



Release of
WEF's *Global Competitiveness Report 2011-12*
and
Bangladesh Business Environment Study 2011

Press Advisory
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CENTRE FOR POLICY DIALOGUE (CPD)

B A N G L A D E S H

a c i v i l s o c i e t y t h i n k - t a n k



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I. Introduction and Objectives

- The Centre for Policy Dialogue (CPD) in collaboration with the World Economic Forum (WEF) has been carrying out the Executive Opinion Survey (EOS) since 2001.
 - ✓ CPD has conducted the 11th survey this year.
 - ✓ EOS is based on the questionnaires developed by the WEF
- CPD also conducted eighth Rapid Assessment Survey on the prevailing economic issues and concerns.
- Major objectives of the press briefing are
 - ✓ To launch WEF's *Global Competitiveness Report 2011-12* in Bangladesh. The report was globally launched on 7 September, 2011.
 - ✓ To report the competitive performance of Bangladesh during 2010.
 - ✓ To report the findings of CPD's *Bangladesh Business Environment Study 2011*.
 - ✓ To state the recent concerns of the leading businessmen in Bangladesh.



II. Methodology

Survey Design

- WEF-CPD survey covers large and medium companies
 - ✓ Total assets should be no less than Tk.10 crores
- Number of respondents – 70 in 2011 (90 in 2010)
- Manufacturing and service sectors are equally covered in the EOS survey
- Domestic companies held the overwhelming share of total responses (93%)
 - ✓ 90% companies are located in the Dhaka region

- Survey conducted:
February to April, 2011
- Reference period:
January to December 2010
- Rapid Perception Survey was carried out along with the Executive Opinion Survey

Table: Sectoral Distribution of Survey Respondents

| Sectors | 2010 | 2011 |
|--|-------------------|------------------|
| Manufacturing | 32 (35.6%) | 33(47.1%) |
| <i>RMG</i> | <i>11 (12.2%)</i> | <i>15(21.4%)</i> |
| <i>Pharmaceuticals</i> | <i>8 (8.9%)</i> | <i>3(4.3%)</i> |
| <i>Leather/Jute</i> | <i>7 (7.8%)</i> | <i>6(8.6%)</i> |
| <i>Others</i> | <i>6 (6.7%)</i> | <i>9(12.9%)</i> |
| Financial Institution | 14 (15.6%) | 5(7.1%) |
| Real Estates & Construction | 7 (7.8%) | 5(7.1%) |
| ICT | 14 (15.6%) | 6(8.6%) |
| Other Services | 23 (25.6%) | 21(30%) |
| Total | 90 (100%) | 70(100%) |



II. Methodology

- Global Competitiveness Index (GCI) is an index of weighted average of 12 different pillars
 - ✓ *Basic requirements sub-index* :(4 pillars)→factor-driven stage
 - ✓ *Efficiency enhancers sub-index*:(6 pillars)→efficiency-driven stage
 - ✓ *Innovation and sophistication factors sub-index*:(2 pillars)→innovation-driven stage
- GCI is estimated on the basis of moving averages of two years
 - ✓ Each sub-index has different weights considering country's stages of development
 - ✓ Bangladesh is considered at factor-driven stage
- Joint Research Centre of the European Commission (JRC) has examined the GCI for 2010, and termed the index to be robust to changes in weights

| 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

• Assessment of Bangladesh's Business Environment

- Analysis has been performed by employing three statistical techniques
 - ✓ Frequency analysis
 - ✓ Weighted index
 - ✓ Chi-square test
- *Executive Opinion Survey* and *Rapid Perception Survey* basically provides qualitative data (7-point Likert scale)
 - ✓ Positive responses
 - ✓ Negative responses
 - ✓ Indifferent responses
- Various weighted responses are clustered into six groups:
 - a) Worst: (-3.0 to -2.01) b) Worse: (-2.0 to -1.01) c) Bad: (-1.0 to -0.01)
 - d) Good: (+0.01 to +1.0) e) Better: (+1.01 to +2.0) f) Best: (+2.01 to +3.0)

| | Response Levels | | | | | | |
|-----------|-------------------------|--------------------------|------------------------|-------------|-------------------------|---------------------------|-------------------------|
| Responses | Completely Disagree | Largely Disagree | Somewhat Disagree | Indifferent | Somewhat Agree | Largely Agree | Completely Agree |
| Weight | -3 | -2 | -1 | 0 | +1 | +2 | +3 |
| Group | Worst (-3.0 to 2.01) | Worse (-2.0 to -1.01) | Bad (-1.0 to -0.01) | Neutral | Good (+0.01 to +1.0) | Better (+1.01 to +2.0) | Best (+2.01 to +3.0) |



III. Global Competitiveness Report 2011-12: Major Findings



III. Global Competitiveness Report 2011-12: GCI

Global Competitiveness Index: Rankings

- A total of 142 countries have been assessed in 2011 (139 in 2010)
 - ✓ Newly included countries: Belize, Haiti and Yemen
 - ✓ Suriname has been reinstated
 - ✓ Due to recent unrest, Libya could not be covered
- Top 10 countries in GCI 2011-12 have been dominated by European countries; major shuffling has taken place in their rankings

| Economy | 2010-11 | 2011-12 | Change |
|----------------|---------|---------|--------|
| Switzerland | 1 | 1 | |
| Singapore | 3 | 2 | |
| Sweden | 2 | 3 | |
| Finland | 7 | 4 | |
| United States | 4 | 5 | |
| Germany | 5 | 6 | |
| Netherlands | 8 | 7 | |
| Denmark | 9 | 8 | |
| Japan | 6 | 9 | |
| United Kingdom | 12 | 10 | |

- Switzerland retained its 1st position by maintaining its strength in innovation, technological readiness and labour market efficiency
- Singapore moved up to 2nd position, continued to be the leader among the Asian countries
 - Best institutions in the world, highly efficient in goods and labour market efficiency; strong infrastructural base; strong focus on education
- USA continued falling in the rank. Down to 5th position from top in 3 years.
 - A number of escalating weaknesses have lowered US rankings : low trust in politicians, government's poor ability to maintain relation with the private sector; less transparent policy making and burdensome regulations.



III. Global Competitiveness Report 2011-12: Selected Economies

- Among the BRIC countries, China continues to lead and improved its position to 26
 - ✓ Followed by Brazil (53), India (56), and Russia (66). All slipped in 2011
- In South Asia, Sri Lanka, Pakistan and Nepal advanced well. Sri Lanka jumped up by 27 positions within two years and ranked 52nd (last year 62nd)
 - ✓ Bangladesh and India failed to retain their last year's position
- Bangladesh dropped one position securing 108th rank in 2010 (107th in 2009)
 - ✓ Slid by one position in two consecutive years
- Among other Asian countries;
 - ✓ Cambodia superseded Bangladesh by 9 positions from 2 positions behind
 - ✓ Vietnam, Indonesia and Thailand decelerated

| Asian Countries | 2010-11 | 2011-12 | Change |
|-----------------|---------|---------|--------|
| Malaysia | 26 | 21 | |
| China | 27 | 26 | |
| Thailand | 38 | 39 | |
| Indonesia | 44 | 46 | |
| Sri Lanka | 62 | 52 | |
| India | 51 | 56 | |
| Vietnam | 59 | 65 | |
| Philippines | 85 | 75 | |
| Cambodia | 109 | 97 | |
| Bangladesh | 107 | 108 | |
| Pakistan | 123 | 118 | |
| Nepal | 130 | 125 | |



