

Release of
Global Competitiveness Report 2010-2011
and Bangladesh Business Environment Study 2010

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CENTRE FOR POLICY DIALOGUE (CPD)

B A N G L A D E S H

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- The Centre for Policy Dialogue (CPD) has been carrying out the Executive Opinion Survey in collaboration with World Economic Forum (WEF) since 2001. This is the tenth survey
- Along with WEF's Executive Opinion Survey (based on questionnaires developed by the WEF), CPD also conducted seventh Rapid Perception Survey on the prevailing economic issues of concern
- Major Objectives of the Press Briefing
 - To launch WEF's *Global Competitiveness Report 2010-2011* in Bangladesh. The Report was globally launched on September 09, 2010
 - 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 2009*
 - To report findings of the CPD's *Rapid Perception Survey* with regard to performance of surveyed companies in 2009 and their perception on various contemporary issues of concern

II. Objectives, Scopes 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 2009-2010 and GCR 2010-2011, 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 2010-2011*

- | | |
|--|----------------------------------|
| 1. Governance & Public Institutions | 2. Infrastructure |
| 3. Innovation & Technology | 4. Financial Environment |
| 5. Domestic Competition | 6. Company Operations & Strategy |
| 7. Education & Human Capital
Responsibility | 8. Corruption, Ethics & Social |
| 9. Travel & Tourism | 10. Environment |
| 11. Health | |

▪ *Issues covered in CPD's Rapid Perception Survey 2010*

- A. Performance of surveyed companies in 2009 and related issues
- Companies' production, export and employment in 2009
 - Impact of inflation and interest rate on companies' production in 2009
- B. Perception on various contemporary issues
- Possibility to improve situation of supply of electricity and gas in 2010
 - Implications of agreement signed between Bangladesh and India on economic issues as articulated in the Joint Communiqué
 - Prospect of economic growth of Bangladesh in the post-crisis period

- Large and medium companies are respondents of the WEF-CPD survey
 - Having total assets of no less than Tk.10 crores
- Number of respondents was 90 (last year was 89)
- Very high geographical concentration: 86% in Dhaka (last year was 78%)
- Manufacturing companies were the major respondents (34.5%)
 - Number of service oriented companies increased
- Domestic companies held the overwhelming share of total responses (80%)
- Survey conducted: February to April, 2010
 - Reference period: *January to December 2009*
 - Rapid Perception Survey: carried out along with the Executive Opinion Survey

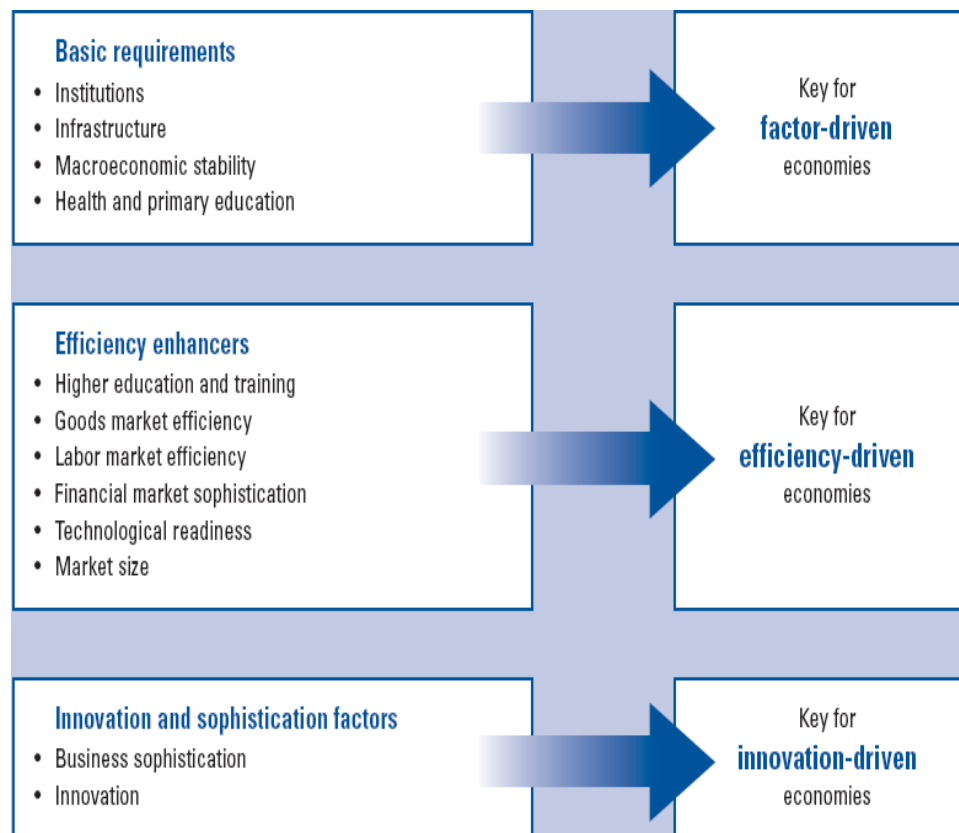
Table: Sectoral Distribution of Survey Respondents

Sectors	2009	2010
Manufacturing	41 (46.1%)	32 (35.6%)
RMG	15 (16.9%)	11 (12.2%)
Pharmaceuticals	7 (7.9%)	8 (8.9%)
Leather/Jute	6 (6.7%)	7 (7.8%)
Others	13 (14.6%)	6 (6.7%)
Financial Institution	14 (15.7%)	14 (15.6%)
Real Estates & Construction	8 (9%)	7 (7.8%)
ICT	8 (9%)	14 (15.6%)
Other Services	18 (20.2%)	23 (25.6%)
Total	89 (100%)	90 (100%)

Assessment of Global Competitiveness

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

III. Methodology



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

Assessment of Bangladesh's Business Environment

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











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

IV. Global Competitiveness Report 2010-2011

Major Findings

Global Competitiveness Index: Rankings

- A total of 139 countries have been assessed in 2010 (133 in 2009)
 - Newly included countries: 4 African (Angola, Cape Verde, Rwanda and Swaziland) and 2 Middle Eastern (Iran & Lebanon) countries
 - Reinstate country: Moldova
 - Dropped country: Suriname (insufficient data)
- Top 10 countries in GCI 2009-10 have remained same; however major shuffling has taken place in their rankings
 - Switzerland retained its 1st position
 - Excellent capacity for innovation, sophisticated business culture and research institutions have contributed to retain its position
- Sweden has moved ahead of Singapore and USA to claim 2nd position
 - Most transparent and efficient public and private institutions and low level of corruptions are the main reasons for advancement
- Singapore remained at 3rd position representing top-ranked Asian country

Economy	GCI 2009-10	GCI 2010-11	Change
Switzerland	1	1	
Sweden	4	2	
Singapore	3	3	
United States	2	4	
Germany	7	5	
Japan	8	6	
Finland	6	7	
Netherlands	10	8	
Denmark	5	9	
Canada	9	10	

Global Competitiveness Index: Rankings

- Among the BRIC countries, China continues to lead (27); improved its position
 - Followed by India (51), Brazil (58) and Russia (63). India and Brazil fall two places
- In South Asia, Bangladesh, India, Pakistan and Nepal failed to retain their last year's position
 - Pakistan slid to 123rd position far behind Bangladesh (last year 101st)
 - Sri Lanka jumped up by 17 positions and ranked 62nd (last year 79th)
- Bangladesh came down by one position securing 107th rank in 2010 (106th in 2009)
- Among other Asian countries, Vietnam and Indonesia performed better compared to their performance in last year (Table)
- A number of African LDCs have failed to retain their positions (Table)

	GCR 2009-10	GCR 2010-11	Changes
Asian Countries			
Bangladesh	106	107	↓
India	49	51	↓
Pakistan	101	123	↓
Sri Lanka	79	62	↑
China	29	27	↑
Vietnam	75	59	↑
Indonesia	54	44	↑
African LDCs			
Benin	103	103	↔
Ethiopia	118	119	↓
Gambia	81	90	↓
Madagascar	121	124	↓
Mozambique	129	131	↓
Uganda	108	118	↓
Tanzania	100	113	↓

