

# Media Briefing on

## Bangladesh Business Environment 2021

### *Findings from Entrepreneurs' Perception Survey*

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- II. Methodology
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# **I. Introduction and Objectives**

# I. Introduction and Objectives

- Business environment in Bangladesh has experienced **changes during 2021** when the businesses are at **an early recovery phase** after the covid contamination has eased
  - In recent months, the covid contamination has increased in Bangladesh, and the government has started to **take restrictive measures** on people's movement and activities
- CPD has carried out an 'Executive Opinion Survey (EOS)' during **April-July, 2021**
  - The objective of the survey is to know the **perception** of entrepreneurs/businessmen on the **factors** and **institutions** that determine the long-term growth especially during the period of pandemic
  - This survey covers economic, social, governance and environmental issues to trace out **their relationship** with business competitiveness, shared prosperity and environmental sustainability, and management of risk
- The **World Economic Forum** has postponed launching the '*Global Competitiveness Report 2021-22*' which was scheduled to be held on 26 January, 2022 due to widespread contamination of Covid-19 across the world

# I. Introduction and Objectives

- Major objectives of the press briefing are-
  - To report the **state** of business **competitiveness** of Bangladesh during 2021 in the backdrop of easing of the COVID-19 pandemic
  - To **compare** the changes in the state of competitiveness during the covid and later part of the covid period to understand the level of recovery in the business environment
  - To put forward **suggestions** on **improvement** in business environment for ensuring early **recovery**

## **II. Methodology**

## II. Methodology

- The Executive Opinion Survey (EOS) covers **10 issues**
  - (a) Infrastructure, (b) Institutions, (c) Safety and Security, (d) Financial System, (e) Trade and Investment, (f) Competition, (g) Business Operations, Governance and Innovation, (h) Building Human Capital, (i) Working and Employment, and (j) Managing the Economic Recovery and Risks
- **EOS survey** was conducted with **lots of difficulty** as the second wave of Covid-19 spread out and announced a shutdown in most of the factories
- **Number of respondents: 73 high officials** from the private companies located in *Dhaka, Chattogram, Narayanganj, Gazipur and Faridpur*
- **Survey period:** April to July 2021
- The reference period for the survey was **January to December 2020**
- The survey responses have relevance and are impacted through the Covid-19 pandemic.

### Survey Respondents

Sector wise	Number of Participants
Agriculture	1 (1.4%)
Manufacturing	31 (42.5%)
Non-manufacturing	4 (5.5%)
Services	37 (50.7%)

Factory Size	Number of Factories
Large	39 (53.42%)
Medium	17 (23.29%)
Small	12 (16.44%)
Micro	5 (6.85%)

## II. Methodology

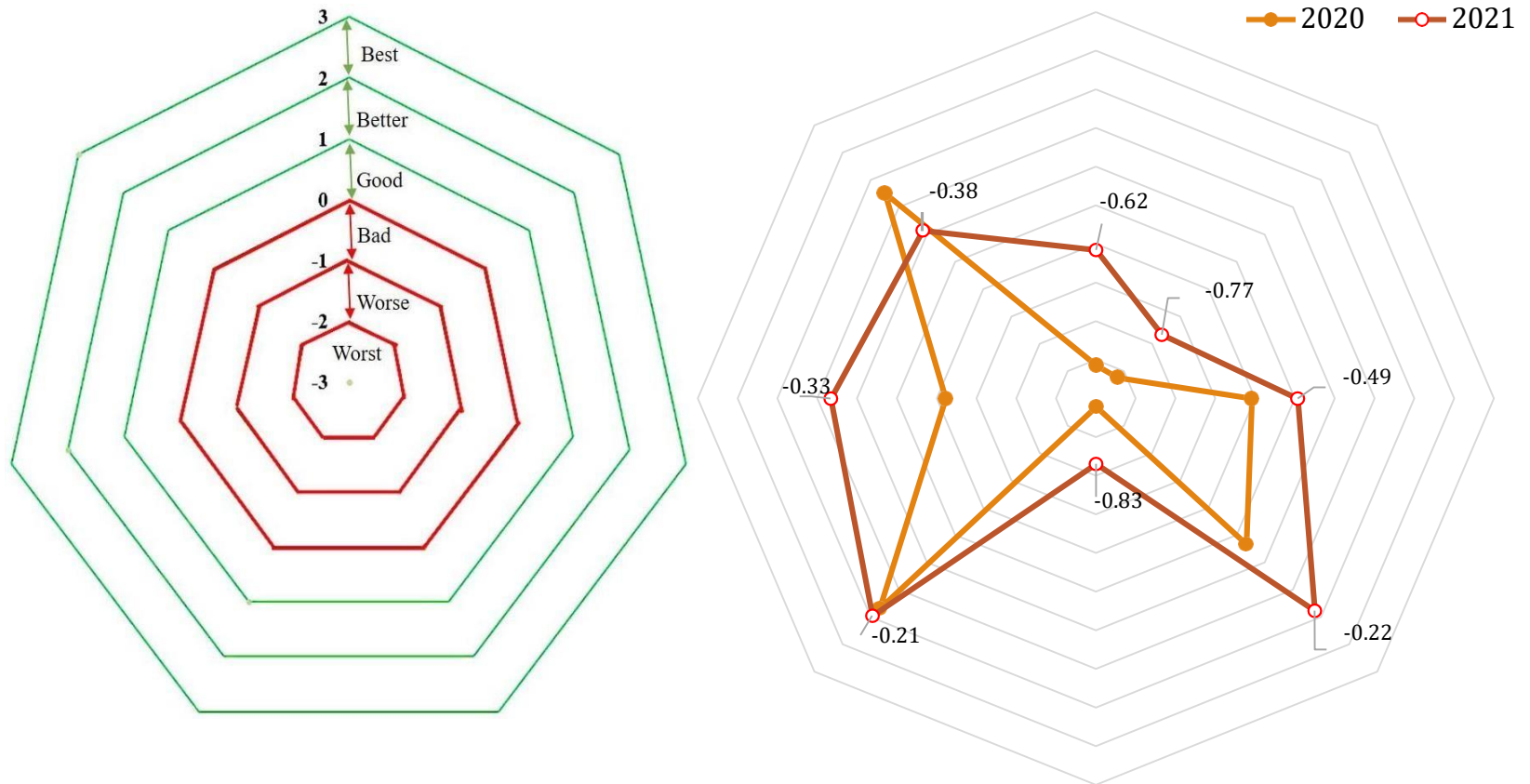
- Executive Opinion Survey (EOS) uses qualitative data (7-point Likert scale)
  - Negative responses (Scale: -3~-1)
  - Indifferent responses (Scale: 0)
  - Positive responses (Scale: 1~3)
- Analysis has been performed by employing two different statistical techniques
  - Frequency analysis (% of respondents)
  - Weighted index (average weighted response)



## II. Methodology

- Radar diagram is used to figure out changes in the perception on different issues between 2020 and 2021

Hypothetical Radar Diagram Presentation

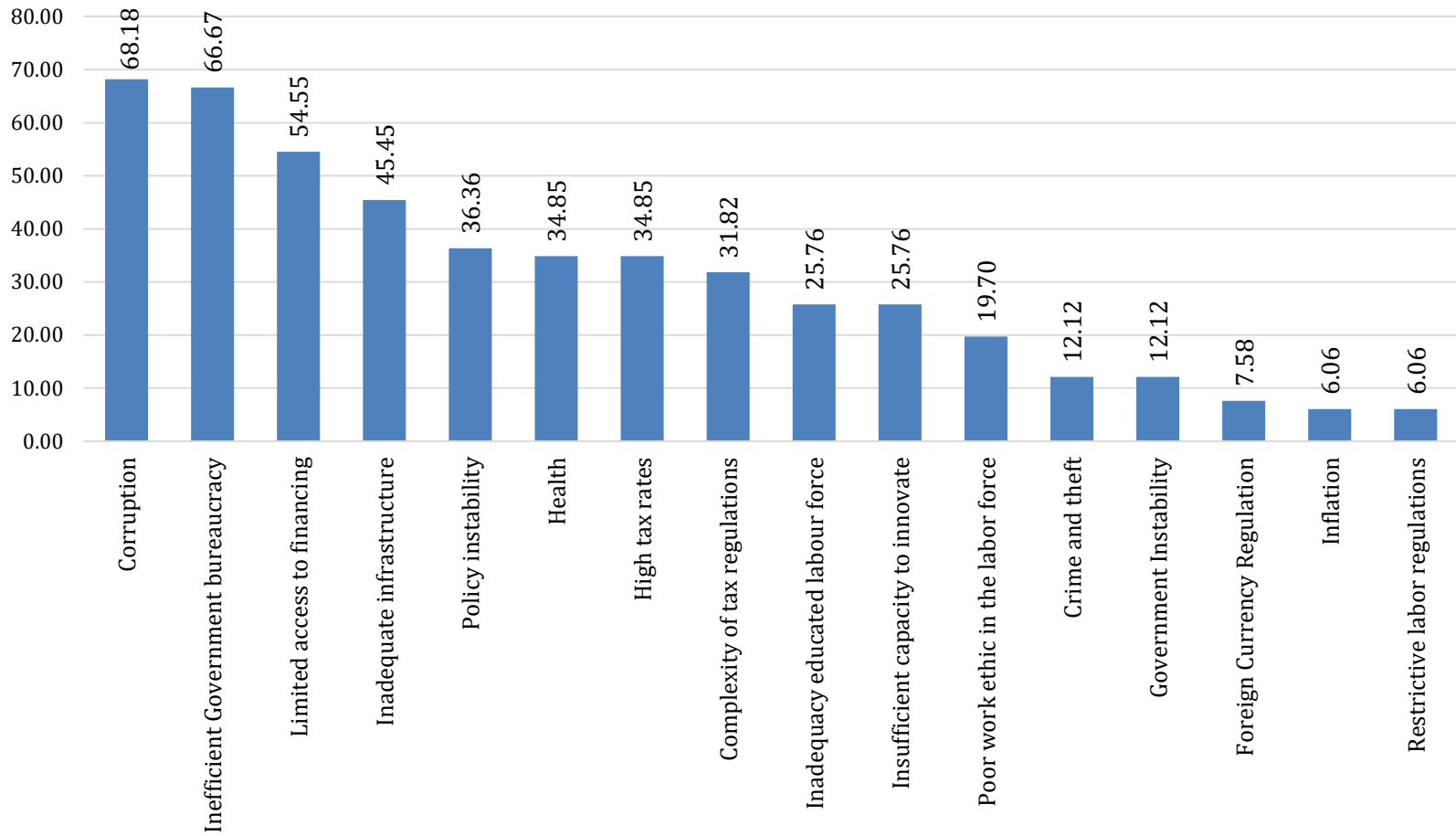




## **III. Key Features of Bangladesh Business Environment 2021**

# III. Key Features of Bangladesh Business Environment 2021

Most Problematic Factors in Doing Business in 2021 (in percentage)



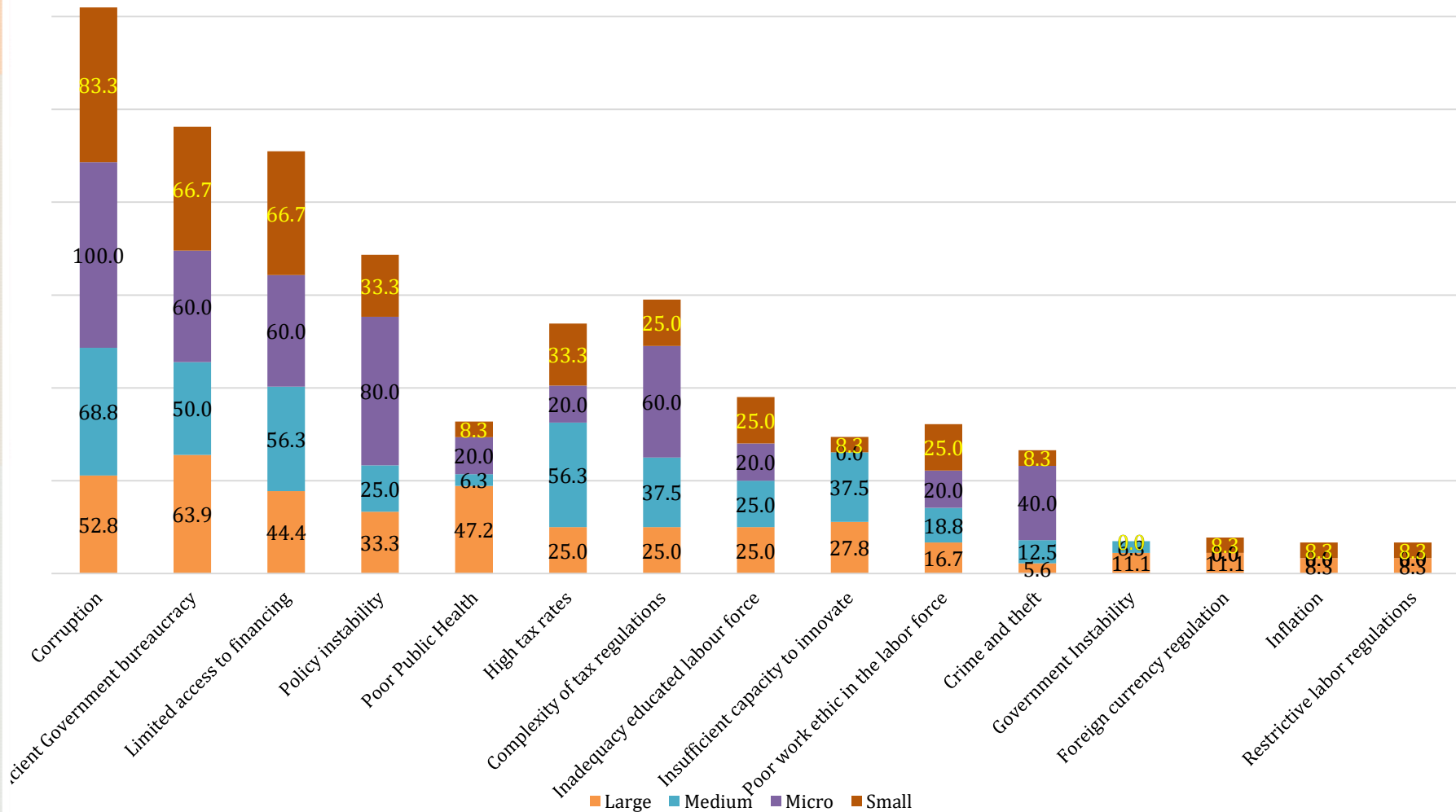
# III. Key Features of Bangladesh Business Environment 2021

- There is no major change in case of top problematic factors in doing business during 2021
  - Businesses are confronting troubles by **similar types of factors**
- Corruption have been topping the list in 2021 as it did in earlier years
  - **68%** respondents complained about high level of **corruption** as the major problematic factor – Bangladesh ranked 147<sup>th</sup> position globally (13<sup>th</sup> from the below) in **TI's corruption index** in 2021. For the last two years Bangladesh remained at the 146<sup>th</sup> position among the 180 countries. (The Business Standard, 25 January 25, 2022)
  - **67%** respondents complained about **inefficient bureaucracy** as the second most problematic factor
  - **55%** mentioned about limited access to financing as the third most problematic factor. The level of perception has increased during the current period
  - The **gap** in perception between three top most problematic factors has **reduced** – it indicates that the businesses have suffered most due to the combined effect of the three factors
- Businessmen perception about **infrastructure** has **improved** – it is ranked fourth important factor (45%) which was earlier ranked top or second most problematic factor
  - Significant **public and private investments** in road, bridge, port, electricity, gas, rail, water supply have contributed improvement in infrastructure to some extent
  - **Fast track projects** for large scale infrastructure development could contribute improving the business environment further

# III. Key Features of Bangladesh Business Environment 2021

## Most problematic factors for doing business in 2021 (Size-wise)

In case of 69 respondents (%)