III. Global Competitiveness Report 2011-12: Bangladesh

Bangladesh in GCI Rankings and Changes in GCI Scores

| Indices | Rank | | Score | | % Change in Score |
|---|------------|------------|-------------|-------------|-------------------|
| | 2010-11 | 2011-12 | 2010-11 | 2011-12 | |
| GCI | 107 | 108 | 3.64 | 3.73 | 2.47 |
| Basic Requirements (BR) | 114 | 112 | 3.71 | 3.81 | 2.70 |
| <i>Institutions</i> | <i>115</i> | <i>112</i> | <i>3.24</i> | <i>3.31</i> | <i>2.16</i> |
| <i>Infrastructure</i> | <i>133</i> | <i>134</i> | <i>2.15</i> | <i>2.24</i> | <i>4.19</i> |
| <i>Macroeconomic Stability</i> | <i>80</i> | <i>75</i> | <i>4.49</i> | <i>4.70</i> | <i>4.68</i> |
| <i>Health and Primary Education</i> | <i>106</i> | <i>108</i> | <i>4.96</i> | <i>5.01</i> | <i>1.01</i> |
| Efficiency Enhancers (EE) | 97 | 99 | 3.62 | 3.69 | 1.93 |
| <i>Higher Education and Training</i> | <i>126</i> | <i>126</i> | <i>2.77</i> | <i>2.81</i> | <i>1.44</i> |
| <i>Goods Market Efficiency</i> | <i>102</i> | <i>81</i> | <i>3.83</i> | <i>4.09</i> | <i>6.79</i> |
| <i>Labour Market Efficiency</i> | <i>108</i> | <i>100</i> | <i>3.98</i> | <i>4.02</i> | <i>1.01</i> |
| <i>Financial Market Sophistication</i> | <i>66</i> | <i>67</i> | <i>4.18</i> | <i>4.07</i> | <i>-2.63</i> |
| <i>Technological Readiness</i> | <i>126</i> | <i>122</i> | <i>2.65</i> | <i>2.82</i> | <i>6.42</i> |
| <i>Market Size</i> | <i>47</i> | <i>49</i> | <i>4.32</i> | <i>4.32</i> | <i>0.00</i> |
| Innovation and Sophistication (IS) | 109 | 113 | 3.01 | 3.04 | 1.00 |
| <i>Business Sophistication</i> | <i>105</i> | <i>98</i> | <i>3.42</i> | <i>3.51</i> | <i>2.63</i> |
| <i>Innovation</i> | <i>119</i> | <i>124</i> | <i>2.61</i> | <i>2.57</i> | <i>-1.53</i> |



III. Global Competitiveness Report 2011-12: Bangladesh

Bangladesh in GCI Ranking and Changes in GCI Scores

- Bangladesh dropped by one position, ranked 108th in GCI 2011-12
 - ✓ Among the same set of countries as of 2010-11 (139): rank remained the same
 - ✓ Bangladesh's GCI score has increased by 2.5%; scores of all indices and sub-indices except financial market sophistication and innovation increased
- Bangladesh's rank and scores improved in basic requirement sub-index
 - ✓ Both ranks and scores of public institutions and macroeconomic stability improved
 - ✓ Ranks fell for infrastructure by 1 position and health and primary education by 2 positions although their scores increased
- Rank and score dropped in efficiency enhancer index
 - ✓ Goods and labour market efficiency, and technological readiness experienced rise
 - ✓ Financial market sophistication and market size experienced decline in ranking
- Dropped by 4 positions in innovation and sophistication index (from 109 to 113)
 - ✓ Improved: business sophistication
 - ✓ Fall: Innovation



IV. Identification of Problematic Factors for Bangladesh Economy



IV. Identification of Problematic Factors

| Rank | 2010 | 2011 | |
|------|---|---|--|
| 1 | Inadequate supply of infrastructure (23.78) | Inadequate supply of infrastructure (22.56) | |
| 2 | Inefficient government bureaucracy (15.41) | Corruption (18.45) | |
| 3 | Corruption (12.57) | Inefficient government bureaucracy (17.40) | |
| 4 | Policy instability (9.27) | Policy instability (6.98) | |
| 5 | Access to financing (8.53) | Inadequately educated workforce (6.02) | |
| 6 | Inadequately educated workforce (6.66) | Access to financing (5.16) | |
| 7 | Tax regulations (5.16) | Inflation (4.97) | |
| 8 | Government instability/coups (4.71) | Foreign currency regulations (4.02) | |
| 9 | Foreign currency regulations (2.84) | Tax regulations (3.92) | |
| 10 | Inflation (2.69) | Crime and theft (3.15) | |
| 11 | Poor work ethic in national labour force (2.62) | Tax rates (2.39) | |
| 12 | Crime and theft (2.54) | Government instability/coups (2.20) | |
| 13 | Tax rates (2.09) | Poor work ethic in national labour force (1.63) | |
| 14 | Restrictive labour regulations (0.75) | Restrictive labour regulations (0.86) | |
| 15 | Poor public health (0.37) | Poor public health (0.29) | |

- Top three problematic factors have been rearranged with further concentration in the level of perception (58.4% in 2011 vis-a-vis 51.8% in 2010)
 - ✓ Inadequate supply of infrastructure remained top (22.6% vis-a-vis 23.8% in 2010)
 - ✓ Corruption came up as second-most important factor with significant rise at the perception level (18.5% vis-a-vis 12.6% in 2010)
 - ✓ Inefficient government bureaucracy though considered to be strong in terms of level of perception but came down to third (17.4% vis-a-vis 15.4% in 2010)



IV. Identification of Problematic Factors

- Deterioration observed in following areas:
 - Educated workforce, inflation, foreign currency regulations, crime and theft and tax rates
- Improvement observed in case of access to financing, tax regulations, government stability, work ethics

Top Most Problematic External Factors

- During 2010, doing business in the country was affected by number of external factors:
 - ✓ Global economic uncertainty
 - ✓ Energy price volatility
 - ✓ Trade barriers
 - ✓ Exchange rate volatility and
 - ✓ Lack of natural resources

| Rank | Problematic External Factors for Doing Business in the Country |
|------|--|
| 1 | Global economic uncertainty |
| 2 | Extreme energy price volatility |
| 3 | Barriers to trade |
| 4 | Exchange rate volatility |
| 5 | Shortage of natural resources |
| 6 | Instability of Global Financial Systems |
| 7 | Climate change |
| 8 | International armed conflict |
| 9 | Weak international governance regimes |
| 10 | International criminal activity |
| 11 | Global population growth |
| 12 | Biodiversity loss |



IV Identification of Problematic Factors

Problematic Factors in Trading

- Export of Bangladeshi products is perceived to be affected by the following factors:
 - ✓ lack of proper identification of markets/buyers, use of inappropriate technologies, poor access to imported inputs at competitive prices
- Import by local entrepreneurs are affected by a number of factors:
 - ✓ burdensome import procedures, tariffs/NTBs, delays in domestic transportation

| Rank | While Exporting | While Importing |
|------|---|--|
| 1 | Identifying potential markets and buyers | Burdensome import procedures |
| 2 | Inappropriate production technology and skills | Tariffs and non-tariff barriers |
| 3 | Access to imported inputs at competitive prices | Corruption at the border |
| 4 | High cost or delays caused by domestic transportation | High cost or delays caused by domestic transportation |
| 5 | Difficulties in meeting quality/quantity requirements of buyers | High cost or delays caused by international transportation |
| 6 | Technical requirements and standards abroad | Crime and theft |
| 7 | Access to trade finance | Domestic technical requirements and standards |
| 8 | High cost of delays caused by international transportation | Inappropriate telecommunications infrastructure |
| 9 | Rules of origin requirements abroad | |
| 10 | Burdensome procedures and corruption at foreign borders | |



