

Press Briefing on
Release of The Global Competitiveness Report 2018
and
The Bangladesh Business Environment Study 2018

Presented 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 18th 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 14th year
- Major objectives of the press briefing are
 - To release WEF's *Global Competitiveness Report 2018* in Bangladesh. The report is being globally launched today
 - To report the state of competitiveness of Bangladesh in 2017
 - To give voice to concerns as regards business environment in Bangladesh

II. Methodology

II. Methodology

New Methodology: GCI 4.0

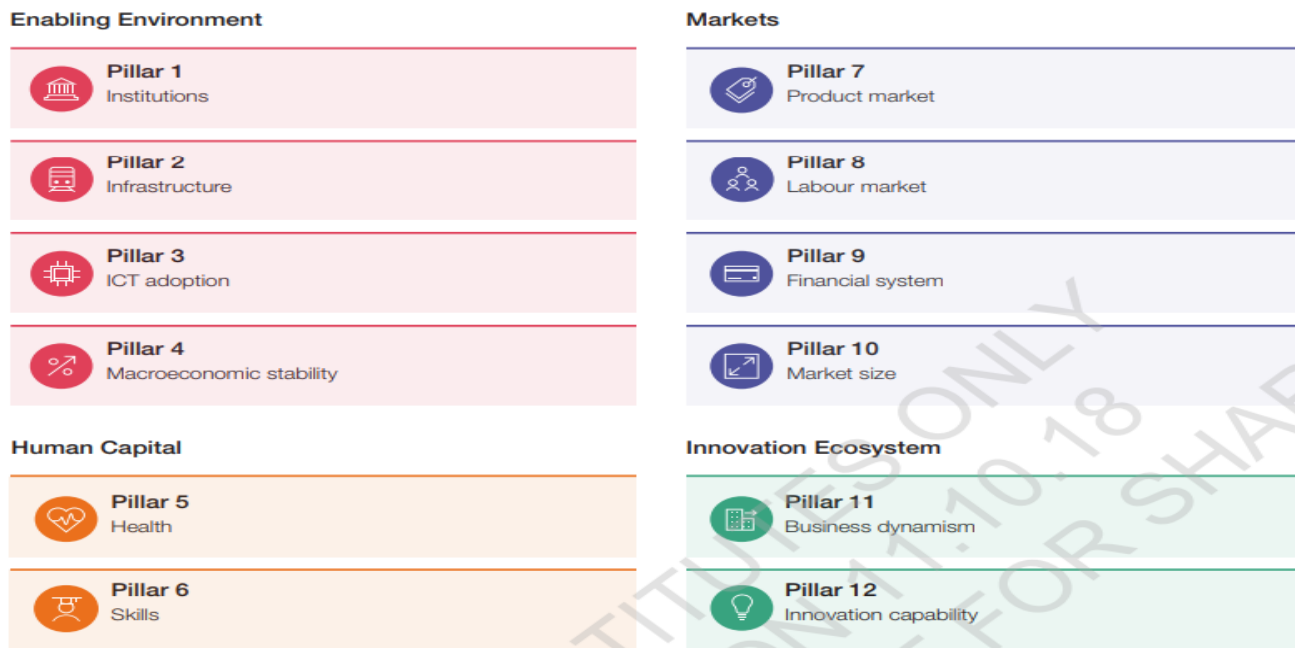
- At the heart of the competitiveness agenda is the recognition that economic growth is a core driver of human development.
 - The importance and policy relevance of growth has been re-affirmed through the SDGs.
 - Goal 8 calls for “sustained, inclusive and sustainable economic growth”
- The new GCI 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 causal link from productivity to growth and income is firmly grounded in theory and has been established empirically.
 - Performance on the GCI 4.0 explains over 80% of the variation in income levels and 70% of the variation in long-term growth across countries and economies.
 - Beyond income, competitiveness is generally associated with better socioeconomic outcomes, including life satisfaction.
- 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

New Methodology: GCI 4.0

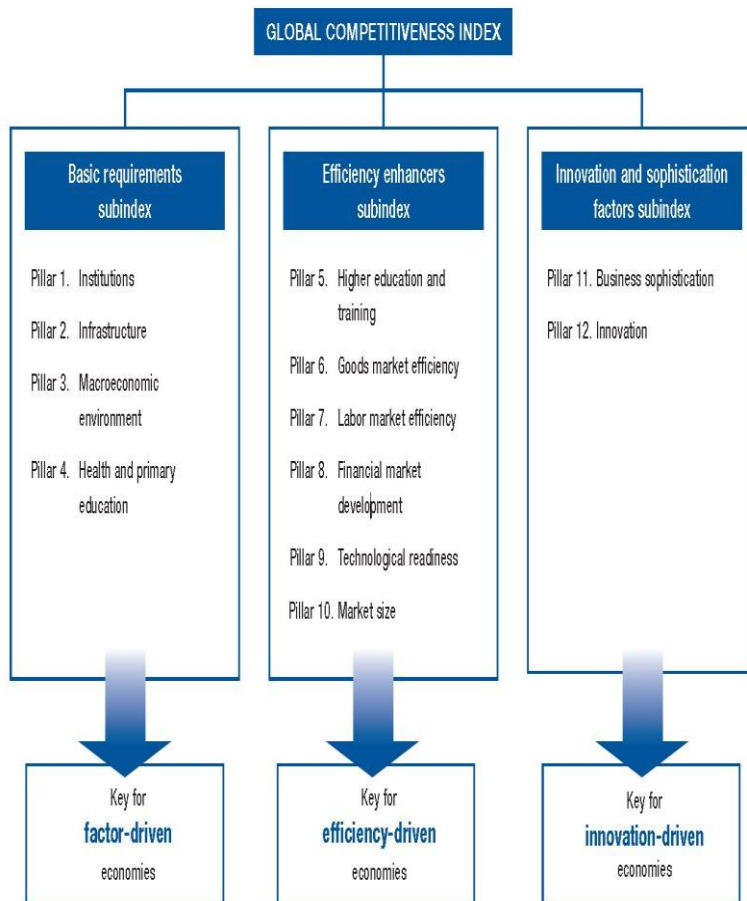
- **Pillars:** GCI still have 12 pillars of competitiveness but pillars have been reorganised, repurposed and names have changed
- **Indicators:** GCI will no longer have “stages of development”
 - From 114 to 98 indicators (including 64 new indicators)
 - Relative weight of EOS: From 70% weight on EOS data to 30% weight on EOS data.

Figure 1: The Global Competitiveness Index 4.0 2018



II. Methodology

No Use of Three 'Sub-indexes'



No Use of 'Stage of Development' in New GCI 4.0

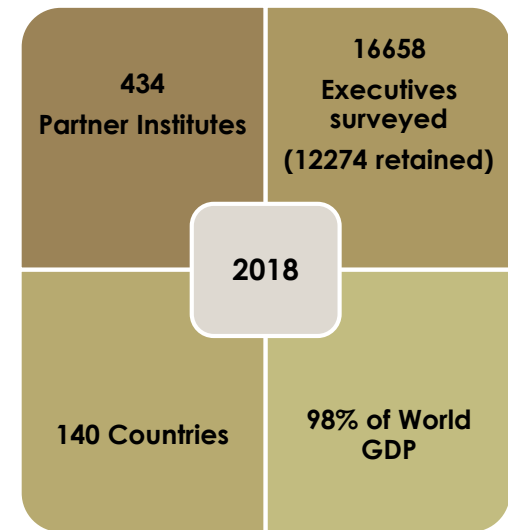
Stage of development	Factor driven stage 1	Transition from stage 1-2	Efficiency driven stage 2	Transition from stage 2-3	Innovation driven stage 3
GDP Per-capita (US\$)	<2,000	2,000-2,999	3,000-8,999	9,000-17,000	>17,000
Basic requirements	60%	40-60%	40%	20-40%	20%
Efficiency enhancers	35%	35-50%	50%	50%	50%
Innovation and sophistication	5%	5-10%	10%	10-30%	30%

II. Methodology

Executive Opinion Survey (EOS)

- The survey is conducted across the world (in 140 countries) by a standard survey questionnaire
- The survey tool (EOS) covers a total of 12 pillars:
 - Institutions, infrastructure, ICT Adoption, macroeconomic stability, health, skills, product market, labour market, financial system, market size, business dynamism, and innovation capacity
 - Additional topic – most problematic factors in doing business
 - Number of respondents: 83 in 2018 (85 in 2017)
 - Most of the companies are locally-owned and mostly based in Dhaka and Chittagong
- Survey period: February 01, 2018 to May 01, 2018
 - Reference Period: January to December, 2017

Global Coverage of EOS Survey, 2018



Sectoral Coverage of EOS Survey in Bangladesh, 2018

Sectors Covered	
Total	83 (100%)
Agriculture	9 (11%)
Industry	30 (36%)
Services	43 (52%)
Mixed	1 (1%)

II. Methodology

Assessment of GCI 4.0

- The Global Competitiveness Index (GCI) is an index of weighted average of 12 pillars
 - GCI is estimated on the basis of data collected from primary survey and those available in global public domains
 - It is estimated on the basis of moving average of two years
- 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

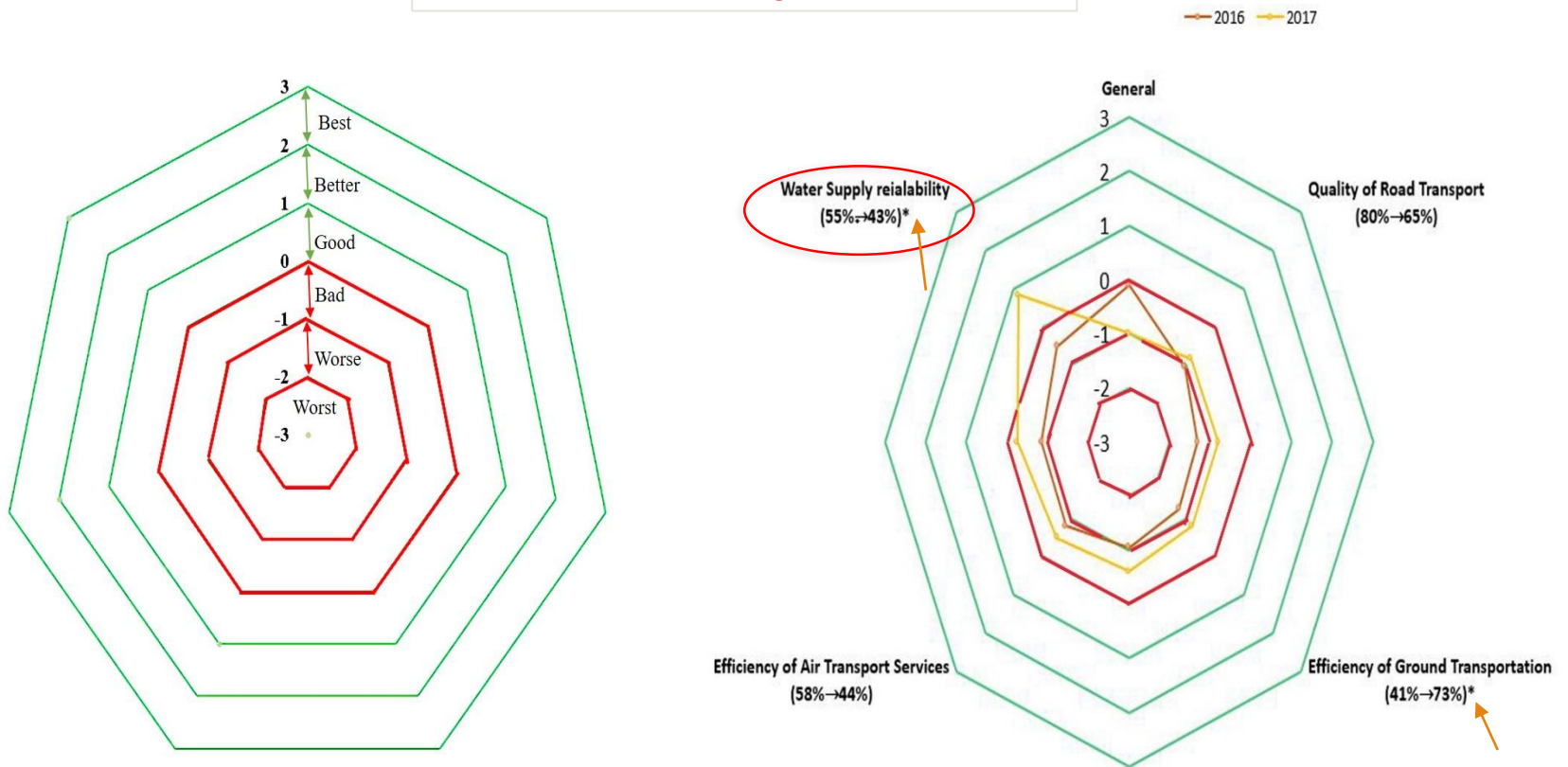
Assessment of Bangladesh's Business Environment

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

II. Methodology

- Radar Diagram is used to figure out changes in the perception on different issues between 2017 and 2018.

Hypothetical Radar Diagram Presentation



III. Global Competitiveness Report 2018: Major Findings

III. GCR 2018: Major Findings

- USA ranked top in 2018 and its rank was the same in 2017.
 - Singapore, Germany and Switzerland ranked 2nd, 3rd and 4th respectively in 2018 without any change with that in 2017
- **Position improved:** Japan (5th) & Denmark (10th).
- **Position declined:** Netherlands (6th) and United Kingdom (8th).

Economy	2017	2018	Change
United States	1	1	
Singapore	2	2	
Germany	3	3	
Switzerland	4	4	
Japan	8	5	
Netherlands	5	6	
Hong Kong SAR	7	7	
United Kingdom	6	8	
Sweden	9	9	
Denmark	11	10	

III. GCR 2018: Major Findings

- USA's success hinges on number of issues
 - It appears in the top 3 of seven pillars.
 - It leads the business dynamism pillar, with a score of 94.1, thanks to its vibrant entrepreneurial culture.
 - It also ranks first on the Labour market (81.9) and Financial system (92.1) pillars, due to its depth, breadth and relative stability, and achieves a near perfect score on the Market size pillar (99.2, second behind China).
 - All these factors contribute to the country's vibrant innovation ecosystem, making it a 'super innovator' (86.5, 2nd behind Germany)
 - Although the country's institutional framework remains very conducive (74.6, 13th), there are indications of a weakening social fabric (63.3, down from 65.5) and worsening security situation
 - Aspects of corporate governance (70.0, 22nd) could also be improved. The country also lags behind most advanced economies on the Health pillar—a consequence of the country's unequal access to healthcare and broader socio-economic disparities.
 - Finally, ICT adoption is relatively low compared to other advanced economies.

