

CPD MEDIA BRIEFING

Release of  
WEF's Global Competitiveness Report 2009-2010  
and  
CPD's Bangladesh Business Environment Study 2009

*Press Advisory*  
*Dhaka: September 8, 2009*



CENTRE FOR POLICY DIALOGUE (CPD)  
B A N G L A D E S H  

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*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 the business competitiveness environment in Bangladesh since 2001. This is the ninth 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 sixth *Rapid Perception Survey* on the prevailing economic issues of concern.

### *Major objectives of the press briefing are*

- To launch WEF's *Global Competitiveness Report 2009-2010* which is globally launched today (September 8, 2009) and to report on Bangladesh's relative performance in the global context.
- To report the detailed findings of the CPD study on *Competitive Business Environment in Bangladesh in 2008*
- To report (a) findings of the CPD's *Rapid Perception Survey* with regard to Bangladesh's economic performance in 2008 and growth prospects for 2009-2010; (b) impact of financial crisis on Bangladesh economy; and (c) other contemporary issues of concern.



## II. Objectives, Scope and Coverage of WEF-CPD Survey

### *Specific objectives of assessment of business environment in Bangladesh*

- To elicit information on competitiveness environment in the country for identifying major bottlenecks and impediments which constrain efficient functioning of the business sector in 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 business competitiveness environment as opined by executives of the companies based on GCR 2008-2009 and GCR 2009-2010, and changes in global ranking in the GCI since 2001.
- To learn about perceptions of the business leaders regarding future prospects of 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

*Issues dealt in the WEF-CPD Executive Opinion Survey*

- 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
- Health

*Issues covered in CPD's Rapid Perception Survey*

**A. Perception on various issues having impact on business environment**

- Impact of institutional reforms initiated in 2008
- Impact of US's withdrawal of restriction over import of some categories of Chinese product
- Possible impact of various initiatives currently under negotiation (i.e. TIFA, DDR)
- Perception on level of labour standard compliance of export-oriented industries

**B. Perception on Impact of global financial crisis on Bangladesh economy**

- Possible impact of the crisis on the economy
- Changes in production, investment and employment during 2008
- Measures taken so far and likely to be taken if recession deepens

### III. Methodology

#### Survey Design

- Relatively large companies are respondents of the WEF-CPD survey, i.e. companies having total assets of no less than Tk.10 crores (US\$1.5 million as 31 January, 2009)
- Number of respondents was 89 (last year was 91) (usually  $\pm 100$ )
- Very high geographical concentration of companies: 78% in Dhaka (last year was 89%)
- Manufacturing companies (e.g. RMG, pharmaceuticals, leather, jute and others) were the major respondents (46.1%), followed by financial institutions (15.7%), ICT (9%), real estate and construction (9%), and others (food processing, electrical appliances and ceramic products) (20.2%)
- Domestic companies held the overwhelming share of total responses (about 80%) followed by foreign owned or joint venture companies (20%).
- Survey was conducted during February to April, 2009.
- Reference period for survey: February, 2008 to January, 2009
- Representativeness of sample: medium and large firms having business experience in both domestic and international markets.
  - Distribution of samples (according to no. of workers): <101: 33; 101-500: 20; 501-1000: 17; 1000-5000: 19
- CPD's *Rapid Perception Survey* is being carried out along with the *Executive Opinion Survey* with the objective of addressing various contemporary issues pertaining to Bangladesh's economy.

Table: Sectoral Distribution of Survey Respondents

Sectors	2008	2009
Manufacturing	36 (39.6%)	41 (46.1%)
<i>RMG</i>	13 (14.3%)	15 (16.9%)
<i>Pharmaceuticals</i>	3 (3%)	7 (7.9%)
<i>Leather/Jute</i>	5 (5%)	6 (6.7%)
<i>Others</i>	15 (16.5%)	13 (14.6%)
Financial Institution	10 (11%)	14 (15.7%)
Real Estates & Construction	9 (9.9%)	8 (9%)
ICT	12 (13.2%)	8 (9%)
Other Services	24 (26.4%)	18 (20.2%)
Total	91 (100%)	89 (100%)



### III. Methodology (contd...)

#### Assessment of Global Competitiveness

- Global Competitiveness Index (GCI) is an index of weighted average of indices of twelve different pillars.

- The *basic requirements subindex* groups those pillars most critical for countries in the factor-driven stage.
- The *efficiency enhancers subindex* includes those pillars critical for countries in the efficiency-driven stage.
- The *innovation and sophistication factors subindex* includes the pillars critical to countries in the innovation-driven stage.

#### Twelve Pillars of Competitiveness

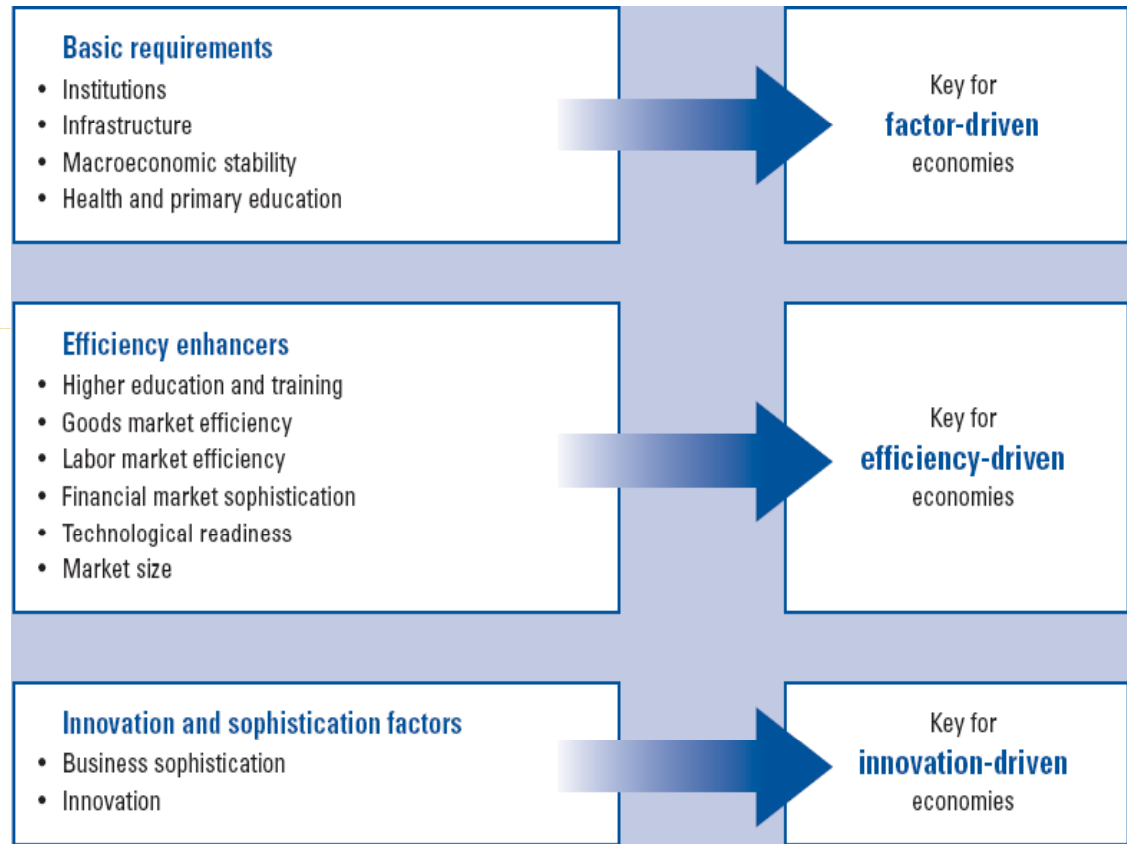


Table: Weights of the three main subindexes at different stages of development

Subindex	Factor-driven stage (%)	Efficiency-driven stage (%)	Innovation-driven stage (%)
Basic requirements	60	40	20
Efficiency enhancers	35	50	50
Innovation and sophistication factors	5	10	30

- The specific weights that are attributed to each subindex in every stage of development are shown in the table.

## Assessment of Bangladesh's Business Environment

- Assessed on the basis of data collected through the *Executive Opinion Survey* and *Rapid Perception Survey*.
- Analysis has been performed by employing three statistical techniques
  - Frequency analysis
  - Weighted index
  - Chi-square test
- *Executive Opinion Survey* and *Rapid Perception Survey* basically provides qualitative data (7-point likert scale)
  - Positive responses (completely agree, largely agree and somewhat agree)
  - Negative responses (completely disagree, largely disagree and somewhat disagree)
  - Indifferent responses

	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)  
d) *Good*: (+0.01 to +1.0)

b) *Worse*: (-2.0 to -1.01)  
e) *Better*: (+1.01 to +2.0)

c) *Bad*: (-1.0 to -0.01)  
f) *Best*: (+2.01 to +3.0)



# **Global Competitiveness Report 2009-2010: Major Findings**

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## IV. Global Competitiveness Report 2009-2010

### Global Competitiveness Index (GCI): Rankings

- A total of 133 countries have been assessed in 2008 (134 in 2007).
  - Moldova has been dropped this year due to insufficient data.
- **Top 10 countries in GCI 2008 have remained same; however major shuffling has taken place in their rankings.**
  - Switzerland lead this year and overtakes the United States.
    - Better performance in financial market sophistication and technological readiness have contributed the most
  - USA's fall to second place is related to its weakened financial markets and less macroeconomic stability.
  - Singapore moves up two ranks to 3rd place, remaining the top-ranked country from Asia.
- **Among the BRIC countries, China continues to lead (29) followed by India (49), Brazil (56) and Russia (63). Russia falls by 12 places.**
- South Asia experiences mixed results: India, Bangladesh, Nepal performed relatively better; Pakistan hold their position; and Sri Lanka's rank fell.
- **Bangladesh has demonstrated improvement by advancing five position at 106 in 2008 (111 in 2007).**
  - Among other Asian countries, Vietnam, Cambodia, Thailand, Malaysia fell from their previous year's position.
- **Among African LDCs, a number of them have made progress in 2008, particularly Uganda (from 128 to 108) and Tanzania (from 113 to 100).**

