



CPD MEDIA BRIEFING

Launch of
WEF's Global Competitiveness Report 2008-2009
and
CPD's Bangladesh Business Environment Study 2008

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B A N G L A D E S H

a civil society think-tank



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I. INTRODUCTION

- Centre for Policy Dialogue (CPD) in collaboration with the World Economic Forum (WEF) has been assessing business competitiveness environment of Bangladesh since 2001. This is the eighth in the series.
- CPD executed the *WEF's Executive Opinion Survey* (based on the questionnaire developed by the WEF), and also conducted the CPD's fifth *Rapid Perception Survey* on the current economic issues.
 - *Executive Opinion Survey* deals with issues related to government and public institutions, infrastructure, innovation and technology, financial environment, business operation and sophistication, education and human capital, corruption, ethics and social responsibility, travel and tourism, environment, and health.
 - *Rapid Perception Survey* focused on current issues of Bangladesh economy including interest rate, inflation, investment, employment, production, export situation, government's institutional reform, labour standard, food security, privatisation of public enterprises, NRB's investment in Bangladesh and investment by Bangladeshi nationals abroad.



I. INTRODUCTION (CONTINUED)

Major objectives of the Press Briefing are:

- To launch WEF's *Global Competitiveness Report 2008-2009* which is being globally launched today (October 8, 2008) and to report on Bangladesh's relative performance in the global context
- To report on the detailed findings of the WEF-CPD study on *Bangladesh's Business Environment in 2008*
- To report on the findings of the CPD's *Rapid Perception Survey* as regards interest rate, inflation, investment, employment, production, export situation, government's institutional reform and Bangladesh's economic performance and growth prospects in 2008-2009.



II. OBJECTIVES, SCOPE AND COVERAGE OF CPD SURVEY

Objectives of the Survey

- **To elicit information on competitive environment in the country for identifying major bottlenecks and impediments which constrain proper functioning of the business sector of the country**
- **To generate information on positive achievements of the country in terms of the trends in the economy with respect to competitive environment for trade and investment**
- **To understand intertemporal changes in competitiveness environment as opined by executives of the companies based on GCR 2008-2009 and GCR 2007-2008**
- **To know about perceptions of the business leaders regarding trends in Bangladesh economy**
- **To provide inputs to the policymakers and stakeholders in their efforts to prioritise the areas for improving economic governance in the country through focused initiatives**



II. OBJECTIVES, SCOPE AND COVERAGE OF CPD SURVEY (continued)

Issues Covered under the Survey

Issues Dealt with in WEF-CPD Perception Survey

- **Government and Public Institutions**
- **Infrastructure**
- **Innovation and Technology**
- **Financial Environment**
- **Business Operation and Sophistication**
- **Education and Human Capital**
- **Corruption, Ethics and Social Responsibility**
- **Health**
- **Travel and Tourism**
- **Environment**

Issues Dealt with in CPD's Rapid Perception Survey

- **Company operations influenced by Inflation and Interest rate**
- **Companies' production, export, investment and employment**
- **Impact of various institutional reform on business and investment**
- **Labour standard in the country**
- **Country's food security**
- **Privatisation of public enterprises**
- **NRB investment in Bangladesh**
- **Bangladeshi investment abroad**
- **Perception as regards various business Indicators**

II. OBJECTIVES, SCOPE AND COVERAGE OF CPD SURVEY (continued)

Coverage of CPD Perception Survey

Sectors	No. of Companies (%)	
	2007	2008
Manufacturing (RMG, pharmaceuticals, other manufacturing)	58 (59%)	36 (39.6%)
Financial Institution	17 (17%)	10 (11%)
Real Estates & Construction	6 (6%)	9 (9.9%)
ICT	8 (8%)	12 (13.2%)
Others	10 (10%)	24 (26.4%)
Total	99 (100%)	91 (100%)

Survey Period:

2007: January-March

2008: February-April

Spatial Distribution:

2007: 79 (80%) companies
are located in Dhaka

2008: 81 (89%) companies
are located in Dhaka

- **This year's survey was initiated in early February and completed towards the end of April, 2008.**
 - The survey results mainly reflect the perception of the respondents based on their impressions for the preceding one year (February, 2007 to January, 2008).
- **However, business executives provided their perception as regards growth prospect of the country for the year 2008.**



III. METHODOLOGY

Survey Design

- **The survey was designed to cover relatively large companies i.e. those having total assets of no less than Tk.10 crores (Tk.100 million).**
- **Number of respondents in this year's survey was 91. Last year it was 99.**
- **Geographical distribution of companies shows very high concentration (89%) in Dhaka.**
- **Sectoral distribution of companies shows that 39.6% respondents were from manufacturing sector (RMG, pharmaceuticals, other manufacturing sectors), 11% from financial institutions, 9.9% from ICT, 13.2% from real estate and construction and the rest 26.4% from other sectors.**
- **The structure of ownership of businesses shows prominent presence of domestic entrepreneurs: about 73.6% companies are owned by domestic entrepreneurs; the rest 26.4% are foreign owned or joint ventures.**



III. METHODOLOGY (CONTINUED)

Statistical Techniques

- **Executive Opinion Survey basically relates to qualitative data:**
 - Three positive response levels (completely agree, largely agree and somewhat agree) and three negative perceptions (completely disagree, largely disagree and somewhat disagree) were clustered into two groups
- **The analysis has been performed by employing two statistical techniques:**
 - frequency analysis of the responses
 - application of weighted index for each of the questions
- **Frequency distribution of these six response levels were computed and reported**
- One of the limitations of the frequency method is that all the three levels of responses are treated with equal weight. To overcome this limitation, a weighted frequency analysis method was deployed.

III. METHODOLOGY (CONTINUED)

'Average Weighted Response' for Assessment of Business Environment of Bangladesh

	Response Levels						
	Completely Disagree	Largely Disagree	Somewhat Disagree	Indifferent	Somewhat Agree	Largely Agree	Completely Agree
Weight	-3	-2	-1	0	+1	+2	+3
Overall perception (Based on average weighted Response)	Overall perception is <u>Negative</u> , when majority disagreed				Overall perception is <u>Positive</u> , when majority agreed		
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)

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)**

Index Used to Assess Competitiveness of Countries of the World

- To assess competitiveness of countries and rank them in order, GCR makes use of *Global Competitiveness Index (GCI)*



Global Competitiveness Report 2008-2009 Major Findings



IV. GLOBAL COMPETITIVENESS REPORT 2008-2009

Global Competitiveness Index (GCI)

- In GCR 2008-2009, a total of **134** countries have been assessed, while the number of countries in last year's survey was **131**.
 - Four new countries have been included in this year's survey whereas one country (Uzbekistan, 62) has been excluded from the last year's list. New countries and their positions are: Brunei Darussalam (39), Ghana (102), Cote d'Ivoire (110) and Malawi (119). All these countries except Malawi are better performers compared to Bangladesh.
- USA retains the top rank in GCI 2008-09 followed by Switzerland, Denmark, Sweden, Singapore, Finland, Germany, Netherlands, Japan and Canada. USA is endowed with a winning combination of highly sophisticated and innovative companies operating in very efficient factor markets. The country has a large domestic market; its financial market is highly sophisticated, although its institutions and macroeconomic performance are moderately good.
- Ranking of India, Pakistan, Sri Lanka and Nepal has slid down while that of China has improved. Ranking of African LDCs mentioned in the table, has deteriorated in this year's survey except for Benin, Ethiopia and Gambia.

Top Performers in GCI 2008-2009

Economy	GCI 2007-2008 rank (131)	GCI 2008-2009 rank (134)	Change
United States	1	1	↔
Switzerland	2	2	↔
Denmark	3	3	↔
Sweden	4	4	↔
Singapore	7	5	↑
Finland	6	6	↔
Germany	5	7	↓
Netherlands	10	8	↑
Japan	8	9	↓
Canada	13	10	↑

GCI Rankings of Selected Countries

Economy	GCI 2007-2008 rank (131)	GCI 2008-2009 rank (134)	Change	2008 (Same set of countries of 2007)
Asian Countries				
Bangladesh	107	111	↓	109
India	48	50	↓	49
Pakistan	92	101	↓	92
Sri Lanka	70	77	↓	70
Nepal	114	126	↓	123
Cambodia	110	109	↑	108
China	34	30	↑	34
Vietnam	68	70	↓	68
African LDCs				
Benin	108	106	↑	109
Ethiopia	123	121	↑	126
Gambia	102	87	↑	102
Madagascar	118	125	↓	120
Mali	115	117	↓	117
Mozambique	128	130	↓	131
Uganda	120	128	↓	123
Tanzania	104	113	↓	105



□ Global Competitiveness Index (GCI) (contd...)

- **Bangladesh was ranked 111 out of 134 countries in GCR 2008. Its position came down by 4 places in 2008 compared to that of 2007 (GCI rank was 107 out of 131 countries).**
 - **If the comparison was made with the same set of countries which was covered by GCR 2007-08 Bangladesh's position would decline by 2 positions (109 in 2008).**
 - **Thus Bangladesh's poor performance should not be explained by inclusion of 4 new countries in 2008, but is attributed to its relatively poor business environment compared to some of the countries that ranked lower than Bangladesh in GCI 2007-08.**
- **In terms of all indicators, Bangladesh's ranking has slid down considerably except in the health and primary education sector which has remained at same level.**
 - **Bangladesh is among the bottom ten countries in case of institutions (127), higher education and training (131), and technological readiness (126). Bangladesh's rank is relatively better in case of market size (53) and financial market sophistication (82), although her ranking has come down in these indicators as well.**



□ Global Competitiveness Index (GCI) (contd...)