III. GCR 2018: Major Findings

- Singapore's competitiveness lies on
 - Singapore leads the Infrastructure pillar with a near-perfect score of 95.7.
 - In particular, it boasts world-class transport infrastructure, services and connectivity.
 - It also tops the Product market pillar (81.2), where it leads the trade openness component.
 - Singapore also punches well above its weight in terms of market size, when taking into account imports (71.0, 27th globally).
 - Singapore also achieves a perfect mark in the Health pillar, thanks to a healthy life expectancy of 74 years, ahead of Japan.
 - Singapore is a regional innovation house, but in order to become a global powerhouse, it will need to improve its ecosystem further: Skills (76.0, 20th), Business dynamism (74.7, 16th) and Innovation capability (75.0, 14th) are the three pillars—besides Market size—where Singapore scores below 80.

III. GCR 2018: Major Findings

- Japan appears in the top 10 of seven pillars.
 - It ranks first in the Health pillar, and Japan's digital (87.4, 3rd) and physical infrastructures (91.5, 5th) are top notch.
 - It notably ranks first on air transport infrastructure (92.5), while 93% of the adult population uses the internet on a regular basis.
 - Japan boasts the world's third-largest penetration rate of fiber-to-the-home internet connections (23 per 100 population), a remarkable feat given the size of the country.
 - Japan's two weakest pillars are Institutions (71.1, 20th)—where its performance is undermined by low levels of social capital (47.8, 95th) and relatively weak corporate governance (65.8, 40th)— and Skills (73.6, 26th), where it receives average marks for the quality of the current (63.0, 26th) and future (73.2, 55th) workforces.
 - Japan is already an innovation hub (77.5, 6th), but it needs to nurture the 'softer' drivers of the innovation ecosystem in order to become a 'super innovator'.

III. GCR 2018: Major Findings

Performance of Selected Countries

- Malaysia (25rd) ranked one step up and has continued its lead in the East Asia and the Pacific region
- China’s position remained unchanged (28th)
 - China leads the BRICS economies ahead of Russia (43rd), India (58th), South Africa (67th) & Brazil (72nd).
 - China is now at a critical juncture as it transitions to a new phase of its economic development—referred to as the “new normal”. In this context, the country has been increasingly betting on innovation.
- Ranks improved in some of the South East Asian countries including Thailand, Indonesia and Philippines
 - Rank declined in case of Vietnam and Cambodia

Ranking of Selected Asian Economies

Economy	2017	2018	Change
Malaysia	26	25	↑
China	28	28	↔
Thailand	40	38	↑
Indonesia	47	45	↑
Philippines	68	56	↑
India	63	58	↑
Viet Nam	74	77	↓
Sri Lanka	81	85	↓
Bangladesh	102	103	↓
Pakistan	106	107	↓
Nepal	108	109	↓
Cambodia	109	110	↓

III. GCR 2017-2018: Major Findings

- All South Asian countries have lost their position except India
 - India jumped by 5 positions (58th) while others slipped by one position (Bangladesh, Pakistan and Nepal by 1 position) to four positions (Sri Lanka: 85),
- India's ranking has been adjusted under the new GCI 4.0 – from 38th in 2017 under the old estimate to 63rd in 2017 under the new estimate.
 - Under the new estimate the difference with China has widened further (India is now 30 ranks lower than China which was 13 ranks lower under old estimate)
- Major strength of Indian economy is in its large market (rank 3rd), innovation capability (31st) and financial market (35th).
 - However, India is behind in terms of ICT adoption (117th), quality of health (108th) and development of product market (110th).

IV. Bangladesh in Global Competitiveness Ranking in 2018

IV. Bangladesh in Global Ranking 2018

- Bangladesh's rank has been revised under the new estimate of GCI 4.0
 - It was downgraded to 103rd (out of 140 countries) which was one rank below compared to the last year (102nd of 135 countries in 2017).
 - In earlier estimate, Bangladesh was 99th position in 2017 (out of 137 countries)
 - Bangladesh's overall score has marginally improved in 2018 (0.7)
- Bangladesh's competitiveness has been weakened in most of the indicators (both in rank and score)
 - *Ranks below 50 (1)*: market size (36th)
 - *Ranks between 80-100 (2)*: macroeconomic stability (88th) and health (96th)
 - *Ranks above 100 (9)*: institutions, infrastructure, ICT adoption, education and skills, product market, labour market, financial market, business dynamism and innovation
- Bangladesh's poorest ranks are in business dynamism (120th) and product market development (123rd)
 - Main issues concerned under these two pillars are: cost of doing business, time to start a business, insolvency regulatory framework, growth of innovative companies, taxes and subsidies, extent of market dominance, tariff and NTBs and efficiency of clearing processes etc.

IV. Bangladesh in Global Ranking

Bangladesh's Rank under New GCI 4.0, 2018

Pillars	2017 (135 countries)		2018 (140 countries)		% changes between 2017 & 2018	
	Score	Rank	Score	Rank	Score	Rank
Overall	51.3	102	52	103	1.4	1.0
Institution	44.6	108	46.5	108	4.3	0.0
Infrastructure	51.2	108	53.4	109	4.3	0.9
ICT adoption	38.4	97	39.8	102	3.6	5.2
Macroeconomic stability	72.3	89	72.6	88	0.4	-1.1
Health	69.9	95	71.2	96	1.9	1.1
Skills	42.9	116	44	116	2.6	0.0
Product market	48.2	120	47.8	123	-0.8	2.5
Labour market	49.8	113	50.9	115	2.2	1.8
Financial system	52.5	94	51.8	103	-1.3	9.6
Market size	65.7	39	66.5	36	1.2	-7.7
Business dynamism	50.5	111	50	120	-1.0	8.1
Innovation	30.2	100	30.6	102	1.3	2.0

Note: Scores are on a 1 to 100 scale, where 100 is best, unless indicated otherwise. Therefore, positive changes in score indicate upgrading the performance but positive changes in rank indicate downgrading the rank.

IV. Bangladesh in Global Ranking

- Bangladesh is behind in most of the pillars of GCI compared to other developing countries of South Asia
 - Institutions, skills, labour market and financial system and business dynamism etc.
 - Bangladesh is partially better in terms of macroeconomic stability, health and ICT adoption
 - Bangladesh is far behind in terms of business dynamism and institutions

Comparison of Ranks of Different Pillars of South Asian Countries
(lower ranks indicate better performance)



IV. Bangladesh in Global Ranking

Most Problematic Factors for Doing Business

Rank	2017	2018	Change
1	Corruption (15.70)	Corruption (15)	
2	Inadequate infrastructure (14.50)	Inadequate infrastructure (12.5)	
3	Inefficient government bureaucracy (11.7)	Inefficient government bureaucracy (11.2)	
4	Inadequately educated workforce (11.5)	Inadequately educated labor force (9.8)	
5	Poor work ethic in national labor force (8.3)	Limited access to financing (9.8)	
6	Limited access to financing (7.5)	Policy instability (7.6)	
7	Policy instability (5.8)	High tax rates (7.4)	
8	High tax rates (4.5)	Complexity of tax regulations (6.9)	
9	Government instability/coups (4.3)	Poor work ethic in labor force (3.6)	
10	Crime and theft (3.6)	Foreign currency regulations (3.4)	
11	Complexity of tax regulations (3.5)	Crime and theft (3.4)	
12	Insufficient capacity to innovate (3.0)	Government instability (2.9)	
13	Poor public health (2.0)	Insufficient capacity to innovate (2.5)	
14	Foreign currency regulations (3.70)	Inflation (2.2)	
15	Inflation (1.70)	Restrictive labour regulations (0.9)	
16	Restrictive labor regulations (1.70)	Poor public health (0.9)	

IV. Bangladesh in Global Ranking

Most Problematic Factors for Doing Business

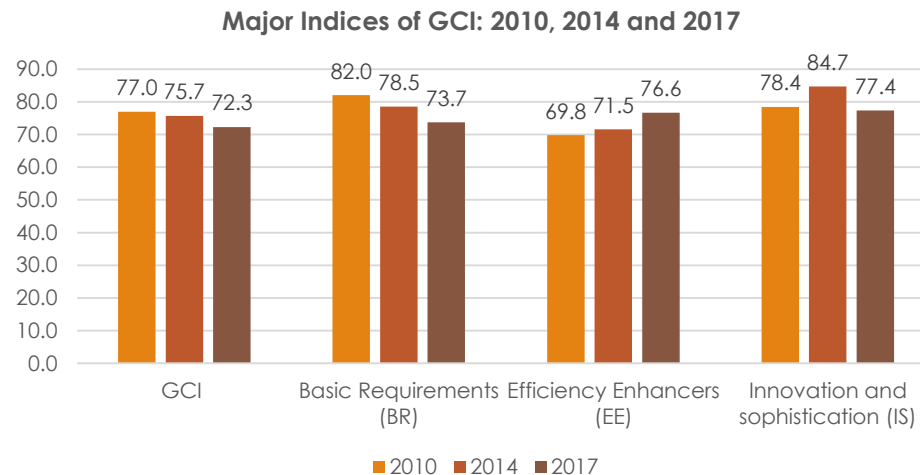
- Corruption remained at the top of the problematic factors in doing business in Bangladesh; however, the intensity of perception regarding corruption has slightly reduced.
 - Inadequate infrastructure and inefficient government bureaucracy – remained in top-three; however, their scores have slightly declined.
- Overall scores of top 3 and top 5 problematic factors have declined which is positive
 - From 41.9% & 61.7% respectively in 2017 to 38.7% and 58.3% respectively in 2018
 - It implies that entrepreneurs are increasingly put more weight on problems beyond those of top 3 and top 5
- Non-traditional problems have emerged as growing concerns for businesses
 - Rising concerns expressed as regards limited access to finance with high rate of interest, policy instability, high tax rates and complexity of tax regulations
 - These four problems accounted for about one-third of business concerns (31.7% in 2018 against 21.3%)
- Increasingly businesses are concerned about policies, operations and their efficient implementation related issues

IV. Bangladesh in Global Ranking

Most Problematic Factors for Doing Business

- Entrepreneurs' perception about a number of areas has improved though at low level
 - Improvement with regard to government instability, poor work ethic, crime and theft, and insufficient capacity to innovate – from 12.9% in 2017 to 12.4% in 2018
- Domestic business environment has been increasingly constrained by a large set of structural, operational and efficiency related constraints
 - Ensuring enabling business environment by undertaking initiatives beyond basic infrastructure development, is urgently needed
 - Less attention has been paid to address concerns on tax rate, skill development, easy access to credit and policy consistency
 - Addressing governance and institutional issues is also important

IV. Bangladesh in Global Ranking

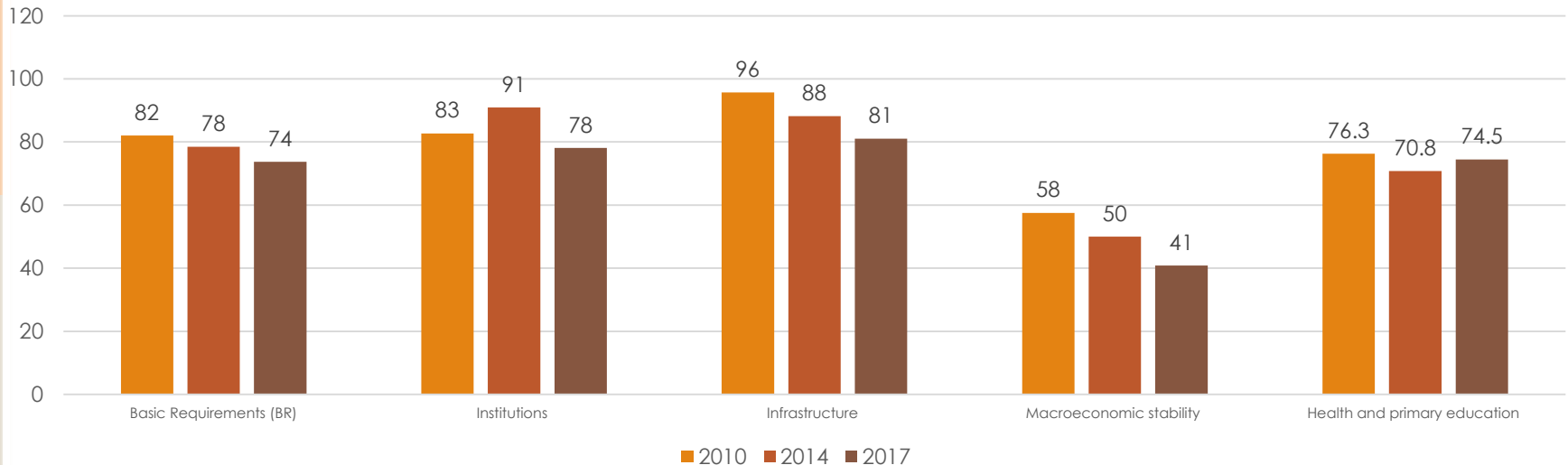


GCI Ranking since 2010

- Since 2010, Bangladesh's competitiveness has moderately improved- it was ranked 107th (out of 139 countries) in 2010 which reached to two-digit level 99th (out of 137 countries) in 2017
 - In terms of percentile distribution, Bangladesh has entered third quartile group in 2017 (72.3 out of 100) from the fourth quartile in 2014 (improvement of 4.7 percentage points)
- Progress in eight years was not so robust – basic requirement index made the major contribution
- Ranking of basic requirements entered third quartile group
 - Performance has been deteriorating in case of efficiency enhancers – downgraded by 6.8 percentage points (entered fourth quartile from third quartile group)
 - Innovation and sophistication remained in the fourth quartile

IV. Bangladesh in Global Ranking

Basic Requirements: Key Pillars (2010,2014 and 2017)



