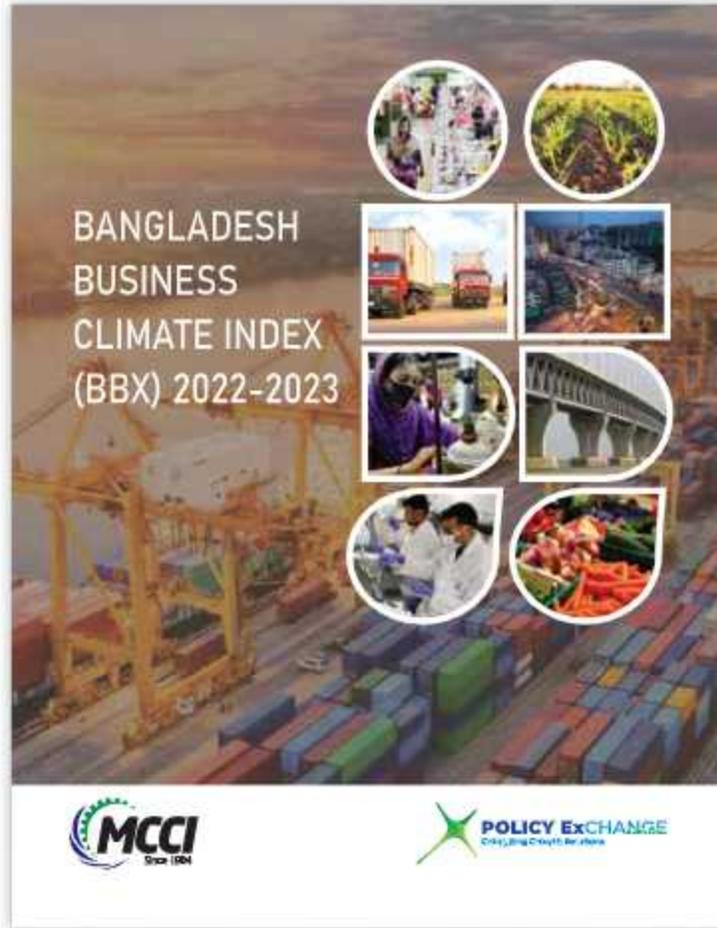


BANGLADESH BUSINESS CLIMATE INDEX (BBX) 2022-2023





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Acknowledgement

Bangladesh Business Climate Index was introduced in 2021 which is unique in providing private investors and government agencies with timely and detailed data on regulatory and other barriers to doing business in Bangladesh. As opposed to many global indicators including World Bank Doing Business, the BBX is designed to be relevant to the country-specific realities of Bangladesh. As such, it focuses on geography and key sectors. Overall, the report documents the significant improvements that Bangladesh has made over the years and that need to be achieved to attain the status of an Upper Middle-Income country by 2031. The BBX 2022 uses a time-tested Stratified Multistage Cluster Sampling Approach and draws on detailed inputs obtained from questionnaires and interviews with 517 business owners and business intermediaries in Bangladesh. The initiative has been undertaken by Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka in partnership with Policy Exchange Bangladesh. The work has been carried out under the supervision of Dr. Masrur Reaz (Chairman, Policy Exchange). Faaria Tasin (Senior Economist) has carried out key macroeconomic analyses. Critical analyses have been carried out by Shafqat Shahadat Choudhury (Economist), S.M. Hasibul Karim (Statistical and Survey Expert), Md. Ziaur Rahman (Research Associate) and Mahian Mohsin (Business Analyst) which have contributed in developing the overall report. The team is grateful to the MCCI core group comprising Md. Saiful Islam, Habibullah Karim, Barrister Nihad Kabir, Syed Nasim Manzur and Farooq Ahmed for their continued guidance and inputs that helped effectively complete this exercise and enhance the robustness of the work. The team would like to thank various private sector institutions, chambers and associations who have taken the time out of busy schedules and provided valuable inputs to the study and have participated in interviews.

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Acronyms

3PL- Third-Party Logistics

ADR- Alternate Dispute Resolution

BB- Bangladesh Bank

BBS- Bangladesh Bureau of Statistics

BBX- Bangladesh Business Climate Index

BEPZA- Bangladesh Economic Processing Zones Authority

BEZA- Bangladesh Economic Zones Authority

BGMEA- Bangladesh Garment Manufacturers and Exporters Association

BHTPA- Bangladesh Hi-Tech Park Authority

BIDA- Bangladesh Investment Development Authority

BIDS- Bangladesh Institute of Development Studies

BoI- Board of Investors

BSMSN- Bangabandhu Sheikh Mujib Shilpa Nagar

BSTI- Bangladesh Standard and Testing Institution

BTRC- Bangladesh Telecommunication Regulatory Commission

CAGR- Compound Annual Growth Rate

CM- Cutting Margin

CPSD- Country Private Sector Diagnostic

DFI- Development Finance Institution

DNCC- Dhaka North City Corporation

DoE- Department of Environment

EIU- Economist Intelligence Unit

EPZ- Export Processing Zone

EU- European Union

EZ- Economic Zone

FCB- Foreign Commercial Bank

FCCL- Fiscal Commitment And Contingent Liability

FDI- Foreign Direct Investment

FERA- Foreign Exchange Regulation Act 1947

Fintech- Financial Technology

FY- Fiscal Year

G2B- Government to Business

G2G- Government-to-Government

GCI- Global Competitiveness Index

GDP- Gross Domestic Product

GII- Global Innovation Index

GNI- Gross National Income

GoB- Government of Bangladesh

GTCI- Global Talent Competitiveness Index

GVC- Global Value Chain

GW/MW/KW- Gigawatt /Megawatt/Kilowatt

HCI- Human Capital Index

HDI- Human Development Index

HFO- Heavy Fuel Oil

HS- Harmonized System (code)

ICD- Inland Container Depots

ICT- Information and Communication Technology

IMF- International Monetary Fund

IPA- Investment Promotion Agency

IT- Income Tax

KYC- Know Your Customer

LDC- Least-Developed Country

LIBOR- London Interbank Offered Rate

LIC- Low-Income Country

M&A- Mergers & Acquisitions

MCCI- Metropolitan Chamber of Commerce and Industry

MFI- Microfinance Institution

MFN- Most-Favored Nation

MNE- Multinational Enterprises

MSME- Micro, Small and Medium Enterprise.

NBR- National Bureau of Revenue

NEET- Not in Employment, Education, or Training

NGO- Nongovernmental Organization

NPL- Non Performing Loan

NPR- Nominal Protection Rate

NSC- National Savings Certificate

NSS- National Savings Scheme

NSW- National Single Window

OSS- One Stop Service

OECD- Organization for Economic Co-operation and Development

PE- Policy Exchange

PCB- Private Commercial Bank

PPP- Public-Private Partnership

PPPA- Public-Private Partnership Authority

PPPU- Public-Private Partnership Unit

PTA- Preferential Trade Agreement

QR- Quantitative Restrictions

R&D- Research and Development

RMG- Ready Made Garments

RIA- Regulatory Impact Assessment

RJSC- Registrar of Joint Stock Companies & Firms

SCB- State Owned Commercial Bank

SCD- Systematic Country Diagnostics

SEZ- Special Economic Zone

SME- Small And Medium Enterprise

SOE- State-Owned Enterprise

SOP- Standard Operating Procedure

TEU- Twenty-Foot Equivalent Unit

TVET- Technical And Vocational Education

UNCTAD- United Nations Conference on Trade and Development

UNDP- United Nations Development Programme

USP- Unsolicited Proposal

VAT- Value Added Tax

WBG- World Bank Group

WEF- World Economic Forum

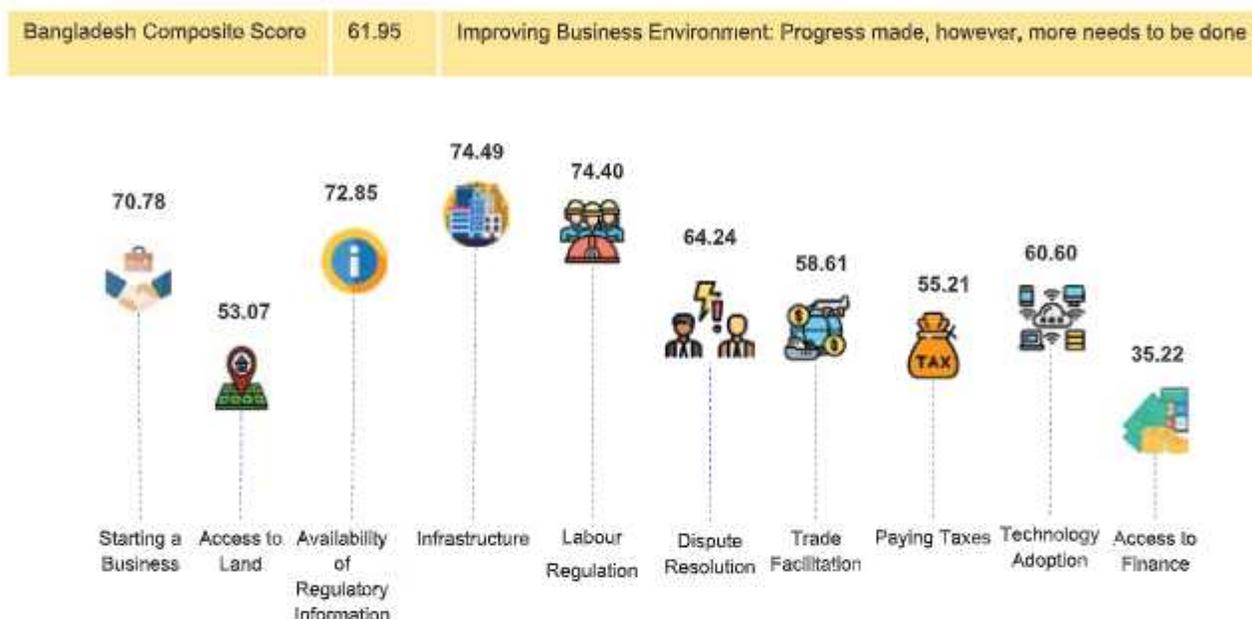
WIPO- World Intellectual Property Organisation

WTO- World Trade Organization

Highlights: BBX 2022-23

- Bangladesh Business Climate Index (BBX) introduces a new innovative business environment index for Bangladesh, that is unique in providing private investors and government agencies with timely and detailed data on regulatory and other barriers to doing business. BBX was introduced in 2021 and has been developed for two consecutive years.
- BBX is tailored to the realities of Bangladesh and is granular in approach. The index is based on interviews with entrepreneurs, and spans over ten major areas identified in analytical and empirical literature as key to investor interest, which are: 1) Starting a Business; 2) Access to Land; 3) Availability of Regulatory Information; 4) Infrastructure; 5) Labour Regulation; 6) Dispute Resolution; 7) Trade Facilitation; 8) Paying Taxes; 9) Technology Adoption; and 10) Access to Finance.
- As opposed to many global indicators including World Bank's Doing Business that has now been discontinued, the BBX is designed to be relevant to the country-specific realities of Bangladesh. As such, it is very sector and geography specific. As per the suggestions of economists and industry experts – those sectors are considered that in aggregate contribute to 75 percent of total GDP and employment in Bangladesh. Consecutively, weighted average has been calculated on the contribution to GDP and employment by the sectors where 75 percent of weight has been assigned on contribution to GDP and 25 percent on employment.
- From a methodological standpoint, the BBX uses a time-tested Stratified Multistage Cluster Sampling Approach. Survey interviews were conducted with 592 firms, however only those questionnaires were accepted that were at least 80 percent completed. Eventually, 518 survey interviews were accepted for analyses in BBX 2022-23 report.
- The aggregate composite BBX score in 2022 is 61.95 which falls under category of an 'Improving Business Environment: Progress Made but Significant Efforts Required'. However, the distance to 100 suggests that more needs to be done for Bangladesh to become a genuinely attractive emerging market. Most importantly, reforms to improve port congestion, financial intermediation, excessive administrative paperwork, legal framework, tax regulations, and institutional governance will be paramount.
- The BBX score in 2022, i.e., 61.95 is only marginally better than the score in 2021 which was 61.01. This reinforces the fact that no significant reform initiatives were undertaken in the past one year resulting in insignificant improvement. Although the index has performed relatively better in 2022 in 7 pillars, i.e., Starting a Business, Availability of Regulatory Information, Infrastructure, Labour, Dispute Resolution, Trade Facilitation and Technology Adoption, the index's performance deteriorated in 3 pillars which are Access to Land, Paying Taxes and Access to Finance.

Figure 1: Bangladesh Business Climate Index 2022-23 - Performance by Pillar



Sectors such as agriculture and retail where informality and fragmentation are prevalent, have less conducive experience with regard to starting a business. This clearly indicates need for prioritizing easing of business entry regulations in such sectors for faster formalization and supporting expansion of small business base.

Sectors which are long-established, and well organized at trade body level and have less fragmentation, such as Pharma and RMG, have better business entry and sectoral entry regulations than relative newer ones such as agribusiness and construction. This insight emphasizes on the need to replicate success of established sectors in helping upcoming ones.

While sectoral licenses and entry requirements are less conducive than general business entry regulations, firms with alignment to global standards get sectoral license faster as seen in pharmaceuticals, chemicals and RMG. This emphasizes on the need for strengthening overarching and sector specific standards in line with global best practices.

Pilot reforms have improved the experience of businesses with regard to land, securing Dhaka division a top place. This is arising from the fact that most land reform pilots having Dhaka as the common district /division. The findings also confirm that as the service sector grows, dominated by retail businesses, land as a barrier to business becomes a less relevant. This indicates the need

for land zoning policy for the whole country and beyond the economic zones with regard to facilitating right balance of business growth and land access requirements.

- Access to digitally enabled regulatory transparency vary significantly between central and local level regulatory service delivery agencies. A 23.63-point difference between the highest and the lowest performing divisions in access to regulatory information imply that there is a huge disparity in availability of regulatory information across divisions. This not only reflects a gap in access to internet across divisions but a disparity in availability of information regarding rules and regulations facilitated by the local government such as municipal corporations.
- Strength of robust laws and regulations is severely compromised due to non-systematic and non-inclusive changes in the regulatory framework creating regulatory unpredictability. About 71 percent of respondents mentioned that the government often changed or modified regulations that affected their businesses.
- Slow pace of Economic Zones (EZ) implementation and the land allocation model favoring single conglomerates for large parcel of land rather than developers impeding the benefits of EZ program. Although EZs are addressing a critical problem of serviced land availability, Economic Zones program require faster implementation and adjusting model by emphasizing more on zones for multiple tenants rather than zones earmarked for single business conglomerates
- Availability of transport logistics services are often neutralized by high cost and in efficiency of such support factors. A World Bank report suggests that logistics cost comprise between 4.5 to 47.9 percent of total sales. As the economy slowly expands to facilitate more business sectors, the current transport services are not well suited for sectors in need of specialized logistics systems. Firms from the construction sector found it challenging to find transportation as the sector requires a special set of transport services/vehicles to carry their raw materials and products which are heavy-weighted.
- Ability of youth to absorb skills training is high and technology-based training delivery system can address the limited access to/availability of formal training facilities. Majority respondents mentioned that found it easy to access training materials online across all sectors. This is primarily due to several initiatives rolled out by the NSDA to put online information.
- Efforts to manage various crisis is expediting shifts to more efficient options for dispute resolution. Majority of the respondents mentioned that the lockdown in 2021 resulted in a larger backlog of cases pending trail and hence many firms this year resorted to out of court settlements, and it saved time and money and was relatively more effective than resolving cases in court.

- Regulatory predatory behavior is more prevalent in nascent sectors and in sectors that are less organized. The index results for paying taxes show that tax environment is less conducive in emerging sectors such as electronics and light engineering, real estate, construction, and transport, storage and communication.
- Technology adoption is slowly but gradually gaining pace and it is faster in sectors with greater global integration. More than half of the respondents mentioned that they invested in a new technology equipment, software, or digital solution for their business functions in the past 24 months. Majority of firms in Financial Intermediaries and RMG have invested in a technology equipment or solution, whereas a handful of firms in Textile, Agriculture & Forestry and Electronic and Light Engineering have invested in the same, implying lower adoption of technology in these sectors.
- With regard to sectoral business environment, the index results put Construction as the one with most conducive environment followed by Leather and Tannery and Food and Beverage sectors. Textiles followed by Pharmaceuticals and Chemical on the other hand point to most difficult business climate owing to factors such as difficulty in accessing finance, low technology upgradation, and trade facilitation measures.
- The Access to Finance scoring the lowest in BBX 2022 is also corroborated by its standing among sectors where 11 out of 12 sectors covered suggested that the issues is one of the top three constraints for their respective sectors. Impact of interest capping has been adverse on small businesses.
- The BBX 2022 demonstrates that most indicators have a mixed performance, with scores varying between 35.22 and 74.49 out of 100. There is significant dispersion between the best performer (Infrastructure-owing to improvements bridges and roads) and the lagging indicators (Paying Taxes, Access to Land and Access to Finance). With the exception of Access to Finance, none of the indicators is very high or very low, providing evidence both of Bangladesh's successful development path but also of the obstacles facing businesses.
- There were no regional patterns; different geographic areas were better in different dimensions of the BBX. Surprisingly, across many areas, Dhaka and Chattogram do not emerge as the best places to do business, particularly Starting a Business and Trade Facilitation, suggesting that the urbanization process in Bangladesh has resulted in a better business climate for many firms outside the two major metropolises.
- Challenges varied by sectors, for instance, Food and Beverage sector found trade challenging; For Wholesale and Retail and Transport, Storage and Communication, the challenge was Paying Taxes; For Textiles it was Technology Adoption; for Electronics & Light Engineering and RMG, it

was Access to Land. Land appears a major constraint to the RMG sector given the importance of large factories in this labor-intensive industry, and their need to locate in clusters in Gazipur, Narayanganj and Chattogram, where land comes at premium prices.

Table 1: Top Three Constraints Faced by Business per Pillar Areas in 2022

Starting a Business	Access to Land	Availability of Regulatory Information	Infrastructure	Labour Regulation	Dispute Resolution	Trade Facilitation	Paying Taxes	Technology Adoption	Access to Finance
Too many agencies involved	Informal payment required	Absence of regulatory calendar	High logistics costs	Lack of skilled labour	No formal mediation mechanism	Custom clearances time-consuming	Time consuming compliance	Lack of domestically available technology solutions	Access to credit process complex
Obtaining sectoral licenses	Lengthy land transfer	Unavailability of regulatory information	Lack of electricity due to loadshedding	Training centers sub-par	Slow court proceedings	Too many agencies involved	High-corporate tax	Manual Supply Chain Management	Rate capping led to credit rationing
Weak coordination between agencies	Involvement of intermediaries	Websites and guidelines are not always up to date	Difficulty in dealing with government agencies	Mismatch between education and skills needed	No dedicated commercial court	High para-tariffs	Low Tax education and weak taxpayer services	Lack of use of Digital Payment Platforms	Complex documentary requirement

- The survey found that Electronics and Light Engineering sector found it most difficult to obtain land or register property compared to wholesale and retail trade sector. Although the government has introduced Digital Land Management System (DLMS) by which the land area of Bangladesh can be managed digitally with the help of modern technology, problems persist. For instance, despite scanned copies of 18,500 map-sheets being indexed into the system, the prevalent system is still operational and yet to be abolished. Other challenges include taking on average 63 days to get land title transfers recorded in land records office in Bangladesh.
- Regarding Access to Finance, most of the small and medium enterprises have mentioned that access to finance became more challenging after the 6-9 percent interest rate band was introduced. Some of the supply side constraints included market imperfections, lack of credit appraisal policies, lack of strong credit registry, while demand side constraints included the lack of financial capabilities and lack of documentation, and lack of credit rating from formal sources. According to MSMEs, these challenges got aggravated after the 6-9 percent interest rate band as many banks would require the same type of credit appraisals, documentary and collateral requirements from MSMEs as they did from large firms.

Messages



Pillar 1:		Pillar Score	
Starting a Business	2022	70.78	
	2021	68.91	

Key Findings

An investor typically must navigate 23 government agencies to obtain 150 regulatory services that are required for starting and operating a business in Bangladesh.

Firms in Pharmaceuticals and Chemicals and RMG found it relatively easier to start a business in Bangladesh compared to firms in Agriculture, Forestry, Wholesale and Retail trade. The survey reflects that firms in Rajshahi found it easiest to start a business while firms in Khulna found it most challenging.

The respondents mentioned that the biggest regulatory challenge facing them while starting a business in Bangladesh was to obtain sectoral licenses as the sectoral regulators make the process cumbersome and time-consuming. About 70 percent of medium and large firms mentioned that they are required to visit more than five different government agencies to obtain approvals for starting a business in Bangladesh implying the considerable regulatory burden on businesses.

Score in Starting a Business pillar has increased to 70.78 in 2022 from 68.91 in 2021. The survey interviews revealed that because of the COVID-19 pandemic, many government agencies were willing to accept documents digitally/by email which businesses previously were required to submit by hand. This reduced time and costs.



Pillar 3:		Pillar Score	
Availability of Regulatory Information	2022	72.85	
	2021	59.83	

Key Findings

More than 95 percent of the respondents mentioned that they were aware of all the numerous registrations and renewals for setting up and operating their businesses in Bangladesh. However, it was difficult for them to find information online regarding all the rules and regulations that governed their businesses.

Mymensingh scored the highest in this pillar while Rangpur scored the lowest. A 23.63-point difference between the highest and the lowest performing divisions imply that there is a huge disparity in availability of regulatory information across divisions.

71 percent of respondents mentioned that the government often changed or modified regulations that affected their businesses. This challenge was most pronounced by RMG sector relative to other sectors. Respondents from Agriculture and forestry and Construction faced a relatively better regulatory predictability in their businesses compared to other sectors.

The survey reflects that score has risen to 72.85 in 2022 from 59.83 in 2021. The pandemic induced several social media and web based business pages and groups to emerge containing required regulatory information. This increased online interaction between firms and facilitated information sharing between them.



Pillar 2:		Pillar Score	
Access to Land	2022	53.07	
	2021	58.90	

Key Findings

About 86 percent of respondents mentioned that they experienced bottlenecks in dealing with government agencies while procuring land in Bangladesh.

Dhaka, Mymensingh and Rajshahi performed relatively better in this pillar than Khulna, Rangpur and Chattogram. It was found that electronics and light engineering sector found it most difficult to obtain land or register property.

Respondents mentioned verifying accurate ownership of property, delay in mutation of land/property are two of the biggest bottleneck while procuring land in Bangladesh.

The survey reflects that score in Access to Land pillar has fallen to 53.07 in 2022 from 58.90 in 2021. Many respondents have said they were required to get several bank drafts since land transactions had to be done through bank drafts which was time consuming. Moreover, land was transacted at high amount implying that banks draft fees were also proportionality high.



Pillar 4:		Pillar Score	
Infrastructure	2022	74.49	
	2021	72.02	

Key Findings

Access to Infrastructure is the best performing pillar on the Bangladesh Business Climate Index 2022. More than 90 percent of the respondents mentioned that it was moderately easy to receive utility services in the categories of water, electricity and sewerage.

Over 80 percent of the respondents said finding availability of transport and logistics services were relatively easy, but cost of logistics services were excessively high. Firms from the construction sector found it challenging to find transportation as the sector requires a special set of transport services/vehicles to carry their raw materials and products which are heavy-weighted.

More than 90 percent of the respondents mentioned that their businesses were affected by the recent power outages. Firms said power outages lasted anywhere between two to nine hours a day.

The survey reflects that score has risen to 74.49 in 2022 from 72.02 in 2021. Respondents have mentioned that recent infrastructure developments in road connectivity such as the Padma Bridge has made transportation easier around specific routes, reduced time and cost of transportation.



**Pillar 5:
Labour Regulation**

Pillar Score

2022 **74.40**

2021 **66.35**

Key Findings

Firms in Pharmaceuticals and Chemicals, and Construction found it relatively easier to comply with labour regulations than firms in Textile and Transportation, Storage & Communication Sectors.

83 percent firms in Pharmaceuticals and Chemicals indicated it was easy to comply with labour regulations while 50 percent of firms in Transport and Storage said the same, implying this sector found it relatively challenging to comply with the current labour regulations.

More than 70 percent of respondents said they found it difficult to find skilled labour for their firms. Current curriculum and training modules in training centers are not aligned with market needs due to continuous upgradation of technology and productivity.

The survey reflects that score has risen to 74.40 in 2022 from 66.35 in 2021. Although there is a lack of training centers, respondents mentioned that found it easy to access training materials online across all sectors. This is primarily due to several initiatives rolled out by the NSDA. Most training and upskilling materials are found online for free, especially in YouTube which are shared with supervisors and workers.



**Pillar 7:
Trade Facilitation**

Pillar Score

2022 **58.61**

2021 **49.43**

Key Findings

Trade Facilitation is a pillar where several bottlenecks still exist, and significant efforts are required for trade facilitation in Bangladesh. Traders mentioned that a key impediment is high dwell time at Chattogram port.

Time for a shipment to be cleared at Chattogram port is 4 days for exports and 11 days for imports. The survey reflected that it is slightly easier to obtain clearance for exports than imports and that the time and cost incurred to obtain clearances for export is less than the time and cost required obtaining import clearances.

Chattogram port ranked 341st out of 370 ports in World Bank's Container Port Performing Index. Lack of efficiency and mechanization at the Chattogram port results in delays, for example, average ship turnaround time at Chattogram port is 3.23 days whereas it is 0.86 days in Colombo port. Higher trade time and costs results in increased lead time for exporters and reduces the global competitiveness of Bangladeshi products and services.

Time and cost of trade has reduced over a span of two years. For exporters, cost of border and documentary compliance cost has reduced from US\$ 633 to US\$ 300. For importers, it reduced from US\$ 1270 to US\$ 230. For exporters, time for border and documentary compliance reduced to 38 hours from 315 hours. For importers, it reduced to 96 hours from 360 hours.



**Pillar 6:
Dispute Resolution**

Pillar Score

2022 **64.24**

2021 **57.48**

Key Findings

The respondents shared that dispute related to land and property were the most cumbersome and takes the maximum time to resolve. Despite having confidence in the current judicial system of Bangladesh to uphold their property rights and contracts, 41 percent of respondents mentioned they have not witnessed any reduction in time for resolving commercial disputes in Bangladesh in the past two years. Currently, Bangladesh does not have a court that is dedicated solely to hearing commercial cases.

95 percent of the respondents said that there is an effective out of court commercial dispute resolution mechanism in place for businesses to use in Bangladesh.

The survey reflects that score has increased to 64.24 in 2022 from 57.48 in 2021. Majority of the respondents mentioned that the lockdown in 2021 resulted in a larger backlog of cases pending trial and hence many firms this year resorted to out of court settlements, and it saved time and money and was relatively more effective than resolving cases in court. Respondents suggested dedicating a court for commercial disputes and capacity building in handling commercial cases would large help in dispute resolution space.



**Pillar 8:
Paying Taxes**

Pillar Score

2022 **55.21**

2021 **68.72**

Key Findings

Over 60 percent of respondents mentioned that they found significant bottlenecks in filing and paying both income tax and VAT in Bangladesh. 76 percent of the respondents mentioned that they experienced an adverse impact on their businesses due to the current tax environment in the country.

The adverse impact of the current tax environment was most pronounced for firms in Electronics and Light Engineering, Real Estate, Construction, and Transport, Storage and Communication. These industries have also mentioned that they had to make more frequent informal payments to comply with tax regulations than firms in other sectors.

Majority of the respondents mentioned that they found paying taxes increasingly difficult over the years due to cumbersome filing process. Respondents mentioned making informal payments were prevalent and the challenge needs to be addressed.

Regarding taxation in Bangladesh, key bottlenecks include high and multiple prevalent VAT rates, high degree of government revenue dependency on customs duty and advance tax. Although the government has launched initiatives to streamline and modernize its tax infrastructures and tax policies, there is still significant room for improvement.



Table 2: How Do the Pillars Fare for Different Sectors

	Name of Pillars	Most Conducive in	Most Difficult in
	Starting a Business	Pharmaceutical & chemicals	Wholesale & retail trade
	Access to Land	Wholesale & Retail Trade	Electronics & light engineering
	Availability of Regulatory Information	Agriculture & forestry	Readymade garments
	Infrastructure	Pharmaceutical & chemicals	Transport, storage & communication
	Labour Regulation	Pharmaceutical & chemicals	Transport, storage & communication
	Dispute Resolution	Leather & tannery	Pharmaceutical & chemicals
	Trade Facilitation	Real estate, renting & business	Textile
	Paying Taxes	Pharmaceutical & chemicals	Leather & tannery
	Technology Adoption	Transport, storage & communication	Textile
	Access to Finance	Construction	Pharmaceutical & chemicals

Table 3: Implications of Index Scores for Dhaka and Chattogram as Primary Growth Centers

Name of Pillars	Dhaka's Position			Chittagong's Position			Top Performer
	2022 ⁱⁿ	2021	Change	2022 ⁱⁿ	2021	Change	
 Starting a Business	6	3	↓	3	4	↑	Rajshahi
 Access to Land	1	3	↑	4	4	→	Dhaka
 Availability of Regulatory Information	7	5	↓	6	1	↓	Mymensingh
 Infrastructure	2	5	↑	4	1	↓	Rangpur
 Labour Regulation	1	4	↑	5	2	↓	Dhaka
 Dispute Resolution	7	4	↓	5	3	↓	Sylhet
 Trade Facilitation	8	4	↓	4	1	↓	Sylhet
 Paying Taxes	1	8	↑	2	7	↑	Dhaka
 Technology Adaption	4	4	→	3	1	↓	Sylhet
 Access to Finance	8	7	↓	3	6	↑	Sylhet

Business Environment Score: Where Do Sectors Stand (Sectors' Perception)



* Construction and Real Estate, Renting & Business are separate sectors as reflected in BBS. Details in chapter 3.

