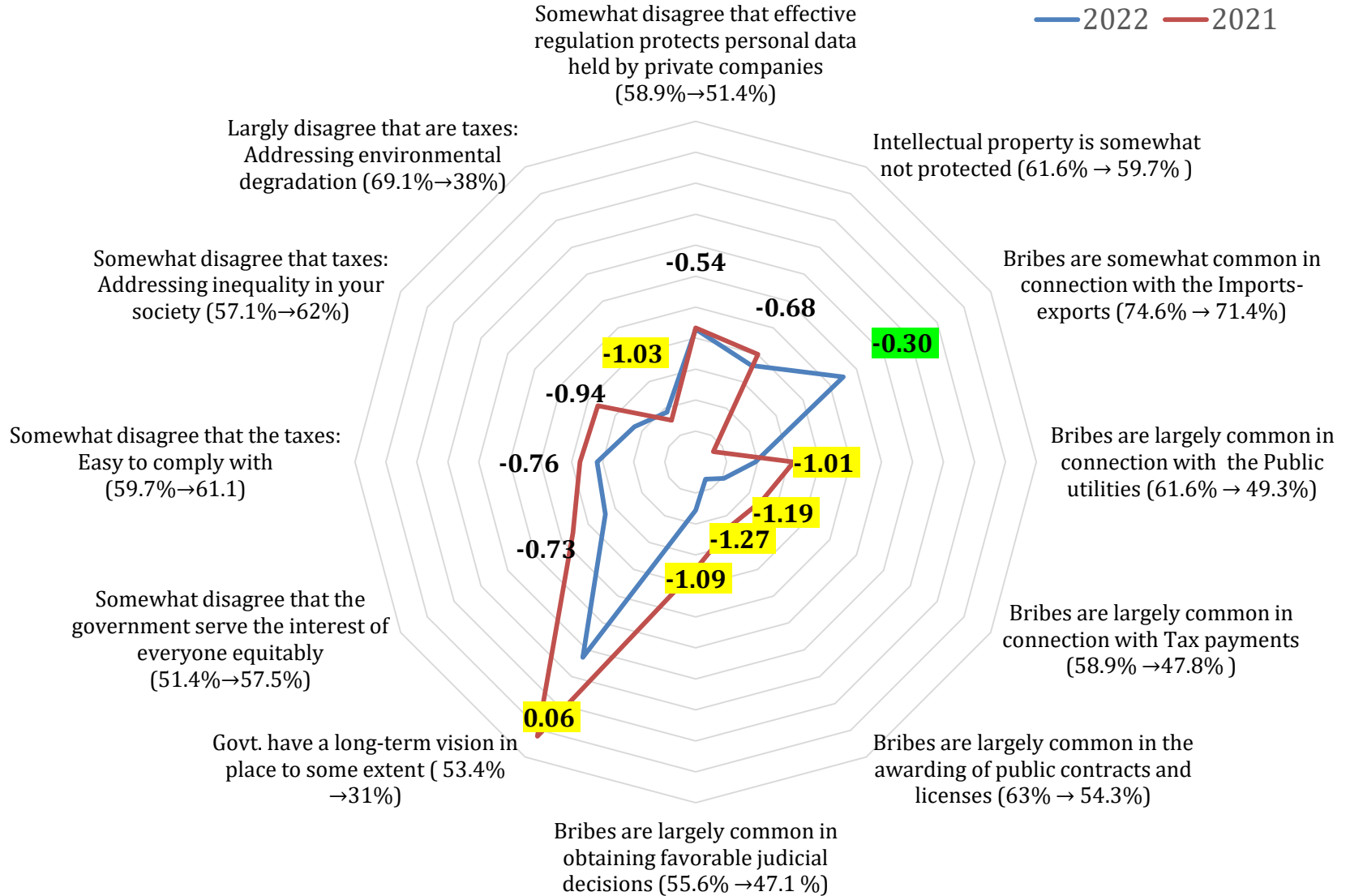


In percentage

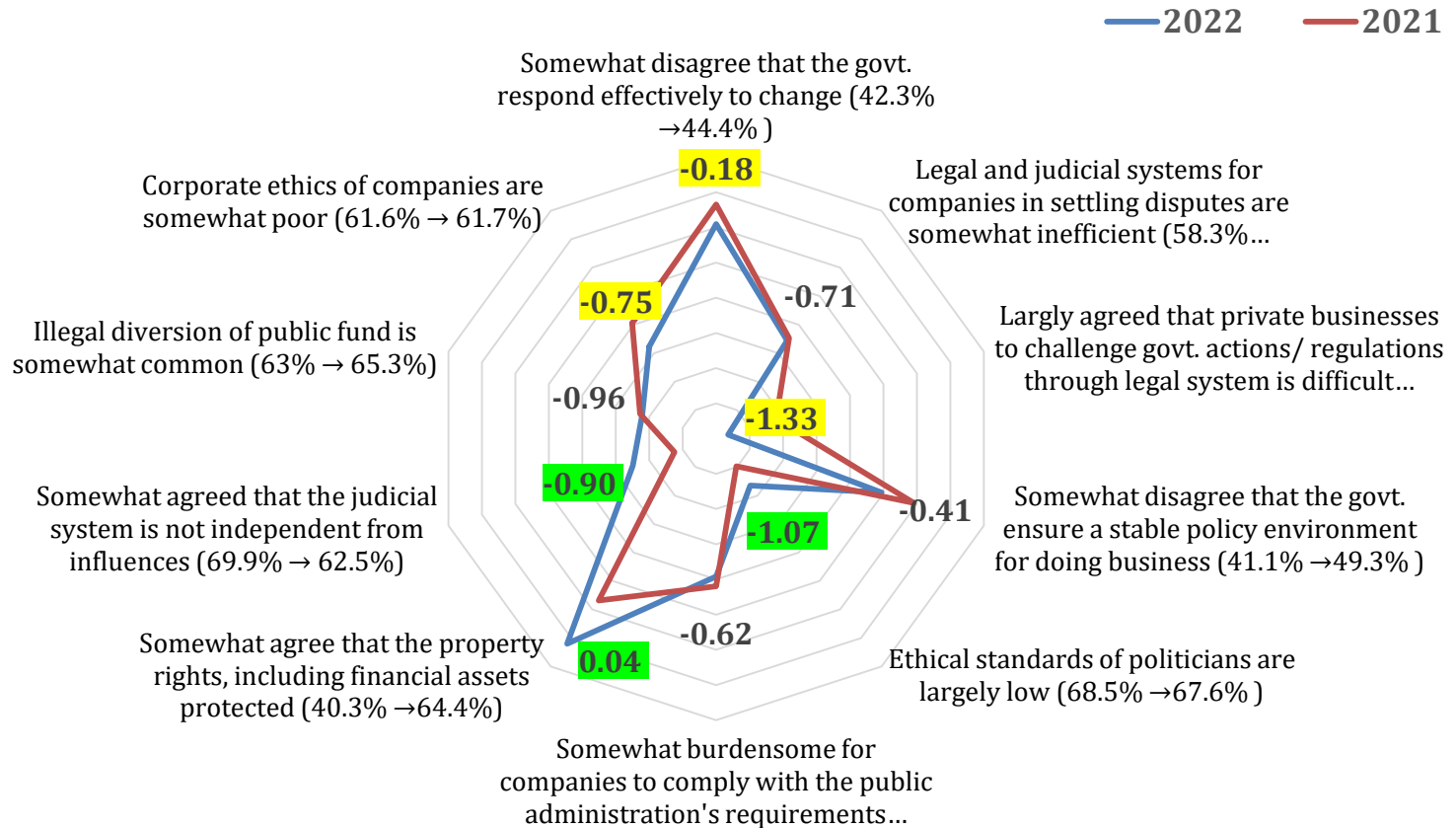
IV. Bangladesh's Performance under Different Pillars: Detailed Analysis



IV.1 Institution



IV.1 Institutions



IV.1 Institutions

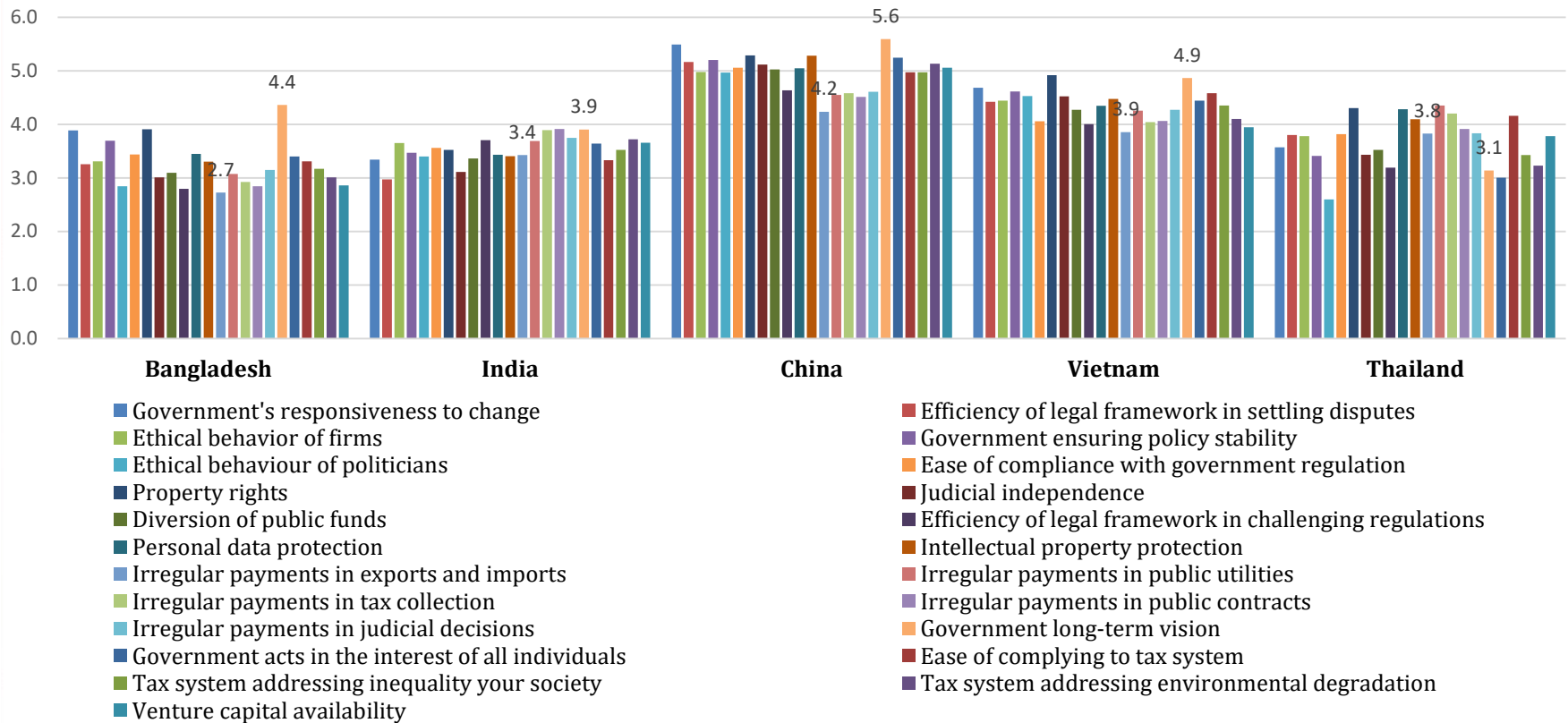
- **Weak institutions** are the most challenging components for doing business in Bangladesh
 - Improvement of institutions is **sluggish** and most importantly, their performance has **deteriorated** during 2022
- **Public entities** dealing with taxes, licenses, public utilities, judicial system, export, and import have **poorly performed** during the year 2022
 - Fiscal instrument do not necessarily meet the need of the people, businesses and society
 - There is an increase in the **use of bribes** in connection with **tax payment** (-1.19; 47.8%); and **licenses** (-1.27, 54.3%); **public utilities** (-1.01, 49.3%); and largely common in obtaining favorable judicial decisions (-1.09, 47.1 %)
- **Tax structure** needs major revision focusing on the **equity of different categories** of people as performance indicators related to tax are poor and deteriorating
 - Weak performance in serving people equally (-0.73; 51.4%); could not address inequality (-0.94; 57.1%) and it was difficult to comply with tax obligations (-0.76; 59.7%)
 - Perception regarding the use of **bribes in export and import trade** (-0.3; 74.6%) has **lessened** perhaps due to gradual rise of practices of digital payment system
- Businessmen over the years **positively acknowledged** the government's **long-term vision** for economic development which has continued in 2022 (0.06, 31%)
 - The perception level has improved which is due to **business-focused public** policies and their implementation over the years

IV.1 Institutions

- Majority of institution-related indicators are showing **further negative** results during 2022 survey
 - For example, the government is **less responsive** to changes (-0.18; 44.4%); private businesses' less ability to challenge government decisions (-1.33; 74%) and **poor corporate ethics** (-0.67; 61.7%)
- Some **marginal improvement** in perception (though below the average level) was observed during 2022 compared to that in 2021
 - For example, protection of **property rights** (0.04%, 64.4%) independence of judiciary (-0.9; 62.5%) and ethical standard of politicians (-1.07; 67.6%)
- Businesses further struggling in a poor governance situation in number of public entities
 - This is reflected in the lack of ability to ensure a stable policy environment (-0.41; 49.3%); **illegal diversion** of public funds (-0.96, 65.3); **burdensome public administration's** compliance (-0.62; 57.5%) and **inefficient legal & judicial system** to settling dispute(-0.71; 56.2)
 - Such inefficiencies and weaknesses made a severe adverse impact for businesses particularly on **SMEs**