### GCI ranking in 2007 and 2008

Economy	2007	2008	Change
Switzerland	2	1	↑
United States	1	2	↓
Singapore	5	3	↑
Sweden	4	4	↔
Denmark	3	5	↓
Finland	6	6	↔
Germany	7	7	↔
Japan	9	8	↑
Canada	10	9	↑
Netherlands	8	10	↓

Asian Countries			
Bangladesh	111	106	↑
India	50	49	↑
Pakistan	101	101	↔
Sri Lanka	77	79	↓
China	30	29	↑
Vietnam	70	75	↓
African LDCs			
Benin	106	103	↑
Ethiopia	121	118	↑
Gambia	87	81	↑
Madagascar	125	121	↑
Mali	117	130	↓
Mozambique	130	129	↑
Uganda	128	108	↑
Tanzania	113	100	↑

## Bangladesh in GCI Ranking and Change in GCI Scores

- Bangladesh advanced five ranks to reach the 106<sup>th</sup> position in GCI by making substantial progress particularly in basic requirements sub-index (from 117 to 108)
  - A positive change of 1.14% in scores reflect its progress at absolute level.
  - Bangladesh's progress is strongly evident even in the same set of countries (as of 2007); it would be ranked 107 instead of 106 in 2008.
- Macroeconomic stability showed considerable progress in 2008 despite the global meltdown (from 101 to 84); however, overall score marginally declined in 2008 (0.22%)
  - Government and other public institutions perceived to be performed better in 2008 (from 127 to 122; increase by 3.7%) which is likely to be related with various institutional reforms undertaken in 2008.
  - Physical infrastructure experienced considerable fall (from 122 to 126; changes in score 8.14% ) possibly due to lack of improvement in various physical facilities.
- Although Bangladesh's ranking in *efficiency enhancers* did not change in 2008 (changes in score 1.72%), there are a number of areas of both comfort and concerns within this sub-index.
  - Improvement of financial market's sophistication was a major factor for the positive upturn during 2008 (from 82 to 71; changes in score 3.21%) perhaps related to prudent bank management, central bank's policy and overall role during the financial crisis.

## IV. Global Competitiveness Report 2009-2010 ... cont'd

- Improvement in case of market size, goods market efficiency, higher education and training and technological readiness have contributed to consolidate the advanced position in efficiency enhancers in 2008.
- Labour market is perceived to be highly inefficient as its index drop by 15 places (from 107 to 122) possibly related with lack of adequate skilled workforce for various industrial activities.
- Innovation and sophistication sub-index experienced marginal improvement (from 115 to 114) mainly due to improvement in business sophistication (from 105 to 100).

Bangladesh's ranks and scores of different pillars and subindices in the GCI: 2007 vs. 2008

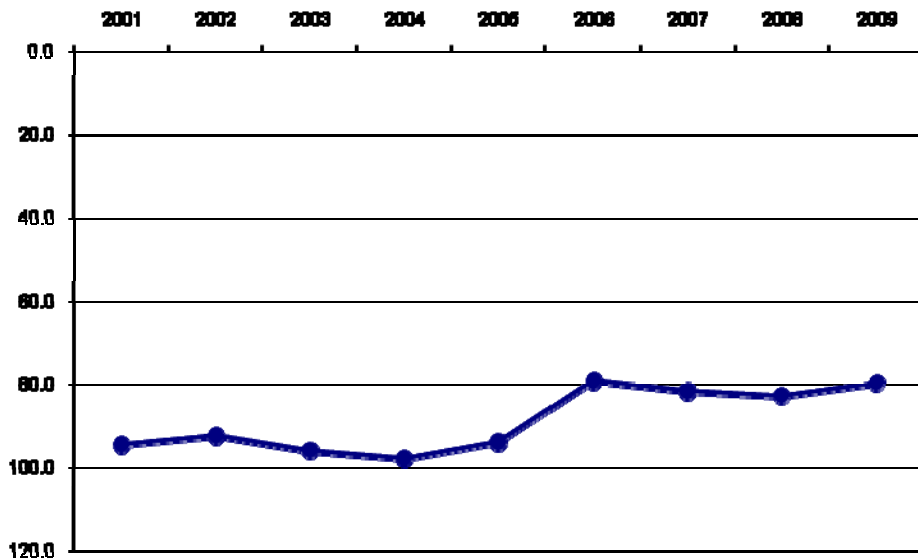
Indices	Rank		Score		%
	2007 (134 countries)	2008 (133 countries)	2007 (134 countries)	2008 (133 countries)	
<b>GCI</b>	<b>111</b>	<b>106</b>	<b>3.51</b>	<b>3.55</b>	<b>1.14</b>
<b>Basic Requirements</b>	<b>117</b>	<b>108</b>	<b>3.57</b>	<b>3.60</b>	<b>0.84</b>
<i>Institutions</i>	127	122	2.98	3.09	3.69
<i>Infrastructure</i>	122	126	2.21	2.39	8.14
<i>Macroeconomic stability</i>	101	84	4.46	4.45	-0.22
<i>Health and primary education</i>	105	105	4.63	4.49	-3.02
<b>Efficiency Enhancers</b>	<b>97</b>	<b>97</b>	<b>3.48</b>	<b>3.54</b>	<b>1.72</b>
<i>Higher education and training</i>	131	129	2.51	2.57	2.39
<i>Goods market efficiency</i>	106	102	3.83	3.82	-0.26
<i>Labour market efficiency</i>	107	122	4.01	3.89	-2.99
<i>Financial market sophistication</i>	82	71	4.05	4.18	3.21
<i>Technological Readiness</i>	126	125	2.34	2.45	4.70
<i>Market size</i>	53	48	4.14	4.32	4.35
<b>Innovation and sophistication</b>	<b>115</b>	<b>114</b>	<b>2.98</b>	<b>3.00</b>	<b>0.67</b>
<i>Business sophistication</i>	105	100	3.46	3.47	0.29
<i>Innovation</i>	122	122	2.51	2.52	0.40



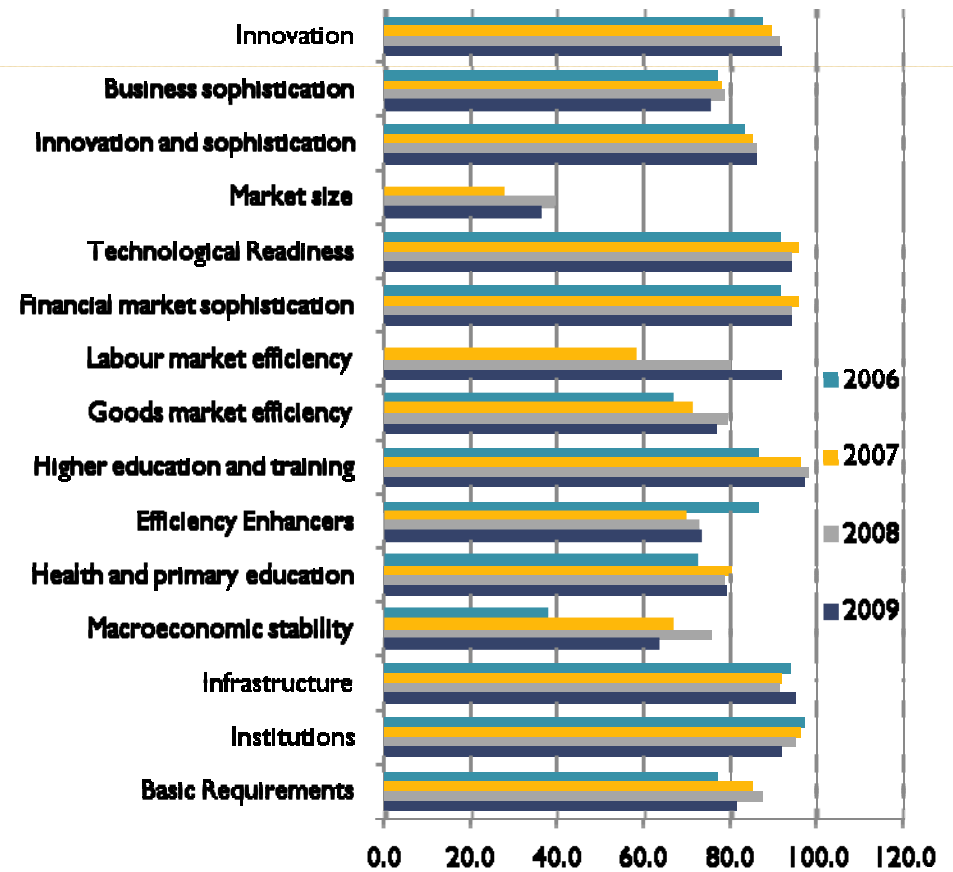
## Trends in Bangladesh's GCI Ranking since 2001

- Since 2001, when Bangladesh was first included in the GCR, its business competitiveness in the global market has experienced modest improvements.
- Efficiency enhancers, particularly the size of the market and the efficiency of goods market, have contributed the most. Under the basic requirements sub-index, macroeconomic stability and institutional development have made some progress.