Table 4: Top and Bottom 3 Pillars across Sectors

Name of Sector	Top 3 Pillar Areas	Bottom 3 Pillar Areas
Food and Beverage	Infrastructure Starting a Business Labour Regulation	Technology Adoption Trade Facilitation Access to Finance
RMG	Starting a Business Infrastructure Labour Regulation	Access to Land Trade Facilitation Access to Finance
Wholesale and Retail Trade	Labour Regulation Infrastructure Availability of Regulatory Information	Trade Facilitation Paying Taxes Access to Finance
Textile	Availability of Regulatory Information Infrastructure Labour Regulation	Technology Adoption Access to Finance Access to Land
Transport, Storage & Communication	Technology Adoption Availability of Regulatory Information Starting a Business	Paying Taxes Access to Finance Access to Land
Financial Intermediaries	Labour Regulation Infrastructure Availability of Regulatory Information	Technology Adoption Access to Land Access to Finance
Electronics & Light Engineering	Infrastructure Availability of Regulatory Information Labour Regulation	Paying Taxes Access to Land Access to Finance
Real Estate, Renting and Business Activities	Trade Facilitation Infrastructure Starting a Business	Paying Taxes Access to Finance Access to Land
Agriculture and Forestry	Infrastructure Availability of Regulatory Information Labour Regulation	Dispute Resolution Access to Finance Access to Land
Leather & Tannery	Dispute Resolution Availability of Regulatory Information Labour Regulation	Access to Land Access to Finance Paying Taxes
Construction	Labour Regulation Infrastructure Availability of Regulatory Information	Access to Finance Trade Facilitation Paying Taxes
Pharmaceuticals and Chemicals	Labour Regulation Infrastructure Starting a Business	Access to Finance Access to Land Trade Facilitation

Chapter 1: Introduction

1.1 Solid Growth Opportunities from Population Dividend, Exports, and Remittances Pave the Foundation for High Income Aspirations

Bangladesh's growth story has been remarkable and one that has been driven by strong agriculture performance, ready-made garment (RMG) exports, remittances, and stable macroeconomic conditions for a long period. Since FY2000, the country has averaged consistent growth of 6 percent showing Bangladesh's tremendous economic strength. Over the years, Bangladesh has become an important player in the global textile and ready-made garments value chain. Records of Bangladesh's exports show an annual average growth of about 10.25 percent since FY2001¹. Remittances have doubled between FY2010 and FY2021 from US\$ 11 billion to US\$ 22.1 billion, strengthening domestic consumption. Robust macroeconomic management, exceptional achievements in poverty reduction and sustained human developments are some of the tools that have helped Bangladesh attain the United Nations Committee for Development Policy recommendation for graduating into a 'developing country' in 2026.

Table 5: Macroeconomic Snapshot of Bangladesh

FY	Per Capita GDP (US\$)	GDP Growth Rate (in %)	Exports (in Billion US\$)	Export as percent of GDP (%)	Growth of Export (in percent)	RMG Export (Billion US\$)	Remittance (Billion US\$)	Growth of Remittance in percent
1980	227.8	0.80	0.97	5.50	-	-	0.30	-
1990	306.3	5.60	1.97	5.90	103.09	0.62	0.78	160.00
2000	418.1	5.30	5.70	12.30	189.34	4.35	1.95	150.00
2010	781.2	5.60	16.23	16.00	184.74	12.49	11	464.10
2020	2,234	3.40	33.67	10.40	107.46	27.94	21.75	97.73
2021	2,462	6.90	38.75	10.70	15.09	31.46	22.07	1.47
2022	2,723 (P)	7.25	52.08	12.50	34.40	42.61	14.92 (Up to August)	-32.40

Source: BMET, BBS, World Bank, EPB, Bangladesh Bank, Ministry of Finance

Building on this impressive record, Bangladesh has laid out its grand vision to become an Upper Middle-Income Country by 2031 and Developed Country by 2041. The country's strong domestic market will be a key factor in realizing Bangladesh's growth aspirations. Both IMF and the Standard Chartered Bank projections indicate that the economy is poised to reach US\$ 500 Billion by year 2025. According to Boston Consulting Group's (BCG) Report in 2015, 34 million people will be in the Middle and Affluent Class (MAC)². The report further states that that each year for the next decade, the annual income of around 2 million additional Bangladeshis will reach US\$ 5,000 or more. This reflects that this segment of the population will be earning enough to afford goods that offer convenience and luxury, such as air conditioners, televisions, fridges, washing machines, imported shampoos, and cosmetics. With the help of a strong manufacturing sector, international remittances and government's strong commitment to social

¹ Export performance of Bangladesh during the pandemic: Impact of export concentration, The Financial Express, 2022.

² Boston Consulting Group's (BCG), 2015.

development, experts estimate that another 30 million to 40 million people will make the leap from poverty and enter the bracket of the middle-class category by 2025.

Strong performance of exports, coupled with robust inflow of foreign remittances have supported poverty in declining from 49 percent in 2000 to 20.5 percent in 2019³. Bangladesh's exports have galloped from US\$ 16.2 billion in FY2010 to US\$ 52.1 billion in FY2022. This has been mirrored with the increase in per capita GDP of US\$418.1 in 2000 to US\$2234 in 2020. Exports started modestly with 5.50 percent of GDP in 1980 which slowly climbed to 12.30 percent in 2000 while recording 10.40 percent in pandemic riddled 2020 with a recovery to 10.70 percent in 2021 and 12.50 percent in August 2022. All the while RMG exports have increased as it accounts for the lion's share of Bangladesh's export basket. The same can be said regarding remittance which was 301.33 million US\$ in 1980 climbing up to US\$ 1.95 billion in 2000 and recording US\$ 21.7 billion in 2020 which shows the strength of the Bangladesh economy against an adversity such as the Covid-19 pandemic⁴.

Bangladesh's stellar growth is also attributed to strong performance by the manufacturing sector and steady output by the agricultural sector which helped in keeping food prices steady. Table 2 illustrates the role of the private sector through the ascension of the country's manufacturing sector. Industry output has doubled between FY2016 and FY2022. Similarly, manufacturing output has doubled during the same period. On the other hand, agricultural output has increased by one and a half times during the same period. Although industry and manufacturing sectors reflect double digit growth rates, agriculture output growth has remained in single digit in the same period. This depicts that Bangladesh economy is moving away from agriculture and towards manufacturing focused economy being led by the country's apparel exports.

Table 6: Growth Rates of Manufacturing Sector, Agriculture, and Service Sector

FY	Industry (Billion US\$)	Industry Output Growth	Manufacturing (Billion US\$)	Manufacturing Output Growth in percentage	Agriculture (Billion US\$)	Agriculture Output Growth in percentage	Service Sector Export (US\$ Billion)	Service Sector Growth in Percentage
2017	91.66		58.89		38.01		3.65	
2018	102.81	11.96	66.87	13.56	40.12	5.26	4.59	25.52
2019	115.39	11.65	74.49	10.45	42.06	5	6.49	41.56
2020	124.18	7.83	77.03	4.05	44.87	7.14	6.08	-6.33
2021	138.73	12.10	88.39	14.29	48.42	6.67	6.61	8.67
2022 (P)	158.34	13.67	102.51	17.05	51.43	6.25	8.89 (Actual)	34.49

Source: Bangladesh Bureau of Statistics

Bangladesh has achieved rapid improvements on many social development indicators, including infant and child mortality rates and educational gender disparity. Bangladesh has performed remarkably well in reducing the infant mortality rate, increasing and enrollment of primary students and primarily the enrolment of female students. Bangladesh has also come significantly well in increasing financial inclusion through mobile financial services deepening. This has led to 1/5th of women above 15 owning mobile money account⁵. However, a lot still needs to be done to compete with the GNI of South

³ Asian Development Bank.

⁴ Export Promotion Bureau, Bangladesh.

⁵ World Bank, 2021.

East Asian comparators in order to significantly increase the living standards of the population of the country.

Table 7: Bangladesh's Performance in Select Indicators With Comparators

Indicators	Bangladesh	India	Thailand	Vietnam
Average GDP growth rate (%) (2017-21)	6.44	3.87	1.18	5.36
Human Development Index (HDI) (Value)	.661	.633	.800	.703
Life expectancy (years)	72.4	67.2	78.7	73.6
Expected years of schooling (years)	12.4	11.9	15.9	13
Mean Years of schooling	7.4	6.7	8.7	8.4
Proportion of seats held by women in national parliaments (%)	21	14	16	30
Fertility rate, total (births per woman)	1.98	2.18	1.5	2.05
School enrolment, primary (% net)	90.5	92.25	98	98
School enrolment, secondary, female (% gross)	81.5	75.3	112.3	-
Mortality rate, infant (per 1,000 live births)	24.3	27	7.4	16.7
Gini index	32.4	35.7	35	35.7
Mobile money account, female (% age 15+)	20	5	57	4
Gross national income (GNI) per capita (2017 PPP \$)	5472	8590	17030	7867

Source: UNDP & World Bank.

Figure 2: RMG export growth across the years



Bangladesh's commendable performance of the past decades will require significant boost as the next phase of growth will require the country to secure some ambitious development targets. The country's 8th FYP aims to accelerate economic development and align it with its ambitions through targets such as (i) increase in gross investment from 31.8 percent to 36.6 percent of GDP, (ii) increase in

private investment from 23 percent to 27 percent of GDP, (iii) increase in FDI from .5 percent of GDP to 3 percent of GDP and (iv) increase in exports from US\$ 33.6 billion in 2020 to US\$ 56 billion by 2025. However, Bangladesh's private investment as a proportion of GDP has been hovering around 22-24 percent for the last decade. Moreover, FDI as a percentage of GDP in FY2022 has been 1.01 percent. Achieving the country's desired targets will require Bangladesh to enter a more coordinated phase of policy agenda and necessary reforms to sustain and increase its recent growth trajectory and improve overall competitiveness.

Table 8: Development Performance in FY21 and FY22 and targets for FY25 as reflected in the 8th Five Year Plan

Indicator	FY21 (Achieved)	FY22 (Achieved)	FY25 (Target)
Gross Investment as % of GDP	31.01	31.68	36.59
Private Investment as % of GDP	23.70	24.06	27.35
FDI as % of GDP	0.3	1.01	3.00
Exports (in billion US\$)	40	52	56

Source: 8th Five Year Plan, General Economics Division, Bangladesh Planning Commission, GOB, MTMPS, Finance Division, Ministry of Finance

1.2 Private Investment will be Critical in Securing the Next Phase of Growth but Emerging Economic Challenges Loom Large

Private sector investment is a critical driver of Bangladesh's growth trajectory but has remained stagnant over the years. Private sector investment as a percentage of GDP have been hovering around 21 to 23 percent over the last decade and has fallen from 22.06 percent in FY 20 to 21.25 percent in FY 21⁶. Similarly, public investment in FY 21 was 7.3 percent down from 8 percent reached in Covid-19 riddled FY20. There are several elements that lead to high level constraints for proliferation of private sector investment and significantly hinder business dynamism in Bangladesh. This is characterized by over-regulation, weakness in regulatory service delivery, and challenges in transparency and accountability which are detrimental to the regulatory environment and make the process more costly both in terms of time and money.

Figure 3: Private investment as percentage of GDP



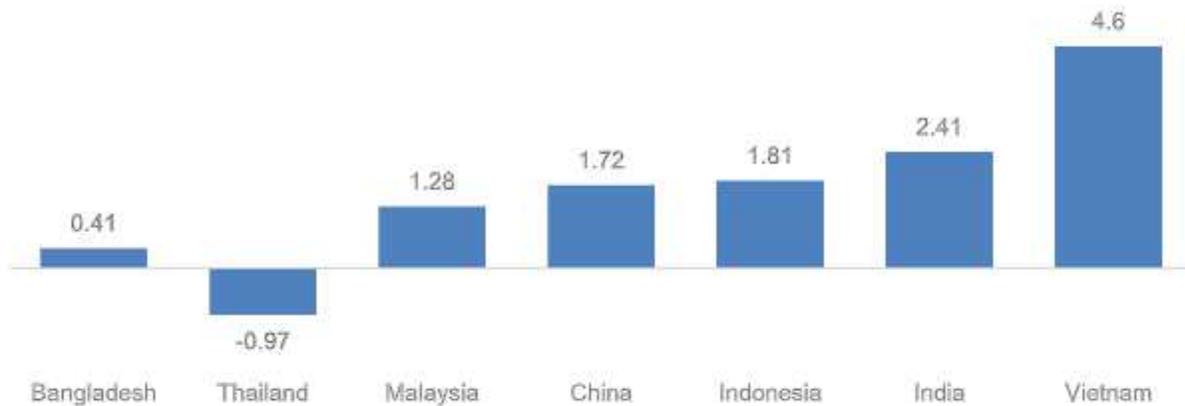
Source: BBS, BB, MTMPS

Foreign Direct Investment (FDI) can promote private investment and economic diversification but FDI inflow has been lackluster over the years. Increase in FDI leads to promotion of economic growth

⁶ MTMPS, Ministry of Finance

and private investment by augmenting domestic capital, helping transfer of technology and new products, upgrading technical and management skills, providing training for the workforce and facilitating access to new and large foreign markets. FDI as a proportion of GDP has been less than 1 percentage in the recent years. According to the World Bank, in 2020, Malaysia, China, Indonesia, India and Vietnam all fared better than Bangladesh with Vietnam scoring 4.60 in the metric even during 2020.

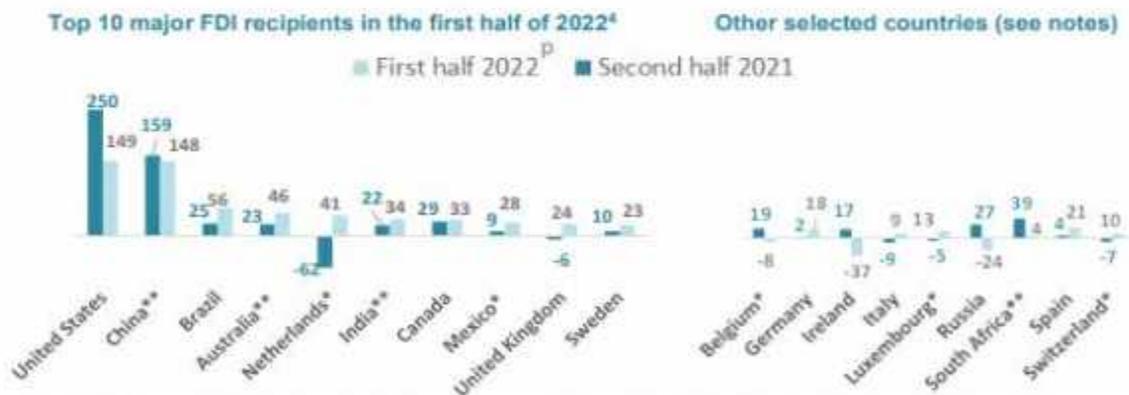
Figure 4: FDI, as a percentage of GDP across countries, 2020



Source: World Bank

UK, USA, China, Korea and Singapore were the top investing countries in terms of FDI inflow in Bangladesh with the major sectors being Power, Textile and Weaving, Gas and Production, Telecommunication and Fertilizer. The sustained economic growth trajectory fueled by increased private investment calls for an FDI regime which is efficiency seeking which efficiently uses the tools of firm linkages, preferential trade agreements, efficient services provided by Investment Promotion Agencies and firm linkages. It has been reported that the absence of such an efficiency-seeking FDI policy regime has stalled the process of technology and knowledge transfer required for developing high potential new sectors in the economy and thus hampers the drive for economic growth.

Figure 5: FDI inflows for selected countries



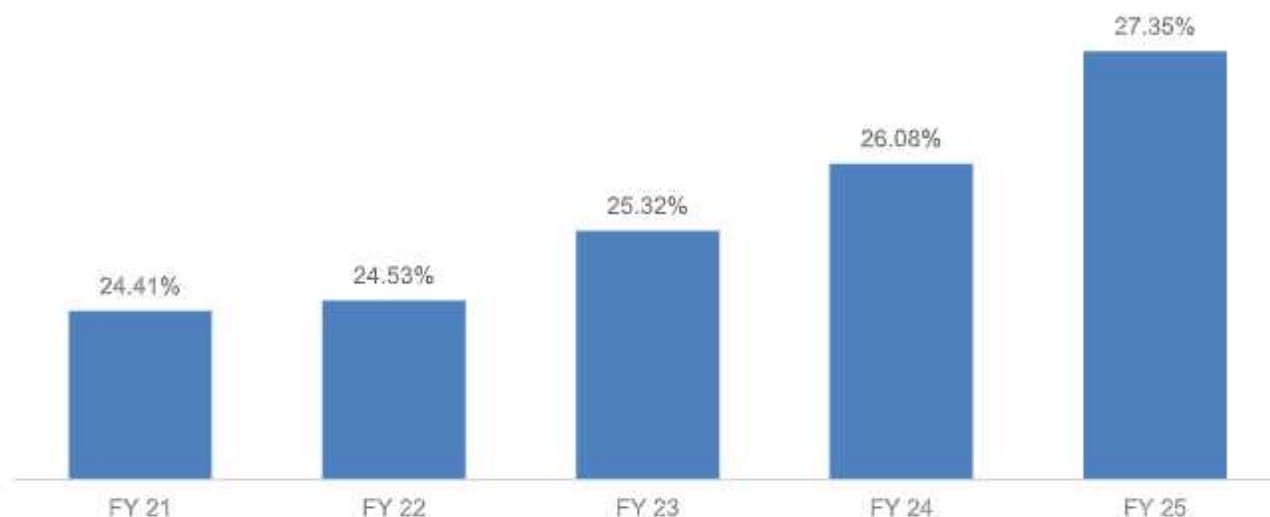
Notes: p: preliminary estimates. 'Other selected countries' recorded increases or decreases of more than USD 10 billion in their FDI inflows. * Data exclude resident SPEs. **Asset/liability basis.

Source: OECD International Direct Investment Statistics database.

Bangladesh will have to address the constraints which are impeding its progress of increasing private investment from 23 percent . According to the 8th Five Year Plan, the government aims to raise

the ratio of private investment to GDP to above 27 percent to achieve the targeted growth rate and employment rate. The Vision 2041 document envisions a target of 36.36 percent private investment for Bangladesh to become a Developed Country with an average of 31.23 percent from FY 21-41. Moreover, the economic drag from the pandemic coupled with the challenges arising from graduation from the status of Least Development Country (LDC) would invariably mean that Bangladesh would need to enter a more coordinated phase of policy agenda and necessary reforms to sustain its recent growth trajectory and improve overall competitiveness. In order to do this, there is a need to address certain constraints.

Figure 6: Targets for Private Investment as a percentage of GDP as projected in the 8th FYP

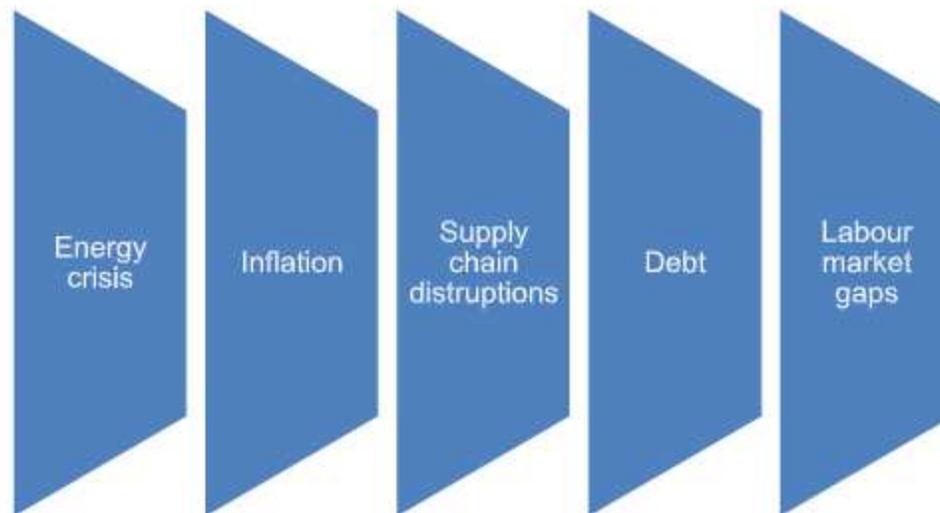


Source: 8th Five Year Plan

Weak coordination and centralization in the government apparatus leads to low business attractiveness and competitiveness of the country. Bangladesh's regulatory environment is made up of a maze of 23 government agencies which provide investor services. An average investor may need to acquire up to 150 approvals, registrations, certificates or clearances from various agencies including Bangladesh Investment Development Authority (BIDA), Registrar of Joints Stock Companies and Firms (RJSC), Bangladesh Bank (BB), and the National Board of Revenue (NBR) among a host of others in order to start and operate a business. The lack of coordination among the government mechanism leads to the duplication of requirements which lead to an increase in cost and time for receiving approvals which adversely affects growth in private investment.

Multitude of factors constrain the flow of private investment and FDI including difficulty in accessing finance and inadequate logistics ecosystem in the country. It is difficult to secure long terms loans as financial institutions prefer to provide short-term financing because of liquidity risks and nature strict regulatory compliance from both the lender and borrower for granting credit facilities. High interest rates and collateral requirements pose challenges for businesses to expand. Furthermore, access to foreign funding sources is a challenge as it takes more than a year before the Bangladesh Bank grants permission as they review the applications on a case-by-case basis. Inadequate logistics and infrastructure reduce competitiveness of firms and hinder private investment including FDI.

Figure 7: Key global issues raising problems for investment



Private investment in current times is not only constrained by domestic factors but also due to rising woes in the global economy whereas the Russia-Ukraine conflict resulted in supply chain disruption and rises in energy prices all over the world, including Bangladesh. The US Federal Reserve has opted for positive interest rates in order to curb inflation which occurred due to pent up demand due to the pandemic induced lockdown of two years. Supply chain issues due to the aftermath of the pandemic, has only been exacerbated by Russia's invasion of Ukraine leading to hikes in energy prices and food prices across the world. The Russian-Ukraine conflict resulted in global supply chain disruptions as countries such as USA, UK, Japan and EU suspended economic ties with Russia. As Russia is the third largest oil-producing country in the world, the global economy, including Bangladesh is suffering due to high oil prices. Increases in oil prices have translated into higher commodity and food prices.

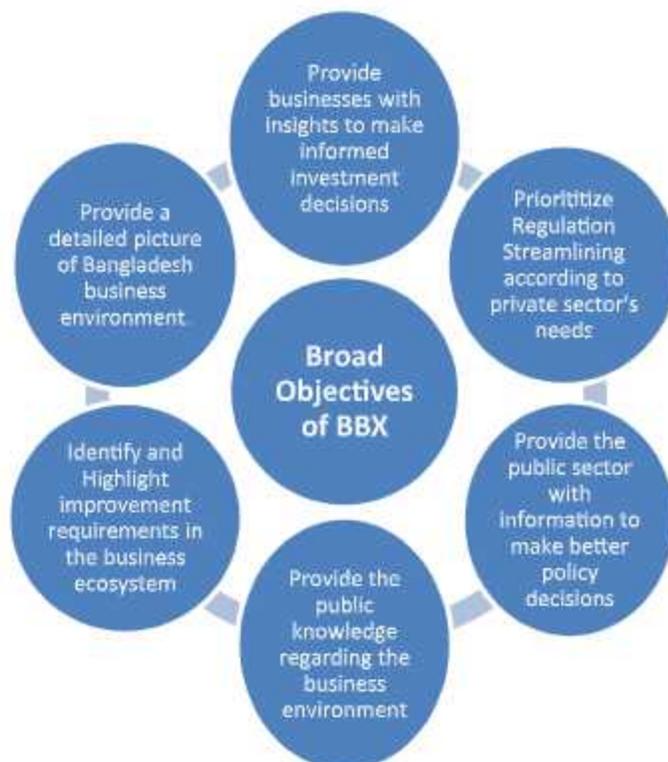
The private sector has been adversely affected by the dwindling foreign exchange reserve, primarily in the form of costlier dollars and loadshedding which has been adopted as a measure to tackle rising energy prices. In addition to Russia's invasion of Ukraine which has led to global hike in energy prices, Bangladesh experienced a reduction in foreign reserves to US\$ 38.9 billion in August 2022 compared to US\$ 48.1 billion in the same period last year. To tackle rising energy prices in the face of a reduced FOREX reserve, the government adopted loadshedding. This has considerable implications in the private sector as the government has put out mandates including the closure of shopping malls and markets by 8 pm and the restricted use of air-conditioners to curb electricity consumption. To save resources, the government has also decided to shut down all diesel-run power plants as 10 percent diesel is used in the power sector. Many steel manufacturers have mentioned a cut-down in production by up to 30 percent as they have switched to electricity generated from furnace oil amid a gas crisis. The firms have reported production cost increment of 25 to 30 percent. Many firms have reported to have halted production for almost a month due to the lack of gas supply. Some factories have reported to receiving 159 million cubic meters of gas, whereas they require 316 million cubic meters

1.3 Objectives of the Bangladesh Business Climate Index (BBX)

The key objectives of the Bangladesh Business Climate Index (BBX) are to provide an understanding of the country's business environment quality, identify improvement required for the government to consider and provide insights to businesses to make better investment decisions. Prime objectives of the Bangladesh Business Climate Index (BBX) include developing a local and context relevant index, informed by the views of the private sector, which captures the challenges of the business environment in Bangladesh, across the business cycle. The BBX primarily aims to provide evidence-based inputs to local and national government agencies which will assist and inspire them to improve their service delivery and develop actionable policy agendas that benefit local businesses.

By ensuring that the ranking is benchmarked within the country, the BBX aims to identify best performers and showcase practices and initiatives implemented locally, that can be examples for other government agencies. MCCI and PE believe that such an index will facilitate dialogue between government and businesses, allowing more participation of stakeholders in policy reform. Broadly, the BBX aims to (i) provide a structured snapshot of Bangladesh's business environment quality; (ii) help identify and highlight improvement needs; (iii) help inform government policy/reform decisions with evidence; (iv) provide necessary data/insights to businesses to make better investment decisions, (v) create better public awareness of the local business environment and (vi) prioritize regulation streamlining according to the private sector's needs.

Figure 8: Objectives of Bangladesh Business Climate Index (BBX)



The BBX incorporates sound methodology and reflects the business environment conditions across all Divisions and sectors. The BBX has been derived from a survey of 518 firms across all 8 Divisions in the country. It has sought responses from firms on the following 10 topics- Starting a Business,

Access to Land, Availability of Regulatory Information, Access to Infrastructure, Labor Regulations, Dispute Resolution, Cross Border Trade Facilitation, Paying Taxes, Technology Adoption and Access to Finance. Through rigorous consultation with experts, recommended weights have been assigned to each industry based on its contribution to GDP and employment, 75 percent weight has been assigned contribution to GDP and 25 percent has been contributed to employment in each sector. The survey took place from July to September 2022.

The BBX uses a time-tested Stratified Multistage Cluster Sampling Approach and draws on detailed inputs obtained from questionnaires and interviews. 592 business owners and business intermediaries were surveyed across all districts in Bangladesh and 518 qualified responses were selected for analysis in BBX 2022. The BBX spans ten major areas identified in analytical and empirical literature as key to investor interest: 1) Starting a Business; 2) Access to Land; 3) Availability of Regulatory Information; 4) Access to Infrastructure; 5) Labour Regulations; 6) Dispute Resolution; 7) Cross-border Trade Facilitation; 8) Paying Taxes; 9) Technology Adoption; and 10) Access to Finance.

The BBX 2022 provides Insights to the state of business climate in Bangladesh. Chapter 1 provides an overview into the Bangladesh development journey and challenges which need to be addressed. Chapter 2 explains the critical need of measuring business environment of a country and relevance for Bangladesh. Chapter 3 provides the methodology applied for measuring the business climate. The current development challenges and critical areas to focus are discussed in Chapter 4. The findings of the survey are shared in Chapter 5 while insights and recommendations are discussed in detail in Chapter 6.

Chapter 2: Measuring Business Environment and the Need for Business Indices

Economic growth in Bangladesh is largely hinged on private sector investment for which a conducive business environment is critical. The business environment is simply a blend of prospects and impediments that firms or companies face in a country in their day-to-day activities. The number of businesses that enter the market each year and the share of high growth businesses depend on a myriad of factors in the business environment. Evidence show that the creation of a favorable business environment leads to an increase in private sector investment both from domestic and foreign firms.

The economy may is governed by certain regulations which may inadvertently or otherwise constrict the economic activities of the private sector. Whether by intent or ignorance, such environment limits firms' ability to freely operate its business. As a result, entrepreneurs' resort to informal activity, away from the oversight of regulators and tax collectors, or seek opportunities abroad—or join the ranks of the unemployed. Foreign investors avoid countries that impose regulation to manipulate the private sector.

Table 9: Homegrown business climate indices in comparator countries

Country	Name of Business Index	What it measures
China	China Business Climate	This is a quarterly index which can directly reflect the real situation of the economy. Index Nationally representative samples are used. The index ranging from 0 to 200% and 100 is taken as the critical value. An index higher than 100 indicates improvement in economic performance. Whereas an index lower than 100 depicts that the economic performance is declining.
Malaysia	Business Conditions Index	This bi-annual index measures business sentiments and gauges expectations on areas such as such as cost of production, employment, local and export sales, production, capacity utilization and capital investment.
Vietnam	Business Climate Index	This yearly index serves as a barometer for businesses in Vietnam. It gauges expectations regarding companies' investment, revenue, relevance and understanding of trade agreements and administrative procedure of setting business.
Canada	Canada Business Outlook Survey Indicator	The Business Outlook Survey summarizes interviews conducted by the Bank's regional offices with the senior management of about 100 firms selected in accordance with the composition of the gross domestic product of Canada's business sector. The balance of opinion can vary between +100 and -100.
France	France Business Climate Composite Indicator	In France, the Business Climate Composite Indicator summarizes the information provided by the surveys in manufacturing, services, trade (retail and wholesale), and construction. The business climate is built from 26 balances of opinion from these surveys.

Source: China Business Climate Index, Trading Economics, Business Conditions Index and Business Climate Index

Measuring the business environment on various parameters is a common practice across the world. Many large countries, for example Russia and Mexico, rank states or provinces on various criteria, with fiscal transfers serving as incentives for states to implement reforms. The evidence from India shows that simply measuring the regulator performance of a country can serve as a significant incentive to implement reforms. One such example is the Doing Business Report. Over time, several countries including

Bangladesh have implemented reforms based on the Doing Business ranking. While the Doing Business report is a starting point for reforms, the report does not measure the overall business environment in a country including access to finance, access to technology & infrastructure, acquiring land and the like. Multi-country indexes also suffer from problems inherent in trying to measure many countries of different natures, size of economy, social development etc. on one scale, thereby having to reduce complex issues to simple lowest common denominators; as well as applying weightage to issues which may or may not be significant in any one country's regulatory or economic framework. This may lead to some countries being rated favorably but others not on matters which are not common to all the countries or are of much less importance in some than others. Thus, single-country indexes are a much better measure of that country's business environment's development and improvement over time.

Developing a business climate index for Bangladesh will provide a holistic view of the prevailing investment climate and respective constraints in the country. The formation of a business index assists to identify the critical areas of the business environment for each pillar or driver of growth and to identify effective micro-policies, from the point of view of one of the principal groups of stakeholders, the entrepreneurs. It is a tool that Bangladesh government can use to design sound business regulatory policies. Most importantly an index approach leads to a policy debate both by exposing potential challenges and by identifying good practices and lessons learned. Despite the narrow focus of the index, the initial debate on the results typically turns into a deeper discussion on areas where business environment reforms are required.

The analysis of regulatory policies and business environment has direct relevance for policy reform. It reveals the relationship between business regulation indicators and economic and social outcomes, allowing policymakers to see how particular laws and regulations are associated with poverty, corruption, employment, access to credit, the size of the informal economy and the entry of new firms.