Growth Projection

- Most of the developed and developing economies will likely to be in better economic condition in 2011 compared to what they were in 2010.
 - ✓ Strong growth perceived for India, China, Canada and Germany
 - ✓ Cambodia and Bangladesh are perceived to perform better in 2011

| 1 = be in a recession ,7 = have strong growth | | |
|---|-------------|-------------|
| Economies | 2010 | 2011 |
| United States | 3.52 | 4.00 |
| Canada | 3.62 | 4.86 |
| Germany | 3.02 | 4.80 |
| United Kingdom | 2.67 | 3.48 |
| Japan | 3.25 | 3.81 |
| Bangladesh | 3.97 | 4.71 |
| India | 5.05 | 5.67 |
| Pakistan | 3.59 | 3.63 |
| Sri Lanka | 4.30 | 5.13 |
| China | 4.71 | 5.03 |
| Vietnam | 4.59 | 4.19 |
| Indonesia | 4.69 | 4.89 |
| Cambodia | 3.93 | 4.76 |
| Tanzania | 3.65 | 3.79 |
| Uganda | 4.12 | 4.25 |



Improvement in Business Environment during 2010

| Factors | Indicators | Level of Improvement |
|---|--|-----------------------------|
| Governance & Public Institutions | The national Parliament is ineffective as a law-making institution | Worse > Bad |
| | Police services cannot be relied upon to enforce law and order | Worse > Bad |
| Infrastructure | Roads are underdeveloped | Worse > Bad |
| Innovation & Technology | Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are unavailable | Worse > Bad |
| Financial Environment | The level of sophistication of financial markets is somewhat poor by international standards | Worse > Bad |
| | The financial sector provides a poor variety of financial products and services to business. | Bad > Good |
| Company Operations & Strategies | Willingness to delegate authority to subordinates is low - top management controls all important decisions | Worse > Bad |
| Health | Healthcare delivery is largely fragmented among physicians, clinics and hospitals | Worse > Bad |
| | Tuberculosis does not impact seriously | Good > Better |



V. Bangladesh's Business Environment in 2010



2009-10: 122nd
2010-11: 115th
2011-12: 112th

A. Governance & Public Institutions

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|--|--|
| Worse (-2.00 to -1.01) | <ol style="list-style-type: none">1. Economic policy-making is centralized - government controls almost all important decisions (88%)2. Public trust in the financial honesty of politicians is low (89%)3. When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals (83%)4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (81%)5. The national Parliament is somewhat ineffective as a law-making institution (67%)6. Police services often cannot be relied upon to enforce law and order (64%) | <ol style="list-style-type: none">1. Economic policy-making is centralized - government controls almost all important decisions (84%) ⇔2. Public trust in the financial honesty of politicians is low (90%) ⇔3. When deciding upon policies and contracts, government officials favour well-connected firms and individuals (90%) ⇔4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (82%) ⇔ |

Improved/Positively Remarkable

- National Parliament is perceived to be somewhat inefficient as a law-making institution (68%); however, level of perception has improved in 2011 (-0.94 vis-à-vis -1.02 in 2010)
 - ✓ Better functioning of parliamentary standing committees; enactment of new policies, laws/regulations
 - ✓ Boycotting parliament by the opposition party; use of majority ruling instead of consensus-building in case of taking decisions are major concerns



2009-10: 122nd
2010-11: 115th
2011-12: 112th

A. Governance & Public Institutions

- Police perceived to have provided somewhat better services although they are still perceived to be less reliable to effectively enforce law and order (-0.75, 59%)
 - ✓ Improvement in operational management (introduction of industrial police service; strengthening of community police services); but lots of allegations against police services still remain
- 79% of the respondents in 2011 perceived that media enjoyed freedom although 85% perceived the same in 2010 (1.27 in 2011 vis-a-vis 1.69)
- 62% perceived that government subsidies and tax breaks are somewhat less distortive but the perception was weaker compared to the previous year (0.02 in 2011 vis-a-vis 0.25 in 2010)
 - ✓ Rising government expenditure for meeting subsidy cost is a major concern

Unchanged/Negatively Remarkd

- Lack of dynamism made various institutions inefficient
 - ✓ No changes in the level of perception on centralised policy-making (-1.9; 84%), financial dishonesty of politician (-1.9; 90%) and favouritism to firms and individual (-1.8; 90%), wasteful public spending (-0.8; 62%), high tax levels (-0.8; 41%), cumbersome compliance requirements for businesses (-0.8; 65%) and slow customs procedures (-0.5; 89%)



2009-10: 122nd
 2010-11: 115th
 2011-12: 112th

A. Governance & Public Institutions

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|-------------------------|---|--|
| Bad (-1.00 to -0.01) | <p>7. The legal framework for private businesses to settle disputes and challenge the legality of government actions and regulations is moderately inefficient and subject to manipulation (67%)</p> <p>8. Complying with administrative requirements for business required by the government is often burdensome (67%)</p> <p>9. The composition of public spending is wasteful (58%)</p> <p>10. The government's efforts to reduce poverty and address income inequality are ineffective (54.6%)</p> <p>11. Property rights, including over financial assets, are poorly defined and not well-protected by law (54%)</p> <p>12. Customs procedures are often slow and cumbersome (54%)</p> <p>13. The level of taxes limits the incentives to work or invest (49%)</p> <p>14. Obtaining information about changes in government policies and regulations are impossible (46%)</p> | <p>5. The national Parliament is ineffective as a law-making institution (68%) ↑</p> <p>6. Police services cannot be relied upon to enforce law and order (59%) ↑✓</p> <p>7. The legal framework for private businesses to settle disputes and challenge the legality of government actions and regulations is moderately inefficient and subject to manipulation (58%) ⇔</p> <p>9. The composition of public spending is wasteful (62%) ⇔</p> <p>13. The level of taxes limits the incentives to work or invest (41%) ⇔</p> <p>9. Complying with administrative requirements for business required by the government is often burdensome (65%) ⇔</p> <p>14. Obtaining information about changes in government policies and regulations are impossible (64%) ⇔</p> <p>12. Customs procedures are often slow and cumbersome (89%) ⇔</p> <p>11. Property rights, including over financial assets, are poorly defined and not well-protected by law (51%) ⇔</p> <p>10. The government's efforts to reduce poverty and address income inequality are ineffective (50%) ⇔</p> |
| Good (0.00 to 1.00) | <p>15. Government subsidies & tax breaks do not distort competition (41%)</p> <p>16. Agricultural policy balances the interests of taxpayers, consumers and producers (58%)</p> | <p>15. Government subsidies & tax breaks do not distort competition (62%) ⇔</p> <p>16. Agricultural policy balances the interests of taxpayers, consumers and producers (56%) ⇔</p> |
| Better (1.01 to 2.0) | <p>17. The press is relatively free (85%)</p> | <p>17. The press is relatively free (79%) ⇔</p> <ul style="list-style-type: none"> • Access to online information including press is free (75%) |



2009-10: 126th
 2010-11: 133rd
 2011-12: 134th

B. Infrastructure

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|---------------------------|--|---|
| Worst (-3.00 to -2.01) | 1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is poor (98%) | 1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is poor (100%) ⇔ |
| Worse (-2.00 to -1.01) | 2. General infrastructure of the country is underdeveloped (83%) 3. Railroads are underdeveloped (82%) 4. Roads are underdeveloped (69%) | 2. General infrastructure of the country is underdeveloped (79%) ⇔ 3. Railroads are underdeveloped (83%) ⇔ |

Improved/Positively remarked

- 69% respondents perceived that roads and highways are largely underdeveloped; however, their perception level has improved (-1.43 in 2011 vis-a-vis -1.17 in 2010)
- ✓ Increased budgetary allocation (12% increased in FY10 budget); announcement of large highway projects
- ✓ Lack of adequate attention on repair and maintenance works
- 56% opined that air transport network does offer good connections to some key business markets (0.21 vis-à-vis 0.12 in 2010)
- ✓ Local/regional airlines are currently targeting new destinations and offering better services