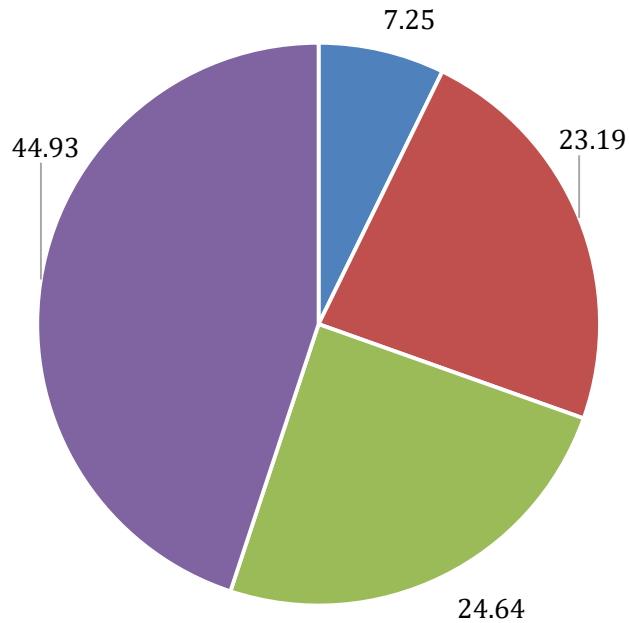


### III. Key Features of Bangladesh Business Environment 2021

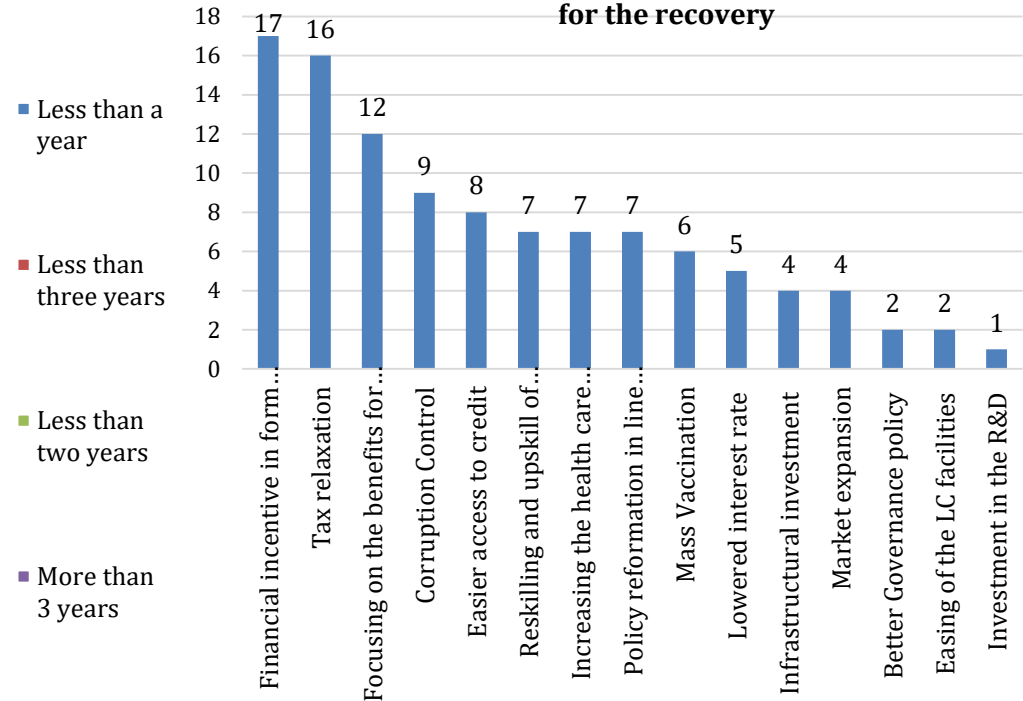
- Among the other problematic factors, **health** has emerged as a major problematic factor (35%) followed by tax rate, complexity in tax management, tax regulations, inadequate skilled workforce – a new set of challenges for a growing business sector
  - Public sector needs to invest on **soft infrastructure** development in the coming years in order to ensure supply of skilled workforce, better tax regulations and lowering tax rates
- Level of **severity of problems** is different for different categories of enterprises
  - The severity is high for micro and small enterprises compared to that of medium and large-scale enterprises
  - **100% of micro and 83% of small enterprises** have considered corruption as the most problematic factor while 69% of medium and 53% of large enterprises have considered the same.
  - Similar level of differences in severity is observed in case of inadequate government bureaucracy, access to finance, policy instability etc
  - Hence, government **needs to consider** addressing the challenges of micro and small-scale enterprises with regard to major problematic factors

# III. Key Features of Bangladesh Business Environment 2021

Requirement of Time for Businesses Recovery to the Pre-Covid level



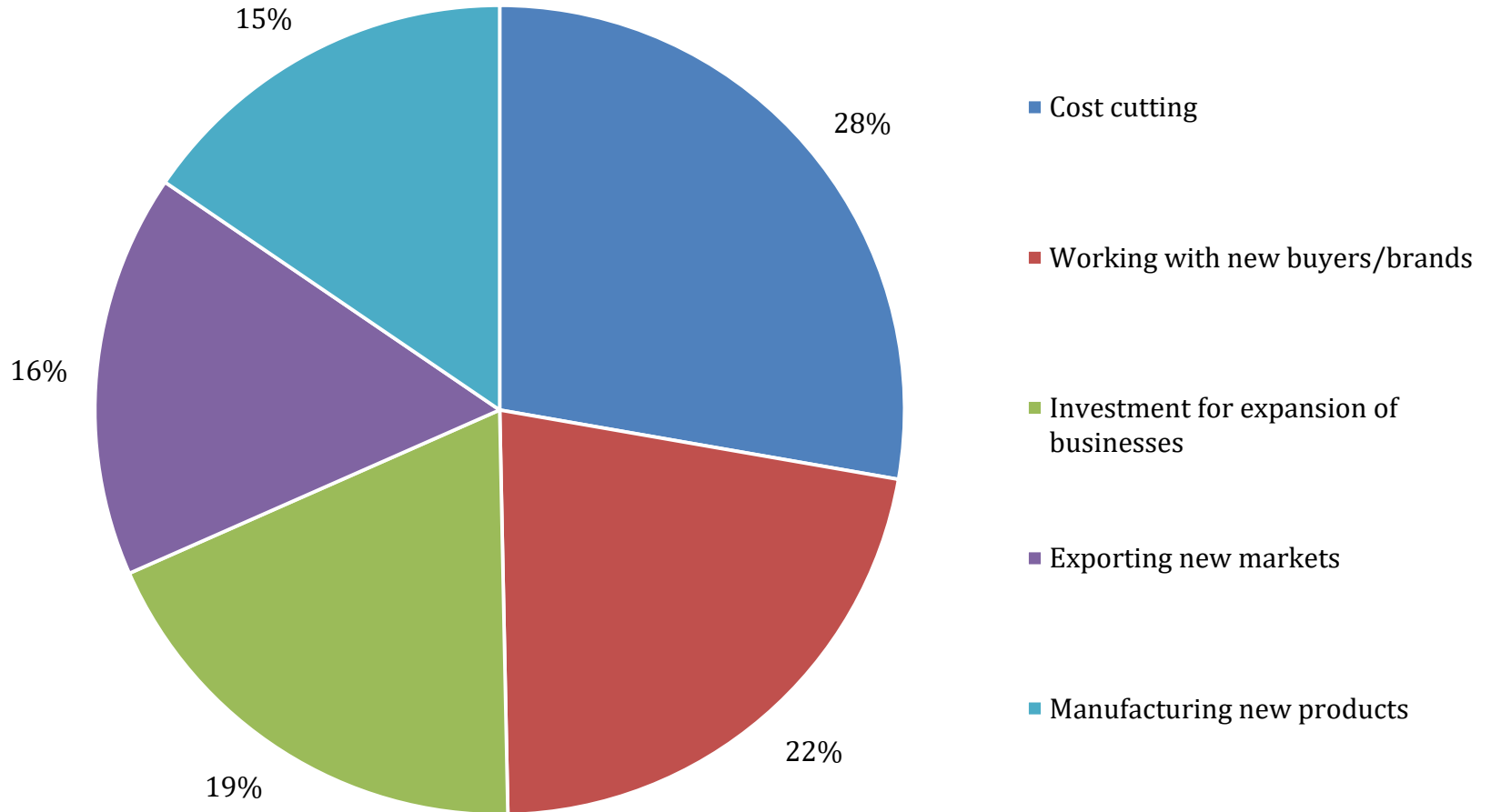
Additional initiatives that needs to be undertaken for the recovery



- Majority of businessmen perceived that it would **require over three years** for the recovery of businesses
  - 45%** of the entrepreneurs have mentioned that it would take more than 3 years to do so
  - Very few respondents (**7.25%**) thought that it was possible to recover from the losses in less than a year
- Businessmen proposed **additional initiatives** to support business recovery: **financial incentives** (17%), **tax reduction** (16%), **control of corruption** (9%), **easy access to credit** (8%), increasing health care, mass vaccination etc.
  - Government should consider the above-mentioned suggestions while formulating the **national budget** of the next year (FY2022-23)

# III. Key Features of Bangladesh Business Environment 2021

## Strategies to be undertaken for the Recovery of Business



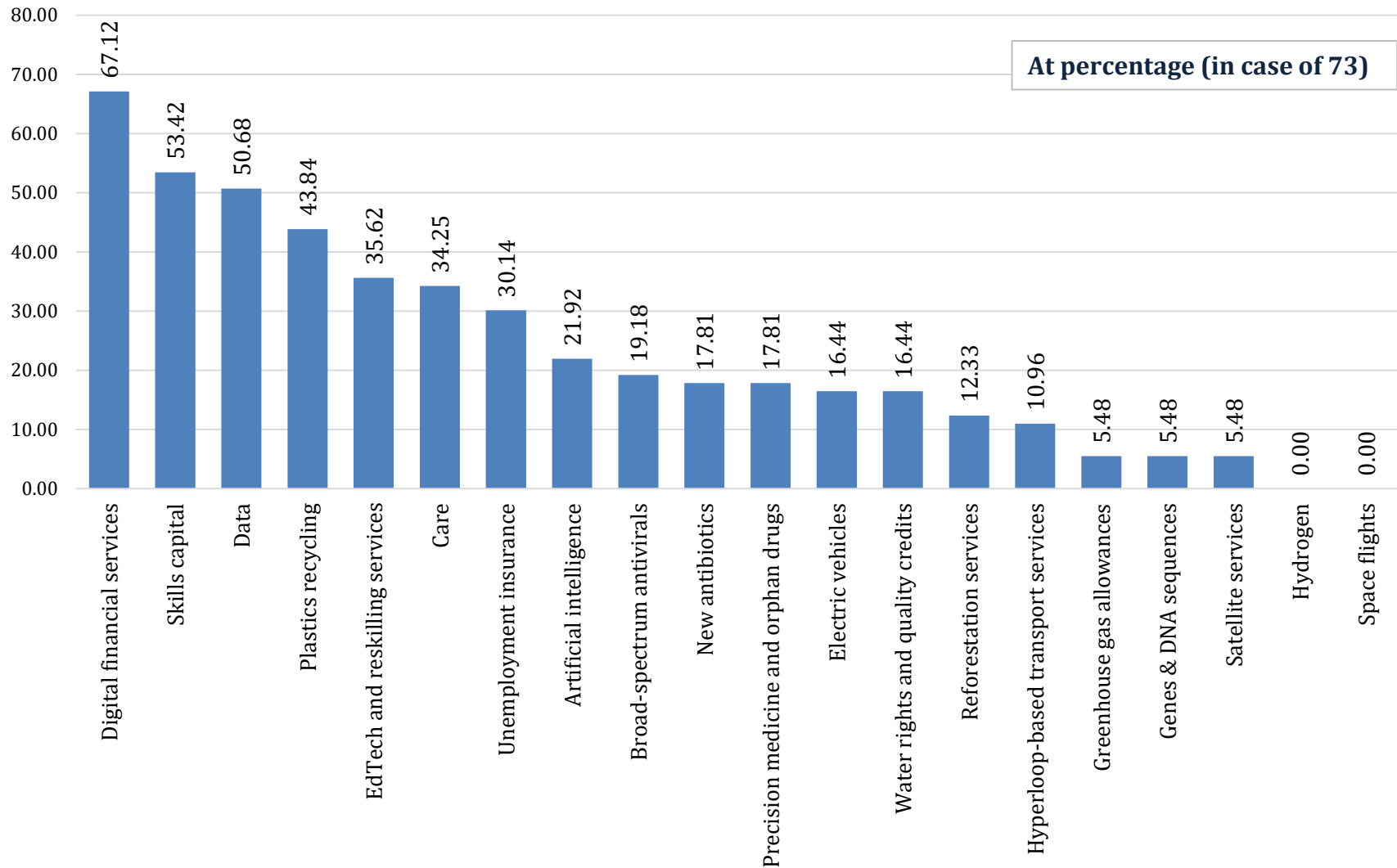


### III. Key Features of Bangladesh Business Environment 2021

- As part of **recovery** mechanism different businesses have taken **different strategies** in order to facilitate recovery process
  - These include **cost cutting** (28%), working with **new buyers** (22%), **investment** for business expansion (19%), exploring new markets (16%) and manufacturing new products (15%)
  - Given different levels of **capacity and scope**, businesses have taken different strategies
- **42.2%** businesses indicated country's **macroeconomic stability** will be under pressure in 2021(-0.23) which is rather high compared to that in 2020 (0.94)
  - The **stimulus packages** for businesses, enterprises and different economic activities have **marginally contributed** to the rebound of the targeted sectors (0.06;18.8%) but these stimulus packages were somewhat **insufficient** for meeting the needs of the **targeted** sectors/activities (-0.28; 36.2%)
  - **62.9%** businesses mentioned that government's **monitoring** mechanism for smooth implementation of the stimulus packages was somewhat **poor** (-0.9)
- Majority of respondents (**75.7%**) with the view that quality of **healthcare services** (public and private) provided to the ordinary citizens during the pandemic period was **largely poor** (-1.20)

# III. Key Features of Bangladesh Business Environment 2021

**Strategically important markets for Bangladesh in the next 10 years**



### III. Key Features of Bangladesh Business Environment 2021

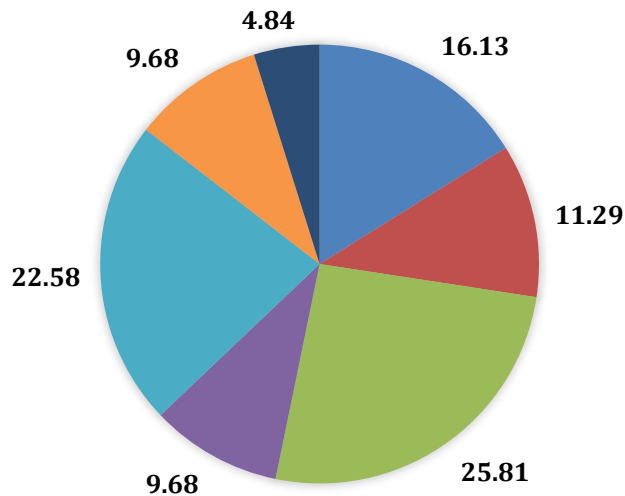
- Businessmen have identified major markets for businesses in the next 10 years (out of 20 different markets)
  - 67% indicated that Bangladesh's major market in the next 10 years would be digital financial services – given the rise in businesses by a number of MFS and DFS companies Bangladesh digital system would significantly improved
  - 53% indicated that skills capital would be another important areas of focus – NSDA should support private sector through NSQF in promoting skill-based standardized training
  - 50.5% indicated data management could be a major market for businesses
  - The other important markets would be – plastics recycling, editech and reskilling, care, unemployment insurance etc.

# III. Key Features of Bangladesh Business Environment 2021

## Major Risks in Next Two Years

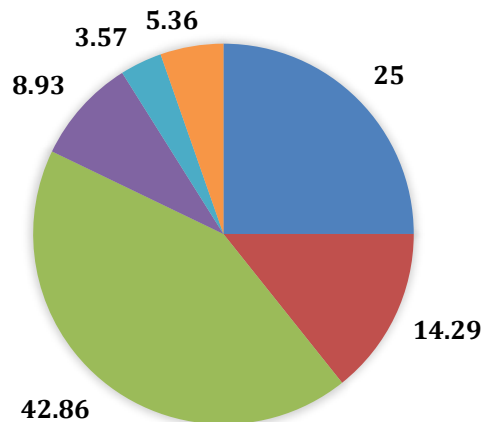
In percentage

### ECONOMIC RISKS



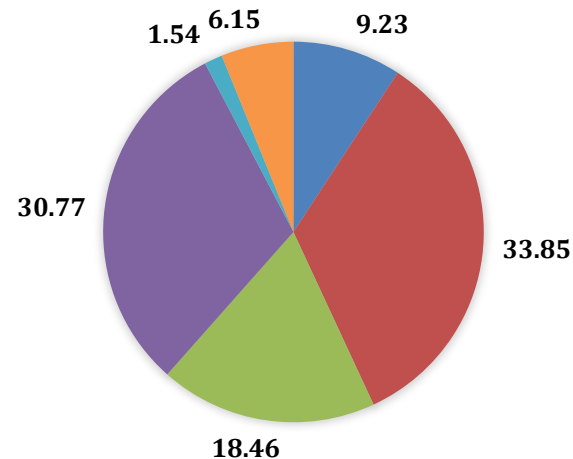
- Asset bubble burst in large economies
- Collapse of a systemically important industry
- Debt crises in large economies
- Failure to stabilize price trajectories
- Proliferation of illicit economic activity
- Prolonged economic stagnation
- Severe commodity shocks

### GEOPOLITICAL RISKS



- Collapse of a multilateral institution
- Fracture of interstate relations
- Geopoliticization of strategic resources
- Interstate conflict
- State collapse
- Terrorist attacks

### ENVIRONMENTAL RISKS

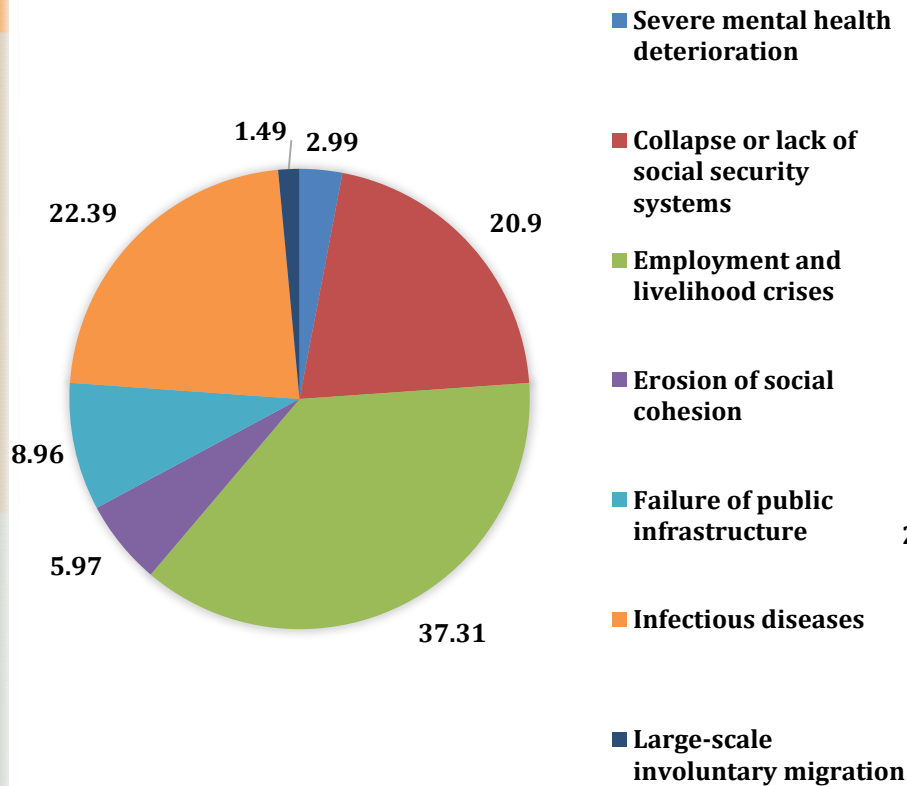


- Biodiversity loss and ecosystem collapse
- Climate action failure
- Extreme weather events
- Human-made environmental damage
- Major geophysical disasters
- Natural resource crises