Ranking of Bangladesh in the GCI

Indices	GCI 2007 (131)	GCI 2008 (134)
GCI	107	111 ▼
Basic Requirements	111	117 ▼
Institutions	126	127 ▼
Infrastructure	120	122 ▼
Macro economic stability	87	101 ▼
Health and primary education	105	105 ↔
Efficiency Enhancers	91	97 ▼
Higher education and training	126	131 ▼
Goods market efficiency	93	106 ▼
Labor market efficiency	76	107 ▼
Financial market sophistication	75	82 ▼
Technological Readiness	125	126 ▼
Market size	36	53 ▼
Innovation and sophistication Factors	111	115 ▼
Business sophistication	102	105 ▼
Innovation	117	122 ▼



□ Global Competitiveness Index (GCI) (contd...)

Change in Bangladesh's GCI Scores: 2007 vs 2008

	2007	2008	% change
GCI Score	3.55	3.51	-1.13
<i>Basic Requirements</i>	<i>3.60</i>	<i>3.57</i>	<i>-0.83</i>
Institutions	2.87	2.98	+3.83
Infrastructure	2.19	2.21	+0.91
Macro economic stability	4.62	4.46	-3.46
Health and primary education	4.71	4.63	-1.70
<i>Efficiency Enhancers</i>	<i>3.55</i>	<i>3.48</i>	<i>-1.97</i>
Higher education and training	2.47	2.51	+1.62
Global market efficiency	3.84	3.83	-0.26
Labor market efficiency	4.21	4.01	-4.75
Financial market sophistication	4.09	4.05	-0.98
Technological readiness	2.25	2.34	+4.00
Market size	4.41	4.14	-6.12
<i>Innovation and sophistication Factors</i>	<i>2.99</i>	<i>2.98</i>	<i>-0.33</i>
Business sophistication	3.41	3.46	+1.47
Innovation	2.56	2.51	-1.95

- Bangladesh's performance turned out to be poor in terms of GCI score as well; her score came down from 3.55 (out of 7.00) in 2007 to 3.51 in 2008 (1.13%).
- No mentionable improvement is observed in most areas. Marginal improvement was observed in such areas as institutions (3.83%), and technological readiness (4.00%) etc.
- Notable deterioration was observed in a number of areas such as market size (-6.12%), labour market efficiency (-4.75%) macroeconomic stability (-3.46%).



**Business Environment in Bangladesh
(February, 2007 - January, 2008)**



A. GOVERNANCE AND PUBLIC INSTITUTIONS: Most Institutions are Weak; Low Impact of Various Institutional Changes

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worst (-2.01 to -3.00)	1. Economic policy-making is mostly centralized - national government controls almost all important decisions (92.8%) 2. Public trust in the financial honesty of politicians is very low (96%) 3. When deciding upon policies and contracts, government officials usually favour well-connected firms and individuals (95%) 4. Intellectual property protection and anti-counterfeiting measures are very weak and not enforced (93%)	1. Economic policy-making is mostly centralized - national government controls almost all important decisions (89%) 2. Public trust in the financial honesty of politicians is very low (95.6%)
Worse (-1.01 to -2.00)	5. Police services often cannot be relied upon to enforce law and order (76.7%) 6. The national Parliament is highly ineffective as a law-making institution (79.8%) 7. Complying with administrative requirements for business required by the government is often burdensome (73.8%)	3. When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals (89.1%) ▲ 4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (84.4%) ▲ 5. Police services often cannot be relied upon to enforce law and order (75.9%) 6. The national Parliament is highly ineffective as a law-making institution (76.1%) 7. Complying with administrative requirements for business required by the government is often burdensome (82.5%)

- **Not much change is observed in the decision making process of the government, which is centrally controlled (weighted response: -2.03 in 2008 vis a vis -2.13 in 2007). Development of local government institutions is urgently needed to get a qualitative change in this process.**
 - Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (40.5% respondents with 0.11; last year: 0.03). Agricultural policy should focus on long term needs and demands of the country including food security, diversification of agricultural products etc.
- **89.1% of respondents perceived that government officials moderately favour well-connected firms and individuals when deciding upon policies and contracts. The situation has shown some improvement in this year's survey (-1.85 as against -2.09), possibly due to the actions of the present government.**
- **Composition of government spending is still found to be highly wasteful (83.3% respondents with -1.31). The situation has deteriorated since last year (65.9% respondents with -0.56).**
 - It is unclear what type of spending the government did in 2007, which could be considered wasteful compared to the previous year.
- **The government's efforts to reduce poverty and address income inequality continue to be ineffective this year (69.3% respondents with weighted response, -1.02).**
 - Because of high food inflation, as many as 8% people fell below the poverty line between 2005-2008 (CPD, 2008), which necessitates more focused budgetary supports for the poor. However, for FY2009, special ADP allocation has been made for 276 upazilas of 39 poverty stricken districts in order to reduce poverty and regional disparity.



A. GOVERNANCE AND PUBLIC INSTITUTIONS: Most Institutions are Weak; Low Impact of Various Institutional Changes

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worse (-1.01 to -2.00)	9. The government's efforts to reduce poverty and address income inequality are often ineffective (68.4%) 10. Customs procedures are often slow and cumbersome (88.9%) 11. 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 (81.8%)	8. The composition of public spending is moderately wasteful (83.3%) ▼ 9. The government's efforts to reduce poverty and address income inequality are often ineffective (69.3%) 10. Customs procedures are often slow and cumbersome (88%) 11. 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 (73.7%)
Bad (-0.01 to -1.00)	8. Composition of public spending is slightly wasteful (65.9%) 12. Property rights, including over financial assets, are somewhat poorly defined and not well-protected by law (56.6%) 13. Firms are sometimes not informed clearly by the government about changes in policies & regulation (55.5%)	12. Property rights, including over financial assets, are somewhat poorly defined and not well-protected by law (57.8%) 13. Firms are sometimes not informed clearly by the government about changes in policies & regulation (61.6%) 14. The level of taxes slightly limits the incentives to work or invest (59.4%) ▼
Good (0.01 to 1.00)	14. The level of taxes does not limit the incentives to work or invest (47.5%) 15. Government subsidies & tax breaks often do not seriously distort competition (45.4%) 16. Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (36.8%)	15. Government subsidies & tax breaks often do not seriously distort competition (47.7%) 16. Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (40.5%)
Better (1.01 to 2.00)	17. The press is relatively free (86.8%)	17. The press is relatively free (81.4%)

- **Complying with administrative requirements for business required by the government is often burdensome (82.5% with -1.57). The situation has worsened since last year (73.8% respondents with weighted response of -1.01), possibly due to pressure on businesses/firms to strictly follow rules and regulations in order to re-enforce proper order.**
 - Although some improvement was discerned in case of customs procedures (-1.48 in 2008 against -1.61 in 2007), the procedures are still considered to be slow and cumbersome. The recently launched automation process could perhaps enable to speed up the process and would reduce corruption and enhance efficiency.
 - **More than 60% respondents opined that firms are sometimes not informed clearly about changes in policies and regulations, and the situation has marginally deteriorated this year compared to the previous year (-0.58 in 2008 against -0.30 in 2007).**
 - Because of rise of import duties on raw materials and intermediate products in the budget for fiscal year 2007-2008, leading businessmen perceived it as disincentive for work or investment. However, duties over raw materials and intermediate products have been reduced in the budget for FY2008-09.
- **Freedom of press, though perceived to exist in the country, is thought to have somewhat declined in 2007 compared to that of the previous year (1.55 in 2008 against 1.78 in 2007). Press is sometimes found to be hesitant to publish certain reports on various critical issues because of the state of emergency.**



B. INFRASTRUCTURE: Development of Infrastructure is Stalled owing to Poor Budgetary Allocation and Mismanagement

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worst (-2.01 to -3.00)	1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is worse than in most other countries (94%)	
Worse (-1.01 to -2.00)	2. General infrastructure of the country is largely underdeveloped (89.8%) 3. Railroads are moderately underdeveloped (88.8%) 4. Port facilities & inland waterways are moderately underdeveloped (81.6%)	1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is worse than in some other countries (93.5%) ▲ 2. General infrastructure of the country is largely underdeveloped (92.4%) 3. Railroads are moderately underdeveloped (91.3%) 4. Port facilities & inland waterways are moderately underdeveloped (82.5%) 7. Roads are moderately underdeveloped (75.9%) ▼

- **General infrastructure of the country is largely underdeveloped and the situation has worsened in 2008 (92.4% respondents with weighted response, -1.71).** Although a number of investment initiatives for infrastructure development was planned by the CTG, however in most cases they were found to be unimplemented or yet to be initiated. No visible changes in the infrastructure was discerned except in the case of port facilities.
 - **Poor development of road system:** 75.9% respondents perceived that roads are underdeveloped in 2007 (weighted response, -1.25) compared to the previous year (72.8% respondents with weighted response, -0.94). This is possibly because of damaged road networks in the southern part of Bangladesh during the period of two consecutive floods and cyclone 'Sidr' in 2007. Although government has provided budgetary support for the development of road network in the affected region, however it is not sufficient in consideration of total requirement.
 - **Rail network is largely underdeveloped and has deteriorated in 2008 compared to that in 2007 (91.3% with -1.73; last year: -1.55).**
 - In order to facilitate country's export and investment, some rail-based projects such as 'Laksham-Dhaka Chord Line', Padma bridge with rail facility etc. need to be initiated.
 - **Port facilities and inland waterways are still considered to be underdeveloped, even though a significant improvement has been observed in this year's response (82.5% with -1.13 in 2008 vis a vis 81.6% with -1.47 in 2007).** It seems that the measures taken to improve management and operational efficiency of Chittagong port by the Caretaker government in 2007, have indeed taken the situation in a positive direction.
 - The development of port facilities in the country should be considered under an integrated framework taking into consideration the long term demand of the country, which includes expansion and modernisation of Chittagong port, development of Mongla port and establishment of a Deep Sea Port in the Bay of Bengal.
 - **Although a number of private sector led airlines have started to operate in the country, including operation of BIMAN under public limited company, 61.1% respondents perceived that the passenger air transport system is not satisfactory (weighted response, -0.58). Air transport network, though continues to offer good connections to many key business locations within and outside the country, a small deterioration in the level of response was perceived by the respondents (44.2% respondents with 0.29 vis a vis 55.1% respondents with 0.47).**
 - Spending a huge amount of money for purchasing a number of new aircrafts would not solve the problem of Biman without taking initiatives on systemic issues.