Deteriorated

- Although new telephone lines are available their demand perceived to be somewhat declined (0.71; 61%)
- ✓ Operations of fixed phone-based companies are getting limited perhaps because of lack of diversified services and improvement & greater coverage of cellular network



2009-10: 126th
 2010-11: 133rd
 2011-12: 134th

B. Infrastructure

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|-------------------------|--|---|
| Bad (-1.00 to -0.01) | 5. National ground transport network (buses, trains, taxis, etc.) offer transportation to a wide range of travellers to key business centres and tourist attractions within the country which is somewhat inefficient (44%) 6. Port facilities & inland waterways are underdeveloped (50%) 7. Passenger air transport is underdeveloped (50%) 8. The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$100 (46%) | 4. Roads are underdeveloped (69%) ↑ 6. Port facilities & inland waterways are underdeveloped (70%) ↔ 7. Passenger air transport is underdeveloped (50%) ↔ 5. National ground transport network (buses, trains, taxis, etc.) offer transportation to a wide range of travellers to key business centres and tourist attractions within the country which is somewhat inefficient (54%) ↔ 8. The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$100 (54%) ↔ |
| Good (0.00 to 1.00) | 9. The air transport network does offer good connections to some key business markets (48%) | 9. The air transport network does offer good connections to some key business markets (56%) ↔ 10. New telephone lines for business are available and quite reliable (61%) ↓✓ |
| Better (1.01 to 2.0) | 10. New telephone lines for business are available and quite reliable (69%) | |

Unchanged/Negatively Remarkd

- Perception on quality of electricity supply remained at the 'worst' level (100%) though perception level slightly improved (-2.39 vis-a-vis in -2.44 in 2010)
 - ✓ Improvement in power generation yet to meet the increasing demand. Quick rentals are not so 'quick'; large scale power generation projects should be emphasised
- Poor railroads (-1.4; 83%), underdeveloped port/waterways (-0.8; 70%) reflect the dilapidated condition of overall infrastructure



2009-10: 122nd
 2010-11: 119th
 2011-12: 122nd

C. Innovation & Technology

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|---|---|
| Worse (-2.00 to -1.01) | 1. Internet access in schools is very limited (77%) 2. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable (80%) 3. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are non existent (66%) 4. Scientific research institutions are minimal (71%) 5. In the area of R&D, collaboration between the business community and local universities is minimal (73%) | 1. Internet access in schools is very limited (77%) ⇔ 4. Scientific research institutions are minimal (81%) ⇔ 5. In the area of R&D, collaboration between the business community and local universities is minimal (90%) ⇔ 7. A failed entrepreneurial project is considered an embarrassment (69%) ↓✓ 6. Government procurement decisions do not result in technological innovation (78%) ↓ |

Improved/Positive Remarks

- 70% opined that online government services such as personal tax, passport applications, business permits and e-procurement are somewhat unavailable. Perception level has improved in 2011 (-1.0 in 2011 vis-à-vis -1.5 in 2010);
 - ✓ Poor content; lack of access to important information and regular web updates
- Technological readiness remained stand still
 - ✓ Although about half of the respondents perceived that latest technologies are somewhat available (0.34; 47%), local companies can absorb new technologies (0.44; 57%) and FDI brings new technologies (0.21; 46%).
- Virtual social networks (Facebook, Twitter, LinkedIn etc.) are somewhat used for professional & personal communication (0.49; 56%)



2009-10: 122nd
 2010-11: 119th
 2011-12: 122nd

C. Innovation & Technology

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|----------------------------|--|---|
| Bad (-1.00 to -0.01) | 6. Government procurement decisions do not result in technological innovation (65%) 7. A failed entrepreneurial project is considered an embarrassment (62%) 8. Licensing of foreign technology is slightly uncommon (57%) 9. The use of ICT by the government has not improved the efficiency of government services (38%) 10. Information and communication technologies creating very few organizational models within businesses in the country (48%) 11. ICT creating very few new business models, services and products in the country (42%) 12. ICT poorly improving access for all citizens to basic services (39%) | 12. ICT poorly improving access for all citizens to basic services (50%) 2. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are unavailable (70%) ↑ ✓ 11. ICT creating very few new business models, services and products in the country (38%) 10. ICT creating very few organizational models within businesses in the country (52%) 17. The government does not have a very clear implementation plan for utilizing information and communication technologies for improving the country's overall competitiveness (44%) ↓ 9. The use of ICT by the government has not improved the efficiency of government services (47%) ↔ 3. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are non-existent (68%) ↔ 18. Digital content in the country is not accessible via multiple platforms (39%) ↓ |

Deteriorated

- 78% perceived that government procurement decisions and implementation plans on ICT did not help technological innovation; in fact 44% did not think government has a clear implementation plan.
 - ✓ 39% mentioned that digital content in the country is not accessible via multiple platforms



2009-10: 122nd
 2010-11: 119th
 2011-12: 122nd

C. Innovation & Technology

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------|---|--|
| Good (0.00 to 1.00) | 13. ICT are an overall priority for the government (70%) 14. Companies are able to absorb new technology (52%) 15. The latest technologies are largely available and used (50%) 16. FDI in the country is an important source for new technology (45%) 17. The government does not have a very clear implementation plan for utilizing information and communication technologies for improving the country's overall competitiveness (41%) 18. Digital content in the country is accessible via multiple platforms (45%) 19. Companies use the internet extensively for buying and selling goods, and for interacting with customers and suppliers (45%) | 15. The latest technologies are largely available and used (47%) ⇄ 14. Companies are able to absorb new technology (57%) ⇄ 16. FDI in the country is an important source for new technology (46%) ⇄ 13. ICT are an overall priority for the government (60%) ⇄ 19. Companies use the internet extensively for buying and selling goods, and for interacting with customers and suppliers (57%) ⇄ * Virtual social networks (Facebook, Twitter, LinkedIn etc.) for professional & personal communication are used. (56%) |

Unchanged/Negative Remarks

- Scientific research is widely neglected.
 - ✓ Limited number of scientific institutes (-1.43; 81%) and lack of collaboration between business community and local universities (-1.62; 90%)
 - ✓ Public and private investments for R&D are one of the least important areas
- Progress related to development of ICT services is very slow
 - ✓ Yet to ensure ICT access for citizens (-0.26; 50%) or to create new businesses (-0.04; 38%) or to ensure internet access in schools (-1.23; 77%);
- Use of ICT has yet to improve efficiency of government services (-0.37; 47%)
 - Large investment is required for ICT related infrastructure development.