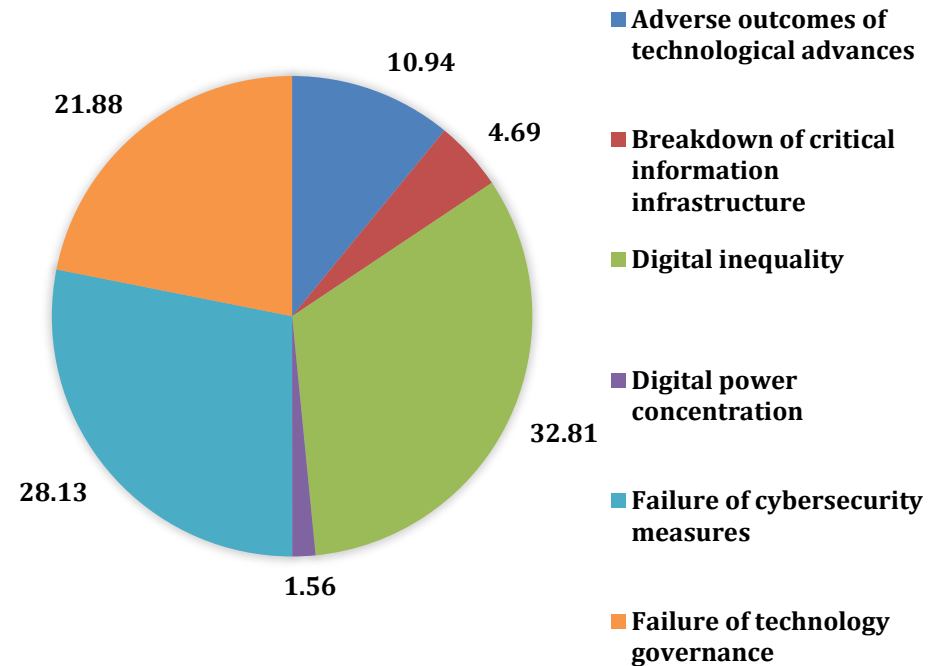
# III. Key Features of Bangladesh Business Environment 2021

In percentage

## SOCIETAL RISKS



## TECHNOLOGICAL RISKS



### III. Key Features of Bangladesh Business Environment 2021

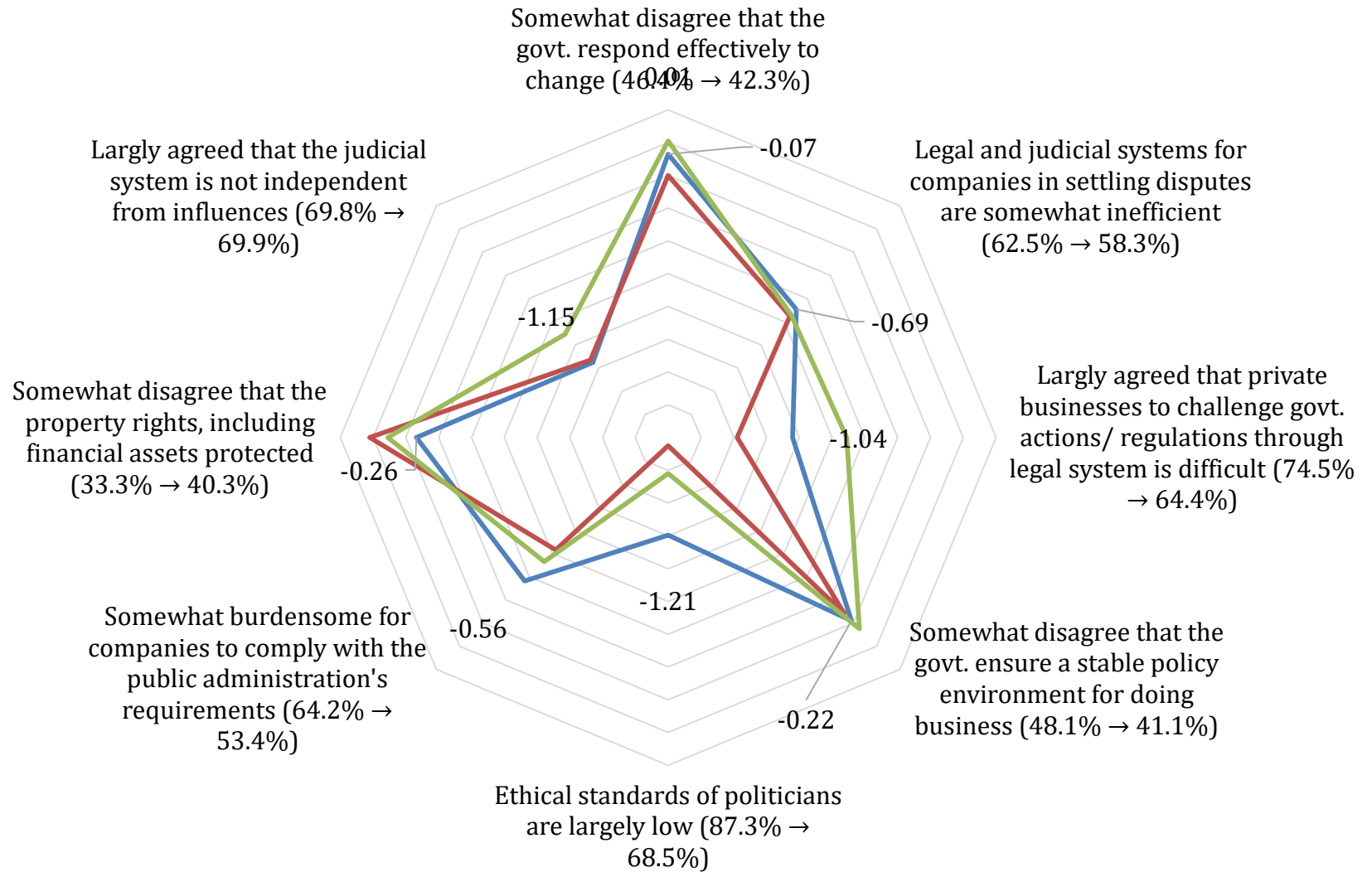
- Another point that was added to this year's EOS were the five risks that will pose a critical threat to the country for the next two years
- These were divided into five different sectors
  - For the **economic sector** the top risks were the debt crisis in the large economies (26%), proliferation of illicit economic activities(23%) and the asset bubble burst in large economies(16%)
  - For the **Environmental sector** it was the climate action failures (33.85%) and the human made environmental damage(30.77%)
  - The geopoliticization of strategic resources (42.86%) was the biggest risk imposed at the **geopolitical** sector.
  - For the **societal sector** it was the employment and livelihood crisis(37.31%), infectious diseases(23.39%) and the collapse of the social security system(20.9%)
  - For the **technological sector** these risks are the digital inequality (32.81%) failure of cybersecurity measures(26.13%) and the failure of technology governance(21.88%) are the major risks here

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



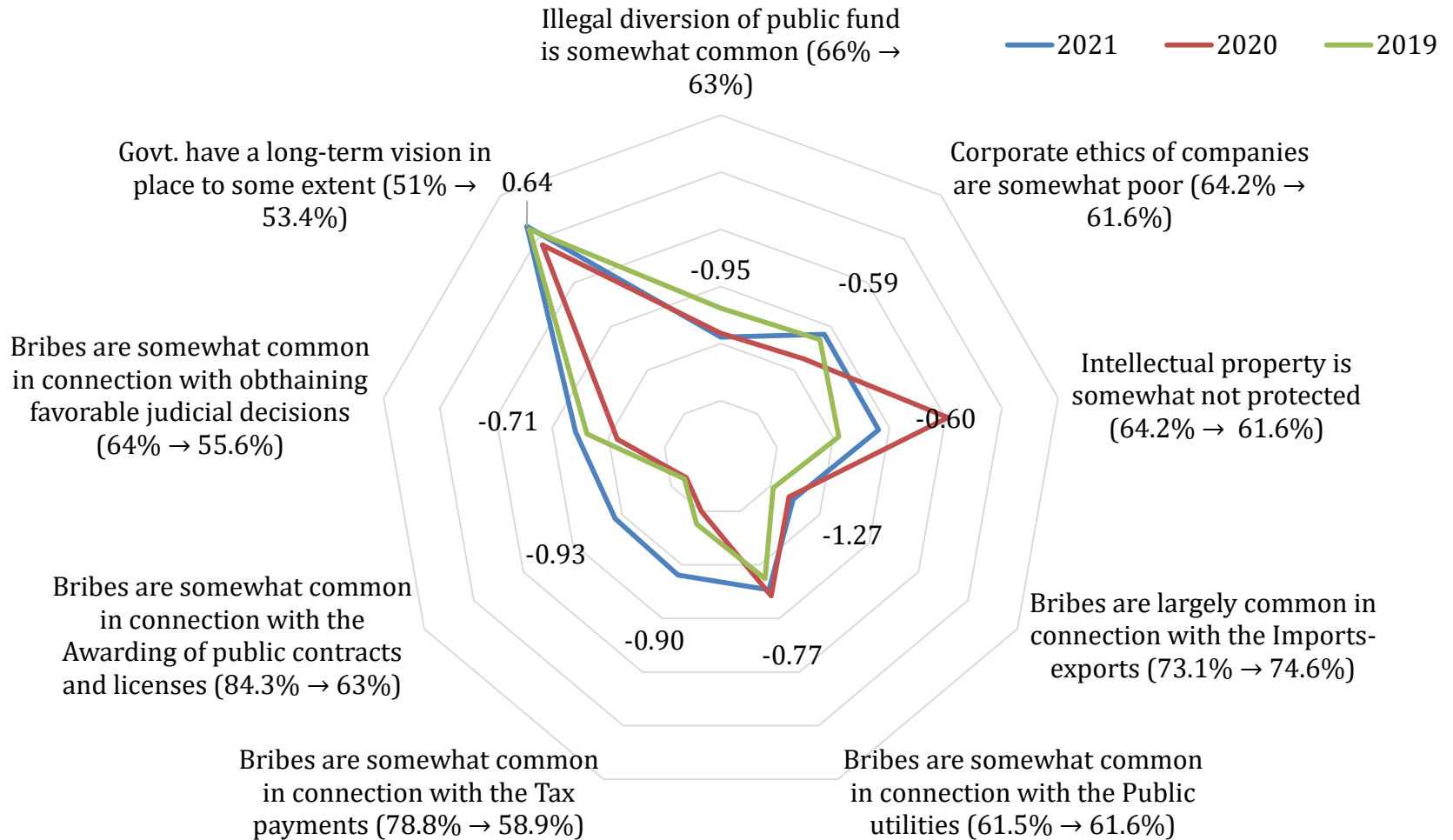
# IV.1 Institutions

— 2021 — 2020 — 2019





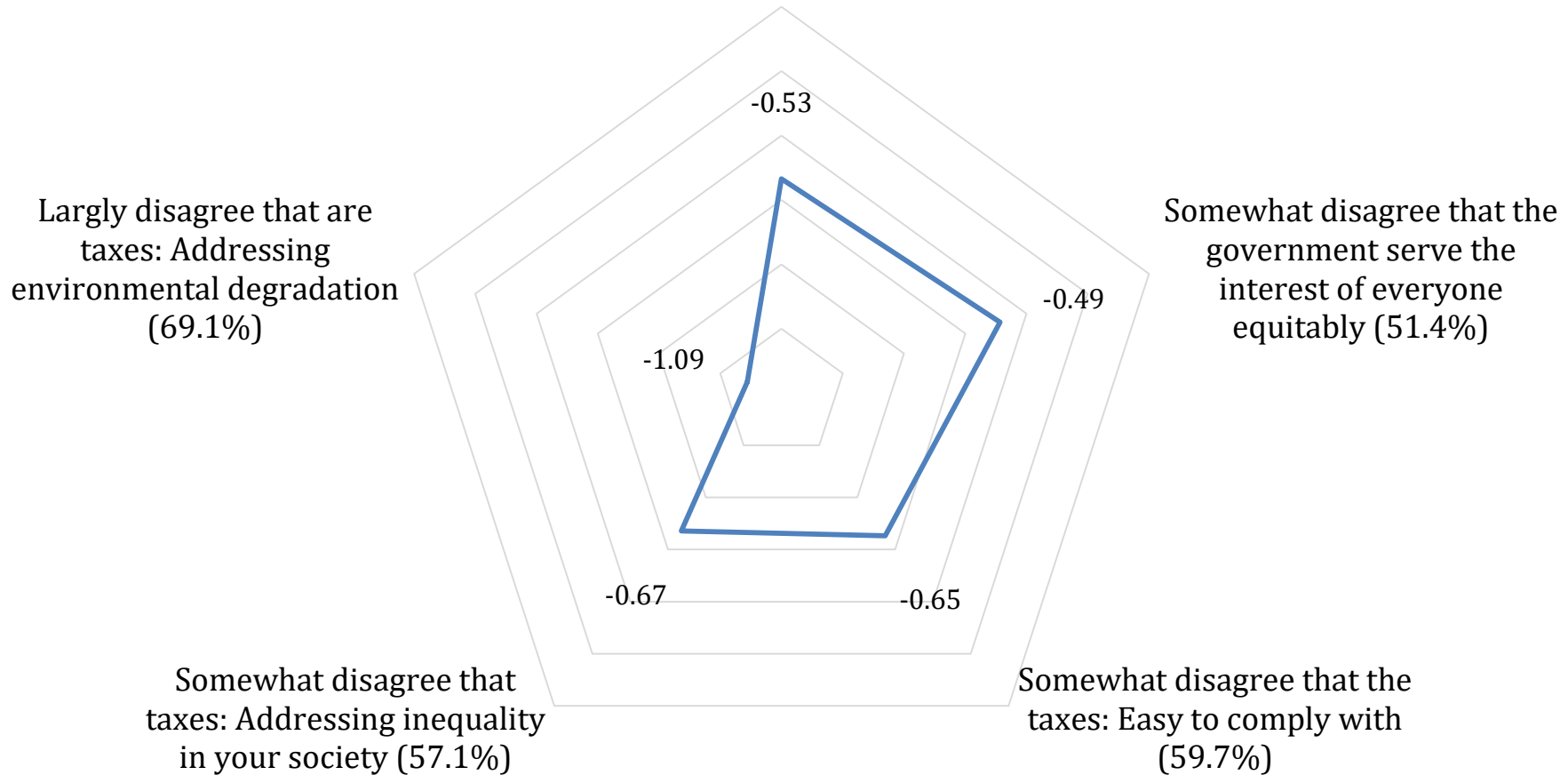
# IV.1 Institutions



# IV.1 Institutions

Somewhat disagree that effective regulation protects personal data held by private companies (58.9%)

— 2021



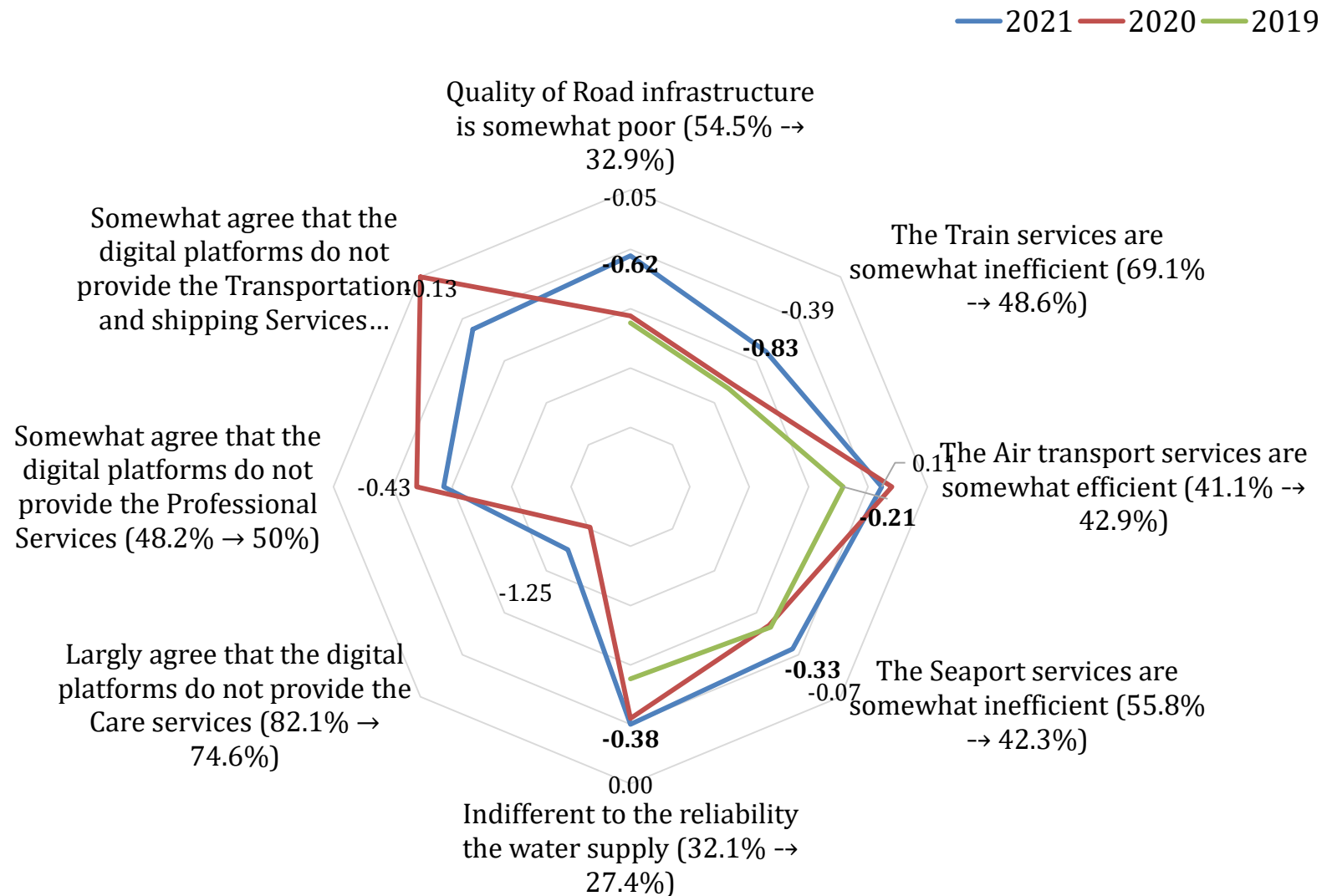
## IV.1 Institutions

- The year 2020 has been an unusual year in terms of doing business, the perception regarding institutions during the time of pandemic have **changed on few indicators**
  - It is important to examine whether the institution related perception improved during the **post-Covid period** (2021) compared to the **pre-covid year**, 2019
- Majority of institution related indicators are yet to reach the pre-covid level (2019)
  - For example, government's **less responsiveness** to changes (-0.07; **42.3%**); inefficient **legal & judicial** system (-0.69; **58.3%**); unable to ensure **stable policy** environment (-0.22; **41.1%**); independence of judiciary (-1.15; **69.9%**)
- Some **improvement** in perception observed in 2021 compared to 2020
  - Private business's **ability to challenge** government decisions (-1.04; 64.4%); ethical standard of **politicians** (-1.2; 68.5%); less **burdensome** of public administration's compliance (-0.56; 53.4%)
- Some improvement is observed in connection with **businesses** dealing with **public offices/activities**
  - Improvement in **corporate ethics** (-0.59; 61.6%); less use of **of bribes** in connection with **tax payment** (-0.9; 58.9%); less use of bribe in connection with awarding **public contract** (-0.93; 63%)
- Businessmen over the years **positively acknowledged** government's long-term **vision** for economic development (0.64; 53.4% in 2021)
  - In contrast, businesses found almost unchanged situation in case of use of **bribe** in export and import **trade** (-1.27; 74.6%)
- **Automation, digitalization** of trade and tax payment systems; strengthening public **procurement system** including e-procurement system