Table 10: Bangladesh's performance on global indices

Sl.	Global Indices	Bangladesh's Rank
1.	Global Competitiveness Index, World Economic Forum, 2020	105/141
2.	Global Innovation Index, World Intellectual Property Organisation, 2022	102/131
3.	Global Talent Competitiveness Index, World Economic Forum, 2021	123/132
4.	Doing Business, World Bank, 2020	168/190
5.	Democracy Index, Economist Intelligence Unit, 2021	75/165
6.	Sustainability Index, Sustainable Development Report, 2022	104/166
7.	Passport Index, 2022	92/107
8.	Human Capital Index, World Bank, 2020	123/173
9.	Human Development Index, United Nations Development Programme, 2022	129/191

Source: World Economic Forum, World Intellectual Property Organisation, World Bank, Economist Intelligence Unit, Sustainable Development Report, Passport Index, and United Nations Development Programme.

A focused assessment of Bangladesh Business Climate will allow reflections on country specific context and priorities that none of the global indices currently measure. BBX allows the flexibility to define parameters that are critical and relevant to the business environment of Bangladesh. It will also lead to a greater acceptance amongst the policy makers regarding the findings of the indices. Further, it captures the differences in business environment including regulations and their enforcement across locations and critical economic sectors within the country. The index will provide data on each selected location and

sector as well as provide recommendations to improve the performance. For any country to achieve higher economic growth, it must address the challenges of low productivity in critical economic sectors and unequal development among regions.

BBX is relevant to Bangladesh for several key reasons:

1. It is congruent with Bangladesh's development priorities and aspirations of becoming a middle-income country with more diversified export industries and a more productive industrial and service sector. The country is now poised for a new growth model with an updated policy regime, that draws on the success of its earlier economic takeoff.
2. It reflects the multiple business and economic obstacles faced by Bangladesh as it addresses competitiveness challenges amid its post-LDC preparation. As Bangladesh modernizes its RMG sector and targets US \$100 billion plus in exports, as it seeks to grow and diversify its non-RMG manufacturing sector, and as it modernizes its agribusiness sector with stronger standards, the country is moving forward. Each nascent high growth-potential sector can benefit from tailored special policy regimes such as that which benefited RMG. The BBX survey can chart a map based on sector-specific challenges.
3. It addresses the need for institutional strengthening, especially in terms of government /policy responsiveness and coordination. As Bangladesh becomes an upper middle-income economy, the institutional factors are the major differentiating factor with the higher income countries. No country has become rich with weak institutions. The East Asian experience shows that a combination of strong institutions and a meritocratic bureaucracy helped guide these economies to prosperity.
4. It provides clear empirical benchmarking that can allow policymakers to gauge the constraints per industry and region. The BBX is quantitative and comparable to other indicators. It measures several of the same things as other indicators do but digs deeper. It allows a granular analysis of industries and activities that differs from more generic surveys, and it benefits from a large sample size and methodological rigor. It does not set its sights at lowest common denominators, unlike global indices which have to measure more than one hundred countries with the same scale, regardless.

Figure 9: Relevance of BBX for Bangladesh



BBX offers a wealth of granular details on regulations across the measured areas that either enhance or hinder business activities. The BBX will help in identifying the most significant bottlenecks causing bureaucratic delays and the cost of complying with regulation. This will enable the government agencies to identify and prioritize the most challenging factors that are hindering business activities and hence they can mobilize reform activities accordingly.

Figure 10: Why a Home-Grown Business Index Is Critical for Bangladesh



A continuous assessment of the business environment provides a structured snapshot of an otherwise indefinite policy environment. It allows policy makers to measure their progress, review the effects of policy reforms and exchange information about effective policies. The index will provide actionable policy measures that may be introduced, nudged, or improved to create a favorable business environment in the country. It provides policy makers with a prioritized list of interventions needed to enhance economic productivity and growth. It also supplies a framework that allows policy makers to identify strong and weak areas in Bangladesh's business environment.

Business indices help identify good practices that can be replicated across the entire business environment. Doing Business report suggests that countries that score highest on the index share several common features, including the widespread use of electronic systems. All of the 20 top-ranking countries have online business incorporation processes, have electronic tax filing platforms, and allow online procedures related to property transfers. Moreover, the 20 top performers have sound business regulation with a high degree of transparency. Research highlights those countries that perform well in Doing Business benefit from higher levels of entrepreneurial activity. Increased entrepreneurship generates better employment opportunities, higher government tax revenues, and improved personal incomes. Business indices enable policy makers to objectively measure the impact of their interventions to a certain extent.

They also provide a simplified means to communicate the motivations for these reforms to a larger audience including the country's citizens.

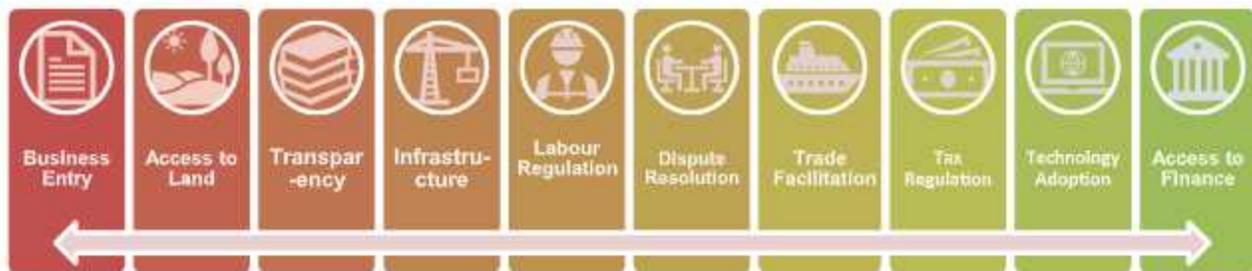
Policymakers, investors, and researchers can use business climate data and analyses to assess Bangladesh's performance on a spectrum of issues. Policymakers can evaluate the regulatory environment for local business, assess the impact of laws and regulations on business activity, make informed decisions regarding policy reform and private investment, identify good practices in regulatory reform and support research on institutions and regulation.

Evidence suggests that non-conducive and inefficient business environment and rent-seeking go hand in hand. There are significant opportunities for exploitation in countries where excessive red tape exists, and extensive interactions are required between the private sector and the government to move things forward. The 20 worst-performing countries in Transparency International's global Corruption Perceptions Index average 8 procedures to start a business and 15 to obtain a building permit. Conversely, the 20 best-performing countries complete the same with 4 and 11 procedures, respectively. Additionally, countries that have introduced electronic means of compliance with regulatory requirements— such as obtaining licenses and paying taxes—experience a lower incidence of informal payments.

Chapter 3: Methodology

The Bangladesh Business Climate Index (BBX) is an index which seeks to measure the business environment in the country and provide a comparative picture of the regulatory landscape across 8 *Bibhags* or Divisions across Bangladesh. The BBX is composed of 10 indicators or pillars which have been modified from academic literature, to suit the local context of Bangladesh. These sub-indices aim to capture elements of the local business environment and the issues faced by businesses and intermediaries in engaging with regulations. The BBX is composed of the following 10 pillars – Business Entry; Access to land; Transparency; Access to Infrastructure; Labor Regulations; Dispute Resolution; Trade Facilitation; Tax Regulations; Technology Adoption; and Access to Finance.

Figure 11: The 10 Pillars of the Bangladesh Business Climate (BBX) Index



Each of the 10 pillars comprise a total of 35 sub-indicators which are shown below.

Pillar 1: Starting a Business

This pillar measures the ease of incorporation of a new business in Bangladesh and the associated registration regime, focusing on the overall time taken by a business to register and receive approval to start a business, the official costs of licensing, and the ease of engaging in these regulatory processes.

S. No.	Indicator
1.	Time and cost to obtain Incorporation Certificate
2.	Time and cost to obtain VAT Registration
3.	Time and cost to obtain Trade License
4.	Time and cost to obtain e-TIN Certificate

Pillar 2: Access to Land

This pillar measures the ease of access to formal ownership of land, and the security of tenure of legally registered land title.

S. No.	Indicator
1.	Ease of dealing with land related agencies
2.	Ease of access of land ownership details and associated encumbrances
3.	Time and cost to transfer land title

Pillar 3: Transparency and Availability of Regulatory Information

This pillar measures the ease of access to regulatory information and documentation required to set up and run a business and the extent to which new regulatory and policy changes are communicated to businesses in a predictable manner.

S. No.	Indicator
1.	Access to existing regulatory information regarding setting up and operating business
2.	Certainty of business regulations impacting business
3.	Online access to regulatory information
4.	Information regarding new regulatory policies

Pillar 4: Industrial and Business Infrastructure

This pillar measures the extent of availability of quality infrastructure and industrial utility services.

S. No.	Indicator
1.	Access to utility services (electricity & water)
2.	Access to transport & logistic services
3.	Access to internet and mobile connectivity
4.	Transparency of formation of new regulatory policies

Pillar 5: Labour Regulation

This pillar measures the ease of hiring skilled and unskilled labour and the ease of engaging in the formal labour regulation system.

S. No.	Indicator
1.	Ease of compliance with labour regulations
2.	Ease of labour returns and filings
3.	Access to skilled labour
4.	Access to skill development resources for labour

Pillar 6: Business Dispute Resolution

This pillar measures the efficiency of the judicial system and access to alternate dispute resolution mechanisms.

S. No.	Indicator
1.	Confidence in judicial system to uphold contracts and property rights
2.	Improvement in resolution of commercial disputes
3.	Access to alternative dispute resolution mechanisms

Pillar 7: Cross-border Trade Facilitation

This pillar measures the ease of dealing with the trade regulatory agencies during export and import of goods & services.

S. No.	Indicator
1.	Time and cost to obtain customs clearances for exports
2.	Time and cost to obtain customs clearances for imports
3.	Ease of dealing with government agencies at the port

Pillar 8: Ease of Paying Taxes

This pillar measures the ease of paying taxes in Bangladesh

S. No.	Indicator
1.	Time to file and pay VAT
2.	Time to file and pay Income Tax
3.	Ease of filing returns for VAT and Income Tax
4.	Stability of tax environment

Pillar 9: Technology Adoption

This pillar provides an assessment of the access to and the use of technology to conduct business activities.

S. No.	Indicator
1.	Ease of access to sell products or services online
2.	Level of technology adoption for business functions
3.	Procurement of new technology equipment for business

Pillar 10: Access to Finance

This pillar measures the avenues and efficiency of access to finance for firms in Bangladesh

S. No.	Indicator
1.	Access to credit
2.	Key source of financing for businesses
3.	Access to Non-Banking Financial Institutions

3.1 Data collection

Based on a review of literature and prior experience with enterprise surveys, an interview length of more than 45 minutes leads to respondent fatigue, places a burden on the respondent, and affects quality of response.

The questionnaire for this exercise has been developed keeping these considerations in mind. We have developed a bespoke strategy for data collection, responding to the limitations posed by the COVID-19

pandemic, which has allowed us to capture data through various mechanisms, and prioritize both the quality and the coverage of the interviews. Following are the methods we have deployed:

1. Face to face interviews
2. Phone interviews
3. Online questionnaires

3.1.1 Questionnaire

Regardless of the mode of data collection, the base questionnaire remains common across methods to ensure the consistency in the data that is collected.

The team has developed robust questionnaires which cover all 10 sub-indices, capturing both objective yes/no responses, and more subjective interpretations from businesses and intermediaries. Our experts have ensured that all relevant indicators for the study are captured and that the wording, logic and flow are appropriate. The questionnaires were translated into Bangla by our qualified professional translators.

The questionnaires have undergone a robust pre-test to ensure that the logic is accurate. The pre-test checked the questionnaires for the following:

- **Appropriateness** – whether survey items are appropriately phrased and understood by the study respondents.
- **Acceptance** – whether items are relevant to the local context and are acceptable to study respondents
- **Consistency** – whether items are consistent with preceding and succeeding items.
- **Sequencing** – whether items are correctly placed in the questionnaire.

3.1.2 Training

The questionnaire has a set of questions at the beginning of the interview that aims to capture basic firm level data for each interviewed firm. This includes the size of the investment, the number of employees, and the sector the firm operates in.

3.1.3 Quality assurance

Intensive training has been undertaken for interviewers and supervisors for the interviews, which have included both classroom training and mock sessions. The training has been led by team leader, business environment lead, survey manager and survey specialists along with review by and inputs from MCCI.

Our survey implementation focuses on collecting high quality data through efficient resource utilization, following three main principles:

1. **Quality control:** Quality assurance at every stage (starting from study design, sampling, tool development, translation to final data delivery).
2. **Risk management:** We have worked closely with the project stakeholders for the entire duration of the project through careful and extensive planning to avoid unforeseen events or mitigate challenges, that may have disrupted data collection.

3.1.4 Data analysis

Effective stakeholder dialogue: To ensure all the steps of data collection reflects the needs of the stakeholders, we have engaged in continuous and effective dialogue through every phase of the project.

The final index score is constructed using the following key steps:

1. Data is analysed by Divisions, and the first step is to prepare the absolute scores across 35 indicators for each Division. This gives $35 \times 8 = 280$ data points to begin with.

$$B_i = \sum_{j=1}^n x_{j,k}$$

Where, B is the value of the indicator; i is the sub sector and k is the sub indicator; X_{jk} is the score of the i th term in j sub sector and k indicator and n is the total number of firms surveyed

2. The next step is to calculate an aggregate score for Bangladesh, for each of the 35 indicators. This is a simple average calculated by adding up the score for any particular indicator across the 8 Divisions and dividing by 8. This gives us the average performance across all 35 indicators for Bangladesh.

$$B_i = \frac{\sum_{j=1}^n x_{j,k}}{8}$$

Where, B is the value of the indicator; i is the sub sector and k is the sub indicator; X_{jk} is the score of the i th term in j sub sector and k indicator and n is the total number of firms surveyed

3. Next, each of the 35 individual indicators is compared across each Division and standardised as a score on a scale of 1 to 10. The best performing score (highest or lowest depending on the specific case) is given 10 points, and the other Divisions get a relative score from 0 to 10 considering the value associated with 10 as a benchmark for each indicator. This step assigns a score between 0 and 10 to each indicator in each Division.
4. The next step is to calculate absolute scores across the 10 sub-indices and determine the best performing Divisions across each sub-index. This is a simple arithmetic total of the scores assigned to the five indicators in each sub-index for each Division. This step gives us sub-index wise best performing Divisions.
5. The last step is to calculate a combined overall score. This score is calculated using absolute scores for each sub-index for each Division, with each indicator carrying equal weight. This step gives us a final aggregate score for each Division.

$$I = \sum_{j=1}^n \sum_{k=1}^n w_i x_{j,k}$$

Table 11: Illustration of the pillars and the weights provided to them

Number	Indicator	Weight
1	Starting a Business	10%
2	Access to Land	10%
3	Transparency and Availability of Regulatory Information	10%
4	Industrial and Business Infrastructure	10%
5	Labour Regulation	10%
6	Business Dispute Resolution	10%
7	Trade Competitiveness	10%
8	Ease of Paying Taxes	10%
9	Technology Adoption	10%
10	Access to Finance	10%
	Total	100%

3.2 Survey Respondents

The final metric is an aggregate score for Bangladesh that provides a sense of the overall quality of the business environment in Bangladesh. This has been developed compiling all the sub-indicators of the index.

The BBX is based on the survey inputs obtained from Bangladesh business owners and business intermediaries such as lawyers and chartered accountants. Business owners responded to the survey questions in the following indicators – Starting a Business, Access to Land, Availability of Regulatory Information, Infrastructure, Labour Regulations, Trade Facilitation, Technology Adoption, Paying Taxes and Access to Finance. For the purpose of this survey, respondents were from the top management of businesses or ‘the most knowledgeable employees’ of the respective businesses. When feasible, priority was given to the representative who has the most knowledge of the firm approved by the business owners.

Table 12: Respondent type and Pillars covered in BBX 2022

Respondent Type	Pillars covered
Business Owners	<ul style="list-style-type: none"> ● Starting a Business ● Access to Land ● Availability of Regulatory Information ● Infrastructure ● Labour Regulation ● Trade Facilitation ● Technology Adoption ● Paying Taxes ● Access to Finance ● Dispute Resolution
Business Owners / Intermediaries	<ul style="list-style-type: none"> ● Starting a Business ● Paying Taxes ● Dispute Resolution

Business intermediaries such as lawyers and chartered accountants are usually engaged by business owners for incorporation of new business, complying with tax regulations, and resolution of legal disputes. Therefore, inputs from such intermediaries were undertaken for the following indicators – Business Entry, Tax Regulations and Dispute Resolution.

3.3 Sampling Design and Sample Size

The Bangladesh Business Climate Index (BBX) will be an annual index that reflects a multitude of challenges present in the business environment that firms operate in. BBX aims to select a nationally representative sample by delving into all eight Divisions of the country. The following key principles will provide guidance to draw a rigorous sampling unit from the sampling frame:

- **Statistical robustness:** Ensure that data reliability and consistency satisfy all statistical significance test criteria and that the survey data provides unbiased and consistent estimates. As a measure of precision, we also calculate survey weights.
- **Diversity of population group:** The survey is be administered on the industries that have significant contribution to GDP and employment in the economy. To capture the diversity, we form Strata which are internally homogeneous by nature; consequently, clusters are formed to capture heterogeneity arising from confounding factors.

3.4 Sampling design

A Stratified Multistage Cluster Sampling Approach has been used to provide an adequate and acute representation of diversified industries nationwide. By principle, stratification of the strata should be non-overlapping and exhaustive so that it provides a highly accurate representation of the whole population; It is important that strata are formed based on some known characteristics that ensures homogeneity within a particular stratum and exudes heterogeneity in the sampling units among the strata. Primarily, stratification should be done among the businesses firms by the broad sectors identified by Bangladesh Bureau of Statistics (BBS). The following reasons validate our approach of stratification for the study:

- By mode of operation of the business, they are homogeneous within the broad sector.
- Proportional allocations of the samples among the strata have been done based on their proportion of contribution to GDP and employment in the country.

In the second stage, the administrative Divisions are considered as clusters. The clusters are chosen in a way that a single cluster represents a mini version of the entire population. Each Division contains a variety of sectors and within each sector there are numerous businesses/firms. Weights have been provided to the clusters based on the proportion of the total number of business establishments by Division, which have been taken from Bangladesh Economic Census, 2013.

Total number of establishments has been used as proxy for Divisional contribution to GDP in Bangladesh. As there is no formal data available on the Divisional contribution to GDP in Bangladesh, we have considered the total number of establishments as a proxy, taken from the Bangladesh Economic Census 2013, which contains data for 7 Divisions. As the Census was carried out in 2013, it did not include Mymensingh as a Division since it was only declared as a separate Division in 2015. As Mymensingh contains the same number of districts as Sylhet, we have used the same weight on Mymensingh as for Sylhet.

Disaggregation of the manufacturing industries has been done by sub-sectors according to their proportion of contribution to gross value addition and employment in the economy, from the latest publication of Labor Force Survey 2016-17, 2012 and Survey of Manufacturing Sectors 2012. The size of industries was also considered; for instance, samples of SMEs and large industries were used in the proportion of 80:20 (Statistics of Bangladesh Manufacturing Industry, 2013). At the final stage, randomization was ensured in selecting samples.

Those sectors have been considered that in aggregate contribute to 75 percent of total GDP and employment in Bangladesh. Consecutively, weighted average/mean value has been calculated on the contribution to GDP and employment by the broad sectors where 75 percent of weight has been assigned on contribution to GDP and 25 percent on employment. The proportion of the weights has been chosen based on the opinion of experts in this domain. It should be mentioned that Construction and Real Estate, Renting and Business Activities are separate sectors as reflected in BBS. As per BBS, Construction includes general construction and specialized construction activities for buildings and civil engineering works. It includes new work, repair, additions and alterations, the erection of prefabricated buildings or structures on the site and also construction of a temporary nature. On the other hand, Real Estate, Renting and Business Activities includes acting as lessors, agents and/or brokers in one or more of the following: selling or buying real estate, renting real estate, providing other real estate services such as appraising real estate or acting as real estate escrow agents. Activities in this section may be carried out on own or leased property and may be done on a fee or contract basis. Also included is the building of structures, combined with maintaining ownership or leasing of such structures.

Table 13: Weight of Sectors

S. No.	Sector	Weight by GDP	Weight by Employment	Combined Weight (75% of GDP weight + 25% of Employment weight)
1	Manufacturing	0.24	0.144	0.218
2	Agriculture & Forestry	0.10	0.334	0.159
3	Wholesale and Retail Trade	0.14	0.142	0.140
4	Transport, Storage & Communication	0.11	0.086	0.104
5	Construction	0.08	0.056	0.071
6	Real Estate, Renting and Business Activities	0.06	0.002	0.046
8	Financial intermediaries	0.04	0.007	0.028

Table 14: Cluster weight of each selected Division by the proportion of establishments

S. No.	Division	Weight
1	Dhaka	0.274
2	Chittagong	0.170
3	Rajshahi	0.148
4	Rangpur	0.131
5	Khulna	0.128
6	Sylhet	0.051
7	Barisal	0.047
8.	Mymensingh	0.051
	Total	1.00

Source: Economic census, 2013

Table 15: Distribution of manufacturing industries by sub-sector

S. No.	Manufacturing Sectors	Weight by GVA	Weight by Employment	Average weight
1	RMG	0.507	0.488	0.498
2	Textiles	0.200	0.248	0.224
5	Food and Beverage	0.171	0.072	0.122
6	Electronics & Light Engineering	0.038	0.101	0.070
4	Pharmaceuticals & Chemicals	0.065	0.036	0.051
3	Leather & Tannery	0.02	0.055	0.038

3.5 Source: BR2009; BAPI, BCI Sampling frame

We have considered the database for Bangladesh Economic Census 2013 as the sampling frame for the study. From the database we have only considered permanent establishments as our ultimate target and excluded the data of temporary and household economic units.

3.6 Estimation of sample size

According to the proposed design, the following sample size determination formula is applied to get the optimum number of samples needed for statistically robust estimates. It is to be noted that to adjust the loss of precision due to clustering we adjusted the sample size by a design effect of 1.35 which implies that we are including additional 35% sampling units that it would have been in a single stage sampling.

$$N = \frac{Z^2 p(1-p)}{\epsilon^2} \times de$$

N = Sample size

Z = 1.96, Z value at 5% level of significance

p = population proportion = 0.5, as it provided maximum sample size

q = 1 – p

ϵ^2 = Maximum error consideration = 5% or 0.05

de = Design effect = 1.35

$$N = \frac{1.96^2 p(1-0.5)}{0.05^2} \times 1.30 \approx 518$$

3.7 Note: We will allocate the samples across the sectors that comprised 80% of the GDP Allocation of samples

As described, we will follow a proportional allocation method according to available nationally representative weights. The allocation is depicted in the following tables (table 4 and 5). Furthermore, we will allocate samples for Manufacturing according to the weight of table 3.

Table 17: Allocation of Samples

Sectors	Allocation of samples by Administrative divisions								
	Samples per Strata	Dhaka	Chottogram	Rajshahi	Rangpur	Khulna	Sylhet	Barishal	Mymensingh
Manufacturing	129	35	22	19	17	16	7	6	7
Agriculture, Forestry and Fishing	111	30	19	16	15	14	6	5	6
Wholesale and Retail Trade	93	25	16	14	12	12	5	4	5
Transport, Storage & IT	67	18	11	10	9	9	3	3	3
Construction	50	14	9	7	7	6	3	2	3
Real Estate, Accommodation and Food Services	50	14	9	7	7	6	3	2	3
Financial and insurance activities	17	5	3	2	2	2	1	1	1

Note: During the survey if we don't get the calculated number of establishments for each administrative divisions, it will be substituted by available industry from nearby division.

Table 18: Distribution of samples under Manufacturing Industry

Manufacturing Industry	Allocation of samples by Administrative divisions								
	Samples per Strata	Dhaka	Chottogram	Rajshahi	Rangpur	Khulna	Sylhet	Barishal	Mymensingh
RMG	64	18	11	9	8	8	3	3	3
Textiles	29	8	5	4	4	4	1	1	1
Food and Beverage	16	4	3	2	2	2	1	1	1
Electronics & Light Engineering	9	2	2	1	1	1	0	0	0
Pharmaceuticals & Chemicals	7	2	1	1	1	1	0	0	0
Leather & Tannery	5	1	1	1	1	1	0	0	0

Chapter 4: Bangladesh's Business Environment: A Work in Progress that Needs to be Strengthened to Support Vision 2041

4.1 Bangladesh's road to Upper Middle-Income country and Vision 2041

Bangladesh has emerged among the fastest growing economies in the world, leading to significant reductions in poverty rates and rise in living standards. Bangladesh is navigating well against the headwinds from the Covid-19 pandemic, having a scored 80 points, and ranked 5th out of 121 countries in the Nikkei Covid-19 Recovery Index, highest among South Asian countries. The country will graduate the United Nations Least Developed Country category in 2026 and has ambitions of being an upper-middle-income country by the turn of the decade. Such ambitions are a reminder of the need for further transformation required.

Table 19: Bangladesh's performance and targets across key indicators

	FY 21	FY 22	FY 23	FY 24	FY 25	FY 30	FY 31	FY 35	FY 41
	Actual	Projection							
Real GDP growth*	6.90	7.50	8.32	8.37	8.51	8.91	9.00	9.36	9.90
Private Investment (Including PPP)*	23.7	24.06	26.60	27.30	28.20	30.96	31.43	33.37	36.36
Foreign Direct Investment (FDI)*	1.7 (Projected)	1.9 (Projected)	2.1	2.5	3.0	3.0	3.0	3.0	3.0
Tax Revenue*	7.9	10.3 (Projected)	10.6	11.26	12.26	16.96	17.35	19.15	21.85
Export growth**	15.4	34.1	10.45	10.6	10.75	11.5	11.65	12.05	11
Remittance growth**	36.1	-15.1	7.2	6.6	6.0	4.8	4.5	3.5	2.0
Private Sector Credit**	8.35	13.66	13.38	13.74	14	14.32	14.36	14.52	14.75
*(As percentage of GDP or Otherwise Indicated)									
**(Percentage Change or Otherwise Indicated)									

Source: Bangladesh Bank, PP2041, Ministry of Finance, The Daily Star, Statista, World Bank, CEIC data, Trading Economics

Average annual economic growth of Bangladesh has been over 4 percent in real per capita terms over the last three decades which puts the country in the top decile of countries in that duration. Despite political crises and frequent natural disasters, economic growth has accelerated since the country's independence. Most Bangladeshis lived in poverty at the time of independence; today, only around 10 percent live below the international poverty line of US\$1.90 a day (in 2011 purchasing power parity). By 2019, life expectancy reached 72.6 years, and primary school enrollment was nearly universal. The infant mortality rate per 1,000 births declined from 63.1 in 2000 to 24.3 in 2020, and the prevalence of undernourishment declined from 15.9 to 9.7 percent of the population over the same period.

Bangladesh's efforts in achieving a high growth trajectory have been a herculean task. However, the realization of the ambitions of becoming an Upper Middle-Income Country by 2031 and a Developed country by 2041 requires the need to overcome key high-level constraints which are hindering the pace of development and economic growth. The 8th Five Year Plan and Vision 2041 policy document targets accelerated economic development and alignment of broad goals through stronger trade and investment.

Bangladesh's National Policy documents clearly highlights the course for Bangladesh's growth trajectory. Key targets of Vision 2041 document include: (i) increase in gross investment from 31.8 percent (2020) to 46.9 percent of GDP; (ii) increase in private investment from 23 percent (2020) to 36.36 percent of GDP; (iii) increase in FDI from 1 percent (2020) to 3 percent of GDP and (iv) increase in exports from US\$ 33.6 billion to US\$ 300 billion in 2041. In order to achieve these targets, it is crucial that Bangladesh adopts a more coordinated phase of policy agenda and requires reforms to sustain and increase its recent growth trajectory and improve overall competitiveness.

Table 20: Investment and export performance and targets

Indicator	FY21 (Achieved)	FY22 (Achieved)	FY25 (Target)	FY41 (Target)
Gross Investment as percentage of GDP	31.01	31.68	36.59	46.88
Private Investment as percentage of GDP	23.70	24.06	27.35	36.36
FDI as percentage of GDP	0.3	1.01	3.00	3.00
Exports (In billion US\$)	40	52	56	300

Source: 8th Five Year Plan, PP 2041, General Economics Division, Bangladesh Planning Commission, GOB, MTMPS, Finance Division, Ministry of Finance

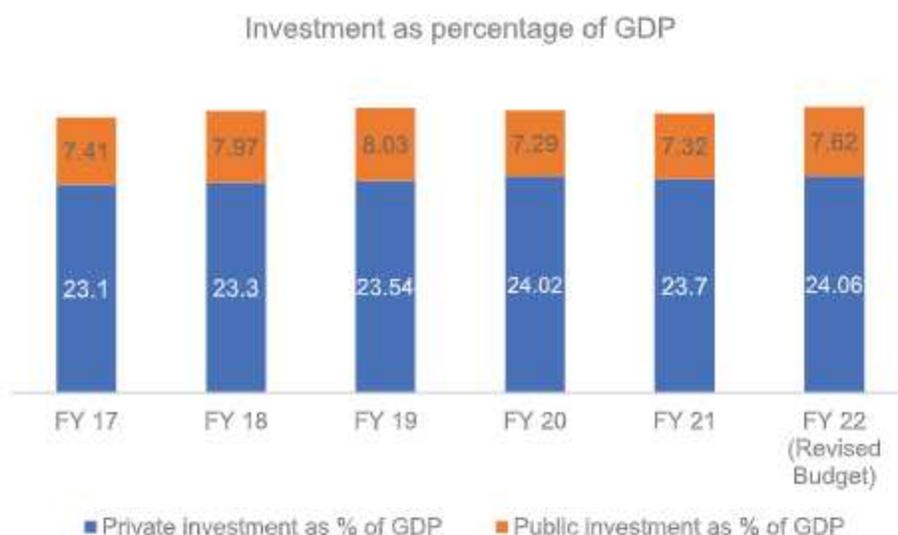
In the context of jobs, Bangladesh has made decent use of deep and elastic demand offered by the global economy to expand job opportunities in the manufacturing sector. Bangladesh is now the world's second largest exporter of readymade garments after China, making it unique among low-income countries in its high share of manufactured goods in exports. Bangladesh's exports are heavily concentrated in the apparel sector with over 80 percent of its exports coming from RMG. The country is attracting increasing amounts of FDI but the absolute amounts are still relatively small and insufficient to transform the broader economy.

It is imperative for Bangladesh to absorb the influx of 2.2 million youths joining the workforce every year which requires significant expansion of the economy. There exist some challenges which act as a barrier towards Bangladesh reaching its targets. One being the highly talked about topic of share of private investment of GDP which has remained stagnant over the past decade and FDI as a proportion of GDP and stands at less than 1 percent of GDP. Export diversification has been weak, and Bangladesh is overly dependent on its apparel exports. Employment in the formal sector has not been growing. Furthermore, Bangladesh is among the lowest performers in South Asia as the tax-GDP ratio remains less than 10 percent. Other problems include low skilled labor force, weak legal and regulatory frameworks, and access to finance. Inadequate logistics and infrastructure hinder competitiveness and private investment.