2009-10: 71st
2010-11: 66th
2011-12: 67th

D. Financial Environment

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|----------------------------------|--|--|
| Worse (-2.00 to - 1.01) | <ol style="list-style-type: none">1. Entrepreneurs with innovative but risky projects do not often find venture capital (82%)2. It is often impossible to obtain a bank loan with only a good business plan and no collateral (68%) | <ol style="list-style-type: none">2. It is often impossible to obtain a bank loan with only a good business plan and no collateral (72%) ⇔1. Entrepreneurs with innovative but risky projects do not often find venture capital (82%) ⇔ |

Improved/Positive Remarks

- Although sophistication of local financial market is somewhat weak (-0.44; 50%), perception has improved in 2011.
 - ✓ Increasing number of diversified financial products have been offered (0.1; 43%); trade finance can be made at affordable cost (0.15; 41%)
 - ✓ It is unclear to what extent government political consideration for opening new banks would improve competition in the financial sector
- 71% perceived that banks are somewhat healthy with sound balance sheets, but the perception level has decelerated (0.9 vis-à-vis 1.15 in 2010)
 - ✓ Increasing income from risky ventures (e.g. capital market) is not compatible with usual banking practices, and even at the cost of violation of banking regulations to some extent



2009-10: 71st
2010-11: 66th
2011-12: 67th

D. Financial Environment

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|----------------------------|--|---|
| Bad (-1.00 to -0.01) | 3. Interests of minority shareholders in the country are not protected by law (54%) 4. The inflow and outflow of capital into and from the country is somewhat restricted by law (52%) 5. The level of sophistication of financial markets is somewhat poor by international standards (49%) 6. The financial sector provides a poor variety of financial products and services to business. (43%) 7. Financial auditing and reporting standards regarding company financial performance are weak (45%) 8. Foreign ownership of companies is rare (43%) * Investment environment in 2011 will deteriorate (48%) | 5. The level of sophistication of financial markets is somewhat poor by international standards (50%) ↑ 12. During the past year, obtaining credit for company has become difficult (41%) ↓ ✓ 10. Regulations of securities exchanges is not transparent, effective and independent of undue influence from industry and government (67%) ↓ ✓ 8. Foreign ownership of companies is rare (50%) ⇔ 7. Financial auditing and reporting standards regarding company financial performance are weak (40%) ⇔ 3. Interests of minority shareholders in the country are not protected by law (52%) ⇔ |

- Respondents remained sceptic about the improvement of business environment
 - ✓ Although FDI rules are favourable and beneficial for attracting new investment (1.01; 62%) much hype in the FDI inflow was rather absent.
 - ✓ Entrepreneurs in most cases did not find venture capital for innovation but risky projects (-1.64; 82%)

Declined/Unchanged/negative remarks

- 41% opined that obtaining credit in 2010 became difficult and the level of perception deteriorated (-0.19 vis-a-vis 0.21 in 2010)
 - ✓ Poor deposit collection; diversion of fund to the capital market
- Majority of the respondents expressed their concerns as regards development of capital market in 2010 when the market experienced artificial rise by about 82.8% between Dec, 2009 and Dec., 2010



2009-10: 71st
2010-11: 66th
2011-12: 67th

D. Financial Environment

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|-------------------------|--|---|
| Good (0.00 to 1.00) | 9. Raising money by issuing shares on the stock market is sometimes possible for a good company (61%) 10. Regulations of securities exchanges is transparent, effective and independent of undue influence from industry and government (52%) 11. To obtain trade finance at affordable cost is not much difficult. (43%) 12. During the past year, obtaining credit for company has become easy (42%) 13. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (42%) * Financial sector does provide a variety of financial products and services to business. (42%) | 6. The financial sector provides a number of financial products and services to business. (43%) ↑ 14. Banks are somewhat healthy with sound balance sheets (71%) ↓ 9. Raising money by issuing shares on the stock market is sometimes possible for a good company (50%) ↔ 11. To obtain trade finance at affordable cost is not much difficult. (41%) ↔ 13. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (42%) ↔ |
| Better (1.01 to 2.0) | 14. Banks are generally healthy with sound balance sheets (75%) 15. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (65%) | 15. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (62%) ↔ |

Declined/Unchanged/negative remarks

- ✓ Ineffective rules and regulations (59%), weak monitoring and supervision by the SEC (76%), less protection to minority shareholders (52%), non-transparent rules and regulations, undue interference by influential quarters (67%); insider trading in the stock market (80%); weak financial auditing and reporting standard
- ✓ After the collapse of the capital market, although some regulatory measures were taken, structural reforms were not implemented



Goods market efficiency
2010-11: 102nd
2011-12: 81st

E. Domestic Competition

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|--|--|
| Worse (-2.00 to -1.01) | 1. Process equipment and machinery are mostly imported (90%) ↑ ✓ 2. Specialized research and training services are not available in the country (69%) ↓ | 1. Process equipment and machinery are mostly imported (87%) ↔ 2. Specialized research and training services are not available in the country (82%) ↔ |
| Bad (-1.00 to -0.01) | 3. Formal policies to support cluster development are non-existent (52%) ↑ ✓ 4. Corporate activity is dominated by a few business groups (66%) ↑ 5. Standards on product/ service quality, energy & other regulations are lax (55%) ↔ 6. Anti-monopoly policy is lax and ineffective at promoting competition (43%) ↔ 7. Collaboration among firms, suppliers, partners and associated institutions within clusters is non-existent (%) ↔ 8. Well developed and deep clusters in the economy are rare or absent (43%) ↔ | 15. Buyers make purchasing decisions mainly based on the lowest price (69%) ↓ 5. Standards on product/ service quality, energy & other regulations are lax (61%) ↔ 6. Anti-monopoly policy is lax and ineffective at promoting competition (56%) ↔ 4. Corporate activity is dominated by a few business groups (70%) ↔ 8. Well developed and deep clusters in the economy are rare or absent (37%) ↔ 7. Collaboration among firms, suppliers, partners and associated institutions within clusters is non-existent (52%) ↔ 3. Formal policies to support cluster development are non-existent (53%) ↔ |

Deteriorated

- Buyers' purchasing decisions have not been influenced by quality (-0.76; 69%)
 - rather by lowest price indicating deterioration of purchasing power owing to high inflation.



Unchanged/Negative Remarks

- Markets remained weakly regulated and monitored which adversely affect competition at the retailers and wholesale levels, and hampered the interest of consumers
 - ✓ Lax anti-monopoly policy (-0.66; 56%), dominance of few corporate groups (-0.82; 70%), poor standard regulations and enforcement related to quality of products/services (-0.82; 61%), lack of cooperation among market players, consumer groups and institutions (-0.22; 52%); In all these cases perception has deteriorated.
- Production process remained at inefficient stages.
 - ✓ Lack of domestic base for process equipment and machineries (-1.75; 87%); underdeveloped clusters (-0.11; 37%); unavailability of specialised research and training services (-1.32; 82%)



Goods market efficiency
 2010-11: -102nd
 2011-12: 81st

E. Domestic Competition

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|-------------------------|---|---|
| Good (0.00 to 1.00) | 9. Competition in the local market is intense in most industries (62%) 10. State-owned enterprises have little role in the economy (64%) 11. Local suppliers are numerous and include the most important materials, components, equipment and services (53%) 12. The quality of local suppliers is good (52%) 13. Starting a new business is easy (42%) 14. State-owned enterprises are not favoured over private sector competitors (46.0%) | 9. Competition in the local market is intense in most industries (51%) ⇔ 11. Local suppliers are numerous and include the most important materials, components, equipment and services (51%) ⇔ 12. The quality of local suppliers is good (42%) ⇔ 10. State-owned enterprises have little role in the economy (54%) ⇔ 14. State-owned enterprises are not favoured over private sector competitors (39%) ⇔ 13. Starting a new business is easy (41%) ⇔ |
| Better (1.01 to 2.0) | 15. Buyers make purchasing decisions mainly based on the quality of products (67.0%) | |

Unchanged/Positive Remarks

- Competition in the local market is somewhat intense in most industries (0.53; 51%) due to too many market players at all segments of the value chain (51%).
 - ✓ Easy market entry though positively contributed (41%) but lack of adequate information related to market size, market players and their shares etc. rather adversely affect competition.