## IV.1 Institutions

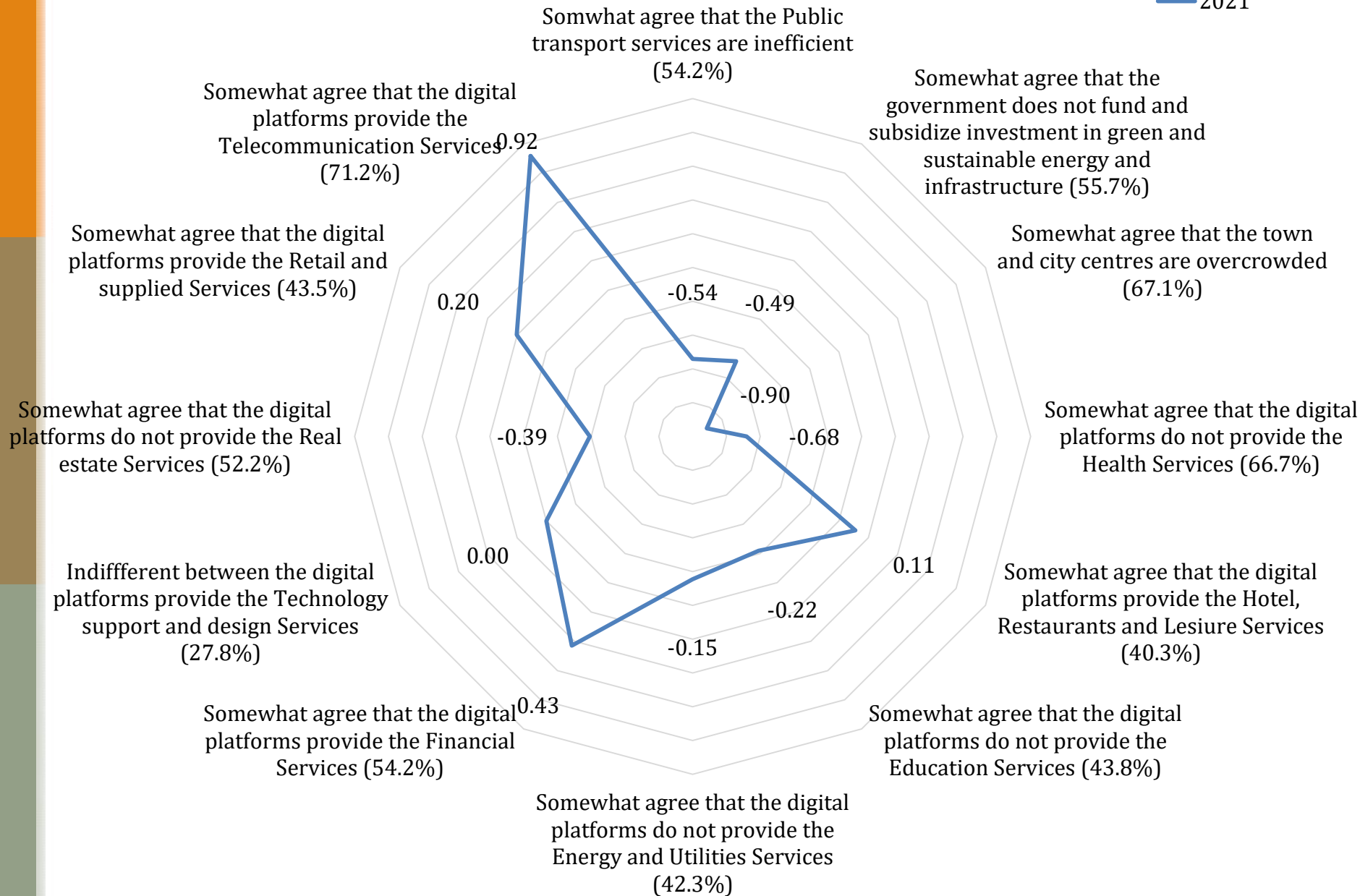
- **Fiscal instruments** do not necessarily meet the **need of the people**, businesses and environment.
  - Weak performance in serving people equally (-0.49; 51.4%); **taxes** could not address **the inequality** (-0.67; 57.1%); difficulty to comply **tax obligations** (-0.65; 59.7%); addressing the **environmental degradation** (-1.09; 69.1%)
  - **Tax structure** needs major revision focusing on the equity of different categories of people
  - As part of recovery initiative, businessmen requested for **reduction of tax** rates which government may consider in the upcoming national budget
- NBR and Tariff Commission should **jointly review** the fiscal expenditure incurred for providing **fiscal incentives** and subsidies to different categories of enterprises and activities
  - There is scope for substantive **revision** of the fiscal expenditure targeting the distribution of fiscal support to new and emerging sectors and activities
- 58.9% mentioned that protection of personal data held by the public companies is somewhat absent (-0.53)

# IV.2 Infrastructure



# IV.2 Infrastructure

— 2021



## IV.2 Infrastructure

- Majority of **infrastructure-related** indicators perceived to have **positive changes** not only compared to 2020 but also to 2019 (the pre-Covid period)
  - Quality of **road** infrastructure (-0.05; 32.9%); less inefficiency in **train** services (-0.39; 48.6%); less inefficient **seaport** services (-0.07; 42.3%), moderate improvement in **water** supply (0.0; 27.4%)
  - This positive perception is the outcome of **substantive public investment** in infrastructure development over the last decade
  - A total of **Tk.38,527** crore has been allocated for eight fast-track projects, excluding Rampal Power Plant or Maitree Super Thermal Power Plant, for the current 2021-22 financial year, of which **31.62%** or Tk.12,180 crore was spent in the first six months of the year
  - Despite that further improvement is required with regard to **timely delivery** of projects without rise in **expenses**, improvement in **quality** of services
- **Digital platform** is still at the early stage of development and somewhat decelerated in case of the number of services
  - **Positive** performance observed in case of digital platform providing **telecommunication** services (0.92; 71.2%); **retail** and supplied services (0.20; 43.5%); **financial** services (0.43; 54.2%); **hotel**, restaurant and leisure services (0.11; 40.3%);
  - Lack of development digital platform for **care** services (-1.25; 74.6%); professional services (-0.43; 50%); **transport** and shipping services (-0.13; 40.3%)

## IV.2 Infrastructure

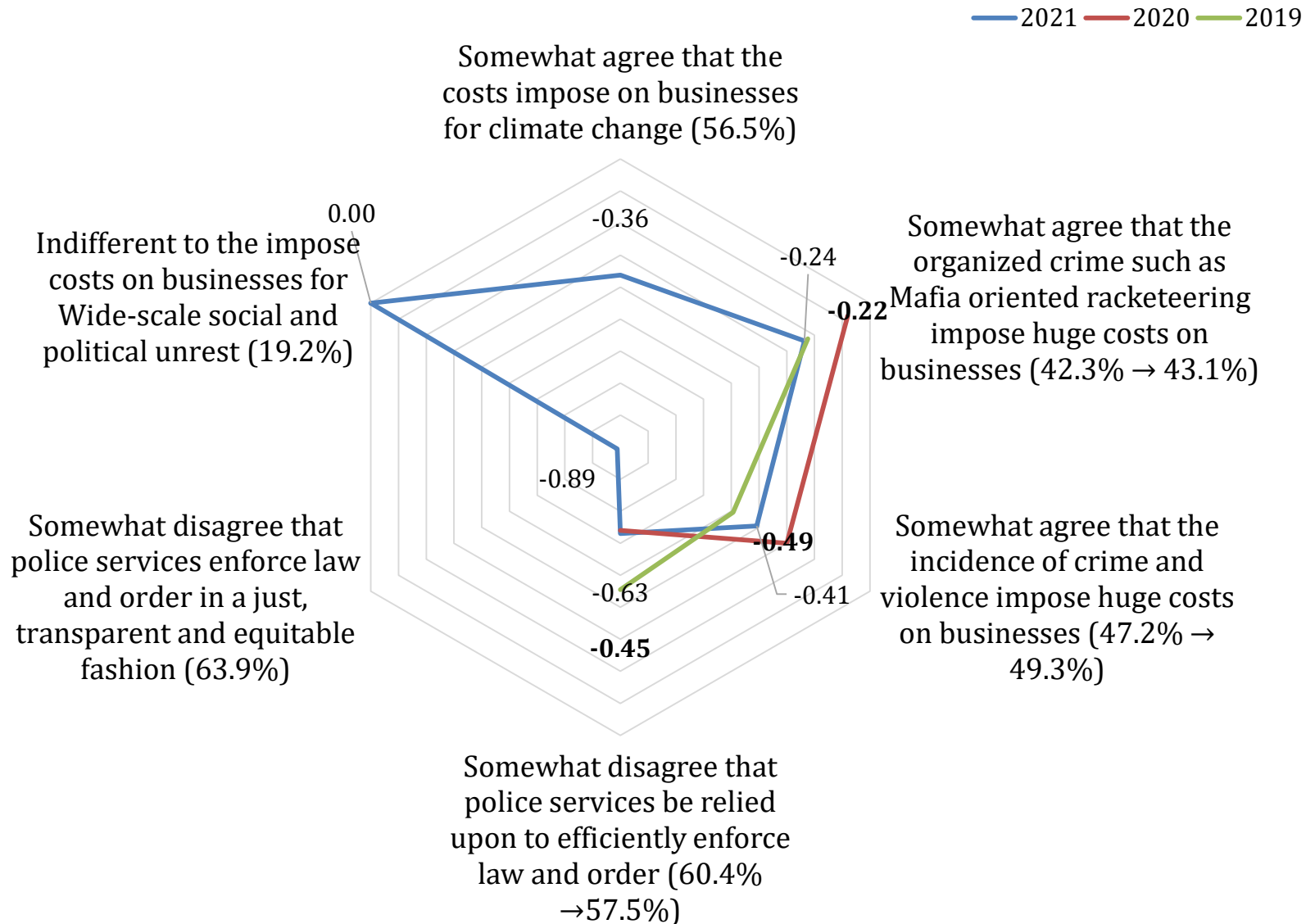
- Limited use of digital platforms for **health** services (-0.68; 66.7%); **education** services (-0.22; 43.8%); **energy** and utility services (-0.15; 42.3%); and **real estate** services (-0.39; 52.2%)
- According to the **Digital Quality** of Life Index 2021 Bangladesh ranked **103<sup>rd</sup>** position among 110 countries (covering 90% of the global population)
- Digital services are **concentrated** to limited number of activities which need to be **diversified** focusing on other potential areas – health, education, utility, care services
- A number of governance and operational **challenges** on e-commerce emerged during 2021 which caused deterioration of consumers' confidence
  - **Ministry** of commerce has taken a number of initiatives - A digital commerce **consultative committee** was formed to bring e-commerce under **trade licenses** norms; **registration** of e-commerce business with having a deposit of security money; BFIU and the intelligence agencies will **check** the characteristics of e-commerce firms and to undertake **mass campaigns** for awareness building
  - Amending and **implementing** the laws and acts related to the digital platform as early as possible
  - **Promoting** digital services in all sectors across the country



## IV.2 Infrastructure

- Bangladesh is lagging behind in the number of **emerging infrastructure** related issues
  - **Overcrowded** city centres (-0.90; 67.1%) due to rise in **internal migration** to cities partly because of climate-related adversities in the coastal areas
  - Limited public funding for **green energy** and infrastructure (-0.49; 55.7%); however, the Central Bank is encouraging private commercial banks to promote green financing.
  - According to the Bangladesh Bank, from January 2021 onwards, the minimum **target of green finance** was set at least 2% to 15% of the total funded term **loan disbursement**/investment for all banks and FIs
  - In **2020** banks and non-bank financial institutions (NBFIs) in the country gave out **Tk 11,893 crore in green loans**, up from 7.11 per cent a year ago as per the data of Bangladesh Bank.
  - World Air Quality Report 2020: Dhaka is the **second least air quality city** in the world ( $77.1 \mu\text{g}/\text{m}^3$ )
- Reducing the pressure on a single city, Dhaka through decentralization of public services, businesses and other economic activities, is highly important
  - **Growth zones in linked cities** with Dhaka need to be promoted

# IV.3 Safety and Security

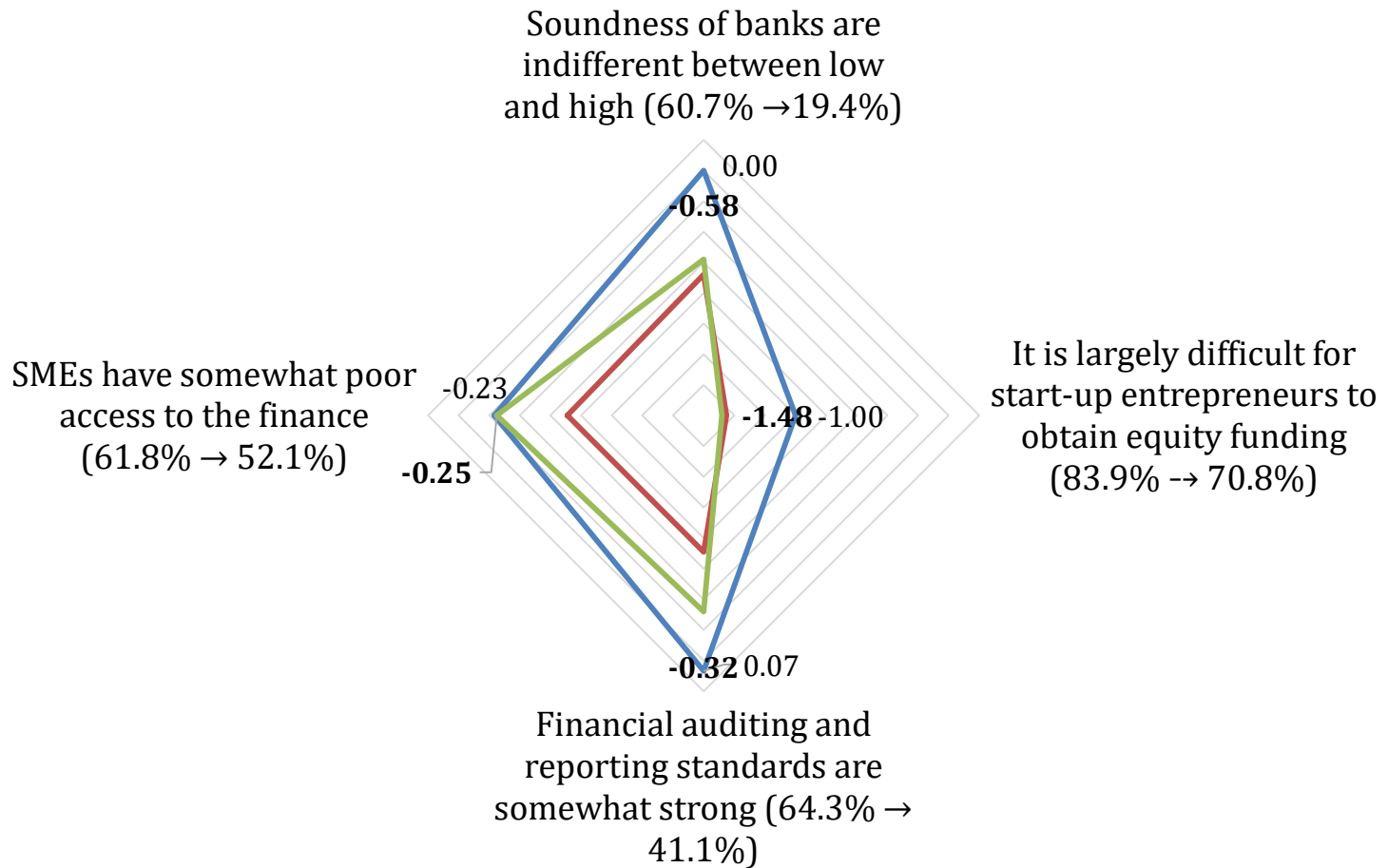


## IV.3 Safety and Security

- Safety and security issues **did not make progress** in 2021 compared to that in 2020
  - **Organised crime** such as mafia-oriented racketeering (-0.24; 43.1%) and crime and violence imposed huge costs on businesses (-0.41; 49.3%);
- 56.5% respondents observed that **climate changes** are somewhat rose **cost** of doing **business** (-0.36; 56.5%)
  - These are causing rise in **internal migration** to city areas; higher **demand for jobs** in city areas; pressure on urban **city services**; rise in **informal economic** activities
- Businessmen are being **concerned** about **quality of services** of law enforcement agencies
  - **57.5%** of businessmen perceived that **police services** are yet to be relied upon to enforce law and order efficiently (-0.63; 57.5%)
  - **63.9%** of businessmen have the opinion that there is **dearth of transparency**, equitability and ensuring justice in the services provided by law enforcement agencies (-0.89)
- **Better** perception prevailed in case of costs on businesses for wide-scale **social and political unrest** (0.00; 19.2%)
- Bangladesh's global position on enforcing law and order is not very well – it ranked **124<sup>th</sup> out of 139** economies in terms of **Rule of Law Index 2021**
  - **Recent sanctions** over senior officials of a law enforcement agency by the US government demands better handling of human rights issues (The Daily Star, 2021)
- Government needs to take **proper measures** with a view to **improve** the perception about law enforcement agencies with a view to ensuring efficient services and reducing cost of businesses