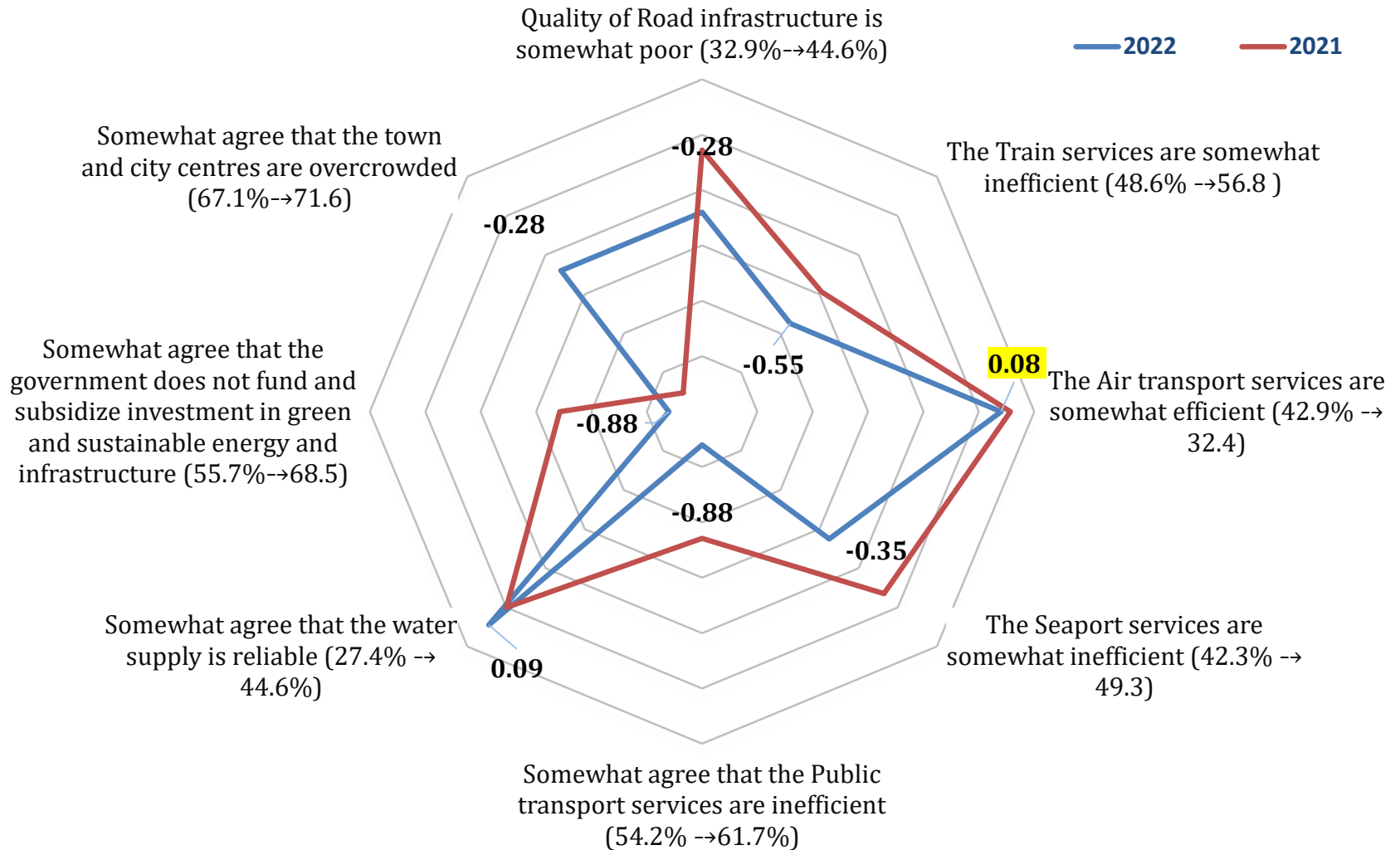
IV.1 Institution

Cross Country Comparison of Quality of Public Institutions

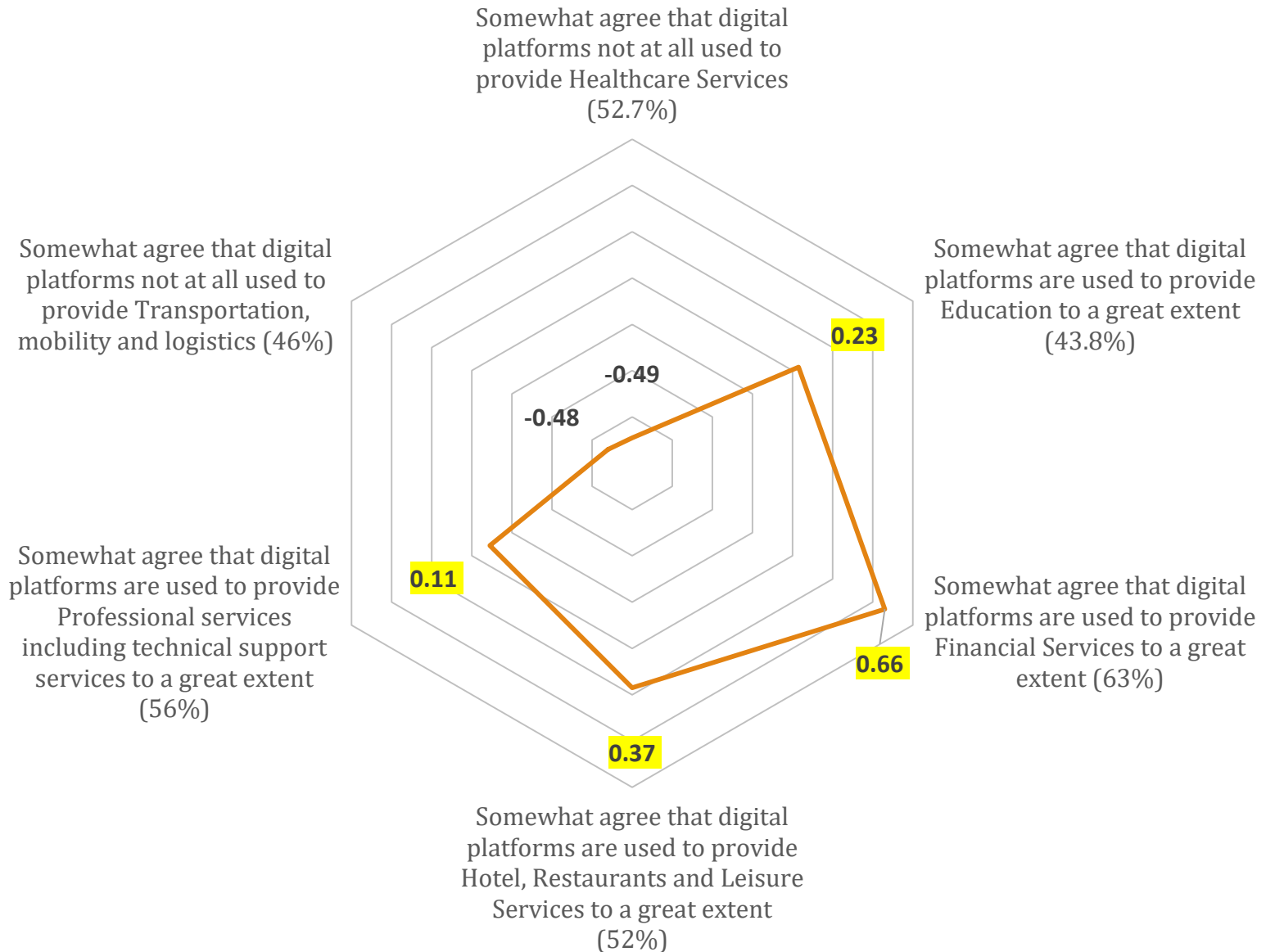


- Bangladesh’s institution related indicators in **most cases are behind** those of comparable countries of Asia
 - Perception on **‘government long term vision’** is to a large extent positively acknowledged by businesses where it is found to be better in Bangladesh compared to that in Thailand
 - Perception on **irregular payments in exports** and imports is the weakest part in case of Bangladesh compared to those of competing countries

IV.2 Infrastructure



IV.2 Infrastructure



IV.2 Infrastructure

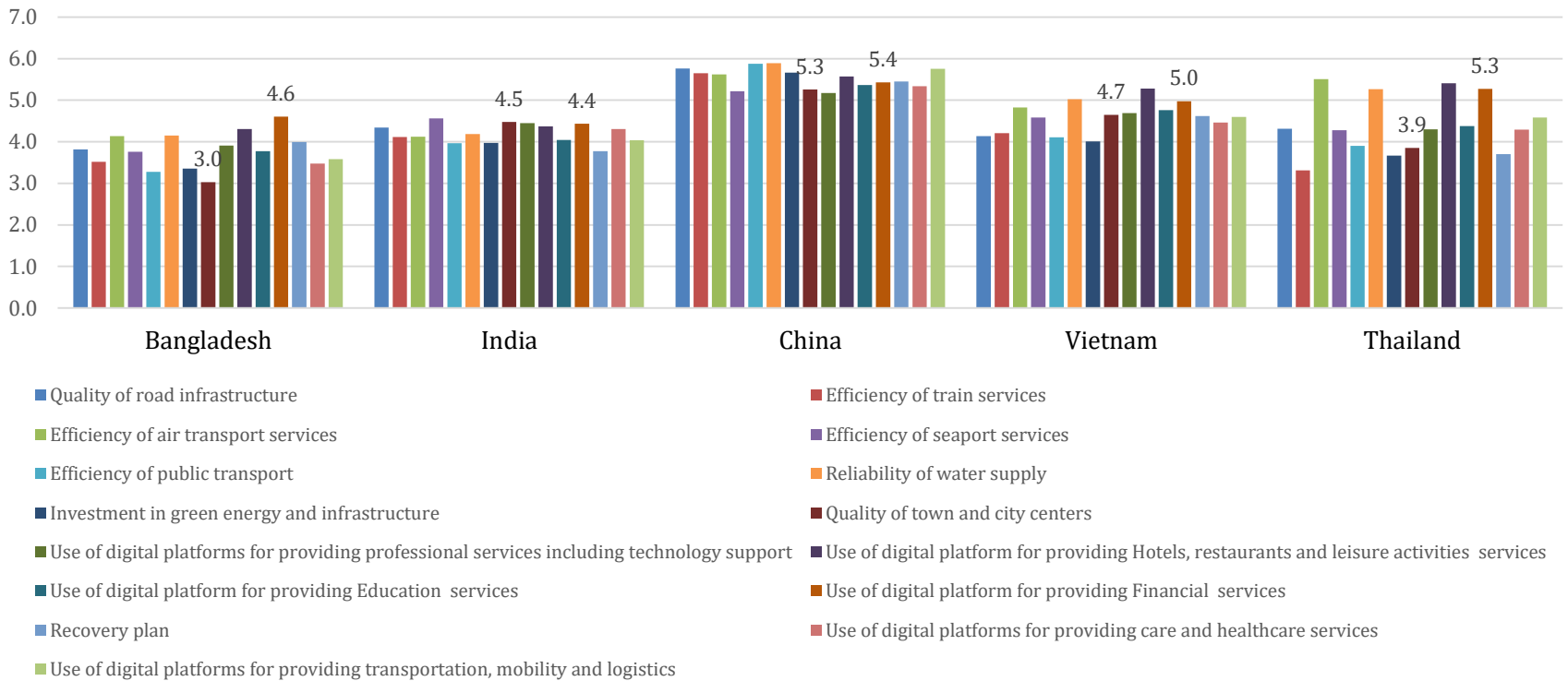
- Performance of majority of infrastructure-related facilities is perceived to be **below the average** level compared to that in 2021
- Key indicators have performed weakly during 2022 and those have **deteriorated**
 - For example, poor quality of **road infrastructure** (-0.28; 44.6%); less efficiency in **train services** (-0.55; 56.8%); inefficient **seaport services** (-0.35; 49.3%) and poor **public transport services** (0.88 ; 61.7%)
 - **Despite major public investments** in key infrastructures related to road, rail and seaport, performance of those facilities is still perceived to be poor.
 - It is important improve the efficiency of these infrastructures and related logistic facilities
 - Some of the **recent developments** in infrastructure projects (e.g. Padma bridge, Metro-rail in Dhaka city and Karnaphuly tunnel in Chittagong) would contribute to improve road/rail connectivity within the country
- A considerable progress in **water supply** is mentioned by businessmen (0.09; 44.6%)
 - Perhaps this is because of improvement in water supply infrastructure in major cities; however, quality of supplied water is still a major area of concern
- Bangladesh is lagging behind in **developing green cities and clean energy** based infrastructure
 - Even though the Central Bank introduced **green financing and draft IEPMP** promotes clean energy, the perception on public funding for green energy and infrastructure has further declined (-0.88; 68.5%)
 - The perception on **overcrowding of city centers** seems to be marginally **improved** (-0.28; 71.6%); further improvement in city-traffic would help reduce the pressure on a single city like Dhaka/Chittagong
- The government with the support of **development partners should make substantial investment** towards developing green cities, clean energy based power and energy system, better urban waste management system and reduced industrial pollution mechanism etc.

IV.2 Infrastructure

- Bangladesh climbed up 27 notches to rank 76th in the world in the digital wellbeing thanks to the country's performance in internet affordability, security and quality, according to the **Digital Quality of Life (DQL) Index 2022**. (The Business Standard, 2022)
 - Positive performance observed in case of **facilitating financial services** (0.66; 63%); hotel, restaurant and leisure services (0.37; 63%); education services (-0.23; 43.8%) and professional services including technical support (0.11, 56%)
 - However, there is **still lack of digital service** activities in **health care services** (-0.49, 52.7%) and in providing transportation, mobility and logistics (-0.48, 46%)
 - According to the DQL report, Bangladesh has significantly improved in four of the five indicators this year except for the electronic government pillar, where its position is unchanged
- A report of the Bangladesh Telecommunication and Regulatory Commission's (BTRC, 2022) confirmed that the number of **mobile subscribers** are 181.67 million in October 2022
 - However, till April 2022, 114 million people, or more than two-thirds (67.9 percent) of the population, are **still without access to the internet** (DATAREPORTAL)

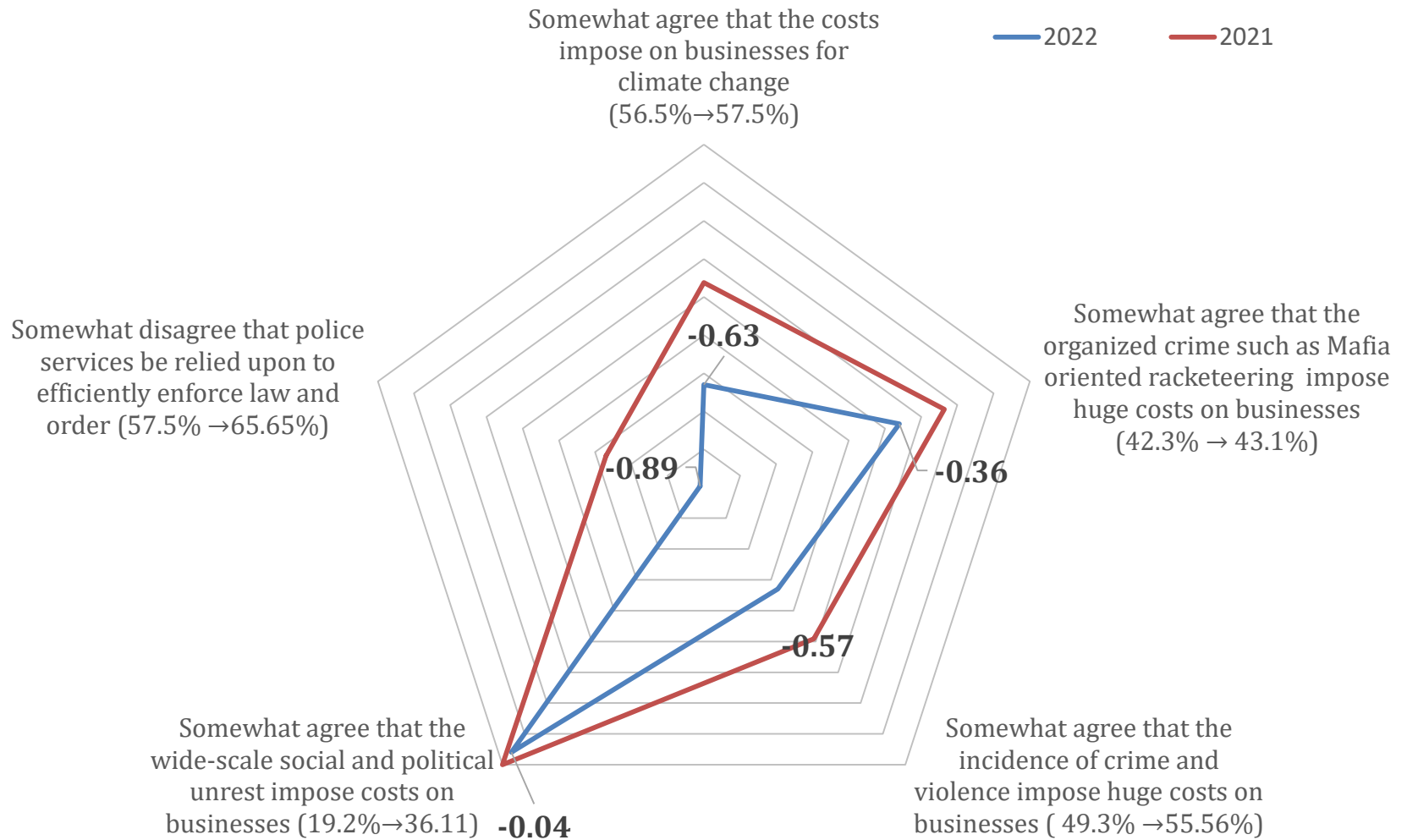
IV.2 Infrastructure

Cross country Comparison on Quality of Infrastructure



- Among the comparable countries, Bangladesh is **behind in most of the infrastructure** related indicators
 - The performance is relatively better in case of using **digital platforms for providing financial services**
 - The performance is poorer in case of **quality of town and city centers**