**Bangladesh's Position since 2001 (Based on GCI Ranking)  
(out of 100)**



**Bangladesh's Position in Subindices (based on ranking: out of 100)**





## **V. Business Environment in Bangladesh (February, 2008 - January, 2009)**

2007: 127<sup>th</sup>  
2008: 122<sup>nd</sup>

## A. Governance and Public Institutions

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worst</b> (-2.01 to -3.00)	<ol style="list-style-type: none"> <li>1. Public trust in the financial honesty of politicians is very low (95.6%)</li> <li>2. Economic policy-making is mostly centralized - national government controls almost all important decisions (89%)</li> </ol>	<ol style="list-style-type: none"> <li>2. Economic policy-making is mostly centralized - government controls almost all important decisions (92%) ⇔</li> </ol>
<b>Worse</b> (-1.01 to -2.00)	<ol style="list-style-type: none"> <li>3. When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals (89.1%)</li> <li>4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (84.4%)</li> <li>5. Police services often cannot be relied upon to enforce law and order (75.9%)</li> <li>6. The national Parliament is highly ineffective as a law-making institution (76.1%)</li> <li>7. Complying with administrative requirements for business required by the government is often burdensome (82.5%)</li> <li>8. The composition of public spending is moderately wasteful (83.3%)</li> <li>9. The government's efforts to reduce poverty and address income inequality are often ineffective (69.3%)</li> <li>10. Customs procedures are often slow and cumbersome (88%)</li> <li>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%)</li> </ol>	<ol style="list-style-type: none"> <li>1. Public trust in the financial honesty of politicians is somewhat low (89.9%) ↑ ✓</li> <li>3. When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals (84.3%) ⇔</li> <li>4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (82.3%) ⇔</li> <li>5. Police services often cannot be relied upon to enforce law and order (71.9%) ⇔</li> <li>7. Complying with administrative requirements for business required by the government is often burdensome (82%) ⇔</li> </ol>

- **'Better' perception:** Freedom of press in 2008 was highly acknowledged (94.3%; 1.93) perhaps related with its strong role in the transition phase towards institutionalisation of a democratically elected government and various reforms initiated in 2008.
- **'Worst perception':** 'Centralised' economic policy making process was strongly criticised (92%; -2.15) following the earlier trend; no improvement in 2008. Establishment of strong and effective local government was strongly urged.
- **Public trust of financial honesty of politicians is perceived to have marginally improved in 2008.**
  - No change in case of government officials attitude towards favouring well-connected firms and individuals in case of providing contracts (84.3%; -1.38) and lack of improvement of police services to enforce law and order (71.9%; -1.09).



2007: 127<sup>th</sup>  
2008: 122<sup>nd</sup>

## A. Governance and Public Institutions

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
Bad (-0.01 to -1.00)	<p>I2. Property rights, including over financial assets, are somewhat poorly defined and not well-protected by law (57.8%)</p> <p>I3. Firms are sometimes not informed clearly by the government about changes in policies &amp; regulation (61.6%)</p> <p>I4. The level of taxes slightly limits the incentives to work or invest (59.4%)</p>	<p>6. The national Parliament is somewhat ineffective as a law-making institution (66.2%) ↑ ✓</p> <p>8. The composition of public spending is somewhat wasteful (72.8%) ↑ ✓</p> <p>9. The government's efforts to reduce poverty and address income inequality are often ineffective (54.6%) ↑ ✓</p> <p>10. Customs procedures are often slow and cumbersome (70.8%) ↑ ✓</p> <p>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 (67.4%) ↑</p> <p>12. Property rights, including over financial assets, are somewhat poorly defined and not well-protected by law (60.9%) ↔</p> <p>14. The level of taxes slightly limits the incentives to work or invest (47.2%) ↔</p> <p>15. Government subsidies &amp; tax breaks somewhat distort competition (42.5%) ↓</p> <ul style="list-style-type: none"> <li>• Obtaining information about changes in government policies and regulations are impossible (57.3%)</li> </ul>

- Administrative requirements for initiating and operating a business remained cumbersome (82%; -1.37); almost no improvement in 2008.
  - Better business forum' and 'regulatory reforms commission' constituted in 2007, with the mandate to work towards improvement of domestic business environment. However recommendation have not been implemented in due course; hence rules and regulations did not improve at expected level.
- Customs procedures experienced significant improvement in 2008 (71%; -0.90) though it is still slow and cumbersome.
  - Reform measures initiated in 2007, followed by reduction in the requirement of number of signatures for customs clearance and introduction of automated customs clearing system, etc perhaps contributed to this change.
  - Easy information access especially related to changes in government policies and regulations, was still perceived to be difficult (57%; -0.39).

2007: 127<sup>th</sup>  
2008: 122<sup>nd</sup>

## A. Governance and Public Institutions

<p><b>Good</b> (0.01 to 1.00)</p>	<p><b>15. Government subsidies &amp; tax breaks often do not seriously distort competition (47.7%)</b> <b>16. Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (40.5%)</b></p>	<p><b>16. Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (55.2%) ⇔</b></p>
<p><b>Better</b> (0.01 to 1.00)</p>	<p><b>17. The press is relatively free (81.4%)</b></p>	<p><b>17. The press is relatively free (94.3%) ⇔</b></p>

- **Poverty reduction initiatives undertaken in 2008 were highly acknowledged (54.6%; -0.59).**
  - 100-day employment generation scheme, special allocation for 'monga' prone areas, special allocation towards reducing regional inequalities, various social supports programme etc. can be attributed towards these acknowledgement.
  - Public spending in unimportant and unapproved projects has perceived to be lessened during 2008; hence wasteful public spending has been perceived to have declined in 2008 (73%; -0.92).
- **Agricultural policy of the government seems to be maintaining balance among different interest groups in 2008 (55%; 0.43).**
  - Agricultural policy towards ensuring higher production by maintaining availability of fertiliser, adequate supply of diesel and electricity for irrigation, better harvest price for farmers, monitoring supply and demand of agricultural products at retail level would positively contributed to this perception.
  - Government took a number of measures in 2008 (including reduction of import duty on essential consumer products) towards increasing availability of essential products and curbing inflation. A number of those measures were recommended in a study carried out by CPD (*Recent Inflation in Bangladesh: Trends, Determinants and Impact on Poverty, 2008*).

2007: 122<sup>nd</sup>  
2008: 126<sup>th</sup>

## B. Infrastructure

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worst</b> (-2.01 to - 3.00)		1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is worse than in some other countries (97.7%) ↓ ✓
<b>Worse</b> (-1.01 to - 2.00)	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 moderately underdeveloped (92.4%) 3. Railroads are moderately underdeveloped (91.3%) 4. Port facilities & inland waterways are moderately underdeveloped (82.5%) 5. Roads are moderately underdeveloped (75.9%)	2. General infrastructure of the country is moderately underdeveloped (80.9%) ⇔ 3. Railroads are moderately underdeveloped (89.9%) ⇔

- **'Good' perception:** National ground transport network is perceived to be somewhat efficient (44%; 0.03); significant improvement observed by the respondents in 2008.
  - Telecommunication network appreciated by about 60% (0.58) respondents because of availability and reliability of services; no significant changes observed in 2008.
- **'Worst perception':** Poor electricity supply was the major concern to almost all survey respondents (98%; -2.33); more importantly, a significant deterioration in the level of perception happened in 2008. The CTG has failed to narrow down the yawning demand-supply gap of electricity (from 1394.2 MW in FY2007 to 1439 MW in FY2008), although number of electricity generation projects were initiated in 2007 and 2008 (capacity: 1290 MW).
- More than 80%(-1.19) businessmen opined that general infrastructure of the country remained largely underdeveloped in 2008.
- Railroads remained at a poor condition; air transport network failed to post any progress its services although a number of initiatives were adopted in 2008; perception level has declined in 2008.

2007: 122<sup>nd</sup>  
2008: 126<sup>th</sup>

## B. Infrastructure

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Bad</b> (-0.01 to -1.00)	<p>6. Passenger air transport is slightly underdeveloped (61.1%)</p> <p>7. 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%)</p> <p>8. The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$ 100 (54.5%)</p>	<p>4. Port facilities &amp; inland waterways are moderately underdeveloped (59.5%) ↑ ✓</p> <p>5. Roads are moderately underdeveloped (67.4%) ↑ ✓</p> <p>6. Passenger air transport is slightly underdeveloped (61.8%) ⇔</p> <p>10. The air transport network does not offer good connections to some key business markets (42.7%) ↓ ✓</p> <p>8. The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$100 (59.6%) ⇔</p>
<b>Good</b> (0.01 to 1.00)	<p>9. New telephone lines for business are somewhat available and quite reliable (55%)</p> <p>10. The air transport network offers good connections to some key business markets (44.2%)</p>	<p>7. National ground transport network (buses, trains, taxis, etc.) somewhat offer efficient, accessible transportation to a wide range of travellers to key business centres and tourist attractions within the country (43.8%) ↑ ✓</p> <p>9. New telephone lines for business are somewhat available and quite reliable (59.1%) ⇔</p>

- 60% (-0.67) respondents observed moderate but significant improvement in port facilities during 2008 which is related to various initiatives undertaken by the CTG in 2007 and 2008. However, port facilities were still underrated because of their poor performance compared to those of other neighbouring countries.
- These measures include among other factors, three-shift workday for dockworkers; reduction of container handling charges; handing over cargo handling activities of the different jetties in general yards to private companies; allowing delivery of Full Container Load (FCL); reducing the size of the labour groups; setting up sector wise off-dock inland container depot (ICD); cancellation of irrational fees and charges of shipping agents coupled with reducing the number of signatures; prescheduled berthing system.

2007: 122<sup>nd</sup>  
2008: 122<sup>nd</sup>

## C. Innovation and Technology

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worst</b> (-2.01 to -3.00)	1. Internet access in schools is very limited (93.4%)	1. Internet access in schools is very limited (96.6%) ⇔ 2. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable (91%) ↓
<b>Worse</b> (-1.01 to -2.00)	2. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable (82.4%) 3. In the area of R&D, collaboration between the business community and local universities is moderately minimal (81.1%) 4. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are often non existent (81.4%) 5. The presence of information and communication technologies in government offices is moderately rare (75.6%) 6. Government procurement decisions do not often result in technological innovation (74.8%) 7. A failed entrepreneurial project is often considered an embarrassment (68.5%)	3. In the area of R&D, collaboration between the business community and local universities is moderately minimal (76.4%) ⇔ 4. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are often non existent (84.3%) ⇔ 6. Government procurement decisions do not often result in technological innovation (77.3%) ⇔ 7. A failed entrepreneurial project is often considered an embarrassment (69.7%) ⇔ 13. Scientific research institutions are moderately minimal (79.8%) ↓ ✓

- **'Good' perception:** 54% (0.47) respondents perceived that ICT as an overall priority for the government during 2008; internet-based buying and selling and interacting with customers and suppliers are getting popular (51%; 0.17); (e.g. Cell-bazaar; clickbd); significant changes were discerned in 2008.
  - New technologies are not out of reach to companies as 49% (0.09) respondents opined positively but at a low level; FDI is one of the sources for new technology which is perceived to play a key role by 46% (0.16) respondents.
- **'Worst' perception:** Online government services were largely absent in 2008 though government offices provided some on-line services,
  - Access to internet in schools is very limited (96.6%; -2.18); no change in the level of perception in 2008. Inadequate infrastructure, and lack of trained teachers, lack of investible fund have constrained development of internet access facility in schools.