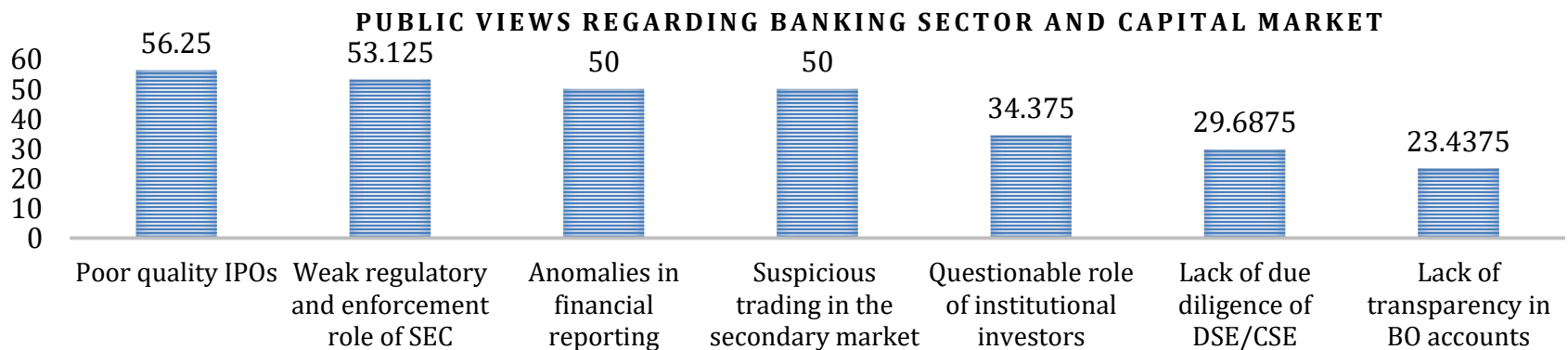
# IV.4 Financial System

— 2021 — 2020 — 2019



## IV.4 Financial System

- Financial sector is **somewhat recovered** from the pandemic – most of the indicators are either crossed the level or reached the level of the pre-pandemic situation
  - Overall level of performance of the financial sector has remained the same indicating a **struggling situation** as in previous years
  - Most of the **PCBs** posted lower operating profit in the year 2020 which could be because of the implementation of single-digit lending rate plunge and the Covid-19 outbreak
  - Analysing the data for 11 banks it was seen that there was a **decline by 8%** when compared to the operating profit of 2019. (NewAge, 31<sup>st</sup> December 2020)
- Moderate **improvement** in perception is observed in case of the **soundness of banks** (0.00; 19.4%); somewhat positive changes in case of accessing **start-up capital** (-1.00; 70.8%) and better **financial and auditing reporting** standards (0.07; 41.1%)
- The **capital market** has been struggling in building confidence among the investors
  - Major challenges of the capital market include poor-quality IPOs (**56%**), weak regulatory enforcement role of SEC (**53%**), anomalies in financial reporting (**50%**) and suspicious trading in the secondary market (50%)
  - Other issues include – lack of transparency in BO accounts and failure to ensure due diligence of DSE/CSE, SEC, CDBL etc



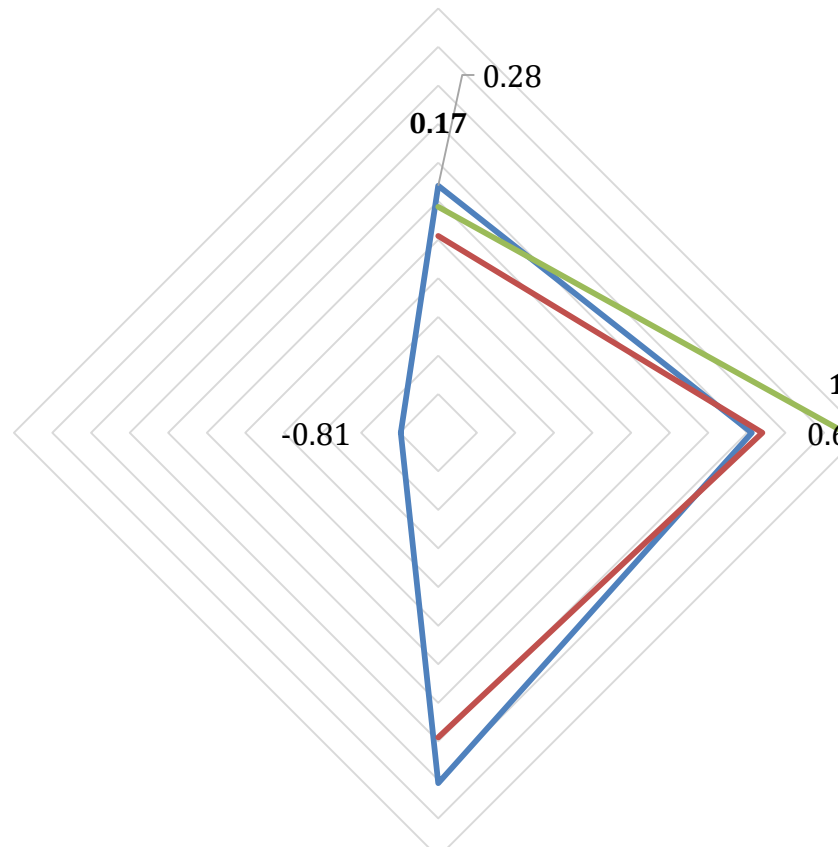
## IV.4 Financial System

- A number of directives have **positively contributed** to this changing situation
  - Central banks provide **credit guarantee scheme**, credit wholesale programme targeting women entrepreneurs (with cash incentive); allowing **loan rescheduling** opportunities;
  - Bank-led disbursement of subsidized credit support under stimulus package - 86.72 % of the government's COVID-19 response funding is provided in the form of liquidity support through the banking channel (CPD, 2021a)
  - Ministry of Finance has made it **mandatory** for NBR to **verify audit reports** of business entities with ICAB's DVS system which will improve transparency in financial reporting system
- 52.1% of businessmen indicated **that SMEs are facing difficulty** in obtaining funding from the financial sector (-0.23; 52.1%) and the progress is rather slow compared to other financial market indicators
- Bangladesh Bank has issued a total of 564 circulars related to different stimulus packages; among them, only 38 circulars are related to stimulus packages for SMEs
  - Overall loan disbursement share (2<sup>nd</sup> phase) in Jul-Dec FY22 is only 22%, while the share of disbursement of 'working capital for SMEs' package is only 21% (The Business Standard, 2022)

# IV.5 Trade and Investment

Somewhat agreed that non-tariff barriers limit domestic competition (33.3% → 35.3%)

— 2021 — 2020 — 2019



FDI rules and regulations are somewhat relaxed (62.3% → 55.6%)

Somewhat the foreign visitors (tourists and business travellers) are heavily concentrated in a few destinations (66.7%)

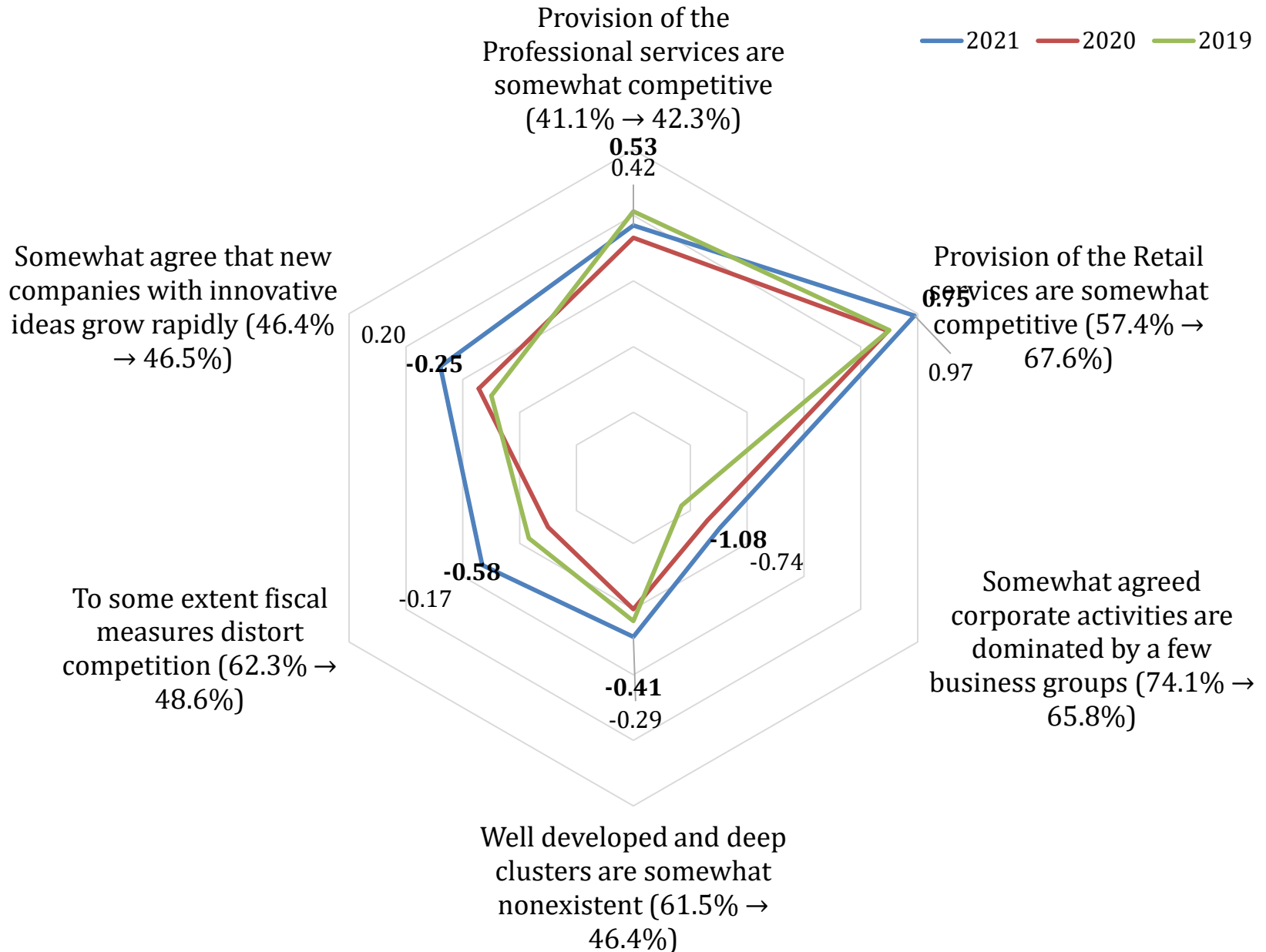
Somewhat expects supply chains to evolve not restrictively (56.6% → 64.8%)

## IV.5 Trade and Investment

- Trade and investment related issues are somewhat at the recovery phase after the pandemic
  - **Non-tariff barriers** have somewhat **less limiting impact** on the competition in the domestic market (0.28; 35.3%)
  - Rules and regulations related to foreign direct investment (**FDI**) remain at the **same level** (0.63; 55.6%) - **further initiatives** are required to attract more FDI with regard to tax, infrastructure and skilled manpower
- 64.8% businessmen have the view that supply chains are somewhat not evolved restrictively; and the situation has improved in 2021
  - More open global supply chains on different products would led to rise in trade in diversified products with diversified markets
- Attracting more foreign visitors could improve image of the country
  - However, 66.7% entrepreneurs noticed that foreign visitors/tourists are not so much interested to move in different places (-0.81; 66.7%)
  - Such a perception is not helpful in improving network with foreign visitors in the country



# IV.6 Competition

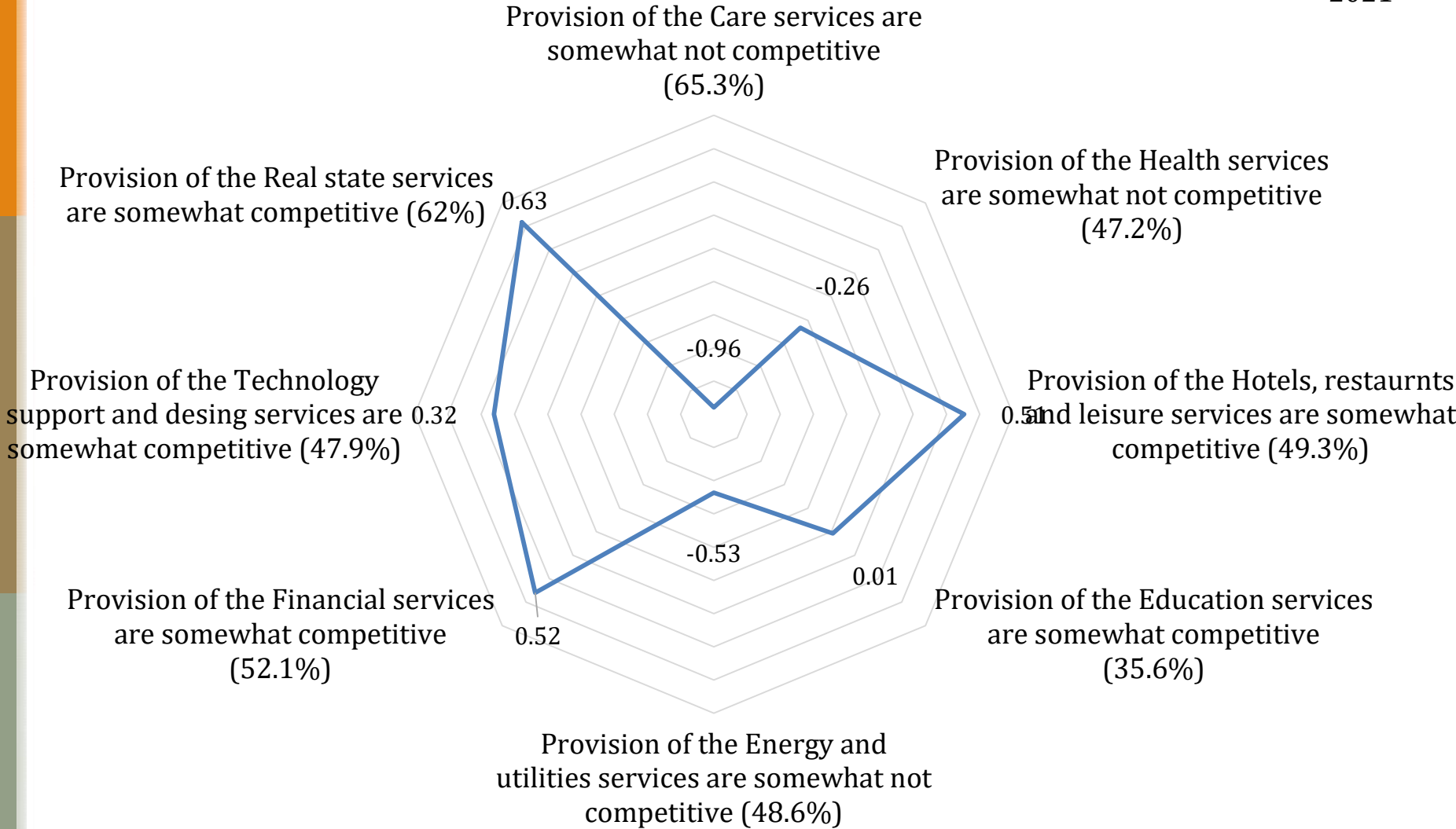


## IV.6 Competition

- Domestic business environment has somewhat **improved** and passed the level pre-covid level. However, 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 (-0.74; 65.8% in 2021 and -0.85; 74.1% in 2020); **retail services** are somewhat improved (0.75; 67.6%); similarly, provision of professional services has improved (0.42; 42.3%)
  - Although the situation has improved, but **48.6%** of respondents mentioned that **fiscal** measures **distort** competition to some extent (-0.17)
  - 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
  - An **unbalanced recovery** is observed particularly in the case of SMEs and informal sector activities. A **disproportionate share** of the distribution of stimulus package for the SMEs deprived maintaining a similar level of recovery as observed in case of large-scale enterprises.
- 46.5% of businessmen indicated that **new companies** with **innovative ideas** have been growing (0.20) and it has crossed the pre-covid level (-0.25; in 2019)
  - Sheba.XYZ, Pathao, 10 minutes school and some other companies are the most market-growing companies who introduced innovative ideas in respective business operations
  - EdTech company - an app-based learning platform '**10 minutes school**' has raised **\$2 million in funding** from Surge, Sequoia Capital India's rapid scale-up programme with a view to invest for enhancing product and technology and talent acquisition. (Daily Star, 16 January 2022)
- 46.6% entrepreneurs also mentioned that well-developed and deep clusters though at poor state but have improved (-0.29; 46.6%)