B. INFRASTRUCTURE: Development of Infrastructure is Stalled owing to Poor Budgetary Allocation and Mismanagement

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Bad (-0.01 to -1.00)	5. New telephone lines for business are quite scarce and difficult to obtain (54.5%) 6. Passenger air transport is slightly underdeveloped (54.6%) 7. Roads are slightly underdeveloped (72.8%) 8. National ground transport network (buses, trains, taxis, etc.) sometimes does not offer efficient, accessible transportation to a wide range of travellers to key business centres and tourist attractions within the country (43.3%)	6. Passenger air transport is slightly underdeveloped (61.1%) 8. National ground transport network (buses, trains, taxis, etc.) sometimes does not offer efficient, accessible transportation to a wide range of travellers to key business centres and tourist attractions within the country (42.9%) • The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$ 100 (54.5%)
Good (0.01 to 1.00)	9. The air transport network offers good connections to some key business markets (55.1%)	5. New telephone lines for business are somewhat available and quite reliable (55%) ▲ 9. The air transport network offers good connections to some key business markets (44.2%)

- **Leading business executives strongly perceived that the quality of electricity supply (lack of interruptions and voltage fluctuations) is poor compared to that in some other countries (93.5% respondents with -1.91). Although, a marginal improvement in the situation has been noted this year (94% respondents with -2.15), the government needs to work very hard to meet the rising demand for electricity.**
 - A low level of implementation of power sector projects in FY2008 along with small allocation of new projects in FY2009 indicates a less optimistic scenario in the future regarding the power sector.
- **42.9% respondents in 2008 perceived that the national ground transport network (buses, trains, taxis etc.) usually does not offer efficient, accessible transportation to a wide range of travellers to key business centres and tourist attractions within the country (weighted response, -0.03). There has been no significant change in this situation since last year (43.3% respondents with weighted response, -0.04).**
 - The government should devise ways to improve such public facilities to generate a positive outcome for the economy.
- **A significant improvement in communication system is discerned as new, reliable telephone lines for business became more available recently (55% respondents with weighted response, 0.3). Comparable figures from last year are 54.5% respondents and weighted response of -0.48.**
 - With the development of telecom infrastructure, different types of telecom services have been introduced in recent times.
- **Postal services, though found to be in poor condition (-0.64 in 2008), would be speedier way of transferring money from different places including from abroad, as various private sector initiatives are currently underway.**



C. INNOVATION AND TECHNOLOGY:

Marginal Improvement on Technological Readiness; Lack of Government's Capacity With Regard To 'What to do' and 'How to do' in ICT Sector

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worst (-2.01 to -3.00)	1. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are not available (92.8%)	6. Internet access in schools is very limited (93.4%) ▼
Worse (-1.01 to -2.00)	2. In the area of R&D, collaboration between the business community and local universities is moderately minimal (85.2%) 3. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are often non existent (86.8%) 4. The presence of information and communication technologies in government offices is moderately rare (73.5%) 5. Government procurement decisions do not often result in technological innovation (76.3%)	1. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable (82.4%) ▲ 2. In the area of R&D, collaboration between the business community and local universities is moderately minimal (81.1%) 3. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are often non existent (81.4%) 4. The presence of information and communication technologies in government offices is moderately rare (75.6%) 5. Government procurement decisions do not often result in technological innovation (74.8%) • A failed entrepreneurial project is often considered an embarrassment (68.5%)

- Lack of specific objectives and effective strategies are major stumbling blocks for ICT development. 59.4% respondents perceived that the government does not have a clear implementation plan for ICT use in the country (weighted response, -0.65). Although still in its infancy stage, the ICT sector has undergone some improvements since last year (69.4% respondents with weighted response, -0.96), owing to the many commendable initiatives employed by the government.
 - 53.9% of respondents perceived that although ICT is an overall priority for the government (weighted response, 0.42), the private sector should also take a pro-active role in supporting the government's initiatives.
 - 75.6% respondents observed that use of ICT in government offices has not improved rather deteriorated (weighted response, -1.29 in 2007 compared to -1.20 from last year). Its impact on improving the efficiency of government services is rather minimal (53.9% respondents with -0.51 in 2008) although some improvement has been discerned in the situation since the previous year (63.9% respondents with weighted response, -0.95).
 - For example, online government services are still extremely limited (application forms for passport, birth registration, pensions etc. are available) (82.4% respondents with weighted response, -1.95) though the situation has improved to some extent in 2007; e-government continues to remain a policy on paper.
 - ADP implementation for projects related to ICT development needs to be enhanced. A strong boost is needed in the government to establish e-government properly.
 - 81.4% of business executives participating in this year's survey felt that laws relating to the use of IT (e-commerce, digital signatures, consumer protection etc.) are often non existent (weighted response, -1.75). There has been no significant change in the situation since last year (86.8% respondents with weighted response, -1.81).
 - The government should make it a priority to implement proper laws related with ICT and implement those laws accordingly.
 - The Internet is often frequently disruptive, slow and expensive. Companies often do not use the Internet extensively for business interactions with customers and suppliers. 48.4% respondents perceived that competition among Internet Service Providers (ISPs) often does not ensure high quality, infrequent interruptions and low prices (-0.29 in 2008 vis a vis -0.05 in 2007).
 - Poor access to internet facility in school has been strongly criticized by the respondents which is reflected in a deteriorated weighted response- from 'bad' category to 'worst' category.



C. INNOVATION AND TECHNOLOGY:

Marginal Improvement on Technological Readiness; Lack of Government's Capacity With Regard To 'What to do' and 'How to do' in ICT Sector

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Bad (-0.01 to -1.00)	6. Internet access in schools is slightly limited (96%) 7. The latest technologies are not much widely available nor used (44.8%) 8. The government does not have a very clear implementation plan for utilizing information and communication technologies for improving the country's overall competitiveness (69.4%) 9. The use of information and communication technologies by the government has not greatly improved the efficiency of government services (63.9%) 10. Government programmes promoting the use of information and communication technologies are sometimes not very successful (63.9%) 11. Companies often do not use the internet extensively for buying and selling goods, and for interacting with customers and suppliers (65%) 12. Scientific research institutions are moderately minimal (57.2%) 13. Licensing of foreign technology is slightly uncommon (51.6%) 14. The competition among Internet Service Providers often does not ensure high quality, infrequent interruptions and low prices (44.8%) 15. Digital content in the country is sometimes not widely accessible via multiple platforms (53.1%)	7. The latest technologies are not much widely available nor used (44%) 8. The government does not have a very clear implementation plan for utilizing information and communication technologies for improving the country's overall competitiveness (59.4%) 9. The use of information and communication technologies by the government has not greatly improved the efficiency of government services (53.9%) 10. Government programmes promoting the use of information and communication technologies are sometimes not very successful (61.6%) 11. Companies often do not use the internet extensively for buying and selling goods, and for interacting with customers and suppliers (61.6%) 12. Scientific research institutions are moderately minimal (62.7%) 13. Licensing of foreign technology is slightly uncommon (52.2%) 14. The competition among Internet Service Providers often does not ensure high quality, infrequent interruptions and low prices (48.4%) 15. Digital content in the country is sometimes not widely accessible via multiple platforms (49.5%)
Good (0.01 to 1.00)	16. Companies are able to absorb new technology to some extent (neutral) 17. Foreign direct investment in the country is sometimes an important source for new technology (47.9%) 18. Information and communication technologies are sometimes an overall priority for the government (50%)	16. Companies are sometimes able to absorb new technology (40%) 17. Foreign direct investment in the country is sometimes an important source for new technology (50%) 18. Information and communication technologies are sometimes an overall priority for the government (53.9%)

- **Country's technological readiness is still found to be below the average level of standard, though marginal changes are discerned towards positive direction. 44% of respondents have reported that the latest technologies are either not much widely available, nor widely used in the country (-0.03 in 2008 vis a vis -0.21 in 2007).**
 - **Sometimes companies are able to absorb new technology (0.08 in 2008 vis a vis 0.00 in 2007). About half of the respondents considered FDI as an important source for new technology (0.16 in 2008 vis a vis 0.05) and there is some marginal improvement in the level of perception this year.**
 - **Government procurement policy is primarily based upon costs instead of quality, which undermine quality of procurement. 74.8% thought that government procurement decisions are usually based on costs; this situation is considered to have slightly improved in this year's survey (-1.30 as against -1.37 of 2006).**
 - **Although licensing of foreign technologies is considered to be the way of accessing technology, however 52.2% of respondents perceived that licensing of foreign technology is still not very common (-0.53 in 2008 vis a vis -0.48 in 2007).**
 - **Government's budgetary allocation for technological upgradation and R&D etc. are either non-existent or poor, which does not enable Bangladesh to cater the technological development in the country.**



D. FINANCIAL ENVIRONMENT: Banks are Healthy but Business Environment Often is not; Capital Market Suffers from Structural Weaknesses

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worse (-1.01 to -2.00)	1. The level of sophistication of financial markets is moderately poor by international standards (72.5%) 2. It is often impossible to obtain a bank loan with only a good business plan and no collateral (76.3%) 3. Entrepreneurs with innovative but risky projects do not often find venture capital (87.7%)	2. It is often impossible to obtain a bank loan with only a good business plan and no collateral (74.4%) 3. Entrepreneurs with innovative but risky projects do not often find venture capital (84.7%)
Bad (-0.01 to -1.00)	4. Financial auditing and reporting standards regarding company financial performance are somewhat weak (28.9%) 5. The inflow and outflow of capital into and from the country is somewhat restricted by law (59.1%)	1. The level of sophistication of financial markets is somewhat poor by international standards (71.5%) ▲ 4. Financial auditing and reporting standards regarding company financial performance are somewhat weak (61.6%) 5. The inflow and outflow of capital into and from the country is somewhat restricted by law (64.4%) 6. Interests of minority shareholders are sometimes not protected by law (47.8%) ▼

• **71.5% of business executives perceived that the level of sophistication of financial markets is somewhat poor by international standards (weighted response, -0.99). However, there has been some improvement when compared to 2006 (72.5% respondents with weighted response, -1.13).**

– **Banks are somewhat generally healthy with sound balance sheets (69.3% respondents with weighted response, 0.90). Marginal improvement is discerned in 2007 compared to the previous year. Although banks are doing good, however, various charges and fees for taking banking services are found to be high, which in other words increases costs of doing businesses. Bangladesh Bank has recently fixed the upper limit of various banking charges in order to reduce the anomaly of these charges.**

– **36.6% respondents felt that during the past year, obtaining credit for a company has become somewhat easier (weighted response, 0.01), though there is a deceleration in the level of responses compared to the previous year (0.31 in 2007). Getting a bank loan with only a good business plan and no collateral is still found to be impossible (74.4% respondents with weighted response -1.4 in 2007 compared to 76.3% respondents with weighted response -1.43 from last year) .**

– Though banks have agreed to lower down the rate of interest on project loans and working capital in the country, however not much improvement has discerned so far. 23 banks have to reduce their rate of interest by 0.5% to 2.00%.