2007: 122<sup>nd</sup>  
2008: 122<sup>nd</sup>

## C. Innovation and Technology

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
Bad (-0.01 to -1.00)	<p>8. The latest technologies are not much widely available nor used (44%)</p> <p>9. 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%)</p> <p>10. The use of information and communication technologies by the government has not greatly improved the efficiency of government services (53.9%)</p> <p>11. Government programmes promoting the use of information and communication technologies are sometimes not very successful (61.6%)</p> <p>12. Companies often do not use the internet extensively for buying and selling goods, and for interacting with customers and suppliers (61.6%)</p>	<p>8. The latest technologies are not much widely available nor used (42.7%) ⇔</p> <p>9. The government does not have a very clear implementation plan for utilizing information and communication technologies for improving the country's overall competitiveness (48.3%) ⇔</p> <p>10. The use of information and communication technologies by the government has not greatly improved the efficiency of government services (48.3%) ⇔</p> <p>11. Government programmes promoting the use of information and communication technologies are sometimes not very successful (41.6%) ⇔</p> <p>14. Licensing of foreign technology is slightly uncommon (56.5%) ⇔</p>
	<p>13. Scientific research institutions are moderately minimal (62.7%)</p> <p>14. Licensing of foreign technology is slightly uncommon (52.2%)</p> <p>15. The competition among Internet Service Providers often does not ensure high quality, infrequent interruptions and low prices (48.4%)</p> <p>16. Digital content in the country is sometimes not widely accessible via multiple platforms (49.5%)</p>	<p>15. The competition among Internet Service Providers often does not ensure high quality, infrequent interruptions and low prices (39.3%) ⇔</p> <p>16. Digital content in the country is sometimes not widely accessible via multiple platforms (54.5%) ⇔</p>

- Non-existence of laws relating to information technology was a major concern for businesses (84.3%; -1.58) and no improvement was observed in 2008. However, a draft ICT policy is awaiting the cabinet's nod.
- 48% (-0.37) respondents perceived that government did not have a clear implementation plan to use ICT for improving the country's business competitiveness; the perception remained at a low level in 2008. Many IT related projects have been implemented under ADP (IT Palii; Kaliakoir High Tech Park) at a slow pace and has been considered to be unsuccessful (42%; -0.21).

2007: 122<sup>nd</sup>  
2008: 122<sup>nd</sup>

## C. Innovation and Technology

Good  
(0.01 to  
1.00)

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%)

12. Companies somewhat use the internet for buying and selling goods, and for interacting with customers and suppliers (50.5%) ↑✓  
17. Companies are sometimes able to absorb new technology (49.4%) ⇔  
18. Foreign direct investment in the country is sometimes an important source for new technology (46%) ⇔  
19. Information and communication technologies are sometimes an overall priority for the government (54%) ⇔

- Use of latest technology in businesses is not so common because of their unavailability (43%; -0.03); This is partly related with difficulty of licensing foreign technologies (57%; -0.58). No considerable changes observed in 2008.
- Although a number of ISPs are in operation, their quality of services were not at an acceptable standard level due to frequent interruptions and relatively high prices. Initiatives undertaken last year failed to post any considerable progress.
  - New initiatives such as wi-max, 3G currently under BTRC, would improve the quality of internet-based services.

2007: 82<sup>nd</sup>  
2008: 71<sup>st</sup>

## D. Financial Environment

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worse</b> (-1.01 to -2.00)	<ol style="list-style-type: none"> <li>1. It is often impossible to obtain a bank loan with only a good business plan and no collateral (74.4%)</li> <li>2. Entrepreneurs with innovative but risky projects do not often find venture capital (84.7%)</li> </ol>	<ol style="list-style-type: none"> <li>1. It is often impossible to obtain a bank loan with only a good business plan and no collateral (87.5%) ⇔</li> <li>2. Entrepreneurs with innovative but risky projects do not often find venture capital (89.8%) ⇔</li> <li>3. The level of sophistication of financial markets is somewhat poor by international standards (68.5%) ↓</li> </ol>
<b>Bad</b> (-0.01 to -1.00)	<ol style="list-style-type: none"> <li>3. The level of sophistication of financial markets is somewhat poor by international standards (71.5%)</li> <li>4. Financial auditing and reporting standards regarding company financial performance are somewhat weak (61.6%)</li> <li>5. The inflow and outflow of capital into and from the country is somewhat restricted by law (64.4%)</li> <li>6. Interests of minority shareholders in the country are sometimes not protected by law (47.8%)</li> </ol>	<ol style="list-style-type: none"> <li>4. Financial auditing and reporting standards regarding company financial performance are somewhat weak (44.3%) ⇔</li> <li>5. The inflow and outflow of capital into and from the country is somewhat restricted by law (51.8%) ⇔</li> <li>6. Interests of minority shareholders in the country are sometimes not protected by law (58.0%) ⇔</li> <li>8. During the past year, obtaining credit for company has become somewhat difficult (46.1%) ↓ ✓</li> <li>10. Foreign ownership of companies is somewhat rare (48.3%) ↓</li> </ol>

- **'Better' perception:** FDI related rules and regulations were perceived to be favorable to attract FDI (69%; 1.15); however no considerable improvement was discerned in case of FDI inflow during 2008.
- **'Worse' perception:** Sophistication of financial market has further declined in 2008 (69%; -1.03) though not at a significant level.
  - Access to bank finance is not only related with a good business plan, in addition sufficient collateral is required (88%; -1.64). Likewise, venture capital for innovative and risky projects found little attention from financing organisations (90%; -1.86) and there no change happened in 2008.
- Access to credit for financing businesses was not so easy as 46% (-0.55) perceived a significant decline in this regard during 2008; tightening of banking practices, including strong surveillance over credit disbursement in 2008, posed a negative impact.

2007: 82<sup>nd</sup>  
2008: 71<sup>st</sup>

## D. Financial Environment

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
Good (0.01 to 1.00)	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%)	7. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (48.9%) ⇔ 9. Banks are somewhat generally healthy with sound balance sheets (64.0%) ⇔ 11. Raising money by issuing shares on the stock market is sometimes possible for a good company (45.5%) ⇔ 12. Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (51.6%) ⇔
Better (1.01 to 2.00)	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%)	13. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (69.0%) ⇔

- Corporate governance of companies remained at poor state since financial auditing and reporting were somewhat weak. These would have adverse impact on safeguarding interest of minority shareholders (58%; -0.53).
- Prevalence of debt financing helped banks maintain sound financial balances (64%; 0.80); This is also reflected in their strong performance in the capital market.
- 52% (0.38) respondents opined that regulations of securities exchanges are somewhat transparent, effective and independent. Perhaps this perception is related with the buoyant capital market performance during 2008. However, SEC and DSE/CSE are often criticised for lack of adequate supervision and monitoring over market fluctuations.
- Tariff and non-tariff barriers were remained a major obstacle for importing products to be competitive in the domestic market during 2008 (49%; 0.31).

2007: 105<sup>th</sup>  
2008: 100<sup>th</sup>

Level	February, 2007 - January, 2008	February, 2008 - January, 2009 (This year's survey)
<b>Worst</b> (-2.01 to -3.00)	1. Process equipment and machinery are mostly imported (93.4%)	1. Process equipment and machinery are mostly imported (93.2%) ⇔
<b>Worse</b> (-1.01 to -2.00)	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%) 5. Corporate activity is moderately dominated by a few business groups (77%) 6. Companies often do not spend money on research and development (91.3%)	5. Corporate activity is moderately dominated by a few business groups (77.3%) ⇔ 9. Buyers make purchasing decisions mainly based on the lowest price (67.0%) ⇔ 12. Anti-monopoly policy is largely lax and ineffective at promoting competition (43.5%) ↓ ✓ 19. Starting a new business is generally largely difficult (53.4%) ↓ ✓ 16. Well developed and deep clusters in the economy are somewhat rare or absent (52.9%) ↓ 21. State-owned enterprises are somewhat favoured over private sector competitors (46.0%) ↓ 22. Collaboration among firms, suppliers, partners and associated institutions within clusters is somewhat non-existent (48.9%) ↓ ✓ 23. Formal policies to support cluster development are largely non-existent (66.3%) ↓

## E. Business Operation and Sophistication

- **'Good' perception:** 62% (0.66) perceived that competition in local market for most industries remained intensive in 2008. Hence firms were somewhat responsive to customers and customer retention (56%; 0.46).
  - Management is perceived to be little accountable to investors and board directors (48%; 0.11). This indicates little progress in corporate management during 2008.
- **'Worst' perception:** Little change was discerned in perception on over-dependence of imported machineries (93%; -2.13) which reflects poor domestic base of available technologies.
- Competition in the market was often obstructed by different anti-competitive practices in 2008. Ineffective and lax anti-monopoly policy deteriorated the business competitive environment in the domestic market (44%; -0.38).
  - Formulation of a Competition Policy is still at the review stage;
- Starting a new business was not so easy during 2008, rather it was getting difficult (53%; -0.38). Strictly adherence to business rules and regulations during the CTG discouraged businessmen initiating new ventures.