Bangladesh in GCI Ranking and Changes in GCI Scores

- Bangladesh is dropped by one position, ranked 107th in GCI 2010-11
 - In the same set of countries as of 2009-10 (133): Bangladesh's ranking would move up to 103rd
- Bangladesh's rank fell in basic requirement sub-index by 6 positions (from 108 to 114)
 - Remained at same position in efficiency enhancer index (97)
 - Improved in innovation and sophistication index by 5 positions (from 114 to 109)
- Basic requirement (BR) sub-index
 - Improved: public institutions and macroeconomic stability
 - Fall: Infrastructure by 6 positions and health and primary education by 1 position
- Efficiency enhancer (EE) sub-index
 - Improved: Market size, financial market sophistication, higher education and labour market efficiency
 - Fall: Technological readiness
- Innovation and sophistication (IS) sub-index
 - Improved: both indicators

Indices	Rank	
	2009-10 (133 countries)	2010-11 (139 countries)
GCI	106	107 (103)
Basic Requirements (BR)	108	114
Institutions	122	115
Infrastructure	126	133
Macroeconomic stability	84	80
Health and primary education	105	106
Efficiency Enhancers (EE)	97	97
Higher education and training	129	126
Goods market efficiency	102	102
Labour market efficiency	122	108
Financial market sophistication	71	66
Technological Readiness	125	126
Market size	48	47
Innovation and sophistication (IS)	114	109
Business sophistication	100	105
Innovation	122	119

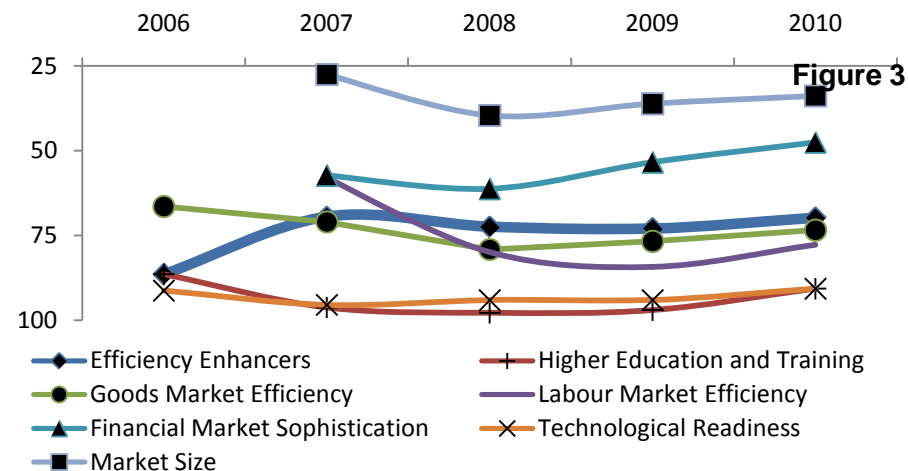
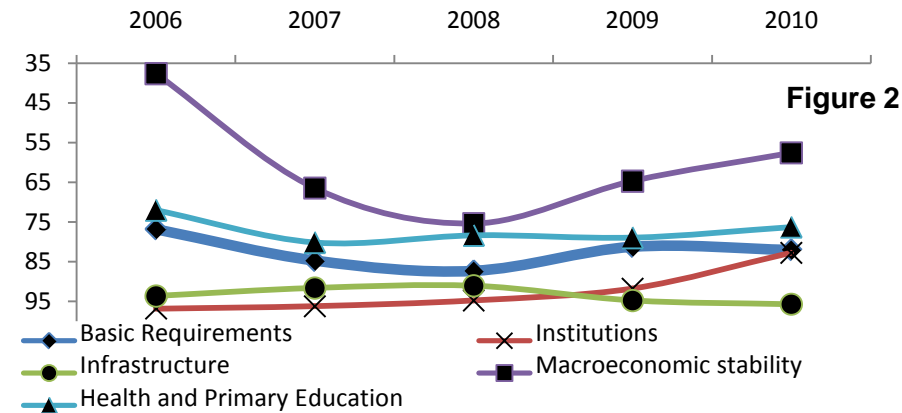
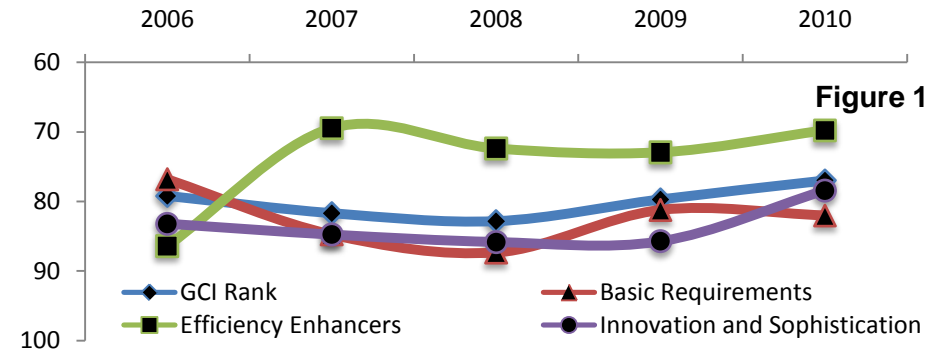
Bangladesh in GCI Ranking and Changes in GCI Scores

- Bangladesh's GCI score has increased by 2.5% (overall score: 3.64)
 - Scores increased for BR by 3%, EE by 2.3% and IS by 0.3%
- Highest score was obtained in health and primary education (4.96) and it has increased the highest percentage point (10.5%)
 - Second highest score in macroeconomic stability, but score was marginally improved
- Lowest score was obtained in infrastructure (2.15) and it has decreased by highest percentage point (-10%); the only factor in which Bangladesh ranked among bottom-10 countries
 - Second lowest score was in innovation (2.61) but score was improved by 3.6%

Indices	Rank		Score		% change in scores
	2009-10 (133 countries)	2010-11 (139 countries)	2009-10 (133 countries)	2010-11 (139 countries)	
GCI	106	107 (103)	3.55	3.64	2.54
Basic Requirements	108	114	3.60	3.71	3.06
<i>Institutions</i>	122	115	3.09	3.24	4.85
<i>Infrastructure</i>	126	133	2.39	2.15	-10.04
<i>Macroeconomic stability</i>	84	80	4.45	4.49	0.90
<i>Health and primary education</i>	105	106	4.49	4.96	10.47
Efficiency Enhancers	97	97	3.54	3.62	2.26
<i>Higher education and training</i>	129	126	2.57	2.77	7.78
<i>Goods market efficiency</i>	102	102	3.82	3.83	0.26
<i>Labour market efficiency</i>	122	108	3.89	3.98	2.31
<i>Financial market sophistication</i>	71	66	4.18	4.18	0.00
<i>Technological Readiness</i>	125	126	2.45	2.65	8.16
<i>Market size</i>	48	47	4.32	4.32	0.00
Innovation and sophistication	114	109	3.00	3.01	0.33
<i>Business sophistication</i>	100	105	3.47	3.42	-1.44
<i>Innovation</i>	122	119	2.52	2.61	3.57

- Since 2001, when Bangladesh was first included in the GCR, its global competitiveness has registered modest improvement
 - Slow progress (fall in some years) in basic requirement index constrained better competitiveness (Figure 1)
- Poor performance of basic requirement index is mainly attributed to lowest ranks in infrastructure and institutions; macroeconomic stability is on top (Figure 2)
- Consistency in efficiency index in last four years is attributed to better position in market size and financial sophistication, and stable position in goods market efficiency and technological readiness (Figure 3)

Global Competitiveness Report 2010-11



V. Business Environment in Bangladesh

2009

A. Governance and Public Institutions

Level	2008 (last year's survey)	2009 (this year's survey)
Worst (-3.00 to -2.01)	1. Economic policy-making is mostly centralized - government controls almost all important decisions (92%)	
Worse (-2.00 to -1.01)	2. Public trust in the financial honesty of politicians is somewhat low (89.9%) 3. When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals (84.3%) 4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (82.3%) 5. Police services often cannot be relied upon to enforce law and order (71.9%) 6. Complying with administrative requirements for business required by the government is often burdensome (82%)	1. Economic policy-making is mostly centralized - government controls almost all important decisions (88%) ↑ 2. Public trust in the financial honesty of politicians is somewhat low (89%) ↔ 3. When deciding upon policies and contracts, government officials moderately favour well-connected firms and individuals (83%) ↔ 4. Intellectual property protection and anti-counterfeiting measures are moderately weak and not properly enforced (81%) ↔ 7. The national Parliament is somewhat ineffective as a law-making institution (67%) ↓ 5. Police services often cannot be relied upon to enforce law and order (64%) ↔