GCI Ranking since 2010

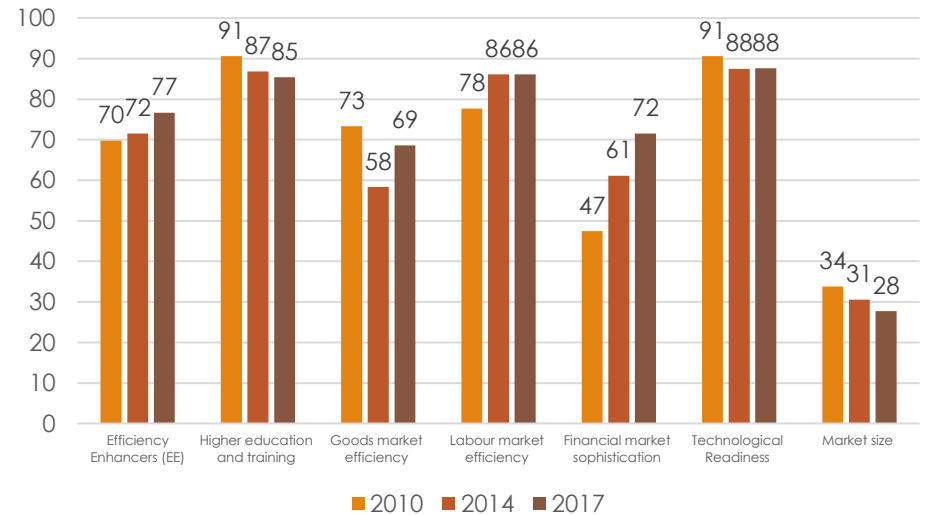
- Improvement in ranking in basic requirements over this period originated mainly from those of infrastructure development and macroeconomic stability
 - Progress in case of institutions and health and primary education was low
 - Macroeconomic stability is its major strength –it ranked in second quartile group
- Despite huge investment in infrastructure development, progress in ranking is rather slow
 - Because of limited availability of ‘full packaged’ infrastructure facility for the businesses (e.g. land at affordable price, gas supply, road, trained workers, quality suppliers of raw materials)
- Slow progress in case of institutional development has been a major concern – it has yet to enter the third quartile group
 - Sluggish progress in health and primary education caused lack of HR development

IV. Bangladesh in Global Ranking

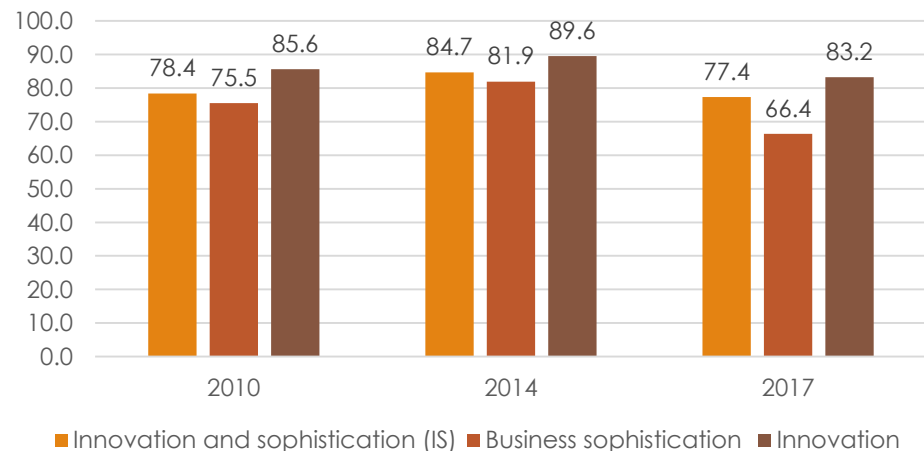
GCI Ranking since 2010

- No major improvement of efficiency enhancing indicators during the last eight years - poorly performed
 - Despite marginal improvement, Bangladesh is one of the lowest ranked countries in terms of technological readiness (88), labour market efficiency (86) and higher education and training (85).
- Exceptionally well performance is observed in case of market size which is ranked close to first quartile group
 - Rise of per capital income of sizable share of population due to more employment opportunities both at home and abroad helped to raise their disposable income which contributed to rise the market size
- Financial market sophistication which was ranked at second quartile group in 2010 has gradually downgraded and now reached close to fourth quartile country
 - Lack of reforms and operational measures made the pillar vulnerable
- Innovation and sophistication remained neglected & their ranks downgraded.

Efficiency Enhancers: Key Pillars (2010, 2014 & 2017)



Innovation and sophistication (IS): Key Pillars (2010, 2014 and 2017)



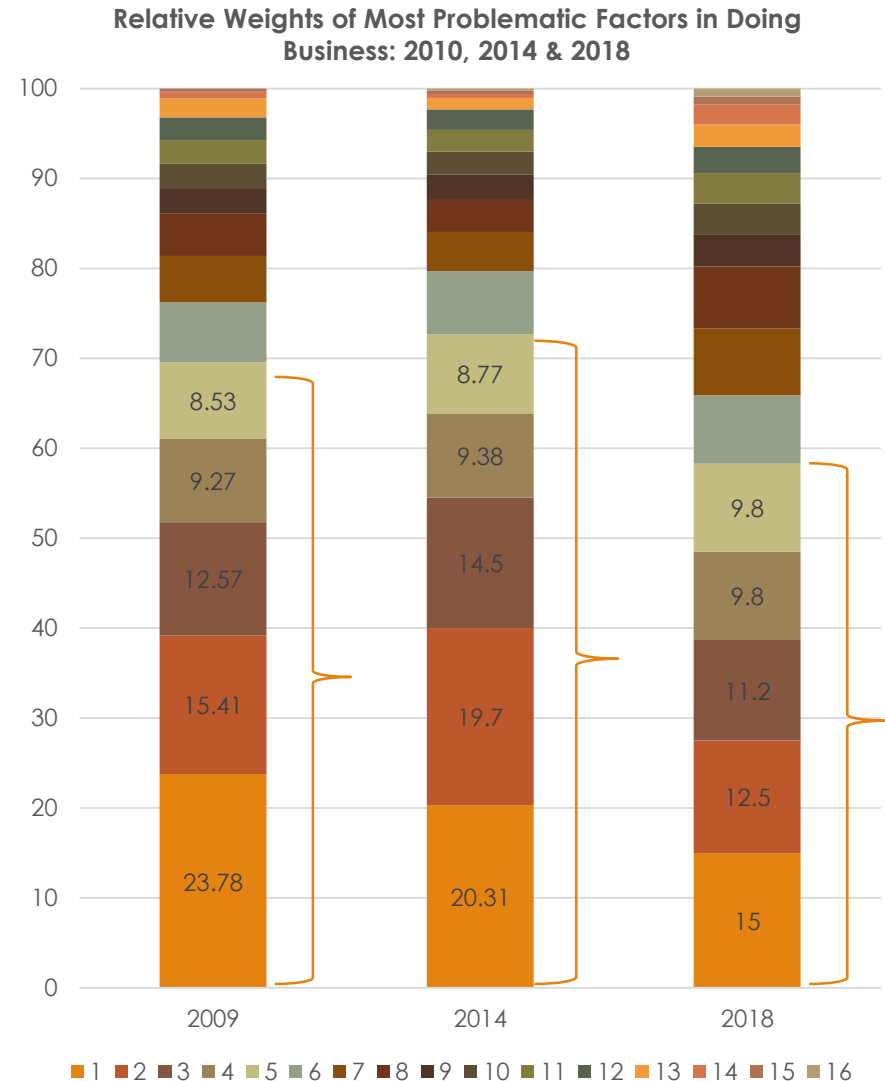
IV. Bangladesh in Global Ranking

Major Problematic Factors for Doing Business: 2010, 2014 & 2018

Rank	2009	2014	2018
1	Inadequate supply of infrastructure (23.78)	Inadequate supply of infrastructure (20.31)	Corruption (15)
2	Inefficient government bureaucracy (15.41)	Corruption (19.70)	Inadequate infrastructure (12.5)
3	Corruption (12.57)	Inefficient government bureaucracy (14.50)	Inefficient government bureaucracy (11.2)
4	Policy instability (9.27)	Government instability/coups (9.38)	Inadequately educated labor force (9.8)
5	Access to financing (8.53)	Access to financing (8.77)	Limited access to financing (9.8)
6	Inadequately educated workforce (6.66)	Policy instability (7.03)	Policy instability (7.6)
7	Tax regulations (5.16)	Inadequately educated workforce (4.34)	High tax rates (7.4)
8	Government instability/coups (4.71)	Crime and theft (3.56)	Complexity of tax regulations (6.9)
9	Foreign currency regulations (2.84)	Complexity of tax regulations (2.86)	Poor work ethic in labor force (3.6)
10	Inflation (2.69)	Tax rates (2.52)	Foreign currency regulations (3.4)
11	Poor work ethic in national labour force (2.62)	Inflation (2.43)	Crime and theft (3.4)
12	Crime and theft (2.54)	Foreign currency regulations (2.26)	Government instability (2.9)
13	Tax rates (2.09)	Poor work ethic in national labour force (1.30)	Insufficient capacity to innovate (2.5)
14	Restrictive labour regulations (0.75)	Insufficient capacity to innovate (0.43)	Inflation (2.2)
15	Poor Public Health (0.37)	Poor Public Health (0.35)	Restrictive labour regulations (0.9)
16		Restrictive labour regulations (0.26)	Poor public health (0.9)

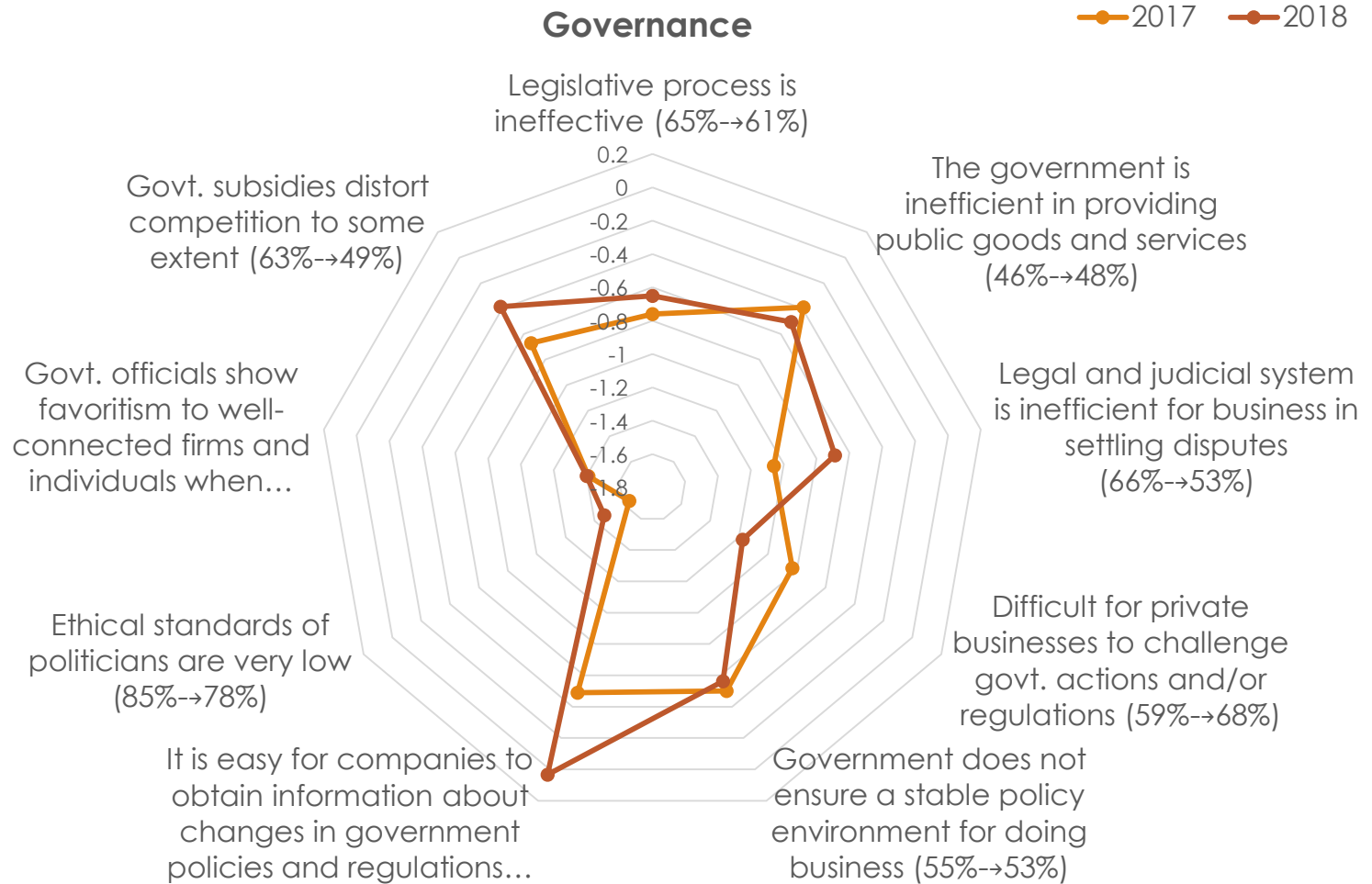
IV. Bangladesh in Global Ranking

- Top three most problematic factors remained the same with little change in their rankings
 - Corruption found to be a major problem
- Intensity of problem originated from top three/top five has reduced
- Businesses are increasingly concerned about problems outside top three/top five
 - Majority of those problems are related to efficiency enhancing
- Improvement of institutions through necessary reforms is urgently needed