2007: 105<sup>th</sup>  
2008: 100<sup>th</sup>

Worse (-1.01 to -2.00)	<p>7. Exports to neighboring countries are moderately limited (76.7%)</p> <p>8. Exporting companies are sometimes primarily involved in individual steps of the value chain (68.2%)</p> <p>9. Buyers make purchasing decisions mainly based on the lowest price (73.1%)</p> <p>10. Management compensation is moderately based on fixed salaries (72.6%)</p>	<p>2. Competitiveness of companies in international markets is often primarily due to low cost or local natural resources (84.3%) ⇔</p> <p>3. Production processes mostly use labour-intensive methods or previous generations of process technology (82.0%) ⇔</p> <p>4. Companies often obtain technology exclusively from licensing or imitating foreign companies (86.4%) ⇔</p> <p>6. Companies often do not spend money on research and development (86.4%) ⇔</p> <p>7. Exports to neighboring countries are moderately limited (86.5%) ⇔</p> <p>10. Management compensation is moderately based on fixed salaries (75.3%) ⇔</p> <p>15. Willingness to delegate authority to subordinates is somewhat low - top management controls all important decisions (77.5%) ↓ ✓</p>
Bad (-0.01 to -1.00)	<p>11. Specialized research and training services are sometimes not available in the country (72.6%)</p> <p>12. Anti-monopoly policy is somewhat lax and ineffective at promoting competition (59.4%)</p> <p>13. Exporting companies sometimes sell primarily in a small number of foreign markets (59.6%)</p> <p>14. Standards on product/ service quality, energy &amp; other regulations are somewhat lax (61.1%)</p> <p>15. Willingness to delegate authority to subordinates is somewhat low - top management controls all important decisions (59.4%)</p>	<p>8. Exporting companies are sometimes primarily involved in individual steps of the value chain (59.6%) ⇔</p> <p>11. Specialized research and training services are sometimes not available in the country (65.2%) ⇔</p> <p>13. Exporting companies sometimes sell primarily in a small number of foreign markets (60.2%) ⇔</p> <p>20. State-owned enterprises play a somewhat dominant role in the economy (60.2%) ⇔</p> <p>26. The quality of local suppliers is somewhat poor (40.9%) ↓</p> <p>27. Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (51.8%) ↓</p>

- Competitiveness in international market has been driven by low-cost production (84%; -1.46). This is related with use of labour-intensive methods (82%; -1.30) for manufacturing low-end products, involvement of exporting companies in limited level of operations in the value chain.
  - Rising productivity and manufacturing high value-added products through upgrading technologies, skills and capacity need to be prioritised.
- A top-down approach in case of delegating authority (78%; -1.27) has slowed companies' operational level; the situation has deteriorated further in 2008.
  - Senior management positions may not always filled up by professionals based on their qualification (42%; -0.15); no major improvement took place in this regard.

2007: 105<sup>th</sup>  
2008: 100<sup>th</sup>

## E. Business Operation and Sophistication (contd..)

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Bad</b> (-0.01 to -1.00)	<p>16. Well developed and deep clusters in the economy are somewhat rare or absent (57.9%)</p> <p>17. The extent of marketing is somewhat limited and primitive (64.9%)</p> <p>18. International distribution &amp; marketing sometimes takes place through foreign companies (55%)</p> <p>19. Starting a new business is generally somewhat difficult (52.8%)</p> <p>20. State-owned enterprises play a somewhat dominant role in the economy (63.8%)</p> <p>21. State-owned enterprises are somewhat favoured over private sector competitors (43.2%)</p> <p>22. Collaboration among firms, suppliers, partners and associated institutions within clusters is somewhat non-existent (46%)</p> <p>23. Formal policies to support cluster development are somewhat non-existent (64.7%)</p>	<p>14. Standards on product/ service quality, energy &amp; other regulations are somewhat lax (65.1%) ⇔</p> <p>17. The extent of marketing is somewhat limited and primitive (65.2%) ⇔</p> <p>18. International distribution &amp; marketing sometimes takes place through foreign companies (58.0%) ⇔</p> <p>24. Senior management positions are not sometimes held by professional managers chosen based on superior qualification (41.6%) ↓</p>
<b>Good</b> (0.01 to 1.00)	<p>24. Senior management positions are sometimes held by professional managers chosen based on superior qualification (46.2%)</p> <p>25. Corporate governance by investors &amp; boards directors is characterized to some extent by management with little accountability (47.9%)</p> <p>26. The quality of local suppliers is somewhat good (41.8%)</p> <p>27. Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (55%)</p> <p>28. Firms are somewhat responsive to customers and customer retention (49.5%)</p> <p>29. Competition in the local market is somewhat intense in most industries (67.8%)</p>	<p>25. Corporate governance by investors &amp; boards directors is characterized to some extent by management with little accountability (48.3%) ⇔</p> <p>28. Firms are somewhat responsive to customers and customer retention (56.1%) ⇔</p> <p>29. Competition in the local market is somewhat intense in most industries (62.1%) ⇔</p>

- Although local suppliers are numerous in case of materials, components, equipments, and services, their quality is somewhat poor (41%; 0.05). The level of perception worsened in 2008.
  - 65% (-0.88) perceived that marketing operated at limited scale and was primitive in nature. Modern marketing practices were largely absent in the country.
  - International distribution and marketing often operated by foreign companies (58%; -0.59) have led local producers to fully comply with the terms and conditions set by foreign companies.

2007: 131<sup>th</sup>  
2008: 129<sup>th</sup>

## F. Education and Human Capital

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worse</b> (-1.01 to -2.00)	<ol style="list-style-type: none"> <li>1. Math &amp; science education in the schools lags far behind some other countries in the world (76.7%)</li> <li>2. Talented people often leave to pursue opportunities in other countries (84.5%)</li> <li>3. Primary schools are mostly of poor quality (91.1%)</li> <li>4. The general approach of companies to human resources often is to invest little in training and employee development (83.3%)</li> <li>5. The educational system often does not meet the needs of a competitive economy (73.3%)</li> </ol>	<ol style="list-style-type: none"> <li>1. Math &amp; science education in the schools lags far behind some other countries in the world (71.9%) ⇔</li> <li>2. Talented people often leave to pursue opportunities in other countries (84.3%) ⇔</li> <li>3. Primary schools are mostly of poor quality (88.8%) ⇔</li> <li>4. The general approach of companies to human resources often is to invest little in training and employee development (74.2%) ⇔</li> </ol>
<b>Bad</b> (-0.01 to -1.00)	<ol style="list-style-type: none"> <li>6. Management or business schools are somewhat limited or of poor quality (60%)</li> <li>7. For similar work, wages for women are somewhat below those of men (54.4%)</li> <li>8. Labour regulation somewhat prevents the companies from employing foreign labour (55.5%)</li> <li>9. Pay is sometimes not related to worker productivity (47.8%)</li> <li>10. Businesses often do not provide women with the same opportunities as men to rise to positions of leadership (51.1%)</li> <li>11. Labor-employer relations are somewhat generally confrontational (47.8%)</li> </ol>	<ol style="list-style-type: none"> <li>5. The educational system often does not meet the needs of a competitive economy (69.3%) ↑ ✓</li> <li>6. Management or business schools are somewhat limited or of poor quality (47.2%) ⇔</li> <li>7. For similar work, wages for women are somewhat below those of men (62.9%) ⇔</li> <li>8. Labour regulation somewhat prevents the companies from employing foreign labour (71.3%) ⇔</li> <li>9. Pay is sometimes not related to worker productivity (55.1%) ⇔</li> <li>10. Businesses often do not provide women with the same opportunities as men to rise to positions of leadership (47.1%) ⇔</li> <li>12. Scientists &amp; engineers are somewhat not widely available (39.3%) ↓</li> </ol>

• **'Good' perception:** Hiring and firing of workers (53%; 0.46) and determination of workers' wage (66%; 0.70) are decided by employers; no noticeable changes observed in 2008.

• In the absence of effective trade union practices particularly in manufacturing industries, often labour-employer relationship became confrontational on various issues (44%;0.13). However, labour-employer relations improved in 2008 though not so significant.

• **'Worse' perception:** Perception regarding the quality of primary schools remained very poor in 2008 (89%; -1.64); no significant changes in 2008;

• Math and science education lags behind competing countries (72%; -1.03) which portrays less prospect for development of skilled professionals in the long term through the existing education system.

2007: 131<sup>th</sup>  
2008: 129<sup>th</sup>

## F. Education and Human Capital (contd..)

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
Good (0.01 to 1.00)	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%)	11. Labor-employer relations are somewhat generally confrontational (43.7%) ↑ 13. The hiring and firing of workers is somewhat flexibly determined by employers (52.8%) ↔ 14. Wages are sometimes fixed by each individual company (66.3%) ↔

- 'Brain drain' is a major problem (84%; -1.37); there is hardly any effort either from the government or private sector towards reducing outward migration of talented local people.
- Education system has yet to fulfill the needs of a competitive economy (69%; -0.93) although it has made significant improvement in 2008.
  - Management and business schools have made little progress and often failed to meet the requirement of businesses (47%; -0.18);
  - Perception in the context of availability of scientists and engineers further deteriorated in 2008; changes were not so significant.
- Gender disparity remained a concern in case of formal employment; women for similar work earned less than men (63%; -0.47).
  - Women were less preferred in top business positions (47%; -0.02).
  - Gender disparity has been addressed separately in the national budget for FY2009-10.

## G. Corruption, Ethics and Social Responsibility

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worse</b> (-1.01 to -2.00)	<ol style="list-style-type: none"> <li>1. Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are moderately common (89.1%)</li> <li>2. Domestic firms paying bribes to public servants or public officials are moderately common (90.2%)</li> <li>3. Undocumented extra payments or bribes made by firms for public utilities are moderately common (83.6%)</li> <li>4. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (85.8%)</li> <li>5. Undocumented extra payments or bribes made by firms for import and export permits are moderately common (86.9%)</li> <li>6. Diversion of public funds to companies, individuals or groups due to corruption is moderately common (72.2%)</li> </ol>	<ol style="list-style-type: none"> <li>1. Undocumented extra payments or bribes made by firms for awarding of public contracts and licenses are moderately common (95.3%) ⇔</li> <li>2. Domestic firms paying bribes to public servants or public officials are moderately common (94.3%) ⇔</li> <li>3. Undocumented extra payments or bribes made by firms for public utilities are moderately common (86.2%) ⇔</li> <li>4. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (87.4%) ⇔</li> <li>5. Undocumented extra payments or bribes made by firms for import and export permits are moderately common (85.1%) ⇔</li> <li>6. Diversion of public funds to companies, individuals or groups due to corruption is moderately common (78.8%) ⇔</li> <li>7. Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company (77.3%) ↓</li> <li>13. The government's effort combat corruption and bribery is somewhat unsuccessful (67.4%) ↓ ✓</li> </ol>

- **'Good' perception:** Threat of terrorism (43%; 0.18) and organised crime (39%; 0.11) did not impede business operations and hence imposed less burden in 2008; however, no improvement from the previous year was discerned in 2008.
- **'Worse' perception:** About 67% (-1.03) perceived that government's efforts to combat corruption and bribery was somewhat 'unsuccessful' in 2008; level of perception significantly declined in 2008.
  - Illegal payments to influence government policies, laws or regulations remained a challenge for companies to operate competitively in the market (77%; -1.15). Practice of bribery in public offices did not decline in 2008 (94%; -2.00) after experiencing marginal improvement in 2007.
  - Undocumented extra payments or bribes for getting benefits in import and export, public utilities, annual tax payments, awarding public contracts remained a major problem for a large part of businessmen.
  - It indicates weaknesses of the immediate past government to lessen illegal and corrupt practices which often distorted the business competitive environment and thereby discouraged investors to invest in the country.