• Improved

- Perception on economic policy-making marginally shifted from centralized towards decentralised policy making process (-2.0; 88%)
- Entrepreneurs perceived less burdensome bureaucratic procedures for businesses operation (-0.91; 67%)
- Subsidies and tax breaks are perceived to be less distortionary to competition (0.24; 41%)

• Deteriorated

- Entrepreneurs perceived that national parliament is somewhat ineffective (-1.02; 67%)

• Unchanged

- Worse: Low public trust of financial honesty of politicians (89%), favouritism to well connected firms/individuals (83%) and less reliance on police services to enforce law and order (83%)
- Bad: Somewhat prevalence of wasteful public spending (58%); almost unchanged perception as regards less effectivity of government initiatives to reduce poverty reduction and income inequality (54.6%); slow and cumbersome customs procedure (54%)

A. Governance and Public Institutions

Level	2008 (last year's survey)	2009 (this year's survey)
Bad (-1.00 to - 0.01)	<p>7. The national Parliament is somewhat ineffective as a law-making institution (66%)</p> <p>8. The composition of public spending is somewhat wasteful (73%)</p> <p>9. The government's efforts to reduce poverty and address income inequality are often ineffective (55%)</p> <p>10. Customs procedures are often slow and cumbersome (71%)</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%)</p> <p>12. Property rights, including over financial assets, are somewhat poorly defined and not well-protected by law (61%)</p> <p>13. The level of taxes slightly limits the incentives to work or invest (47%)</p> <p>14. Government subsidies & tax breaks somewhat distort competition (43%)</p> <p>15. Obtaining information about changes in government policies and regulations are impossible (57%)</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%) ⇔</p> <p>6. Complying with administrative requirements for business required by the government is often burdensome (67%) ↑</p> <p>8. The composition of public spending is somewhat wasteful (58.%) ⇔</p> <p>9. The government's efforts to reduce poverty and address income inequality are often ineffective (54.6%) ⇔</p> <p>12. Property rights, including over financial assets, are somewhat poorly defined and not well-protected by law (54%) ⇔</p> <p>10. Customs procedures are often slow and cumbersome (54%) ⇔</p> <p>13. The level of taxes slightly limits the incentives to work or invest (49%) ⇔</p> <p>15. Obtaining information about changes in government policies and regulations are impossible (46%) ⇔</p>
Good (0.00 to 1.00)	<p>16. Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (55%)</p>	<p>14. Government subsidies & tax breaks do not distort competition (41%) ↑</p> <p>16. Agricultural policy somewhat balances the interests of taxpayers, consumers and producers (58%) ⇔</p>
Better (1.01 to 2.0)	<p>17. The press is relatively free (94%)</p>	<p>17. The press is relatively free (85%) ⇔</p>

• Unchanged

- 'Good': Perception on agricultural policy as regards balancing interests of all stakeholders registered positive changes (58%)
- 'Better': Perception on **freedom of press were found to be less 'strong'** (85%)

Level	2008 (last year's survey)	2009 (this year's survey)
Worst (-3.00 to -2.01)	1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is worse than in some other countries (98%)	1. The quality of electricity supply (lack of interruptions and voltage fluctuations) is worse than in some other countries (98%) ⇄
Worse (-2.00 to -1.01)	2. General infrastructure of the country is moderately underdeveloped (81%) 3. Railroads are moderately underdeveloped (90%)	2. General infrastructure of the country is moderately underdeveloped (83%) ⇄ 3. Railroads are moderately underdeveloped (82%) ⇄ 5. Roads are moderately underdeveloped (69%) ↓
Bad (-1.00 to -0.01)	4. Port facilities & inland waterways are moderately underdeveloped (60%) 5. Roads are moderately underdeveloped (67%) 6. Passenger air transport is slightly underdeveloped (62%) 7. The air transport network does not offer good connections to some key business markets (43%) 8. The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$100 (60%)	9. National ground transport network (buses, trains, taxis, etc.) offer transportation to a wide range of travellers to key business centres and tourist attractions within the country which is somewhat inefficient (44%) ↓✓ 4. Port facilities & inland waterways are moderately underdeveloped (50%) ⇄ 6. Passenger air transport is slightly underdeveloped (50%) ⇄ 8. The country's postal system cannot often be sufficiently trusted to have a friend mail a small package worth US\$100 (46%) ⇄
Good (0.00 to 1.00)	9. 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 (44%) 10. New telephone lines for business are somewhat available and quite reliable (59%)	7. The air transport network does offer good connections to some key business markets (48%) ↑
Better (1.01 to 2.0)		10. New telephone lines for business are available and quite reliable (69%) ↑✓

- **Improved**
 - More **available and reliable telephone network** (1.2; 69%) will improve business communication
 - Air transport network to key business centres is perceived to be improved (0.12; 48%)
- **Deteriorated**
 - **National transport network** is perceived to be somewhat inefficient and inaccessible (-0.48%; 44%)
 - Perception on **quality of roads** has further deteriorated (-1.01; 69%)

- **Unchanged**
- 'Worst': Perception was unchanged as regards **quality of electricity supply** (i.e. poor quality) (98%) though various government initiatives have been undertaken last year
- This is the **single element in entire survey** where perception was remained at 'worst' level
- 'Worse': **Underdeveloped railroads** (82%) have reduced exploring potentials of rail-based transportation of goods and passengers.
- A number of rail-based projects have been identified and work on several of those projects have been initiated
- 'Bad': **Poor port facilities and underdeveloped inland waterways** (50%) are major concerns in case of shipment of goods, although some positive changes could be discerned in perception
- Passenger air transport network is poor though positive changes in perception was discerned (48%)
- Postal system is remained at poor state (46%); public sector postal services need to be modernised in order to cater the changing demand

C. Innovation and Technology

Level	2008 (last year's survey)	2009 (this year's survey)
Worst (-3.00 to - 2.01)	1. Internet access in schools is very limited (97%) 2. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable (91%)	
Worse (-2.00 to - 1.01)	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%) 5. Government procurement decisions do not often result in technological innovation (77%) 6. A failed entrepreneurial project is often considered an embarrassment (68%) 7. Scientific research institutions are moderately minimal (80%)	1. Internet access in schools is very limited (77%) ↑✓ 2. Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable (80%) ↑✓ 4. Laws relating to the use of information technology (e-commerce, digital signatures, consumer protection) are often non existent (66%) ⇔ 7. Scientific research institutions are moderately minimal (71%) ⇔ 3. In the area of R&D, collaboration between the business community and local universities is moderately minimal (73%) ⇔

• Improved

- Perception on **limited internet access in schools** is improved (-1.57; 77%). However, **large scale investment** is required to establish internet facility at school level all over the country
- **Online government services** though largely unavailable however perceived to be improved (-1.51; 80%)
- Government procurement decisions perceived to be somewhat emphasised on technological aspects (-0.97; 65%)
- Entrepreneur's failure in a project perceived to be less embarrassing (-0.93; 62%)
- **Availability of latest technologies** and its uses have increased (0.36; 50%); This would promote deepening of technological base of industrial sector
- Rise of **accessibility of digital content** (0.0; 45%) would enhance use of IT in economic activities

• Unchanged

- 'Worse': Non existence of **laws relating to use of IT** (66%), less **scientific research** (71%) and less R&D under collaborative arrangements (73%) were considered to be **deterrent factor for upgradation of technologies and enhancement of productivity** and improvement of quality in the industrial sector