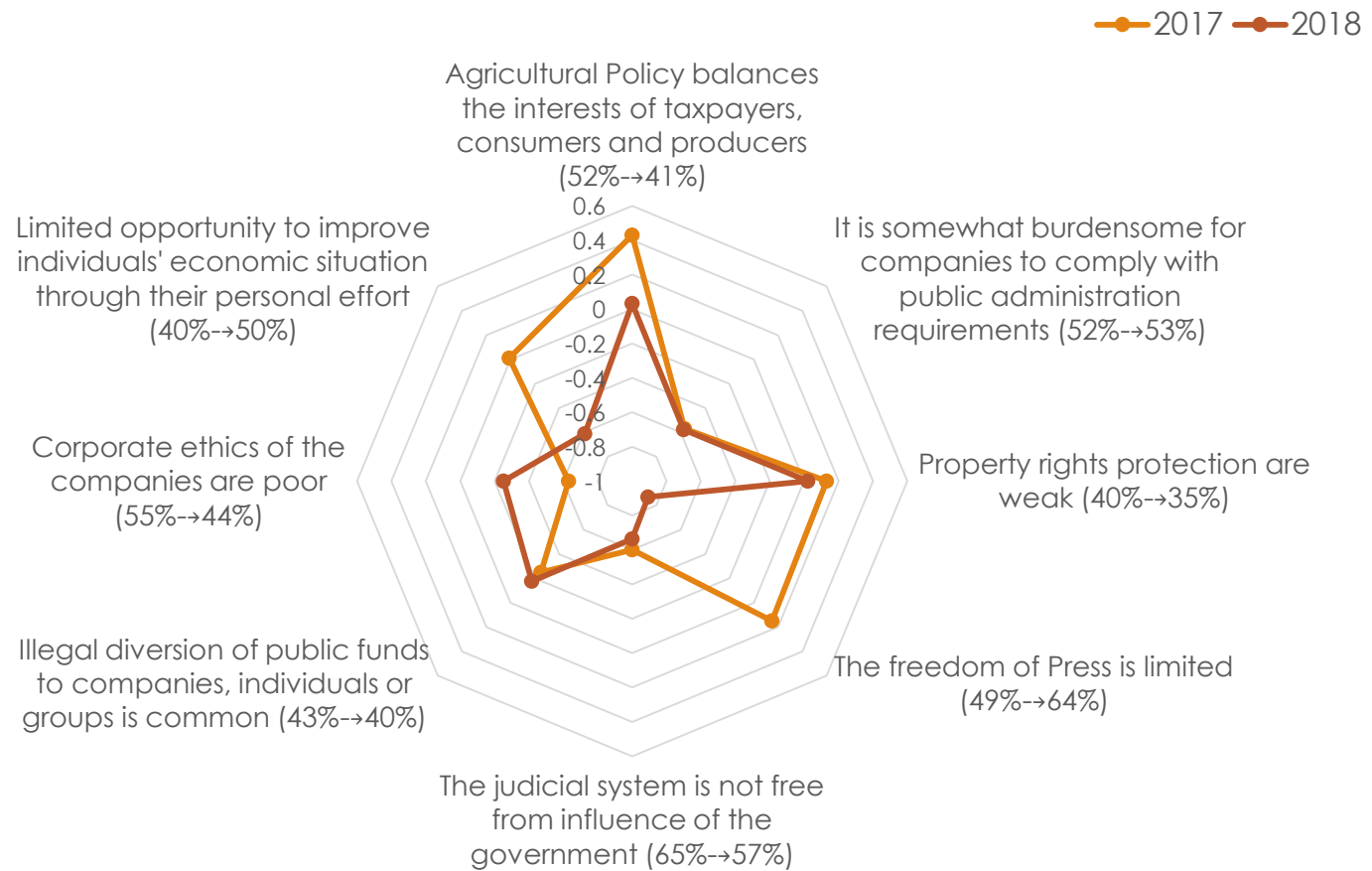
V. Bangladesh's Position under Different Pillars: Detailed Analysis

V.I Governance

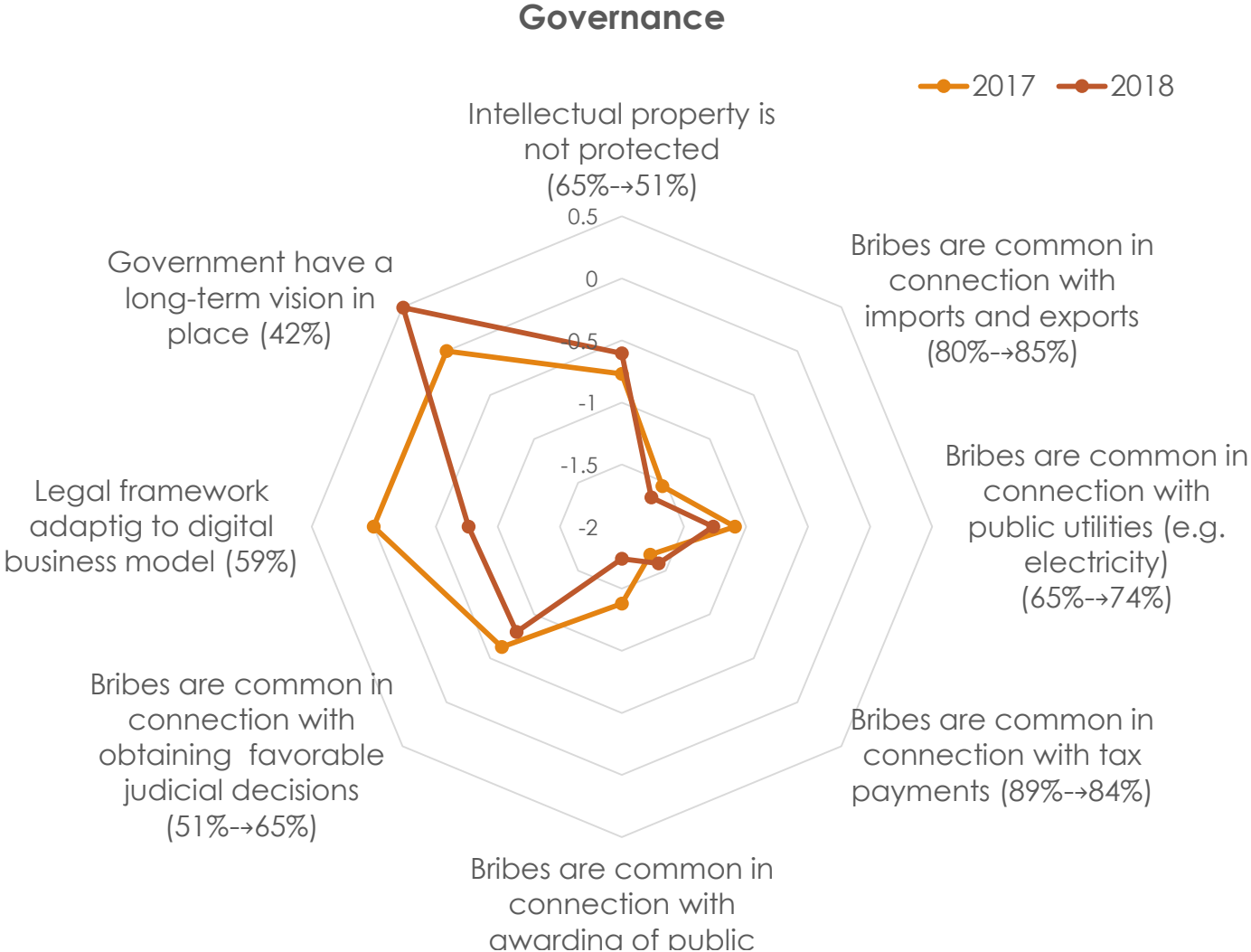


V.I Governance

Governance



V.I Governance



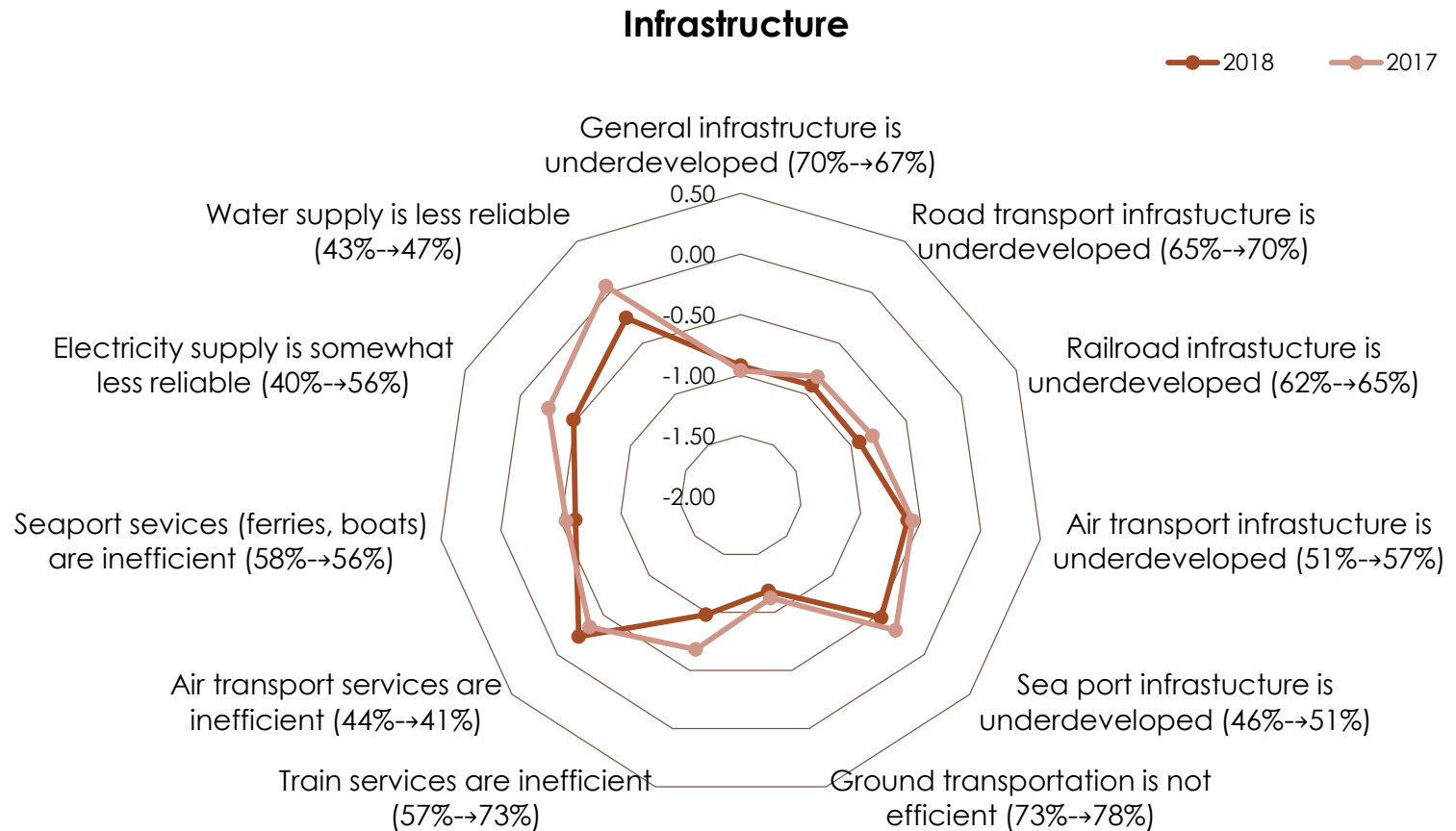
V.I Governance

- Governance and institutions remained within the weakest quartile (108th) and their scores have reduced compared to the last year.
 - Changes (positive/negative) observed in number of areas
- **Positive changes:** Entrepreneurs noticed positive changes with regard to long term vision for development (42%; 0.49%), access to information on policy changes (43%; 0.3), less distortive effect of subsidies (49%; -0.38), inefficient judicial system for setting disputes (53%; -0.69) and poor corporate ethics (44%; -0.25).
 - Long term policies (e.g. 7th FYP, 10 year perspective plan, 2100 delta plan, sectoral plans and strategies, SDGs) provide direction about country's sustainable economic development
- **Negative changes:** Entrepreneurs' perception deteriorated with regard to limited freedom of press (64%; -0.87); difficulty in challenging government actions/regulations (68%; -1.17); weak legal framework for adopting digital business model (59%; -0.59); prevalence of bribes to tax authorities (84%; -1.58) and poor agricultural policy (41%; 0.03)
 - Concerns expressed by the private sector as regards introduction of new laws (e.g. press freedom), amendment of existing laws (e.g. labour laws) and weak implementation of laws.

V.I Governance

- 50% respondents mentioned that it is increasingly getting difficult to improve individuals economic situation through their personal effort (-0.61 in 2018 from 0.01 in 2017)
 - Squeezed space for individuals to excel his/her performance is a concern
 - National Skill Development Council (NSDC) and other public and private organisations should undertake more career/skill development programmes
- No major improvement (or somewhat weakened) with regard to public service delivery is observed (from -0.39 to -0.51); favoritism to well connected firms and individuals regarding contracts (from -1.41 to -1.40); illegal diversion of public funds (from -0.25 to -0.18); and problems of bribes in case of trade, public utilities and public contracts.
 - Major overhauling is required to ensure transparency and accountability of the operation of public service delivery organisations
- Without undertaking 'second generation reform' measures targeting better functioning of policies, their effective implementation and efficient are of critical importance
 - Reform in the civil service, implementation of financial reporting act, harmonized reporting of individual/corporate financial accounts, effective implementation of RTI Act and implementation of time-bound action plans of respective policies.