# IV.6 Competition

— 2021

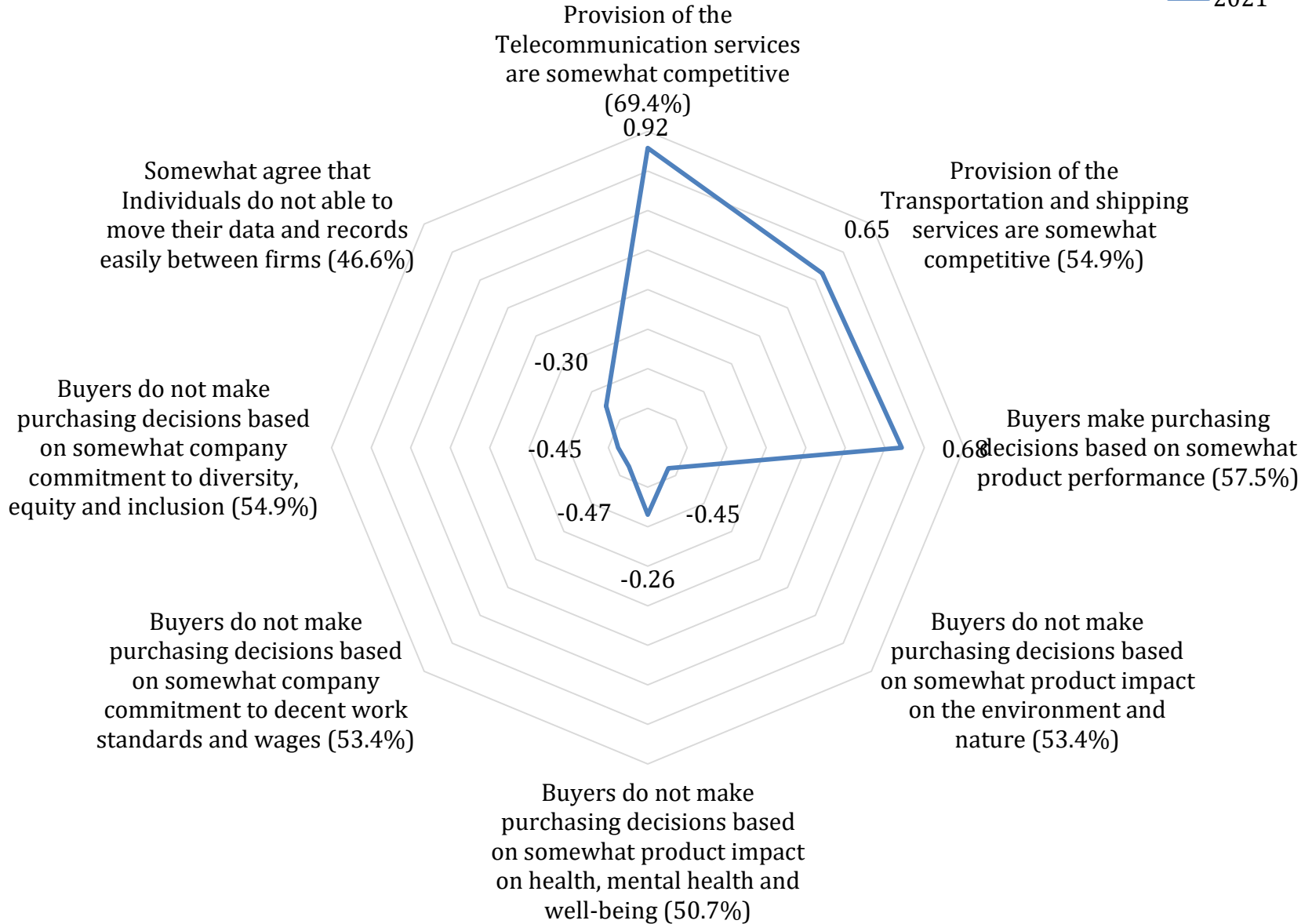


## IV.6 Competition

- A total of **16 new indicators** are added in the competition section this year (2021)
  - Perception regarding half of them are on positive terrain, while the other half are on negative terrain
- Entrepreneurs perceived that most of the provisional services are **somewhat competitive** as the significant number of buyers and sellers entering into the market
  - **Financial** service (0.52; 25.1%), technology support and **design** services (0.32; 47.9%), **real estate** service (0.63; 62%), **telecommunication** service (0.92; 69.4%), **transport** and shipping services (0.65; 54.9%) and the least one is education service (0.01; 35.6%)
  - Modest level of competitive practices is observed in case of – real state followed by financial services, hotel and restaurants – which are largely operated by the **private sector**
- **Weak competitive environment** is observed in case of **energy and utilities** which are operated under the public sector
  - A number of **inefficiencies** are observed in case of pricing of energy use in private power generation companies, high expenses for capacity payment, high amount of subsidy and direct and indirect burden to government and consumers
  - Majority of the service-related activities are badly affected during the pandemic period and fiscal-financial support for most of the services are inadequate
    - About 22.83 lakhs male or females directly or indirectly involved in 4.36 lakh restaurants in Bangladesh (BBS, 2021). These employees received limited support financial support.
- Majority of service-related activities are of **informal nature**.
  - Hence **formalisation** of those services are highly important in order to improve their accountability and efficiency

# IV.6 Competition

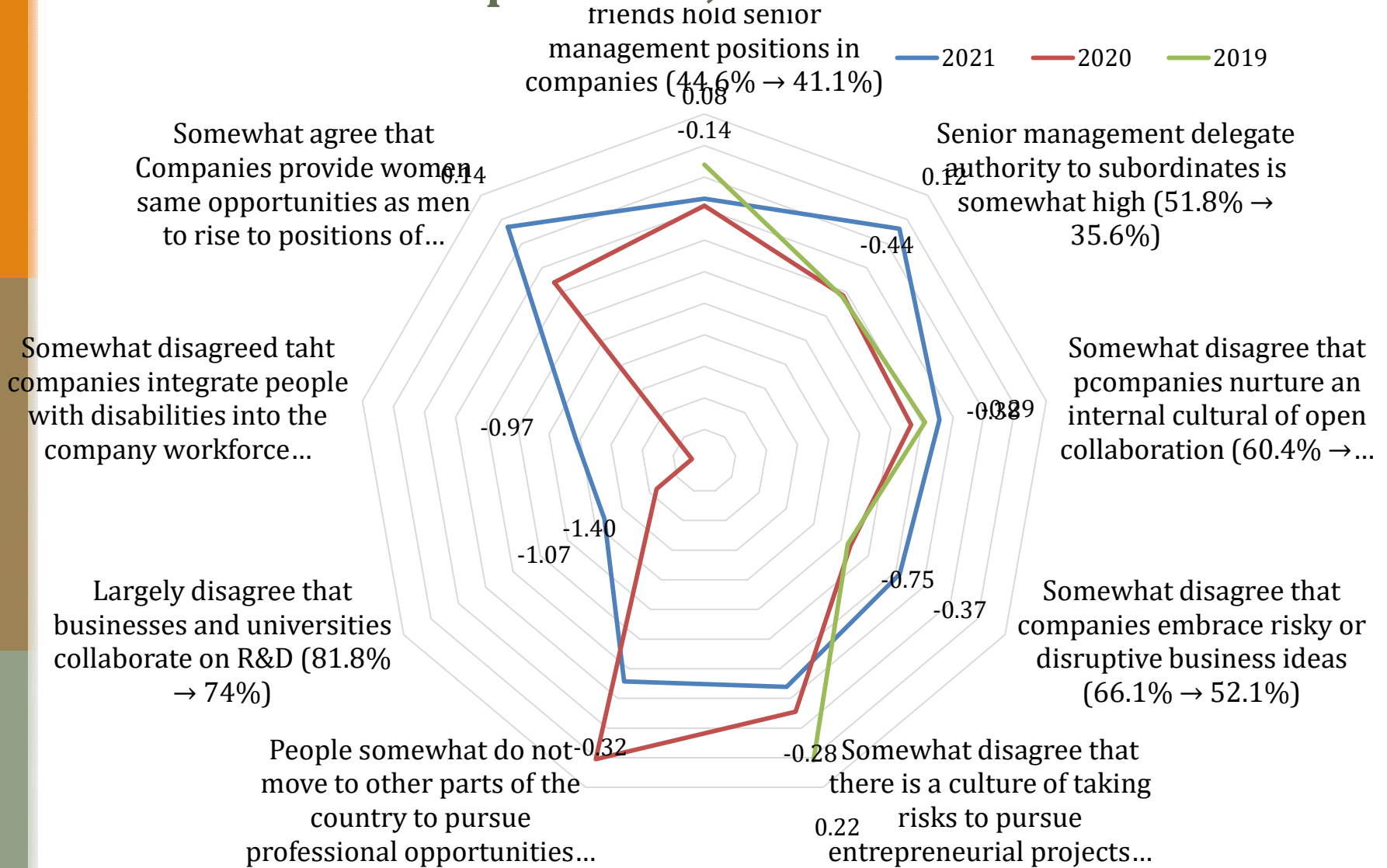
— 2021



## IV.6 Competition

- **Buyers' decision** in the market is not necessarily taken place based on their competitive behavior
  - 57.5% buyers fairly make their purchasing decision based on the **product performance** aside from product price (0.68)
  - 50.7% buyers somewhat do not consider product impact on **health, mental health** and well-being (-0.26)
  - 53.4% buyers somewhat do not consider company commitment to **decent work** standards and wages (-0.47); and 57.5% buyers somewhat not considered product impact on the environment and nature (-0.45)
  - 54.9% buyers do not make purchasing decisions based on somewhat company commitment to **diversity, equity and inclusion** (-0.45)
  - **53.4%** respondents shared that the company's **do not concern** about their commitment towards a **safe workplace and standard wage** of the workers (-0.47)
    - Growing industrial accidents across all sectors is a major concern where accidents caused by fire (52.2%) and short circuits (23.9%) were found to be the main reasons (Moazzem and Mostofa, 2021)
- Finally, the respondents indicated that individuals can not share or move any information or data between the firms (-0.30; 46.6%)
  - It has also been observed that the company's information or data is restricted for public dissemination

# IV.7 Business Operations, Governance and Innovation

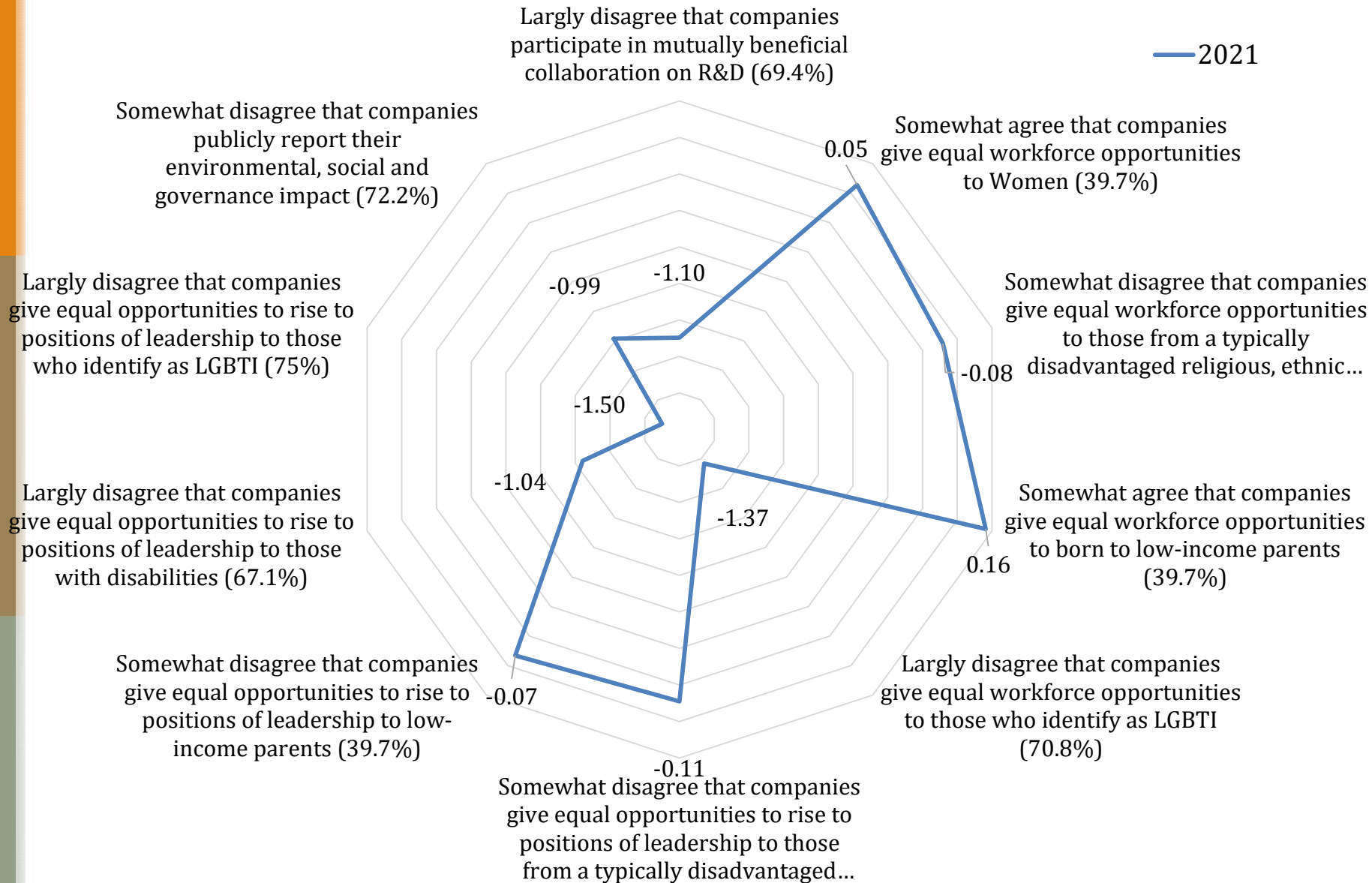


## IV.7 Business Operations, Governance and Innovation

- Business operations in 2021 have somewhat improved and crossed the pre-covid level; however, the level of changes in most of the cases is below the minimum standard
  - **Positive** changes observed in case of - management **delegating authority** to the subordinates (0.12; 35.6%) companies embracing **risky or disruptive** business ideas (-0.37; 52.1%); relatives and friends without regard to merit holding **senior management position** (-0.14; 41.1%), companies not integrating people with **disabilities** into company's workforce (-0.7; 66.2%), and providing **women same** opportunities as men to rise to positions of leadership (0.14; 43.8%)
  - The business culture is somewhat changed in positive direction though at low level
  - **Corporatization** in management practices is highly important in this context
- Perception is **deteriorated** in some of the cases
  - 48.6% perceived that there is somewhat absent in culture of **taking risks** to pursue professional opportunities (-0.28)
  - 47.9% mentioned that **people not moving** to other parts of the country to pursue professional opportunities (-0.32)



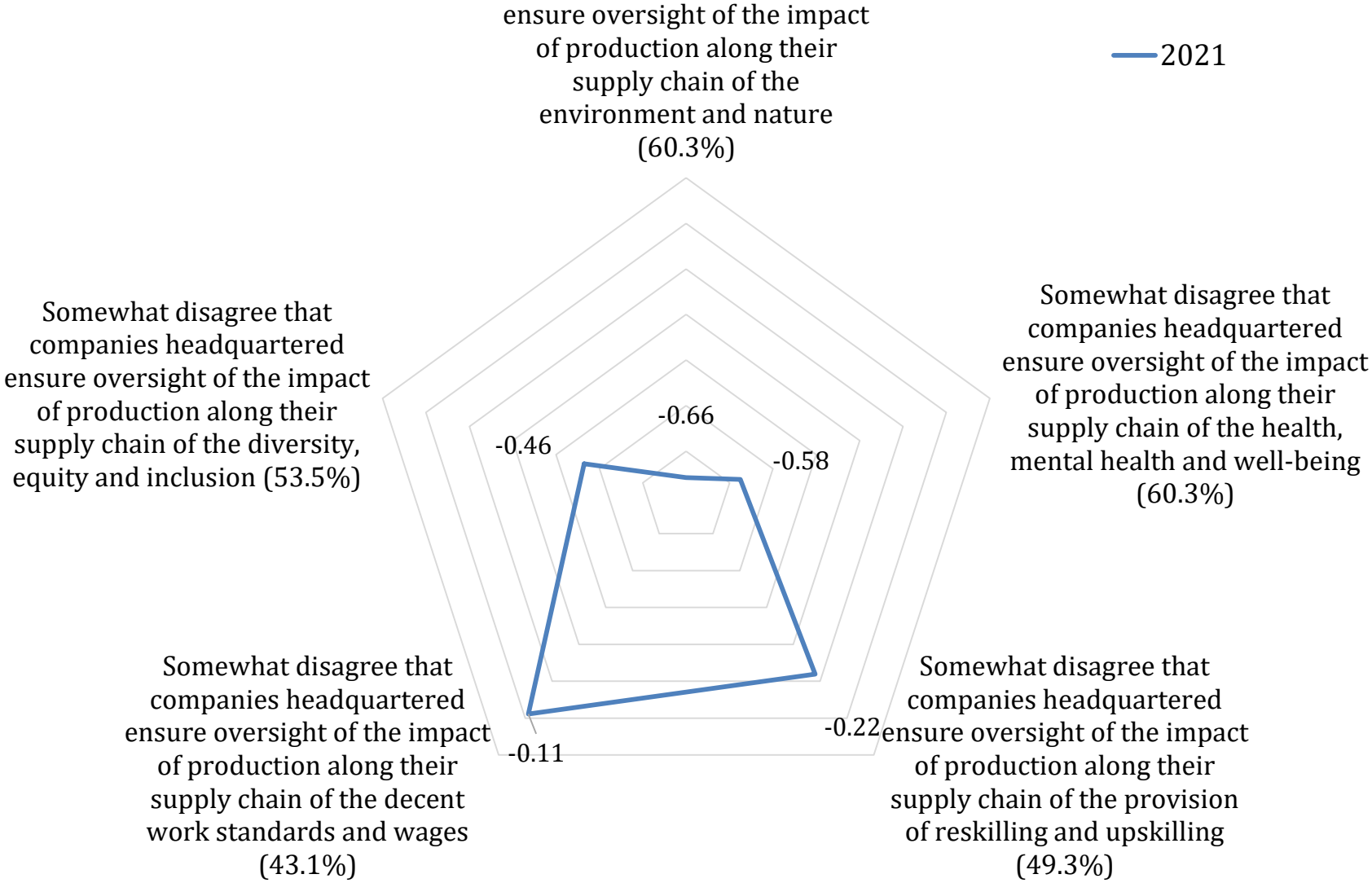
# IV.7 Business Operations, Governance and Innovation