C. Innovation and Technology

Level	2008 (last year's survey)	2009 (this year's survey)
Bad (-1.00 to -0.01)	<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>11. Licensing of foreign technology is slightly uncommon (57%)</p> <p>12. The competition among Internet Service Providers often does not ensure high quality, infrequent interruptions and low prices (39.3%)</p> <p>13. Digital content in the country is sometimes not widely accessible via multiple platforms (54.5%)</p>	<p>5. Government procurement decisions do not often result in technological innovation (65%) ↑</p> <p>6. A failed entrepreneurial project is often considered an embarrassment (62%) ↑</p> <p>11. Licensing of foreign technology is slightly uncommon (57%) ⇔</p> <p>10. The use of information and communication technologies by the government has not greatly improved the efficiency of government services (38%) ⇔</p> <ul style="list-style-type: none"> Information and communication technologies creating very few organizational models within businesses in the country (48%) ICT creating very few new business models, services and products in the country (42%) ICT poorly improving access for all citizens to basic services (39%)
Good (0.00 to 1.00)	<p>14. Companies somewhat use the internet for buying and selling goods, and for interacting with customers and suppliers (50.5%)</p> <p>15. Companies are sometimes able to absorb new technology (49%)</p> <p>16. Foreign direct investment in the country is sometimes an important source for new technology (46%)</p> <p>17. Information and communication technologies are sometimes an overall priority for the government (54%)</p>	<p>17. Information and communication technologies are sometimes an overall priority for the government (70%) ⇔</p> <p>15. Companies are sometimes able to absorb new technology (52%) ⇔</p> <p>8. The latest technologies are sometimes largely available and used (50%) ↑✓</p> <p>16. Foreign direct investment in the country is sometimes an important source for new technology (45%) ⇔</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 (41%) ↑</p> <p>13. Digital content in the country is sometimes accessible via multiple platforms (45%) ↑✓</p>

•Unchanged

- 'Bad': Limited level of licensing of foreign technologies (57%), **low level of basic ICT services** (39%) and **less effective use of IT in government offices** (38%) slowed down technology oriented (e.g. IT-based) economic development in the country
- 'Good': Perception on **ICT as overall priority to government** is remained at same level though positive changes were discerned (70%); No change in perception about FDI as an important source of technology (45%).

D. Financial Environment

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to -1.01)	<ol style="list-style-type: none"> 1. It is often impossible to obtain a bank loan with only a good business plan and no collateral (88%) 2. Entrepreneurs with innovative but risky projects do not often find venture capital (90%) 3. The level of sophistication of financial markets is somewhat poor by international standards (69%) 	<ol style="list-style-type: none"> 2. Entrepreneurs with innovative but risky projects do not often find venture capital (82%) ⇄ 1. It is often impossible to obtain a bank loan with only a good business plan and no collateral (68%) ⇄ * Bangladesh's tax system is moderately complex (75%) ↓ * Insider trading in stock market is pervasive (77%) ↓
Bad (-1.00 to -0.01)	<ol style="list-style-type: none"> 4. Financial auditing and reporting standards regarding company financial performance are somewhat weak (44%) 5. The inflow and outflow of capital into and from the country is somewhat restricted by law (52%) 6. Interests of minority shareholders in the country are sometimes not protected by law (58.0%) 7. During the past year, obtaining credit for company has become somewhat difficult (46%) 8. Foreign ownership of companies is somewhat rare (48%) <p>*Bangladesh's tax system is somewhat complex (62%)</p> <p>*Insider trading in stock market is pervasive (67%)</p>	<ol style="list-style-type: none"> 6. Interests of minority shareholders in the country are sometimes not protected by law (54%) ⇄ 5. The inflow and outflow of capital into and from the country is somewhat restricted by law (52%) ⇄ 3. The level of sophistication of financial markets is somewhat poor by international standards (49%) ↑✓ • The financial sector provides a poor variety of financial products and services to business. (43%) 4. Financial auditing and reporting standards regarding company financial performance are somewhat weak (45%) ⇄ 8. Foreign ownership of companies is somewhat rare (43%) ⇄

- **Improved**
 - Level of **sophistication of financial market** although perceived to be poor has however improved (-0.38; 49%)
 - **Access to credit** is perceived to be easy to some extent (0.21; 42%)
 - **Strong soundness of banks**(1.15; 75%) should result in **better services** particularly through offering diversified financial products targeting **agriculture and SME sector**, and also for the poor
- **Declined**
 - **Tax system** is considered to be moderately complex (-1.23; 75%). The system needs to be **simplified** in order to increase number of tax payers
 - **Insider trading in stock market is perceived to be pervasive** (-1.34;77%). It is becoming a major concern to **improve efficiency** of the market. SEC's **monitoring** on market operation needs to be strengthened

D. Financial Environment

Level	2008 (last year's survey)	2009 (this year's survey)
Good (0.00 to 1.00)	<p>9. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (49%) ⇔</p> <p>10. Banks are somewhat generally healthy with sound balance sheets (64%) ⇔</p> <p>11. Raising money by issuing shares on the stock market is sometimes possible for a good company (46%) ⇔</p> <p>12. Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (52%) ⇔</p> <p>* Money laundering through the formal banking system is rare (36%)</p>	<p>11. Raising money by issuing shares on the stock market is sometimes possible for a good company (61%) ⇔</p> <p>12. Regulations of securities exchanges is somewhat transparent, effective and independent of undue influence from industry and government (52%) ⇔</p> <p>• To obtain trade finance at affordable cost is not much difficult. (43%)</p> <p>7. During the past year, obtaining credit for company has become somewhat difficult (42%) ↑✓</p> <p>9. Tariff and non-tariff barriers sometimes does not significantly reduce the ability of imported goods to compete in the domestic market (42%) ⇔</p> <p>* Financial sector does provide a variety of financial products and services to business. (42%)</p> <p>* Money laundering through the formal banking system is rare (39%)</p>
Better (1.01 to 2.00)	<p>13. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (69.0%) ⇔</p>	<p>10. Banks are somewhat generally healthy with sound balance sheets (75%) ↑</p> <p>13. Rules governing foreign direct investment are moderately beneficial and encourage foreign direct investment (65%) ⇔</p>

• Unchanged

- 'Worse': Perception has remained unchanged as regards difficulty in getting **collateral free credit** (68%) and **venture capital** (82%)
- 'Bad': **Less variation of financial products**(43%), **weak financial auditing and reporting** standards (49%), less protection of interest of minority shareholders (54%) are some of the weaknesses of the financial system
- 'Good': **Raising capital from stock market** is perceived to be less burdensome and positive changes discerned (61%). Transparency in regulations of stock market (52%) would not considered to be sufficient to ensure efficiency in the market
- Less barriers on import is perceived to ensure competition in domestic market (43%)
- **Money laundering is less prevalent** (39%) which is a strength of the system. Strong enforcement of laws needs to be ensured
- 'Better': Although **FDI rules** are perceived to be favourable to attract new investment (65%), **inflow** of FDI remained at a low level. No improvement in ranking in FDI related indices published by UNCTAD

Level	2008 (last year's survey)	2009 (this year's survey)
Worst (-3.00 to -2.01)	1. Process equipment and machinery are mostly imported (93%)	
Worse (-2.00 to -1.01)	2. Corporate activity is moderately dominated by a few business groups (77%) 3. Formal policies to support cluster development are largely non-existent (66%)	1. Process equipment and machinery are mostly imported (90%) ↑✓ 11. Specialized research and training services are sometimes not available in the country (69%) ↓
Bad (-1.00 to -0.01)	4. Buyers make purchasing decisions mainly based on the lowest price (67.0%) 5. Anti-monopoly policy is largely lax and ineffective at promoting competition (43%) 6. State-owned enterprises are somewhat favoured over private sector competitors (46%) 7. Starting a new business is generally largely difficult (53%) 8. Well developed and deep clusters in the economy are somewhat rare or absent (53%) 9. Collaboration among firms, suppliers, partners and associated institutions within clusters is somewhat non-existent (49%) 10. Standards on product/ service quality, energy & other regulations are somewhat lax (65%) 11. Specialized research and training services are sometimes not available in the country (65%)	3. Formal policies to support cluster development are largely non-existent (52%) ↑✓ 2. Corporate activity is moderately dominated by a few business groups (66%) ↑ 10. Standards on product/ service quality, energy & other regulations are somewhat lax (55%) ⇔ 5. Anti-monopoly policy is largely lax and ineffective at promoting competition (43%) ⇔ 9. Collaboration among firms, suppliers, partners and associated institutions within clusters is somewhat non-existent (40%) ⇔ 8. Well developed and deep clusters in the economy are somewhat rare or absent (43%) ⇔