– **Increasingly there is a demand for venture capital for small but risky projects, however such capital is not available in the country (84.7% respondents with weighted response of -1.78 in 2007 compared to 87.7% respondents with weighted response of -1.69 from last year).**

• **Bangladesh Bank should take necessary initiatives to encourage commercial banks to provide venture capital to businesses by using the capital supplied by Bangladesh Bank at low rate of interest.**

– **Money laundering through the formal banking system is somewhat rare (45.1% respondents with weighted response, 0.13), which is a positive side of the financial system.**



D. FINANCIAL ENVIRONMENT:

Banks are Healthy but Business Environment Often is not; Capital Market Suffers from Structural Weaknesses

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Good (0.01 to 1.00)	6. Interests of minority shareholders are sometimes protected by law (44.8%) 7. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (45.9%) 8. During the past year, obtaining credit for company has become somewhat easier (45.6%) 9. Banks are somewhat generally healthy with sound balance sheets (62.8%) 10. Foreign ownership of companies is somewhat prevalent and encouraged (68.4%) 11. Raising money by issuing shares on the stock market is sometimes possible for a good company (71.1%) 12. Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (58.8%)	7. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (45.5%) 8. During the past year, obtaining credit for company has become somewhat easier (36.6%) 9. Banks are somewhat generally healthy with sound balance sheets (69.3%) 11. Raising money by issuing shares on the stock market is sometimes possible for a good company (69.6%) 12. Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (55%)
Better (1.01 to 2.00)	13. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (81.7%)	10. Foreign ownership of companies is moderately prevalent and encouraged (68.2%) ▲ 13. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (79.2%)

- **Although raising money by issuing shares on the stock market is sometimes possible for a good company** (69.6% respondents with weighted response, 0.78), not a large number of companies were found to offload shares in the capital market every year, because of their lack of interest in the capital market due to various weaknesses in it.
 - 59.5% businessmen perceived that the insider trading in the country's stock market is somewhat pervasive (weighted response, -0.84).
 - Financial auditing and reporting standards regarding financial performance of companies are considered to be somewhat weak (61.6% respondents with weighted response, -0.62).
 - Interests of minority shareholders in the country are often not well protected. 47.8% of respondents agreed to this (weighted response, -0.08), which is a significant deterioration from last year (44.8% of respondents with 0.07).
 - Although a number of large companies show their interest on offloading their shares in the capital market (i.e. Grameen Phone, Bangla Link) which would increase the volume of market capitalisation, however without taking initiatives on market restructuring, it would be difficult to retain the buoyancy of capital market for the long time.
- **Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment** (79.2% respondents with 1.54). 68.2% of the business executives this year perceived that foreign ownership of companies is moderately prevalent and encouraged in the country (weighted response, 1.00).
 - FDI flow is not satisfactory: a total of US\$698 million worth of FDI was received by the country in FY2008 which was 22.4 per cent lower than the previous year.
 - According to the recently published World Investment Report of UNCTAD (2008) Bangladesh's position has come down to 121 from 120 between the UNCTAD 2008 and 2007 Reports periods.

E. BUSINESS OPERATION AND SOPHISTICATION:

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worst (-2.01 to -3.00)	1. Process equipment and machinery are mostly imported (91.4%)	1. Process equipment and machinery are mostly imported (93.4%)
Worse (-1.01 to -2.00)	2. Competitiveness of companies in international markets is often primarily due to low cost or local natural resources (90.9%) 3. Production processes mostly use labour-intensive methods or previous generations of process technology (91.8%) 4. Companies often obtain technology exclusively from licensing or imitating foreign companies (81.6%) 5. Specialized research and training services are often not available (85.5%) 6. Corporate activity is moderately dominated by a few business groups (76.5%) 7. Companies often do not spend money on research and development (82.6%)	2. Competitiveness of companies in international markets is often primarily due to low cost or local natural resources (87.7%) 3. Production processes mostly use labour-intensive methods or previous generations of process technology (86.9%) 4. Companies often obtain technology exclusively from licensing or imitating foreign companies (90.2%) 6. Corporate activity is moderately dominated by a few business groups (77%) 7. Companies often do not spend money on research and development (91.3%) 8. Exports to neighbouring countries are moderately limited (76.7%) ▼ 10. Exporting companies are sometimes primarily involved in individual steps of the value chain (68.2%) ▼ 12. Buyers make purchasing decisions mainly based on the lowest price (73.1%) ▼ 15. Management compensation is moderately based on fixed salaries (72.6%) ▼

- **Competition in the local market is somewhat intense in most industries and the level of perception has improved this year (67.8% respondents with 0.91).**
 - Although predominance of few business groups in corporate activity is not desirable, 77% of respondents perceived that corporate activity is still dominated by a few business groups and has intensified this year (-1.31 in 2008 vis a vis -1.21 in 2007).
 - Lack of policies such as anti-monopoly policy, hinders the promotion of competitive business environments in the local markets (59.4% respondents with weighted response, -0.85; last year: -0.86). Although a number of reform measures have been taken by the CTG such as anti-hoarding act, consumers' right protection act etc., not much benefits have been realised through these acts.
 - Role of state-owned enterprises has declined (63.8% respondents with weighted response, 0.79) owing to new initiatives of the government for privatization of public sector led enterprises. However, state owned enterprises sometimes affect market competition (43.2% respondents with -0.03).
- 52.8% of respondents believed that starting a new business is generally difficult to some extent (weighted response, -0.33). The situation has deteriorated from its neutral state observed last year.
 - According to Doing Business index of the World Bank, Bangladesh's rank has substantially slid down from 88 in 2006 to 107 in 2007.
- **Competitiveness of companies in international markets is often primarily due to low cost of production** (87.7% respondents with -1.72). **Increasingly Bangladesh is suffering from adverse terms of trade owing to reduction of price of its major exporting products.**
 - Exports to neighbouring countries was found to be very limited (76.7% respondents with weighted response, -1.34). Exporting companies sometimes sell primarily in a small number of foreign markets (59.6% respondents with -0.6). Government and business associations should take measures to enhance diversity in exports and exporting markets.
 - Exporting companies are sometimes primarily involved in individual steps of the value chain, such as resource extraction or production (68.2% respondents with weighted response, -1.00). The companies should enhance their capacity in backward and forward linkage and contribute more in the supply chain.



E. BUSINESS OPERATION AND SOPHISTICATION:

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Bad (-0.01 to -1.0 0)	8. Exports to neighbouring countries are sometimes limited (63.3%) 9. Anti-monopoly policy is somewhat lax or ineffective at promoting competition (63.8%) 10. Exporting companies are often primarily involved in individual steps of the value chain (65.4%) 11. Exporting companies sometimes sell primarily in a small number of foreign markets (68.4%) 12. Buyers sometimes make purchasing decisions based on the lowest price (68%) 13. Standards on product/ service quality, energy & other regulations are somewhat lax (65.4%) 14. Willingness to delegate authority to subordinates is somewhat low - top management controls all important decisions (62.8%) 15. Management compensation is sometimes based on fixed salaries (71.1%) 16. Well developed and deep clusters in the economy are somewhat rare or absent (55.9%) 17. The extent of marketing is somewhat limited and primitive (58.1%) 18. International distribution & marketing sometimes takes place through foreign companies (54.8%)	5. Specialized research and training services are sometimes not available in the country (72.6%) ▲ 9. Anti-monopoly policy is somewhat lax and ineffective at promoting competition (59.4%) 11. Exporting companies sometimes sell primarily in a small number of foreign markets (59.6%) 13. Standards on product/ service quality, energy & other regulations are somewhat lax (61.1%) 14. Willingness to delegate authority to subordinates is somewhat low - top management controls all important decisions (59.4%) 16. Well developed and deep clusters in the economy are somewhat rare or absent (57.9%) 17. The extent of marketing is somewhat limited and primitive (64.9%) 18. International distribution & marketing sometimes takes place through foreign companies (55%) 20. Starting a new business is generally somewhat difficult (52.8%) ▼ • State-owned enterprises play a somewhat dominant role in the economy (63.8%) • State-owned enterprises are somewhat favoured over private sector competitors (43.2%) • Collaboration among firms, suppliers, partners and associated institutions within clusters is somewhat non-existent (46%) • Formal policies to support cluster development are somewhat non-existent (64.7%)

- **Almost no change is discerned by top business executives as regards practice of CSR by investors & boards directors. This is characterized to some extent by management with little accountability (-0.03 in 2008 against 0.00 in 2007).**
 - **Poor operation of businesses persist as willingness to delegate authority to subordinates continues to be low - all the important decisions are controlled by top management only (-0.48 in 2008 vis a vis -0.69 in 2007) .**
 - **Senior management positions are sometimes held by professional managers chosen based on superior qualification (0.07 in 2008 against 0.32 in 2007). Management compensation is moderately based on fixed salaries (72.6% respondents with -1.1).**
- **Cluster based industrial development is not so strongly observed in the country. Same is true in case of collaboration among firms, suppliers, partners and associated institutions. Formal policies to support cluster development and collaboration among firms, suppliers, partners and associated institutions within the clusters are somewhat non-existent (weighted response, -0.98 and -0.16 respectively).**
- **Firms are somewhat responsive to customers and customer retention (49.5% respondents with 0.31: last year 0.33).**
 - **However, customers often raises their concerns as regards high price of essential commodities, poor quality, less hygienic control etc.**