4.2 Critical Role for the Private Sector in the Next Growth Phase

Private investment is an essential driver of high economic growth, but it has remained more or less stagnant in the past decade. Private investment to GDP has been hovering around 21-23 percent in the last decade. Public investment fell from a high of 8.03 percent of GDP in FY 19 to 7.29 percent of GDP in FY 20 and inched a little higher to 7.32 percent in FY21⁷. Private investment to GDP ratio increased by 0.48 percentage points from FY 19 to FY 20. In FY 21, private investment to GDP stood at 23.7 percent of GDP. Several high-level constraints exist in the business environment in Bangladesh which is characterized by over-regulation, lack of transparency and accountability. Policy continuity is also of issue as it results in reduced business confidence on the part of local investors and foreign investors alike. This is costly in terms of both money and time.

Figure 12: Public-private investment as percentage of GDP



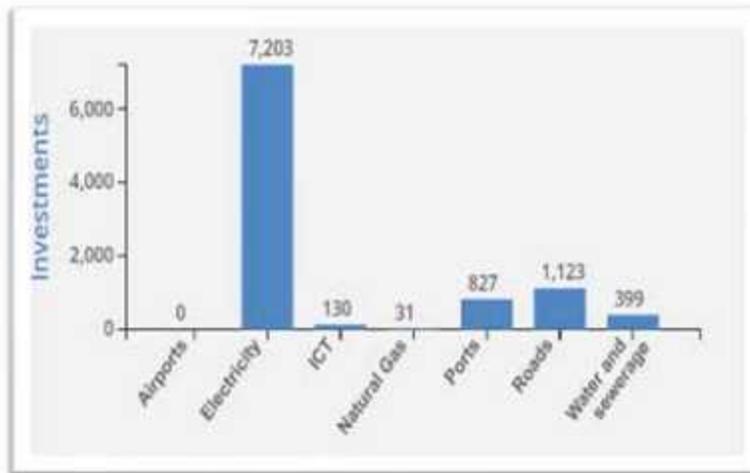
Source: Ministry of Finance, BBS, BB

Despite several reform initiatives taken in recent years to improve the overall investment environment, the existing policy and regulatory system still offer significant risks for businesses and impedes overall investment attractiveness and related competitiveness. For an investor, Bangladesh presents a complex maze of 23 government agencies, needing to secure 150 approvals, registrations, certificates or clearances including Bangladesh Bank (BB), National Board of Revenue (NBR), Bangladesh Investment Development Authority (BIDA) and a host of others. Furthermore, the myriad of agencies lack coordination which results in duplication of information for several requirements. This leads to an increase in cost and time for receiving approvals and adversely affects growth in private investment.

⁷ MTMPS, Ministry of Finance.

Investors have also complained regarding the lack of urgency in providing answers to queries from these agencies.

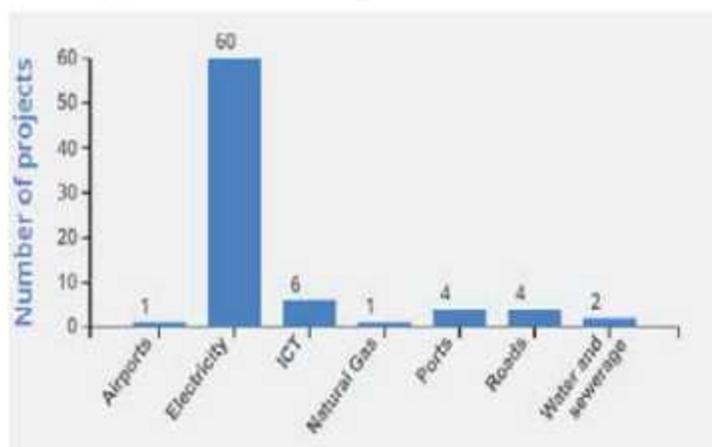
Figure 13: Investment in projects by sector (US\$ million)



Source: World Bank

FDI has remained low with average hovering around 1 percent of GDP which stifles private investment growth and in turn economic growth in the country. FDI can be a driver of economic growth and private investment by supplementing domestic capital, providing access to new markets, helping transfer of technology and new products, upgrading the skills of the local workforce and improving technical and management skills of local firms. Bangladesh performs worse than its peers in FDI and has been unable to attract flagship FDIs such as Vietnam with Samsung which propelled its electronic manufacturing sector.

Figure 14: Projects reaching financial closure by sector

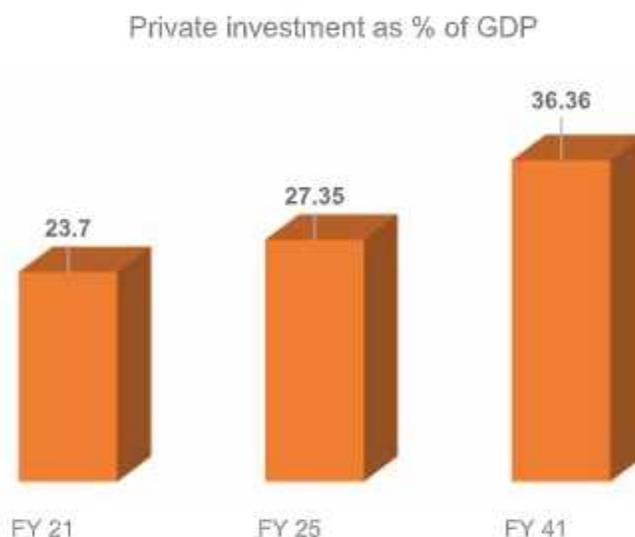


Source: World Bank

For Bangladesh to realize its development aspirations and become an upper-middle income country in 2031, private investment to GDP ratio has to increase to 31.43 percent by FY2031. Evidence from the growth of several countries, especially East Asian countries have shown that one of the key features of

high performing countries is the high level of savings and investment. Therefore, to grow in the next few decades in line with Bangladesh's ambitions, domestic private investment has to grow by several percentage points to create jobs and sustainable growth. By 2024-25, Bangladesh aims to increase the ratio of private investment to GDP to above 27 percent to achieve the targeted growth rate and employment rate. However, for this to happen, Bangladesh needs to address certain constraints and impediments in its business and investment structure.

Figure 15: Private investment targets for Bangladesh



Source: Ministry of Finance, 8FYP, PP2041

4.3 Developments in Global Stages and Local Economy to Significantly Affect Bangladesh's Effort to Garner FDI and Private Investment

There are a host of issues that create risks and opportunities for Bangladesh and requires careful consideration towards investment. These include LDC graduation, risks emerging from climate change, growing inflation, energy crisis, and the weakening taka amidst balance of payments challenges. Bangladesh will need prudent policy planning and public-private partnership to maneuver through the current economic headwinds.

Bangladesh stands to face new challenges due to LDC graduation in 2026. Therefore, the need for improving the business environment to enhance private investment becomes even more pressing. The primary challenges that Bangladesh will face after graduation includes erosion of trade preference, loss of policy space and tightened financing on development. Bangladesh needs to be proactive in its trade treaties as 75 percent of its exports go to countries whose markets offer LDC tariff preferences which will be eliminated upon graduation. This will be followed by loss of policy space such as cancellation of export subsidies and cash incentives. Currently, Bangladesh enjoys low interest rates for development financing as it is an LDC. However, this privilege will be taken away upon graduation. Despite these challenges, there should be increased confidence upon Bangladesh due to its successful graduation from an LDC.

Table 21: Post LDC Tariff rates for Bangladesh

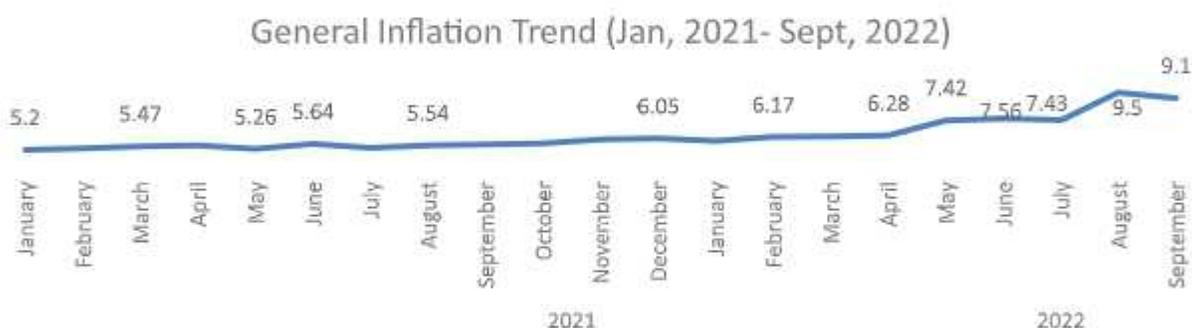
Countries	Current tariff rates facing Bangladesh as an LDC	Post-graduation tariff rates (average)
EU	0 percent	9.5percent
Canada	0 percent	17 percent
China	0 percent on 97.5 percent products	16.2 percent
India	0 percent	8.6 percent
Japan	0 percent on more than 98 percent products	8.7 percent

Source: Navigating New Waters: Unleashing Bangladesh's Export Potential for Smooth LDC Graduation- An Overview

Development challenges may arise post LDC graduation in the form of lower exports and hence GDP and employment growth. Exports from Bangladesh will take a hit due to imposition of duties; the WTO estimates exports will decline by 14 percent. This problem coupled with a decline in cash incentives and export subsidies will likely have negative implications for employment and thus GDP growth. Thus, it is critical to improve the business environment to trigger private investment, both domestic and foreign, which will provide gainful wage employment or self-employment which will add to economic growth of the country.

Inflation in August and September 2022 were the highest in the last 11 years in Bangladesh. The global economy is in crisis brought on by supply side pressures as a remnant of the COVID-19 pandemic and the Russia's invasion of Ukraine surging energy prices amid large reductions in Russian energy supply. Prices of goods and services have been soaring on the back of a pent-up demand as economies rebooted by brushing aside Covid fallout. Amid the half-patched recovery, the military conflict between Russia and Ukraine caused a serious bump to the international supply chain in February. Western sanctions to punish Russia for the Ukraine invasion met with an unusual surge in fuel, energy, food and fertilizer prices. With these increases in import costs, the prices of food and edible oil in the local market also increased gradually and fuel prices were hiked by 40-50 percent, adding further inflationary pressure.

Figure 16: General Inflation Trend in Bangladesh, January 2021 to September 2022



Source: BBS, collected from The Business Standard on 30/10/2022

Although Bangladesh achieved 100 percent access to electricity for all people in March 2022, a jump in global prices of Liquefied Natural Gas (LNG), have forced the Bangladesh government to

resort to power load-shedding. The deteriorating electrical supply has caused a major decline in financial transactions and output, as well as a sharp spike in production and operating expenses. Due to the acute power deficit and frequent load-shedding, the export-oriented industries, manufacturing, and the financial sector's adoption of digital technology are facing a crisis. The Power Division reports that from last July to September, the largest amount of load-shedding per day was 2,000–2,200 megawatts. However, in October, this shortfall grew to 2500–3000 megawatts, which is the highest level since last July. the deteriorating electrical supply has caused a major decline in financial transactions and output, as well as a sharp spike in production and operating expenses.

Figure 17: Economic Impact of Load-Shedding in Bangladesh



Source: Collected from the Dhaka Tribune on October 13, 2022

The sharp rise in the price of the dollar and the significant decline in the foreign exchange reserves has led to increased cost of production of firms. It has been observed that inflation and the gap in the current account balance is rising, while remittance flow is sluggish and foreign exchange reserves are going down. Escalation in foreign exchange demand arose primarily due to rise in price of oil. Moreover, there has been rise in foreign travels by Bangladeshis for medical, pilgrimage, education and recreation purposes as entry restrictions in the destination countries were relaxed significantly. The balance of payments and exchange rate challenges have had an adverse impact on the private sector with a 5-10 percent increase in production costs and increased dependency on diesel fired generators which have increased the cost of doing business for all industries.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. According to the IMF, global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the

world economy faces two consecutive quarters of negative growth. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging markets and developing economies.

Climate change is driving many countries towards implementing Environmental Social Governance (ESG) framework in supply chains which is considered to be a challenge for local companies. The European Commission has laid the critical foundations for a set of ESG regulations for sustainable investing, with a focus on the mandate to companies to base their ESG claims on sound and detailed data. The main pillars of ESG are the following- (i) Non-Financial Reporting Directive (NFRD); (ii) Second Shareholders Rights; Directive (SRE II); (iii) Sustainable Finance Disclosure Regulation (SFDR); (iv) Prudential Legislative Texts integrating ESG risks into the broader risk framework; (v) Taxonomy Regulation for a strict assessment of investments before providing the environmentally sustainable label; (vi) EU Green Bond Standard; and (vii) proposal of extension of EU Ecolabel to the financial services' industry.

Bangladesh's exports will face considerable challenges as they will come under stringent ESG requirements from buyers. Buyers are expected to use ESG framework that aim to strengthen disclosure requirements at the product level and confirm alignment with environmental objectives under the EU taxonomy. The critical changes to product disclosure include: (i) identification of the environmental or social objectives towards which the product contributes; (ii) to what extent the investment is aligned to EU Taxonomy, including a third-party audit noncompliance with the Taxonomy; and (iii) further insight into mandatory pre-contractual and periodic disclosure templates for financial products with environmental or social objectives. Considering the vast majority of exports other than RMG are still new to the idea of being environmentally and socially compliant (adhering to global standards), this will pose as a considerable challenge for the country's exports and investment.

The European Commission's Circular Economy Action Plan has made it a priority to addressing product groups identified in respect to their value chains including textiles. This legislative initiative and any other complementary regulatory or voluntary approaches will be developed in a way to improve the coherence with existing instruments regulating products along various phases of their life cycle. It is the intention of the Commission that the product sustainability principles will guide broader policy and legislative developments in the future.

Smartphones, clothes and furniture will have to become longer lasting and easier to repair and recycle in order to gain access to the EU market under new sustainability rules proposed by the European Union. The proposals include extending eco design beyond energy-related products, tackling unsustainability in textiles and greater consumer protection.

4.4 Developments in the Private Sector Investment Climate in Last Year

Much effort has been put through the public-private dialogues across the years for reform in Bangladesh's business climate. This has led to an environment more conducive and reactive as evidenced from the reforms taken by the government and its agencies. Amidst many challenges, there have been some progress in reforming business environment.

Table 22: Reforms Undertaken in the Past Year in Investment Climate across BBX Pillars

Pillar area	Reform
Starting a Business	<ul style="list-style-type: none"> • Company seal is no longer a necessary element during filing. • Registration fee reduced from BDT 2400 to BDT 1200. • A company registered with the Registrar of Joint Stock Companies in the areas of DNCC, DSCC, and CCC, a circular for issuance of a trade license of the said company will be issued by the Local Government Department within 2 days of filing the application. • Procedure 4: Obtaining project clearance from the local authority (Ward Commissioner, Dhaka City Corporation) (BDT 0 3days) • Procedure 5: Obtaining project clearance from the environmental directorate (BDT 10,000 30days) • Procedure 2: Obtaining project approval from Ward Commissioner (BDT 0 4days) (Chattogram) • Through amendment of the Companies Act, shareholders holding 5% shares have been given the opportunity to submit the agenda in the general meeting. • Through amendment of the Companies Act, the time for convening the general meeting has been increased from 14 days to 21 days • Introduction of BIDA One Stop Service for investors along with other Investment Promotion agencies like (BEZA), (BEPZA) and (BHTPA). • Registrar Joint Stock Companies online registration
Access to Land	<ul style="list-style-type: none"> • Procedure 1: Obtaining cadastral survey map from Land Settlement Office (BDT 350 3 days) (Dhaka, Chattogram) • Procedure 2: (Obtaining Land Use Clearance): Reduced time to 7 working days (maximum) from 45 days. • Procedure 3: Obtaining soil test report (BDT 59,500 24days) (Dhaka) • Procedure 9: Request and receive inspection from the City Development Authority (RAJUK) • Procedure 10: Request and obtain project clearance and building permit from the City Development Authority (RAJUK): Reduced time to 7 working days (maximum) from 105 days. • Procedure 12: (Submit notice of completion and obtain Occupancy Permit): Reduced time to 5 working days (maximum) from 21 days. • Procedure 4: Obtain soil test report (BDT 59,500 24days) (Chattogram) • Procedure 9: Request and receive inspection from the City Development Authority (BDT 0 60 days) • Procedure 3: [Obtain Land Use Clearance (LUC) from the Chittagong Development Authority]: Reduced time to 7 working days (maximum) from 50 days. • Procedure 9: Obtain building permit from the Chittagong Development Authority: Reduced time to 7 working days (maximum) from 105 days. • Reduced stamp value from 3% to 1.5%

- A separate Balam book has been introduced for company-to-company transfer of land. As a result, the original copy of the document will be provided within 7 working days.
- The time limit for issuance of non-encumbrance certificate has been reduced to 2 working days
- The time for notifying company to company land transfer has been reduced to 7 working days
- Company to Company transfer of land requires only 1 deed; in place of the required 2 previously.
- Online application for land transfer and other issues

Access to Infrastructure

- **Procedure 6:** Obtain fire safety clearance (BDT 8,000| 15 days) (Dhaka)
- **Procedure 7:** Obtain clearance from Dhaka Electric Supply Co. (DESCO) (BDT 0| 15days)
- **Procedure 8:** Obtain water and sanitation clearance (BDT 0| 15 days) (Dhaka)
- **Procedure 5:** Obtain fire safety clearance (BDT 8,000| 15 days) (Chattogram)
- **Procedure 6:** Obtain clearance from Power Development Board (BDT 0| 15days) (Chattogram)
- **Procedure 8:** Obtain water and sanitation clearance (BDT 0| 15 days) (Chattogram)

For Dhaka

- Have electrical contracting firm purchase meter
- Hire electrical contracting firm to purchase substation equipment, get it tested and carry out installation and earthing: Reduced cost from BDT18,00,000 to BDT 12,38,500
- Obtain permission for installation of underground cable: Reduced time from 21 days to 3 days
- Submit application to Dhaka Electrical Supply Company (DESCO) and await estimate: Reduced time from 30days to 13 days.
- Receive meter testing and installation, final inspection, and electricity flow: Reduced time from 20 days to 2 days.
- Have electrical contracting firm purchase meter: Reduced time from 14 days to 0 days.

For Chittagong:

- Hire electrical contracting firm to purchase substation equipment, get it tested and carry out installation and earthing: Reduced cost from BDT18,00,000 to BDT 12,38,500
- Submit application to BPDB Chittagong and await estimate: Reduced cost from BDT 3,81,678 to BDT 2,58,000.
- Apply for license from Electrical Licensing Board (ELB): Reduced time from 28 days to 7days
- Submit application to BPDB Chittagong and await estimate: Reduced time from 50days to 13 days.
- Receive meter testing and installation, final inspection, and electricity flow: Reduced time from 20 days to 2 days.

Labor Regulation	<ul style="list-style-type: none"> • New Labour Act 2022 which includes • Retrenchment of workers during factory takeovers as opposed to terminations. • Workers will get retrenchment benefits which are less than termination benefits.
Cross-border Trade Facilitation	<ul style="list-style-type: none"> • Cost to export border compliance: US\$ 200 [from US\$ 408] • Cost to export documentary compliance: US\$ 100 [From US\$ 225] • Time to export border compliance: 36 Hours [From 168 Hours] • Time to export documentary compliance: 2 Hours [From 147 Hours] • Cost to import border compliance: US\$ 180 [from US\$ 900] • Cost to import documentary compliance: US\$ 50 [From US\$ 370] • Time to import border compliance: 372 Hours [From 216 Hours] • Time to import documentary compliance: 24 Hours [From 144 Hours]
Access to Finance	<ul style="list-style-type: none"> • With effect from August 5, 2019, the credit history of the borrower has been increased from 12 months to 24 months in the CIB report. • Extent of shareholder right index • Extent of disclosure index. • Extent of corporate transparency index • Extent of ownership and control index • Extent of director liability index

Source: Collected from BIDA in November 2022

4.5 Productivity Gaps Across the Private Sector A Critical Challenge

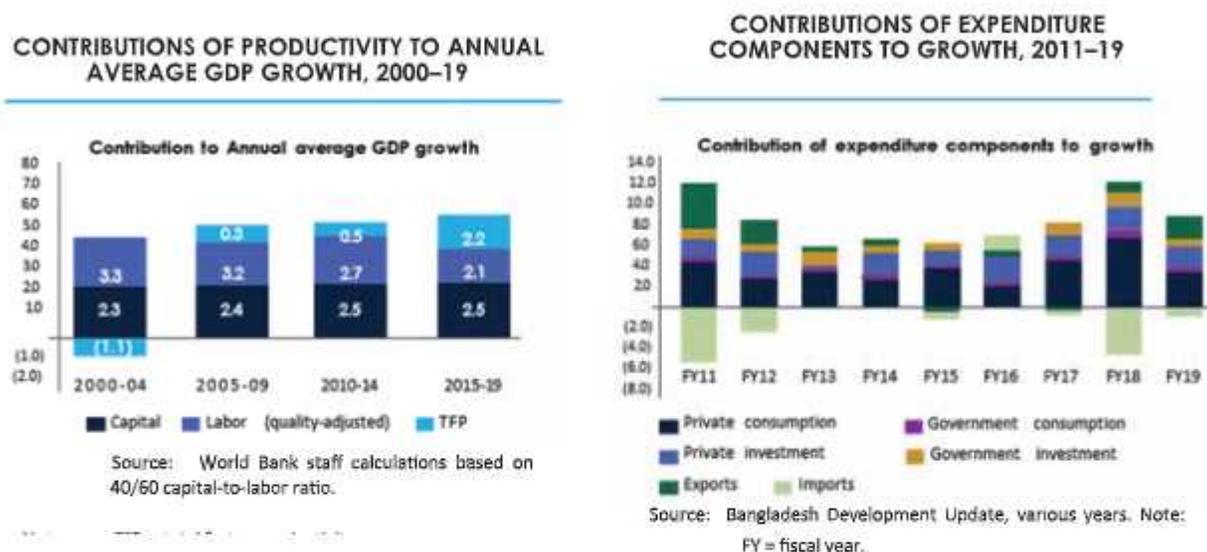
Bangladesh needs to gear its development pathway by addressing policy direction towards taking advantage of its demographic dividend. Bangladesh is a small country with little in the way of appreciable oil or mineral wealth. Its main power is in its people, 170 million strong, with a majority among the youth. Nearly 2.5 million Bangladeshis will reach working age each year for the next 15 years. Growth has primarily been driven by the influx of workers into the labor force along with capital accumulation. It is imperative for Bangladesh to invest in human capital and reach higher productivity growth. It is also paramount to create an economic environment which garners good jobs and is able to absorb these workers and sustain increased earnings.

Bangladesh must parallelly address its high poverty rates and vulnerability exacerbated by the slowdown in job creation which started even before the COVID-19 pandemic. Around 40 million Bangladeshis fall under the poverty line and another 80 million, which amounts to half the population, are at risk of falling into poverty. Despite recent strides, almost 90 percent of the jobs are informal and fall under the pitfalls of unpaid work, underemployment, and poor working conditions. Additionally, the pace of poverty reduction has also slowed down amidst the high economic growth. This has coincided with a major slowdown in job creation, particularly in the RMG sector, in which employment growth halted in 2013. The population segment which is deemed to enjoy the benefits of demographic dividend, women and youth, have faced the brunt of weakening labour conditions. After a decade of steady growth, female labour force participation has stagnated at just 35 percent, and nearly 30 percent of the youth are not in employment, education, or training (NEET).

Significant challenges remain in human development infrastructure. The lack of quality education is yet to be addressed although enrolment figures keep rising. Around 80 million people lack sufficient access

to healthcare. Cumulative public spending on education and healthcare accounts for 2.5 percent of GDP, among the lowest in the world, far from the 10 percent in upper middle-income countries (UMICs).

Figure 18: Contributions of productivity and expenditure components to growth



Source: World Bank

Greater investment in infrastructure and service delivery required to move into upper middle-income levels. Despite doubling access to electricity, Bangladesh is worse off compared to its peers. The same is the case in access to sanitation, as half the population has access to it while it is 90 percent for UMICs. The haphazard development of urban centers is creating new hurdles and challenges in the social infrastructure leading to a fall in productivity and quality of life. Recent studies have indicated that traffic congestion costs the economy 7 percent of GDP, one of the many reasons why Dhaka has been ranked the second-worst city to live in globally.

The population of Greater Dhaka is expected to double again to 40 million, adding more pressure to an urban infrastructure system which is overflowing at the seam. Additionally, whereas government allocation for public infrastructure has more than tripled over the past decade, the government estimates that public financing can support only around US\$400 billion of needed investment through 2040, leaving a gap of around US\$8 billion a year. The role of private investment is crucial to closing the gap as government spending on social services, notably on health care and social safety nets.

Figure 19: Labour and Productivity Growth

LABOUR PRODUCTIVITY GROWTH, BANGLADESH AND PEERS



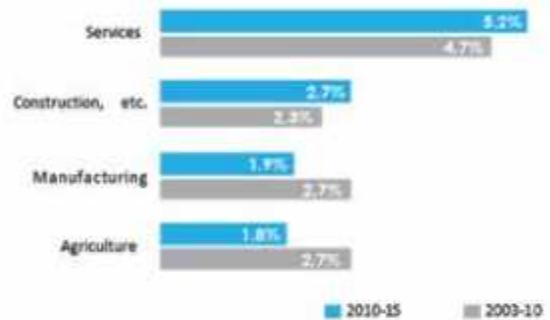
Source: World Development Indicators.
 Note:

CAGR = compound annual growth rate.

Countries are BGD = Bangladesh; VNM = Vietnam; TUR = Turkey; MYS = Malaysia; IND = India;

Source: World Bank

ANNUAL PRODUCTIVITY GROWTH, BY SECTOR, 2003-16



Source: National accounts and Labor Force Surveys in Farole and others 2017.

Note: Productivity gap is calculated in taka per worker.

Increasing productivity is the key driver to deliver expedited growth and earnings for workers. This becomes even more important when the economy converges towards targeted investment levels and a dwindling demographic dividend over the next 20 years. Despite value added per worker has increased significantly in the past two decades, the numbers wane when compared to comparator countries at 80 percent of the level in Vietnam, half of that in India and one-quarter that of UMIC average. According to an IMF report (2013), sustainable growth in LICs have been attributed to not only strong investment but also higher productivity enhancing reforms and strong export growth. Furthermore, growth rates in the decades past have been lagging behind Bangladesh’s comparators.

Key sectors such as agriculture and manufacturing suffer from low productivity levels. High rate of agricultural productivity is required to support the rural economy and overall structural transformation of the economy. Although agricultural productivity is increasing, it is not at par with other sectors of the economy and remains at just one-fourth of the productivity of other sectors. A number of hurdles hinder this productivity growth such as climate change, weak transport and storage systems which in turn lead to high wastage and poor connectivity to markets, and limited expansion of more diverse, higher value-added activities.

Table 23: Global Innovation Index 2021

	Rank	Score
Bangladesh	116	20.2
India	46	36.4
Vietnam	44	37
Pakistan	99	24.4
Thailand	43	37.2
Philippines	51	35.3

Source: *The Global Economy*

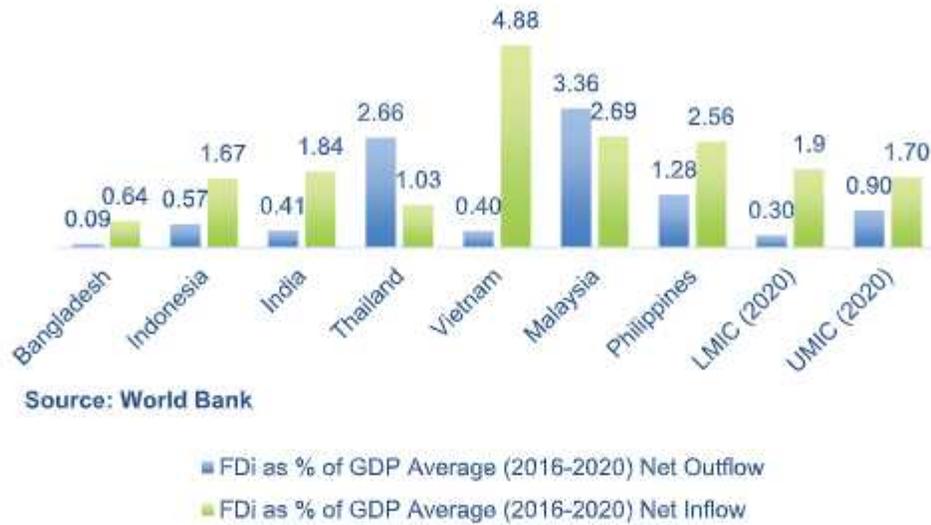
Raising the current rate of productivity in manufacturing is also of importance as slow technological advancement impedes the competitive advantage Bangladesh gains from low wages. Productivity growth in manufacturing has trailed that of other sectors consistently. Evidence suggests a high level of productivity dispersion across firms. Medium sized firms, especially, have low productivity. A myriad of constraints impacts the business climate including regulatory barriers, lack of access to finance and lack of reliable electricity. Congestion costs, particularly, in Dhaka undermine the potential productivity gains from agglomeration.

Productivity performance is impeded by low level of technology adoption and weak innovation system. Adoption of modern technologies is low even in the RMG sector with only a few large apparel exporters taking advantage of innovation, while the rest are using basic to semi-automatic technology. Just 17 percent of firms use technology licensed from foreign companies as evidenced in a World Bank Survey (2013). The same percentage reported spending on research and development (R&D) in the same publication. These figures are two to three times higher for exporters and FDI. This shows the importance of trade and investment integration for innovation and technology adoption. For firms which adopt innovation and technology, significantly higher levels of productivity are the result.

4.6 Insufficient FDI and Weak Domestic Supply Chain Linkage

FDI has hovered around the 1 percent mark over the last two decades and have only recently increased marginally. FDI inflows increased to a high of US\$3.6 billion in 2019, and more than US\$20 billion in investment proposals for Bangladesh's upcoming special economic zones (SEZs) have been received. Bangladesh has been trailing behind its peers when it comes to attracting FDIs. According to World Bank data, from 2016-20, FDI inflow into Vietnam has been 4.88 percent of GDP. The same figure for Malaysia has been 2.69 percent and 2.56 percent for Philippines. Bangladesh has averaged 0.64 percent in the last five years, which is lower than the average for upper-middle income countries (1.70 percent) and lower-middle income countries (1.90 percent).

Figure 20: FDI as Percentage of GDP Net Inflow & Outflow Average (2016-2020)



Weak domestic supply chains are both a reason and a cause of low FDI inflow into Bangladesh. Maximizing the potential gains from GVCs depends on building links between lead firms and domestic suppliers. In Bangladesh, these remain limited. For example, even in RMG, most of the cotton is imported. The highly integrated nature of most of Bangladesh's large firms, which produce many inputs through related firms and handle most services in-house, points to weaknesses in domestic supply chains. Such weaknesses grow from low levels of enterprise capacity and a lack of adherence to international quality standards.