• Improved

- Processed equipments and machineries are largely imported however perception about it has registered positive changes (-1.99; 90%)
- Perception about existence of **necessary policies to support cluster development** has changed positively (-0.76; 52%); cluster development could be encouraged through special economic zones as articulated in the *Industrial Policy 2010*
- **Predominance of few corporate groups in business** (-0.74; 66%) is still a concern to ensure competitive environment although perception related to it has improved
- **Starting a new business** is perceived to become easier (0.21; 42%)
- Buyers' purchasing decision is determined not only by low price but by product-quality (2.0; 67%)
- State-owned enterprises were somewhat not favoured over private enterprises (0.19; 43%)

Level	2008 (last year's survey)	2009 (this year's survey)
Good (0.00 to 1.00)	12. Competition in the local market is somewhat intense in most industries (62%) 13. Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (52%) 14. The quality of local suppliers is somewhat good (40.9%) 15. State-owned enterprises do not play dominant role in the economy (60.2%)	12. Competition in the local market is somewhat intense in most industries (62%) ⇄ 15. State-owned enterprises do not play a dominant role in the economy (64%) ⇄ 13. Local suppliers are somewhat numerous and include the most important materials, components, equipment and services (53%) ⇄ 14. The quality of local suppliers is somewhat good (52%) ⇄ 7. Starting a new business is somewhat easy (42%) ↑ ✓ 6. State-owned enterprises are somewhat not favoured over private sector competitors (46.0%) ↑
Better (1.01 to 2.00)		4. Buyers make purchasing decisions mainly based on the quality of products (67.0%) ↑

•Declined

- Perception on availability of specialised research and training services has further declined (-1.07;69%)

•Unchanged

- 'Bad': Ineffective/lax anti-monopoly policy (43%), absence of well developed clusters (43%), less collaborative effort to develop clusters among different stakeholders (40%) and lax regulations for maintaining standards/quality of products (55%) indicate poor business environment in the country
 - Various cluster development initiatives of India could be taken into account
- 'Good': Prevalence of competition in local market (62%) is still at a low level ; limited role of SOEs in the economy (64%); and improvement of quality of local suppliers (52%)

F. Company Operations and Strategy

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to - 1.01)	1. Companies often do not spend money on research and development (86%) 2. Exports to neighboring countries are moderately limited (86.5%) 3. Companies often obtain technology exclusively from licensing or imitating foreign companies (86%) 4. Competitiveness of companies in international markets is often primarily due to low cost or local natural resources (84.3%) 5. Production processes mostly use labour-intensive methods or previous generations of process technology (82%) 6. Willingness to delegate authority to subordinates is somewhat low - top management controls all important decisions (77.5%) 7. Management compensation is moderately based on fixed salaries (75%)	4. Competitiveness of companies in international markets is often primarily due to low cost or local natural resources (83%) ⇔ 2. Exports to neighboring countries are moderately limited (75%) ⇔ 1. Companies often do not spend money on research and development (80%) ⇔ 3. Companies often obtain technology exclusively from licensing or imitating foreign companies (78%) ⇔ 6. Willingness to delegate authority to subordinates is somewhat low - top management controls all important decisions (67%) ⇔

•Improved

- Professional managers are increasingly chosen for **senior management positions** (0.13; 37%). This is likely to improve efficiency of corporate management
- Production process use **labour-intensive methods**, however changes were discerned (-0.64; 62%). Improvement of **labour productivity** should have to be emphasised
- Salary-based compensation package still predominates although there is indication of changes (e.g. performance-based compensation package) was discerned(-0.95; 67%)

•Unchanged

- 'Worse': **Limited export to neighboring countries** (75%), **limited use of foreign technologies** through licensing (78%), less spending on R&D (80%), and low-cost oriented competitiveness (83%) were considered to be hindrance for companies' success
- 'Bad': Limited scale marketing of products (62%), **narrow export market-base** (57%), **absence of local companies in international marketing and distribution channel** (45%) and high concentration on limited activities in the value chain (48%) were considered to be weaknesses of local businesses

F. Company Operations & Strategy

Level	2008 (last year's survey)	2009 (this year's survey)
Bad (-1.00 to -0.01)	8. The extent of marketing is somewhat limited and primitive (65%) 9. International distribution & marketing sometimes takes place through foreign companies (58%) 10. Exporting companies sometimes sell primarily in a small number of foreign markets (60%) 11. Exporting companies are sometimes primarily involved in individual steps of the value chain (60%) 12. Senior management positions are not sometimes held by professional managers chosen based on superior qualification (42%)	7. Management compensation is moderately based on fixed salaries (67%) ↑ 5. Production processes mostly use labour-intensive methods or previous generations of process technology (62%) ↑ ✓ 8. The extent of marketing is somewhat limited and primitive (60%) ⇄ 10. Exporting companies sometimes sell primarily in a small number of foreign markets (57%) ⇄ 11. Exporting companies are sometimes primarily involved in individual steps of the value chain (48%) ⇄ 9. International distribution & marketing sometimes takes place through foreign companies (45%) ⇄
Good (0.00 to 1.00)	13. Firms are somewhat responsive to customers and customer retention (56%) 14. Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (48.3%)	13. Firms are somewhat responsive to customers and customer retention (58%) ⇄ 12. Senior management positions are not sometimes held by professional managers chosen based on superior qualification (37%) ↑ 14. Corporate governance by investors & boards directors is characterized to some extent by management with little accountability (37%) ⇄

• Unchanged

- 'Good': Firms' responsiveness to customer demand was considered to be positive, however no improvement was discerned in the perception (58%); **less transparency** is considered to be a major challenge to improve **corporate governance** in the country (37%)

G. Education & Human Capital

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to -1.01)	1. Math & science education in the schools lags far behind some other countries in the world (72%) 2. Talented people often leave to pursue opportunities in other countries (84%) 3. Primary schools are mostly of poor quality (89%) 4. The general approach of companies to human resources often is to invest little in training and employee development (74%)	<ul style="list-style-type: none"> Formal social safety net does not provide protection from economic insecurity due to job loss or disability (80%) 3. Primary schools are mostly of poor quality (72%) ⇔
Bad (-1.00 to -0.01)	5. The educational system often does not meet the needs of a competitive economy (69%) 6. Management or business schools are somewhat limited or of poor quality (47%) 7. For similar work, wages for women are somewhat below those of men (63%) 8. Labour regulation somewhat prevents the companies from employing foreign labour (71%) 9. Pay is sometimes not related to worker productivity (55%) 10. Businesses often do not provide women with the same opportunities as men to rise to positions of leadership (47%) 11. Scientists & engineers are somewhat not widely available (39%)	2. Talented people often leave to pursue opportunities in other countries (65%) ↑ ✓ 1. Math & science education in the schools lags far behind some other countries in the world (58%) ↑ 8. Labour regulation somewhat prevents the companies from employing foreign labour (48%) ⇔ 5. The educational system often does not meet the needs of a competitive economy (54%) ⇔ 9. Pay is sometimes not related to worker productivity (46%) ⇔ 6. Management or business schools are somewhat limited or of poor quality (39%) ⇔ 7. For similar work, wages for women are somewhat below those of men (51%) ⇔ 11. Scientists & engineers are somewhat not widely available (40%) ⇔ 4. The general approach of companies to human resources is to invest little in training and employee development (58%) ↑ ✓

• Improved

- 'Brain drain' is perceived to be somewhat declined (-0.97; 65%). Better employment opportunities within the country would reduce the problem
- Companies' investment on training and employee development perceived to be increased (2.00; 58%), such investment would contribute to improve productivity and efficiency of employees
- Women entrepreneurship is perceived to be somewhat improved (0.0; 36%); New Industrial Policy (2010) put focus on women entrepreneurship development
- Companies are enjoying fixing workers' wages (1.17; 70%)
- Quality of maths/science education although lags behind global standard, however perception on it has somewhat improved (58%)