## IV.7 Business Operations, Governance and Innovation

- Some **new indicators** have been added to the EOS of 2021. The performance in most of the indicators is below the minimum standards
  - Better performance in business operations observed in case of - companies give **equal workforce opportunities** to women (0.05; 39.7%); companies give equal workforce opportunities to born to **low-income parents** (39.7%)
  - Bangladesh has ranked **65<sup>th</sup>** of 156 countries as per the latest **Global Gender Gap Index 2021** published by the World Economic Forum (WEF).
  - Although slipping 15 places from last year, Bangladesh has retained its position as the best performing South Asian country for seven consecutive years now.
- Marginal but positive changes is observed in developing **inclusive workplace environment**
  - Further improvement is required in case of number of areas- companies somewhat not giving **equal workforce** opportunities to those from a typically **disadvantaged religious**, ethnic, or racial background (-0.08; 39.7%); companies not giving equal workforce opportunities to those from a typically disadvantaged religious, ethnic, or racial background (-0.08; 39.7%); giving equal workforce opportunities to those who identify as **LGBTI** (-1.37; 70.8%)
  - There is large disagreement regarding companies giving **equal opportunities** for the **marginalised** to rise into leadership position (-1.5; 75%)

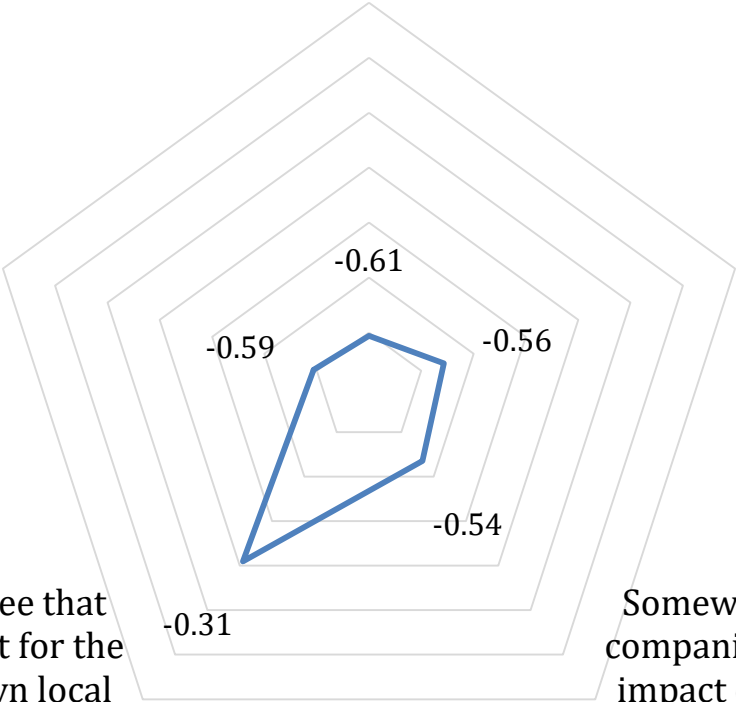
# IV.7 Business Operations, Governance and Innovation



# IV.7 Business Operations, Governance and Innovation

companies account for the impact of their own local production facilities on Environment and nature (57.7%)

— 2021



Somewhat disagree that companies account for the impact of their own local production facilities on Diversity, equity and inclusion (59.4%)

Somewhat disagree that companies account for the impact of their own local production facilities on Health, mental health and well-being (60%)

Somewhat disagree that companies account for the impact of their own local production facilities on Decent work standards and wages (49.3%)

Somewhat disagree that companies account for the impact of their own local production facilities on Provision of reskilling and upskilling (54.9%)

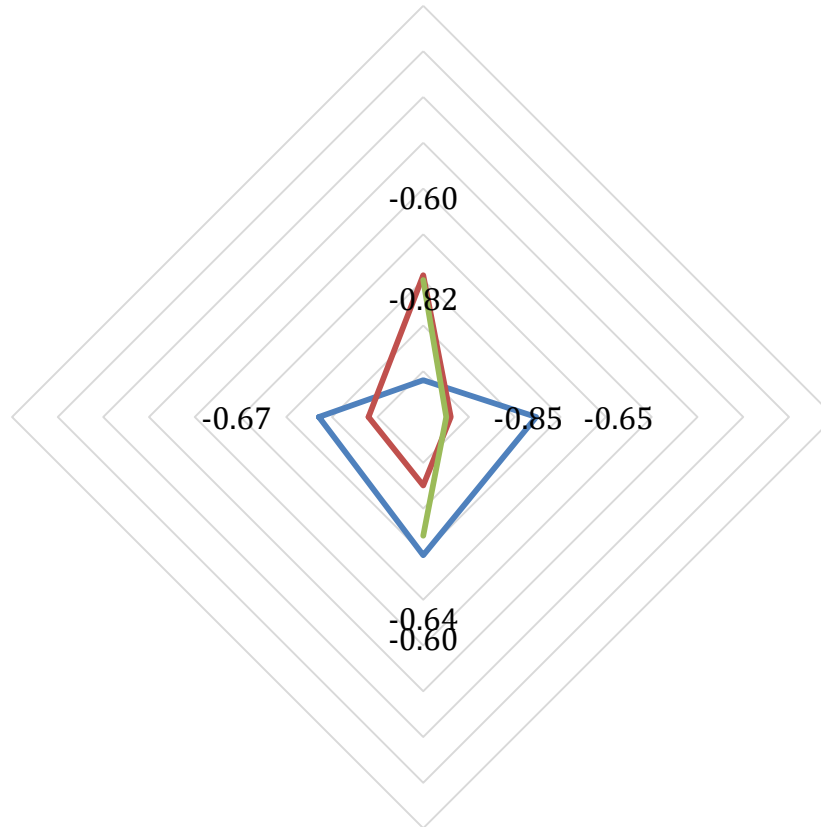
## IV.7 Business Operations, Governance and Innovation

- 67% respondents perceived that **people with disability** are still **not considered** eligible enough to enter the workforce (-1.04;)
  - Special employment opportunities and scope needs to be created keeping the needs of these people in mind
  - Bangladesh **Business Disability Network** (BBDN), is a voluntary group of representatives from business, non-governmental and disabled peoples' organizations which was officially started in 2016 is helping people with disabilities to find decent work and for employers to recruit staff with disabilities.
- Lack of governance has been a major drawback for ensuring a transparent business operations
  - 72% respondents somewhat disagreed that companies **publicly report** their environmental, social and governance impact (-0.99)
  - These business enterprises need to follow corporate guidelines (**UNGCs and UNGPs**) with regard to official commitment and business practices
- 57.7% **companies** somewhat not account for the **impact of their own local production** facilities on environment and nature (-0.61; 57.7%), mental health and well-being (-0.56; 60%) neither do they consider the impact on diversity, equity and inclusion (-0.59; 49.3%) or have enough provision of reskilling and upskilling (-0.54; 54.9%)

# IV.8 Building Human Capital

Education system is somewhat not well to meet the needs of a competitive economy (61.5% → 58.9)

— 2021 — 2020 — 2019

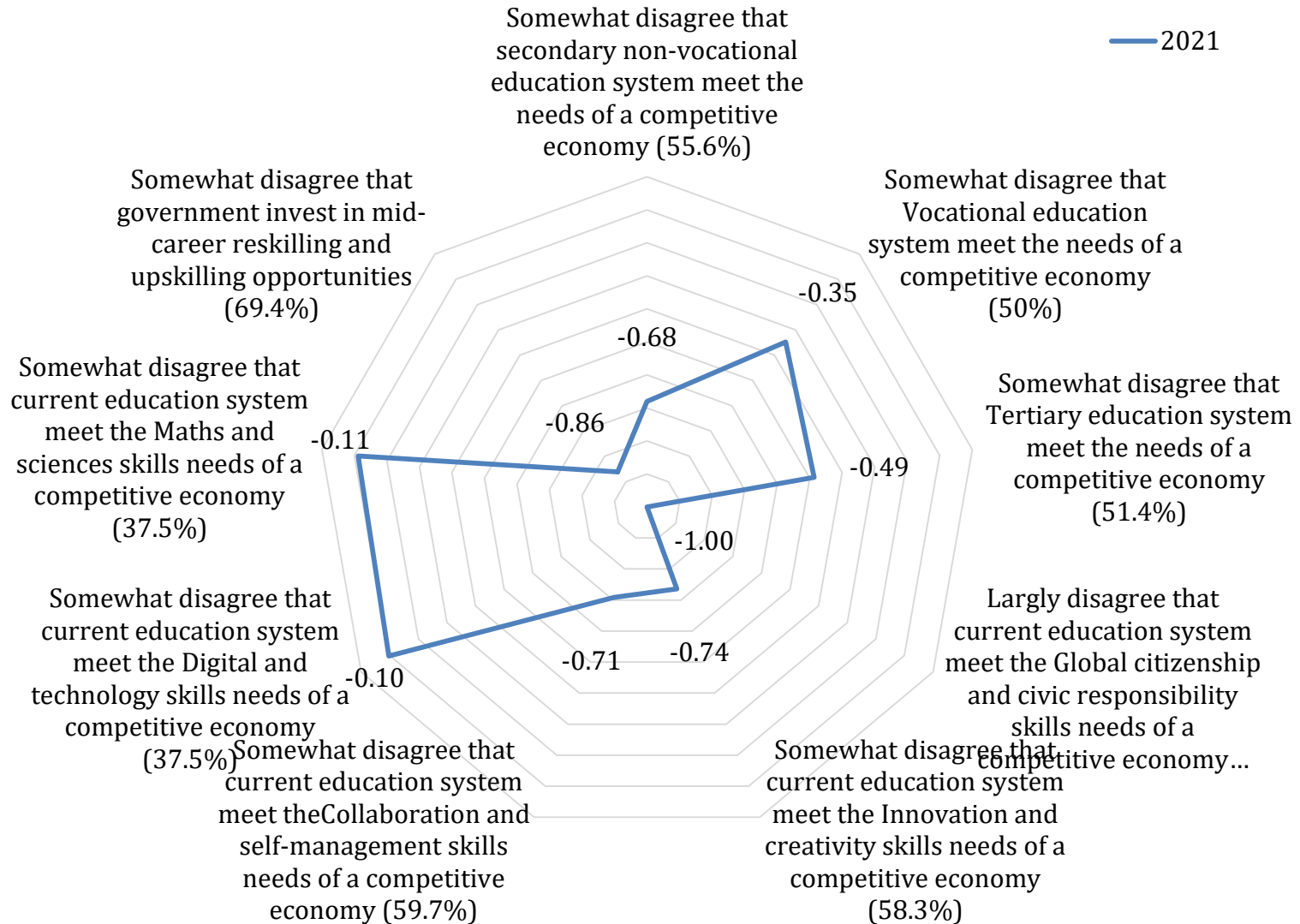


Companies perceive human capital expenditure to somewhat to minimize cost (64% → 60%)

Somewhat disagree that primary education system meet the needs of a competitive economy (64.3% → 55.6%)

Companies somewhat do not invest in training and employee development (58.9% → 62.5%)

# IV.8 Building Human Capital



## IV.8 Building Human Capital

- Entrepreneurs have agreed that the current education system is still behind in complying with the needs of the competitive economy (-0.82; 59.7%). A number of factors are found to be improved when compared to the pre-pandemic period
  - 55.6% respondents though somewhat agree that primary education still lags behind in meeting the needs of a competitive economy (-0.65) however the situation has improved
  - 62.5% respondents perceived that companies are not investing enough in training and development of the employees (-0.60) and 60% respondents have the opinion that companies invest on human capital expenditure to minimize costs (-0.67)
  - **Moderate level of improvement** is observed in **basic level of education** and human resource development
- Similar level of improvement is largely **absent** in **tertiary education and professional skill development**
  - **51.4%** respondents perceived that tertiary education system **somewhat not** meet the needs of the competitive economy (-0.49). Similar challenges are observed in case of **vocational education** (-0.35; 50%); non-vocational education (-0.68; 55.6%)
  - **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.

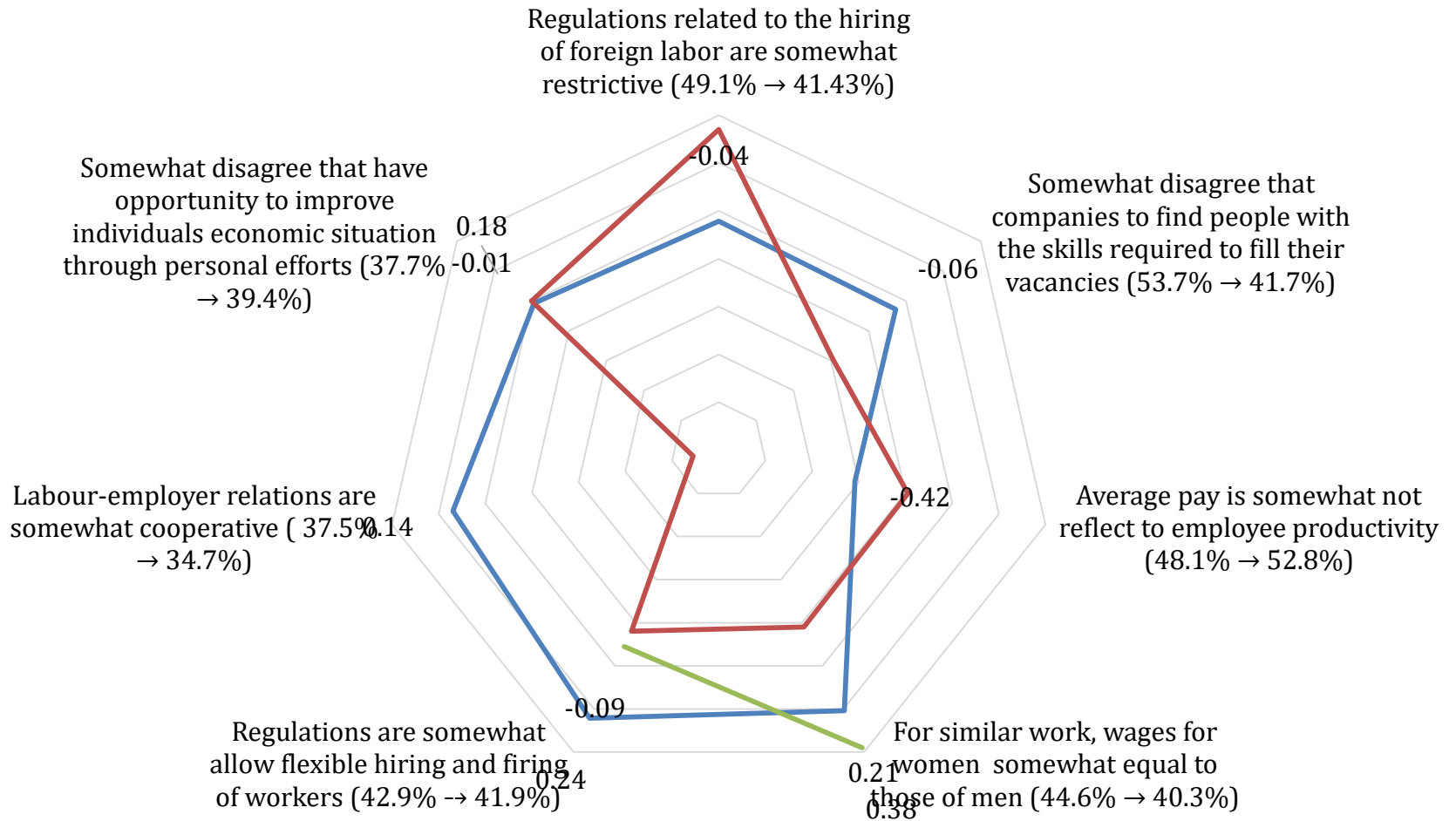


## IV.8 Building Human Capital

- In terms of skill development, significant improvement is required in number of indicators
  - Current education system is **yet to meet the digital and technological** skill needs of the country (-0.1; 37.5)
  - Current education system is somewhat not meeting the **innovation and the creativity skills** (-0.74; 58.3%) or the collaboration and self- management skills needs (-0.71; 59.7%)
  - Current education system is not meeting the global citizenship and civic responsibility skills needs of a competitive economy (-1; 70.4%)
  - The government is not investing enough for the **mid-career reskilling** and **upskilling** opportunities (-0.86, 69.4%)
- The current education and **skill development** systems are **not conducive to** create human capital having the capacity to meet the needs of digital technologies, creativity skills, self-management skills etc.