IV.3 Safety and Security

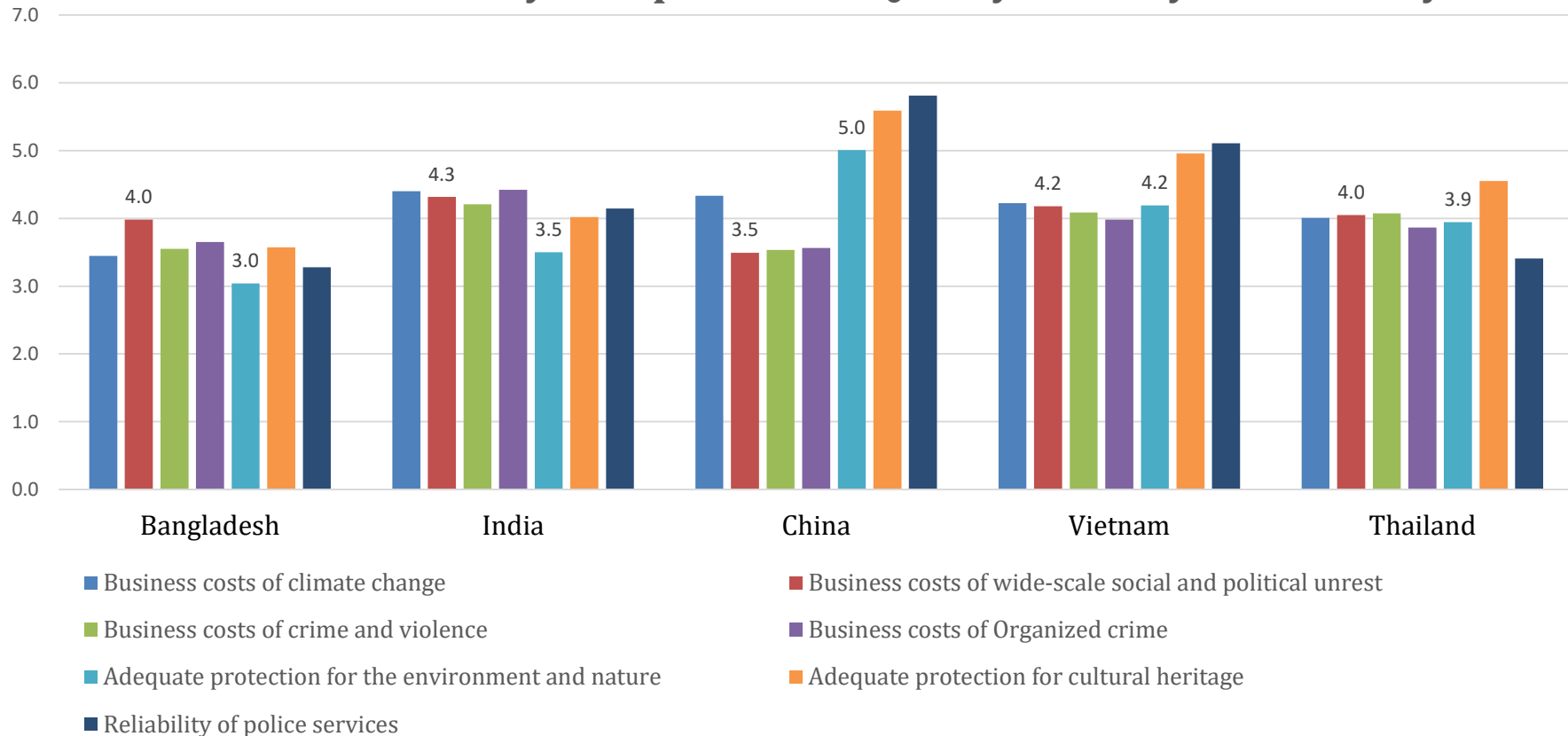


IV.3 Safety and Security

- Businessmen's perception regarding safety and security has been **significantly deteriorated** in 2022 compared to that in 2021
 - This is reflected in case of the perception on organized crime such as mafia-oriented racketeering (-0.36; 43.1%) and **crime and violence** (-0.57, 55.56%)
- 57.5% respondents observed that **climate changes** are somewhat rose cost of doing business (-0.63)
 - These are causing rise in **higher demand for jobs in city areas**, pressure on urban city services and rise in informal economic activities due to rise in **climate displaced migrants** in urban areas/city centres
- Businessmen are being concerned about quality of services of **law enforcement agencies**
 - **65.7%** of businessmen perceived that police services are yet to be relied upon to enforce law and order efficiently (-0.89)
 - In recent times the poor quality of services of the law enforcement agencies created a perception where it **failed to assure basic human rights** of people
 - These agencies need to invest more for improvement in the quality of services
- Perception on **social and political unrest** has further declined (-0.04; 36.1%) this year which is a major concern for business environment in the country
 - Bangladesh has **ranked 127th out of 140 nations** on the World Justice Project's *Rule of Law Index 2022*. According to the RoL Index 2022, Bangladesh has dropped two points from last year

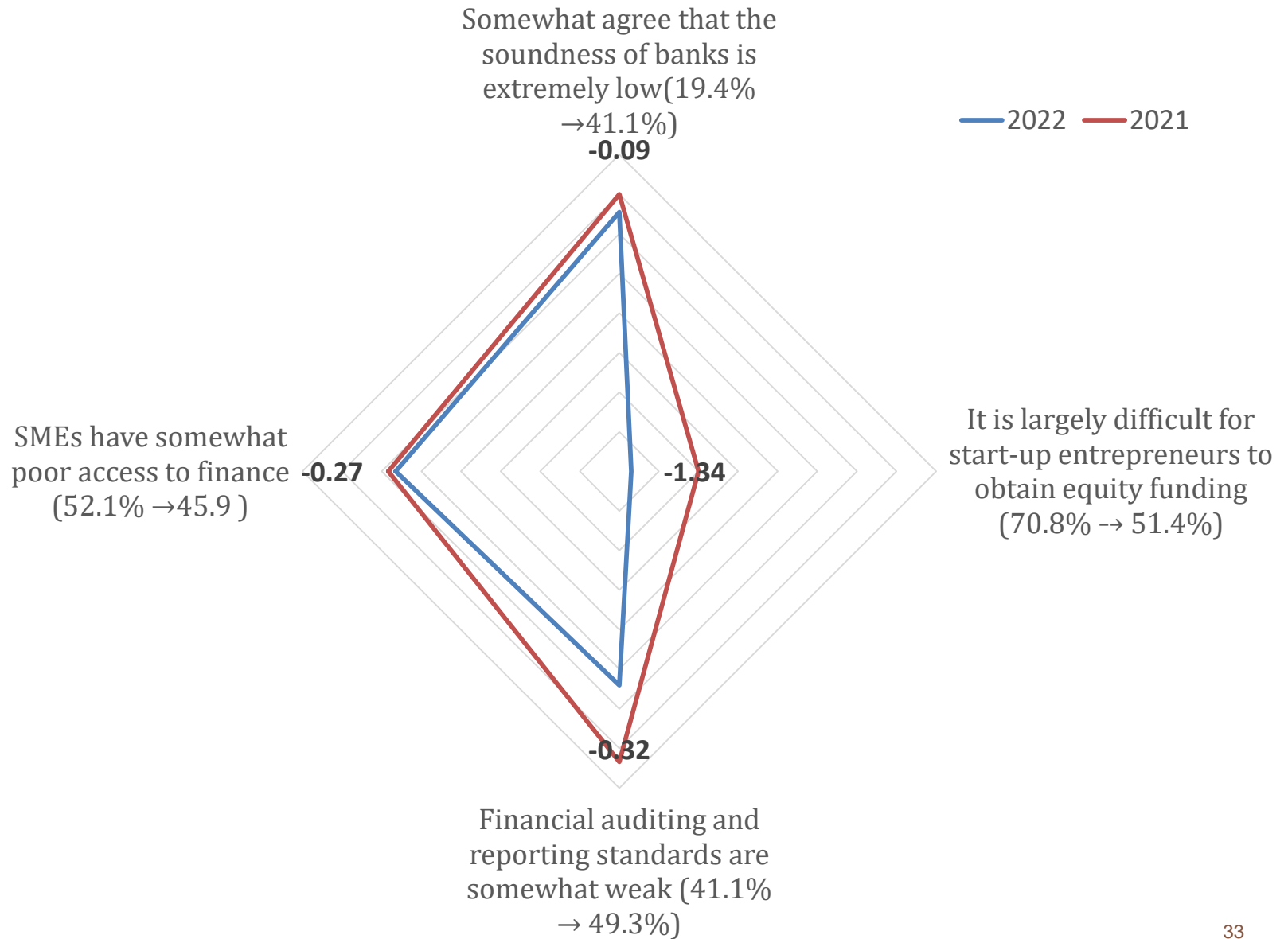
IV.3 Safety and Security

Cross Country Comparison on Quality of Safety and Security



- Among the selected competing countries, Bangladesh's performance is **poorer in case of lack of protection for the environment and nature** and reliability of police services
 - Bangladesh's performance is relatively better in case of **costs due to wide scale social and political unrest**

IV.4 Financial System

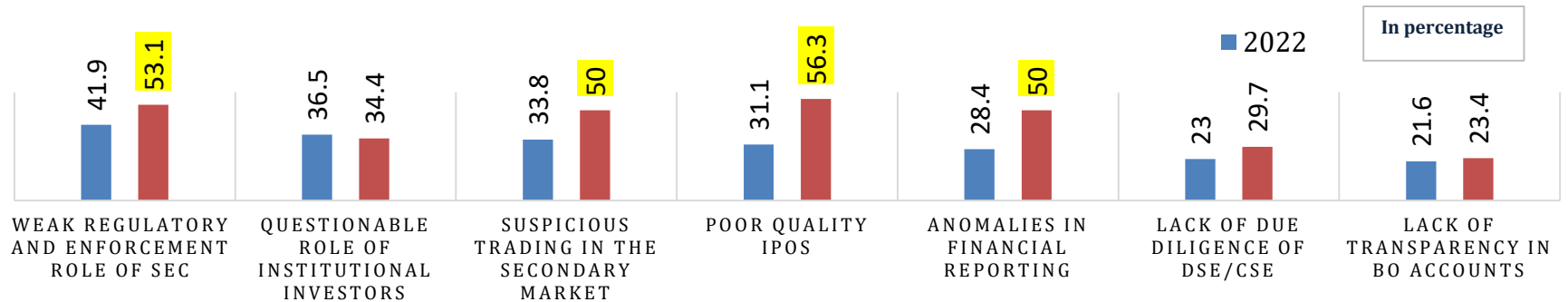


IV.4 Financial System

- Financial sector is **somewhat worsened** after the pandemic – most of the indicators are showing lower score than year 2021
 - Overall level of performance of the financial sector has remained in the negative indicating a struggling situation as in previous years
 - According the respondent, negative perception is observed in case of the **soundness of banks** (-0.09; 41.9%); **accessing start-up capital** (-1.34; 51.4%) and financial and **auditing reporting standards** (-0.32; 49.3%)
- 45.9% of businessmen indicated that **SMEs are facing difficulty** in obtaining funding from the financial sector (-0.27; 45.9%) and the progress is rather slow compared to other financial market indicators
 - According to World Bank, there is a **\$2.8 billion investment deficit** in the SME sector.
 - Capping the interest rate** is a major barrier for SMEs to avail necessary credit from the banks; government should withdraw interest rate cap on lending rates
 - Further enhancement of credit support and **innovating financial tools** are needed for ensuring access to credit to SMEs
- The capital market has been struggling in building confidence among the investors
 - Major challenges of the capital market** include poor-quality IPOs (56.3%), weak regulatory enforcement role of SEC (53.1%), anomalies in financial reporting (50%) and suspicious trading in the secondary market (50%)
 - Other issues include – **questionable role of institutional investors**, lack of transparency in BO accounts, failure to ensure due diligence of DSE/CSE

IV.4 Financial System

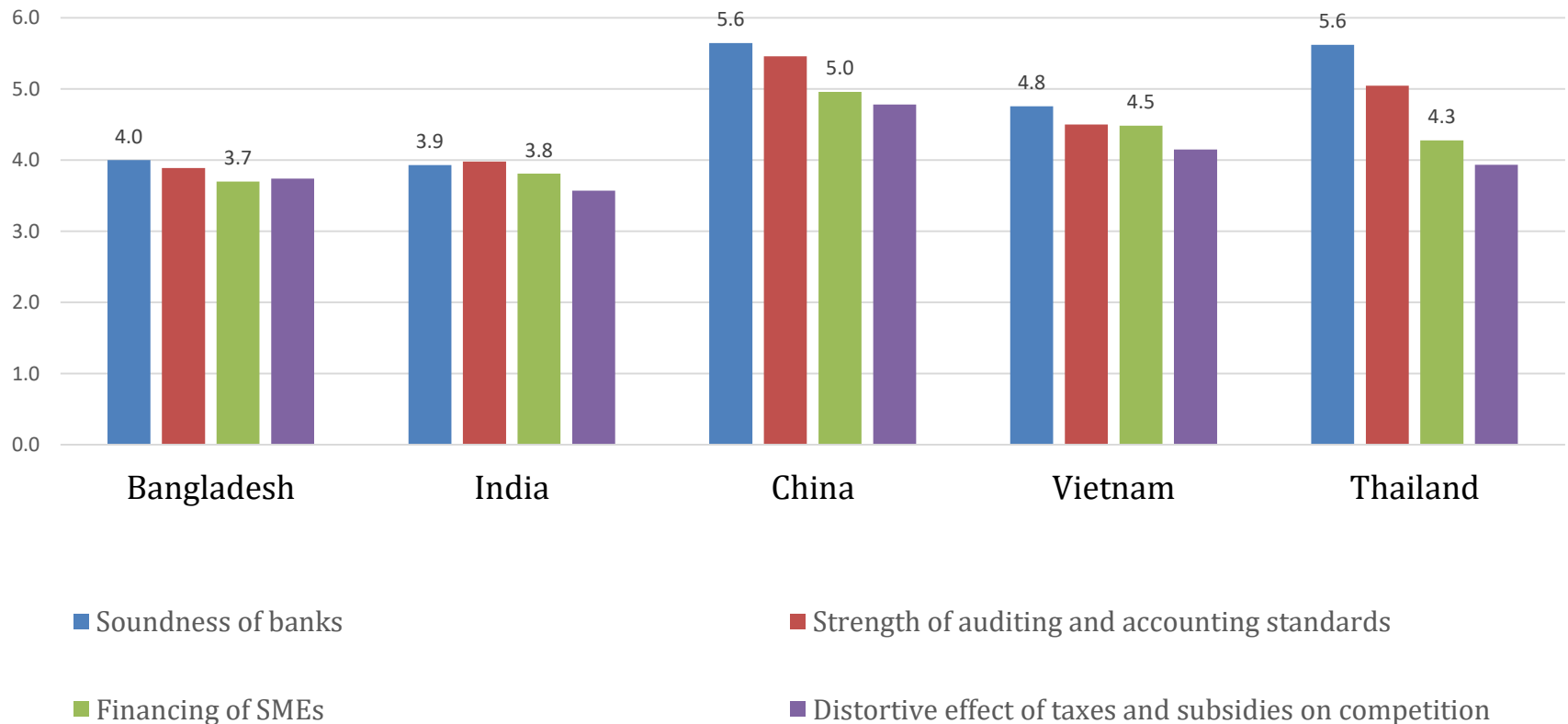
BUSINESSMEN PERCEPTION ON BANKING SECTOR AND CAPITAL MARKET



- Non-performing loans soared to a new high at Tk 1.34 trillion at the end of September, 2022. The amount is **9.36 per cent of the total outstanding** loans in the banking sector (The Financial Express).
 - According to Bangladesh Bank data, 32 banks held more than Tk 1,000 crore in defaulted loans each and six of them accounted for more than Tk 5,000 crore in classified loans each
 - Assessing the **defaulted loan following international standard** would reveal much higher level of outstanding loan in the banking sector
- Government has **made commitments to improve the governance** of the banking sector as part of the meeting the **'structural conditionality'** of availing IMF loan (Daily Star, 2023). These conditionality include
 - Improvement of governance in the financial sector
 - Amendments of the Bank Company Act
 - Setting up an asset management company to dispose of soured loans

IV.4 Financial System

Cross Country Comparison on Quality of Financial System

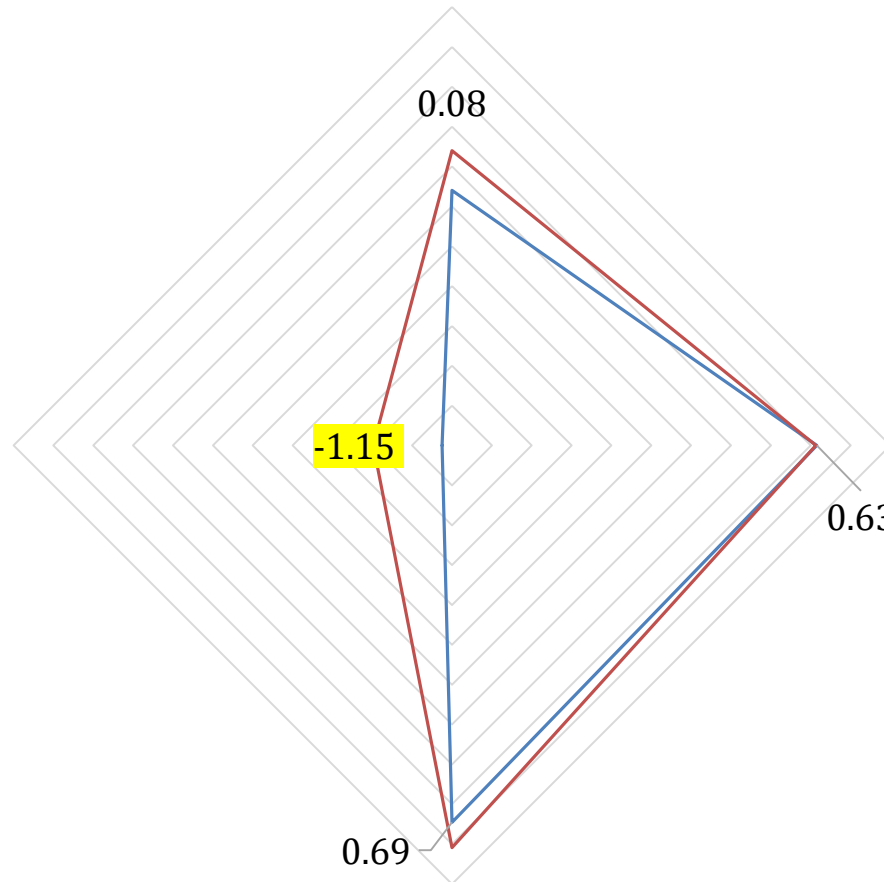


- Bangladesh's performance on **quality of financial services** is relatively good compared to that in India.
- However, it is still **behind compared to other competing countries** (e.g. China, Vietnam, Thailand)