## G. Corruption, Ethics and Social Responsibility (contd..)

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Bad</b> (-0.01 to -1.00)	7. Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company (64.4%)	8. The judiciary is somewhat influenced by political influences of members of the government, citizens or firms (61.8%) ⇔
	8. The judiciary is somewhat influenced by political influences of members of the government, citizens or firms (46.2%)	9. 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 (64.8%) ⇔
	9. 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%)	10. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are somewhat common (67.8%) ⇔
	10. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are somewhat common (61.6%)	11. Undocumented extra payments or bribes from one private firm to another to secure business are somewhat common (51.8%) ⇔
	11. Undocumented extra payments or bribes from one private firm to another to secure business are somewhat common (60.5%)	12. Foreign firms paying bribes to public servants or public officials are somewhat common (60.5%) ⇔
	12. Foreign firms paying bribes to public servants or public officials are somewhat common (57.2%)	13. The incidence of common crime and violence imposes slight significant costs on businesses (62.9%) ⇔
	13. The incidence of common crime and violence imposes slight significant costs on businesses (51.7%)	14. Unrecorded business activity is less than 50% (64.1%) ⇔
	14. Unrecorded business activity is less than 50% (65.1%)	
	15. The government has put in place some effective measures to successfully combat corruption and bribery (58.3%)	16. The threat of terrorism does not impose much significant costs on businesses (42.7%) ⇔
	16. The threat of terrorism does not impose much significant costs on businesses (53.9%)	17. Organized crime (mafia oriented racketeering, extortion) does not impose much significant costs on businesses (39.3%) ⇔
<b>Good</b> (0.01 to 1.00)	17. Organized crime (mafia oriented racketeering, extortion) does not impose much significant costs on businesses (47.3%)	

- Practice of bribery by foreign firms to public servants remained an issue of concern (61%; -0.64); political influence of government over judiciary (68%; -0.61), undocumented payment by firms for obtaining favourable judicial decisions (68%; -0.86), extra payment to secure businesses (52%; -0.53) were still at large in 2008.
- Corporate ethics were considered to be very poor (65%; -0.76) and no improvement in 2008.
  - Government's efforts perhaps have not been able to ensure better practices in case of dealings between public officials (public officials, judiciary, service providers etc.) and opportunists.
- No improvement in case of formalising unrecorded business activity during 2008 (64%; -0.93).



## H. Travel and Tourism

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worse</b> (-1.01 to -2.00)		1. Tourism marketing is somewhat non-existent or ineffective in attracting tourists (70.8%) ↓ ✓
<b>Bad</b> (-0.01 to -1.00)	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%)	2. Development of the Travel and Tourism sector does not often take into account issues related to environmental protection and sustainable development (59.1%) ⇔
<b>Good</b> (0.01 to 1.00)	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%)	3. The development of the Travel and Tourism industry is a priority for the government to some extent (44.3%) ⇔ 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (52.9%) ⇔
<b>Better</b> (1.01 to 2.00)	5. Foreign visitors are usually welcome in the country (93.4%)	5. Foreign visitors are usually welcome in the country (84.3%) ⇔

- **'Better' perception:** 84% (1.79) perceived that foreign visitors in the country get a warm welcome. However, this is not considered sufficient for developing the country's tourism industry.
  - **'Worse' perception:** More than 70% (-1.03) perceived that a tourism marketing strategy is either non-existent or ineffective in attracting tourists; level of perception deteriorated in 2008.
- About 50% (0.17) opined that travel and tourism industry ought to be a priority for the government.
- About 60% (-0.73) perceived that development of travel and tourism sector does not take into account issues related to environment and sustainable development.
  - Recent participation of Bangladesh Parjatan Corporation in voting campaign for 'Cox's Bazaar' and 'Sunderban' to rank them one of the *Seven Natural Wonders* in recent times is an encouraging sign to develop country's tourism sector.

## I. Environment

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worse</b> (-1.01 to -2.00)	<ol style="list-style-type: none"> <li>1. Environmental regulation is moderately lax compared to most countries (75.9%)</li> <li>2. Enforcement of environmental regulation is moderately lax (72%)</li> </ol>	<ol style="list-style-type: none"> <li>2. Enforcement of environmental regulation is moderately lax (78.4%) ⇔</li> <li>5. 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 (76.1%) ↓ ✓</li> </ol>
<b>Bad</b> (-0.01 to -1.00)	<ol style="list-style-type: none"> <li>3. The natural environment is somewhat polluted (71.9%)</li> <li>4. Environmental challenges have a somewhat negative impact on business operations or local business expansion (50.1%) <ul style="list-style-type: none"> <li>• 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%)</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Environmental regulation is moderately lax compared to most countries (67.4%) ↑</li> <li>3. The natural environment is somewhat polluted (56.2%) ⇔</li> <li>4. Environmental challenges have a somewhat negative impact on business operations or local business expansion (54.0%) ⇔</li> </ol>

- **'Good' perception:** There is no indicator which is considered to be 'good' by the respondents in 2008.
  - **'Worse' perception:** Incidence of natural disasters made significant negative impact on companies' operations or decisions on expanding business operations during 2008 (76%; -1.31). The perception level has fallen which is possibly related with consequent floods and tornado in 2007 and 2008, caused damages to SMEs and other businesses.
  - Enforcement of environmental regulation is lax (78%; -1.35) and the CTG was unable to improve enforcement of regulations at the firm level.
- **Environmental regulation is still moderately lax compared to most countries of the world, even though a slight improvement was observed by respondents in 2008 (67.4%, -0.91 in 2008 and 75.9%, -1.07 in 2007).**
- Without acknowledging environmental challenges, business operations and business expansion have remained stagnant in view of possible high level of pollution (54%; -0.47).

2007: 105<sup>th</sup>  
2008: 105<sup>th</sup>

## J. Health

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
<b>Worst</b> (-2.01 to -3.00)	1. Quality of healthcare provided for ordinary citizens is largely poor (96.6%)	
<b>Worse</b> (-1.01 to -2.00)	2. Healthcare is mostly accessible among elites (74.4%) 3. Healthcare delivery is largely fragmented among physicians, clinics and hospitals (92.2%)	1. The quality of healthcare provided for ordinary citizens is largely poor (94.3%) ↑ 2. Healthcare is mostly accessible among elites (78.7%) ↔ 3. Healthcare delivery is largely fragmented among physicians, clinics and hospitals (80.9%) ↔
<b>Bad</b> (-0.01 to -1.00)	4. 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%)	4. 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 (57.5%) ↔
<b>Better</b> (1.01 to 2.00)	5. The impact of HIV/AIDS is not considered much seriously as a problem for the company in the next five years (72%) 6. The impact of malaria is not considered much seriously as a problem for the company in the next five years (77.8%) 7. The impact of tuberculosis is not considered much seriously as a problem for the company in the next five years (71.1%)	6. The impact of malaria is not considered much seriously as a problem for the company in the next five years (62.5%) ↔ 7. The impact of tuberculosis is not considered much seriously as a problem for the company in the next five years (57.4%) ↔ 5. The impact of HIV/AIDS is not considered much seriously as a problem for the company in the next five years (61.6%) ↔
<b>Best</b>	8. HIV/AIDS is not largely affecting business operations (88.9%)	8. HIV/AIDS is not largely affecting business operations (87.3%) ↔

- **'Best' perception:** Almost 100% people are safe from HIV/AIDS which contributes towards easy participation of working people in business activities (87%; 2.09).
- **'Worse' perception:** 95% (-1.94) perceived that quality of healthcare services for ordinary citizens is largely poor; however, some positive changes in the perception observed in 2008 (though it is not so significant).
  - Only a small section of people (i.e. elites) get the access of better healthcare facilities (79%; -1.30), and delivery of healthcare is largely fragmented (81%; -1.36); almost no improvement in the situation in 2008.
  - Programme to outsource the management of community clinics and Union Health and Family Welfare Centres and Hospitals to the private sector is currently under implementation.
- **Impact of malaria (63%; 0.85), tuberculosis (57%; 0.67), HIV/AIDS (62%; 0.83) would not be a threat for companies operations status in the next five years. This is an encouraging sign though relatively less respondents supported this view (62%).**





## VI. Identification of the Lead Determining Factors

## VI. Identification of the Lead Determining Factors

Rank	Lead Determining Factors (in 2007)	Lead Determining Factors (in 2008)	
1	Corruption (17.5)	Inadequate supply of infrastructure (20.23)	↑
2	Inefficient government bureaucracy (14.9)	Corruption (16.92)	↓
3	Inadequate supply of infrastructure (12.9)	Inefficient government bureaucracy (15.77)	↓
4	Policy instability (10.9)	Access to financing (10.38)	↑
5	Access to financing (10.1)	Policy instability (9.23)	↓
6	Government instability/coups (8.6)	Inadequately educated workforce (5.23)	↑
7	Tax regulations (5.2)	Government instability/coups (5.00)	↓
8	Inadequately educated workforce (5.1)	Tax regulations (4.85)	↓
9	Inflation (4.1)	Crime and theft (2.77)	↑
10	Crime and theft (2.8)	Inflation (2.38)	↓
11	Foreign currency regulations (2.8)	Tax rates (2.23)	↑
12	Poor work ethic in the national labour force (1.7)	Foreign currency regulations (2.15)	↓
13	Tax rates (1.6)	Poor work ethic in national labour force (1.38)	↓
14	Restrictive labour regulations (1.5)	Poor Public Health (0.85)	↑
15	Poor public health (0.1)	Restrictive labour regulations (0.62)	↓

- Inadequate supply of infrastructure came up at the top position in the lead determining factors for businesses in 2008, raising perception level to as high as 20.2 from 12.9 in 2007 which positioned it third.
- Corruption which was perceived as the most deterrent factor for businesses in last eight years has slipped down to second position; however absolute level of perception has not changed so much (16.9 in 2008 ; 17.5 in 2007)
- Inefficiency of government bureaucracy ranked third; perception level has further strengthened in 2008 (15.8).
- Deteriorating position of inadequate educated workforce has gone up to 6<sup>th</sup> position corroborates the fact of shortages of skilled workforce.