Level	2008 (last year's survey)	2009 (this year's survey)
Good (0.00 to 1.00)	12. Labor-employer relations are somewhat generally confrontational (44%) 13. The hiring and firing of workers is somewhat flexibly determined by employers (53%) 14. Wages are sometimes fixed by each individual company (66%)	13. The hiring and firing of workers is somewhat flexibly determined by employers (56%) ⇔ 12. Labor-employer relations are somewhat generally confrontational (44%) ⇔ 10. Businesses often provide women with the same opportunities as men to rise to positions of leadership (36%) ↑ ✓ * Compliance with international labour standards in export-oriented industries is increasing (59%) ↓
Better (1.01 to 2.00)	* Compliance with international labour standards in export-oriented industries is increasing (79%)	14. Wages are sometimes fixed by each individual company (70%) ↑ ✓

• Declined

- Perception on compliance with **international labour standards** has decelerated (0.47; 59%)
 - **Frequent labour unrest** in the RMG sector indicates poor industrial relation

• Unchanged

- Worse: **Primary education** is perceived to be of poor quality (72%); however, perception on it is less strong. New Education Policy is expected to contribute towards improvement of quality of primary education
- Formal social security measures although widened last year is still considered to be insufficient against job losses due to economic insecurity (80%)
- Bad: **Educational system** is yet to meet the **needs of a competitive economy** (54%). This is reflected in different aspects such as poor quality of management schools (39%)
- Labour market has suffered because of prevalence of wage discrimination (51%) and less availability of scientists and engineers (40%).
- Good: Entrepreneurs expressed positive views as regards process of hiring and firing of workers (56%) and employer-worker relationship (44%)

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to -1.01)	<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 (95%) 2. Domestic firms paying bribes to public servants or public officials are moderately common (94%) 3. Undocumented extra payments or bribes made by firms for public utilities are moderately common (86%) 4. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (87%) 5. Undocumented extra payments or bribes made by firms for import and export permits are moderately common (85%) 6. Diversion of public funds to companies, individuals or groups due to corruption is moderately common (79%) 7. Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company (77%) 8. The government's effort combat corruption and bribery is somewhat unsuccessful (67%) 	<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 (86%) ⇄ 2. Domestic firms paying bribes to public servants or public officials are moderately common (88%) ⇄ 4. Undocumented extra payments or bribes made by firms for annual tax payments are moderately common (84%) ⇄ 5. Undocumented extra payments or bribes made by firms for import and export permits are moderately common (83%) ⇄ 8. The government's effort combat corruption and bribery is somewhat unsuccessful (74%) ⇄ 6. Diversion of public funds to companies, individuals or groups due to corruption is moderately common (74%) ⇄ 3. Undocumented extra payments or bribes made by firms for public utilities are moderately common (69%) ⇄

• Improved

- **Illegal payment to influence government policies** has continued but it is perceived to be less prevalent and has less negative impact on company operations (-0.83;59%). Further improvement on this issue is required to ensure fair competition in the market

• Unchanged

- **'Worse': Undocumented extra payments/bribes** by firms for awarding public contracts (86%) and prevalence of **paying bribes to public officials** (88%) and **diversion of public fund to companies** and individuals are major weaknesses in case of reducing corruption and improving the efficiency in public and private sector.

Level	2008 (last year's survey)	2009 (this year's survey)
Bad (-1.00 to -0.01)	<p>9. The judiciary is somewhat influenced by political influences of members of the government, citizens or firms (62%)</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 (65%)</p> <p>11. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are somewhat common (67%)</p> <p>12. Undocumented extra payments or bribes from one private firm to another to secure business are somewhat common (52%)</p> <p>13. Foreign firms paying bribes to public servants or public officials are somewhat common (60.5%) ⇔</p> <p>14. The incidence of common crime and violence imposes slight significant costs on businesses (62.9%) ⇔</p> <p>15. Unrecorded business activity is less than 50% (64.1%) ⇔</p> <p>*Corporate codes of conduct and other aspects of corporate social responsibilities are rare (79%)</p>	<p>7. Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company (59%) ↑ ✓</p> <p>11. Undocumented extra payments or bribes made by firms for obtaining favourable judicial decisions are somewhat common (60%) ⇔</p> <p>13. Foreign firms paying bribes to public servants or public officials are somewhat common (56%) ⇔</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 (56%) ⇔</p> <p>9. The judiciary is somewhat influenced by political influences of members of the government, citizens or firms (52%) ⇔</p> <p>12. Undocumented extra payments or bribes from one private firm to another to secure business are somewhat common (51%) ⇔</p> <ul style="list-style-type: none"> • If someone loses a purse or wallet containing US\$100, and it is very unlikely to be returned if it is found by neighbor (49%) <p>* Corporate codes of conduct and other aspects of corporate social responsibilities are rare (58%)</p>

• Unchanged

- Poor **corporate ethics** (56%) and **rare CSR** activities (58%) are weaknesses to establish corporate governance
- **Undocumented payments** between firms (51%) or by **foreign firms** (56%) were somewhat common

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to -1.01)	1. Tourism marketing is somewhat non-existent or ineffective in attracting tourists (71%)	
Bad (-1.00 to -0.01)	2. Development of the Travel and Tourism sector does not often take into account issues related to environmental protection and sustainable development (59%)	2. Development of the Travel and Tourism sector does not often take into account issues related to environmental protection and sustainable development (57%) ⇔ 1. Tourism marketing is somewhat non-existent or ineffective in attracting tourists (54%) ↑ ✓
Good (0.00 to 1.00)	3. The development of the Travel and Tourism industry is a priority for the government to some extent (44%) 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (53%)	3. The development of the Travel and Tourism industry is a priority for the government to some extent (52%) ⇔ 4. Senior executives are quite likely to be recommended to extend their first business trip in the country for leisure purposes (52%) ⇔
Better (1.01 to 2.00)	5. Foreign visitors are usually welcome in the country (84.3%)	5. Foreign visitors are usually welcome in the country (89%) ⇔

• Improved

- **Tourism marketing** is still considered to be **limited and less effective** however perception has somewhat improved (-0.62; 54%)

• Unchanged

- 'Bad': While development of tourism is considered, less focus is put in place on environmental issues (57%)
- 'Good': Government put emphasis on tourism sector (52%) through specific policies; *New Industrial Policy 2010* continued to put tourism as a thrust sector
- 'Better': Foreign visitors are usually welcome in the country

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to -1.01)	1. Enforcement of environmental regulation is moderately lax (78%) 2. 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. Enforcement of environmental regulation is moderately lax (74%) ⇔
Bad (-1.00 to -0.01)	3. Environmental regulation is moderately lax compared to most countries (67%) 4. The natural environment is somewhat polluted (56%) ⇔ 5. Environmental challenges have a somewhat negative impact on business operations or local business expansion (54%) ⇔	3. Environmental regulation is moderately lax compared to most countries (66%) ⇔ 5. Environmental challenges have a somewhat negative impact on business operations or local business expansion (56%) ⇔ 4. The natural environment is somewhat polluted (50%) ⇔ 2. 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 (41%) ↑✓

• Improved

- Companies operation is relatively less affected by environmental disasters (-0.48; 41%); This is evinced in less adverse impact of different natural disasters occurred in 2009

• Unchanged

- 'Worse': **Enforcement of environmental regulation** is largely lax (74%). **Strong enforcement** of environmental rules and regulations is necessary
- 'Bad': While natural environment is somewhat polluted (50%), strong enforcement of environmental regulations is necessary
- **Environmental regulations** are somewhat **lax** (66%); enforcement of environmental regulations needs to be ensured. **New Industrial Policy** (2010) emphasized on this issue