Environment for Competitive Behaviour in the Market Needs to be Substantially Improved; Export is Narrowly Based: CSR in Corporate Management Needs Further Improvement

E. BUSINESS OPERATION AND SOPHISTICATION:

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Good (0.01 to 1.00)	<p>19. Senior management positions are sometimes held by professional managers chosen based on superior qualification (55.1%)</p> <p>20. Starting a new business is easy to some extent (neutral)</p> <p>21. Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (neutral)</p> <p>22. The quality of local suppliers is somewhat good (44.9%)</p> <p>23. Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (51%)</p> <p>24. Firms are somewhat responsive to customers and customer retention (52.1%)</p> <p>25. Competition in the local market is somewhat intense in most industries (65.3%)</p>	<p>19. Senior management positions are sometimes held by professional managers chosen based on superior qualification (46.2%)</p> <p>21. Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (47.9%)</p> <p>22. The quality of local suppliers is somewhat good (41.8%)</p> <p>23. Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (55%)</p> <p>24. Firms are somewhat responsive to customers and customer retention (49.5%)</p> <p>25. Competition in the local market is somewhat intense in most industries (67.8%)</p>

- **The quality of local suppliers is moderately good (41.8% respondents with weighted response, 0.20).**
 - **Local suppliers are somewhat numerous and their quality of supply is improving over time (0.66 in 2007 as against 0.26 in the previous year). 55% of respondents perceived this.**
 - **61.1% respondents perceived that standards on product/ service quality, energy & other regulations are quite lax, though some improvement is discerned in the last year (weighted response, -0.7 vis a vis -0.85).**
 - **The extent of marketing is somewhat limited and primitive (64.9% respondents with weighted response, -0.69).**
 - **86.9% respondents perceived that production processes mostly use labour-intensive methods or previous generations of process technology (weighted response, -1.71). The situation has marginally declined since last year (91.8% respondents with weighted response of -1.63). Firms have to depend mostly on imported process machineries and equipment (-2.02 in 2007 as against -2.10 from the previous year).**
 - In order to enhance the use of sophisticated production processes, firms need to invest on higher technologies, techniques, processes and human resources. Government should provide proper budgetary support for such initiatives.



F. EDUCATION AND HUMAN CAPITAL: Fails to Cater to the Need of the Corporate Sector

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worse (-1.01 to -2.00)	<ol style="list-style-type: none"> 1. Math & science education in the schools lags far behind some other countries in the world (73.5%) 2. Talented people often leave to pursue opportunities in other countries (84.6%) 3. The primary schools are mostly of poor quality (88.6%) 4. The general approach of companies to human resources often is to invest little in training and employee development (81.7%) 	<ol style="list-style-type: none"> 1. Math & science education in the schools lags far behind some other countries in the world (76.7%) 2. Talented people often leave to pursue opportunities in other countries (84.5%) 3. Primary schools are mostly of poor quality (91.1%) 4. The general approach of companies to human resources often is to invest little in training and employee development (83.3%) 5. The educational system often does not meet the needs of a competitive economy (73.3%) ▼
Bad (-0.01 to -1.00)	<ol style="list-style-type: none"> 5. The educational system sometimes does not meet the needs of a competitive economy (72.4%) 6. Management or business schools are somewhat limited or of poor quality (63.3%) 7. For similar work, wages for women are somewhat below those of men (63.6%) 8. Labour regulation somewhat prevents the companies from employing foreign labour (50%) 9. Pay is sometimes not related to worker productivity (44.3%) 	<ol style="list-style-type: none"> 6. Management or business schools are somewhat limited or of poor quality (60%) 7. For similar work, wages for women are somewhat below those of men (54.4%) 8. Labour regulation somewhat prevents the companies from employing foreign labour (55.5%) 9. Pay is sometimes not related to worker productivity (47.8%) 10. Businesses often do not provide women with the same opportunities as men to rise to positions of leadership (51.1%) ▼ 11. Labor-employer relations are somewhat generally confrontational (47.8%) ▼

- **The educational system often does not meet the needs of a competitive economy (73.3% respondents with -1.1; last year: 1.00).**
 - 91.1% of respondents perceived that primary schools are mostly of poor quality (weighted response, -1.69). In order to improve the quality of education, government must take initiatives to ensure timely supply of educational instruments including books to schools, provide better learning tools, better facilities, better remuneration for school teachers, development of curriculum etc. Government should take initiatives to reduce the gap between the quality of education in urban and rural schools.
 - **Math & science education in the schools lags far behind some other countries in the world (76.7% with weighted response, -1.18). Proper training of teachers in these areas is needed to improve the situation. The initiatives of 'Math Olympiad' 'Science Olympiad' under the auspices of private organizations need to be spread out all over the country.**
 - 60% of respondents felt that management and business schools are still somewhat limited or of poor quality (weighted response, -0.69). However, there has been a marginal improvement in the situation compared to the previous year last year (63.3% respondents with weighted response, -0.72).
- **No significant improvement has been observed regarding the country's brain drain in this year's survey as many talented people continue to leave to pursue better opportunities abroad (weighted response of -1.54 as against -1.58 from the previous year). However, scientists and engineers are somewhat available, though some deterioration has been observed this year (weighted response of 0.12 as against 0.41 from the pervious year's survey).**
- A substantial downturn was observed as regards labour-employer relationship during this year (-0.14 in 2008 against 0.21 in 2007). Increasing incidences of unrest in the industrial sector for the demand of due payments, timely payment of overtime benefits, inflationary adjustment of wage etc. particularly in RMG may have contributed to this. Entrepreneurs will need to take necessary initiatives to address the concerns on an urgent basis.



F. EDUCATION AND HUMAN CAPITAL: Fails to Cater to the Need of the Corporate Sector (continued)

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Good (0.01 to 1.00)	10. Businesses sometimes provide women the same opportunities as men to rise to positions of leadership (53%) 11. Labor-employer relations are somewhat generally cooperative (48%) 12. Scientists & engineers are somewhat widely available (57.7%) 13. The hiring and firing of workers is somewhat flexibly determined by employers (56.3%) 14. Wages are sometimes fixed by each individual company (65%)	12. Scientists and engineers are somewhat widely available (44.5%) 13. The hiring and firing of workers is somewhat flexibly determined by employers (60%) 14. Wages are sometimes fixed by each individual company (66.6%)

- **60% of respondents said that the hiring and firing of workers is somewhat flexibly determined by employers (weighted response, 0.27).**
 - **Wages sometimes are not related to worker productivity (47.8% respondents with weighted response, -0.37) or are fixed by each individual company (66.6% respondents with weighted response, 0.92).**
 - **The general approach of companies to human resources often is to invest little in training and employee development (83.3% respondents with weighted response, -1.44). This is likely to pull down the quality of products produced or services offered by the company.**
- **Wage differences between men and women still persist in some cases for similar work, however some improvement has been discerned in this year's survey (54.4% of respondents with -0.26 in 2008 compared to 63.6% respondents with -0.54 in 2007).**
 - **Businesses often do not provide women with the same opportunities as men, to rise to positions of leadership (51.1% respondents with weighted response, -0.1). Gender discrimination needs to be highlighted in all policy agendas. Some budgetary allocation has been made in case of increasing allocation for women development programmes both in rural and urban environments.**



Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worst (-2.01 to -3.00)	<ol style="list-style-type: none"> 1. Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are very common (91.7%) 2. Domestic firms paying bribes to public servants or public officials are very common (94.9%) 	
Worse (-1.01 to -2.00)	<ol style="list-style-type: none"> 3. Undocumented extra payments or bribes made by firms for public utilities (e.g., telephone or electricity) are moderately common (88.8%) 4. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (88.6%) 5. Undocumented extra payments or bribes made by firms for import and export permits are moderately common (86.7%) 6. Diversion of public funds to companies, individuals or groups due to corruption is moderately common (85.6%) 7. Illegal payments to influence government policies, laws or regulations have a moderate negative impact on the company(79%) 8. The judiciary is moderately influenced by political influences of members of the government, citizens or firms (73.5%) 9. The government has not put in place effective measures to successfully combat corruption & bribery (73.4%) 	<ol style="list-style-type: none"> 1. Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are moderately common (89.1%) ▲ 2. Domestic firms paying bribes to public servants or public officials are moderately common (90.2%) ▲ 3. Undocumented extra payments or bribes made by firms for public utilities are moderately common (83.6%) 4. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (85.8%) 5. Undocumented extra payments or bribes made by firms for import and export permits are moderately common (86.9%) 6. Diversion of public funds to companies, individuals or groups due to corruption is moderately common (72.2%)

- There has been some substantial improvement in government's efforts to reduce corruption and bribery. 58.3% of this year's respondents felt that the CTG has undertaken several effective measures to successfully combat corruption (0.58). Comparable figures from last year were 73.4% respondents with -1.28. This has happened because of CTG's various initiatives undertaken for reducing corruption.
- Corporate ethics (ethical behaviour in interactions with public officials, politicians and other enterprises) of firms in the industry are poor compared to those in some other countries in the world (66% respondents with weighted response weighted response, -0.85).
 - 64.4% businessmen perceived that illegal payments to influence government policies, laws or regulations have substantially decreased, though still imposing a small negative impact on business (weighted response, -0.8 in 2007 as against -1.39 from the previous year).
 - Although some positive changes have taken place, 72.2% of respondents believed that diversion of public funds to companies, individuals or groups due to corruption is still moderately common (weighted response, -1.13). Comparable figures from last year are 85.6% respondents and weighted response of -1.53).
 - Domestic and foreign firms paying bribes to public officials continue to be somewhat common (-1.98 and -0.6 respectively)