IV.5 Trade and Investment

Somewhat agree that non-tariff barriers do not limit domestic competition
(35.3% → 17.8)

— 2022 — 2021



Largely agree that the foreign visitors (tourists and business travellers) are heavily concentrated in a few destinations
(66.7%→52.8)

FDI rules and regulations are somewhat relaxed
(55.6% → 56.9)

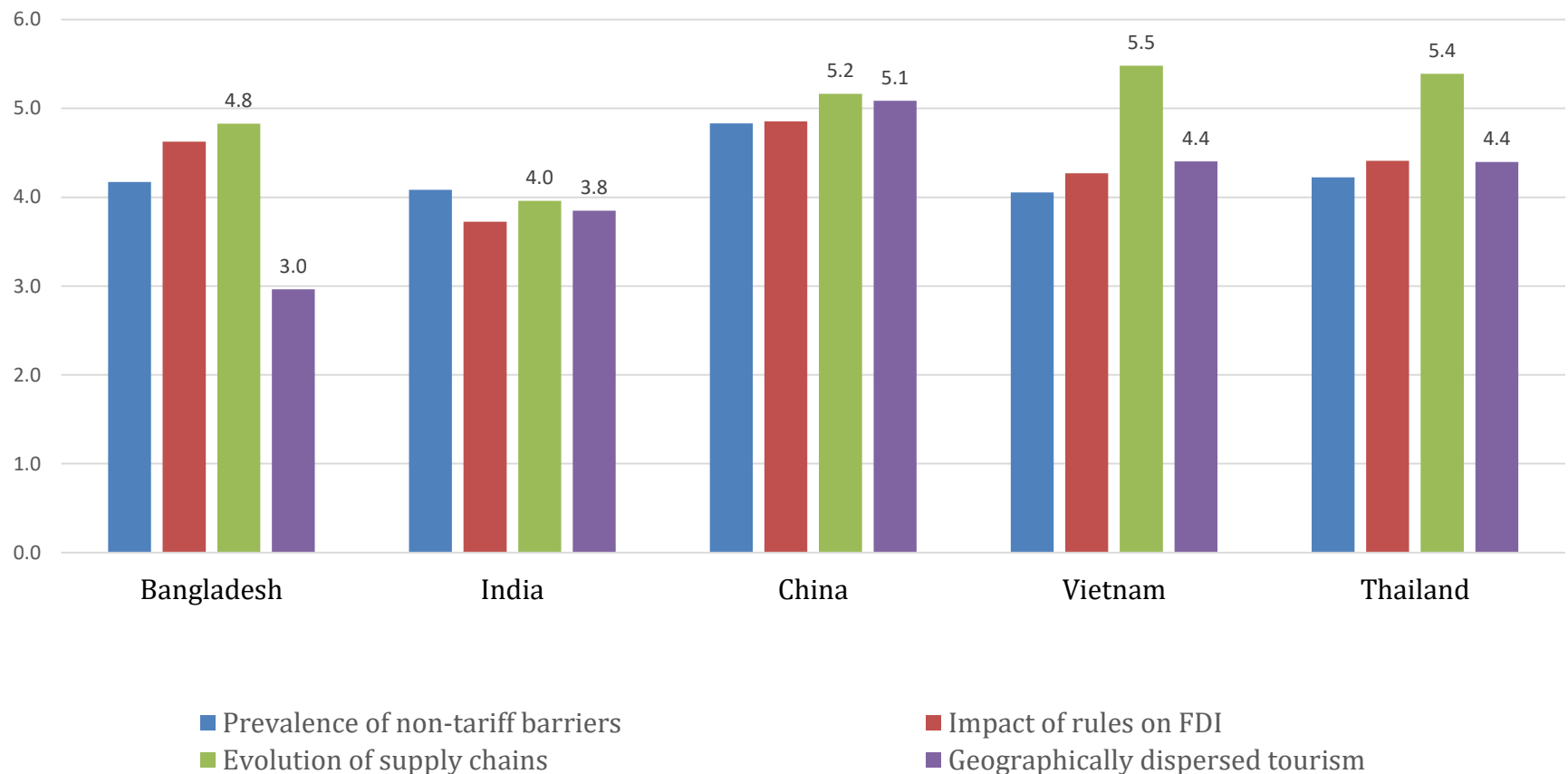
Somewhat expects supply chains to be more globalized
(64.8% →62.2)

IV.5 Trade and Investment

- Trade and investment related issues **did not improve** during 2022 after the pandemic
 - Non-tariff barriers** have somewhat limiting impact on the competition in the domestic market (0.08; 17.8%)
 - Rules and regulations related to **foreign direct investment (FDI)** remain at the same level (0.63; 56.9%) for three consecutive year - further initiatives are required to attract more FDI with regard to tax, infrastructure, skilled manpower
 - Despite various initiatives, **FDI inflow** remains at low level (\$2.2 billion in FY22)
 - Lack of proper infrastructure**, limited functionality of one stop service facilities, weak financial reporting of local companies etc. are considered as drawbacks for attracting FDI in the country.
- 62.2% businessmen have the view **that supply chains has somewhat** been globalized (0.69, 62.2%) ;
 - More open global supply chains on different products would lead to rise in trade and in diversified export products with diversified markets
- Attracting **more foreign visitors** could improve the business environment of the country
 - However, 52.8% entrepreneurs noticed that foreign visitors/tourists are **not so much interested to move in different places** and is highly concentrated in only few destinations (-1.15; 52.8%)
 - Such a perception is not helpful in improving network with foreign visitors in the country

IV.5 Trade and Investment

Cross Country Comparison on Quality of Trade and Investment Indicators



- Bangladesh and **India are at the same level** with regard to trade and investment related preparedness
- Bangladesh is **better in terms of supply chain management** issues

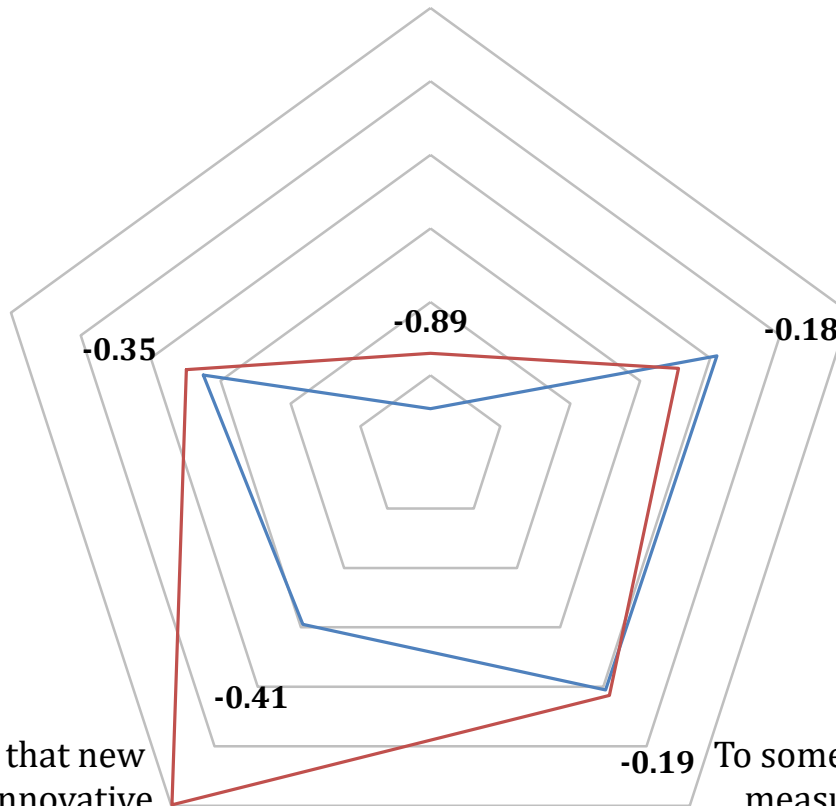
IV.6 Competition

Somewhat agreed corporate activities are dominated by a few business groups
(65.8% → 69.4%)

— 2022 — 2021

Somewhat agree that Individuals are not able to move their data and records easily between firms
(46.6% → 55.6%)

Well-developed and deep clusters are somewhat nonexistent (46.4% → 46.6%)



Somewhat agree that new companies with innovative ideas not at all grow rapidly
(46.5% → 56.8%)

To some extent fiscal measures distort competition (48.6% → 43.8%)

IV.6 Competition

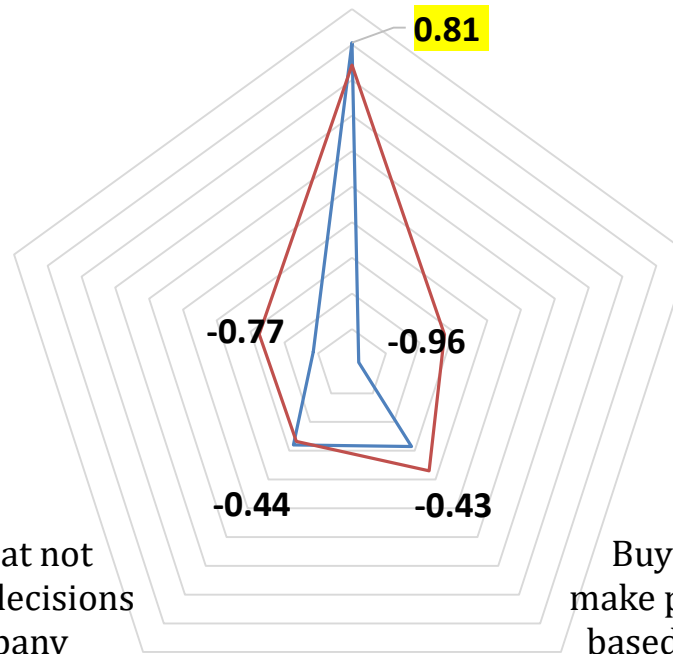
Buyers somewhat make purchasing decisions based on product performance (57.5% → 67.6%)

Buyers somewhat not make purchasing decisions based on company commitment to diversity, equity and inclusion (54.9% → 59.2%)

Buyers somewhat not make purchasing decisions based on company commitment to decent work standards and wages (53.4 → 48.6%)

Buyers somewhat not make purchasing decisions based on product impact on the environment and nature (53.4% → 59.2%)

Buyers somewhat not make purchasing decisions based on product impact on health, mental health and well-being (50.7% → 44.3)



IV.6 Competition

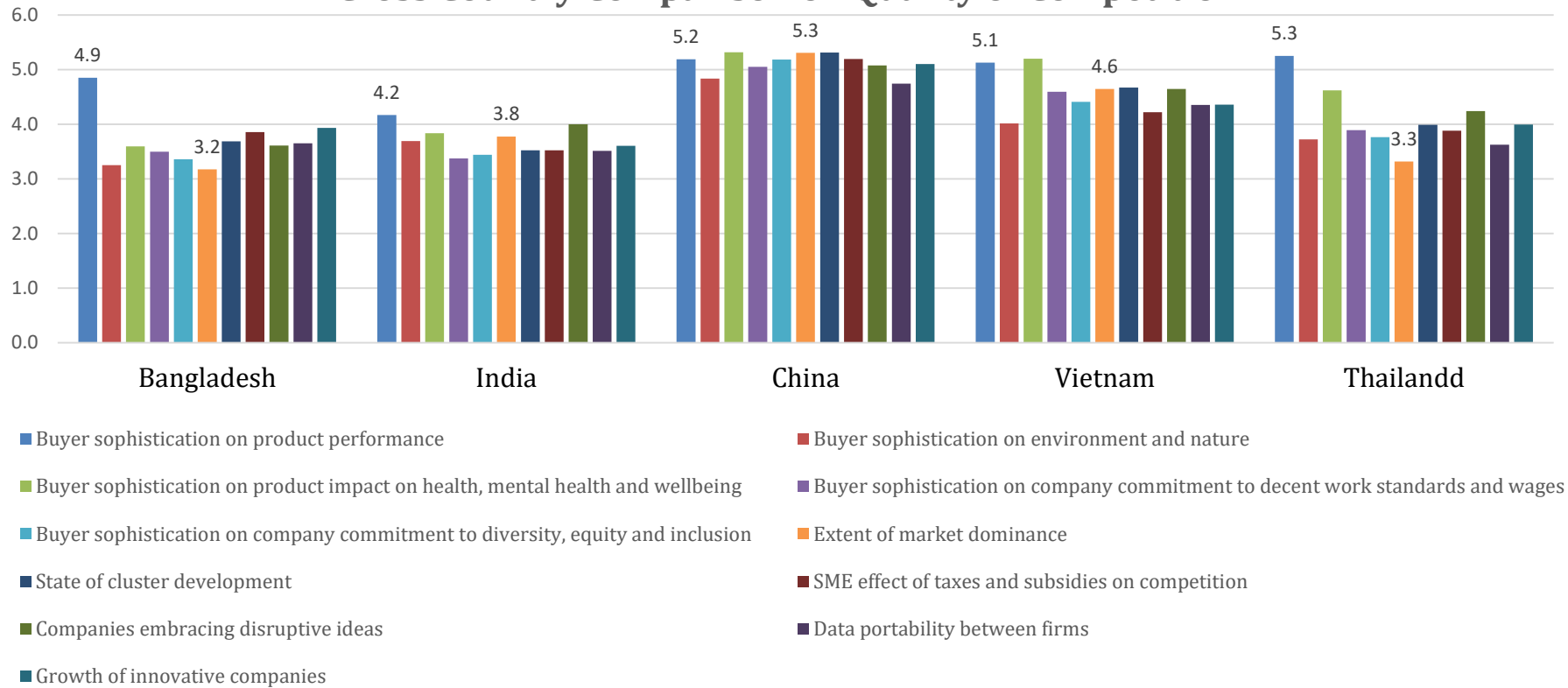
- There is further **deterioration in competitiveness** of business environment in 2022 compared to the previous year (2021)
 - Perception regarding the overall competitive environment is below the minimum average level
 - Entrepreneurs still considered that the **corporate businesses are dominated** by the few groups of companies as like previous time (-0.89; 69.4% in 2022 and -0.74; 65.8% in 2021)
 - The **Competition Commission** needs to be proactive to monitor the activities of the **'dominant market players'** in different sectors – who are likely to make an adverse impact on the market
 - 43.8% of respondents mentioned that **fiscal measures distort competition** to some extent (-0.19, 43.8%); more target oriented measures promoting diversification in investment, products and markets are needed. These **measures need to be reviewed** on a regular basis
- The situation have grown worse in case of innovative ideas. 56.8% of businessmen indicated that **new companies with innovative ideas** have not been growing (-0.41)
 - It has worsened from the the pre-covid level (-0.25; in 2019)
- Entrepreneurs perceived that most of the **fiscal measures** (subsidies, tax breaks, etc.) do **not at all support SME growth** and the emergence of new entrants (-0.07, 47.23%)
- Although the situation has improved, but 46.6% entrepreneurs mentioned that well-developed and **deep clusters remained at poor state** (-0.18; 46.6%)

IV.6 Competition

- Buyers' decision in the market is not necessarily taken place based on their competitive behaviour
 - **Buyers' choice** regarding **products** has improved - about 67.6% buyers fairly make their purchasing decision based on product quality aside from product price (0.81)
 - On the other hand, 48.6% **buyers somewhat do not consider** company commitment to **decent work standards** and wages (-0.44, 48.6) but the severity is lessen compared to the previous year
- The perception has worsened in case of buyer's purchasing decision based on **product's impact on health**, environment and diversity issues
 - 44.3% buyers somewhat do not consider product impact on health, mental health and well-being (-0.43, 44.3%) ;
 - 59.2% buyers somewhat not considered product impact on the environment and nature (-0.96, 59.2%);
 - 59.2% buyers do not make purchasing decisions based on somewhat company commitment to **diversity, equity and inclusion** (-0.77, 59.2%)
- Finally, the respondents indicated that individuals can not share any information or data between the firms (-0.35; 55.6%)
 - It has also been observed that the company's information or data is restricted for public dissemination