Level	2008 (last year's survey)	2009 (this year's survey)
Worse (-2.00 to -1.01)	1. The quality of healthcare provided for ordinary citizens is largely poor (94.3%) 2. Healthcare is mostly accessible among elites (79%) 3. Healthcare delivery is largely fragmented among physicians, clinics and hospitals (81%)	1. The quality of healthcare provided for ordinary citizens is largely poor (88%) ⇄ 2. Healthcare delivery is largely fragmented among physicians, clinics and hospitals (79%) ⇄ 3. Healthcare is mostly accessible among elites (72%) ⇄
Bad (-1.00 to -0.01)	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%) ⇄	• Heart disease and related cardio vascular problems are minor problems (46%) • Employees do not take advantage of the policies and/or programmes implemented (41%)
Good (0.00 to 1.00)	6. The impact of malaria is not considered much seriously as a problem for the company in the next five years (63%) ⇄ 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%) ⇄	• Mental illness does not impact seriously (59%) • Tuberculosis does not impact seriously (55%) • Cancer does not impact seriously (45%) • Diabetes does not impact seriously (40%)
Better (1.01 to 2.00)	8. HIV/AIDS is not largely affecting business operations (87%) ⇄	8. HIV/AIDS is not largely affecting business operations (65%) ⇄ 6. The impact of malaria is not considered much seriously as a problem for the company in the next five years (61%) ↑✓

• Improved

- Problem of malaria is not a major problem for companies' operations and expansion (1.06; 61%)

• Unchanged

- 'Worse': **Public healthcare facility for ordinary citizens is poor** (88%) and fragmented (79%), on the other hand, the elites of the society get access to most health care facilities (72%). **Services for the poor** need to be ensured through development of **public sector healthcare facilities in rural areas**
- 'Bad': Employees do not take advantage of various health related facilities (46%)
- 'Good': **Various chronic diseases** are not a major problem for businesses. For example, mental illness (59%), tuberculosis (55%), cancer (45%) and diabetes (40%)
- 'Better': Less prevalence of **HIV/AIDS** has caused marginal impact on business operations (65%). Bangladesh is the top ranked country in case of less HIV prevalence

VI. Identification of the Lead Determining Factors

2009

VI. Identification of Lead Determining Factor

Rank	Lead Determining Factors (in 2008)	Lead Determining Factors (in 2009)	
1	Inadequate supply of infrastructure (20.23)	Inadequate supply of infrastructure (23.78)	↔
2	Corruption (16.92)	Inefficient government bureaucracy (15.41)	↓
3	Inefficient government bureaucracy (15.77)	Corruption (12.57)	↑
4	Access to financing (10.38)	Policy instability (9.27)	↓
5	Policy instability (9.23)	Access to financing (8.53)	↑
6	Inadequately educated workforce (5.23)	Inadequately educated workforce (6.66)	↔
7	Government instability/coups (5.00)	Tax regulations (5.16)	↓
8	Tax regulations (4.85)	Government instability/coups (4.71)	↑
9	Crime and theft (2.77)	Foreign currency regulations (2.84)	↓
10	Inflation (2.38)	Inflation (2.69)	↔
11	Tax rates (2.23)	Poor work ethic in national labour force (2.62)	↓
12	Foreign currency regulations (2.15)	Crime and theft (2.54)	↑
13	Poor work ethic in national labour force (1.38)	Tax rates (2.09)	↑
14	Poor Public Health (0.85)	Restrictive labour regulations (0.75)	↓
15	Restrictive labour regulations (0.62)	Poor Public Health (0.37)	↑

- **Inadequate supply of infrastructure** is considered to be the major deterrent factor in 2009 as it was in 2008. **No major noticeable changes** was discerned in case of improvement of supply of infrastructural facilities
- **Inefficient government bureaucracy** is the second most important factor bypassing corruption. Increasingly it is becoming a major hindrance for business and investment
- **Corruption slipped to third position** from last year's second position. However, it is still considered to be a major deterrent factor for businesses. Drives against corruption should have to be strengthened
- Perception has **improved** for some other factors. For example, access to financing, government stability, crime and theft, tax rates and public health
- Perception has **declined** for some other factors. For example, policy instability, tax regulations, foreign currency regulations, work ethics and labour regulations



- Most of the world economy is likely to recover from the recession in 2010

- **Growth prospect of Bangladesh in 2010 is considered to be better (3.97) compared to last year (3.28)**
- **58%** entrepreneurs perceived that prospect of growth in 2010 is stronger

- Major competing countries have better growth prospect (China, India, Vietnam and Sri Lanka)
- Bangladesh's performance is found to be stranded or deteriorated in major global competitiveness indices (Table below)

Growth Projection

Economies	1 = Will likely be in a recession 7 = Will have strong growth 2009-10	1 = Will likely be in a recession 7 = Will have strong growth 2010-11
United States	2.89	3.52
Canada	2.94	3.62
Germany	2.75	3.02
United Kingdom	2.31	2.67
Japan	2.64	3.25
Bangladesh	3.28	3.97
India	4.95	5.05
Pakistan	3.68	3.59
Sri Lanka	3.76	4.30
China	4.60	4.71
Vietnam	4.36	4.59
Indonesia	4.05	4.69
Cambodia	4.17	3.93
Tanzania	4.09	3.65
Uganda	2.89	4.12

Bangladesh's Position in Major Competitive Indices

	GCI (WEF)		ETI (WEF)		FDI Performance Index (UNCTAD)		FDI Potential Index (UNCTAD)		Ease of Doing Business Index (World Bank)		Corruption Perception Index (TI)	
Year	2009-10 (133)	2010-11 (139)	2009 (121)	2010 (125)	2004-06 (141)	2005-07 (141)	2003-05 (141)	2004-06 (141)	2009 (183)	2010 (183)	2008 (180)	2009 (180)
Bangladesh	106	107 (103)	111	113 (109)	120	121	119	119	115	119	147	139

Major Changes Observed

2009

Factors	Indicators	Level of Improvement
Governance & Public Institution	Economic policy-making is mostly centralized - government controls almost all important decisions	Worst > Worse
	Government subsidies & tax breaks do not distort competition	Bad > Good
Infrastructure	The air transport network does offer good connections to some key business markets	Bad > Good
	New telephone lines for business are available and quite reliable	Good > better
Innovation & Technology	Internet access in schools is very limited	Worst > Worse
	Online government services such as personal tax, car registrations, passport applications, business permits and e-procurement are often unavailable	Worst > Worse
	Government procurement decisions do not often result in technological innovation	Worse > Bad
	A failed entrepreneurial project is often considered an embarrassment	Worse > Bad
	The latest technologies are sometime widely available and used	Bad > Good
	Digital content in the country is sometimes not widely accessible via multiple platforms	Bad > Good
Financial Environment	The level of sophistication of financial markets is somewhat poor by international standards	Worse > Bad
	During the past year, obtaining credit for company has become somewhat difficult	Bad > Good
	Banks are somewhat generally healthy with sound balance sheets	Good > Better
Domestic Competition	Process equipment and machinery are mostly imported	Worst > Worse
	Formal policies to support cluster development are largely non-existent	Worse > Bad
	Corporate activity is moderately dominated by a few business groups	Worse > Bad
	Starting a new business is somewhat easy	Bad > Good
	State-owned enterprises are somewhat favoured over private sector competitors	Bad > Good

Factors	Indicators	Level of Improvement
Domestic Competition	Buyers make purchasing decisions mainly based on the lowest price	Good > Better
Company Operations & Strategy	Management compensation is moderately based on fixed salaries	Worse > Bad
	Production processes mostly use labour-intensive methods or previous generations of process technology	Worse > Bad
	Senior management positions are not sometimes held by professional managers chosen based on superior qualification	Bad > Good
Education & Human Capital	Talented people often leave to pursue opportunities in other countries	Worse > Bad
	The general approach of companies to human resources is to invest little in training and employee development	Worse > Bad
	Businesses often provide women with the same opportunities as men to rise to positions of leadership	Bad > Good
	Wages are sometimes fixed by each individual company	Good > Better
Corruption Ethics & Social Responsibilities	Illegal payments to influence government policies, laws or regulations have a slight negative impact on the company	Worse > Bad
Travel & Tourism	Tourism marketing is somewhat non-existent or ineffective in attracting tourists	Worse > Bad
Environment	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	Worse > Bad
Health	The impact of malaria is not considered much seriously as a problem for the company in the next five years	Good > Better