2009-10: 100th
2010-11: 105th
2011-12: 98th

F. Company Operations and Strategies

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|--|---|
| Worse (-2.00 to -1.01) | <ol style="list-style-type: none"> 1. Competitiveness of companies in international markets is primarily due to low cost or local natural resources (83%) 2. Exports to neighboring countries are limited (75%) 3. Companies do not spend money on R&D (80%) 4. Companies obtain technology exclusively from licensing or imitating foreign companies (78%) 5. Willingness to delegate authority to subordinates is low - top management controls all important decisions (67%) | <ol style="list-style-type: none"> 1. Competitiveness of companies in international markets is primarily due to low cost or local natural resources (82%) ⇔ 2. Exports to neighboring countries are limited (85%) ⇔ 3. Companies do not spend money on R&D (88%) ⇔ 4. Companies often technology exclusively from licensing or imitating foreign companies (85%) ⇔ 6. Management compensation is based on fixed salaries (78%) ↓ ✓ |
| Bad (-1.00 to -0.01) | <ol style="list-style-type: none"> 6. Management compensation is based on fixed salaries (67%) 7. Production processes mostly use labour-intensive methods or previous generations of process technology (62%) 8. The extent of marketing is limited and primitive (60%) 9. Exporting companies sell primarily in a small number of foreign markets (57%) 10. Exporting companies are primarily involved in individual steps of the value chain (48%) 11. International distribution & marketing takes place through foreign companies (45%) | <ol style="list-style-type: none"> 10. Exporting companies are primarily involved in individual steps of the value chain (56%) ⇔ 9. Exporting companies sell primarily in a small number of foreign markets (61%) ⇔ 7. Production processes mostly use labour-intensive methods or previous generations of process technology (71%) ⇔ 8. The extent of marketing is limited and primitive (59%) ⇔ 11. International distribution & marketing takes place through foreign companies (48%) ⇔ 5. Willingness to delegate authority to subordinates is low - top management controls all important decisions (69%) ↑ 13. Senior management positions are held by usually relatives without regard to merit (46%) ↓ |

Improved/Deteriorated

- Although top management controls all important decisions, their willingness to delegate authority to subordinates has improved (-0.93; 69%).
- ✓ Senior management positions mostly depend on relations (-0.26; 46%) which is an indication of deterioration of corporate practices



2009-10: 100th
2010-11: 105th
2011-12: 98th

F. Company Operations and Strategies

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|---------------------------|--|--|
| Good (0.00 to 1.00) | <p>12. Firms are responsive to customers and customer retention (58%)</p> <p>13. Senior management positions are held by professional managers chosen based on superior qualification (37%)</p> <p>14. Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (37%)</p> | <p>12. Firms are responsive to customers and customer retention (53%) ↔</p> <p>14. Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (47%) ↔</p> |

Unchanged/Negative Remarks

- Companies operations regarding use of technologies, involvement in the value chain, marketing of products and customer retention remained at early stage of development
 - ✓ Limited involvement in the value chain (-0.52; 56%), practice of labour intensive or use of previous generation technologies (-0.99; 71%), primitive way of marketing (-0.69; 59%), limited global exposure (-0.46; 61%) through foreign buyers (-0.46; 48%), competition for the bottom (-1.44; 82%), marginal investment either for R&D (-1.65; 88%) or for new technology (-1.51; 85%).
 - ✓ In most cases, perception level has declined.



2009-10: 129th
2010-11: 106th
2011-12: 108th

G. Education & Human Capital

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|---|--|
| Worse (-2.00 to -1.01) | 1. Formal social safety net does not provide protection from economic insecurity due to job loss or disability (80%) 2. Primary schools are of poor quality (72%) | 2. Primary schools are of poor quality (80%) ⇔ 3. Talented people leave to pursue opportunities in other countries (75%) ↓ |
| Bad (-1.00 to -0.01) | 3. Talented people leave to pursue opportunities in other countries (65%) 4. Math & science education in the schools lags far behind many other countries in the world (58%) 5. Labour regulation prevents the companies from employing foreign labour (48%) 6. The educational system often does not meet the needs of a competitive economy (54%) 7. Pay is not related to worker productivity (46%) 8. Management or business schools are limited or of poor quality (39%) 9. For similar work, wages for women are below those of men (51%) 10. Scientists & engineers are not widely available (40%) 11. The general approach of companies to human resources is to invest little in training and employee development (58%) | 6. The educational system often does not meet the needs of a competitive economy (62%) ⇔ 4. Math & science education in the schools lags far behind many other countries in the world (74%) ⇔ 8. Management or business schools are limited or of poor quality (43%) ⇔ 10. Scientists & engineers are not widely available (46%) ⇔ 7. Pay is not related to worker productivity (51%) ⇔ 5. Labour regulation prevents the companies from employing foreign labour (55%) ⇔ 11. The general approach of companies to human resources is to invest little in training and employee development (71%) ⇔ 9. For similar work, wages for women are below those of men (43%) ⇔ |

Deteriorated

- 75% opined that brain drain has increased perhaps because of easy access to international job markets and educational institutions (-1.13 vis-a-vis -0.97 in 2010)
- Wages fixed at company level to a large extent (75%) but with decelerated perception in 2011 (0.91 vis-a-vis 1.17 in 2010)
 - ✓ Number of incidences of worker unrest for higher wages is a major concern



2009-10: 129th
 2010-11: 106th
 2011-12: 108th

G. Education & Human Capital

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|-------------------------|--|--|
| Good (0.00 to 1.00) | 12. The hiring and firing of workers is somewhat flexibly determined by employers (56%) 13. Labor-employer relations are generally cooperative(44%) 14. Businesses provide women with the same opportunities as men to rise to positions of leadership (36%) * Compliance with international labour standards in export-oriented industries is increasing (59%) | 12. The hiring and firing of workers is flexibly determined by employers (63%) ⇔ 13. Labor-employer relations are generally cooperative(43%) ⇔ 15. Wages are fixed by each individual company (75%) ↓✓ 14. Businesses provide women with the same opportunities as men to rise to positions of leadership (43%) ⇔ |
| Better (1.01 to 2.0) | 15. Wages are fixed by each individual company (70%) | |

Unchanged/Negative Remarks

- 62% mentioned that educational system hardly meets the requirement of a competitive economy (-0.68 vis-a-vis -0.42 in 2010).
 - ✓ Poor quality of primary schools (-1.19; 80%); large gap of math & science education with international standard (-0.97; 74%); poor quality of management schools (-0.26; 43%); lack of availability of science and engineers (-0.25; 46%)
- Most of the companies pay little attention to human resource development, retention to employees, non-discriminatory practices.
 - ✓ Little effort is provided on workers' training for skill development (-0.97; 71%); wage and productivity are weakly related (-0.26; 51%); prevalence of wage discrimination (-0.09; 43%)



2009-10: 129th
2010-11: 106th
2011-12: 108th

G. Education & Human Capital

Unchanged/Positive Remarks

- Work permit for foreign workers is not easy to obtain mainly to provide advantage to local workers (-0.58; 55%) ; however, number of foreign workers working illegally presumably increased in recent years.
- Labour-employer relations are mentioned as cooperative (0.06; 43%)
 - ✓ Flexibility in hiring/firing of workers (0.66; 63%) may be an advantage for employers' point of view but may considered to be 'vulnerable' to workers in terms of job security. 1



H. Corruption, Ethics & Social Responsibility

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|---|---|
| Worst (-3.00 to -2.01) | | 3. Undocumented extra payments or bribes made by firms for annual tax payments are common (94%) ↓ |
| Worse (-2.00 to -1.01) | 1. Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are common (86%) 2. Domestic firms paying bribes to public servants or public officials are common (88%) 3. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (84%) 4. Undocumented extra payments or bribes made by firms for import and export permits are common (83%) 5. The government's effort combat corruption and bribery is unsuccessful (74%) 6. Diversion of public funds to companies, individuals or groups due to corruption is common (74%) 7. Undocumented extra payments or bribes made by firms for public utilities are common (69%) | 2. Domestic firms paying bribes to public servants or public officials are common (87%) ↔ 5. The government's effort combat corruption and bribery is unsuccessful (76%) ↔ 6. Diversion of public funds to companies, individuals or groups due to corruption is common (85%) ↔ 4. Undocumented extra payments or bribes made by firms for import and export permits are common (88%) ↔ 7. Undocumented extra payments or bribes made by firms for public utilities are common (80%) ↔ 1. Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are common (91%) ↔ |

Deteriorated

- 94% perceived that undocumented extra payments or bribes made by firms for tax payments has increased and getting 'worst' in 2011 which is an indication of rising corruption (-2.05 vis-a-vis -1.76 in 2010).