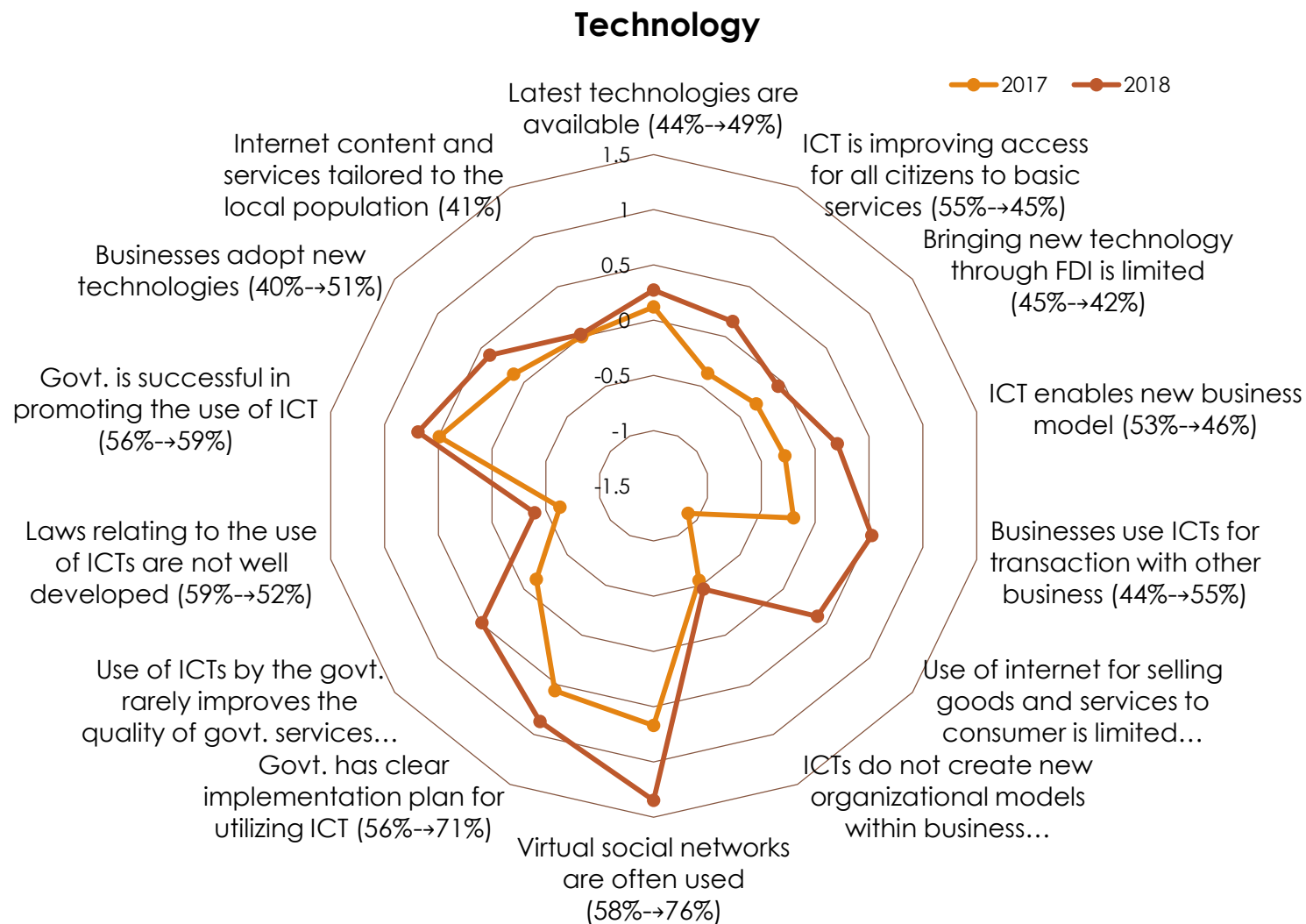
V.II Infrastructure



V.II Infrastructure

- Quality of infrastructure is remained in weak state as the country ranked 109th out of 140 countries.
 - Level of perception in most instances is negative and in number of instances it was deteriorated
- About two-third of the respondents mentioned that general infrastructure is underdeveloped though marginal improvement is discerned (-0.92 in 2018; -0.96 in 2016)
 - Targeted public investment in infrastructure development over the years made some positive changes (electricity, road, bridge, port etc.)
- Despite huge public investment, about 78% respondents mentioned that overall ground transport is not efficient and perception has deteriorated (-1.18 in 2018 from -1.12 in 2017)
 - About 50-70% respondents mentioned about underdeveloped road (-0.91), rail (-0.92), air (-0.61) and sea (-0.47) infrastructure and perceptions in all areas have declined.
 - Quick implementation of fast-track and other infrastructure projects related to road, rail, port and waterways in order to ensure adequate incremental economic benefit
 - Multi-modal connectivity, better inland waterways, coastal sea routes, better functioning of seaports and high speed railways need to be ensured
- Despite much effort and investment, level of satisfaction about quality of electricity supply is still poor- 56% businessmen are not happy with it (-0.48 in 2018 from -0.26 in 2017)
 - Need to ensure uninterrupted supply of electricity at affordable tariff

V.III Technology



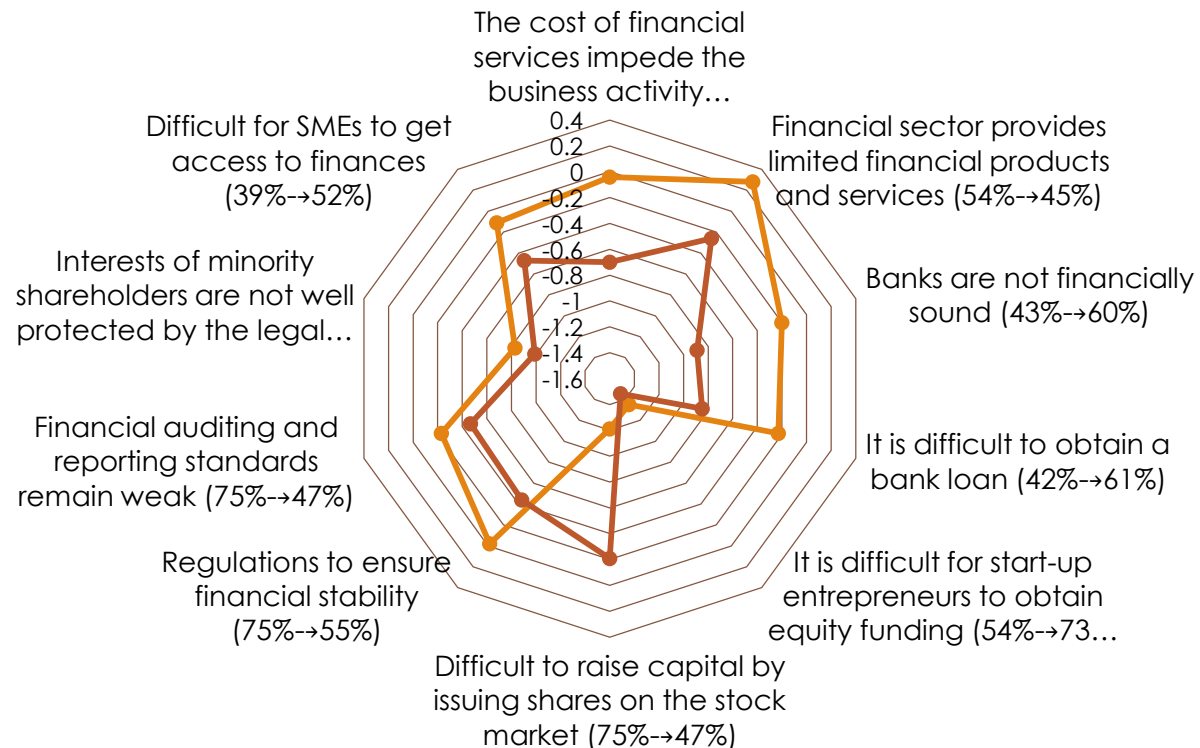
V.III Technology

- Technology is one of the areas where entrepreneurs perceived positive development in all selected indicators during 2018
 - However, overall ranking remains poor (102nd)
 - Progress in ICT based activities (both in public and private sectors) contributed in this regard
- **Positive changes:** Entrepreneurs observed improvement in quality of government services by using ICT (58%; 0.49); use of virtual social network (76%; 1.35); use of internet for selling goods and services (40%; 0.40); business use ICT's for transaction (55%; 0.53).
 - Marginal positive changes discerned in case of availability of latest technologies (0.27); improvement in access to basic services through ICT (0.15); ICT enabled new business models (0.21); government's implementation plan for ICT (0.87); promotion of ICT by government (0.69); and adoption of new technologies by business (0.40).
 - In few areas, perception remained negative: transfer of technologies by FDI at limited scale (-0.06); availability of ICT based business organisation model (-0.46); and poor laws relating to ICT (-0.40)
- Growing demand from the private sector to build right ecosystem for IT enabled services and data security
 - Digitisation of KYC process and changes in OTP payment system for better business transaction are required
 - Cyber security in the financial transactions need to be improved

V.IV Financial Environment

Financial Environment

—●— 2017 —●— 2018

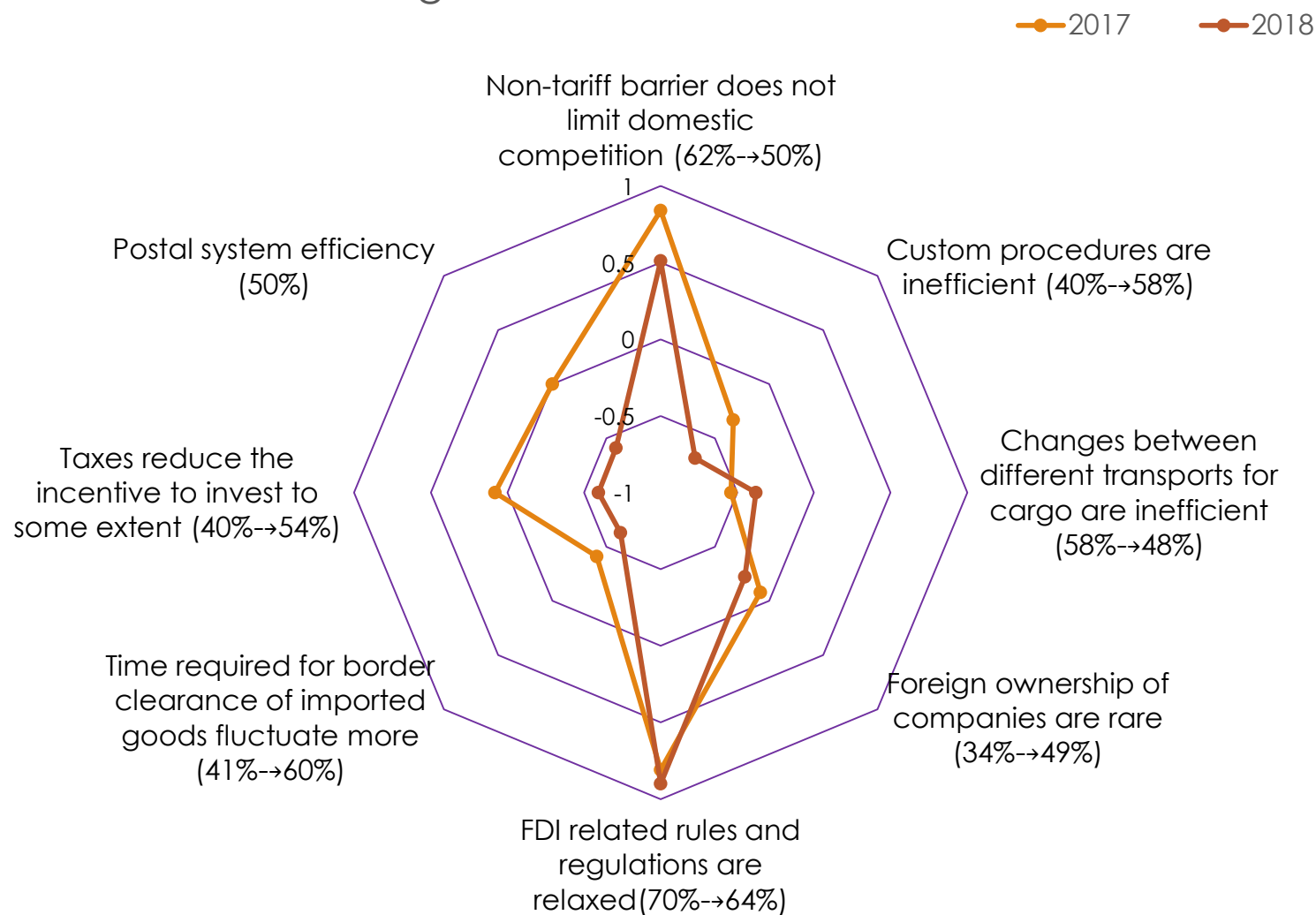


V.IV Financial Environment

- Poor performance of the financial sector created negative perception among the respondents which caused further deterioration in ranking (102nd in 2018)
 - Perception about major indicators declined in 2018 except one.
- **Negative changes:** 62% perceived that cost of financial services impede business activity (from -0.02 in 2017 to -0.70 in 2018).
 - Limited financial products (45%; -0.26); weak soundness in banks (60%; -0.89); difficulty in obtaining in bank loans (61%; -0.85) – are found to be challenging
 - 73% respondents perceived that entrepreneurs found it difficult to obtain start-up equity fund; the situation has deteriorated (from -1.35 to -1.46 in 2018)
 - 55% mentioned that regulations somewhat unable to ensure financial stability (from -0.02 to -0.44 in 2018)
 - 47% indicated that financial auditing and reporting remain weak (from -0.23 to -0.47 in 2018) despite forming of the financial reporting council (FRC)
 - SME financing did not improve (from -0.11 to -0.47 in 2018) despite undertaking targeted SME financing programme
- Businessmen perceived positive changes with regard to raising capital from share market (47%; -0.21)
 - However, interests of minority shareholders did not well-protected (63%; -0.47)
 - The confidence on primary market is expected to improve among the entrepreneurs after inclusion of Shanghai stock exchange as institutional investor
- Both banking and NBFIs have been suffering due to weak monitoring by the concerned authorities
 - Formation of a financial sector commission to review the challenges and concerns and to put forward time-bound recommendations –are urgently needed.