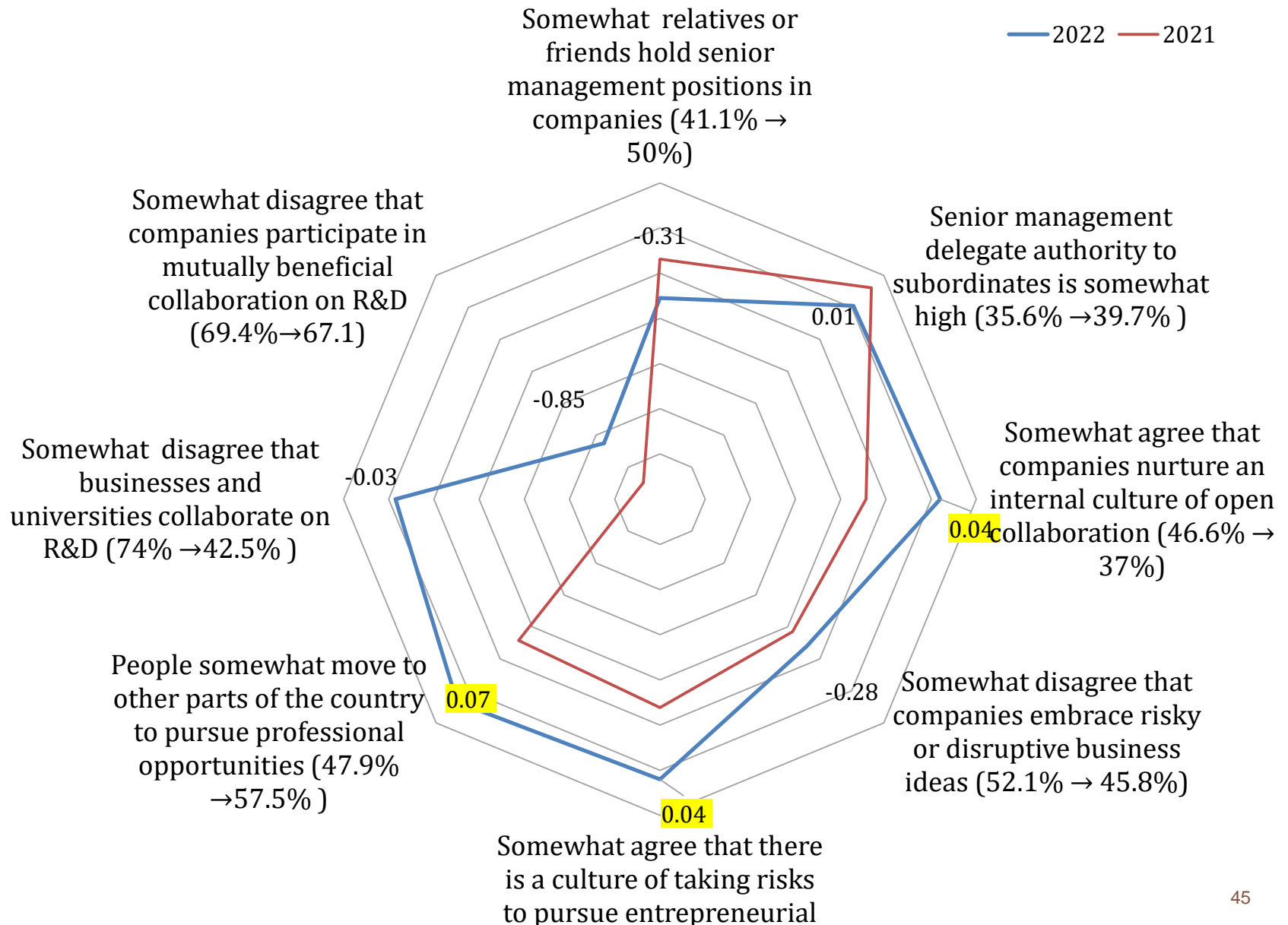
IV.6 Competition

Cross Country Comparison on Quality of Competition

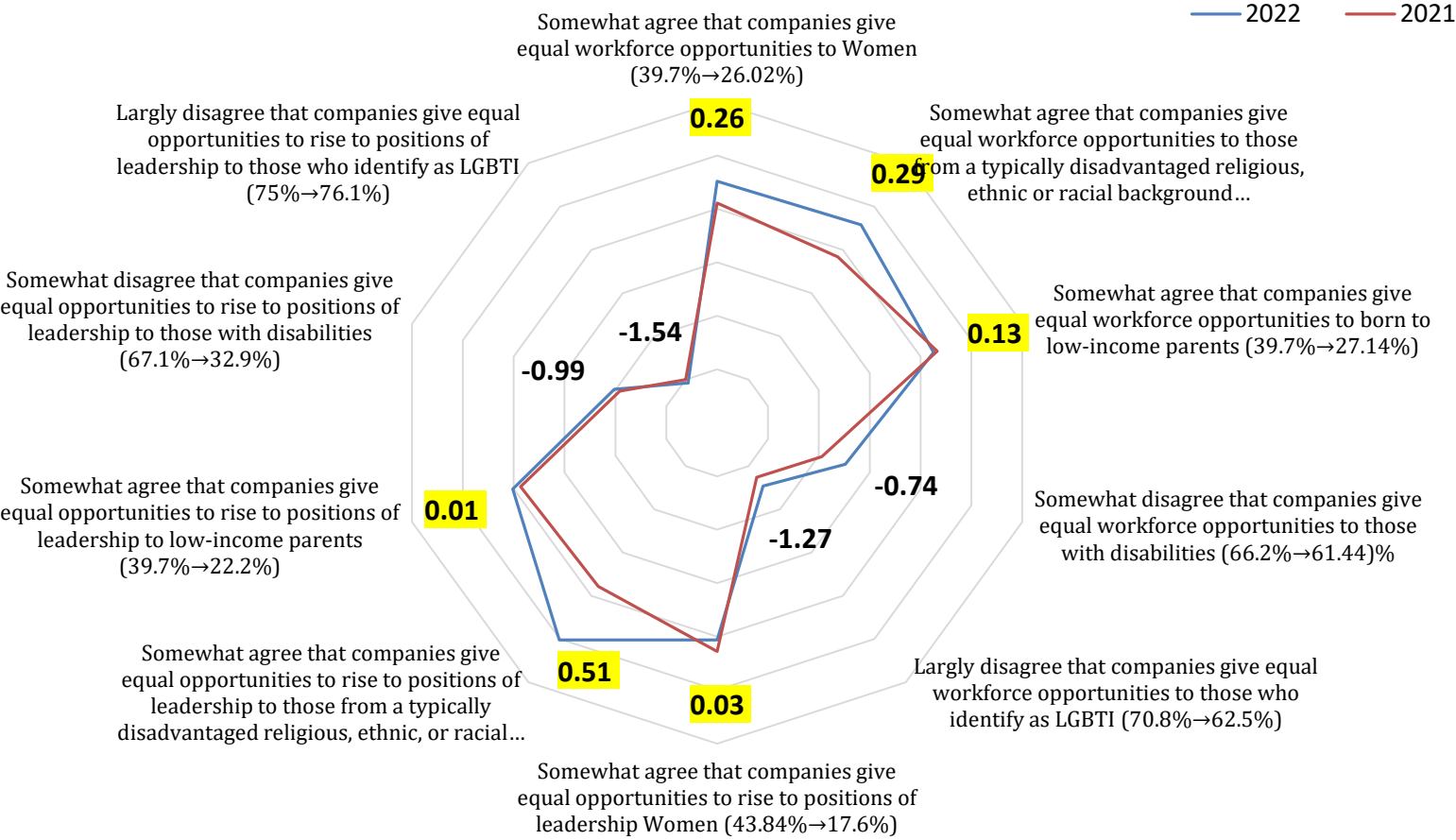


- Bangladesh’s performance is **exceptionally good** and close to most of the competitive countries in case of **buyer’s satisfaction on** product performance
- In **none other indicator** the country is near to competing countries
 - It is relatively behind in case of extent of market dominance issues

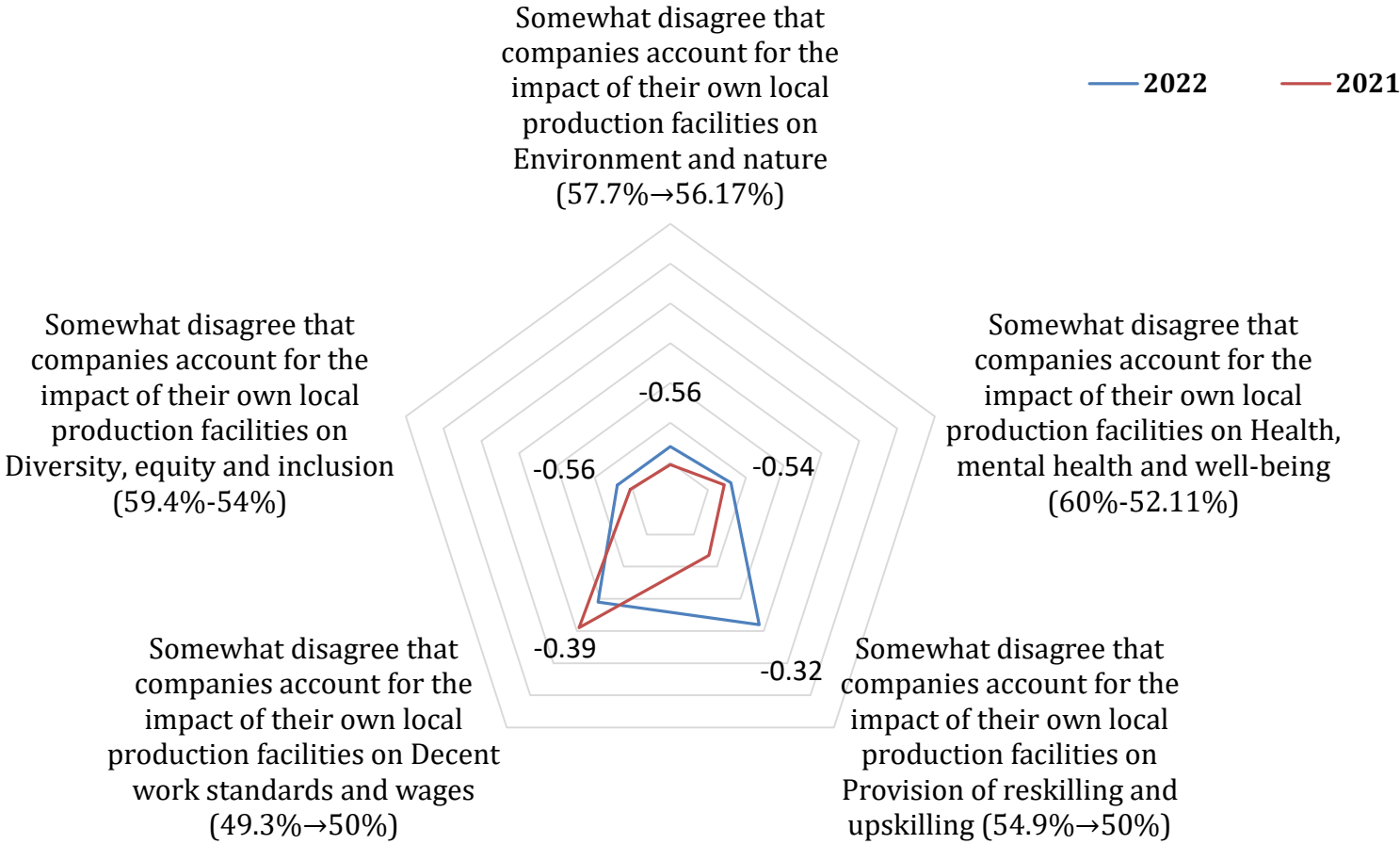
IV.7 Business Operations, Governance and Innovation



IV.7 Business Operations, Governance and Innovation



IV.7 Business Operations, Governance and Innovation



IV.7 Business Operations, Governance and Innovation

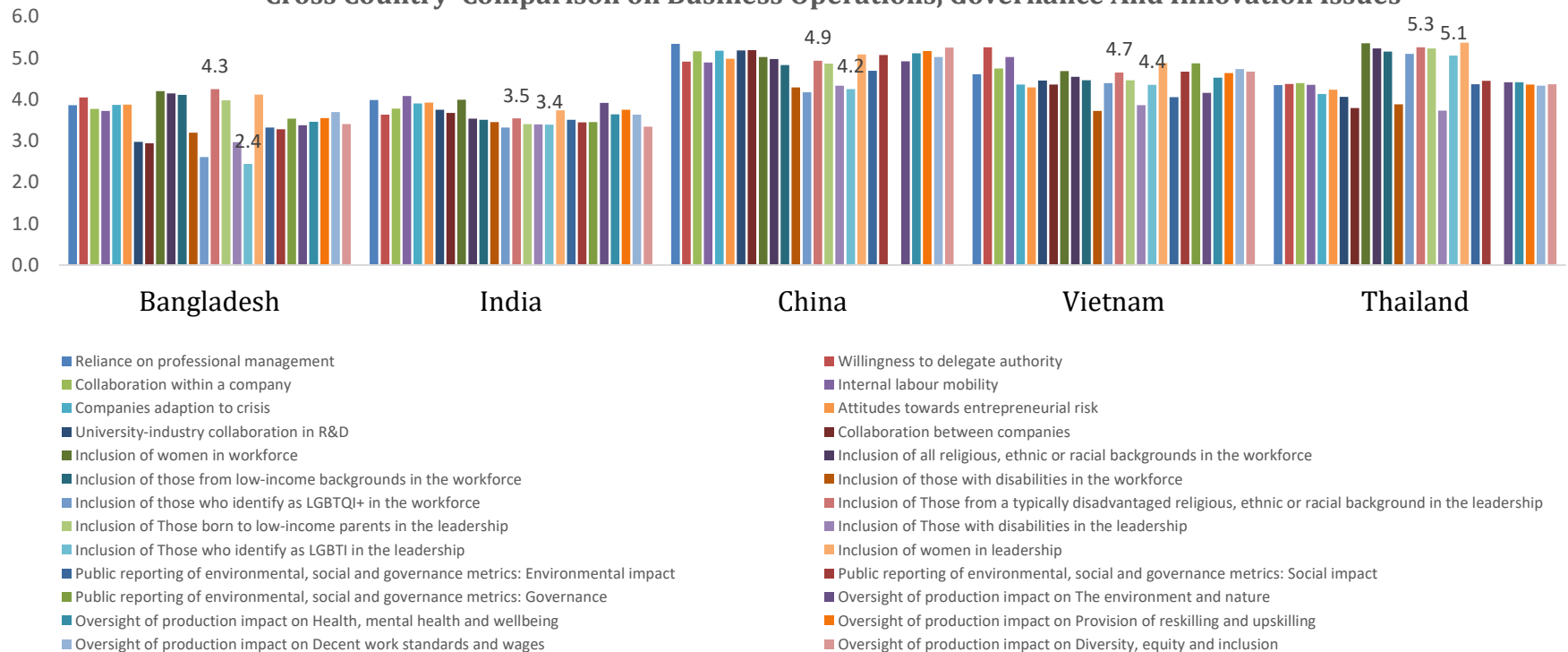
- A **considerable improvement** is observed in case of performance of business operations during 2022 though government related issues are remained at low level
 - Better performance in business operations are observed in cases where companies somewhat **nurture an internal culture** of open collaboration (0.04, 37%); management somewhat **delegating authority** to the subordinates (0.01; 39.7%) companies somewhat embracing risky or disruptive business ideas (-0.28; 45.8%); companies taking risks to pursue entrepreneurial projects (0.04, 40.3%)
 - **Corporatization in management practices** is highly important. Companies should maintain a **business continuity plan** to avert systemic and operational risks
- The business culture is somewhat changed positively compared to previous year though at low level in the following indicators-
 - Businesses and universities somewhat **now collaborate on R&D** (-0.03, 42.5%);, companies somewhat participate in mutually beneficial collaboration on R&D (-0.85, 67.1%)
- However, perception is deteriorated in some of the cases
 - About 50% respondents replied that **relatives and friends without** having necessary merit holding senior management position (-0.31; 50%)
 - This indicates **lack of professionalism** in the corporate sector of Bangladesh
- A number of new indicators are added in the EOS 2022. However performance is poor on those indicators
 - **Public reporting of companies** on various issues are somewhat poor - public reporting on environment (-0.7, 56.2%), social (-0.63, 58.3%) and governmental (-0.38, 51.4%) issues

IV.7 Business Operations, Governance and Innovation

- **Marginal but positive changes** is observed in developing inclusive workplace environment
 - Companies somewhat giving **equal workforce opportunities** to woman (0.26, 26.02%), opportunities to rise to **positions of leadership** to those from a typically disadvantaged religious, ethnic, or racial (0.51, 30.1%); those with disabilities (-0.99, 61.4%) except those who identify as LGBTI (-1.54, 76.1%)
 - There is a decline in perception on companies give equal opportunities to rise to positions of **leadership Women** (0.03, 17.6%)
- Bangladesh ranked 71st out of 146 countries on the **Global Gender Gap Index 2022** with a score of 0.714.
 - Women in Bangladesh saw a **decline in overall gender parity** in 2022 from 2021 when Bangladesh ranked 65th
- Curiously for people who **born to low-income parents** there is a decline in both aspect of giving equal workforce opportunities (39.7%→27.1%) and equal opportunities to rise to positions of leadership