G. CORRUPTION, ETHICS AND SOCIAL RESPONSIBILITY:

Some Improvements in Combating Corruption;
Improvement in Corporate Ethics and Social Responsibility

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Bad (-0.01 to -1.00)	<p>10. The corporate ethics (ethical behaviour in interactions with public officials, politicians and other enterprises) of firms in the industry are worse than those in some other countries in the world (67.4%)</p> <p>11. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are somewhat common (64.2%)</p> <p>12. Undocumented extra payments or bribes from one private firm to another to secure business are somewhat common (57.3%)</p> <p>13. Foreign firms paying bribes to public servants or public officials are somewhat common (67.6%)</p>	<p>7. Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company (64.4%) ▲</p> <p>8. The judiciary is somewhat influenced by political influences of members of the government, citizens or firms (46.2%) ▲</p> <p>10. The corporate ethics (ethical behaviour in interactions with public officials, politicians and other enterprises) of firms in the industry are worse than those in some other countries in the world (66%)</p> <p>11. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are somewhat common (61.6%)</p> <p>12. Undocumented extra payments or bribes from one private firm to another to secure business are somewhat common (60.5%)</p> <p>13. Foreign firms paying bribes to public servants or public officials are somewhat common (57.2%)</p>
Good (0.01 to 1.00)		<p>9. The government has put in place some effective measures to successfully combat corruption and bribery (58.3%) ▲</p>

- The judiciary is still somewhat influenced by political members of the government, citizens or firms (46.2% respondents with -0.16), though a significant improvement discerned since the previous year (73.5% respondents with -1.30). There has also been a significant decrease in payment of bribes by firms to obtain favourable judicial decisions (61.6% respondents -0.54 in 2007 against 64.2% respondents with -0.86 from last year's survey).
 - It is important to see how far illegal practices of judiciary, as opined by respondents, will come down under an independent judiciary system.
- Undocumented extra payments or bribes paid by firms for awarding of public contracts and licenses appear to be very high in the country; however the situation has improved since the last year (89.1% respondents with weighted response, -1.77 in 2007 as against 91.7% respondents with weighted response, -2.06 in the previous year).



H. ENVIRONMENT: Some Improvement in Regulations; Less Progress in Enforcement; Negative Affect of Environmental Challenges

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worse (-1.01 to -2.00)	1. Environmental regulation is moderately lax compared to most countries (78.1%) 2. Enforcement of environmental regulation is moderately lax (78.1%)	1. Environmental regulation is moderately lax compared to most countries (75.9%) 2. Enforcement of environmental regulation is moderately lax (72%)
Bad (-0.01 to -1.00)	3. The natural environment is somewhat polluted (59.3%)	3. The natural environment is somewhat polluted (71.9%) 4. Environmental challenges have a somewhat negative impact on business operations or local business expansion (50.1%) ▼ • The incidence of environmental disasters such as floods, droughts, or severe storms have a somewhat significant impact on the company's operations or decisions on expanding local business activities (67.8%)
Good (0.01 to 1.00)	4. Environmental challenges sometimes may not have a negative impact on business operations or local business expansion (43.6%)	

- Environmental regulation is still largely lax compared to most countries of the world, even though a slight improvement has been discerned in this year's survey (75.9% respondents with -1.07 in 2008 and 78.1% respondents with -1.15 in 2008).
 - Moreover, environmental regulations are not enforced properly and effectively, even though this situation has also met with some positive changes (72% respondents with weighted response, -1.07 in 2008 and 78.1% respondents with weighted response, -1.31 from the previous year). Effective budgetary and administrative measures are needed to further improve the situation. Strict monitoring is needed to enforce environmental laws and regulations at the factory level.
- 71.9% of respondents thought that the natural environment is somewhat polluted (weighted response, -0.97). This is a deterioration from last year (59.3% respondents with weighted response, -0.6), indicating that the measures employed by the government to counter the effects of pollution were not very successful.
- 50.1% of respondents perceived that environmental challenges have somewhat negative impact on business operations or local business expansion (weighted response, -0.33). Comparable figures from last year are 43.6% respondents and weighted response of 0.05.
- Companies' operations or decisions on expanding business is affected by the incidence of environmental disasters in the country such as floods, droughts or severe storms (67.8% respondents with weighted response, -0.98).



I. HEALTH: Quality of Health Care Services is Poor

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Worst (-2.01 to -3.00)		<ul style="list-style-type: none"> The quality of healthcare provided for ordinary citizens is largely poor (96.6%)
Worse (-1.01 to -2.00)		<ul style="list-style-type: none"> Healthcare is mostly accessible among elites (74.4%) Healthcare delivery is largely fragmented among physicians, clinics and hospitals (92.2%)
Bad (-0.01 to -1.00)	<p>1. The company's current policies and programmes will not be very sufficient and/ or effective to manage the impact of HIV/AIDS on the business in the next five years (43.4%)</p>	<p>1. The company's current policies and programmes will not be very sufficient and/or effective to manage the impact of HIV/AIDS on the business in the next five years (41.4%)</p>
Better (1.01 to 2.00)	<p>2. The impact of HIV/AIDS is not considered much seriously as a problem for the company in the next five years (73.5 %)</p> <p>3. The impact of malaria is not considered much seriously as a problem for the company in the next five years (73.5 %)</p> <p>4. The impact of tuberculosis is not considered much seriously as a problem for the company in the next five years (77.6%)</p>	<p>2. The impact of HIV/AIDS is not considered much seriously as a problem for the company in the next five years (72%)</p> <p>3. The impact of malaria is not considered much seriously as a problem for the company in the next five years (77.8%)</p> <p>4. The impact of tuberculosis is not considered much seriously as a problem for the company in the next five years (71.1%)</p>
Best (2.01 to 3.00)	<p>5. HIV/AIDS is not largely affecting business operations (89.6%)</p>	<p>5. HIV/AIDS is not largely affecting business operations (88.9%)</p>

- 96.6% respondents perceived that despite government's efforts to improve public health, the quality of healthcare provided for ordinary citizens is largely poor (-2.18).
- Healthcare is mostly accessible among elites and that available to the poor is of very poor quality (74.4% respondents with -1.18).
- Healthcare delivery is also largely fragmented among physicians, clinics and hospitals (92.2% respondents with weighted response, -1.83).
 - Among other government initiatives to ensure quality and availability of health services, the implementation of a programme is underway to outsource the management of 342 community clinics and 132 Union Health and Family Welfare Centres and Hospitals to the Private sectors. This may help to increase the involvement of the private sector but accessibility to the poor remains a concern.
- Malaria and tuberculosis are not considered to be very serious threats for the next five years, according to 77.8% and 71.1% of the business executives participating in this year's survey respectively. A slight improvement is observed in the situation regarding malaria compared to that of last year (1.49 in 2007 as opposed to 1.41 from the previous year). However, for tuberculosis, there is a slight decline in the situation (1.17 in this year against 1.46 from last year).
- 88.9% respondents believed that HIV/AIDS is not largely affecting business operations at present (2.2). The impact of HIV/AIDS is also not considered to be a serious problem for companies in the next five years (72% respondents with 1.29). However, 41.4% respondents believed that current policies and programmes in most companies will not be very sufficient and/or effective to manage the impact of HIV/AIDS on their businesses in the coming years (-0.17). The government and the private sector should work together to improve the situation in the future.



J. TRAVEL AND TOURISM: Tourism Sector Continues to Remain Where It Was

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Bad (-0.01 to -1.00)	1. Tourism marketing is somewhat non-existent or ineffective in attracting tourists (57.7%) 2. Development of the Travel and Tourism sector does not often take into account issues related to environmental protection and sustainable development (56.7%)	1. Tourism marketing is somewhat non-existent or ineffective in attracting tourists (51.7%) 2. Development of the Travel and Tourism sector does not often take into account issues related to environmental protection and sustainable development (55%)
Good (0.01 to 1.00)	3. The development of the Travel and Tourism industry is a priority of the government to some extent. (63%) 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (62.5%)	3. The development of the Travel and Tourism industry is a priority for the government to some extent (47.3%) 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (66.7%)
Better (1.01 to 2.00)		5. Foreign visitors are usually welcome in the country (93.4%) ▼
Best (2.01 to 3.00)	5. Foreign visitors are almost always welcome in the country (94.9%)	

- **Although 93.4% respondents perceived that Bangladeshi citizens usually are very welcoming and appreciate foreign travellers and tourists (weighted response, 1.27), tourism marketing is somewhat non-existent or ineffective in attracting tourists (51.7% respondents with weighted response, -0.55).**
 - 47.3% of the respondents believed that the government should give some priority to the development of this sector since it is an effective way to increase revenue and improve the country's image (weighted response, 0.16). However, there has been a significant deterioration in the situation since last year (63% respondents with weighted response, 0.58).
 - Bangladesh's two major attractions, Cox's Bazar and Sunderban, are now competing for the *World's 7 Wonders'* list. However, government and private sector need to take long term plan for improvement of these two major tourist destinations for local and foreign tourists.
 - Eco-tourism should be a major focus of government policies.
- **55% of respondents have felt that travel and tourism sector does not often take into account issues related to environmental protection and sustainable development (weighted response, -0.52), there is almost no change this year compared to that of the last year (56.7% respondents with weighted response, -0.54).**



VI. GROWTH PROJECTION

Fall in Optimism Regarding Economic Performance, Significant Decrease of Threat of Terrorism and Its Resultant Cost on Businesses

Level	February, 2006 - January, 2007 (Last year's survey)	February, 2007 - January, 2008 (This year's survey)
Bad (-0.01 to -1.00)		2. The country's economy will experience some degree of recession in the next 12 months (56.8%) ▼ • The incidence of common crime and violence imposes slight significant costs on businesses (51.7%) • Unrecorded business activity is less than 50% (65.1%)
Good (0.01 to 1.00)	1. The threat of terrorism does not impose much significant costs on businesses (52.6%)	1. The threat of terrorism does not impose much significant costs on businesses (53.9%) • Organized crime (mafia oriented racketeering, extortion) does not impose much significant costs on businesses (47.3%)
Better (1.01 to 2.00)	2. Country's economy will have moderate growth in the next 12 months (73%)	