V.V Foreign Trade and Investment

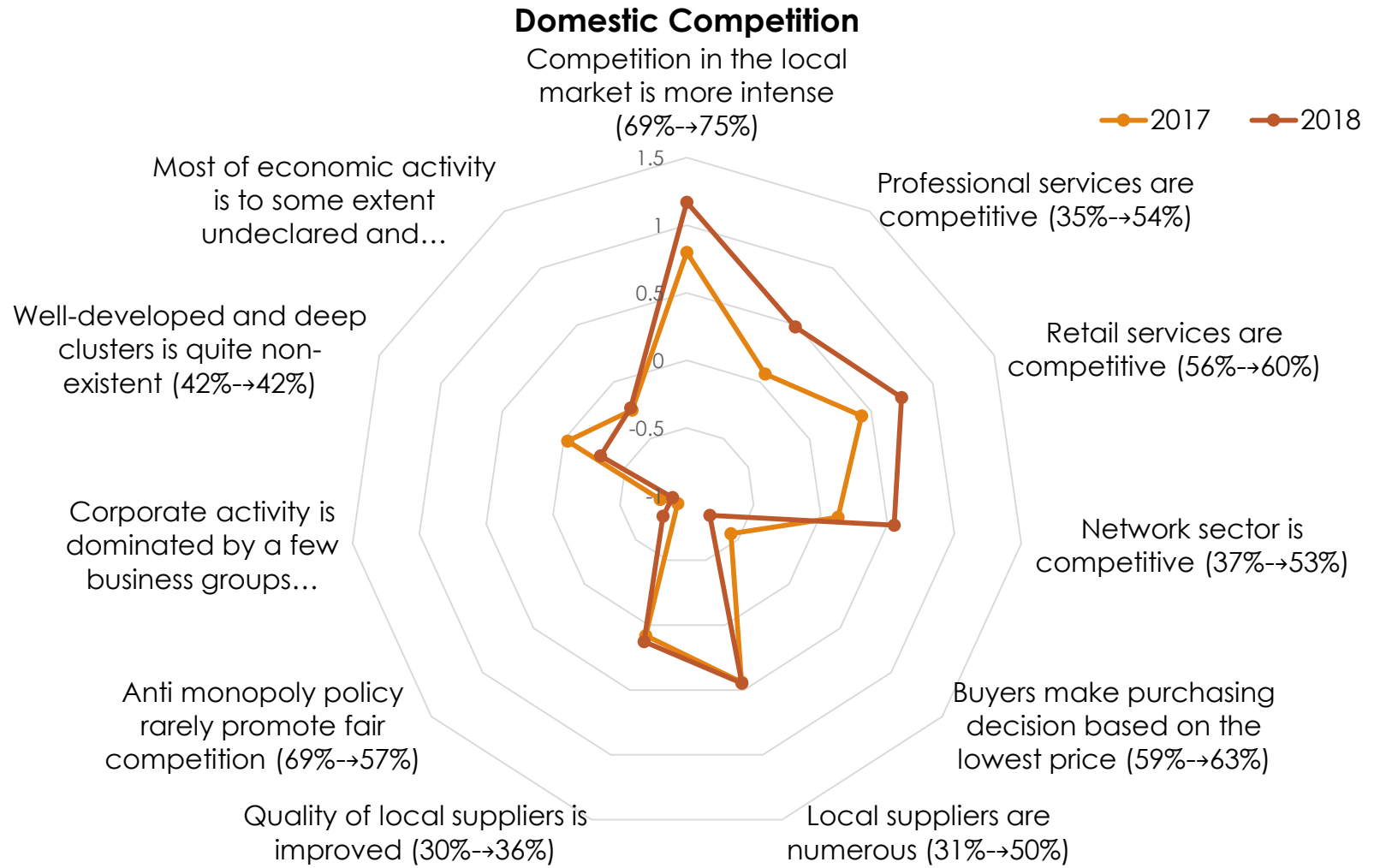
Foreign Trade and Investment



V.V Foreign Trade and Investment

- Majority of foreign trade related indicators found to be in negative by the respondents.
- **Negative changes:** Entrepreneurs mentioned that NTBs limit domestic competition (50%; 0.51); inefficient customs procedure affect businesses (58%; -0.68); inefficient changes of different transports for cargo handling (48%; -0.30%) raise transaction costs and less presence of foreign companies reduces domestic competition (49%; -0.22)
 - Marginal improvement observed in case of FDI related rules and regulations (64%; 0.90)
- 60% businessmen mentioned that time required for border clearance fluctuated more compared to last year (from -0.41 to -0.60 in 2018)
 - Inefficient operation of seaports particularly of Chittagong port due to slow progress of port related development programmes has lengthened the turn around time of sea-vessels.
 - Construction of bay side terminal with sufficient number of berths and cranes is required
 - Necessary development of Paira and Mongla seaports is also necessary
- 54% respondents found that taxes have further reduced the incentives for investment (from -0.04 to -0.59 in 2018)
 - Amendment of VAT and income tax laws should ensure proper consultation and awareness of the stakeholders including private sector
- There should have an institutional set up to deal with trade related disputes originated at the international trade.

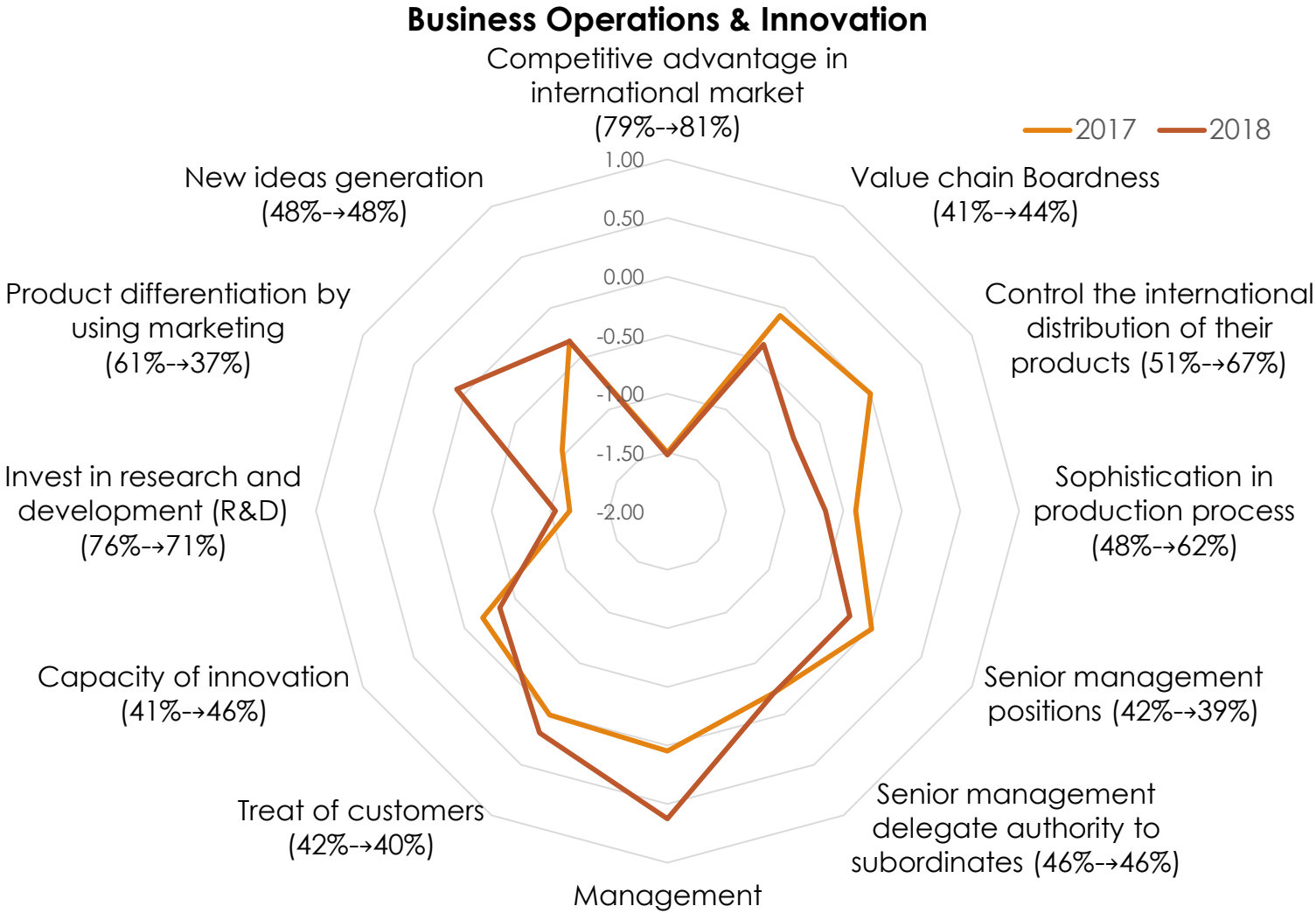
V.VI Domestic Competition



V.VI Domestic Competition

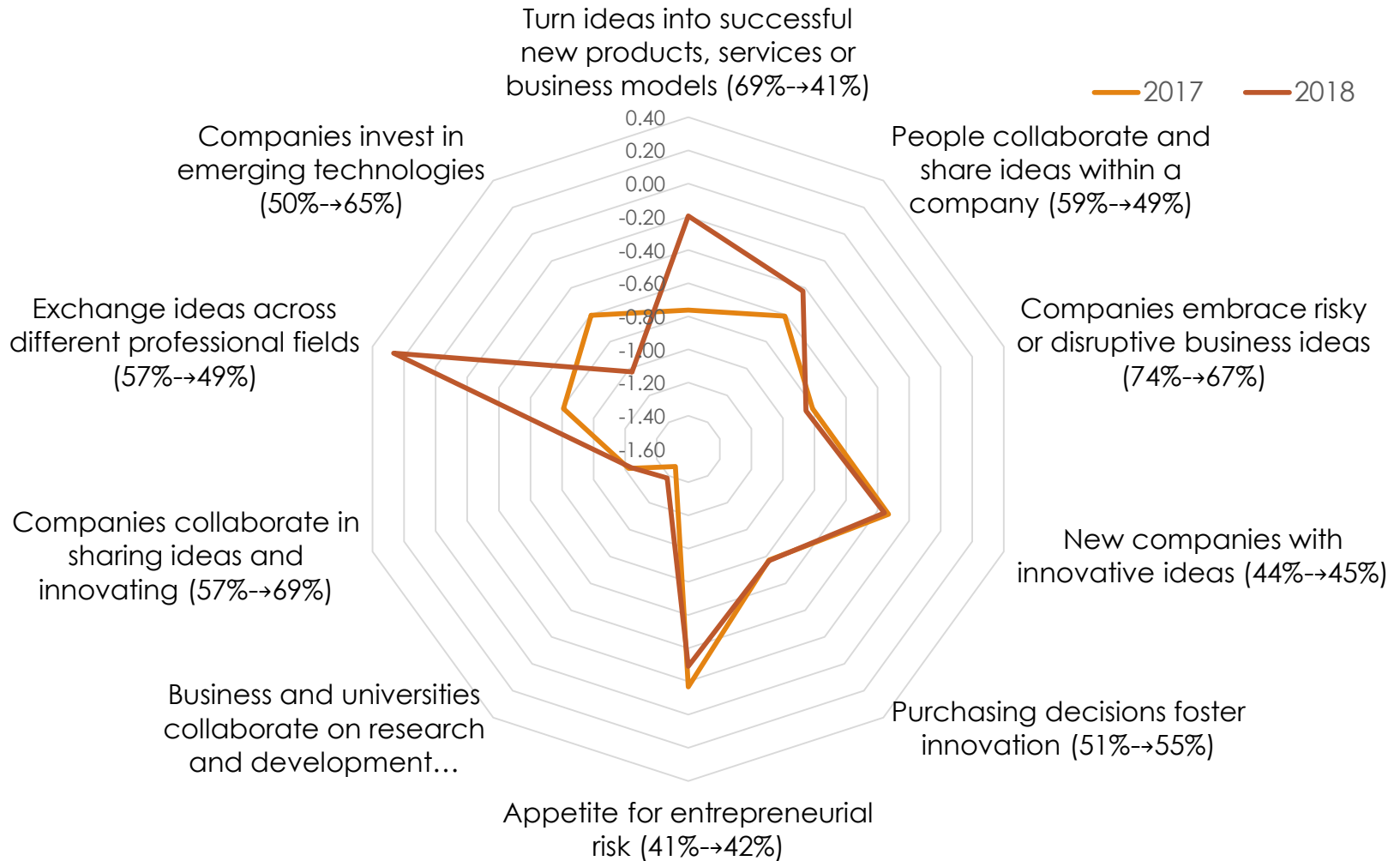
- Businessmen observed some improvement in business operations in 2018
- **Major positive changes:** These are found in case of better competition in local market (75%; 1.17); competitive professional services (54%; 0.48); better competition in retail services (60%; 0.75); and availability of competitive network services (53%; 0.55).
- **Major negative changes:** 62% perceived that corporate activity is dominated by few business groups and that domination has further increased in 2018 (from -0.80 to -0.89)
 - Anti-monopoly policy and related activities remain in weak state (57%; -0.77). Proper implementation of the Competition Law through a strong Competition Commission is urgently needed
- Some improvement is discerned in case of quality of local suppliers (57%; 0.13); less informality in economic activity (44%; -0.23)
 - Lack of availability of deep clusters is a major constraint (42%; -0.30)
- Rise of large group of companies in major economic activities reduces the scope of SMEs to participate there
 - An inclusive business mechanism need to establish which ensure representation of small, medium and large enterprises in major value chains

V.VII Business Operation and Innovation



V.VII Business Operation and Innovation

Business Operations & Innovation

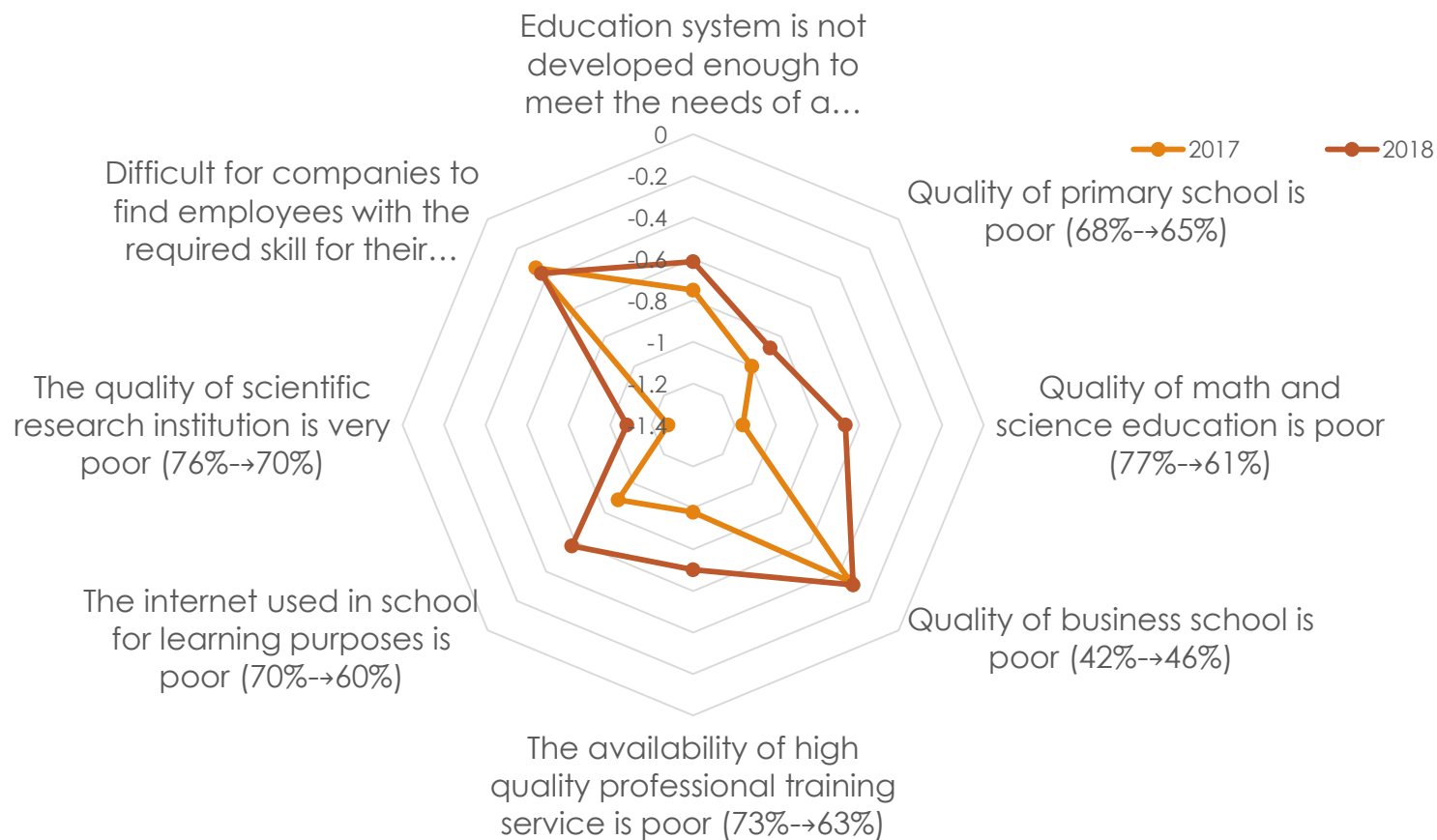


V.VII Business Operation and Innovation

- Perception about business operations have experienced marginal improvement during 2018.
- **Major positive changes:** These are reflected in case of rising accountability of managements to investors (54%;0.63); ability to differentiated products by marketing (37%; 0.08); turning ideas into successful businesses (41%: -0.20) and spaces created for exchange ideas across different professional levels (49%; 0.27).
 - Some positive changes discerned in case of treatment of customers (0.18); competitively selecting senior management positions (-0.20); investment in R&D (-1.04); and business-university collaboration (-1.38)
- **Major negative changes:** Buyers' control of distribution of their products (67%; -0.76); and lack of investment in emerging technologies (65%; -1.02)
 - Some negative changes observed in case of sophistication in business processes (62%; -0.65); limited capacity for innovation (46%; -0.35); and limited appetite to take entrepreneurial risks (42%; -0.29)
- Majority of businesses suffer due to lack of efficient management professionals, less use of state of art technologies and inadequate collaboration between universities and private sector.
 - Introduction of 'technology upgrading fund' is urgently needed in order to address the technology related concerns of the private sector.
 - Better education and training of management professionals are needed