## Major Changes Observed in 2008

## Improvement in Business Environment in 2008

Factors	Indicators	Level of Improvement
Government and Public Institutions	Public trust in the financial honesty of politicians is somewhat low	Worst → Worse
	The national Parliament is somewhat ineffective as a law-making institution	Worse → Bad
	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	Worse → Bad
	The composition of public spending is somewhat wasteful	Worse → Bad
	Customs procedures are often slow and cumbersome	Worse → Bad
	The government's efforts to reduce poverty and address income inequality are often ineffective	Worse → Bad
Infrastructure	Roads are moderately underdeveloped	Worse → Bad
	Port facilities & inland waterways are moderately underdeveloped	Worse → Bad
	National ground transport network (buses, trains, taxis, etc.) somewhat offers efficient, accessible transportation to a wide range of travellers to key business centres and tourist attractions within the country	Bad → Good
Innovation and	Companies somewhat use the internet for buying and selling goods, and for interacting with customers and suppliers	Bad → Good
Education and Human Capital	The educational system often does not meet the needs of a competitive economy	Worse → Bad
	Labor-employer relations are somewhat generally confrontational	Bad → Good
Environment	Environmental regulation is moderately lax compared to most countries	Worse → Bad
Health	The quality of healthcare provided for ordinary citizens is largely poor	Worst → Worse



Business Environment In Bangladesh In 2008 (This Year's Survey):  
*Good, Better, Best*

	Good	Better
Government and Public Institutions	Agricultural policy slightly balances the interests of taxpayers, consumers and producers (55.2%)	The press is relatively free (94.3%)
Infrastructure	New telephone lines for business are somewhat available and quite reliable (59.1%)	
	National ground transport network (buses, trains, taxis, etc.) somewhat offer efficient, accessible transportation to a wide range of travellers to key business centres and tourist attractions within the country (43.8%)	
Innovation and technology	Companies are sometimes able to absorb new technology (49.4%)	
	Foreign direct investment in the country is sometimes an important source for new technology (46%)	
	Information and communication technologies are sometimes an overall priority for the government (54%)	
	Companies somewhat use the internet for buying and selling goods, and for interacting with customers and suppliers (50.5%)	
Financial Environment	Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (48.9%)	Rules governing FDI are moderately beneficial and encourage FDI (79.2%)



Business Environment In Bangladesh In 2008 (This Year's Survey):  
*Good, Better, Best*

	Good	Better
Financial Environment	Banks are somewhat generally healthy with sound balance sheets (64%)	
	Raising money by issuing shares on the stock market is sometimes possible for a good company (46%)	
	Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (51.6%)	
Business Operation and Sophistication	Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (48.3%)	
	Firms are somewhat responsive to customers and customer retention (56.1%)	
	Competition in the local market is somewhat intense in most industries (62.1%)	
Education and Human Capital	Labor-employer relations are somewhat generally confrontational (43.7%)	
	The hiring and firing of workers is somewhat flexibly determined by employers (52.8%)	
	Wages are sometimes fixed by each individual company (66.3%)	
Travel and Tourism	Development of the Travel and Tourism industry is a priority for the government to some extent (44.3%)	Foreign visitors are usually welcome (84.3%)

Factors	Performance		
	Good	Better	Best
Health		The impact of HIV/AIDS is not considered much seriously as a problem for the company in the next five years (61.6%)	HIV/AIDS is not largely affecting business operations (87.3%)
		The impact of malaria is not considered much seriously as a problem for the company in the next five years (62.5%)	
		The impact of tuberculosis is not considered much seriously as a problem for the company in the next five years (57.4%)	





## **VII. Findings from Rapid Perception Survey**



## VII.A Perception on Contemporary Issues

Level	February, 2008 - January, 2009 (This year's survey)
<b>Bad</b> (-0.01 to -1.00)	<ol style="list-style-type: none"> <li>1. <b>USA's withdrawal of restriction over import of some categories of RMG products manufactured by China would be a challenge for Bangladesh's RMG exports to USA</b></li> <li>2. <b>The possible impact of proposed trade &amp; investment framework Agreement with USA on Bangladesh would be somewhat negative</b></li> <li>3. <b>Negotiation in the WTO on Doha Development Round would not progress well in 2009, and countries would not reach a consensus by the end of 2009</b></li> </ol>
<b>Good</b> (0 to 1)	<ol style="list-style-type: none"> <li>4. <b>Institutional/Policy reforms initiated in the last year have contributed towards improving business environment of the country</b></li> <li>5. <b>Jute mills operated under public sector could perform somewhat viably if restructuring is made in terms of management, operation and rationalization of firm's size and labour force</b></li> </ol>
<b>Better</b> (1.01 to 2.00)	<ol style="list-style-type: none"> <li>6. <b>Compliance with international labour standard is largely increasing in Bangladesh</b></li> </ol>

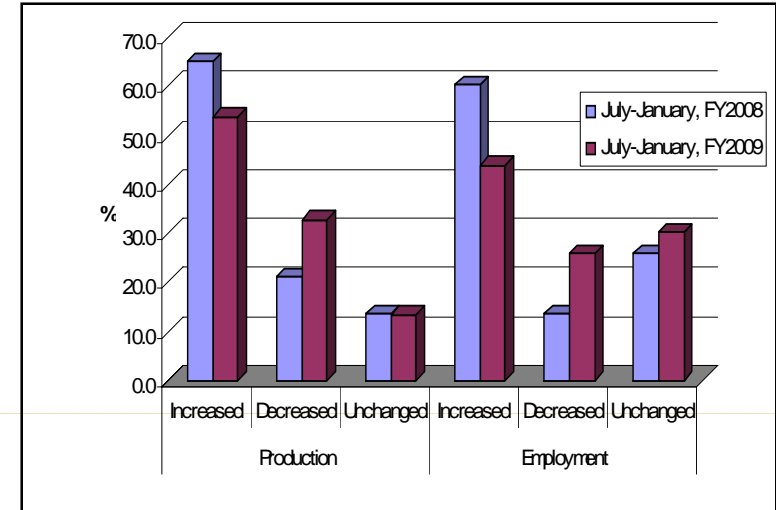
- 46% respondents opined that negotiation in the WTO's Doha Development Round would not proceed well in 2009, and countries would not reach a consensus by the end of 2009 (-0.32). In other words, the rest 54% were either indifferent on the outcome of the negotiation or positive about the negotiation.
  - Strong negotiating team with adequate preparation and home-work would be the decisive factor for negotiation.
- Less than 50% respondents perceived that proposed trade & investment framework agreement (TIFA) between the USA and Bangladesh would have negative impact on the economy (0.34).
- 53% businessmen opined that the US's withdrawal of restriction over import of some categories of RMG products manufactured by China would challenge Bangladesh's RMG exports to the US market (-0.46).
- 56% respondents stated that institutional/policy reforms initiated in the last year have contributed towards improving business environment (weighted response 0.51). Suggestions of BBF and RRC need to implemented in time.
- About 70% business executives agreed that by restructuring management, operation and rationalisation of firm's size and labour force, public sector jute mills could be made viable (weighted response 0.97).



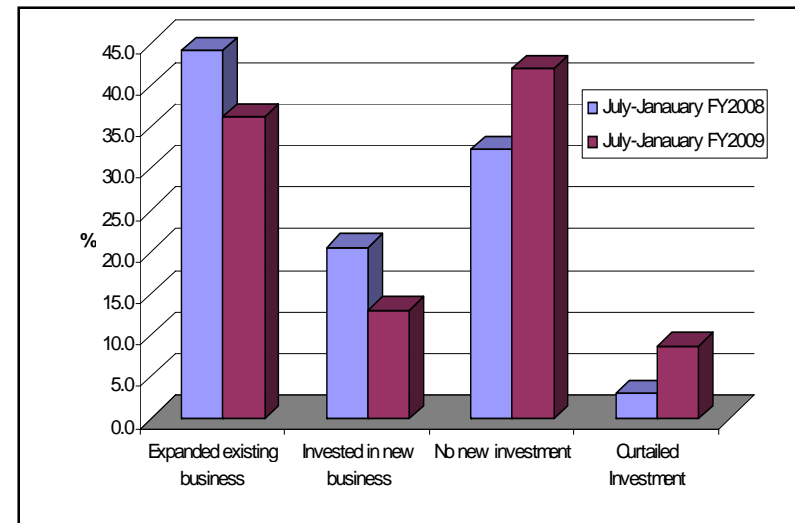
## VII. B Global Economic Crisis and Its Impact on Bangladesh Economy

- During July-January, FY2009 companies which experienced increase in production, employment and investment compared to the same period of the previous year were 53.7%, 43.8% and 49.3% respectively.
  - However, rise of production, employment and investment in July-January, FY2009 was relatively low compared to the same period of the previous year.
- Changes in production, investment and employment were linked with the global financial crisis at different scale.
  - About 70% respondents perceived that moderate (more than 40%) to full impact in production changes related to the global crisis.
  - 50% respondents perceived partial to full impact on changes in investment related to the global meltdown.
  - 49.2% respondents perceived that partial to full impact on changes in employment related to the global recession.