- **56.8% of this year's survey respondents perceived that the country's economy could experience some degree of recession over the next 12 months (weighted response, -0.47). This is a significant deterioration from last year when 73% respondents had perceived the economy to undergo moderate growth (weighted response, 1.04).**
 - It is found that economic growth has slowed down in FY2008 (6.21%) compared to the previous year (6.43%). However, economic growth targeted for FY2009 is 6.5%.
- **Due to the government's efforts, there is a significant decline in the incidence of common crime and violence imposing significant costs on businesses. 51.7% of this year's respondents have stated this (weighted response, -0.08 in 2007 compared to -0.24 from last year).**
- **47.3% of business executives have stated that organized crime (mafia oriented racketeering, extortion) have lessened and does not impose much costs on businesses (weighted response, 0.47 as opposed to -0.11 from last year).**



VII. IDENTIFICATION OF THE LEAD DETERMINING FACTORS

Rank	Lead Determining Factors (Last year's survey)	Lead Determining Factors (This year's survey)	
1	Corruption (23.7)	Corruption (17.5)	↔
2	Inefficient government bureaucracy (16.7)	Inefficient government bureaucracy (14.9)	↔
3	Inadequate supply of infrastructure (14.4)	Inadequate supply of infrastructure (12.9)	↔
4	Policy instability (10.3)	Policy instability (10.9)	↔
5	Access to financing (6.9)	Access to financing (10.1)	↔
6	Tax regulations (5.8)	Government instability/coups (8.6)	↓
7	Government instability (5.4)	Tax regulations (5.2)	↑
8	Inadequately educated workforce (4.2)	Inadequately educated workforce (5.1)	↔
9	Crime & theft (3.8)	Inflation (4.1)	↓
10	Inflation (3.0)	Crime and theft (2.8)	↑
11	Poor work ethic in national labour force (2.0)	Foreign currency regulations (2.8)	↓
12	Tax rates (1.9)	Poor work ethic in the national labour force (1.7)	↑
13	Foreign currency regulations (1.6)	Tax rates (1.6)	↑
14	Restrictive labour regulations (0.3)	Restrictive labour regulations (1.5)	↔
15		Poor public health (0.1)	

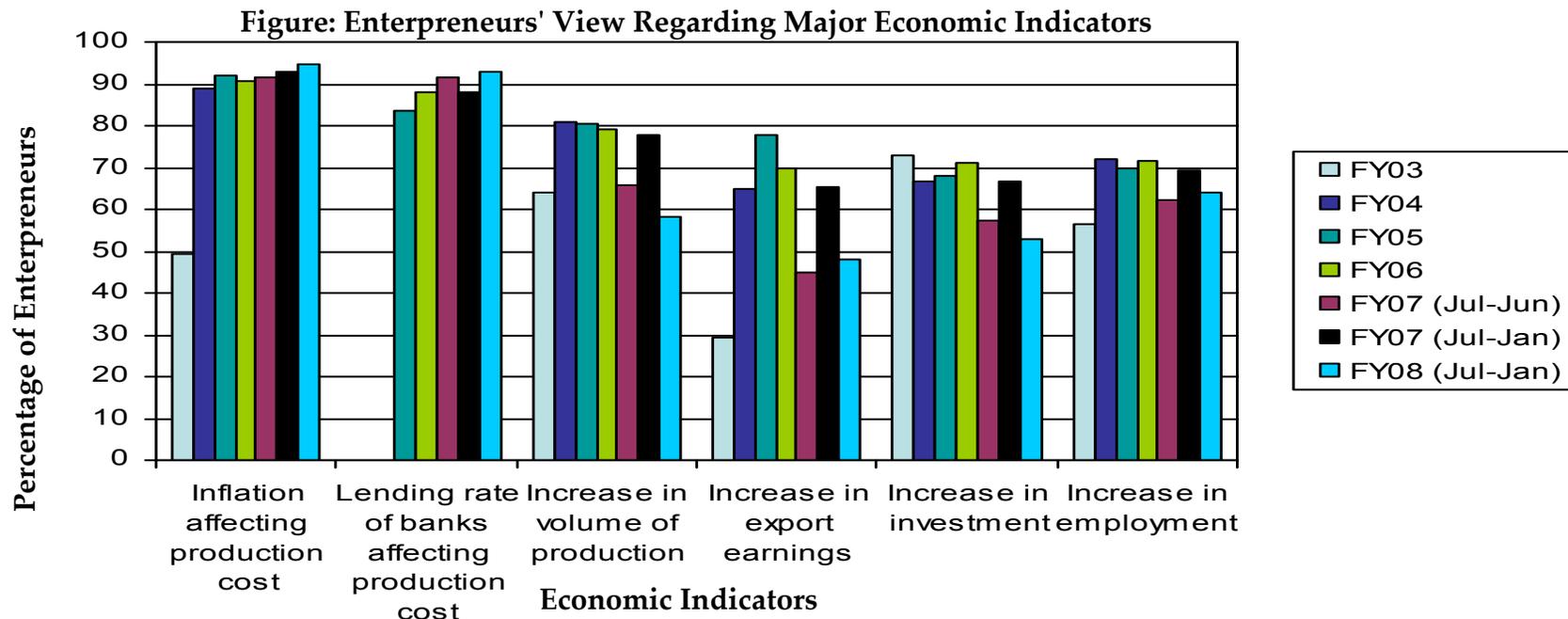
- **'Corruption' is still considered to be the most important determining factor (ranked first) affecting the country's business environment, same as last year. However, the weighted score has improved (weight declined from 23.7 to 17.5) possibly due to various institutional and legal measures adopted by the CTG.**
- Lack of efficiency in bureaucracy came out as the second most problematic factor for local business environment, followed by inadequate supply of infrastructure, policy instability and access to financing.
 - **Some improvements have been observed this year in terms of tax regulations, crime and theft, poor work ethic in the national labour force and tax rates.**
- Situation which have deteriorated this year are related to such factors as government instability/coups, inflation and foreign currency regulations. Government instability appeared to be a determining factor affecting businesses. Creeping inflation throughout the year affected investment and business environment



Findings from Rapid Perception Survey



VIII A. COMPANY PERFORMANCE WITH RESPECT TO MAJOR ECONOMIC INDICATORS



- **Businessmen perceived that there is no improvement of business environment since last year.**
- **94.7% of respondents perceived that the production cost of businesses has increased due to inflationary pressure compared to 92% from last year). A large proportion of respondents (52%) in this year's survey considered the cost to be 'high' compared to last year (25% respondents).**
- **High lending rate from banks continues to be a major concern for business executives (93.1% respondents in this year's survey) and further deterioration has taken place this year compared to 88% in the previous year.**
- **There is a significant deterioration in the increase in volume of production this year (58.3% respondents) compared to the previous year (78% respondents). 19.4% respondents perceived that production has increased at a high rate this year compared to 27% in the previous year.**
- **Only 47.8% business executives perceived that export has increased in this year's survey; the proportion was 66% in the previous year. Only 6.5% perceived their export growth as 'high' this year compared to 15% in the previous year.**
- **52.8% respondents perceived an increase in investment either by expanding their existing businesses or investing in new businesses, compared to 67% last year. 41.7% executives this year expanded their existing businesses.**
- **A lower number of new workers have been employed this year (64.1% respondents) compared to last year (69% respondents).**



VIII B. OTHER ISSUES

Respondent's view on Government's Recent Initiatives

Respondent's positive/ optimistic view	Respondent's negative /pessimistic view
1. <u>Re-structuring of public enterprises</u> : Restructuring of public enterprises (e.g. Biman Bangladesh Ltd.) will help make them moderately competitive (80.7% of respondents with weighted response of 1.30).	1. <u>The Government's drive against corruption</u> : The government's drive against corruption in 2007 had a slightly negative impact on the business environment (59% respondents with weighted response, -0.65).
2. <u>Institutional reforms of the government</u> : 80.4% of respondents in this year's survey strongly perceived that recent policy/institutional reforms of the government would help to improve the business environment of the country (weighted response, 1.33).	2. <u>Closing down of the state owned jute mills</u> : 59.8% of business executives believed that closing down of some of the jute mills is a somewhat inappropriate strategy to rationalize the government's involvement in the jute sector (weighted response, -0.66).