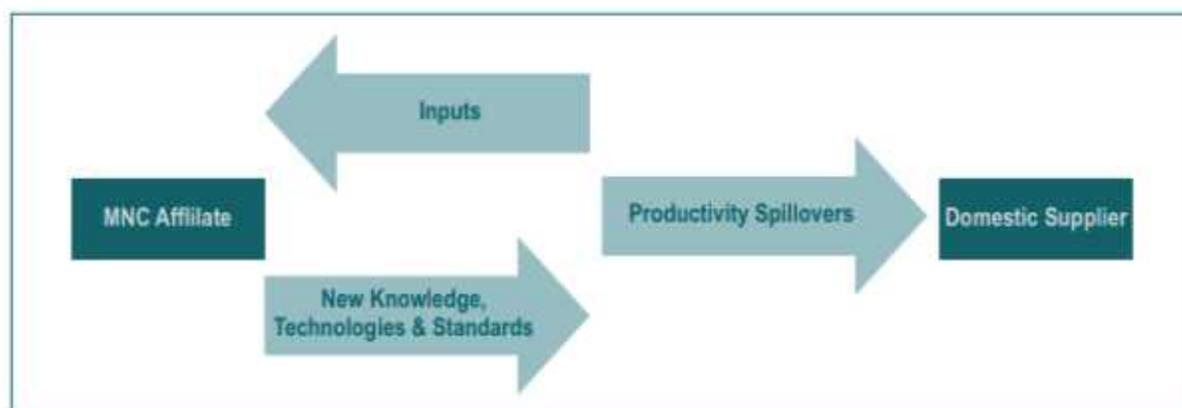
The World Bank Enterprise Survey (2014) reports only 14 percent of surveyed firms in Bangladesh had an internationally recognized quality certification. Large firms also integrate rather than outsource because of the weak contracting environment. Lack of access to quality suppliers is a barrier for foreign investors, who are not in the same position as large, local firms to integrate operations. On the other hand, the low level of foreign investment also hinders the development of stronger supply networks by limiting the opportunities for technology transfer, as well as the use of foreign demand to scale up domestic production and meet international quality standards.

Table 24: Factors influencing backward linkages/supply chain linkage, technology dissemination and productivity spillovers

	Use of Local Suppliers	Technology Transfers	Productivity Spillovers
MNC Affiliates	<p>MNC-related factors</p> <ul style="list-style-type: none"> • Market-seeking • Percent of foreign ownership • Level of autonomy • Nationality • Cultural and institutional proximity to host economy <p>Other firm characteristics</p> <ul style="list-style-type: none"> • Size, age, and production processes 	<p>MNC-related factors</p> <ul style="list-style-type: none"> • Efficiency-seeking • Percent of foreign ownership • Level of local sourcing • Level of autonomy • Company policy <p>Other firm characteristics</p> <ul style="list-style-type: none"> • Size 	<p>MNC-related factorsMarket seeking</p> <ul style="list-style-type: none"> • Percent of foreign ownership • Nationality • Distance to home country • Cultural proximity to host economy • Level of development home economy
Domestic Suppliers	<ul style="list-style-type: none"> • Lack of availability of inputs • Quality of inputs • Cost competitiveness • Reliability of supply • Limited scale of production processes 	<ul style="list-style-type: none"> • Firm size • Experience with supplying MNC affiliates • Experience with international markets • Commitment to develop linkages with foreign-owned clients • Participation in global value chains 	<p>Absorptive capacity</p> <ul style="list-style-type: none"> • Firm size • Export status • R&D involvement • Technology gap with client firms
Additional Factors	<ul style="list-style-type: none"> • Level of economic development of the host economy • Geographical proximity between MNC affiliates and domestic firms • Sector • Infrastructure • Quality of institutions (such as contract enforcement, and red tape) 	<ul style="list-style-type: none"> • Nature of input-output market • Selection process to identify suitable domestic suppliers • Access to finance for suppliers to make investments that support technology transfers 	<ul style="list-style-type: none"> • Agglomeration of economic activity • Geographical proximity between MNC affiliates and domestic firms • Human capital • Trade openness • Level of economic development host economy • Access to finance

Source: World Bank

Figure 21: Framework for domestic and foreign investment integration



Source: World Bank

Bangladesh is expected to gain an average 1 percent additional yearly GDP till 2040 because of its demographic dividend⁸. Yet realizing that potential has been one of its major challenges. Shifts in age structure of a country's population do not automatically guarantee growth. Rather, it requires investment in several areas and a set of policy commitments to systematically manage its working-age population for productive economic output. It is critical to invest in human resource development in order to take advantage of population dividend.

Bangladesh's national productivity growth rate averaged 3.8 percent between 1995 and 2016. The industries ministry has set the target to increase the productivity at the national level to 5.6 percent by 2030. According to the Asian Productivity Organization Productivity Data Book-2020, Bangladesh's labour productivity is 10.4 percent. The average labour productivity in South Asian and the APO countries is 16.3 per cent and 27.8 percent⁹, respectively. Bangladesh must realise its productivity targets to effectively use its demographic dividend.

⁸ Daily Star (2019).

⁹ TBS (2021).

Chapter 5: Bangladesh Business Index – Scores for 2022 and Implications on Private Sector

Bangladesh Business Index 2022 provides a scoring of the overall state of business environment that exists in Bangladesh in 2022. The scores benchmark Bangladesh with respect to the best regulatory practice prevailing in the country, thereby highlighting the proximity to the best regulatory performance on each business pillar. For instance, in the case of the first pillar, i.e., Starting a Business, the minimum time it took a firm in Bangladesh to obtain the trade license or trade registration was 1 day while the worst was 28 days.

The score was calculated based on two key steps:

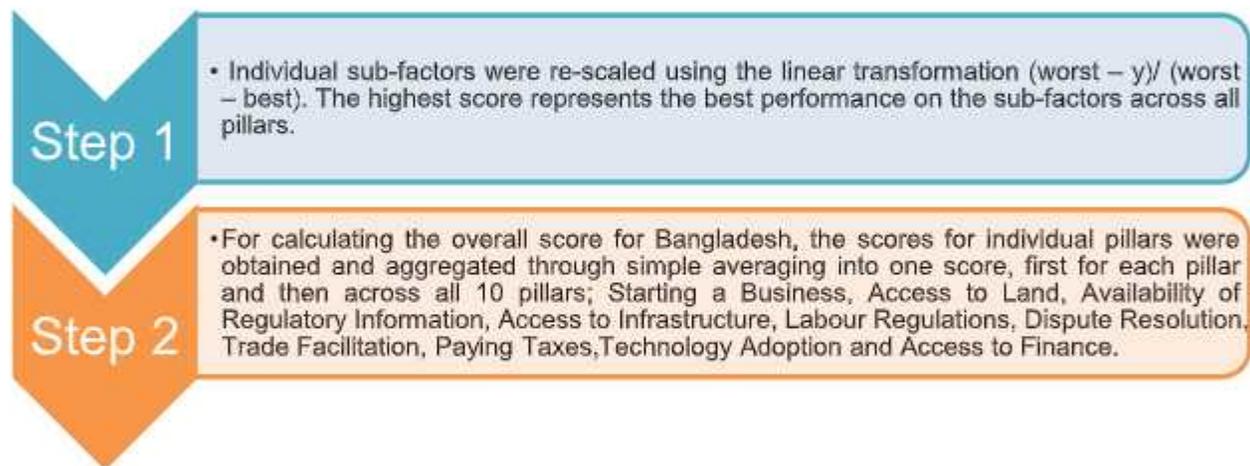


Figure 22: Depiction of Calculation of Scores



In the first phase, data is analyzed by Division, and it was achieved by preparing the absolute scores across 35 indicators for each Division. As the total number of Divisions is 8, this gave us, $35 \times 8 = 280$ data points to begin with.

$$B_i = \sum_{k=1}^n x_{j,k}$$

Where, B is the value of the pillar; i is the sub sector and k is the sub indicator; X_{jk} is the score of the i th term in j sub sector and k indicator and n is the total number of firms surveyed.

The next phase comprises calculating absolute scores across the 10 pillars to determine the best performing Divisions across each sub-index. This is a simple arithmetic total of the scores assigned to the five indicators in each sub-index for each Division.

The last phase is to calculate the combined overall score. This score was calculated using absolute scores for each pillar for each Division, with each pillar carrying equal weight.

$$I = \sum_{j=1}^{\pi} \sum_{k=1}^{\pi} w_i x_{j,k}$$

Where, I represent the index; w is the weight assigned, i.e., 1/10 for each pillar. i is the sub sector and k is the sub indicator; X_{jk} is the score of the i th term in j sub sector and k indicator and n is the total number of firms surveyed.

The Bangladesh Competitive Index uses a simple method of calculation: weighting all pillars equally and, within each pillar, giving equal weight to each of the sub factors or components. **The score is indicated on a scale of 1 to 10, where 0 represents the worse performance and 10 the best performance.**

The overall score distribution was categorized into four categories as shown below:

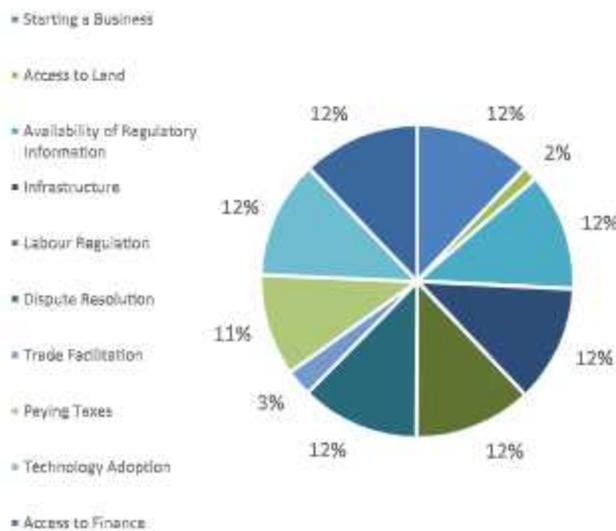
Score	Description of Business Climate
0-40	Difficult Environment for Business: <i>Kick start needed</i>
41-60	Several Bottlenecks remain for Business: <i>Significant efforts required</i>
61-80	Improving Business Environment: <i>Progress made however more needs to be done</i>
80-100	Business Friendly Environment: <i>Continue the momentum</i>

When compared across years, the score will highlight how much the business environment for local entrepreneurs in an economy has changed over time in absolute terms.

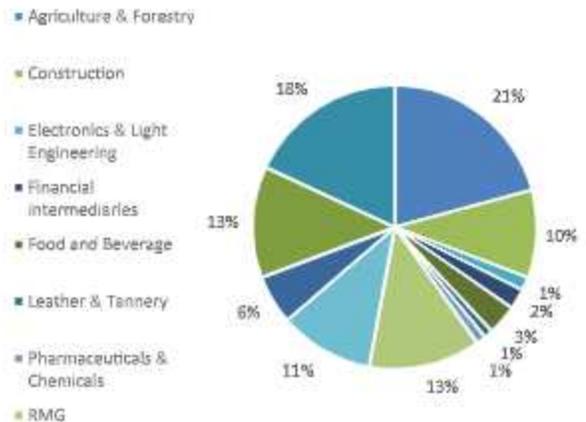
5.1 Respondent Profile

A total of 518 respondents were included for the computation of the Index. More than half of the respondents (54 percent) were from the services sector. While the rest were from manufacturing (25 percent) and agriculture (21 percent). Dhaka has the highest number of respondents with 34 percent, followed by Chittagong and Rajshahi at 17 percent and 13 percent respectively. Agriculture and forestry sector was represented by the highest number of respondents at 21 percent followed by wholesale and retail trade sector at 18 percent and transport, storage and communication and RMG sectors at 13 percent. Finally, 75 percent of the respondents were made up by small and micro firms, 10 percent by medium sized firms and 15 percent by large firms.

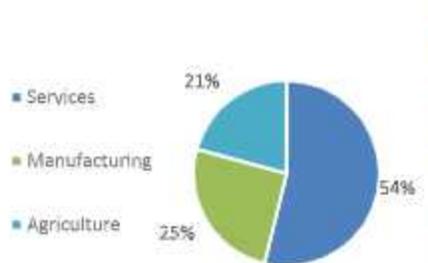
Respondents by Indicator



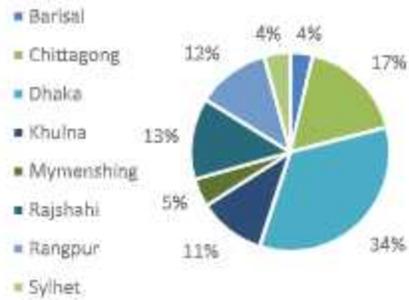
Respondents by Sector



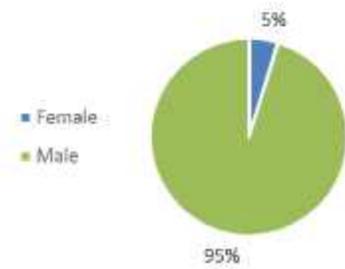
Respondents by Industry Type



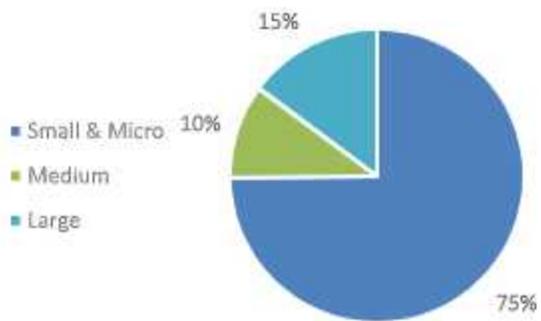
Respondents by Division



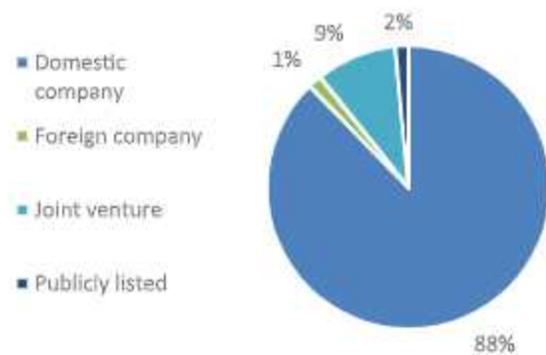
Respondents by Gender



Respondents by Firm Size



Respondents by Ownership Type



5.2 Bangladesh Business Climate Index Results 2022: A Marginal Improvement in Overall Index Score since BBX 2021



Bangladesh Business Climate Index – Performance by Pillar



The Bangladesh Business Climate Index (BBX) score of 61.95 in 2022 reflects that no significant reform measures were taken in the past one year resulting in negligible improvements. The Index yields a composite score of 61.95 in 2022 which shows a very minor, almost ignorable, improvement from 2021 where the score was 61.01. This is because no significant improvements in regulatory reforms in the last one year. When comparing pillar scores, the highest performing pillars in 2022 are Starting a Business, Availability of Regulatory Information, Infrastructure, Labour Regulation, and Dispute Resolution. An improving business climate is observed in these pillars however more focus is needed in these areas as their absolute scores demonstrate significant room for improvement. Pillars such as Access to Land, Trade Facilitation and Paying Taxes are in the score category of 41 to 60 depicting businesses face several bottlenecks in these areas and significant efforts are required to address the challenges. Access to finance is the lowest performing pillar with a score of 35.22 reflecting a difficult environment for businesses in receiving finance and considerable focus is needed in this area.

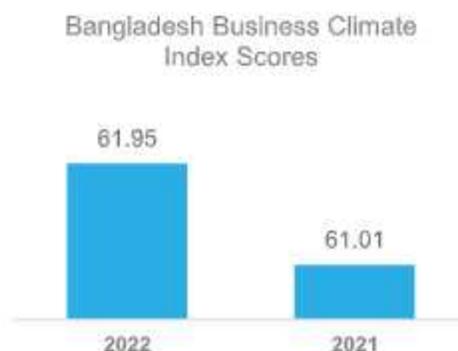


Figure 23: Comparison of BBX Pillar Scores between 2022 and 2021

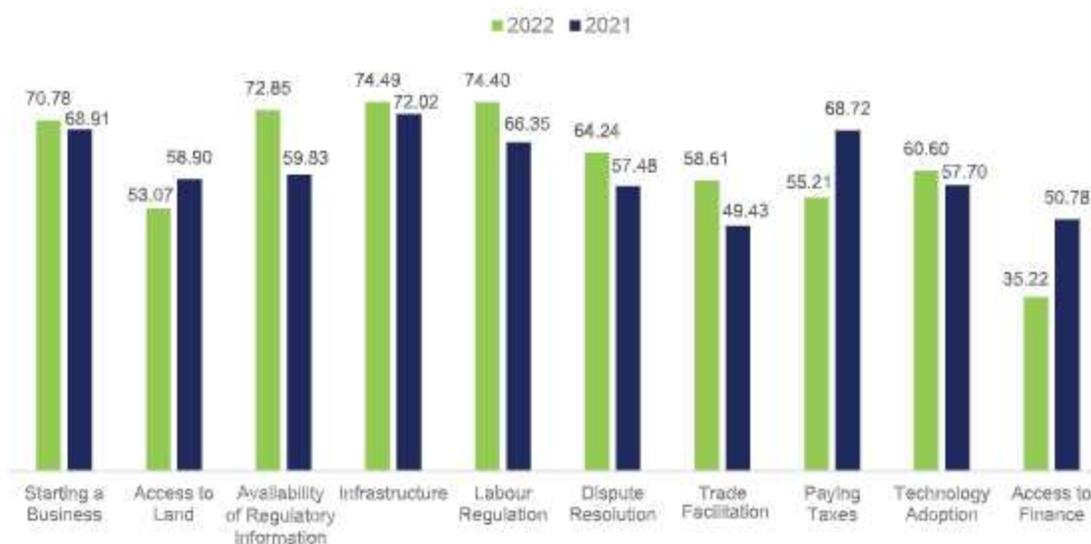


Table 25: Detailed Comparison of Pillar Scores between BBX 2022 and 2021

Pillars	BBX Scores in 2022	BBX Scores in 2021	% Change in Scores between 2022 & 2021	Improvement/Deterioration Compared to BBX 2021
Starting a Business	70.78	68.91	2.72	Improvement
Access to Land	53.07	58.90	-9.90	Deterioration
Availability of Regulatory Information	72.85	59.83	21.77	Improvement
Infrastructure	74.49	72.02	3.43	Improvement
Labour Regulation	74.40	66.35	12.13	Improvement
Dispute Resolution	64.24	57.48	11.75	Improvement
Trade Facilitation	58.61	49.43	18.58	Improvement
Paying Taxes	55.21	68.72	-19.66	Deterioration
Technology Adoption	60.60	57.70	5.03	Improvement
Access to Finance	35.22	50.78	-30.65	Deterioration

Regarding comparison of individual pillar scores between BBX 2022 and 2021, it is revealed that improvements are observed in seven pillars depicting improvements in regulatory environment and business experience in those areas while scores have declines in three pillars. Improvement in scores have been observed in seven pillars with the highest improvements reflected in (in descending order) Availability of Regulatory Information, Trade Facilitation, Labour Regulation, Dispute Resolution, Technology Adoption, Infrastructure and Starting a Business. Compared to BBX 2021, scores have declined for Access to Finance, Paying Taxes and Access to Land. Deterioration of scores have been the most in Access to Finance and the Least in Access to Land.

Bangladesh Business Climate Index score of 61.95 has the following implications:

- BBX 2022 score only marginally increased to 61.95 from a score of 61.01 the previous year reinforcing the fact that no significant reform measures were undertaken in the past one year, which resulted in insignificant improvement.
- The score indicates that for Bangladesh to enter the next phase of becoming a prosperity hub, the country needs to enter a coordinated phase of policy reforms to reduce the challenges faced by businesses.
- The scores imply that business environment reforms require holistic and coordinated improvement efforts that can benefit all core area of business environment. The BBX 2022 score when compared to BBX 2021 reflects an insignificant improvement. While businesses have experienced improvements in seven specific areas, these improvements have been counteracted by considerable deterioration in three specific areas of business. Improvements in scores have been observed in seven pillars which are: i) Availability of Regulatory Information, ii) Trade Facilitation, iii) Labour Regulation, iv) Dispute Resolution, v) Technology Adoption, vi) Infrastructure and vii) Starting a Business; however, considerable deterioration of scores are observed in Access to Finance, Paying Taxes and Access to land.
- Some pillars such as Starting a Business observed some improvements that were induced by measures taken in response to the pandemic and lockdowns. The survey interviews revealed that because of the pandemic, a lot of the government agencies were willing to accept documents

digitally/by email which businesses previously were required to submit by hand. This reduced the time and cost incurred for submitting the required documents

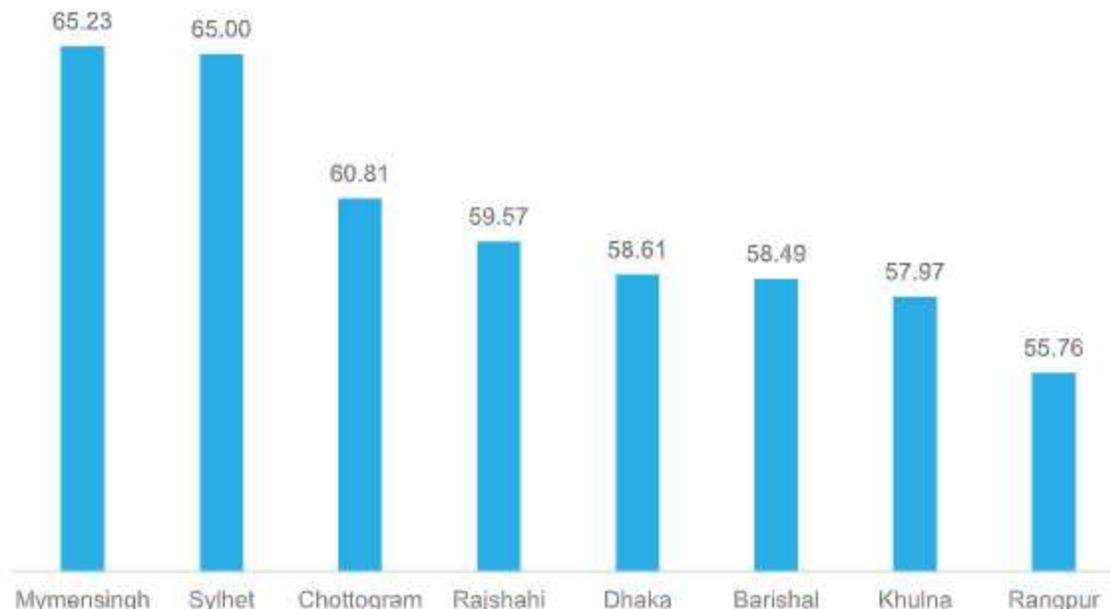
- Access to finance is a major constraint across all sectors and this problem has become more pronounced in 2022 especially for MSMEs. MSME's response indicate that introduction of the interest-rate capping is leading to credit rationing to large firms that have collateral whereas micro, small and medium sized enterprises are losing out.
- Continuous and significant efforts are needed in the regulatory space for Bangladesh to attain its economic agenda of export diversification, becoming an Upper-Middle Income Country by 2031 and Developed Country by 2041.

Figure 24: Individual Pillar Scores in BBX 2022



Six out of Ten pillars fall in the category of 'Improving Business Climate' highlighting that despite the progress made, bottlenecks remain for the private sector for conducting business. There is a 39.27-point difference between the best performing pillar – Infrastructure and the worst performing pillar – Access to Finance. This clearly reflects the disparity in the operating environment for the private sector in the country. Several respondents revealed that completion of the a number of road network connectivity improvements including Padma bridge helped businesses save time and cost. Regarding access to finance, several MSMEs reported that the introduction of the 6-9 interest rate capping has led to credit rationing favoring larger firms with collateral. The top four performing pillars, i.e., Infrastructure, Labour Regulation, Availability of Regulatory Information and Starting a Business have little difference in scores amongst them. The bottom three pillars, i.e., Access to Finance, Access to Land, Paying Taxes and Trade Facilitation lag significantly to the top three pillars.

Figure 25: Business Climate Scores by Divisions



Among the eight divisions, Mymensingh has scored the highest implying most conducive business climate while Rangpur scored the least depicting businesses face more challenges in this division than any other. There is a 9.47-point difference between the best performing division – Mymensingh and the worst performing division – Rangpur which reflects the disparity in the operating environment for divisions within the country. Dhaka and Chattogram are the two divisions with the highest contribution to GDP within the country and both divisions fall on the score category of 41.00 to 60.99 exhibiting that several bottlenecks remain for businesses including uncertain regulatory environment and effective institutional support.

Dhaka division has fared well in Labour Regulation and Infrastructure pillars and Chattogram has performed relatively better in Infrastructure and Starting a business pillar. Mega infrastructure projects ongoing in Dhaka and Chittagong such as Dhaka Metro Rail, Hazrat Shahjalal International Airport Terminal 3, four-lane elevated expressway in Chattogram and Bangabandhu Tunnel have increased the confidence of businesses in Dhaka and Chattogram as observed in the survey interviews. Despite the ongoing infrastructure initiatives by the government, businesses have voiced facing high logistics costs. A study by the World Bank shows that logistics cost comprises 4.5 to 47.9 percent of total sales in Bangladesh. Both Dhaka and Chattogram have the lowest scores in Access to Finance. The 6-9 percent interest rate regime introduced in by Bangladesh Bank in April 2020 to help industries expand production and avert pandemic-induced recession has in fact adversely affected micro, small and medium enterprises in accessing finance for businesses. Small businesses are crowded out regarding accessing finance by presence of large and medium business concentration in Dhaka and Chittagong

Each of the Pillar scores depict a different story. The index captures many of the nuances that are summarized below:

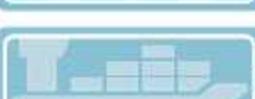
	Starting a business is the easiest for sectors that have been established for a long time and formalized such as fast-moving consumer sectors (FMCG), readymade garments and pharmaceuticals. On the other hand, emerging sectors such as Agriculture and forestry, wholesale and retail which are fragmented, found it relatively difficult to start a business.
	Land appears a constraint to some sectors. Electronics and light engineering sector found it most difficult to obtain land or register property as compared to firms in Leather and Tannery sector and Food and Beverage.
	Transparency and availability of regulatory information have fared better across all sectors relative to other business pillars.
	Transport, storage & communication and Leather and Tannery sectors have been most adversely affected by infrastructure. The survey implies that firms in the leather sector face challenge of higher transport and logistics costs than other sectors.
	Labour regulation has fared relatively better than most pillars however, lack of availability of skilled personnel is a major challenge faced across all sectors.
	The trade regime is the most problematic for Textiles, FMCG, readymade garments sectors who are not only burdened with significant administrative paperwork and documentation but face considerable delays in import and export. Regulatory complexities in trade increases the lead time and reduces global competitiveness of these sectors.
	Sensitive legal issues centered around disputes are problematic for a few sectors, including goods that are linked to safety and health, such as pharmaceuticals. This is a sign of the growth of Bangladesh's pharmaceutical sector.
	Paying taxes is a major challenge in operating a business across all sectors: 67 percent of respondents have mentioned that they found it moderately to substantially difficult to file for income tax and VAT in Bangladesh.
	The survey implies that Technology adoption has been the most challenging in textile and RMG sectors and have been the easiest in pharmaceutical sector. A relative lack of FDI in RMG and textile sectors have deterred the process of technology transfer, while FDI and joint ventures in pharmaceuticals sector have garnered and facilitated technology transfer and adoption.
	The survey implies that Access to Finance has been a prime constraint across all sectors and this challenge has been most pronounced for micro, small and medium enterprises.

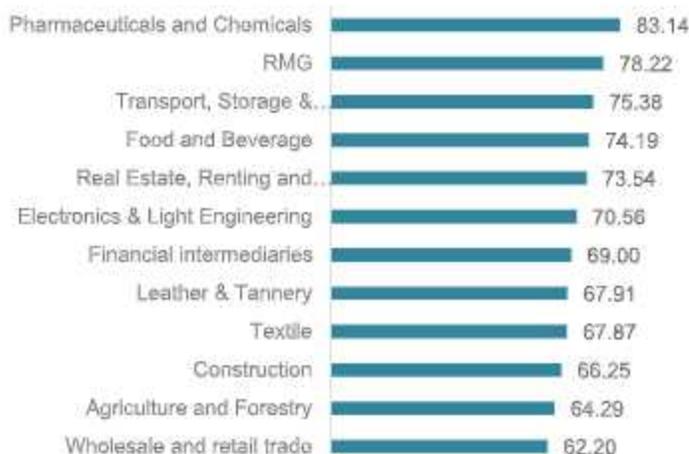
Table 26: Summary of Bangladesh Business Climate Index Pillars

Pillar	Indicator	Score	Implications	Observations
1	Starting a Business	70.78	Improving Business Environment	More than half of the respondents have visited more than five government agencies to start a business. Obtaining license and navigating regulations is difficult.
2	Access to Land	53.07	Several Bottlenecks remain for Business	86 percent of respondents found it difficult to procure land. More than 90 percent of respondents had to provide facilitation payments to speed up processes such as transferring land ownership.
3	Availability of Regulatory Information	72.82	Improving Business Environment	82 percent respondents were able to access information online about all rules and regulations by the government that impact their businesses.
4	Infrastructure	74.49	Improving Business Environment	Although this constraint is relatively light due to Bangladesh's investment in infrastructure, more than 80 percent has their businesses have been adversely affected by recent energy shortages.
5	Labor Regulation	74.40	Improving Business Environment	More than 70 percent respondents faced challenge in obtaining skilled workforce. Trainings centers not equipped with updated curriculums.
6	Dispute Resolution	62.24	Improving Business Environment	Firms have confidence in the current judicial system to uphold their property rights and contracts; but they have not experienced reduction in the time for resolving commercial disputes, especially linked to land and property.
7	Trade Facilitation	58.61	Several Bottlenecks Remain for Business	Importers found it relatively more difficult to get custom's clearance than exports. Congestion at the ports, especially Chattogram, is impacting lead time for exporters and importers in Bangladesh, making them less competitive.
8	Paying Taxes	55.21	Several Bottlenecks Remain for Business	67 percent respondents complain of difficulty filing and paying taxes while 76 percent said current tax environment had an adverse impact on their businesses. Taxation in Bangladesh has low collection levels, complexity of rules, hassle, and poor compliance.
9	Technology Adoption	60.60	Several Bottlenecks Remain for Business	55 percent report investing in new technologies in past 24 months, although bottlenecks remain across country. RMG, textiles and pharmaceuticals have relatively invested more in new technologies than other sectors.
10	Access to Finance	35.22	Several Bottlenecks Remain for Business	This is a key constraint across all sectors. The challenge of accessing finance is more pronounced for micro, small and medium enterprises than large firms.