IV.7 Business Operations, Governance and Innovation

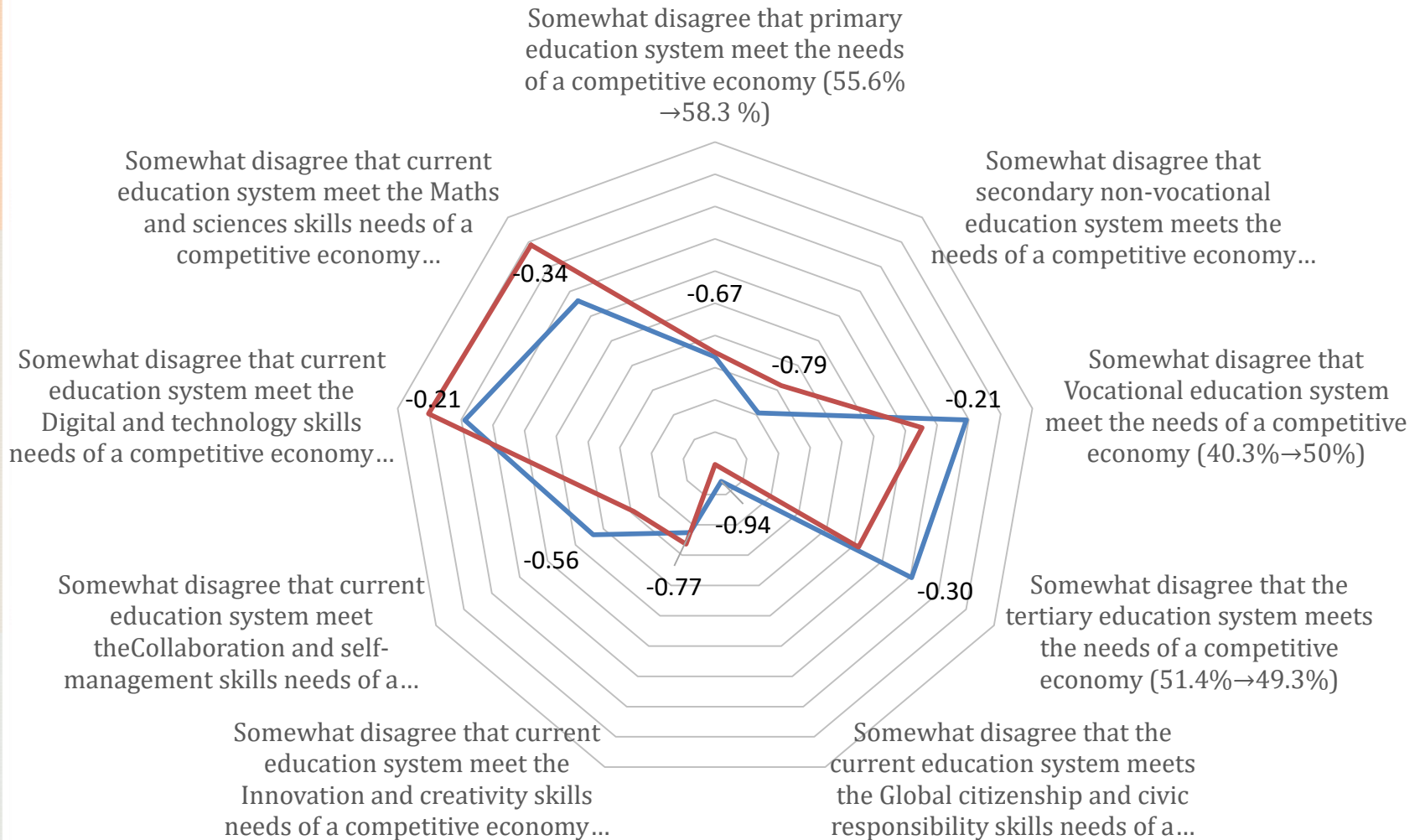
Cross Country Comparison on Business Operations, Governance And Innovation Issues



- Bangladesh is **behind in almost all indicators** related to business operation and governance compared to other comparable countries
 - It's performance is relatively better in cases of **inclusion of disadvantaged peoples** in working opportunities
 - It's performance is poorer in case of **opportunities to LGBTQ people**

IV.8 Building Human Capital

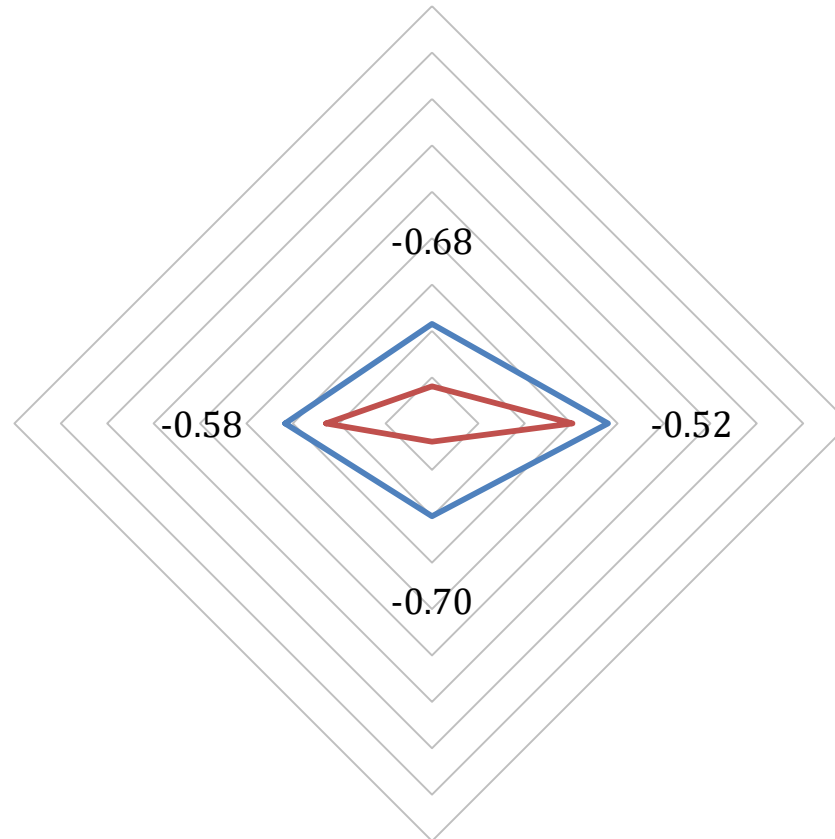
— 2022 — 2021



IV.8 Building Human Capital

education system meet the needs of a competitive economy (59.7% → 61.7%)

Companies perceive human capital expenditure to somewhat to minimize cost (60%→62.5)



Companies somewhat do not invest in training and employee development (62.5% → 67.1)

Somewhat disagree that government invest in mid-career reskilling and upskilling opportunities (69.4%→57.2)

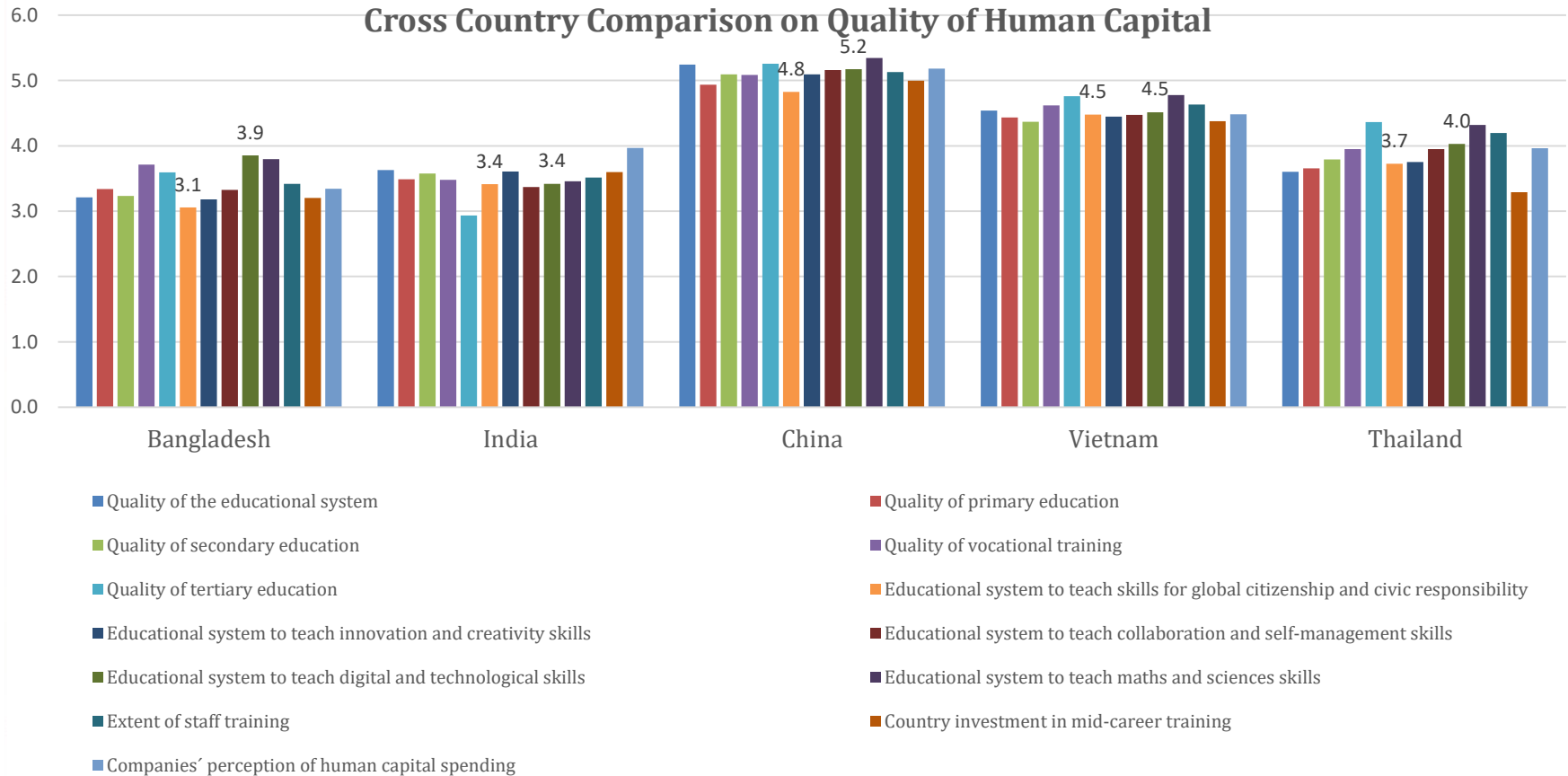
IV.8 Building Human Capital

- Business perception regarding human capital is rather **limited**
- Entrepreneurs have agreed that the **current education system** is still behind in complying with the needs of the competitive economy (-0.68; 61.7%). A number of factors are found to be improved when compared to the pre-pandemic period
 - 58.3% of respondents somewhat agree that **primary education still lags** behind in meeting the needs of a competitive economy (-0.67)
 - 67.1% of respondents perceived that **companies are not investing enough** in the training and development of the employees (-0.52) and 62.5% of respondents have the opinion that companies invest on human capital expenditure to minimize costs (-0.58)
 - Further decline is observed in the basic level of education and human resource development
- Moderate **improvement has been seen in** tertiary education and professional skill development though it still belongs in the negative zone
 - 49.3% of respondents perceived that **tertiary education system** somewhat did not meet the needs of the competitive economy (-0.30). Challenges are observed in the case **of vocational education** (-0.21; 50%); **non-vocational education** (-0.79; 66.7%)
 - **Curriculum development**, improvement of teacher's skill and quality, orientation with international skill development system, standardization of national skills under NSQF, more public investment on vocational and non-vocational institutes are highly essential.

IV.8 Building Human Capital

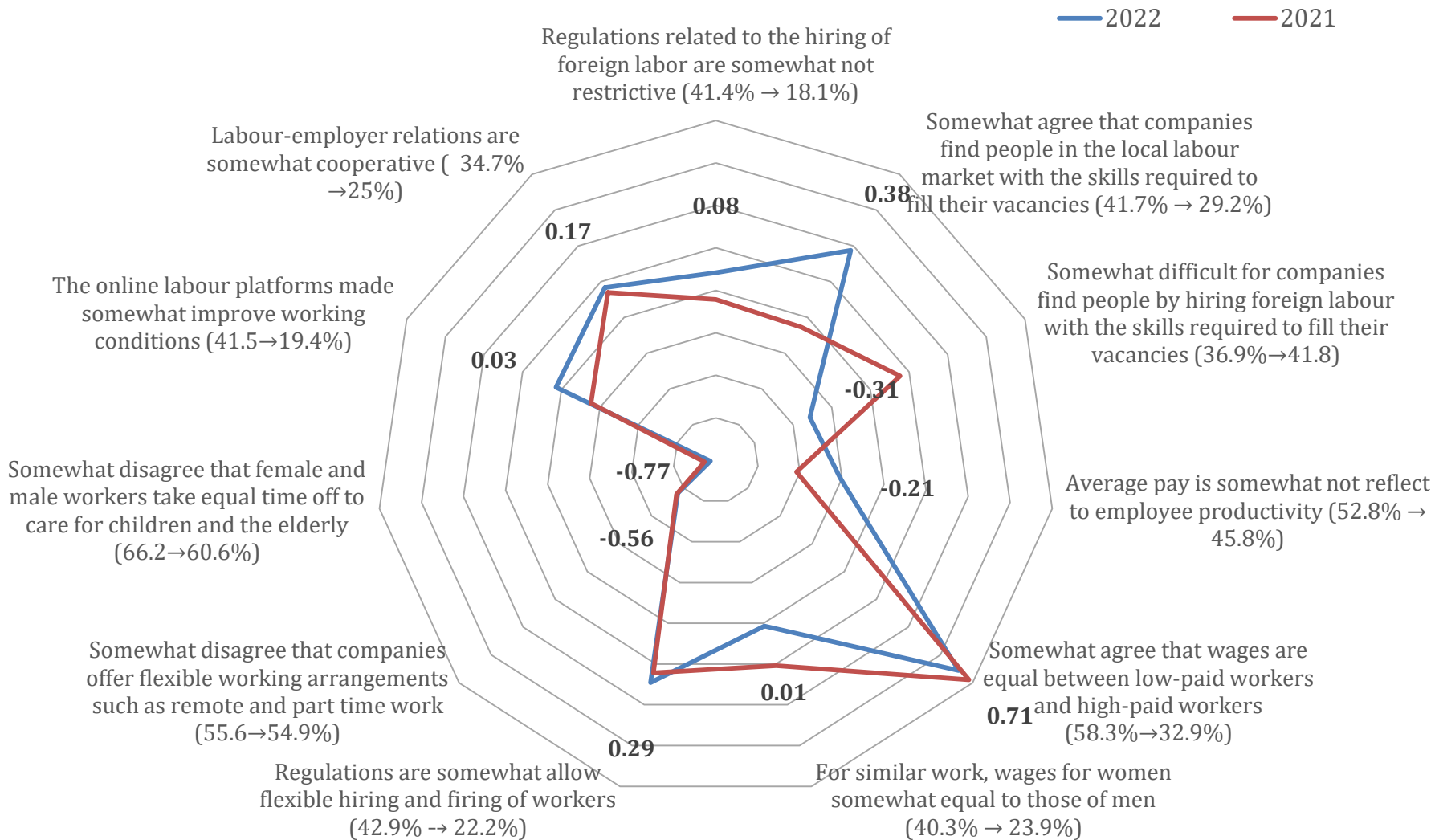
- In terms of skill development, significant improvement is required in the number of indicators
 - The system is yet to meet the **digital and technological skill** needs of the country (-0.21; 43.7%)
 - It is somewhat not meeting the innovation and creativity skills (-0.74; 58.3%) or the collaboration and self-management skills needs (-0.71; 59.7%)
 - Current education system is still not meeting the global citizenship and civic responsibility skills needs of a competitive economy (-0.77; 59.2%)
 - The **government is not investing enough** in the mid-career reskilling and upskilling opportunities (-0.70, 57.2%)
- The current education and skill development systems are **not conducive to creating human capital** that can meet the needs of digital technologies, creativity skills and self-management skills, etc.
- Government intends to move **from 'Digital' to 'Smart'** Bangladesh by 2041 through building necessary infrastructure and institutions (e.g., smart government, smart citizen, smart economy and smart society)
- However, it is important **to review of various initiatives** undertaken for 'Digital Economy' development with a view to better understand their achievements and weaknesses
 - Such review will help deciding the 'Smart' Bangladesh related activities