VII. Findings from CPD's Rapid Perception Survey

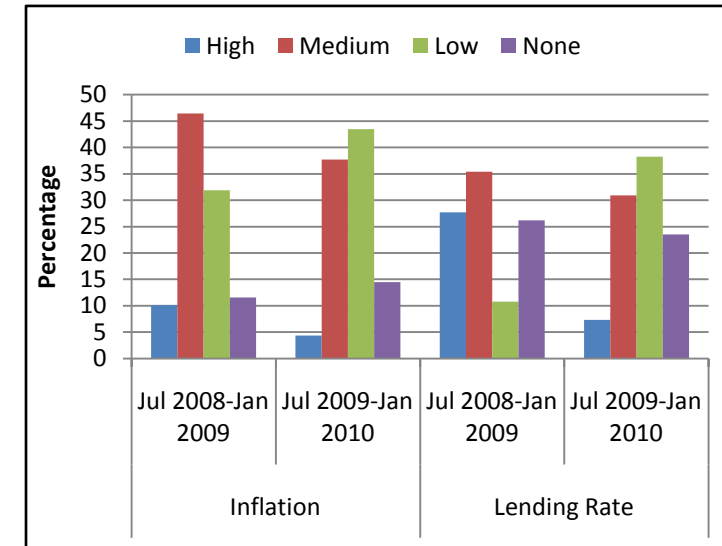
Level	Rapid Perception Survey 2010
Worse (-2.00 to -1.01)	1. Inflation is one of the top most challenges for Bangladesh in 2010 (77%) 2. The supply of electricity will not increase significantly in 2010 (82%) 3. The supply of gas will not increase significantly in 2010 (85%) 4. Government's initiatives to enhance generation of electricity/gas are not adequate (85%) 5. Government's initiatives to combat climate change are not adequate (68%)
Bad (-1.00 to -0.01)	1. Bangladesh policy makers were not fully able to successfully address the impact of global financial crisis (47%) 2. Government's fiscal stimulus packages were not effective (52%) 3. The investment environment in 2010 will deteriorate further (48%) 4. Bangladesh's draft Industrial Policy 2009 is unfriendly to industries (31%) 5. Bangladesh will not become a middle income country by 2015 (52%) 6. Government is not on the right track towards a digital Bangladesh by 2021 (53%)
Good (0.00 to 1.00)	1. Bangladesh will be able to take advantage of the global recovery in 2010 (54%) 2. The food security in 2010 is optimistic (44%) 3. The use of Mongla & Chittagong sea ports for movement of goods to and from India will impact beneficial on Bangladesh economy (43%) 4. Bangladesh's trade & investment with India will be accelerated in near future in view of recent initiatives (51%) 5. Income inequality will not emerge as a major challenge for the development of Bangladesh over the next decade (65%) 6. Post Global Financial Crisis scenario is positive (50%)

- Most of the entrepreneurs (80%) were **less confident as regards government's initiatives** to increase supply of **electricity and gas** in 2010 as the initiatives were considered to be inadequate (85%)
- 47% businessmen perceived that policymakers were not fully successful to **address the impact of the global financial crisis**
 - More than 50% felt that **fiscal stimulus packages were not fully effective** to address the need of the affected sectors. Government's initiatives should be on time to address the need of the affected sectors (e.g. China, India)
 - More than half of the respondents perceived that **Bangladesh would be able to take advantage of the global recovery in 2010** and afterwards
- More than 50% businessmen opined that **Bangladesh's trade and investment with India will be accelerated** in view of recent initiatives undertaken by both governments
 - 43% opined that use of **Mongla and Chittagong ports** for movement of Indian goods is likely to have beneficial impact on Bangladesh economy. However, **35% respondents** were indifferent
- Businessmen expected integrated and long term initiatives to combat climate changes as existing initiatives are considered to be inadequate (68%)

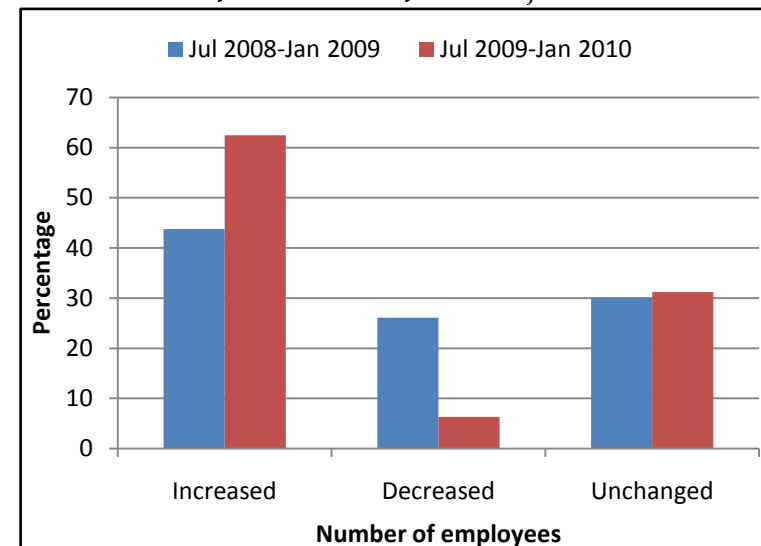
- Most of the businessmen (86%) were concerned over **impact of inflation on cost of production** (88% in last year)
 - However, perception was becoming less strong in this year
- **Lending rates of banks is still considered** to be high and affect businesses adversely (77%)
 - However, the 'high' adverse impact on interest rate as opined last year (27.7%) has substantially declined this year (7.4%). The capping of upper limit of lending rates has contributed positively
- Employment in the surveyed factories was not adversely affected even in the period of the global financial crisis
 - More importantly, 63% businessmen opined that employment has increased in their factories this year
 - Perception on retrenchment of workers was very low this year (6%) compared to that in last year (26%)

Rapid Perception Survey

Effect of inflation and lending rate comparing Jul 2008-Jan 2009 and Jul 2009-Jan 2010



Status of number of employee comparing Jul 2008-Jan 2009 and Jul 2009-Jan 2010



VIII. Concluding Remarks



VIII. Concluding Remarks

- Bangladesh is perhaps entrapped into low level of competitiveness. Marginal improvements with respect to various aspects of competitiveness will not be adequate to enable Bangladesh economy to compete on equal footing at the global level
 - Bangladesh's ranking has slipped down by 1 position (from 107 to 106 out of 139 countries). This poor performance is mainly attributed to deceleration in ranking in basic requirement sub-index
 - Bangladesh's overall score improved by 2.5%. Highest score was obtained in case of primary education and health and it has registered highest growth in score. Lowest score and the highest drop was in infrastructure
- Improvement in governance and public institutions
 - mainly attributed to decentralised policy making and less burdensome bureaucratic procedure for businesses.
 - Significant improvement is required in such areas as financial honesty of politicians, favouritism with regard to well-connected firms and effective operation of the national parliament
- The weakest part of competitiveness is country's poor infrastructure
 - Single 'worst' item is related to poor electricity supply. Government initiatives are perceived to be inadequate
- Innovation and technology, particularly related to ICT, is perceived to be moving slowly towards the upward direction
 - Internet use in schools, online government services and digital content etc is perceived to have improved somewhat though still remains at a low level
- Improvement of domestic competitive environment is still insignificant. To improve the situation following areas will need to be addressed: presence of limited number of corporate groups, lax anti-monopoly policy and lax regulations on quality of products



VIII. Concluding Remarks

- Financial environment has somewhat improved which is reflected in easy access to credit, improvement in level of sophistication and soundness of banks
 - Complex tax system, lack of availability of collateral-free credit and venture capital, pervasive insider trading in the capital market etc are weakest part of financial system
 - Lending rate of banks is still perceived to be high
- Education and human capital is perceived to have improved
 - Decline in 'brain drain'; rise in companies investment for training of employees; improvement in quality of maths and science education
 - Improvement is required in case of quality of primary education, improvement of industrial relations and widening of social security coverage
- Progress is perceived to be rather slow with regard to corruption
 - Undocumented payments by firms, bribes by public sector officials, diversion of public funds to companies remained a major concern in reducing corruption
- Most important inhibiting factor for businesses in 2009 was inadequate infrastructure
 - Inefficient government bureaucracy came out as second most inhibiting factor. Corruption is the third most important factor
- Entrepreneurs are confident about 'strong' growth prospect of the country for 2010
 - Strong growth prospects of export in the post-crisis period is particularly attributed to this issue

Thank you!