5.3.1 Starting a Business

No.	Division	Score
1.	Rajshahi	77.11
2.	Rangpur	73.32
3.	Chottogram	73.23
4.	Mymensingh	72.42
5.	Sylhet	71.42
6.	Dhaka	70.21
7.	Barishal	66.64
8.	Khulna	64.61
Indicator Score 2022		70.78
Increased by 1.87 points since BBX 2021		

Starting a Business



Investors are led into quagmires as they must navigate 23 government agencies to obtain 150 regulatory services that are required for starting and operating a business in Bangladesh. An investor may need to secure up to 150 approvals from various agencies including Bangladesh Investment Development Authority (BIDA), Registrar of Joint Stock Companies & Firms (RJSC), designated bank, National Board of Revenue (NBR), City Corporations/Municipalities, Department of Environment (DoE), Bangladesh Bank (BB), and City Development Authorities. Moreover, these government agencies have little coordination amongst them implying that the investor needs to provide the same set of documentation in multiple agencies and fulfill requirement to authenticate information during each step. This results in an increase in costs and time requirements for receiving approvals, and thus adversely affect business operations. Although BIDA's One Stop Service (OSS) was meant to solve this challenge, the OSS is addressing part of this challenge and the system overall still lacks efficiency.

Sectors such as agriculture and retail where informality and fragmentation is prevalent, have less conducive experience with regard to starting a business. This clearly indicates the need for prioritizing easing of business entry regulations for faster formalization and supporting expansion of small business base.

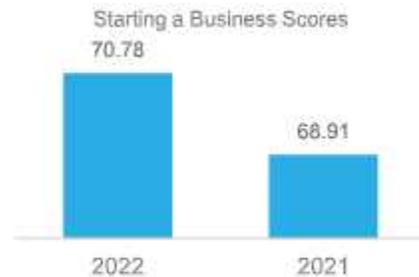
Sectors which are long-established, and well organized at trade body level and have less fragmentation, such as Pharma and RMG, have better business entry and sectoral entry regulations than relatively newer ones such as agribusiness and construction. This insight emphasizes on the need to replicate success of established sectors in helping upcoming ones.

Firms in Pharmaceuticals and Chemicals and RMG found it relatively easier to start a business in Bangladesh compared to firms in Agriculture, Forestry, Wholesale and Retail trade. The survey reflects that firms in Rajshahi found it easiest to start a business while firms in Khulna found it most challenging. The respondents mentioned that the biggest regulatory challenge facing them while starting a business in Bangladesh was to obtain sectoral licenses as the sectoral regulators make the process cumbersome and time-consuming. About 70 percent of medium and large firms mentioned that they are required to visit more than five

While sectoral licenses and entry requirements are less conducive than general business entry regulations, firms with alignment to global standards get sectoral license faster as seen in pharmaceuticals, chemicals and RMG. This emphasizes on the need for strengthening overarching and sector specific standards in line with global best practices.

different government agencies to obtain approvals for starting a business in Bangladesh implying the considerable regulatory burden on businesses. The findings suggest that sectors that are well established and at par with global requirements such as pharmaceuticals, chemicals and RMG found it relatively easier to obtain sectoral approvals than sectors such as agriculture, wholesale and retail trade which operate in a fragmented manner and are yet to fall under the purview of global competitiveness.

The survey reflects that score in Starting a Business pillar has increased to 70.78 in 2022 from 68.91 in 2021. The survey interviews revealed that because of the COVID-19 pandemic, a lot of the government agencies were willing to accept documents digitally/by email which businesses previously were required to submit by hand. This reduced the time and cost incurred for submitting the required documents, thus making it relatively easier to do business this year than previous years.



5.3.2 Access to Land

No.	Division	Score
1.	Dhaka	64.58
2.	Mymensingh	62.19
3.	Rajshahi	57.29
4.	Chottogram	49.79
5.	Barishal	49.69
6.	Sylhet	49.09
7.	Rangpur	48.7
8.	Khulna	42.93
Indicator Score		53.07
Decreased by 5.83 Points since BBX 2021		



The majority of respondents mentioned that they experienced bottlenecks in dealing with government agencies while procuring land in Bangladesh. Dhaka, Mymensingh and Rajshahi performed relatively better in this pillar than Khulna, Rangpur and Chattogram. It was found that electronics and light engineering sector found it most difficult to obtain land or register property compared to wholesale

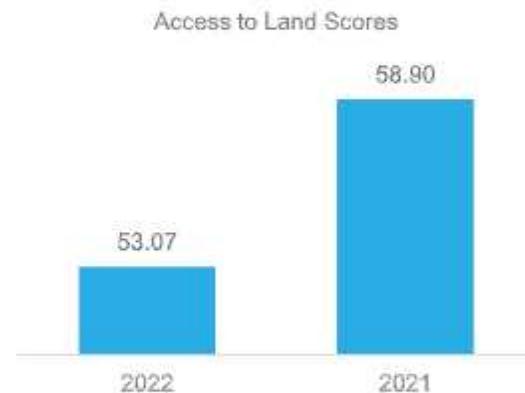
Pilot reforms have improved the experience of businesses regarding land securing Dhaka division a top place. This is arising from the fact that most land reform pilots have Dhaka as the common district /division. The findings also confirm that as the service sector grows, dominated by retail businesses, land as a barrier to business becomes less relevant. This indicates to need for land zoning policy for the whole country and beyond the economic zones with regard the facilitating right balance of business growth and land access requirements.

and retail trade sector. A relatively low score in Chattogram suggests that urbanization has been chaotic for the private sector in the port city and the scarcity of availability of land prevents many entrepreneurs from setting operations in Chattogram.

Respondents mentioned checking accuracy of property ownership and, delay in mutation of land/property are the biggest bottlenecks while procuring land in Bangladesh.

Recently, to lessen the coercive process of verification of land management, the government has introduced Digital Land Management System (DLMS) by which the land area of Bangladesh can be managed digitally with the help of modern technology. The key features of DLMS include GPS-based land surveying, automatic map drawing and online land

management. Although scanned copies of 18,500 map-sheets have been indexed into the system, the prevalent system is still operational and yet to be abolished. Moreover, it takes on an average 63 days to get land title transfers recorded in land records office in Bangladesh. Majority of the companies also stated that they were required to make an informal payment to government agencies during land procurement in Bangladesh. Given Bangladesh's dense population and small land area, land has been a challenge for industrial development in the country. In this context, the development of special economic zones, especially fast implementation of the BSMSN area near Chittagong and the country specific zones, may alleviate some of the land pressures.



The survey reflects that score in Access to Land pillar has fallen to 53.07 in 2022 from 58.90 in 2021. Many respondents have said they are required to get several bank drafts since land transactions had to be done through bank drafts which was time consuming. Moreover, land was transacted at high amount implying that banks draft fees were also proportionality high.

5.3.3 Availability of Regulatory Information

No.	Division	Score
1.	Mymensingh	77.38
2.	Sylhet	76.81
3.	Rajshahi	75.44
4.	Barishal	73.88
5.	Khulna	69.95
6.	Chottogram	69.25
7.	Dhaka	55.76
8.	Rangpur	53.75
Indicator Score		72.85
Increased by 13.02 points since BBX 2021		



More than 95 percent of the respondents mentioned that they were aware of all the numerous registrations and renewals for setting up and operating their businesses in Bangladesh. However, majority said that they did not find information online regarding all the rules and regulations that governed their businesses. Mymensingh scored the highest in this pillar while Rangpur scored the lowest. A 23.63-point difference between the highest and the lowest performing Divisions imply that there is a huge disparity in availability of regulatory

A 23.63-point difference between the highest and the lowest performing Divisions in access to regulatory information imply that there is a huge disparity in availability of regulatory information across divisions. This not only reflects a gap in access to internet across divisions but a disparity in availability of information regarding rules and regulations by the local government such as municipal corporations.

Strength of robust laws and regulations are severely compromised due to non-systematic and non-inclusive changes in the regulatory framework creating regulatory unpredictability. About 71 percent of respondents mentioned that the government often changed or modified regulations that affected their businesses.

information across divisions. This not only reflects a gap in access to internet across divisions but a disparity in availability of information regarding rules and regulations by the local government such as municipal corporations. Respondents have said that information related to starting and operating a business – including the documentary requirements, identity of government agencies to provide approvals and necessary instructions to follow application, is not readily available.

Moreover, websites and guidelines are not always up to date. Importers and exporters have mentioned that there is no single website which lists all the documents, registrations and approvals that is needed for trading.

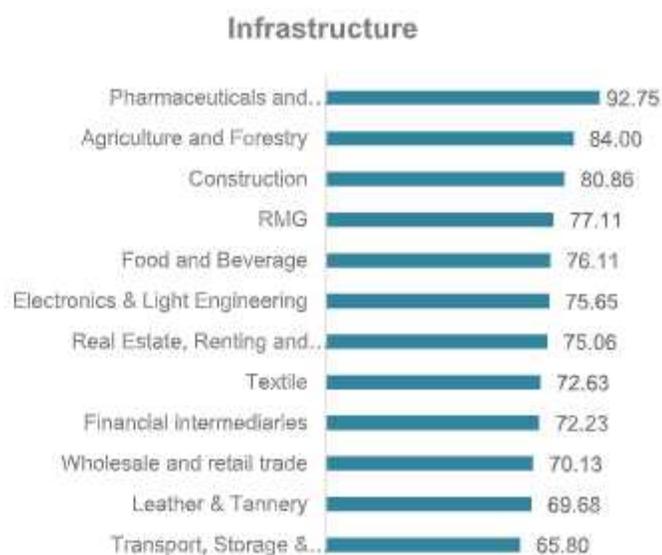
Respondents mentioned that a major challenge was regulatory unpredictability as firms were not informed in advance about any change or modifications in regulations by government agencies that affected the businesses. About 71 percent of respondents mentioned that the government often changed or modified regulations that affected their businesses. This challenge was most pronounced for the RMG sector relative to other sectors. Respondents from Agriculture and forestry and Construction faced a relatively better regulatory predictability in their businesses compared to other sectors. In 2017, a regulatory unpredictability survey was conducted by World Bank Group (Regulatory Unpredictability in Bangladesh) measuring the availability and predictability of regulatory information. The report findings indicated that the most serious are difficulty in finding information on laws and regulations, inadequate consultation during design, and discretionary behavior by regulatory officials.

The survey reflects that score has risen to 72.85 in 2022 from 59.83 in 2021, primarily due to initiatives by private sector groups to enhance information availability and exchange. The pandemic induced several Facebook business pages and groups to emerge containing required regulatory information. This increased online interaction among firms and facilitated information sharing between them.



5.3.4 Infrastructure

No.	Division	Score
1.	Rangpur	86.04
2.	Dhaka	78.91
3.	Mymensingh	77.53
4.	Chottogram	74.63
5.	Khulna	72.43
6.	Sylhet	71.08
7.	Barishal	69.66
8.	Rajshahi	65.95
Indicator Score		74.49
Increased by 2.47 points since BBX 2021		



Slow pace of economic zones implementation and the land allocation model favoring single conglomerates for large parcel of land rather than developers impeding the benefits of SEZ program. Although Economic Zones are addressing a critical problem of serviced land availability, Economic Zones program require faster implementation and adjusting model by emphasizing more on zones for multiple tenants rather than zones earmarked for single business conglomerates

Access to Infrastructure emerged as the best performing pillar on the Bangladesh Business Climate Index 2022 owing to expansion of coverage of both transport and electricity network though quality and cost remains a concern. Many businesses in Dhaka and Chattogram have more confidence in infrastructure due to the mega projects undertaken such as Dhaka Metro Rail, Hazrat Shahjalal Airport Terminal 3, Four-Lane elevated expressway and Bangabandhu Tunnel in Chattogram. More than 90 percent of the respondents mentioned that it was moderately easy to receive utility services such as water, electricity and sewerage. Over 80 percent of the

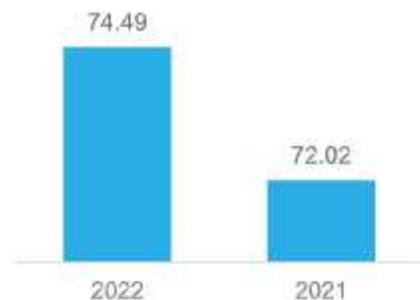
respondents said finding availability of transport and logistics services were relatively easy, however firms from the construction sector found it challenging to find transportation as the sector requires a special set of transport services/vehicles to carry their raw materials and products which are heavy-weighted. Although the majority respondents said they found it easy find transport and logistics services, they complained of high logistics costs. A World Bank Report (2020) suggests that transport and logistics cost comprise of 4.5 to 47.9 percent of total sales across various sectors in Bangladesh. Respondents mentioned that efficient logistics services with reduced costs would support their products in becoming cost-competitive in the global market. About 99 percent of the respondents mentioned that they found it easy to get internet and mobile phone connectivity – concurring the Boston Consulting Group’s (2021) finding that Bangladesh has 75 percent mobile penetration and more than 70 million internet users.

Availability of transport logistics services are often neutralized by high cost and inefficiency of such support factors. As the economy slowly expands to facilitate more business sectors, the current transport services are not well suited for sectors in need of specialized logistics systems. Firms from the construction sector found it challenging to find transportation as the sector requires a special set of transport services/vehicles to carry their raw materials and products which are heavy-weighted.

Although more than 95 percent of the population now has access to electricity, recent energy challenges and disruptions in electricity supply adversely affected the firms’ businesses. More than 90 percent of the respondents mentioned that their businesses were affected by the recent power outages. Firms said power outages lasted anywhere between two to nine hours a day. Several firms have resorted to diesel-fired generators which has increased production costs by 5 to 10 percent. Export oriented firms such as RMG and pharmaceuticals felt the most pinch as power outages increased their lead time and cost of production, thus reducing the competitiveness of their products in the global market. Financial intermediaries have mentioned that many of their ATM booths were non-functional due to power outage.

The survey reflects that score has risen to 74.49 in 2022 from 72.02 in 2021. Respondents have mentioned that recent infrastructure developments such as the Padma Bridge has made transportation easier around specific routes, reduced time and cost of transportation. Moreover, recent infrastructure projects in Dhaka in Chattogram such as Dhaka Metro Rail, Hazrat Shahjalal Airport Terminal 3, Four-Lane elevated

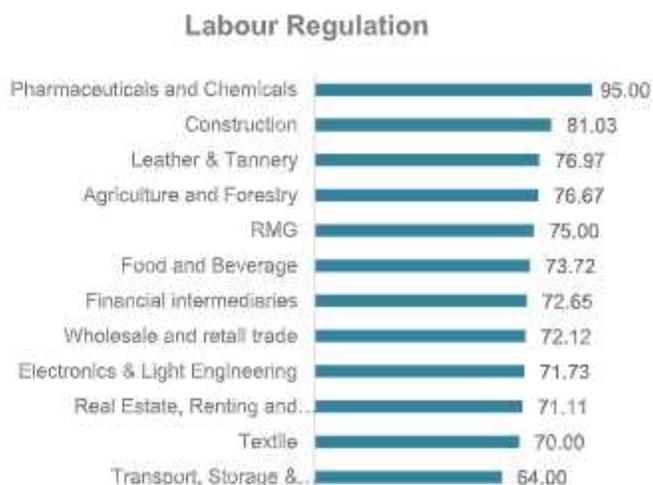
Infrastructure Scores



expressway and Bangabandhu Tunnel in Chattogram have increased business's confidence in the country's infrastructure.

5.3.5 Labour Regulation

No.	Division	Score
1.	Dhaka	84.09
2.	Mymensingh	80.12
3.	Sylhet	78.02
4.	Khulna	69.86
5.	Chottogram	69.35
6.	Rajshahi	67.89
7.	Rangpur	66.25
8.	Barishal	64.75
Indicator Score		74.40
Increased by 8.05 points since BBX 2021		



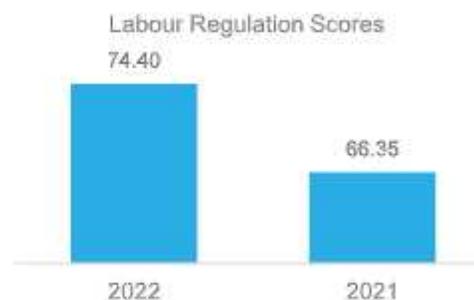
Ability of youth to absorb skills training high and technology-based training delivery system can address the limited access to/availability of formal training facilities. Majority of respondents mentioned they found it easy to access training materials online across all sectors. This is primarily due to several initiatives rolled out by the NSDA to put information online.

Firms in Pharmaceuticals and Chemicals and Construction found it relatively easier to comply with labour regulations than firms in Textile and Transportation, Storage & Communication Sectors. Over 83 percent firms in Pharmaceuticals and Chemicals said it was easy to comply with labour regulations while 50 percent of firms in Transport and Storage said the same, implying this sector found it relatively challenging to comply with the current labour regulations. More than 98 percent of the respondents said they found it easy to find unskilled labour for their businesses, depicting the country's vast pool of trainable labour. Bangladesh's large labour pool is

a key advantage for businesses looking to set up operations in the country. Bangladesh possesses the third largest worker pool in the region with approximately 70 million people in the labour force. One of the key reasons Bangladesh is competitive compared to its neighbors is its labour advantage. Therefore, labor regulations are a key driver for business growth in the country.

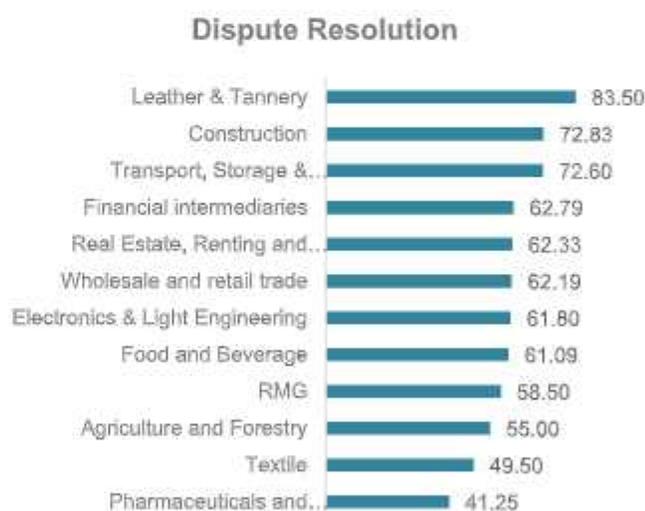
Firms face significant challenges in obtaining skilled workforce for their firms and access to technology, training and technical materials for up-skilling their employees. More than 70 percent of respondents said they found it difficult to find skilled labour for their firms. Current curriculum and training modules in training centers are not aligned with market needs due to continuous upgradation of technology. Bangladesh Industrial Technical Assistance Centre (BITAC) provides basic skills programs, however, the curriculum and training modules often fail to comply with market needs due to the constant upgrading of technology. Although, Technical and Vocational Education and Training (TVET) offered by government has grown over the last two decades, the share of women enrolments has remained low. Limited female participation in the labour force further reduces the quality of the labour force available in the market.

The survey reflects that score has risen to 74.40 in 2022 from 66.35 in 2021. Although there is a lack of training centers, respondents mentioned they found it easy to access training materials online across all sectors. Most training and up-skilling materials are found online for free, especially in YouTube which are shared with supervisors and workers. Supervisors form small groups of workers and train them with the help of audio-visuals found online. Training online has become increasingly popular after the covid-19 pandemic.



5.3.6 Dispute Resolution

No.	Division	Score
1.	Sylhet	73.25
2.	Khulna	68.87
3.	Mymensingh	65.25
4.	Barishal	64.38
5.	Chottogram	63.34
6.	Rajshahi	60.79
7.	Dhaka	39
8.	Rangpur	37.13
Indicator Score		64.24
Increased by 6.76 points since BBX 2021		

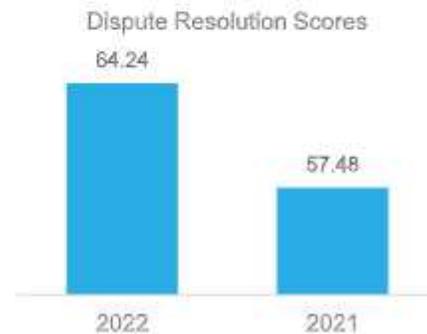


The respondents shared that dispute related to land and property were the most cumbersome and took the maximum time to resolve. Despite having confidence in the current judicial system of Bangladesh to uphold their property rights and contracts, 41 percent of respondents mentioned they have not witnessed any reduction in time for resolving commercial disputes in Bangladesh in the past two years. Currently, Bangladesh does not have a court that is dedicated solely to hearing commercial cases. About 95 percent of the respondents recommended that an effective out of court commercial dispute resolution mechanism needs to be in place for businesses to use in Bangladesh.

Crisis expediting shifts to more efficient options for dispute resolution. Majority of the respondents mentioned that the lockdown in 2021 resulted in a larger backlog of cases pending trial and hence many firms this year resorted to out of court settlements, and it saved time and money and was relatively more effective than resolving cases in court.

Survey respondents suggested dedicating a court for commercial disputes and capacity building in handling commercial cases, making mediation more popular, and introducing effective pre-action protocol type procedures in Bangladesh. Currently there are more than three million cases pending trial and it is estimated that around 10 to 15 percent of them are commercial in nature. Lack of dedicated commercial courts and lack of expertise in handling commercial disputes are key reasons for the poor performance of the country in commercial dispute resolution. While the government has introduced provisions for alternate dispute resolution such as

mediation, its use is not mandatory. Therefore, it has not led to any significant improvement in the dispute resolution process in Bangladesh. As per the World Bank Doing Business 2020 Report, Bangladesh ranks 189 out of 190 countries on the Enforcing Contracts Indicator. It takes more than 1440 days to resolve a commercial dispute in the country whereas it takes 164 days in Singapore to resolve a commercial dispute. Research in various countries suggests that, in the absence of efficient courts, firms make fewer investments and business transactions while informal transactions become more attractive.



The survey reflects that score has increased to 64.24 in 2022 from 57.48 in 2021. Majority of the respondents mentioned that the lockdown in 2021 resulted in a larger backlog of cases pending trial and hence many firms this year resorted to out of court settlements, and it saved time and money and was relatively more effective than resolving cases in court. Respondents suggested dedicating a court for commercial disputes and building capacity in handling commercial cases would largely help in dispute resolution space.

5.3.7 Trade Facilitation

No.	Division	Score
1.	Sylhet	63.37
2.	Rangpur	62.5
3.	Khulna	62.35
4.	Chottogram	61.3
5.	Rajshahi	57.44
6.	Mymensingh	56.74
7.	Barishal	55.58
8.	Dhaka	41.24
Indicator Score		58.61
Increased by 9.18 points since BBX 2021		

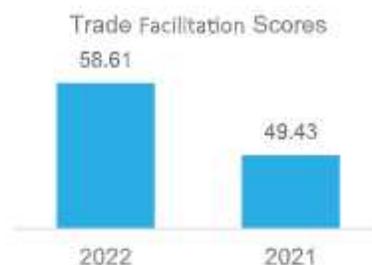


Trade Facilitation is a pillar where several bottlenecks still exist, and significant efforts are required for facilitating trade in Bangladesh. Traders mentioned that a key impediment is high dwell time at Chattogram port. Time for a shipment to be cleared at Chattogram port is 3 days for exports and 11 days for imports. The survey reflected that it is slightly easier to obtain clearance for exports than imports and that the time and cost incurred to obtain clearances for export is less than the time and cost required obtaining import clearances. According to BIDA, border compliance for exports takes 36 hours and imports take twice as much, i.e., 72 hours. Similarly, it takes approximately 2 hours for documentary compliance for exports, whereas it takes 24 hours for imports. More than 90 percent of the respondents mentioned that they had to make informal payments to facilitate custom clearance for exports and imports in Bangladesh.

Lack of a coordinated border management and clearance process such as National Single Window (NSW) hinders trade facilitation. An electronic national single window (NSW) system allows trade professionals to carry out all their transactions through a single online portal which reduces time and costs significantly and an NSW is yet to be established in the country. Chattogram port is ranked 341st out of 370 ports in World Bank's Container Port Performing Index. Lack of efficiency and mechanization at the Chattogram port results in delays, for example, average ship turnaround time at Chattogram port is 3.23 days whereas it is 0.86 days in Colombo port. Higher trade time and costs results in increased lead time for exporters and reduces the global competitiveness of Bangladeshi products and services. Moreover, containers are not used much in the domestic movement of cargo in Bangladesh despite the rapid growth of containerization worldwide. Approximately half the cargo passing through the Chattogram port is containerized, but less than 15 percent of the containers are moved inland. The rest are kept either in the port or in privately operated Inland Container Depots (ICDs) outside the port, subject to government regulations on size and maximum distance from port. The stripping of containers - around 60 percent of the export and import containers - adds to handling costs.

Time and cost of trade has reduced over a span of two years.

According to the latest data from BIDA, for exporters, cost of border and documentary compliance cost has reduced from US\$ 633 to US\$ 300. For importers, it reduced from US\$ 1270 to US\$ 230. For exporters, time for border and documentary compliance reduced to 38 hours from 315 hours. For importers, it reduced to 96 hours from 360 hours.



The number of pre-clearance signatures has gone down to less than 5 from a previous 25 signatures required, significantly bringing down export clearance time.

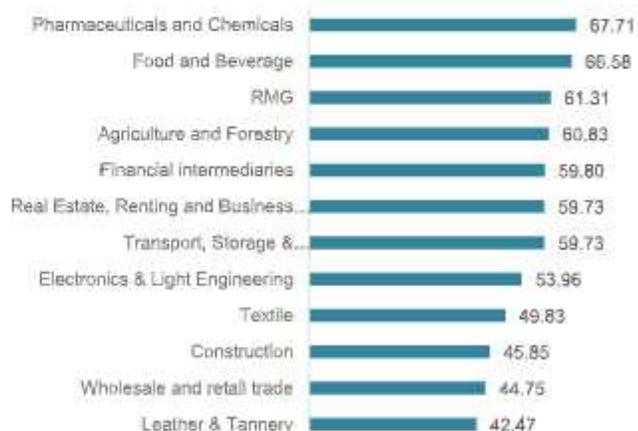
Multiple amendments were made to the Customs Act 1969. This was done specifically through Finance Acts of 2015-2021, all of which combined streamlined the procedures governing trade and promoted ICT-led transparency and efficiency. The new processes and policies include electronic submission of declaration data to relevant authorities prior to the arrival of departure of goods which allows authorities to process the declarations and release goods immediately upon arrival.

Amendments also include Advance Ruling which enables traders to know beforehand which classification code or H.S. Code will be applicable for a specific item. This allows traders to have certainty on how their goods will be treated at customs points and help the stakeholders calculate tariff costs into the export-import process. NBR is presently migrating to an upgraded version of ASYCUDA World for greater data exchange facilities to streamline intra-agency communications and clearance process.

5.3.8 Paying Taxes

No.	Division	Score
1.	Dhaka	71.83
2.	Chottogram	58.57
3.	Barishal	57.7
4.	Mymensingh	56.21
5.	Sylhet	54.95
6.	Rajshahi	48.09
7.	Rangpur	46.53
8.	Khulna	45.79
Indicator Score		55.21
Decreased by 13.51 points since BBX 2021		

Paying Taxes



Over 60 percent of respondents mentioned that they found significant bottlenecks in filing and paying both income tax and VAT in Bangladesh. 76 percent of the respondents mentioned that they experienced an adverse impact on their businesses due to the current tax environment in the country. When it came to specifically analyzing adverse impact of the current tax environment, it has seen that the affect was most pronounced for firms in real estate, electronics and light engineering and construction. These industries have also mentioned that they had to make more frequent informal payments to comply with tax

Regulatory predatory behavior is more prevalent in nascent sectors and sectors that are less organized. The index results for paying taxes show that tax environment is less conducive in emerging sectors such as electronics and light engineering, real estate, construction, and transport, storage and communication.

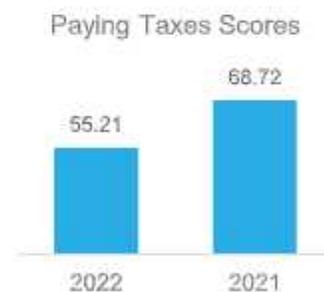
regulations than firms in other sectors. On the other hand, it was reflected that Financial Intermediaries were relatively more satisfied with the current tax environment in the country.

A substantial proportion of respondents across all sectors have mentioned they found the current tax and VAT rate to high and that reduction in corporate taxation rate would result in a more conducive business environment. Divisions such as Khulna, Rangpur and Rajshahi face the biggest challenge and this

can be attributed to the long-standing complaints and concerns by the private sector and experts that the tax officials cherry pick large tax-payers, majority of whom are located in and around Dhaka and Chattogram, to squeeze out more tax repeatedly rather than enhancing collection by expanding the tax net, and reducing evasion.

Regarding taxation in Bangladesh, key bottlenecks include high and multiple prevalent VAT rates, high degree of government revenue dependency on customs duty and advance tax. Although the government has launched initiatives to streamline and modernize its tax infrastructures and tax policies, there is still room for improvement. According to the 2013 World Bank Enterprise Survey, 10.8 percent of firms operating in Bangladesh identify tax administration as a major obstacle. In addition, 41 percent of firms report that they are expected to give gifts in meetings with tax officials, well above the regional average of 19.6 percent. This figure is even higher (48.7 percent) among exporting firms.

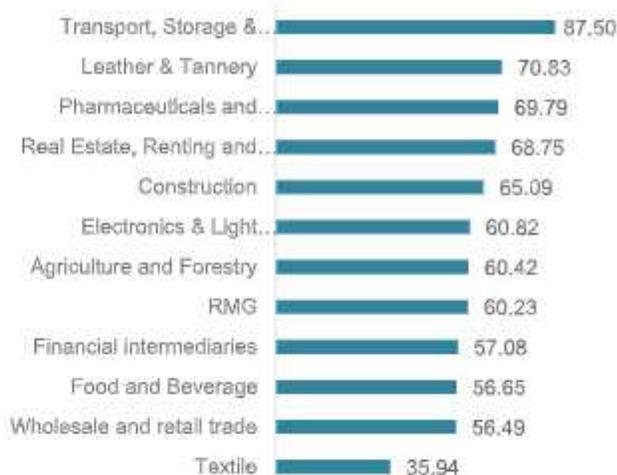
The survey reflects that score has reduced to 55.21 in 2022 from 68.72 in 2021. Majority of the respondents mentioned that they found out paying taxes increasingly difficult over the years due to cumbersome filing process. Respondents mentioned making informal payments were prevalent and the challenge needs to be addressed. Moreover, 76 percent respondents said current tax environment is not conducive to their businesses and it needs to be reconsidered.



5.3.9 Technology Adoption

No.	Division	Score
1.	Sylhet	70.33
2.	Mymensingh	66.33
3.	Chottogram	56.45
4.	Dhaka	55.68
5.	Rajshahi	55.26
6.	Rangpur	55.21
7.	Khulna	51.09
8.	Barishal	50.41
Indicator Score		60.60
Increased by 2.9 points since BBX 2021		

Technology Adoption



Technology adoption is slowly but gradually gaining pace and it is faster in sectors with greater global integration. More than half of the respondents mentioned that they invested in a new technology equipment, software, or digital solution for their business functions in the past 24 months. Majority of firms in Financial Intermediaries and RMG have invested in a technology equipment or solution, whereas a handful of firms in Textile, Agriculture & Forestry and Electronic and Light Engineering have invested in the same, implying lower adoption of technology in these sectors.