IV.8 Building Human Capital



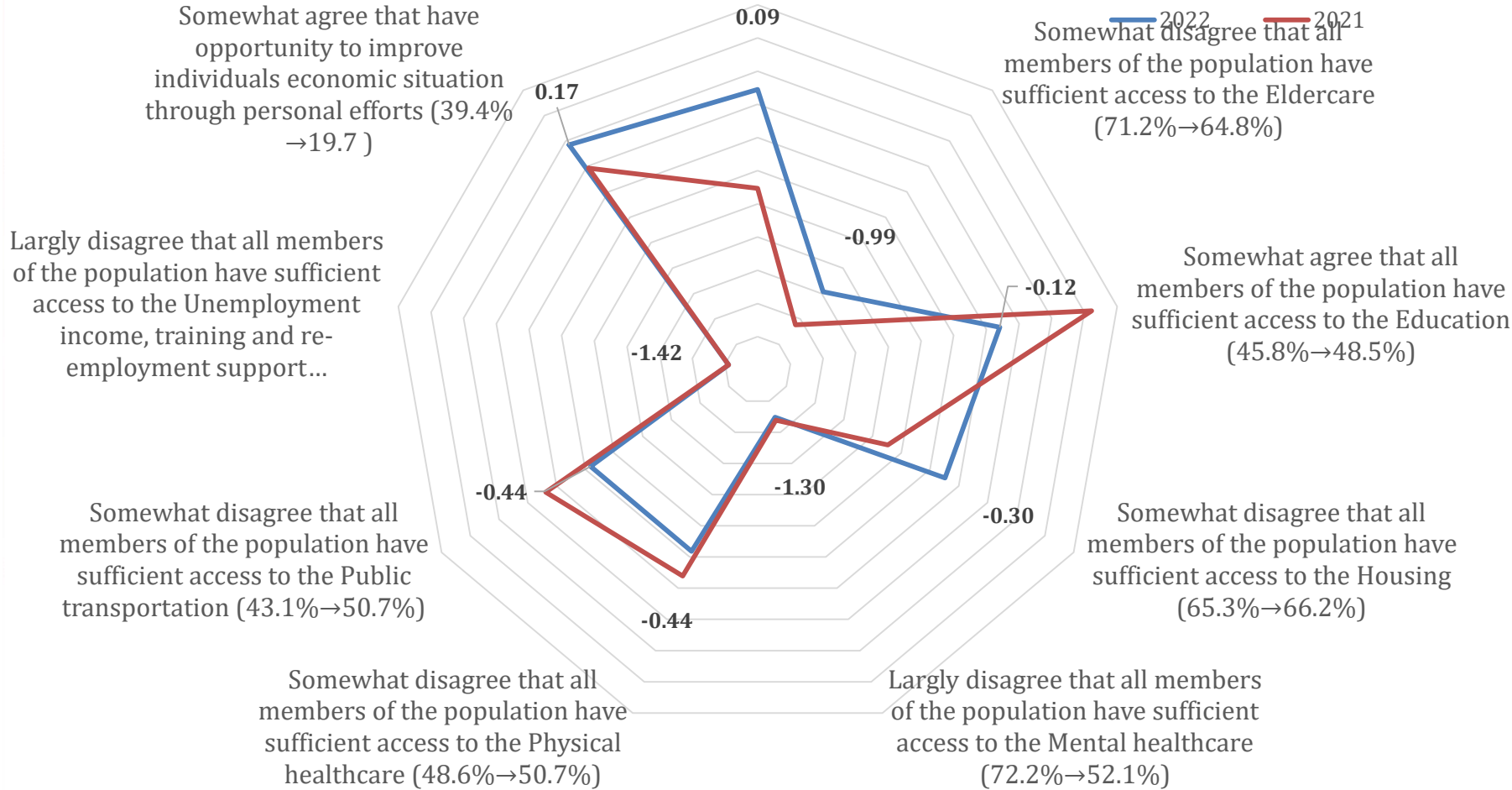
- Bangladesh is **behind in human capital development** compared to other competing countries
 - Its performance is relatively better in case of **education system to teach digital and technological skills**
 - It is behind most in case of **global citizenship and civic responsibility**

IV.9 Working and Employment



IV.9 Working and Employment

of the population have sufficient access to the Childcare and pre-primary education (53.4%→24.3%)



Somewhat agree that have opportunity to improve individuals economic situation through personal efforts (39.4% →19.7)

Somewhat disagree that all members of the population have sufficient access to the Eldercare (71.2%→64.8%)

Largly disagree that all members of the population have sufficient access to the Unemployment income, training and re-employment support...

Somewhat agree that all members of the population have sufficient access to the Education (45.8%→48.5%)

Somewhat disagree that all members of the population have sufficient access to the Public transportation (43.1%→50.7%)

Somewhat disagree that all members of the population have sufficient access to the Housing (65.3%→66.2%)

Somewhat disagree that all members of the population have sufficient access to the Physical healthcare (48.6%→50.7%)

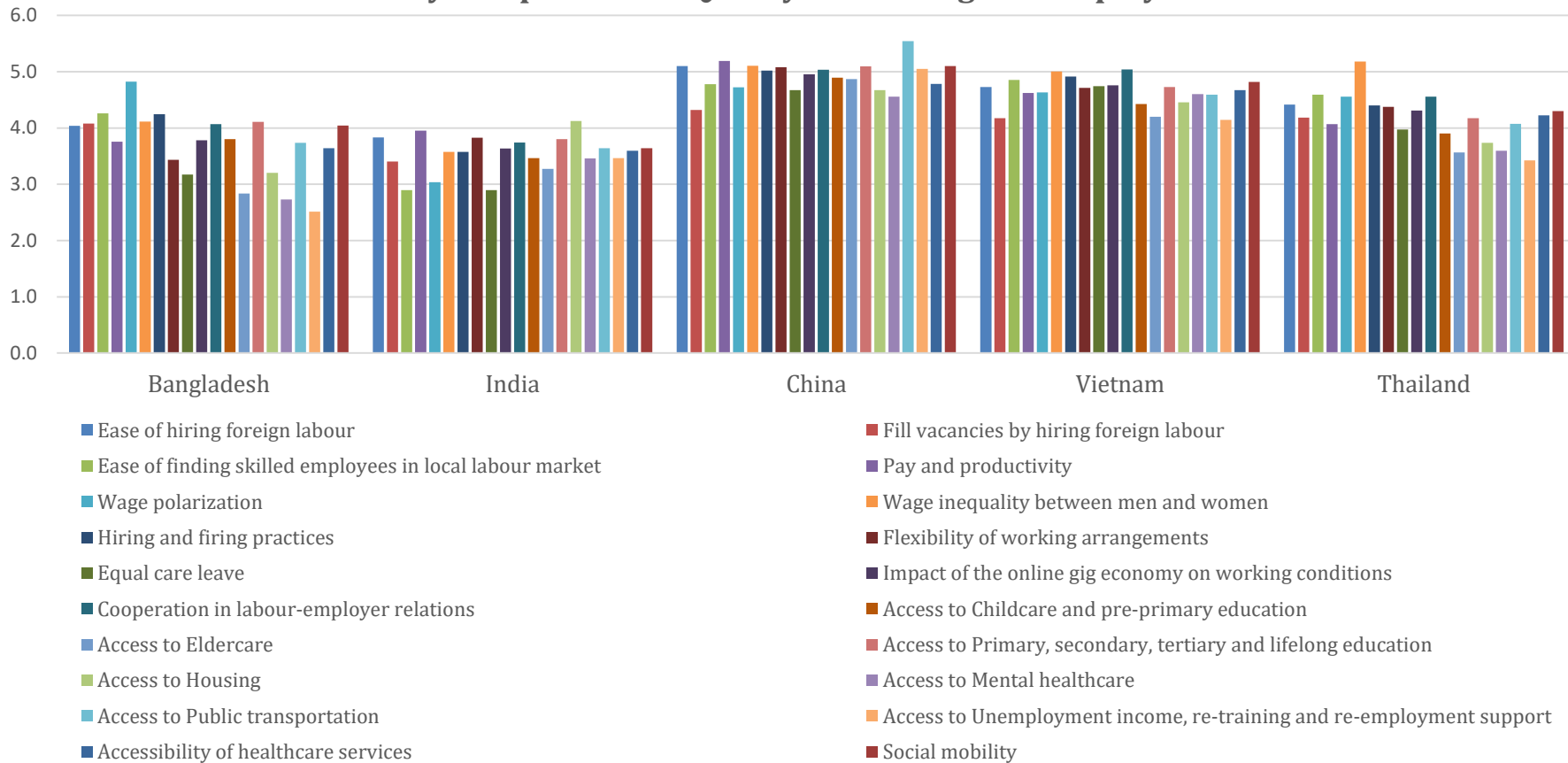
Largly disagree that all members of the population have sufficient access to the Mental healthcare (72.2%→52.1%)

IV.9 Working and Employment

- Working and employment have **experienced mixed trends** during the post-covid period
 - A number of indicators have experienced positive changes in 2022 - companies somewhat find people with **skills required to fill their vacancies** (0.38; 29.2%), **regulation related to hiring and firing** of workers (0.29, 22.2%), improved online platform (0.03, 19.4%), somewhat sufficient childcare and pre-primary education (0.09, 24.3%), a better opportunity to economic situation through personal effort (0.17, 19.7%)
 - 25% mentioned that labour-employer relations are somewhat cooperative, and it has improved (0.17) – reflecting a better interaction, discussion and negotiation happened during the pandemic period
- Performance deteriorated in case of a number of indicators including-
 - **Somewhat difficulties in hiring** foreign workers (-0.31, 41.8%), unequal wage structure for man and women (0.01, 23.9%), insufficient access to public transportation (-0.44, 50.7%)
- Majority of people do not have **sufficient access to unemployment** income, training and re-employment-related support (-1.42; 56.3%), eldercare (-0.99; 64.8%) and mental healthcare (-1.30; 52.1%) and sufficient access to education (-0.12, 48.5%)
- Bangladesh is confronting challenges of **not having a universal social protection** scheme
 - Taking precedence of other countries, the **Universal Pension Management Bill** has passed in January, 2023
 - Similarly, employment insurance and unemployment insurance schemes need to be introduced in a phased approach

IV.9 Working and Employment

Cross Country Comparison on Quality of Working and Employment Issues



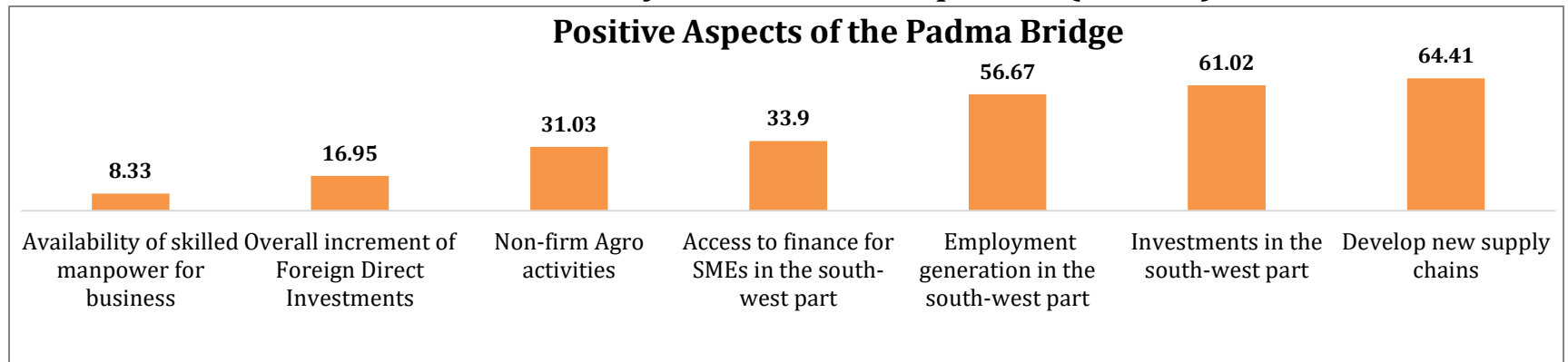
- Bangladesh is better performed in four indicators compared to its competitive countries which include wage polarization, co-operation in labour-employer relationship and easing of finding skilled employees etc
 - Its performance is **poor in case of access to unemployment income, retraining, and re-employment supports**

IV.10 Managing the Economic Recovery and Risks

- After the pandemic crisis the recovery of the economy has become a major concern
 - **52% of businessmen perceive** that the Covid-19 vaccination program organized by the government is **largely satisfactory** (1.64)
 - 32.8% of businessmen responded that the economic growth and revival strategy of the country is **not so effective** (-0.01; 32.8%)
 - 55.7% of businesses opined that the government's effort to support private sector productions is **somewhat inadequate** (-0.43)
 - 47.1% of respondents somewhat disagree that the government support market demand **through fiscal incentives** (-0.47)
- 44.1% of businessmen perceived that **money laundering** through various channels is **largely pervasive** (-1.16)
 - Government measures regarding money laundering is highly inefficient
 - 42% expressed their view that a large part of economic activities are **undocumented and unregistered**
 - 20% indicated that businesses are **using internet for selling** their foods and services (0.13)

IV.10 Managing the Economic Recovery and Risks

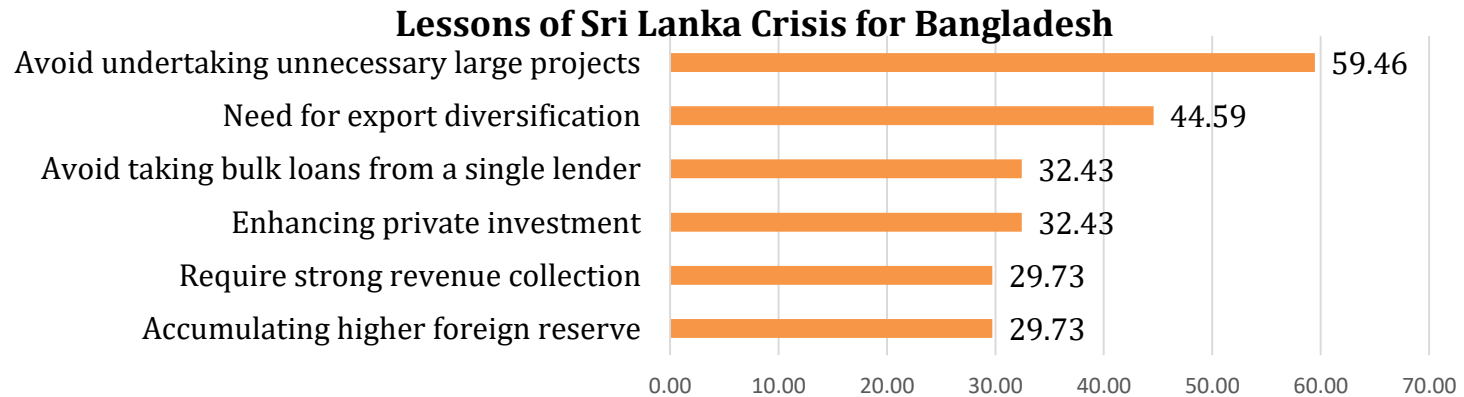
- According to the businessmen the Padma bridge would **bring multiple benefits** to the economy. These includes-
 - Some new supply chains (64.4%)
 - Higher level of employment generation in the North-West part (56.7%)
 - Moderate rise of availability of skilled manpower (58.3%)



- There is a **deficit of high-quality and professional training** services in the country (-0.67, 61.9%)
- The government's **negligence towards protecting the environmental** and natural assets were not appreciated either (-0.99; 66.1%) and so the cultural heritage assets are not adequately protected (-0.53; 56.9%)
 - Bangladesh has **ranked 162nd out of 180** countries in the 2020 Environmental Performance Index (EPI) (2020)
 - 64.8% businessmen expressed their views that government is conducting timely updates of legal frameworks (-0.89)

IV.10 Managing the Economic Recovery and Risks

- According to the businessmen major lessons for Bangladesh from the **Sri Lanka debt crisis** are – (a) avoid undertaking **unnecessary large projects** (59.5%); (b) need to promote export diversification (44.6%) and (c) avoid taking bulk loans from a single lender (32.4%) and enhancing private investment (32.4%)



- Ukraine-Russia War has a number of adverse impact on Bangladesh economy. These include among others-
 - Rising cost of production** (53.1%), uncertainty in import of final goods (32.8%), higher cost of imported raw materials (39.1%) and difficulty in international transactions (37.5%)