H. Corruption, Ethics & Social Responsibility

Unchanged/Negative Remarks

- Perception regarding corruption has further aggravated though has not worsened in all instances.
 - ✓ Payment of bribes to public officials(-1.93; 87%), in import and export transactions (-1.91; 88%), for public utilities (-1.58; 80%), for awarding public contracts or licences (-1.98; 91%) and diversion of public fund (-1.54; 85%)
 - ✓ Payment of bribes by foreign firms (-0.64; 58%), political influences for favourable judicial decisions (-1.0; 67%), influencing policies and laws (-0.97; 70%), lowering corporate ethics (-0.88; 67%), practising bribes within private sector (-0.67; 63%).
 - ✓ Perception level in most cases have deteriorated indicating gradual rise of corrupt practices.
- 3/4th respondents largely disagreed with the effectiveness of the efforts of the government to combat against corruption (-1.53 vis-a-vis -1.39 in 2010)
 - ✓ Weak functioning of 'anti-corruption commission'; enactment of new laws with little power to take actions independently have been identified as the major shortfalls



H. Corruption, Ethics & Social Responsibility

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|----------------------------|---|---|
| Bad (-1.00 to -0.01) | <ul style="list-style-type: none"> 8. Illegal payments to influence government policies, laws or regulations have a negative impact on the company (59%) 9. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are common (60%) 10. Foreign firms paying bribes to public servants or public officials are common (56%) 11. The corporate ethics of firms in the industry are worse than those in some other countries in the world (56%) 12. The judiciary is influenced by political influences of members of the government, citizens or firms (52%) 13. Undocumented extra payments or bribes from one private firm to another to secure business are common (51%) 14. If someone loses a purse or wallet containing US\$100, and it is very unlikely to be returned if it is found by neighbor (49%) 15. Corporate codes of conduct and other aspects of corporate social responsibilities are rare (58%) | <ul style="list-style-type: none"> 10. Foreign firms paying bribes to public servants or public officials are common (58%) ⇔ 9. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are common (67%) ⇔ 8. Illegal payments to influence government policies, laws or regulations have a negative impact on the company (70%) ⇔ 11. The corporate ethics of firms in the industry are worse than those in some other countries in the world (67%) ⇔ 13. Undocumented extra payments or bribes from one private firm to another to secure business are common (63%) ⇔ 14. If someone loses a purse or wallet containing US\$100, and it is very unlikely to be returned if it is found by neighbor (53%) ⇔ 12. The judiciary is influenced by political influences of members of the government, citizens or firms (67%) ⇔ 15. Corporate codes of conduct and other aspects of corporate social responsibilities are rare (48%) ⇔ |



I. Travel & Tourism

| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|-------------------------|--|--|
| Bad (-1.00 to -0.01) | 1. Development of the Travel and Tourism sector does not take into account issues related to environmental protection and sustainable development (57%) 2. Tourism marketing is non-existent or ineffective in attracting tourists (54%) | 1. Development of the Travel and Tourism sector does not take into account issues related to environmental protection and sustainable development (63%) ⇄ 2. Tourism marketing is non-existent or ineffective in attracting tourists (57%) ⇄ |
| Good (0.00 to 1.00) | 3. The development of the Travel and Tourism industry is a priority for the government to some extent (52%) 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (52%) | 3. The development of the Travel and Tourism industry is a priority for the government to some extent (52%) ⇄ 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (50%) ⇄ |
| Better (1.01 to 2.0) | 5. Foreign visitors are usually welcome in the country (89%) | 5. Foreign visitors are usually welcome in the country (89%) ⇄ |

Unchanged: Positive/Negative Remarks

- Travel and tourism sector is growing without proper attention on regulatory, environmental and marketing issues
 - ✓ 63% mentioned that environmental concerns are not properly addressed (-0.74 vis-a-vis -0.65 in 2010)
 - ✓ More than half of the respondents opined that tourism marketing is not effective enough to attract tourists (-0.68; 57%)
- Although government provides priorities to the tourism sector (0.23; 52%), lack of budgetary allocation for the development of tourist spots remain a major concern



| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|------------------------------|--|--|
| Worse (-2.00 to -1.01) | 1. Enforcement of environmental regulation is lax (74%) | 1. Enforcement of environmental regulation is lax (75%) ⇔ |
| Bad (-1.00 to -0.01) | 2. Environmental regulation is lax (66%) 3. Environmental challenges have negative impact on business operations or local business expansion (56%) 4. The natural environment is polluted (50%) 5. Country's development is not sustainable (41%) | 2. Environmental regulation is lax (57%) ⇔ 3. Environmental challenges have negative impact on business operations or local business expansion (52%) ⇔ 4. The natural environment is polluted (50%) ⇔ 5. Country's development is not sustainable (49%) ⇔ |

Unchanged: Negative Remarks

- Environmental concerns remained at the same level .
 - ✓ Lax environmental regulations (-0.69; 57%) as well as their weak enforcement (-1.24; 75%) perceived to be to the major reasons
 - ✓ Government responses towards initiating different measures appear to be inadequate
- Development with sustainable environment remains a major challenge for the country (-0.32; 49%)
 - ✓ Environment is affected both by the expansion of businesses (-0.48; 52%) as well as improper way of handling industrial waste that causes pollution to natural environment (-0.23; 50%)
 - ✓ Weak enforcement of environmental regulations is a major concern.



| Level | 2010 (last year's survey) | 2011 (this year's survey) |
|---------------------------|--|---|
| Worse (-2.00 to -1.01) | 1. Quality of healthcare provided for ordinary citizens is poor (88%) 2. Healthcare delivery is largely fragmented among physicians, clinics and hospitals (79%) 3. Healthcare is mostly accessible among elites (72%) | 1. Quality of healthcare provided for ordinary citizens is poor (83%) ⇔ 3. Healthcare is mostly accessible among elites (69%) ⇔ |
| Bad (-1.00 to -0.01) | 4. Heart disease and related cardio vascular problems are minor problems (46%) 5. Employees do not take advantage of the policies and/or programmes implemented (41%) | 2. Healthcare delivery is largely fragmented among physicians, clinics and hospitals (81%) ↑ 4. Heart disease and related cardio vascular problems are minor problems (53%) ⇔ 5. Employees do not take advantage of the policies and/or programmes implemented (37%) ⇔ 9. Diabetes does not impact seriously (49%) ↓ |
| Good (0.00 to 1.00) | 6. Mental illness does not impact seriously (59%) 7. Tuberculosis does not impact seriously (55%) 8. Cancer does not impact seriously (45%) 9. Diabetes does not impact seriously (40%) | 6. Mental illness does not impact seriously (61%) ⇔ 8. Cancer does not impact seriously (50%) ⇔ |
| Better (1.01 to 2.0) | 10. HIV/AIDS is not affecting business operations (65%) 11. Malaria does not impact seriously (61%) | 7. Tuberculosis does not impact seriously (61%) ↑ 10. HIV/AIDS is not affecting business operations (77%) ⇔ 11. Malaria does not impact seriously (70%) ⇔ |

Improved

- Although healthcare delivery is largely fragmented (81%), perception level on delivery has improved (-1.25 vis-a-vis -1.37 in 2010)
 - Reintroduction of community clinics, and appointment of more specialised doctors at district hospitals perhaps improved the situation.