More than half of the respondents mentioned that they invested in a new technology equipment, software, or digital solution for their business functions in the past 24 months. Majority of firms in Financial Intermediaries and RMG have invested in a technology equipment or solution, whereas a handful of firms in Textile, Agriculture & Forestry and Electronic and Light Engineering have invested in the same, implying lower adoption of technology in these sectors. One of the key challenges is a lack of good domestically available technology solution. The survey highlighted that the least amount of technology is deployed in supply chain management of firms as it is still mostly done manually. Many firms in RMG and financial sector have reported to using advanced technological solutions such as Enterprise Resource Solutions (ERPs) for digitally managing inventory, final products, human resources and generating cost and revenue patterns –

reflecting a high degree of technology adoption in these sectors. Survey further revealed that only 22 percent of respondent firms use digital platforms for making payments implying there is a considerable opportunity in digitizing payment systems.

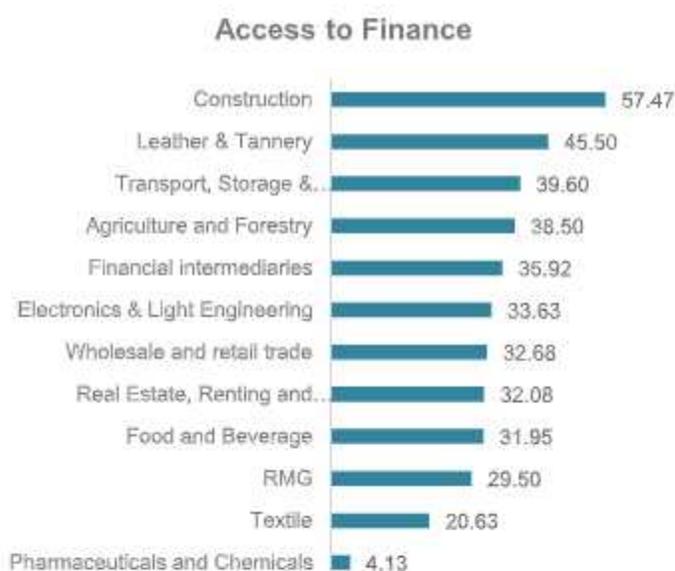
Bangladesh is currently ranked 112th out of 158 countries in the Readiness for Frontier Technologies Index prepared by United Nations Conference on Trade and Development (UNCTAD). According to the index, Bangladesh was ranked second among the Least Developed Countries in terms of readiness to catch up with the latest technologies. It has to catch up with leading technologies including artificial intelligence (AI), robotics and biotechnology. Large scale technology adoption increases quality and reduces wastage. Bangladesh has also ranked 116th out of 131 countries in the Global Innovation Index (GII) 2021. The ranking has remained unchanged for the country in the past three years. Lack of copyright registration, i.e., intellectual property protection has been identified as a key area of improvement for the country.

Technology Adoption score has improved from last year. Many firms have reported to have increased their online presence in the last one year through social media platforms which was triggered especially by pandemic lockdowns. Several firms have mentioned that they have experienced better quality and higher-speed internet this year compared to last year which has enabled them to better utilize social media sites and e-commerce platforms to sell their products and services.



5.3.10 Access to Finance

No.	Division	Score
1.	Sylhet	41.70
2.	Mymensingh	38.15
3.	Chottogram	32.20
4.	Barishal	32.19
5.	Khulna	31.80
6.	Rajshahi	30.39
7.	Rangpur	28.19
8.	Dhaka	24.75
Indicator Score		35.22
Decreased by 15.56 since BBX 2021		



Impact of interest capping has been adverse on small businesses. The issues fares as one of the most difficult business environment factors in 11 out of the 12 sectors covered.

Access to Finance is the least well-performing pillar on Bangladesh Business Climate Index 2022. 87 percent of the respondents mentioned that they found significant challenges in accessing bank loans in Bangladesh. Though the survey revealed that it was relatively easier to receive loans from Non-Banking Lending Institutions, firms still faced significant bottlenecks in terms of credit appraisal, documentary, and collateral

requirements. These challenges were more exacerbated for micro, small and medium enterprises.

With regard to sectoral business environment, the index results put construction as the one with most conducive environment followed by leather and tannery and food and beverage sectors. Textiles followed by Pharmaceuticals and Chemical on the other hand point to most difficult business climate owing to factors such as difficult access to finance, low technology upgradation, and trade facilitation measures.

Majority of the small and medium enterprises have mentioned that access to finance became more challenging after the 6-9 percent interest rate band was introduced. Several MSMEs said that the 6-9 interest rate band introduced in April 2020 to trigger investment during the pandemic led to involuntary credit rationing by the financial institutions. In such a case, Banks and NBFIs preferred giving loans to larger organizations with assets who can provide collaterals. As per a study by the World Bank Group, the collateral requirements for bank loans are relatively high and it was identified that the value of the collateral required from the industry was on average 270 percent. This is a significant challenge for MSMEs, and

Bangladesh has a US\$ 2.8 billion financing gap in the MSME sector, according to World Bank 2022. 60 percent of women SME's financing needs are unmet and lack of access to collateral is one of the key hindrances. With nearly 10 million SMEs contributing to 23 percent of the country's GDP, 80 percent of jobs in the industries sector and 25 percent of the total labour force – challenges in access to finance for SMEs can act as a severe deterrent to economic growth if not addressed immediately.

Though the 6-9 percent interest rate band initiated in 2020, its effects were felt in the past year as business operations resumed in a full-fledged manner post COVID-19. It is estimated that MSMEs' access to formal finance was only 27.5 percent whereas lines of credit to large firms were 44 percent, according to Enterprise Survey 2013. Some of the supply side constraints included market imperfections, lack of credit appraisal policies, lack of strong credit registry, while demand side constraints included the lack of financial capabilities and lack of documentation, and lack of credit rating from formal sources. According to MSMEs, these challenges got aggravated after the 6-9 percent interest rate band as many banks would require the same type of credit appraisals, documentary and collateral requirements from MSMEs as large firms.

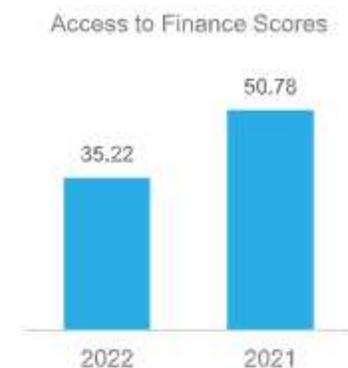


Table 27: Top Three Constraints Faced by Business per Pillar Areas in 2022

 Starting a Business	 Access to Land	 Availability of Regulatory Information	 Infrastructure	 Labour Regulation	 Dispute Resolution	 Trade Facilitation	 Paying Taxes	 Technology Adoption	 Access to Finance
Excessive number of agencies involved	Speed money requirements	Absence of regulatory calendar	High logistics costs	Lack of skilled labour	No formal mediation mechanism	Custom clearances time-consuming	Time consuming compliance	Lack of domestically available technology solutions	Access to credit difficult
Obtaining sectoral licenses	Land transfer takes a long time	Un-availability of regulatory information	Disrupted electricity supply due to loadshedding	Training centers sub-par	Slow court proceedings	Too many agencies involved	High-corporate tax	Manual Supply Chain Management	Rate capping led to credit rationing
Weak coordination between agencies	Involvement of intermediaries	Websites and guidelines are not always up to date	Difficulty in dealing with government agencies	Mix-match between education and skills needed	No dedicated commercial court	High para-tariffs	Low Tax education	Lack of use of Digital Payment Platforms	Complex documentary requirement

Table 28: How Do the Pillars Fare for Different Sectors

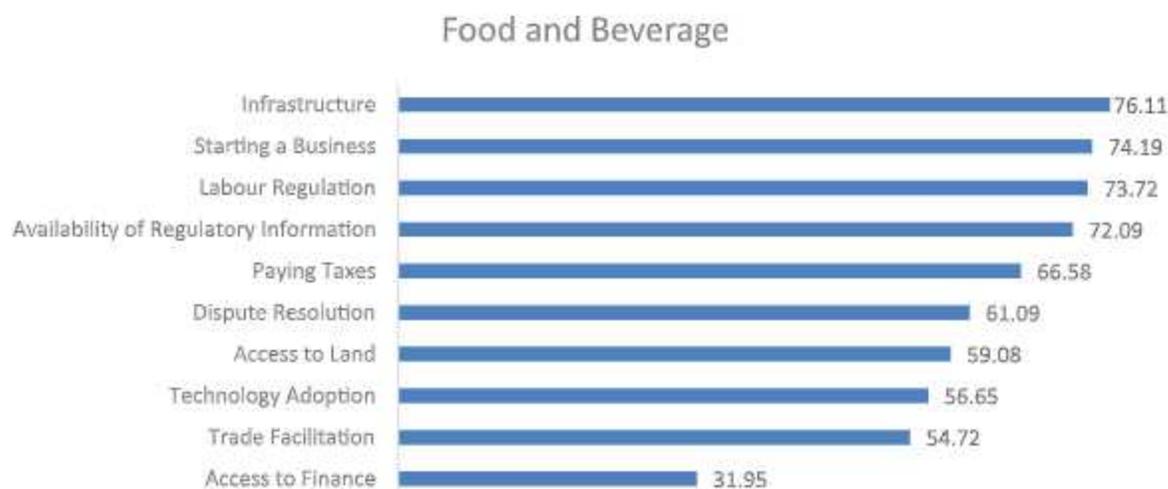
	Name of Pillars	Most Conducive In	Most Difficult In
	Starting a Business	Pharmaceutical & chemicals	Wholesale & retail trade
	Access to Land	Wholesale & Retail Trade	Electronics & light engineering
	Availability of Regulatory Information	Agriculture & forestry	Readymade garments
	Infrastructure	Pharmaceutical & chemicals	Transport, storage & communication
	Labour Regulation	Pharmaceutical & chemicals	Transport, storage & communication
	Dispute Resolution	Leather & tannery	Pharmaceutical & chemicals
	Trade Facilitation	Real estate, renting & business	Textile
	Paying Taxes	Pharmaceutical & chemicals	Leather & tannery
	Technology Adoption	Transport, storage & communication	Textile
	Access to Finance	Construction	Pharmaceutical & chemicals

5.4 Sectoral Performance

With regard to sectoral business environment, the index results put construction as the one with most conducive environment followed by leather and tannery and food and beverage sectors. Textiles followed by Pharmaceuticals and Chemical on the other hand point to most difficult business climate owing to factors such as difficult access to finance, low technology upgradation, and trade facilitation measures.

There are currently 12 sectors in Bangladesh which have been identified as high priority sectors in Export Policy 2015-18. These 12 sectors have the potential to achieve the government's agenda of increasing export diversification and becoming an Upper-Middle Income Country by 2031. It is therefore, extremely essential that the business climate is conducive for these sectors to flourish and fuel to the economic growth of Bangladesh. The performance of the pillars is provided for each of the sectors and the overall sectoral findings of BBX are mentioned below.

5.4.1 Food and Beverage



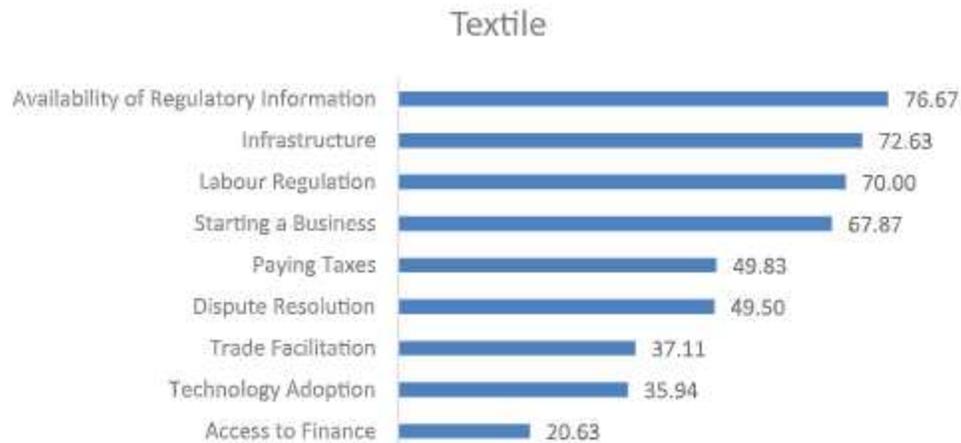
As per the survey, they faced the least number of challenges in access to infrastructure while access to finance was the biggest constraints faced by them.

5.4.2 Wholesale and Retail Trade



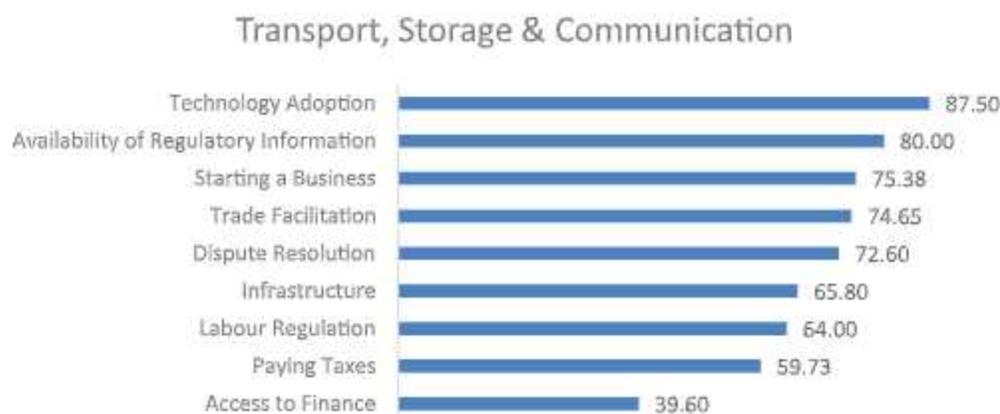
per the survey, they faced the least number of challenges in labour regulation while access to finance was the biggest constraints faced by them.

5.4.3 Textile



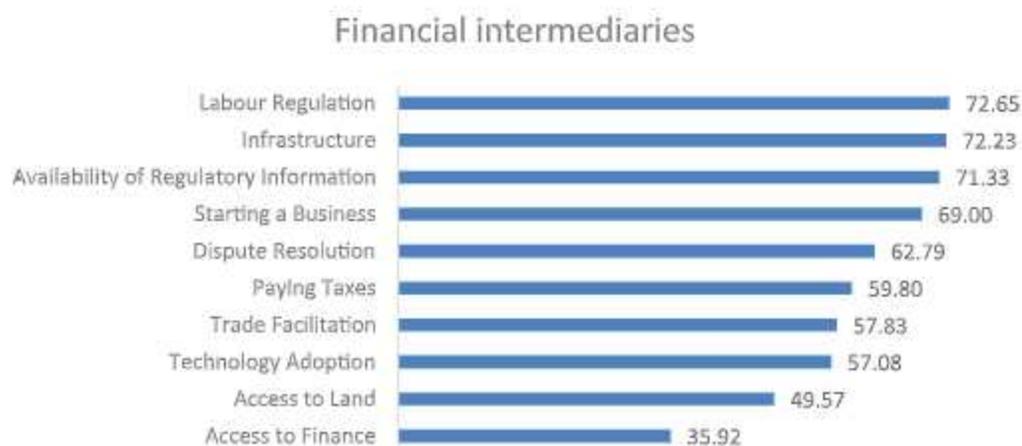
As per the survey, textile sector faced the least number of challenges in availability of regulatory information while access to finance was the biggest constraints faced by them

5.4.4 Transport, Storage and Communication



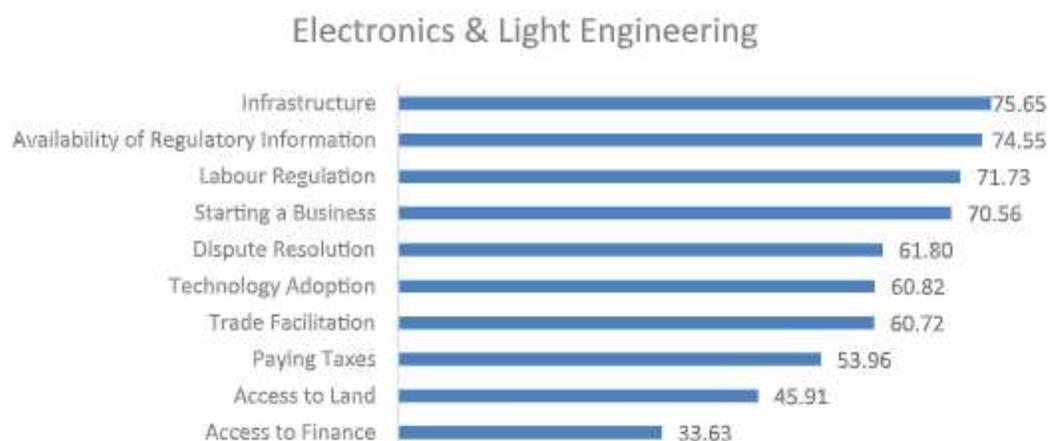
As per the survey, transport, storage & communication sector faced the least number of challenges in technology adoption while access to finance was the biggest constraints faced by them

5.4.5 Financial Intermediaries



As per the survey, financial intermediaries faced the least number of challenges in labour regulation while access to finance was the biggest constraints faced by them.

5.4.6 Electronics and Light Engineering



As per the survey, electronics and light engineering faced the least number of challenges in access to infrastructure while access to finance was the biggest constraint faced by them.

5.4.7 Readymade Garments



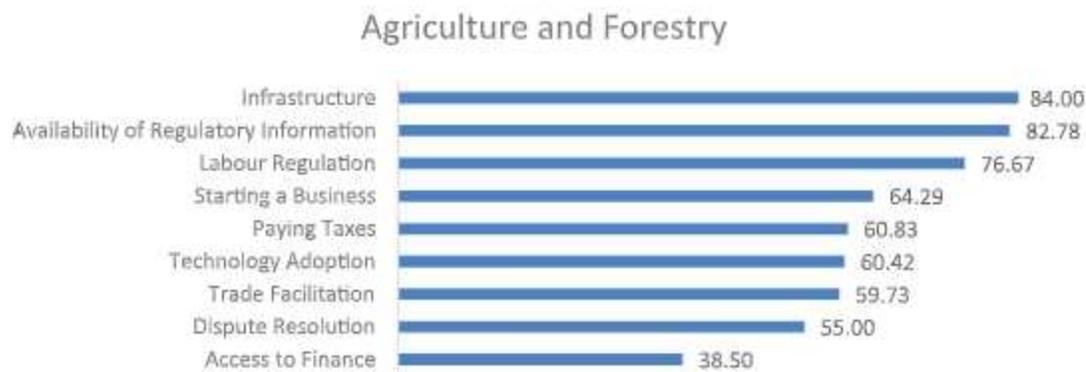
As per the survey, readymade garments faced the least number of challenges in starting a business while access to finance was the biggest constraint faced by them.

5.4.8 Real Estate, Renting and Business Activities



As per the survey, real estate, renting and business activities faced the least number of challenges in trade while access to finance was the biggest constraint faced by them.

5.4.9 Agriculture and Forestry



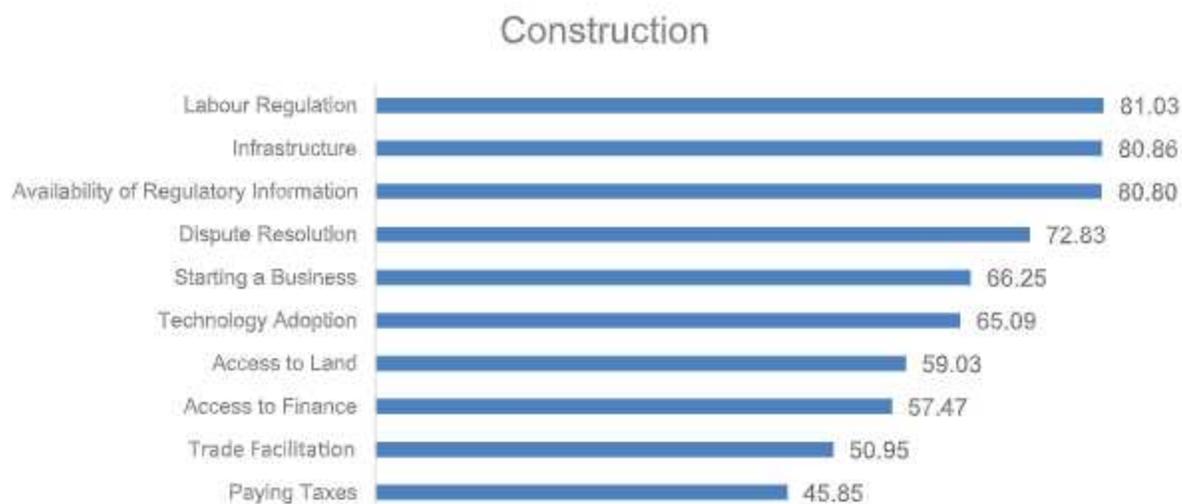
As per the survey, agriculture and forestry faced the least number of challenges in access to infrastructure while access to finance was the biggest constraint faced by them.

5.4.10 Leather and Tannery



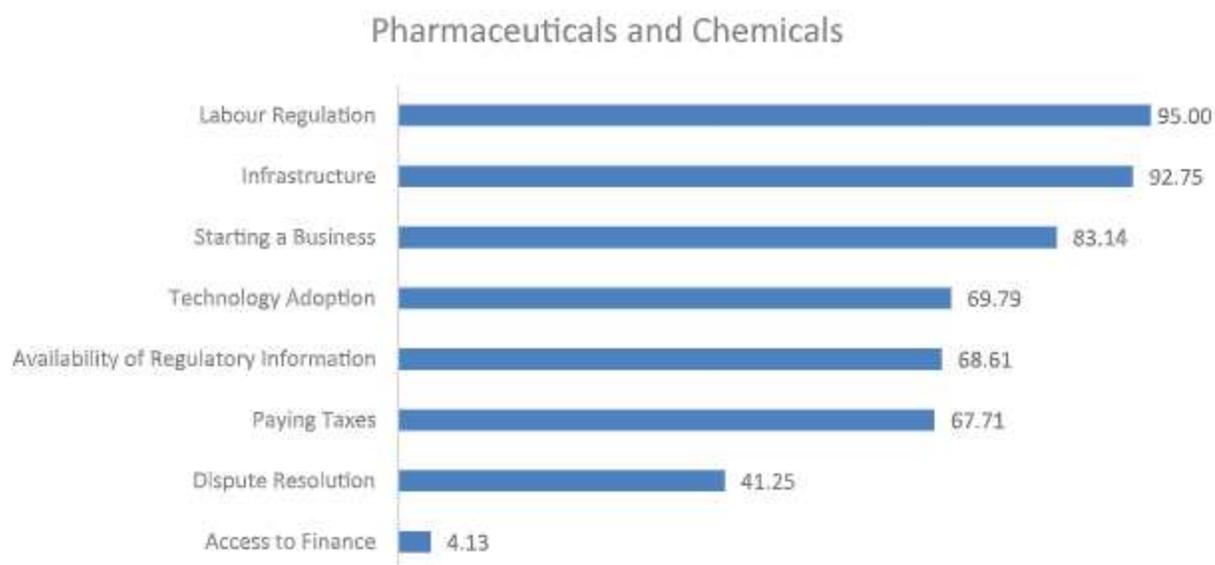
As per the survey, leather and tannery sector faced the least number of challenges in dispute resolution while paying taxes was the biggest constraint faced by them.

5.4.11 Construction



As per the survey, construction sector faced the least number of challenges in labour regulation while paying taxes was the biggest constraint faced by them.

5.4.12 Pharmaceuticals and Chemicals



As per the survey, they faced the least number of challenges in labour regulation while access to finance was the biggest constraint faced by the sector.

Table 29: Implications of Index Scores for Dhaka and Chattogram as Growth Locations

Name of Pillars	Dhaka's Position in			Chittagong's Position in			Top Performer
	2022	2021	Change	2022	2021	Change	
 Starting a Business	6	3	↓	3	4	↑	Rajshahi
 Access to Land	1	3	↑	4	4	→	Dhaka
 Availability of Regulatory Information	7	5	↓	6	1	↓	Mymensingh
 Infrastructure	2	5	↑	4	1	↓	Rangpur
 Labour Regulation	1	4	↑	5	2	↓	Dhaka
 Dispute Resolution	7	4	↓	5	3	↓	Sylhet
 Trade Facilitation	8	4	↓	4	1	↓	Sylhet
 Paying Taxes	1	8	↑	2	7	↑	Dhaka
 Technology Adaption	4	4	→	3	1	↓	Sylhet
 Access to Finance	8	7	↓	3	6	↑	Sylhet

Key Messages on Implications on Current and Future Growth Centers

- Sylhet tops Divisions with best performer in four out of 10 indicators. It fares the best in access to finance, technology adoption, trade facilitation and dispute resolution.
- Dhaka comes a close second as it is deemed a top performer in three indicators including paying taxes, labour regulation and access to land. Dhaka has improved in the following indicators in BBX 2022: access to land, infrastructure, labour regulation and paying taxes.
- Chittagong has experienced a dip in performance as it has not been a top performer in any indicator in BBX 2022. However, Chittagong has improved in three indicators in BBX 2022 in access to finance, paying taxes and starting a business.

Sylhet topping in four pillars – indicates to prospects of growth centers beyond Dhaka and Chattogram.

Business Environment Score: Where Do Sectors Stand (Sectors' Perception of Respective Business Environment)



*Construction and Real Estate, Renting & Business are separate sectors as reflected in BBS. Details in Chapter 3

- The above table portrays the average score of the ten indicators for each sector.
- The BBX 2022 reveals that the Construction sector has an average indicator score of 66.02¹⁰ which implies that the sector perceived of itself of that progress has been made; however much more needs to be accomplished.
- The Textile sector have scored the least in terms of average indicator score relative to other sectors, i.e. 48.02¹¹. While this appears to be wholly counter-intuitive in view of the fiscal and policy support framework for these sectors, this is the perception of firms in the sector themselves.

¹⁰ The Construction sector has the highest score of 66.02, indicating the sector perceives that it has the best business environment among comparators. The sector scored above 80 in three indicators, i.e., availability of information, infrastructure, and labour regulation. Also, the sector scored below 60 in four indicators, i.e., access to land, access to finance, paying taxes and trade facilitation. The construction sector faced the least number of challenges in labour regulation while paying taxes was the biggest constraint faced by them.

¹¹ The Textile sector has the lowest score of 48.02, indicating that it has generally complex business environment. The sector scored above 60 in four indicators, i.e., availability of regulatory information, infrastructure, labour regulation, and starting a business. The sector scored below 40 in three indicators, i.e., trade Facilitation, technology adaption, and access to finance. The textile sector faced the least number of challenges in availability of regulatory information while access to finance was the biggest constraints faced by them

Chapter 6: Conclusion and Recommendations

Bangladesh's tailwinds have been characterized by a dynamic and trainable demographic dividend, strong remittances, and exports; however, the country needs to increase private investment including Foreign Director Investment to materialize the next set of ambitions. For Bangladesh to transition into an Upper-Middle Income Country by 2031 and a Developed Country by 2041, private sector investment needs to increase from 23 percent to 27 percent of GDP by FY2025. Moreover, the proportion of FDI needs to increase to 3 percent of GDP in the same period. Private sector investment has been hovering between 22 to 23 percent over the last decade and triggering private investment requires enhancing Bangladesh's Business Climate which encompasses factors such as starting a business, access to land, availability of regulatory information, infrastructure, labour regulations, dispute resolution, trade facilitation, paying taxes, technology adoption and access to finance. Significant and effective improvements and reforms in these areas will lead to an increase in private sector investment which is crucial for attaining a sustainable economic growth rate trajectory of over 8 percent.

For Bangladesh to attain its economic aspirations, it is crucial to target the correct reform measures and go into a more coordinate phase of policy making. In this regard, understanding the experience and perspective of businesses is essential. As business environment is dynamic, understanding it requires real time monitoring and analyses of structured data however the country has a stark lacking in structured data relating to business environment, especially across different sectors. Thus, analysis of structured data from businesses is essential which can help to formulate the appropriate policies to boost private sector investment. This data is also crucial in providing policymakers with a tool to address the binding constraints in particular sectors. In this regard, Bangladesh Business Climate Index (BBX) is a pioneering effort to provide a thorough understanding of the constraints faced by the private sector as told by the sector itself. Moreover, analyses of structured data on various pillars of the business climate helps policymakers to understand which areas are most important for the private sector and thus prioritize reforms.

6.1 Recommendations

6.1.1 Fostering Broader Policy Support to Transition to the Next Stage of Growth Ambition

Given Bangladesh's ambitious economic growth targets and export diversification agenda, accurate identification of business environment constraints and consequent setting of the right set of policies is crucial. Attaining a sustainable economic growth rate trajectory of 8 percent would require the country to tap into its potential. Bangladesh has tremendous potential to become more productive and, therefore, more competitive. In this regard, introducing the right set of policies across a number of areas can help the country become more integrated and globally competitive across a broader spectrum of industries which will result in accelerating economic growth, further reduction of poverty and creating gainful employment to 2.2 million people entering the workforce every year. To realize its ambitions, Bangladesh

needs to improve business environment, create policies to better connect to the Global Value Chains, strengthen firm capabilities and maximize benefits of agglomeration.

The prevailing business environment in Bangladesh is yet to fully support the country's vision for an Upper-Middle Income Country by 2031. The country's regulatory environment is a complex maze with 23 government agencies providing investor services. To start and operate a business, an investor may need to secure up to 150 approvals from various agencies. Incoordination among these agencies results in duplication of information for several requirements. This leads to an increase in cost and time for receiving approvals and thus adversely affects growth in private investment. Although reforms have been made to reduce time and costs to start a business over the last two years, there are still clear regulatory and administrative challenges for businesses. This poses significant risks for business operations and lowers the overall investment attractiveness and competitiveness of the country, thus stalling the process of economic diversification.

To improve the business operating environment of Bangladesh, several archaic laws that govern business houses need to be modernized. Modernizing archaic laws such as the Companies Act, Bankruptcy Act, improving government service delivery through establishing effective One-Stop-Shop (OSS), strengthening contract enforcement through introduction of Alternate Dispute Resolution (ADR) and faster disposal of commercial cases, and strengthening regulatory governance through the introduction of systematic tools such as Regulatory Impact Assessment (RIA), are some of the critical policy measures to improve the business operating environment of Bangladesh. Moreover, the current investment promotion agencies need to perform institutional strengthening and carry out a stronger investment promotion strategy to attract private investment and FDI.