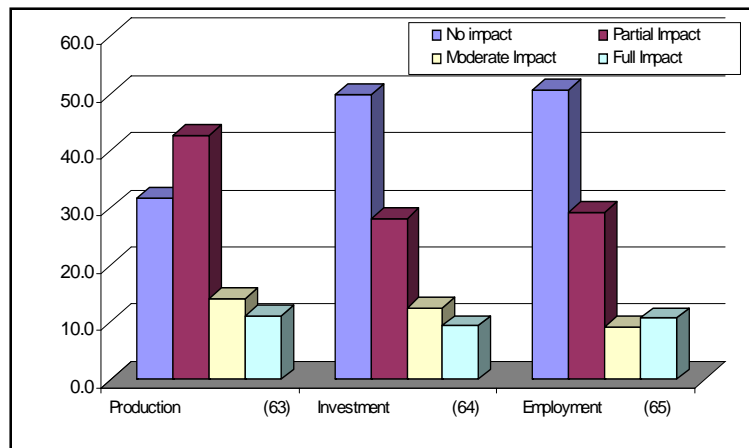
Production and Employment during July-January (FY2007-08 vs. FY2008-09)



Investment during July-January (FY2007-08 vs. FY2008-09)



Relationship of the Crisis with the Changes in Production, Investment and Employment



## VII. B Global Economic Crisis and Its Impact on Bangladesh Economy

Table: Perception on Likely Impact of Global Financial Crisis on Different Sectors during 2009

	Highly negative	Largely negative	Partly negative	Indifferent	Partly positive	Largely positive	Highly positive
RMG	7.7	15.4	46.2	23.1	7.7	0	0
Pharmaceuticals	14.3	14.3	0	42.9	14.3	14.3	0
Real Estate and Construction	0	0	50	50	0	0	0
Banks	11.1	0	44.4	44.4	0	0	0
ICT	33.3	0	16.7	33.3	16.7	0	0
Services	0	11.1	33.3	33.3	11.1	11.1	0
Others	0	33.3	16.7	16.7	33.3	0	0
Weighted Average	8.0	12.0	29.3	36.0	12.0	2.7	0

- 49.3% respondents opined that various sectors are likely to experience different degree of negative impact of global financial crisis during 2009. However, 36% respondents were indifferent about any impact of the crisis while 14.7% respondents considered the global financial crisis during 2009 to have some positive impact.
- More than 28% respondents of pharmaceuticals sector viewed the crisis as a positive sign for their sector.
- Although 69% respondents of RMG sector observed negative impact at different levels, 8% respondents indicated positive outcome from the crisis.
- 17% of ICT respondents projected a positive impact for their sector though 50% considered it to have adverse effects.
- 56% of respondents of bank and financial institutions perceived that their sector would suffer in view of the crisis in 2009.
- Real estate and construction sector predicted a negative impact (50%).



## Various Adjustment Measures Considered by Sample Entrepreneurs in View of Crisis

Adjustment Measures	Measures taken because of the Crisis (% of respondents)	If recession deepens, possible measures to be taken (% of respondents)
Laying off workers	8.3	11.1
Wage cut	0.0	3.7
Increasing working hours	4.2	6.5
Reduction of workers fringe benefits	5.6	10.2
Reducing profit margin	29.2	25.0
Reducing firm's capacity utilization	5.6	12.0
Closing down of production units	5.6	11.1
None	41.7	20.4

## Measures taken so far

- 41.7% affirmed that they did not take any specific measures in view of the ongoing global financial crisis.
- Reduction of profit margin came as top measure which was taken by 29.2% respondents.
- Only 8% respondents mentioned about laying off workers from their companies.
  - 6% mentioned about reduction of workers' fringe benefits
  - 6% mentioned about reduction of capacity utilisation and another 6% about closing down of production units.
- Cutting workers' wages as an adjustment measure has not yet been taken into account by any respondent firm.

## If recession deepens

- 80% respondents mentioned about some adjustment measures to be taken in case the recession deepens.
- 25% would consider reduction of profit margin.
- 11% would consider laying off workers by closing factories (11%) or by reducing firm's capacity utilisation (12%).
- 4% companies would consider cutting worker's wages or reduction of workers fringe benefits (10%).
- About 7% companies would consider increasing working hours.

## VIII. Growth Projection

Level	February, 2007 - January, 2008 (Last year's survey)	February, 2008 - January, 2009 (This year's survey)
Bad (-0.01 to -1.00)	I. The country's economy will have slight recession in the next 12 months (56.8%)	I. The country's economy will have slight recession in the next 12 months (67.8%) ⇄

- More than two-third respondents perceived some degree of recession over the next 12 months (till January, 2010). The perception level declined this year (-0.86 by 67.8%) compared to the previous year (-0.47 by 56.8%).

### Recession expectations in selected countries

	1 = Will likely be in a recession, 7 = Will have strong growth
United States	2.89
Canada	2.94
Germany	2.75
United Kingdom	2.31
Japan	2.64
<b>Bangladesh</b>	<b>3.28</b>
India	4.95
Pakistan	3.68
Sri Lanka	3.76
China	4.60
Vietnam	4.36
Canmbodia	4.05
Tanzania	4.17
Uganda	4.09

Source: GCR 2009-10

- This signals both anxiety of the businessmen in view of the gloomy global economic outlook and other changes within the country's administrative system as well as expectation towards urgent changes in the economy.
- GCR 2009-10 projects degree of recession in surveyed countries.
  - Bangladesh is perceived to experince some degree of recession during 2009 (3.3).
  - Bangladesh is more prone to recession compared to East, South East and South Asian countries.
  - Major South Asian countries are likely to be better than Bangladesh in terms of their growth prospect in 2009.
  - Major developed countries are likely to be in recession in 2009.



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## **IX. Major Business Indices illustrating Bangladesh's Business Competitiveness**



## IX. Major Business Indices

- According to all major business related indices, ranking of Bangladesh is more or less in the bottom quarter.
- These indices reflect mixed performance scenario of Bangladesh.
  - GCI and CPI experienced improvements in 2008
  - FDI performance and potential indices and ease of doing business index have registered deterioration in the last three years.
  - Enabling trade index (ETI), a new index introduced by WEF, ranked Bangladesh at 111 out of 121 countries.
- Countries performing better in FDI performance index are: India, Pakistan, Vietnam, Madagascar, Mali and Mozambique
- Countries performing better in ease of doing business index are: Sri Lanka, China and Madagascar
- Countries performing better in case of CPI are: Bangladesh, Pakistan, Sri Lanka, Vietnam, Benin, Ethiopia, Madagascar and Mali
- Bangladesh is relatively behind in almost all indicators compared to its major competing countries.



## **X. Summary**

## X. Summary

- Since 2001, when Bangladesh was first included in the GCR, its competitiveness in the global market has experienced some improvements.
  - Efficiency enhancers particularly the size of the market and the efficiency of goods market have contributed most. Under basic requirements sub-index, macroeconomic stability and institutional development have made some progress.
- In 2008, Bangladesh improved its ranking to 106<sup>th</sup> (111<sup>th</sup> in 2007). Better performance of institutions, macroeconomic management and financial stability contributed to this positive change.
  - Infrastructural facilities of the country ranked one of the most inadequate in the world, though marginal positive change was observed in the score.
  - Poor performance of the labour market emerged as a major concern.
- **Governance and public institutions have been perceived to have performed better in 2008**
  - Government's poverty reduction initiatives were positively noted because of reduction in wasteful public spending and undertaking various target-oriented programmes for the poor and the underprivileged.
  - Although some improvement of public trust in financial honesty of politicians and better customs management were acknowledged by businessmen, but the overall assessment remain very poor.

## X. Summary... cont'd

- Electricity supply perceived to be 'worst' since no noticeable improvement was observed in 2008, although a number of power generation projects are undertaken which are going to be implemented by 2011.
  - Port facilities improved mainly because of adoption of various management, operational, technical and worker-related measures. The facilities need further improvement to remain competitive at the regional level.
- ICT sector has advanced without proper direction and guidance. ICT related laws and regulations are yet to be approved.
  - Online government services, key indicator for e-governance, remained abysmal. Government's ICT programmes were not implemented on time.
  - Present government has prioritised the IT sector as one of the thrust sectors as declared in Vision 2021 (Digital Bangladesh). A number of initiatives have been announced in the current budget: timely implementation remains the key challenge.
- Financial environment has improved in 2008 which can be attributed to the expansionary monetary policy at the time of economic downturn, better foreign exchange management, and overall role of the central bank during the initial stage of the crisis.
  - High lending rate causes high cost for doing business; high loan default has also been responsible for the high lending rate.
  - Capital market, though praised for its buoyancy, needs to shift its focus from short-term speculative gain to medium-term steady returns; lack of effective integrated institutional framework linking the credit and equity market is a major impediment.
- Competition in the market was hampered due to lack of effective policies including anti-monopoly policy. Competition policy is still at review stage; it needs to be finalised.

## X. Summary... cont'd

- Labour-market efficiency was at low level because of poor education quality at primary, secondary and tertiary levels, inability to meet industries' need by management schools, problem of brain drain, and lack of availability of skilled labour force. However, labour-employer relations were relatively better in 2008.
  - 'National education policy' which has been recently finalised, is expected to entail positive spillover effects on the business sector.
- Corruption remained a major deterrent factor for businesses in 2008. Undocumented and illegal payments to public officials, judiciary, influential people were widely prevalent, which have weakened institutional reforms taking place in the country.
- In 2008, inadequate infrastructure was conceived to be the top problematic factor for businesses which superseded corruption, the top problematic factor since 2001.
  - Limited level of progress in telecom, road transport and port facilities would not be considered adequate to meet the required level of infrastructure for businesses because of lack of electricity and gas supply as well as poor rail network.
  - Inefficient government bureaucracy, policy instability, access to finance and inadequate workforce were other major problematic issues for the government.
- Growth projection for 2009 is less optimistic, more specifically it is predicted to be recessionary in nature.
  - This signals both anxiety of the businessmen in view of global economic crisis and other changes within the country as well as expectation towards urgent changes in the economy.





Centre for Policy Dialogue (CPD)

*Thank You*