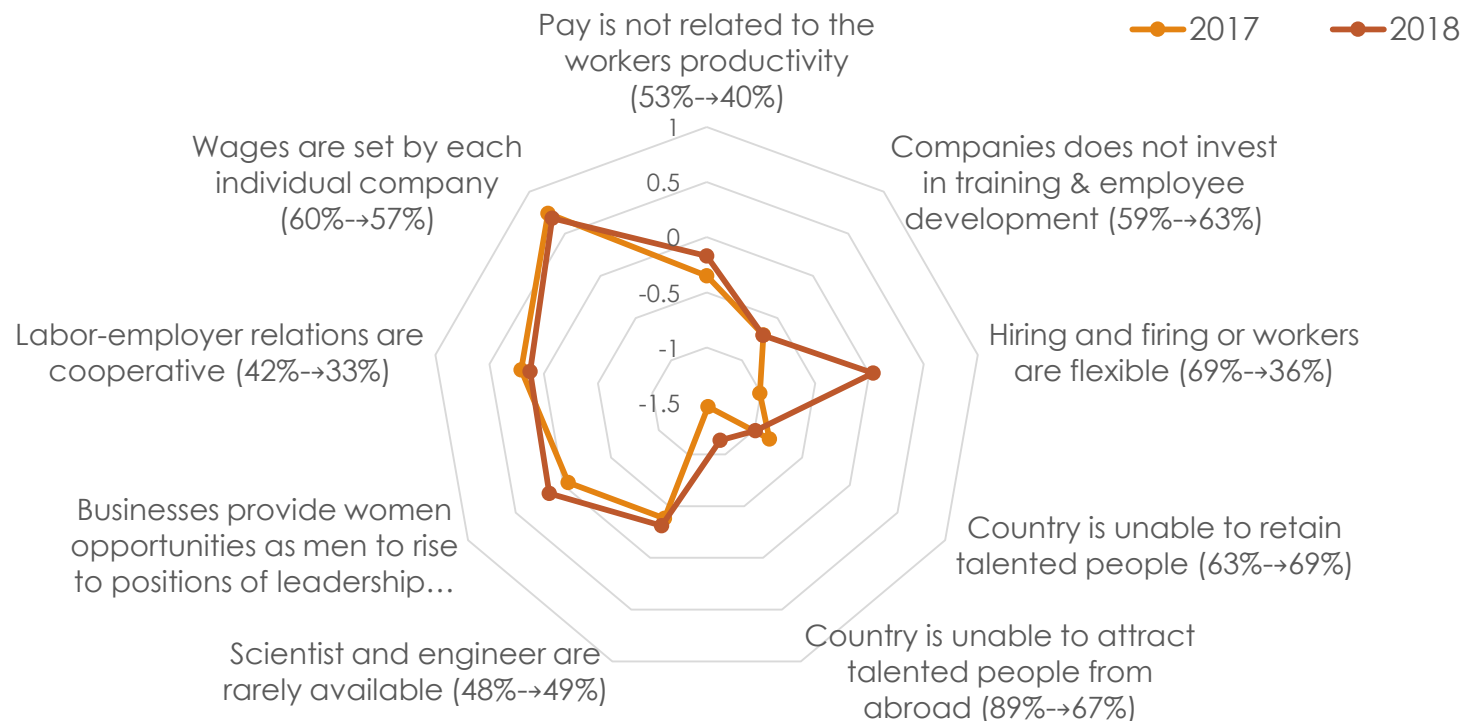
V.VIII Education and Human Capital

Education & Human Capital



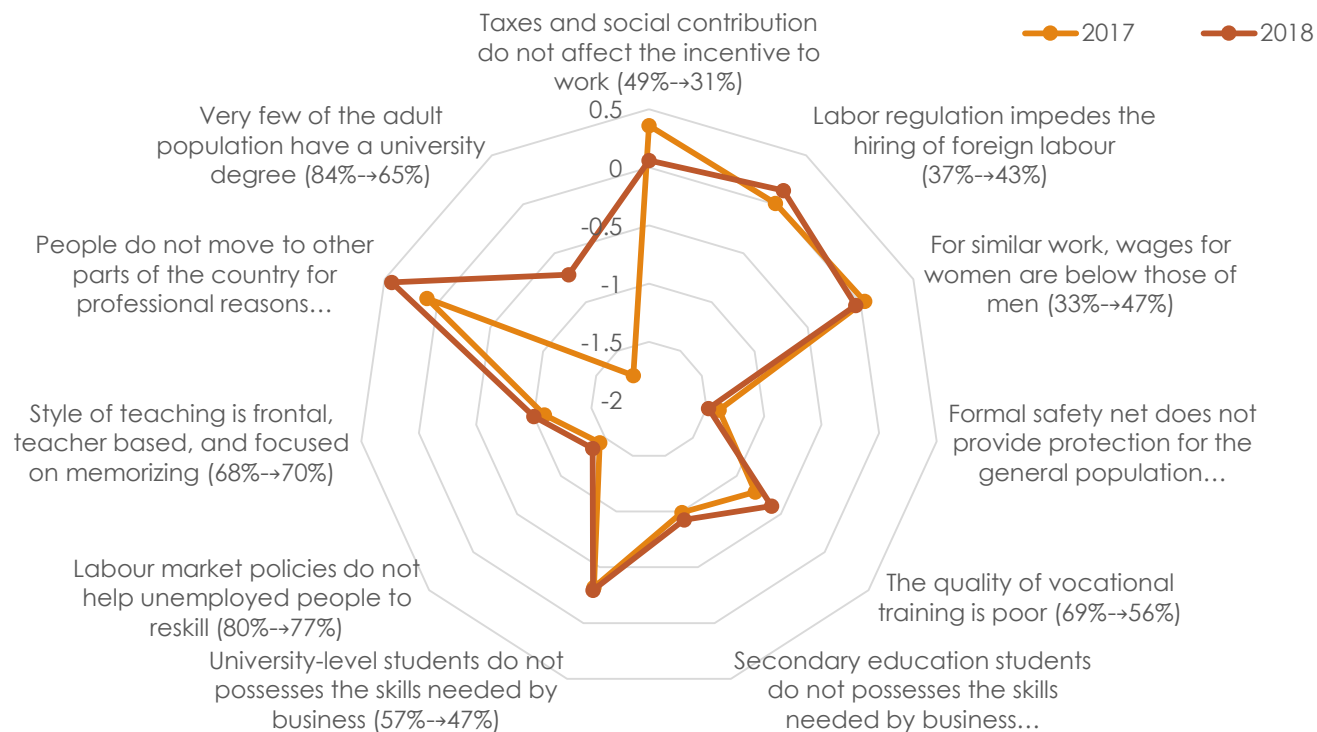
V.VIII Education and Human Capital

Education & Human Capital



V.VIII Education and Human Capital

Education & Human Capital



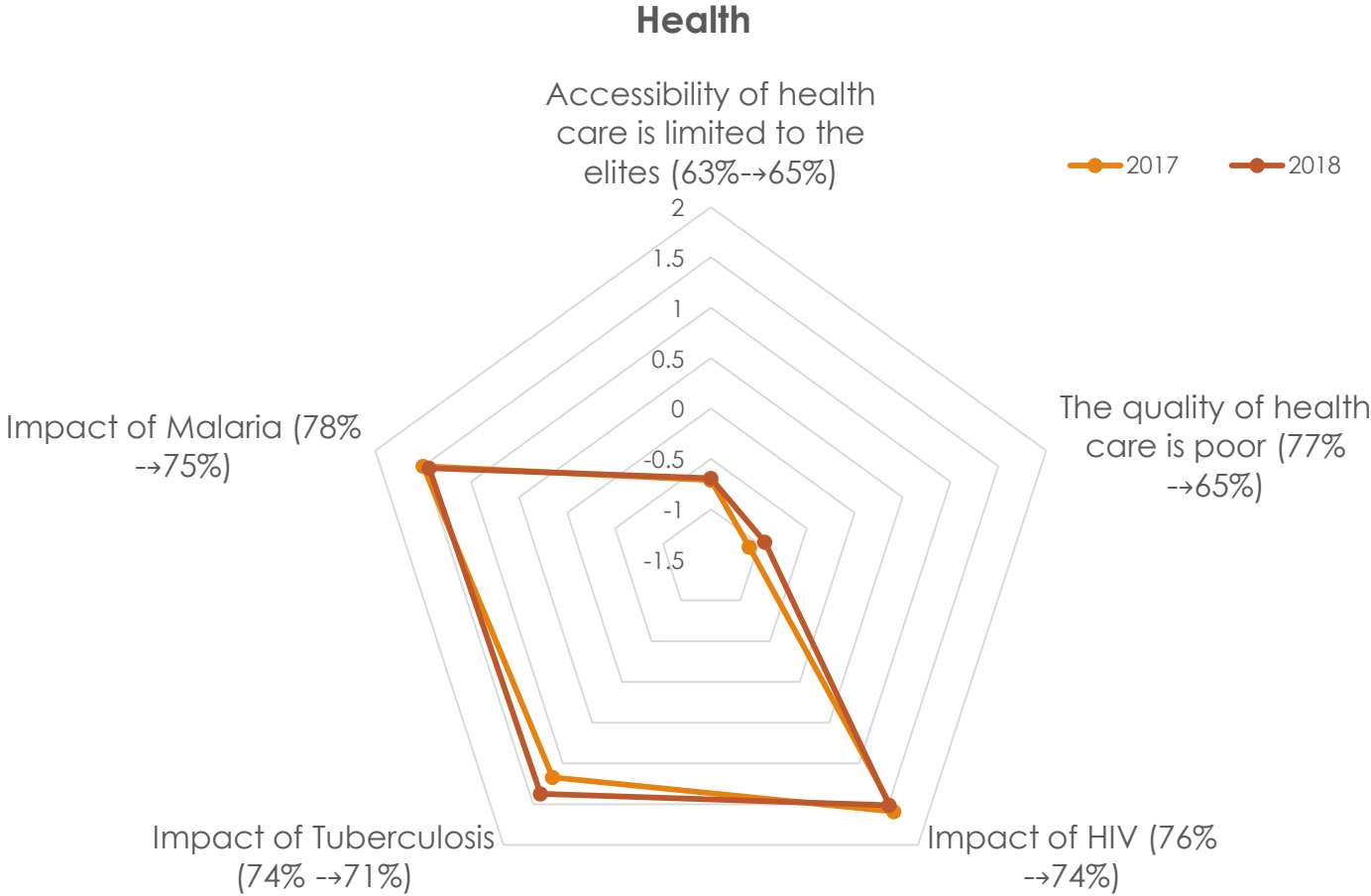
V.VIII Education and Human Capital

- Education and human capital are perceived to be better by the entrepreneurs in 2018.
 - Majority of indicators are found to be improved compared to the last year.
- **Major positive changes:** These are reflected in case of quality of maths and science education (61%; -0.67); use of internet in schools (60%; -0.57); hiring and firing of workers (36%; 0.03) and slowly rise of university degree holders among adults (65%;-0.72)
 - Somewhat positive changes happened in cases of quality of vocational training (56%; -0.60); limited ability to attract talented people (67%; -1.14); creating opportunities for female in leadership positions (48%; 0.15); limited capacity to meet the need of the country (59%; -0.61); quality of primary education (65%; -0.88) and quality of science and research (70%; -1.08).
 - Investment in education and ICT provided some return though at a very low level.
- Allocation for the education sector (11.04% of total budget and 2.09% of GDP in FY2019) below the standards set by 7FYP and Education 2030 Framework for Action of UNESCO

V.VIII Education and Human Capital

- **Major negative changes:** 31% businessmen perceived that taxes and social contribution somewhat affect incentive to work and the perception deteriorated (from 0.31 to 0.06 in 2018).
- Labour market is not fully competitive
 - 40% perceived that pay is not fully related to productive capacity (-0.17); no major change in companies in investment for training (63%; -0.7); and scientists and engineers are not always readily available (-0.33 to -0.37)
 - 57% companies set their wages (0.68); there is almost no improvement in labour-employer relationship (33%; 0.13)
- Business suffer due to lack of sufficient number of trained professionals and skilled workers
 - Problems observed in case of wage discrimination (-0.05); poor quality of secondary education (-0.93); and limited capacity of reskilling of unemployed workers (76; -1.48)
- Proper implementation of *National Skill Development Policy 2011* is urgently needed
 - Skill-based curriculum and vocational training institute need to be developed.
 - Special training on advanced technologies is required for female workers