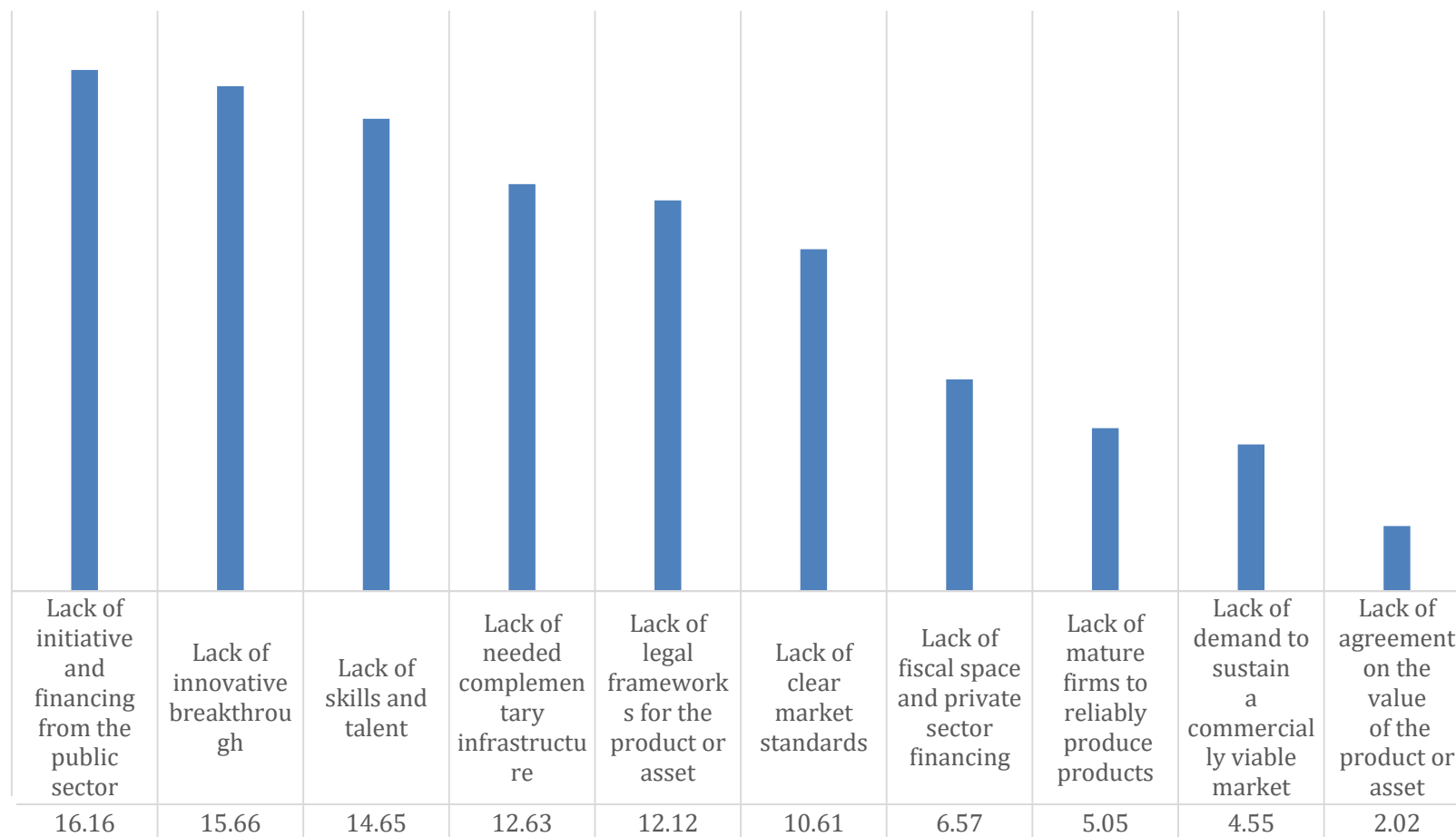


IV.10 Managing the Economic Recovery and Risks

- There is a **deficit of high-quality and professional training** services in the country (-0.67, 61.9%)
- Businessman expressed their opinion that government **should explore more gas fields** (22.6%) to address the shortage of gas
 - Other measures **stop illegal gas supply** (19.67%), and decline dependency on gas for electricity production (15.2%)
- 57.63% of businessmen indicated that **inflation affected** their business (-0.75%)
- Companies suffer a number of **skill-related difficulties**. These include-
 - Poor work ethic (14.55), Lack of critical thinking (13.9%), lack of creativity (11.1%)
- The constraints with the potential to hinder the growth of new markets (see next slide) include – (a) lack of initiatives and financing from the public sector; (b) lack of innovative breakthrough; (c) lack of skills and talents; (d) lack of needed complementary infrastructure.

IV.10 Managing the Economic Recovery and Risks

CONSTRAINTS WITH THE POTENTIAL TO HINDER THE GROWTH OF NEW MARKETS

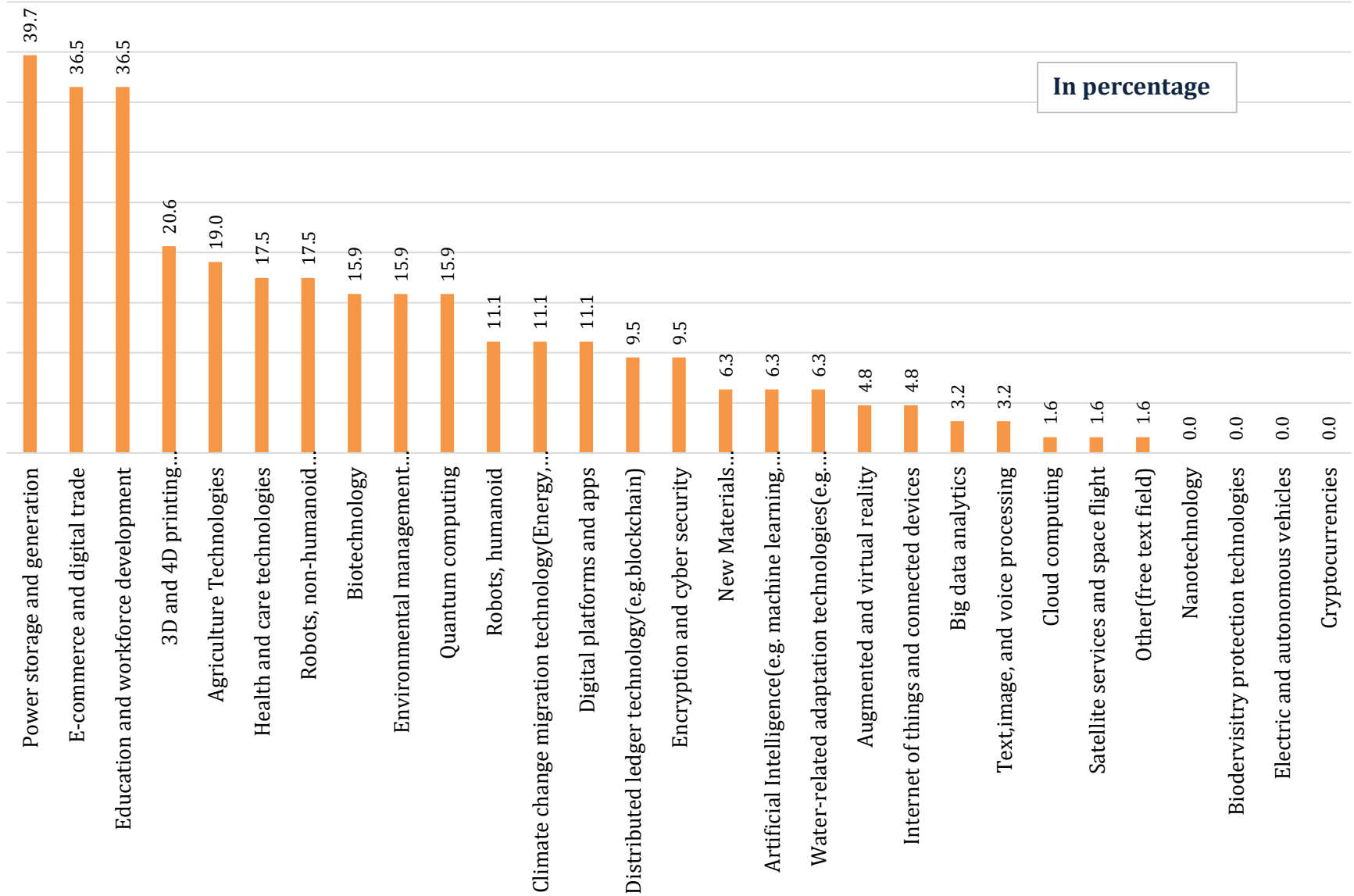


IV.10 Managing the Economic Recovery and Risks

- Businessmen have identified **major technologies for business** for the next ten years (next slide)
 - 39.7% indicated that Bangladesh's major technologies would be **power storage and generation** in the next ten years
 - Given the ongoing fuel crisis and rise in the price of electricity and gas, a major technological focus for Bangladesh would be **renewable energy and energy conservation-related** technologies
 - 36.5% indicated that in the future, **E-commerce and digital trade**, education & workforce development would be the second most strategic important technologies. Covid-19 opened a new door to digitalize different sectors of Bangladesh.
 - **3D and 4D printing**, agriculture, and health technologies would be other important areas of focus, given the rise in the per capita income, shortages of skilled labour force and gradual rise in the demand for different services
- A major future policy focus is how these new technologies would be accommodated **without having an adverse effect on employment**⁶⁵

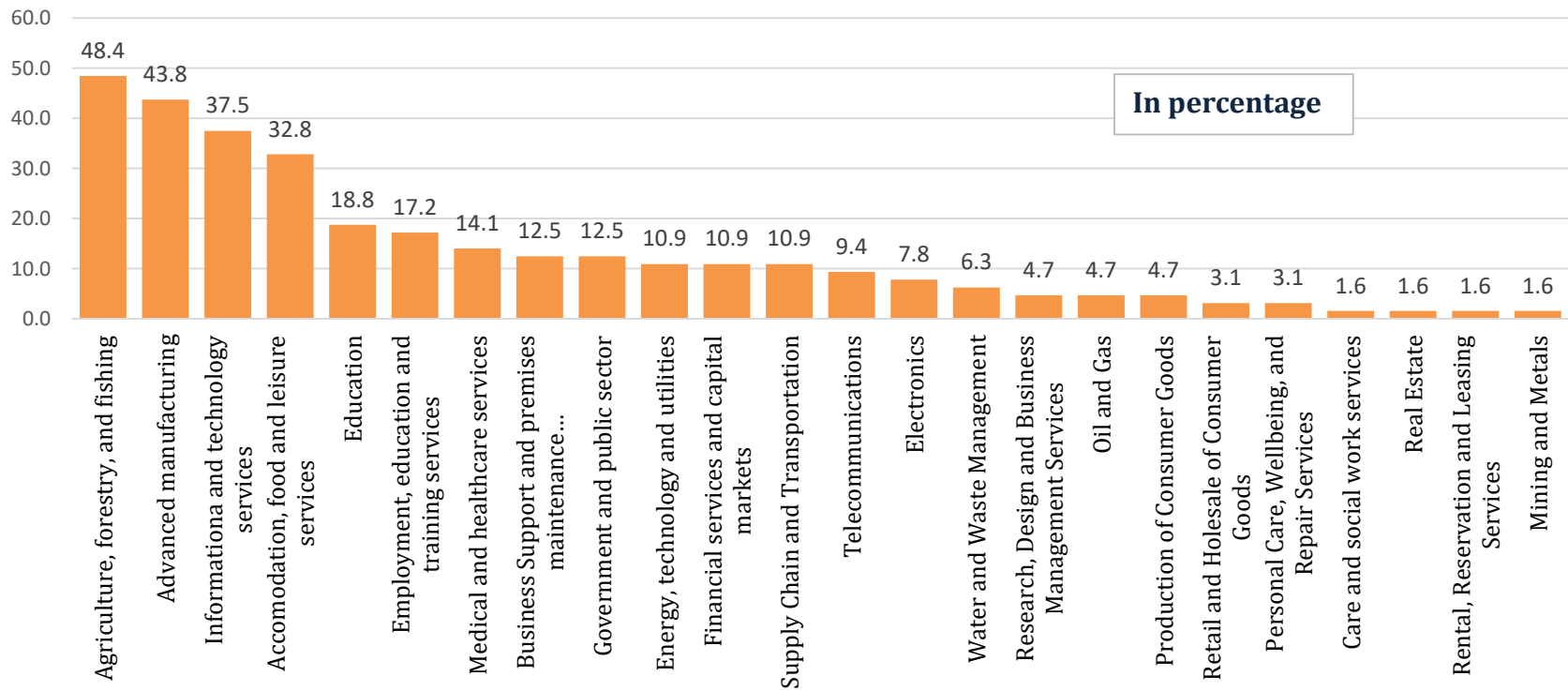
IV.10 Managing the Economic Recovery and Risks

Strategically important technologies for Bangladesh in the next 10 years



IV.10 Managing the Economic Recovery and Risks

TECHNOLOGIES MOST LIKELY TO GENERATE NEW MARKET OPPORTUNITIES



- According to the entrepreneurs, the **technological shift in some sectors** would contribute to new market opportunities. These include–
 - **Agriculture, forestry & fishing, advanced manufacturing, information & technology services, accommodation, food & leisure services, and education** would be most affected by the technological upgradation

V. Conclusion

V. Conclusion

- Bangladesh's business environment did not show progress during 2021-22- **either it was stagnated, or it was deteriorated** compared to the previous year
- **Corruption remains** the most problematic factors for doing business for majority of enterprises though the severity of its impact has been gradually shared with other structural and newly emergent problematic factors
 - The other major problematic factors include **inadequate infrastructure**, limited access to finance and inefficient bureaucracy
 - The emerging factors include **inflation, foreign currency instability** and policy instability – hence the challenges are multiplied through new factors
 - A number of emergent **global economic, social, technological and environmental risks** that need to be taken into account by Bangladesh at least in the medium term (see slide 16-17)
 - The government should provide importance and **put necessary discounts emergent on those risks** in formulating and implementing different policies, strategies, plans and operations targeting **long term competitiveness**, productivity enhancement, ensuring sustainability, addressing climate vulnerabilities and ensuring green growth and clean development

V. Conclusion

- **Institutional inefficiencies** and weaknesses have further worsened though some improvement has taken place sporadically
 - Such institutional weaknesses have a discriminatory adverse impact on SMEs
 - A **major reform needs** to be ensured in case of public institutions dealing with private investments through **better transparency, accountability, efficiency**
 - Major **political parties should commit** such reforms in their upcoming national election manifesto
- Surprisingly, businessmen still suffer from poor infrastructure **despite having substantial investments** over the last decade through some positive changes are discerned (e.g. water supply)
 - A major focus should be provided on **improvement in efficiency in infrastructural facilities**, urban city development with less pollution and traffic, clean energy development
 - **Public investment** with the support of development partners and FDI needs to focus on **green city development, clean energy development**, waste management, industrial pollution control etc.
- Businessmen are worried about the **safety and security-related** issues concerning organized crime, climate-related business risks, poor quality services of law enforcement agencies, social and political unrest
 - These issues need special attention particularly in a year **just before the next** national election. **Institutional reform** is needed for ensuring better services of law enforcement agencies

V. Conclusion

- Financial sector needs **major overhauling** which could be initiated as part of complying with IMF loan conditionality – amendment of **bank company act**, **lifting the cap on lending rate** to ensure better access for SMEs, transparency in outstanding loan, the effective oversight role of the central bank, security and exchange commission (SEC) and Insurance Development and Regulatory Authority (IDRA)
- **Competitive environment** in the businesses has further deteriorated due to lack of proper practices of corporate governance, weak regulatory oversight and lack of corporate ethics
 - The **Competition Commission**, the Consumer Rights Protection Division of the MoC, Central Bank, the NBR and the Ministry of Finance should play due role in ensuring competition in the market
 - Companies playing the role of **'dominant market player'** needs to be regularly monitored in their operations in different segments of the markets and supply chains
 - **Inclusive supply chain** in major sectors needs to be developed with the assured presence of SMEs in each segment of the supply chain
 - **Business-related information** needs to be disclosed in an **integrated information and data system** to review the operations of the market players in the supply chains

V. Conclusion

- **Human capital development** is yet to become a mainstream activity of the government
 - In order to ensure a breakthrough public and private investment (including FDI) is needed **in digital and technological development, skill development, innovation** and creativity improvement
- A thorough review of '**digital Bangladesh**' related activities is needed in order to identify the successes, weaknesses and challenges.
 - Such a **gap analysis** will help to better design the activities under the new initiative of the government called 'Smart Bangladesh'
 - A number of **technological breakthrough** will be required in the case of energy, digital trade, 3D/4D, agriculture and health technologies
 - **FDI should get priority** along with local private investment
 - Major investment breakthroughs will be required in **innovative ideas, competitive infrastructure**, legal infrastructure, fiscal space and skill development and talent hunting

Thank You!