# IV.9 Working and Employment

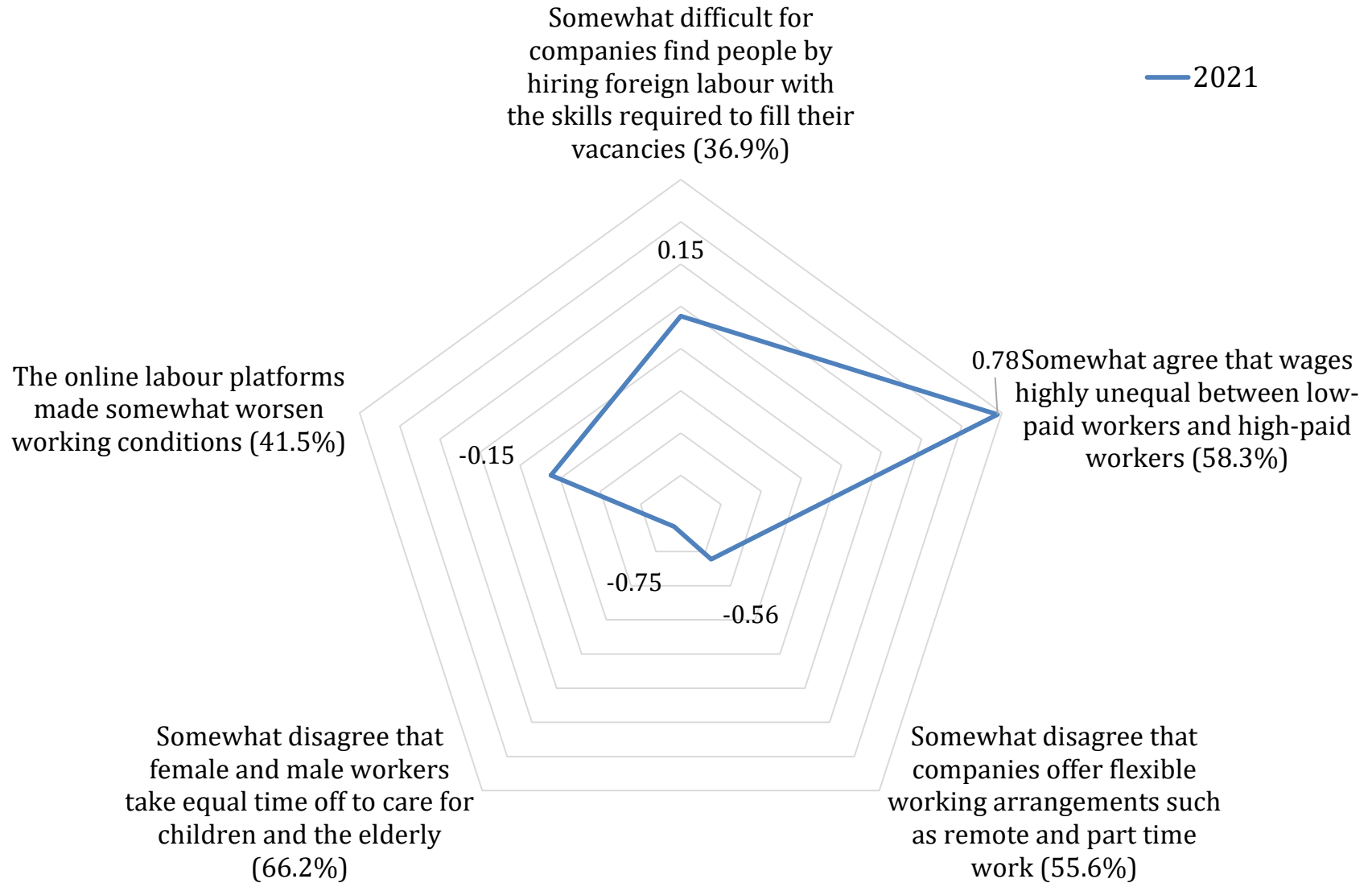
— 2021 — 2020 — 2019



## IV.9 Working and Employment

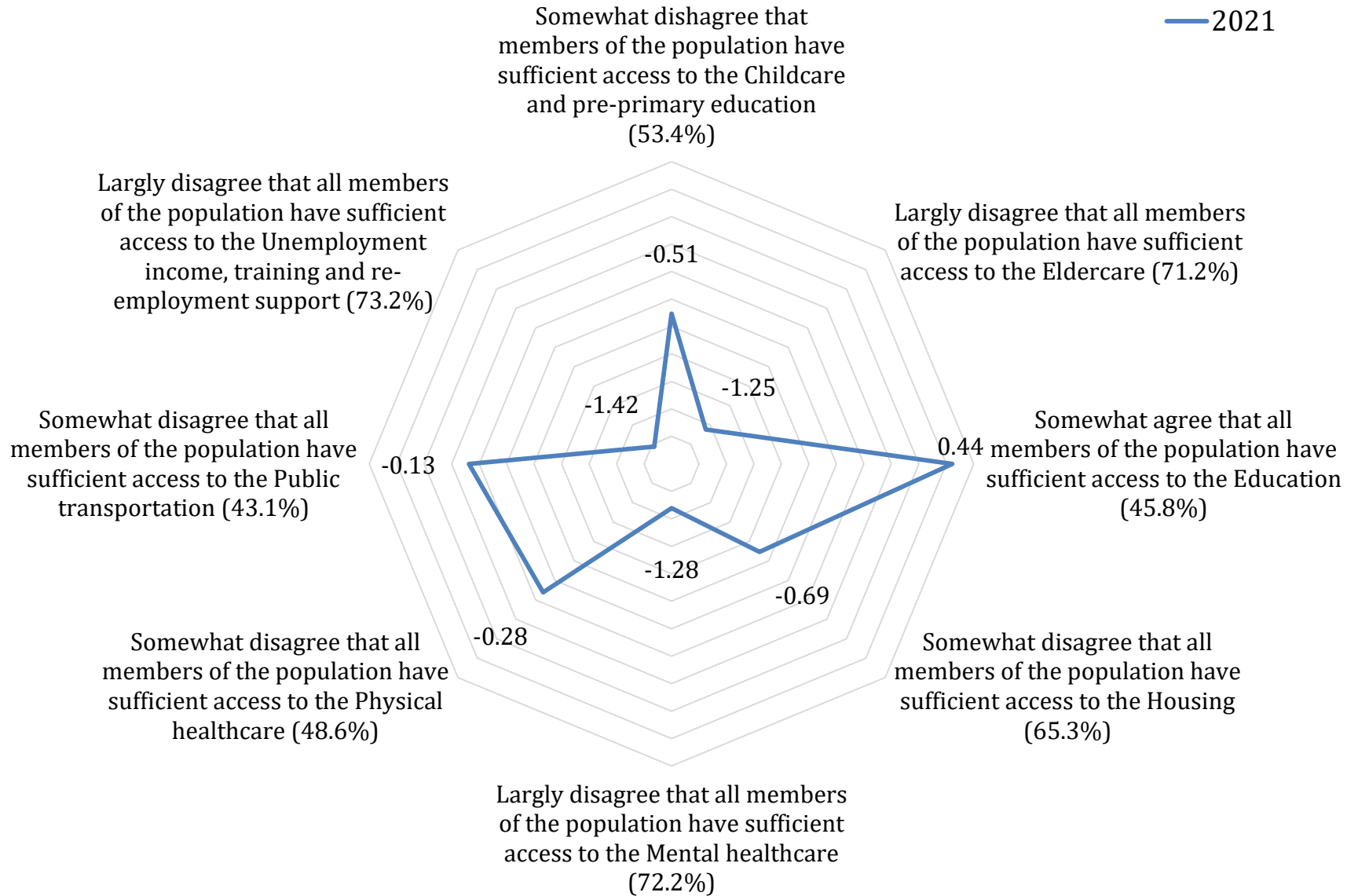
- Working and employment have experienced mixed trends during pre-covid and covid periods.
  - A number of indicators have experienced **positive changes** in 2021: women are seen getting **similar wages as** the men (0.24; 40.3%), **hiring and firing** of the workers have become flexible( 0.24; 42.3%), companies somewhat find people with skills required to fill their vacancies (-0.06; 41.7%)
  - 34.7% mentioned that **labour-employer relations** are somewhat cooperative and it has **improved** (0.14) – a better interaction, discussion and negotiation happened during the pandemic period
  - On a negative note, 39.4% responded that people now have **lesser opportunities to improve** their economic situations through their personal effort (-0.01)
- A number of indicators have shown modest or lower level of performance
  - **High wage inequality** between the high paid and the low paid workers(0.75; 58.3), female and male workers **not getting equal time off** to take care of the children and the elderly (-0.75; 66.2%) and companies **not offering enough flexible working arrangements** such as remote and part-time work (-0.56; 55.6%)
- Majority of people **do not have sufficient access** to **unemployment income, training and re-employment support** (-1.42; 73.2%), **eldercare** (-1.25; 71.2%) and mental **healthcare** (-1.26; 72.2%)

# IV.9 Working and Employment



# IV.9 Working and Employment

— 2021

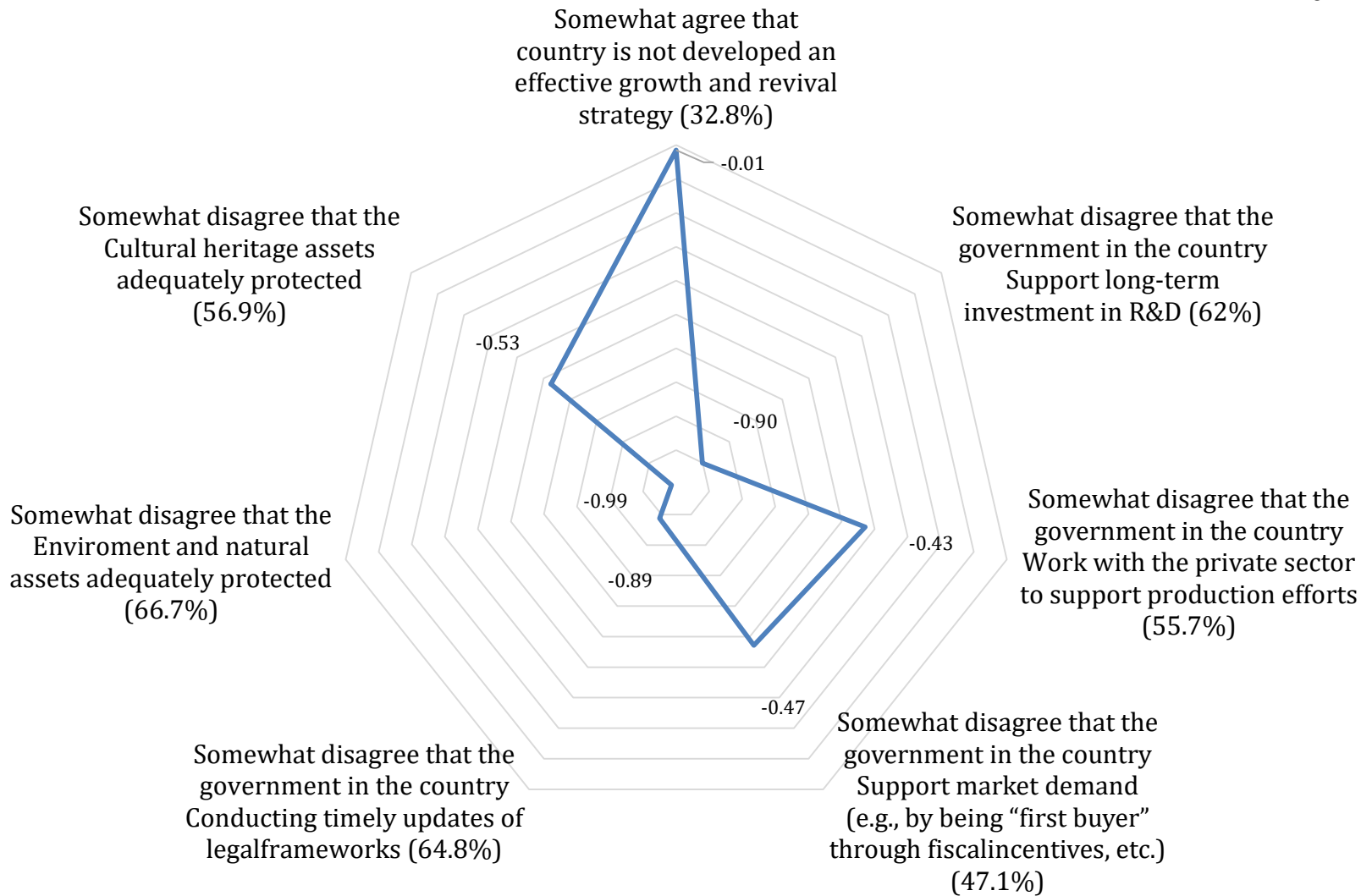


## IV.9 Working and Employment

- Access to education in general is somewhat better (0.44; 45.8) which is not found in case of public transportation (-0.13; 43.1%) physical healthcare (-0.28; 48.6%) and childcare and pre-primary education (-0.51; 53.4%)
- **65.3% responded** that all members of the population have yet to get **access to the housing** (-0.69)- it is expected that government's initiative for access to housing for all needs to be expedited further
- 71.2% strongly opined that all members of the population have yet to get sufficient access to the Eldercare (71.2%)
  - **Substantial investment** is required to address the challenges of elderly population of the country
- Bangladesh is confronting challenges of not having **universal social protection scheme**
  - Taking the precedence of other countries, government should **gradually introduce** universal social protection scheme in the country
  - Similarly, **employment insurance and unemployment insurance** schemes need to be introduced in a phased approach

# IV.10 Managing the Economic Recovery and Risks

— 2021



## IV.10 Managing the Economic Recovery and Risks

- After the pandemic crisis the recovery of the economy has become a major concern
  - 32.8% businessmen responded that economic growth and revival strategy of the country is not so effective (-0.01; 32.8%)
  - 55.7% businesses opined that the government's effort to support private sector productions is somewhat inadequate (-0.43)
  - 47.1% respondents somewhat disagree that the government support market demand through fiscal incentives (-0.47)
  - Government's initiative in investing in the R&D to overcome the crisis has been rather low (-0.9; 62.0%)
  - 64.8% businessmen expressed their views that government is conducting timely updates of legal frameworks (-0.89)
- 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 162<sup>nd</sup> out of 180 countries in the 2020 Environmental Performance Index (EPI) (2020)



## **V. Conclusion**

# V. Conclusion

- The **competitiveness** of the business environment in the post-covid period has increasingly been defined from the perspective of 'build back better' approach
  - Through ensuring **equal access to opportunities, inclusivity, addressing inequality**, improvement of physical, social and environmental **conditions** to create a **more resilient economy** in an effective and efficient way
- Bangladesh's journey during the time of Covid disaster **is appreciated**; however, the question is whether the journey could create a **recovery path for businesses** in all accounts?
  - While the businesses in many accounts have **signs of recovery**, it is in most cases a **disproportionate recovery** which largely fails to ensure decent employment and wages, access for the **marginalized**, ensure social and environmental development
- Businesses are still **confronting structural challenges** while new challenges are added to further questionable to competitiveness
  - **Corruption, weak and inefficient bureaucracy and lack of access to credit** – are the **top three challenges** which raise **the cost of business** significantly particularly for the **micro, small and cottage industries**
  - Emerging concerns include **tax, health and skilled workforce** related issues which **are affecting all categories** particularly large scale and **FDI led** investments
  - **Drive against anti-corruption** particularly those which have adverse effect on businesses such as those related to **bribes in licensing, registration, providing utility facilities and tax collection** should get priority; **transparency and accountability** in public services

# V. Conclusion

- Most of the businesses **took cost-cutting** as survival and recovery strategy, and apprehended a minimum **recovery period of 3 years** – the period is rather long across all categories of enterprises (**micro, small, medium and large**)
  - An **inclusive recovery plan** needs to be implemented focusing on reduction of tax rates, better access to **credit facility, reduction of corruption**
  - **Restructuring of the fiscal incentives** focusing on micro, small, self-employed and emerging businesses are highly essential – **upcoming national budget** should highlight these issues
- Bangladesh **needs to address various risks** in next two years which would have disproportionate impact on different categories of businesses
  - **Debt** crises, illicit activities, geopoliticization of strategic assets, **climate** action failures, human made environmental damage, **employment and livelihood** crisis and digital inequality – Bangladesh needs to consider those concerns **along with its current and upcoming development policies** and strategies (Job strategy, LDC graduation strategy, Mujib climate and prosperity plan)
  - Otherwise, **disproportionate impact of those risks would** cause exit of many emerging business opportunities and loss of employment particularly those of women
- Bangladesh's infrastructure facility though improved but it has **not conducive for providing digital** service facilities
  - More investment is required on digital system on education, health, elder care, transport etc.

## V. Conclusion

- Bangladesh needs to be **cautious about digital inequality** by ensuring easy **access** and low-cost facilities for all categories of people including marginalized, women, youth and SMEs etc.
  - Necessary **fiscal and budgetary support** should be made available to expand the digital services across the board
  - **DFS, Skill development, Data management, AI** etc are the future opportunities for businesses in Bangladesh
  - Investment is needed to develop **better linkages with growth districts** with major urban city points – both public **investment and decentralisation** are essential to reduce pressure on urban cities
  - Future investment should focus more on **clean energy and green growth in** industries, power and energy, agriculture, transport and other sectors
- **Competitive market** is considered to be in place for doing business by all categories of businesses and enterprises
  - Government needs to follow **market-based approaches** in case of administered **utility and energy markets**
  - Government's institutions such as **Competition Commission** needs to be proactive and capacitate to identify the problems of dominant market players and to ensure competitive behavior
- Financial sector did not experience major change and is struggling with key challenges – **financial sector** including banks, insurance and capital market needs necessary **legal and operational restructuring and reform**

# V. Conclusion

- Businesses need to be **formalized and corporatized**
  - In this context necessary initiatives need to be taken by Ministry of Commerce
  - Public sector corporations in businesses need to be phased out in gradual manner and should create scope for businesses of SMEs under the BSCIC, BEPZA and BEZA
- **Skill development** is identified as a major area of private sector businesses in future
  - **NSDA** should come forward to extend necessary support to the private sector in pursuing their businesses
- Given the challenges of employment and income, **unemployment insurance** could be an area of business
  - Government should further extend its **social SafetyNet programme** and should design the framework for unemployment insurance in the country
  - Opportunities for **marginalized, disabled and other specialized** groups need to be ensured and to be incentivized through fiscal and budgetary support
- Business reporting of **human and labor rights** as well as **environmental compliances** and corporate practices need to be **promoted**
  - In this context, UN guiding principles such as **UNGPs, UNGCs and ILO conventions** and other human and **environmental commitments** need to be followed by the businesses

**Thank you**