V.IX Health

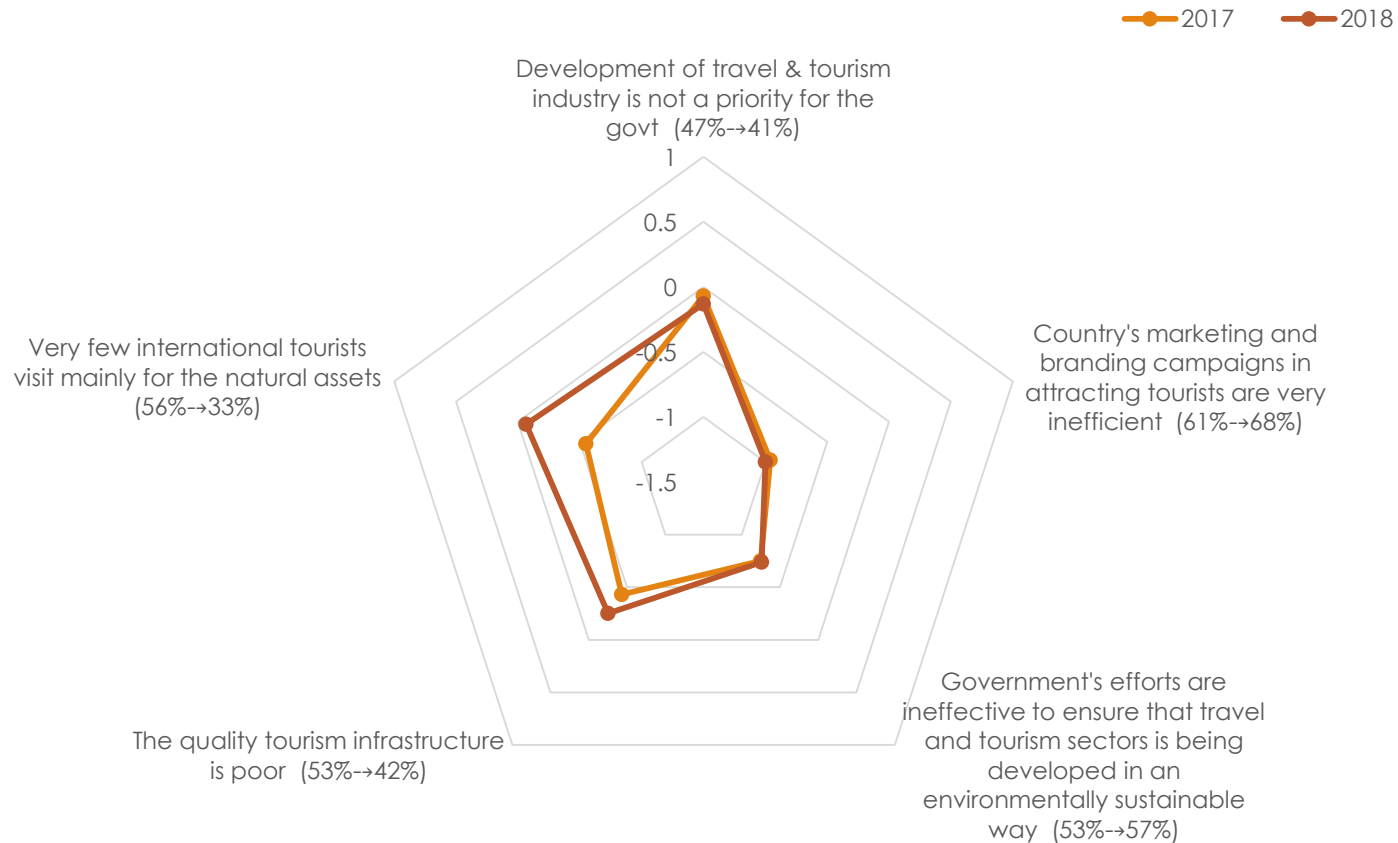


V.IX Health

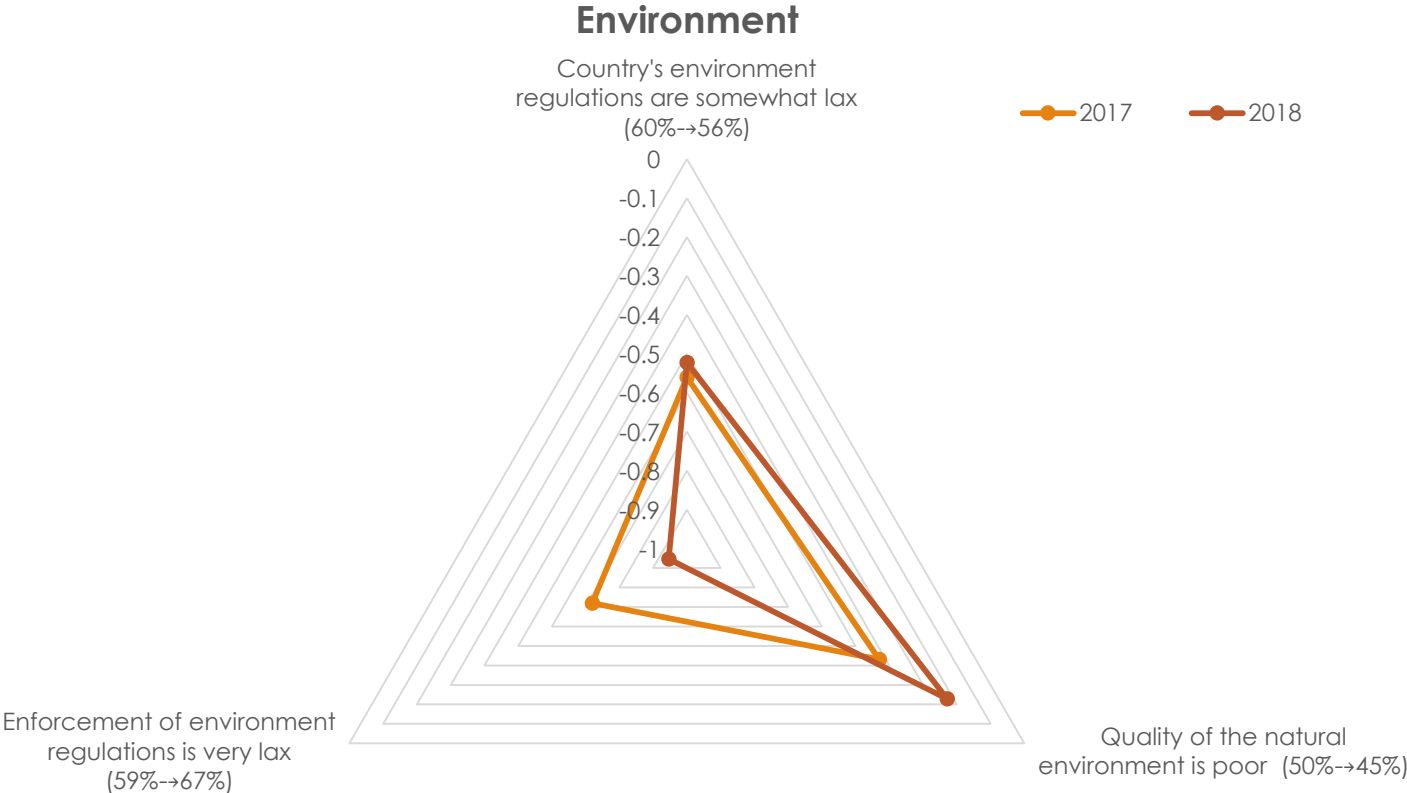
- Health sector is found to be at the same state in 2018 as it was in the last year.
- Poor budgetary allocation for the health sector is a major challenge for ensuring universal health care support system in Bangladesh.
 - Allocation for health as share of total budget has fallen; Health received 5.03% of total budget which was 5.39% in RBF18
 - Share of GDP has increased but stays below 7FYP and World Health Organization (WHO) targets
 - Health sector received 0.92% of GDP which was 0.89% in RBFY18
 - 7FYP targeted spending 1.04% of GDP in BFY19
 - WHO considers a benchmark of 5% of GDP or GNI of the country for health expenditure.

V.X Travel and Tourism

Travel & Tourism



V.XI Environment

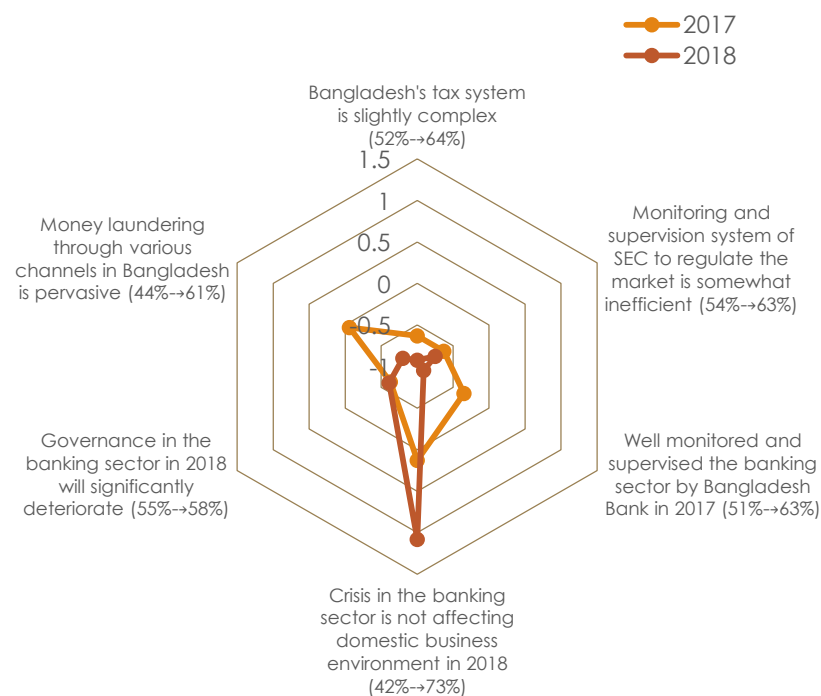


VI. Findings from the Rapid Assessment Survey 2018

VI Findings from Rapid Assessment Survey

- Perception about most of the domestic business environment related indicators is found to be either negative or deteriorated compared to the previous year.
 - 64% mentioned about complexity in tax system (from -0.63 to -0.92); 63% perceived monitoring system of SEC is somewhat weak (from -0.63 to -0.75);
 - 63% doubted about effective monitoring of the banking sector (-0.35 to -0.91);
 - 58% mentioned that governance in the banking sector deteriorated (from -0.63 to -0.61); and
 - Money laundering through various channels is perceived to be further increased (61%; from -0.06 to -0.80).

Rapid Assessment Survey 2018



VI Findings from Rapid Assessment Survey

- 48% respondents are somewhat not sure that government could come out with an acceptable rate of VAT by deferring it two years (-0.28).
 - 38% mentioned that exchange rate of Taka (against US\$) may not be stable till the end of 2018 (-0.24)
 - 49% raised some doubts that public sector SEZs would be ready by 2018 as per plan (-0.54)
- 34% raised some doubts about how effective LNG-based supply of gas towards meeting the demand of the private sector
 - Instead of adjusting gas tariff for using LNG, government has decided to provide subsidy to the Petrobangla for using imported LNG at a high cost
- 46% somewhat satisfied with the progress of implementation of fast track projects (0.25)
 - 59% mentioned that influx of Rohingya's will have negative impact on public finance in 2018 (-0.72)
- Upcoming national election perceived to have diverge impact on the economy
 - No adverse effect on investment (46%; 0.25) but somewhat negative effect on production (43%; -0.43), export (40%; -0.31), employment (044%; -0.51) and remittance flow (38%; -0.34).

VII. Conclusion

VII. Conclusion

- The WEF has revised the methodology for estimating GCI (GCI 4.0) by taking into account changes in global industrial structure
 - Open competition between countries based on technology led performance has been taken into consideration; hence advancing any country's ranking will be difficult
 - Bangladesh's revised position for 2017 is 102th (earlier estimate 99th). Bangladesh's position has slipped one rank in 2018 (103rd)
 - Distribution of rankings of 12 pillars is (out of 140 countries): 1 pillar ranked under 50, 2 pillars between the ranks 80-100 and rest 9 pillars above the rank 100.
- All South Asian developing countries slipped their rankings except India
 - Vietnam and Cambodia also slipped their rankings
- Corruption remained the most problematic factors for doing business in Bangladesh followed by inadequate infrastructure and inefficient bureaucracy
 - A new set indicators raised concerns for doing business in Bangladesh:
 - a) access to finance
 - b) policy instability
 - c) high tax rate and
 - d) complex tax regulations
 - Need special attention to lowering down operational cost of businesses
- Over the last eight years (2010-17) modest progress has been achieved in GCI due to limited success in 'basic requirements' index
 - Lagged behind in 'efficiency enhancers' and 'business innovation'
 - Major strength lies on macroeconomic stability and market size

VII. Conclusion

- Weak institutions and challenges of governance have retarded Bangladesh's competitiveness significantly
 - During 2017, deterioration in the perception as regards press freedom, difficulty in challenging government decisions, prevalence of bribes in public service delivery organizations – have narrowed down space for competition and participation of SMEs in businesses
 - Reform in the civil services and other agencies for ensuring transparency, accountability, efficient service delivery as well as proper implementation of various policies and laws, are urgently needed
- Despite huge public and private investment, perception about quality of infrastructure remain in weak- lack of availability of 'full packaged' infrastructure need to be addressed.
- Technological readiness is slowly making progress – ICT led education, training and businesses are getting popular – it is a good sign!
 - More investment is needed for digital security and better access of ICT services across the country
- Poor performance of the financial sector is a growing concern for businesses – CPD suggested to form a financial sector reform commission.

VII. Conclusion

- Concentration of business activities to a limited number of group of companies indicate that equal access to all particularly SMEs is getting squeezed
 - An inclusive business environment needs to be ensured to create scope for participation of new and young entrepreneurs in the market
 - Proper implementation of laws and rules concerning market competition particularly competition law, financial reporting act etc., is important.
- Businesses are suffering due to lack of efficient management professionals, less use of advanced technologies and lack of skilled manpower
 - ‘Technology upgrading fund’ needs to be set up to train and educate workforce, management professionals and to use advanced machineries.
 - Renowned international management schools may be invited to set up their branches in Bangladesh.
 - Budgetary allocation for education and health sectors need to be increased according to the target set in the 7th FYP
- Bangladesh's advancement in competitiveness lies on major overhauling in public institutions in order to make them more efficient, transparent and accountable
 - Necessary regulatory reforms, institutional reforms and operational reforms need to be undertaken as quick as possible
 - It is expected that major political parties will commit for such reforms in their election manifestos and will undertake necessary activities after the election.

Thank you