Improved

- Prevalence of tuberculosis among employees is perceived to have declined and is considered not to have any serious impact on workers and the working environment (1.05; 61%)

Deteriorated/Unchanged

- Diabetes among employees perceived to have somewhat adverse impact on companies (49%)
 - ✓ Cancer (0.23; 50%) and HIV/AIDS (1.39; 77%) do not have any adverse impact



VI. Findings from Rapid Perception Survey



VI Rapid Perception Survey 2011

| Level | 2010 | 2011 |
|----------------------------------|---|--|
| Worse (-2.00 to - 1.01) | 1. Inflation is one of the top most challenges in 2010 (77%) 2. The supply of electricity will not increase significantly in 2010 (82%) 3. The supply of gas will not increase significantly in 2010 (85%) 4. Government's initiatives to enhance generation of electricity/gas are not adequate (85%) 5. Government's initiatives to combat climate change are not adequate (68%) 6. Insider trading in stock market is pervasive (77%) | 1. Inflation is one of the top most challenges for Bangladesh in 2011 (83%) ⇔ 3. Supply of gas will not increase significantly in 2010 (82%) ⇔ 4. Government's initiatives to enhance generation of electricity/gas are not adequate (75%) ⇔ • Government's efforts to combat the rising of food prices are ineffective (74%) • Monitoring and supervision system of the SEC is inefficient (76%) • Inflation is one of the a top most challenges in 2011 (83%) ⇔ • Government has not properly flagged the climate change issues both at home and abroad (38%) 6. Insider trading in stock market is pervasive (80%) ⇔ |
| Bad (-1.00 to - 0.01) | 7. Bangladesh policy makers were not fully able to successfully address the impact of global financial crisis (47%) 8. Government's fiscal stimulus packages were not effective (52%) 9. The investment environment in 2010 will deteriorate further (48%) 10. Bangladesh's draft Industrial Policy 2009 is unfriendly to industries (31%) 11. Bangladesh will not become a middle income country by 2015 (52%) 12. Government is not on the right track towards a digital Bangladesh by 2021 (53%) | 2. Supply of electricity will not increase significantly in 2011 (61%) ↑ 9. Investment environment in 2011 to some extent will deteriorate (36%) ⇔ • Development of 'Industrial relations' is mainly related with reducing labour unrest in the industrial sector (43%) • Government's initiatives in the last two years were inadequate to build Digital Bangladesh by 2021 (62%) • Corporate tax structure is somewhat not so conducive for higher level of investment (48%) • Rules and regulation regarding capital market is inadequate (59%) • Money laundering through the formal banking system is somewhat pervasive (45%) ↓ |
| Good (0.00 to 1.00) | 13. Bangladesh will be able to take advantage of the global recovery in 2010 (54%) 14. The food security in 2010 is optimistic (44%) 15. The use of Mongla & Chittagong sea ports for movement of goods to and from India will impact beneficial on Bangladesh economy (43%) 16. Bangladesh's trade & investment with India will be accelerated in near future in view of recent initiatives (51%) 17. Income inequality will not emerge as a major challenge for the development of Bangladesh over the next decade (65%) 18. Post Global Financial Crisis scenario is positive (50%) | • PPP would be one of the major ways of investment in the infrastructure sector (52%) |



VI Rapid Perception Survey 2011

- There has been no major change in the perception regarding recent issues and concerns related to the domestic economy.
 - ✓ 61% perceived that supply of electricity in 2011 is likely to be increased; however, overall condition of supply remained at a poor state as mentioned earlier
 - ✓ 83% respondents perceived that inflation will be a major challenge for the economy in 2011 (77% in 2010).
 - ✓ 38% remarked that climate change issue is not being properly flagged by the government both at home and abroad.
- 45% perceived that money laundering has increased in 2010 which is also reflected in various media reports.
- 43% opined that increasing labour unrest in the industrial zones is a major hindrance towards development of sustainable industrial relations in the country.

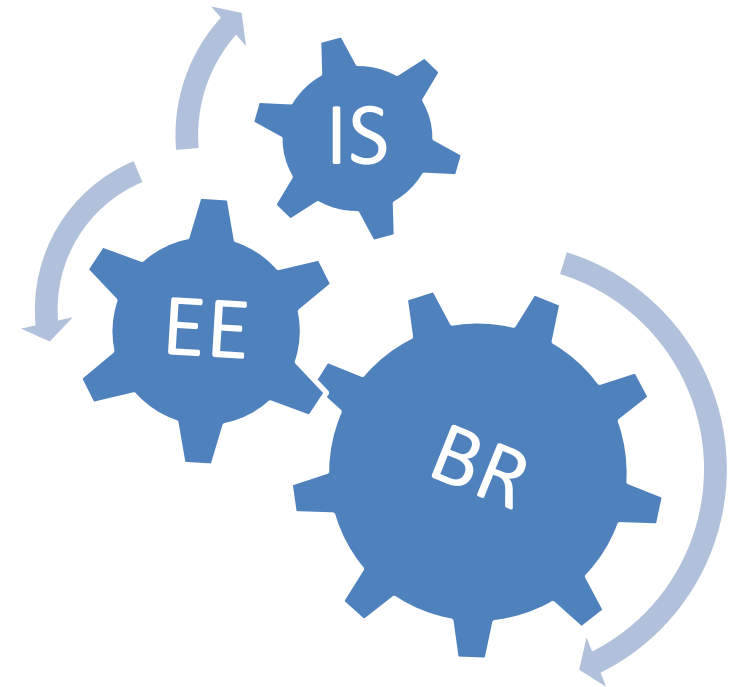


VII. Concluding Remarks



VII. Concluding Remarks

- Bangladesh slipped one rank and became 108th out of 142 countries in the GCI of 2011.
- Although positive changes were discerned in different indicators, these changes were insignificant to create enough forces to run the wheel of the economy at required pace
 - ✓ Without having sufficient 'push' in the wheel of 'basic requirements', growth in rank of GCI is likely to remain at 'snail' pace.
- Bangladesh should set a strategic target to lift its ranking upwards in a gradual manner
 - It should set target to reach its ranking at least at 90
- To reach 99th ranking in GCI, Bangladesh needed to improve its GCI score from 3.73 to 3.84
 - ✓ BR score: from 3.81 to 4.08; EE score: already reached; IS score: from 3.04 to 3.55





VII. Concluding Remarks

- First and most important focus should be on infrastructure development, creating efficient public institutions, reducing corruption and human resource development in order to enhance productivity.
 - ✓ Strong political stance is required against corruption, wasteful or delayed public spending and strengthening of local government system
 - ✓ Trade facilitation measures should be strengthened
- Government's initiatives in the last two years were perceived to be inadequate to build *Digital Bangladesh* by 2021
 - ✓ Focus should be put in place on time bound implementation of action plan of *ICT policy 2009*; investment in ICT infrastructure development; access of internet services at village/school level should also be improved
- Controlling corruption will be a major challenge for the government in the coming years.



VII. Concluding Remarks

- ✓ Ensuring discipline in the financial sector is a major issue for growth and development.
 - ✓ Difficulty in obtaining credit, poor monitoring and supervision both in banking and capital markets, weak regulation, poor financial auditing and reporting), and rise of money laundering- are major concerns
- ✓ Domestic competition and company level operations are being circumvented by the same traditional practices with little dynamism in technology, process and marketing
 - ✓ Investment in heavy industries, ensuring availability of high and sophisticated process equipment/machineries, cluster development (SMEs), R&D for product and process development and market penetration should be the focus of industrial development.

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Thank you!