- **59% respondents (weighted response, -0.65) perceived that government's drive against corruption in 2007 had a slightly negative impact on the business environment.**
 - However, 80.4% of respondents in this year's survey strongly perceived that recent policy/institutional reforms of the government (BBF, RRC) would help to develop the business environment of the country (weighted response, 1.33).
- **Food security, a major concern for Bangladesh: 89% respondents have strongly agreed to the notion that food security has emerged as a major concern for Bangladesh (weighted response, 1.94).**
 - **An independent commission, i.e. 'Agriculture and Food Security Commission' needs to be established in order to provide medium to long term policy support to the government.**
- **Importance of services sector in bilateral, regional and multilateral trade negotiations: 82.3% of businessmen felt that Bangladesh should be interested in the inclusion of services sector in bilateral, regional and multilateral trade negotiations (weighted response, 1.54).**
- **Compliance with international labour standards: 62.6% respondents somewhat agreed to the notion that compliance with international labour standards is increasing in Bangladesh (weighted response, 0.83). This is a significant improvement compared to last year (weighted response,-0.07).**
- **Around 69% of respondents perceived that Non Resident Bangladeshis (NRBs) are investing in Bangladesh. Some of the major investment made by NRBs are in housing/real estate/ properties, financial sector, garments/textile, ICT/telecom, agro-processing/food processing, and hotel/restaurant.**
- **40% executives believed that Bangladeshis are investing abroad. Major areas of investment include garments/textile, housing/real estate/properties, financial sector/savings/securities, hotel/restaurant, agro-processing/food processing, and ICT/telecom.**



Major Changes Observed in This Year's Survey



IMPROVEMENT IN BUSINESS ENVIRONMENT IN 2007 (THIS YEAR'S SURVEY)

Factors	Indicators	Level of Improvement
Government and Public Institutions	When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals	Worst → Worse
	Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced	Worst → Worse
Infrastructure	Quality of electricity supply (lack of interruptions and voltage fluctuations) is worse than in some other countries	Worst → Worse
	New telephone lines for business are somewhat available and quite reliable	Bad → Good
Innovation and Technology	Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable	Worst → Worse
Financial Environment	The level of sophistication of financial markets is somewhat poor by international standards	Worse → Bad
	Foreign ownership of companies is moderately prevalent and encouraged	Good → Better
Business Operation and Sophistication	Specialized research and training services are sometimes not available in the country	Worse → Bad
Corruption, Ethics and social responsibility	Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are moderately common	Worst → worse
	Domestic firms paying bribes to public servants or public officials are moderately common	Worst → worse
	Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company	Worse → Bad
	The judiciary is somewhat influenced by political influences of members of the government, citizens or firms	Worse → Bad
	The government has put in place some effective measures to successfully combat corruption and bribery	Worse → Good



GOOD, BETTER, BEST OF BUSINESS ENVIRONMENT IN BANGLADESH IN 2007 (THIS YEAR'S SURVEY)

Factors	Performance		
	Good	Better	Best
Government and Public Institutions	•Government subsidies & tax breaks often do not seriously distort competition (47.7%)	•The press is relatively free (81.4%)	
	•Agricultural policy slightly balances the interests of taxpayers, consumers and producers (40.5%)		
Infrastructure	• New telephone lines for business are somewhat available and quite reliable (55%)		
	• The air transport network offers good connections to some key business markets (44.2%)		
Innovation and technology	• Companies are sometimes able to absorb new technology (40%)		
	• Foreign direct investment in the country is sometimes an important source for new technology (50%)		
	• Information and communication technologies are sometimes an overall priority for the government (53.9%)		
Financial Environment	•Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (45.5%)	•Foreign ownership of companies is moderately prevalent and encouraged (68.2%)	
	•During the past year, obtaining credit for company has become somewhat easier (36.6%)	•Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (79.2%)	
	•Banks are somewhat generally healthy with sound balance sheets (69.3%)		
	•Raising money by issuing shares on the stock market is sometimes possible for a good company (69.6%)		
	•Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (55%)		



Factors	Performance		
	Good	Better	Best
Business Operation and Sophistication	•Senior management positions are sometimes held by professional managers chosen based on superior qualification (46.2%)		
	•Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (47.9%)		
	•The quality of local suppliers is somewhat good (41.8%)		
	• Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (55%)		
	•Firms are somewhat responsive to customers and customer retention (49.5%)		
	•Competition in the local market is somewhat intense in most industries (67.8%)		
Education and Human Capital	Scientists and engineers are somewhat widely available (44.5%)		
	The hiring and firing of workers is somewhat flexibly determined by employers (60%)		
	Wages are sometimes fixed by each individual company (66.6%)		
Corruption, Ethics and Social Responsibility	•The government has put in place some effective measures to successfully combat corruption and bribery (58.3%)		



Factors	Performance		
	Good	Better	Best
Travel and Tourism	<ul style="list-style-type: none"> The development of the Travel and Tourism industry is a priority for the government to some extent (47.3%) 	<ul style="list-style-type: none"> Foreign visitors are usually welcome in the country (93.4%) 	
	<ul style="list-style-type: none"> Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (66.7%) 		
Health		<ul style="list-style-type: none"> The impact of HIV/AIDS is not considered much seriously as a problem for the company in the next five years (72%) 	<ul style="list-style-type: none"> HIV/AIDS is not largely affecting business operations (88.9%)
		<ul style="list-style-type: none"> The impact of malaria is not considered much seriously as a problem for the company in the next five years (77.8%) 	
		<ul style="list-style-type: none"> The impact of tuberculosis is not considered much seriously as a problem for the company in the next five years (71.1%) 	



Major Business Indices with regard to Bangladesh's Business Competitiveness

IX. MAJOR BUSINESS INDICES ON BANGLADESH'S BUSINESS COMPETITIVENESS

- According to all major business related indexes, ranking of Bangladesh is in the bottom quarter. There is not much deviation in the ranking of Bangladesh in these indices.
- All the indices reflect the deterioration except the TIB's CPI.
 - Improvement of CPI is also reflected in the positive responses of business executives in this year's GCR regarding the issue of corruption, ethics and social responsibility.

	GCI (WEF)		FDI Performance Index (UNGTAD)		FDI Potential Index (UNCTAD)		Ease of Doing Business Index (world Bank)		Corruption Perception Index (Transparency International)	
	2007 (131)	2008 (134)	2006 (141)	2007 (141)	2005 (141)	2006 (141)	2006 (178)	2007 (175)	2007 (179)	2008 (180)
Bangladesh	107	111 ▼	120	121 ▼	117	119 ▼	88	107 ▼	162	147 ▲
India	48	50 ▼	110	106 ▲	86	84 ▲	134	120 ▲	72	85 ▼
Pakistan	92	101 ▼	88	83 ▲	124	125 ▼	74	76 ▼	138	134 ▲
Sri Lanka	70	77 ▼	111	113 ▼	123	124 ▼	89	101 ▼	94	92 ▲
China	34	30 ▲	75	88 ▼	34	32 ▲	93	83 ▲	72	72 ↔
Vietnam	68	70 ▼	62	43 ▲	79	80 ▼	104	91 ▲	123	121 ▼
Benin	108	106 ▲	113	123 ▼	136	138 ▼	137	151 ▼	118	96 ▲
Ethiopia	123	121 ▲	59	92 ▼	135	134 ▲	97	102 ▼	138	126 ▲
Gambia	102	87 ▲	11	14 ▼	113	115 ▼	113	131 ▼	143	158 ▼
Madagascar	118	125 ▼	72	24 ▲	130	131 ▼	149	149 ↔	94	85 ▲
Mali	115	117 ▼	85	74 ▲	120	123 ▼	155	158 ▼	118	96 ▲
Mozambique	128	130 ▼	84	82 ▲	105	104 ▲	140	134 ▲	111	126 ▼
Uganda	120	128 ▼	60	73 ▼	114	117 ▼	107	118 ▼	111	126 ▼
Tanzania	104	113 ▼	63	65 ▼	121	120 ▲	142	130 ▲	94	102 ▼



Summary



X. SUMMARY

- **GCR 2008-2009** has analysed global business environment for the year 2007. ***Bangladesh Business Environment Study 2008*** which contributes to this, has focused on the business environment of Bangladesh for the same period (February, 2007-January, 2008).
- Business environment of Bangladesh was, overall, poor and less competitive in the global context; the environment has deteriorated in 2007.
 - **With respect to majority of indicators Bangladesh's performance has deteriorated in 2007 compared to previous year in terms of global ranking; in some indicators Bangladesh was ranked as one of the bottom 10 countries of the world, such as institutions, higher education and training, and technological readiness.**
- A falling GCI score of Bangladesh for majority of indicators indicates a declining poor performance, both compared to the previous year and also with respect to other countries. Notable deterioration was in market size, macroeconomic stability, and labour market efficiency.
 - **Only in respect to institutions, technological readiness, business sophistication, infrastructure and higher education and training the score has improved.**
- Although the CTG has taken various reform measures in order to enhance the efficiency of public institutions, however not much impact has been observed by the business executives in 2007. This is possibly because of lack of interest/poor implementation capacity of these institutions, lack of coordination between government and businesses although some measures were initiated in the later phase of 2007.
- Although recent policy/institutional reforms of the government (BBF, RRC) is considered to be helpful in improving the business environment of the country, government's drive against corruption in 2007 was considered to have a negative impact on the business environment. This is possibly because of lack of coordination between government and businesses as regards government's intention towards businesses and entrepreneurs' demand towards the government.
- Government was perceived to be successful in case of reducing the incidence of corruption, bribery in public institutions, though the level is still far below the normal level. This has reduced business costs to some extent.



IX. SUMMARY *(continued)*

- The incidences of terrorism, vandalism etc. have reduced during this period owing to government strong position.
- There is a long way to go for the development of ICT sector in the country. Government is not prepared for implementing ICT related targets and goals.
- Though financial health of banks has improved in 2007, businesses have suffered to some extent because of lack of availability of capital. Bangladesh Bank will need to take more proactive role in case of lowering down the rate of interest of banks and availability of venture capital etc.
- Competition in the market suffers due to lack of appropriate policies in certain areas (competition law), related to implementation of those policies etc.
- Some deterioration in labour-employer relationship was observed in 2007. Increasing incidences of unrest in the industrial sector for the demand of due payments, timely payment of overtime benefits, inflationary adjustment of wage etc. particularly in RMG may have contributed to this. Entrepreneurs will need to take necessary initiatives to address the concerns on an urgent basis.
 - A decline in wage differentials between male and female was a positive change in 2007.
- Food security is considered to be a major issue for long term development of the country. An independent commission 'Agriculture and Food Security Commission' can be set up in order to provide policy suggestions to the government.
- Tourism sector is still in nascent stage. Although Bangladesh is competing in World's 7 Wonders List for Cox's bazar and Sunderban, however large scale investment is needed to improve these sights for tourists. Eco-tourism needs to be taken into account in government's policies.
- Although environmental regulations are there, to some extent in the country, its enforcement is very poor. Businesses sometimes considered it costly/challenging to maintain environmental standards in their enterprises. Government should enforce environmental regulations forcefully at enterprise level.
- Businessmen perceived a slowdown of economic growth during the period of January, 2008 to December, 2008. Because of increasing costs of business for poor infrastructure, high inflation, high rate of interest for bank loans, political uncertainty, lack of coordination between government and businesses (which largely existed in the last year), businessmen were less optimistic about high growth of the country.



Thank You
for
Your Attention