Promoting Bangladesh investment potential opportunities in a systematic manner is of essence as there is a national target to increase FDI to US\$ 15.8 billion by 2025. In this regard, it is extremely important to provide capacity building to Investment Promotion Agencies such as BIDA, BEZA, BEPZA, BHTPA, PPPA and BSCIC so that they can deploy new generation promotion mechanisms for strategic investment promotion. IPAs in Bangladesh focus most of their effort on regulation, meaning that performance in identifying priority sectors, designing a shelf of projects, targeting priority investors, and converting investor interest into actual investment is very limited. BIDA as the prime investment promotion agency needs to focus efforts on providing handholding and after care services to both domestic and foreign investors. Apart from providing certain services, BIDA must focus on pulling in strategic investment into the country, by one-on-one networking with potential firms and positive image building exercise of Bangladesh.

Modernization of acts that acutely govern businesses such as Companies Act 1994, Competition Act 2012 and Import and Exports Control Act 1950 is crucial for improving business climate. The Companies Act was amended in 1994 to include a few new provisions related to audits, but the fundamental sections of the law remain from the original Act from 1913. While the body of the Act still suffices for company matters, nevertheless certain amendments are required to make it more effective and relevant, e.g., inclusion of a proper framework for restructuring, mergers and acquisition of companies, and a more time and cost-efficient framework for winding up companies. New laws also remain only partially implemented. For example, the Competition Act was enacted in 2012 – however, this Act, which impacts anti-competitive practices and therefore directly relates to consumer wellbeing, remains unimplemented. There are many legal requirements for licensing or certification which are only relevant now for the authority concerned to levy fees; for example, the many different kinds of Import Registration Certificates under the Imports and Exports (Control) Act 1950 which were relevant at the time of licensing-raj, and for which up to 12 different documents are required, are no longer appropriate, and importers should be able to obtain a

single import registration certificate. Prevalence of an outdated legal framework leads directly to a complex licensing environment for business.

6.2 Indicator-specific Recommendations

6.2.1 Starting a Business

Developing an effective, end-to-end, and complete One Stop Service (OSS) model that ensures full set of services among all relevant institutions required for starting and operating a business. Countries like Macedonia, Azerbaijan and Egypt have achieved positive results by implementing an OSS which is interoperable with other agencies. Evidence of several economies shows that establishment of a comprehensive OSS system for regulatory service delivery reduces the average time and number of procedures needed to deliver services. Although Bangladesh has enacted an OSS bill in February 2018 and set up an OSS for investor services, it is yet to provide the full set of services needed by an investor to start and operate a business in Bangladesh.

Development of Standard Operating Procedures (SOPs) would not only reduce the regulatory burden but also bring in predictability in regulatory service delivery resulting in higher investor confidence. The approval process of different agencies should be reviewed to identify bottlenecks and based on the analysis new processes can be developed to reduce the existing regulatory burden. An SOP for each simplified process should be developed to detail the roles and responsibilities of each government staff member associated with the service delivery, provide details on each step and the people, who are responsible, create a specific timeline and establish the documentary requirements, fees etc. Once the processes have been simplified, automating them will minimize the number of visits by an investor to different agencies for obtaining services and reduce unnecessary delays in the approval and inspection process. This will bring more transparency to service delivery.

Introduction of systemic methods such as Regulatory Impact Assessment (RIA) and Feedback Loop are extremely important for assessing the overall impact of regulations to businesses and taking businesses' feedback into account for improving quality of regulatory service delivery. RIA is a systemic approach to critically assess the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. Introducing RIA which is a tool for evidence-based policy making, would be critical in evaluating the impact of a regulation on a business. Setting up an RIA unit at a central ministry will be helpful in introducing the concept in the law-making process of Bangladesh. Moreover, building RIA capacity at the central unit and the agency level to conduct RIA for upcoming bills or amendments will also be helpful in integrating RIA for persistent impact assessment of regulations. Similarly, introducing a 'Feedback Loop' will help to receive feedback from the private sector about problems faced when receiving regulatory services. The feedback will help the government identify gaps between service delivery quality and targets and take action to address this. The government is already taking steps such as introducing the Legislative Impact Assessment (LIA) into Bangladesh's lawmaking process.

Establishment of a risk-based approval and inspection system and introduction of an online portal containing all information relevant to regulatory delivery will make better use of resources and speed up service delivery. Introducing such a system will improve service delivery significantly as it will focus on actual risks, and low and medium risk applications will get faster approvals. The system will also

allow the inspectorate to focus more on high-risk activities and on cases of non-compliance. It will save resources for both the public and private sector, as low risk and compliant operations may face fewer inspections. Moreover, introducing an online information portal containing all information relevant to regulatory delivery requirements and procedures. The online portal will bring more transparency on documentary requirements, fees, procedures, forms etc. It will also help an investor produce a more correct and complete application for a service. Many delays occur because of incorrect and/or incomplete applications, the submission of more accurate and complete applications will help a government agency process them faster.

Integration of the gender dimension in regulatory service delivery will help to facilitate more gender inclusive regulations. The government should develop a strategy to ensure participation of women-owned/led businesses in the relevant law-making process. One of the mechanisms could be to encourage women entrepreneurs to participate in the regulatory consultation processes. Policymakers may consider making it mandatory to send relevant bills or drafts to business membership organizations representing women businesses for review and input before finalizing the bill. They may also commission research to better understand challenges faced by small and medium enterprises owned by women.

Introducing a system that accommodates innovative business activities and start-ups. It is important to have an adequate understanding among policymakers regarding new business ideas and start-ups, for example in areas of disruptive technology which has helped shift the way people do things, such as Uber or Airbnb (transportation, hotels, etc.), to be able to prepare appropriate regulations and hence encourage innovative businesses and start-ups to enter and operate in the country.

6.2.2 Access to Land

For the public to be informed about the expected regulatory delivery timeframes and cost for property registration procedures, it is important to make service standards publicly available, both online and at the service offices of the Land Offices and SROs. In Bangladesh, information on the necessary requirements to carry out property transactions – including applicable fees, or lack thereof - can be obtained only by visiting the relevant agencies in person. Together with the following recommendation, this would lead to a transparent system where all land-related information is publicly available, subject to legal confidentiality requirements, procedures are clearly defined, and information on fees and service standards is easily accessed. Such actions are key to keeping transaction costs low and guarding against discretion, informal payments, and other abuses.

Increasing transparency of the system can be attained by publishing statistics on land disputes and statistics on property transfer transactions. Another action that would improve the transparency of the system is to design a mechanism to keep statistics for land disputes not only at the administrative level but also at the court level. Currently no official statistics on property transfer transactions (e.g., number of transactions per year) are made available to the public. With the objective of improving transparency, it is recommended that Bangladesh implement the publication of such data.

Conducting cost-benefit analysis and assessing feasibility of reducing the fees at the Sub-Registry Offices. The total cost for transferring property in Bangladesh is on average about 7 percent of the property value. In Dhaka the cost is around 6.4 percent of the property value while in Chittagong is 7.7 percent, due to a difference in local government taxes. In the top ten countries in the world where it is easiest to transfer property, the average transfer cost is just 0.07 percent of the property value. Although some progress has

been made in fee reduction in over the last two years, such as reduction of stamp value from 3 percent to 1.5 percent of the property value, the levels of stamp duty remain comparatively high by international standards. In this regard, the government could assess the possibility of reducing the tax rate for the stamp duty and gradually reduce reliance on the transfer property tax as other forms of taxing immovable property become more viable. This reduction should be done in conjunction with the implementation of a simple, annual property/real estate tax and sound valuation methods.

Increasing access to and preservation of property records should be initiated by computerizing/digitizing all land records and property title registration. Currently all property records are kept on paper, which makes their preservation precarious and access difficult. By digitizing the existing paper records, the government could ensure security of property titles through easily accessible records. It would also ensure a less cumbersome method of transferring ownership. The process of computerization can be implemented in three phases to make it more manageable:

- Firstly, the scanning and indexing should start from the new transactions. This can be done both at the Land Offices and the SROs.
- Secondly, the scanning should begin with transactions that have been completed in the past few years for both the Land Offices and the SROs.
- Finally, all archives should be scanned including the Balam Books for a period of 25 to 30 years.

6.2.3 Availability of Regulatory Information

Easier access to regulatory information online, such as fee schedules, is associated with greater regulatory efficiency, lower compliance costs and better regulatory quality for businesses. Introducing an online information portal containing all information relevant to regulatory requirements and procedures would be effective in increasing regulatory efficiency. The online information portal will bring more transparency on documentary requirements, fees, procedures, forms and the like. It will also help an investor produce a more correct and complete application for a service. Many delays occur because of incorrect and/or incomplete applications and the submission of better applications will help a government agency process them faster. Authorities should be more proactive to develop more detailed and user-friendly guidelines for applicants. They could introduce and publicize in plain language the guidelines for the overall process to guarantee public access of information, such as:

- i. Key steps in a permit process from beginning to end.
- ii. Key agencies involved.
- iii. All required documents that need to be submitted for each approval.
- iv. The names of all certificates, permits and approvals required in the process.
- v. Timeframes and fees associated with the various approvals.

Introducing and publishing a regulatory calendar at the beginning of a fiscal year that would indicate all upcoming laws for the year. This will help businesses greatly in foreseeing a regulatory scenario that is relevant to their respective businesses and take measures accordingly. This will also help in reducing regulatory unpredictability for businesses. Increasing regulatory predictability by publishing all upcoming laws for the fiscal year will help businesses to make better projections of their operations, costs, revenues, and profit.

6.2.4 Infrastructure

Strengthen institutional and implementation capacities to leverage private investment and participation through Public Private Partnerships (PPPs) for infrastructure service provision. In light of Bangladesh's limited fiscal resources, a greater use of PPP instruments could unlock much-needed investment in infrastructure. Increasing implementation capacity in the relevant entities such as the Public-Private Partnership Authority (PPPA) and implementing line ministries is a foundational step towards adopting PPP instruments. It is also important to increase structuring experience and understanding of risk sharing between public and private entities, and bankability requirements for projects. Moreover, it is crucial to have effective coordination between the PPPA and line ministries in aspects like project evaluation and Implementation. Transparency regarding G2G agreements is very essential, in which ambiguity may lead to loss in investor interest and suboptimal projects.

Financing infrastructure projects by sovereign bond issuance is an option which Bangladesh can delve into and assess the pros and cons further. The government consider issuing sovereign bonds in the international capital markets in due time so that there is an adequate benchmark against which sovereign risk will be priced. This could also include bonds by state-owned enterprises with sovereign backing. This could facilitate the issuance of offshore bonds by Bangladeshi companies operating in the infrastructure space to tap into a new source of financing. This should be considered after the turbulence exerted by COVID-19 on global financial markets wanes.

Developing domestic capital markets and issuance of local currency bonds offshore will support in generating funds for infrastructure financing. Bangladesh's bond market represents 12 percent of its GDP with government bonds dominating the market. The private equity industry is nascent. As a result, the power companies, for example, mostly fund the projects through accumulated earnings or multilateral loans, both of which are limited. They therefore often resort to financing long-term projects with short-term financing, causing asset liability mismatches. On the other hand, bonds that are issued in local currency is an attempt to shield issuers from currency risk and transfer the risk to investors buying the bonds. The coupon rate depends upon factors such as the issuing entity's country rating and currency stability.

More dynamism can be created in the power sector by enacting private power sector transmission policy and enhanced cross-border energy trade. It is essential for Bangladesh to develop and enact a private sector power transmission policy and implement a pilot PPP in the transmission and distribution sector. Moreover, the country can maintain active dialogue with neighbor countries on cross-border energy trade to further align regulations and mobilize required investment from various sources in cross-border transmission. The country can gradually prepare to move to a cost-reflective tariff structure and gradually corporatize public utilities.

Although Economic Zones are addressing a critical problem of serviced land available, Economic Zones program require faster implementation and adjusting model by emphasizing more on zones for multiple tenants rather than zones earmarked for single business conglomerates . The Government can cooperate with private firms to develop plug-and-play industrial zones with research and development facilities, waste disposal and recycling facilities together with investment in infrastructure to better connect and equip secondary cities. BEZA is developing a self-contained industrial city - Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) - in the country's southeastern part to encourage industrial clusters and economic and export diversification. The promising zone is being developed on 30,000 acres of land. Consideration should be given to rationalizing or at least coordinating the agencies that are involved in providing logistics infrastructure and services. Zones selection will need to be based on careful feasibility studies and competitiveness analysis. The special economic zones can play a useful role in alleviating land constraints, given the congestion in both Dhaka and Chittagong.

6.2.5 Labour Regulation

Current curriculum and training modules must be aligned with market needs as the market experiences a continuous upgradation of technology. Bangladesh Industrial Technical Assistance Centre (BITAC) provides basic skills programs; however, the curriculum and training modules often does not comply with market needs due to the constant upgrading of technology. Although, Technical and Vocational Education and Training (TVET) offered by government has grown over the last two decades, the share of women enrolments has remained low. A robust skills-development ecosystem with participation from industries and well-funded training programs is needed to address the shortage of skilled workforce which is a critical element in economic diversification in the country.

A study can be done which will determine where the key opportunities are for semi-skilled workers and training curriculums should be set accordingly. The government may conduct a study on where the key opportunities are globally for semi-skilled workers. Upon identification of the countries and sectors, a training curriculum must be created that is aligned with global standards and thorough training should be conducted. This will provide an opportunity for workers to get trained and earn more and ultimately send more remittances back to the country.

Learning levels must be reliably benchmarked across years and across international comparators. As such improving learning measurement should be performed at the primary and secondary levels. This can be done so that learning levels can be reliably benchmarked across years and across international comparators by strengthening the national student assessments to improve both policy and practice. Moreover, it is important to improve overall management of teachers – selection, recruitment, pre-service training, continuous professional development and assessment – at all levels of education. Harmonizing the national qualification frameworks across general and technical education is required to support articulation between general education and TVET.

The skills eco-system requires several policy and strategic initiatives which are as follows:

- Developing Long-term Skills Strategy/Master plan/Program Aligning with National Growth Strategies and Projected Key Growth Drivers.
- Public Private Partnership in delivery of skills. This is critical in high skills matching and high employment outcomes.
- Employment-linked performance-based financing of skills program. This would yield better employment outcomes.
- Greater business orientation of Private Training Providers.
- Developing common strategy for the development of occupational standards, curriculum and training materials through the official channels (BTEB).

6.2.6 Dispute Resolution

Enforce the mandatory mediation provisions through adoption of the administering rules to support the implementation and create of the necessary infrastructure to operationalize mediation. The implementation of mandatory mediation itself is expected to reduce the time and cost for commercial dispute resolution in Bangladesh. It is also expected to reduce cost per claim significantly, which is very high in Bangladesh compared to neighboring countries. Although the Code of Civil Procedure incorporates provisions for mandatory mediation, implementation has been lacking due to the absence of the implementing regulations. These necessary rules to administer mandatory mediation have not yet been approved. They would also provide excellent scope for implementing court referred mediation given the existence of a private center. Implementation of mandatory mediation is also made difficult due to the lack of resources to properly implement it. There are very little resources in the country to mediate the large number of civil cases, currently pending before the courts.

Establishing time limits for certain stages of court cases and monitoring compliance. In commercial cases a long delay can equal a loss, regardless of the final outcome. Bangladesh could make significant gains in court efficiency by setting mandatory time standards for key events of commercial disputes (e.g. the filing of a plea or the submission of the final judgment). Time standards should feature mechanisms for the creation and enforcement of realistic schedules and should also include regulations on granting adjournments and continuances. Judges should take an active role in moving the case towards resolution by setting deadlines for evidence gathering and limits on the number of adjournments permitted.

Amend the Bangladesh Arbitration Act 2001 to improve implementation. The Arbitration Act broadly includes important aspects of international good practice, but it does not follow the latest developments in international commercial arbitration. It is advised that several amendments be introduced to ensure that the Act provides a modern framework for international arbitration in Bangladesh. A major factor inhibiting the effectiveness of arbitration in the Bangladesh context relates to the process for enforcement of arbitral awards. This process should be made short and effective, strictly enforcing the criteria for challenging an award, thereby not allowing a full re-hearing of the matter in contention at the stage of enforcement of an award. Earlier in the process of arbitration itself, there is significant scope for elimination of delays by amending the Arbitration Act 2001 to include mandatory deadlines for the appointment of arbitrators, and eliminating interim injunction orders in foreign arbitrations.

Establish a dedicated commercial bench within the High Court and designate specially trained judges. The concept is not new in Bangladesh as the government has implemented the Money Loan Court (MLC) within the civil court procedure to resolve financial disputes. Dedicated systems for commercial cases can make a big difference in the effectiveness of a judiciary. Having specialized commercial courts or divisions reduces the number of cases pending before the main first-instance court and thus can lead to shorter resolution times within the main trial court—one reason that economies have sometimes introduced specialized courts as a case management tool. But the benefits do not end there. Commercial courts and divisions tend to promote consistency in the application of the law, increasing predictability for court users. Moreover, judges in such courts develop expertise in their field, which likely leads to faster and more qualitative dispute resolution.

Introduce case management and court automation at both the High Court and lower court levels. A case management system is the aggregate of the processes and resources used to facilitate the progress of a case from filing through to its ultimate disposition. Stakeholders report that some form of case

management system is in place at both the High Court and subordinate courts, but that this system is not automated. Given the reported heavy caseloads in Bangladesh, it would be helpful first to review existing case management systems to ensure that they are operating effectively, and then to consider resorting to automation to maximize data collection and efficiency.

6.2.7 Trade Facilitation

Streamline documentation requirements. Paperwork requirements to import and export in Bangladesh remain onerous. A significant proportion of Bangladesh's cargo clearance procedures continue to be managed manually requiring submission of multiple copies of documents at the various regulatory agencies involved in international trade. Despite some automation associated with the submission and processing of customs declarations, much of the overall process remains paper-based and inefficient, resulting in a layer of complexity and delay for border clearance. The Government could explore ways to further streamline the documentation requirements (eliminating, merging, or accepting copies), and determine the function and need of each one through a mapping exercise across all relevant agencies. Streamlining the number of documents would significantly reduce the administrative burden on traders. In the longer term, further time savings could be obtained using electronic documents.

Improve Bangladesh Trade Portal and setting up a National Enquiry Point for Trade. The Bangladesh Trade Portal (BTP) was launched in March 2016. This website contains all the information required by traders (importers, exporters, freight forwarders, and transport operators) to discharge the regulatory obligations required by all the Bangladeshi government agencies involved in the control of imports, exports, and transit movements. Further enhancements will be needed to ensure that content is kept up to date. Setting up a National Enquiry Point for Trade will also help Bangladesh to meet a key requirement of WTO Trade Facilitation Agreement.

Promote the e-payment system and facilitate large value transactions. NBR introduced an electronic payment system in 2012, which enabled electronic payment of income tax, VAT, and customs duties. Nevertheless, take up of the e-payment system by traders has been low, and the Government could take further steps to raise awareness, incentivize traders to use the facility, enforce strong security measures, and promote taxpayers' confidence in the system. NBR could go further in fully incorporating this payment solution in its e-filing system, developing direct debit arrangements with commercial banks to make large value payments easier, and enabling clearing & forwarding agents to use prepaid accounts for export related payments.

Develop a fully operational National Single Window (NSW) for trade, connecting all relevant agencies and fully automating all trade-related procedures. A coordinated border management and clearance process is an essential element of trade facilitation and may result in a reduction in the time and cost to trade across borders. An electronic national single window (NSW) system allows trade professionals to carry out all their transactions through a single online portal. The results of such applications can be fed automatically into the clearance system to inform authorities, and also advise the applicant. This significantly speeds up import and export process, improves accuracy, and reduces opportunities for discretion. Although regulatory NSW systems vary in their functionality and complexity, the best single windows systems link customs, banks, technical control and permit issuing agencies, freight forwarders and traders into a single platform, allowing the exchange of information and automated processing and approvals in real time. This results in faster approvals, reducing microeconomic costs for Bangladeshi firms. The development of NSW has initiated in Bangladesh and is expected to be completed by 2024.

Reduction of regulatory and supplementary duties – otherwise known as para-tariffs on raw materials as well as finished goods can support in encouraging more trade and thus increase private investment. Bangladesh can intensify its trade and hence increase private sector investment including FDI by taking certain targeted policy measures. The country can improve competitiveness by reducing para-tariffs such as supplementary and regulatory duties on raw materials and can be more harmonized with comparator countries. Developing broad-based global value chain capabilities through policy measures such as reducing average rates of protection and harmonizing tariff schedules across all intermediate and final goods, facilitating easier and faster imports for exporters (e.g. through better functioning bonded warehousing schemes), introducing better standards and product market regulations, strengthening trade and infrastructure logistics to reduce customs clearance and transit times and thus resulting in lower costs of production, and adopting a sector-based roadmap for tariff modernization will be needed. The country can also have a stronger competition policy and protection of consumers from predatory business practices.

Revise bonded warehouse policies which will induce exports in sectors outside of RMG. Currently, the RMG sector receives the advantage of bonded warehouse licenses with which it can import raw materials duty-free in the country. Although other non-RMG export sector is supposed to get this facility, in reality – getting approvals for licenses, its renewal and maintenance of bonded warehouses outside the RMG sector is challenging. Thus, revising bonded warehouse policies and expanding facilities for non-RMG sectors to bring them into line with the regime that governs RMG is extremely essential.

Container movement can be encouraged by taking certain initiatives such as increasing port capacity, construction of a dual track line between Dhaka and Chittagong and improving transport services. Approximately half the cargo passing through the Port of Chittagong is containerized, but less than 15 percent of the containers are moved inland. The rest are kept either in the port or in privately operated inland container depots (ICDs) outside the port, subject to government regulations on size and maximum distance from port. The stripping of containers (around 60 percent of the export and import containers) adds to handling costs. The following recommendations should be implemented:

- Adopting a coordinated strategy to improve performance of the Dhaka-Chittagong corridor (including infrastructure, and transport services).
- Construction of a dual-track line between Dhaka and Chittagong to encourage container movement by rail, and construction of a four-lane road.
- Increasing port capacity by quickly developing Bay Container Terminal and Patenga Terminal in Chittagong, dredge relevant sections of the inland waterway network, modernize the vessel fleet, and invest in handling equipment and dredging to promote the use of inland water transport system for container movement.

6.2.8 Paying Taxes

Simplification of tax reporting forms. The common perception from the private sector is that tax forms are too lengthy and complex, especially for SMEs. A review of current tax forms could be undertaken to identify opportunities to reduce the number of fields and make them more intuitive. With the use of technology, opportunities exist to strengthen pre-populated forms and include automatic checks on possible errors by the taxpayers when completing the forms. Involving entrepreneurs and professional associations

in the enhancement of the existing system could help reveal the critical aspects to improve its user-friendliness.

Educate taxpayers and tax professionals on the tax system. One of the biggest obstacles in paying taxes for small businesses is the lack of basic knowledge and information. NBR can fill this gap by providing capacity building and training for entrepreneurs to help them better understand the tax rules. Tax education is particularly important following significant reforms of the tax system, such as the introduction of the new VAT law and electronic filing and payment platforms. NBR could continue organizing regular tax fairs to promote and explain its reforms. In addition, the tax administration could strengthen its outreach education initiatives by:

- publishing help manuals on the forms on its website.
- providing free, downloadable software for preparing tax returns.
- organizing live phone-in question-and-answer sessions with accountants.
- distributing CDs with software and help content to accountants, trade bodies, and professional and business associations.
- organizing meetings and seminars with taxpayers and tax practitioners.
- answering taxpayers' queries by phone and e-mail at the call center.

Fully implement the new VAT Law which makes the VAT refund process more efficient. Complying with VAT refund processes take 53 hours on average in Bangladesh, while receiving the refund takes 20.2 weeks. The Bangladeshi tax administration does not permit refunds outright and requires businesses to carry forward the claim and offset the excess amount against future output VAT. Under the current system, businesses also must file separate claims to obtain VAT refunds, and VAT audits are likely. If fully enacted, the provisions on refunds included in the new VAT law would speed up VAT refund processes and minimize compliance time. Under the new system, VAT refunds will not require to lodge a separate refund claim form or provide additional documentation at the time of filing the monthly VAT return. Refunds will be determined based on the information provided in the companies' monthly VAT returns. The Commissioner will have to provide taxpayers with explanations for rejecting or putting their claims on hold. Refunds will otherwise be issued automatically by the new system.

Modernize the tax administration. Currently, the tax authorities in Bangladesh are organized in three separate branches, with each branch in charge of the administration of one tax. To comply with their tax obligations, businesses must interact with the three wings of the National Board of Revenue: income tax, VAT, and customs. Each branch keeps a separate account for each taxpayer, and obligations or credits are not transferable from one account to another. Instead of having one administration per tax, reorganizing the tax authorities along functional lines would ensure efficiency and provide a more user-friendly system for taxpayers. As NBR tax wings are currently operating in an isolated manner, they don't have the right incentives to develop and implement an integrated risk management approach. Therefore, reorganizing NBR along functional lines would also ease the implementation of an integrated risk management system for the entire tax administrations. Some of the tax administration reforms are below:

- Digitalization of the overall tax system in a systematic manner is a must. Records should be maintained in such a way so as to reduce intermediaries that lessen the chances of human error.
- Reliance should be increased on Information Technology – big data, real time analytics, mobile apps, social media, etc.
- Self-assessment of taxes should be promoted. Paying taxes should be made simple and not considered a headache.
- Efficiency of tax audit strategies should be increased while reducing the risk of leakage.
- Segmentation of taxpayers could benefit overall tax collection. Every group will require a different approach.

6.2.9 Technology Adoption

The cost of internet and imports of technical knowledge transfer needs to be reduced. The Digital Bangladesh initiative has been largely successful but more work needs to be done, principal of which is reducing the cost of internet connectivity in Bangladesh which is higher compared to neighboring countries. The limits on tax- deductible expenditure for technical know-how and royalty payments, as well as limits on freely remittable costs on these accounts which are referenced to profits and turnover hamper in particular new companies' technology. Technology adoption is hampered by the need to pay for essential knowledge transfers. These limits should be reviewed and increased substantially, as well as being removed for new companies for the first 3-5 years of commercial operation, by amendment of the Income Tax Ordinance, 1984 and the Foreign Exchange Guidelines of Bangladesh Bank.

Additionally, Bangladesh needs to improve its technology extension system to improve the modernization of more advanced firms and sectors. This is relevant to industries such as pharmaceutical which would benefit from more advanced capability support- including help in obtaining appropriate sector-specific technologies- while still needing support on organizational capabilities. This needs public support for inter-firm and industry-science coordination to address the high sunk costs entailed in locating appropriate technologies and the need for R&D for adapting them to the local context. Technology extension should go hand in hand with public infrastructure for piloting and testing new technologies, and public research institutes.

The government must also address the challenges associated with market access and institutions and leveraging connectedness. Wider public investment and reform efforts to upgrade firms should focus on leveraging international connectedness, strengthening contract enforcement, and building up foundational skills, STEM and engineering skills. This includes improvement in basic technology infrastructure, such as quality standards and testing facilities and serviced industrial land.

Inadequate mobile network coverage has been a hindrance. Most respondents have reported that while acquiring internet connection was moderately easy, the quality of mobile internet coverage has been poor. Therefore, mobile companies should take initiatives to improve their coverage.

Government mechanisms need to be strengthened to better target direct support for innovation and technology adoption. There exists a mismatch between the current provisions of government support and the firms' needs to unlock the potential of technology. While uncertainty of demand, unclear economic benefit of new technology, lack of information on what is available, and lack of knowledge of how to acquire it are all among the top obstacles firms face to adopt new equipment, machines, or software, more than 70 percent of government support takes the form of tax incentive. Moreover, there is a dearth of information about government programs to support technology adoption in firms itself, leaving out potential beneficiaries and undermining the effectiveness of government support programs.

6.2.10 Access to Finance

Implementing a modern resolution framework for distressed assets will be critical to addressing the current problems in Bangladesh's banking sector. Such a framework would help eliminate the stock of bad debt. This, in turn, would improve the efficiency and stability of the Bangladeshi banking system and insulate the economy from macro financial shocks. Putting in place a clear and efficient NPL resolution framework would send a powerful signal to international and domestic investors, which are carefully watching Bangladesh's banking sector given its favorable fundamentals and upside potential from the efficiency gains. There have been discussions of a new bankruptcy law in Bangladesh, but these are still in the discussion phase. Meanwhile, the country is relying on the outdated Bankruptcy Law of 1997, which does not provide a coherent resolution framework.

A proper NPL resolution process is essential which would entail a framework for early recognition, reporting, and time-bound resolution of stressed assets. First, an asset quality review is needed to understand the depth of the problem, followed by the introduction of strengthened regulations for loan classification, provisioning, and write-offs. An early recognition of these problems, where incipient stress is recognized, will be key. Second, there will need to be a system of regular reporting about these problems to the regulator. Third, there is a need to address the NPL stock using public and private asset management companies (AMCs), professional recovery entities, NPL servicers, and bank restructuring.

It will be also important to address not only the existing stock of NPLs, but also their flow. It will require addressing the problem of willful defaulters and related party transactions. In 2019, BB formed several committees to make recommendations on how to reduce default loans and punish defaulters, but no substantive actions have yet been undertaken. It will also require strengthening supervision function of BB, increasing uptake of good corporate governance practices, and enhancing underwriting and risk management practices of banks.

Developing local capital markets as a source of long-term finance is particularly important for the private sector in Bangladesh. This is because the banking sector remains highly focused on short-term instruments, and access to foreign loans remains restricted. Despite the economy reached US\$ 465 billion in FY22, Bangladesh's fixed income market remains small and under-developed. The bond market totaled US\$ 18 billion as of 2021. According to Capital Markets Fact Book July 2021, currently global bond market size stands at US\$124 trillion while global equity market size stands at US\$106 trillion as of 2021. Bond market size of neighboring countries like Malaysia, Indonesia and Pakistan stand at US\$345 billion, US\$233 billion and US\$66 billion respectively. As a first step, Bangladesh will need to develop a well-functioning government debt market, which is foundational for capital market development because it sets the risk-free rate and benchmark for pricing other instruments.

The still-nascent corporate debt market needs to be stimulated by the correct reforms. Key issues relate to the trading structure, tax incentives, limited confidence in related professional services (audit, credit rating), and a lack of diversity in debt products. Approval processes for corporate bonds, especially with BSEC, are still too cumbersome and do not allow companies to issue bonds quickly. Processes that should take a few weeks take more than six months. Finally, better governance of the equity market is important for the future. Currently, many companies do not list due to concerns that the stock market is not fair and that the share price is undervalued. Moreover, many companies have their own sources of capital and these family-owned businesses do not want to dilute family control by selling shares. The prevalence of cheap bank funding and intertwined relationships among the real and financial sectors also contribute to the limited development of capital markets. Developing corporate governance and transparency will help support greater listing and the development of the equity market.

Bangladesh has considerable potential to develop a domestic green bond market to mobilize private capital for climate-related initiatives. Estimates suggest that climate related financing needs in Bangladesh are particularly high relative to the size of the domestic banking sector. Financing needs as a share total 52 percent of bank lending, compared to an average of 30 percent across emerging markets. This demonstrates the need to develop the domestic finance sector and green bond markets in particular, to offer new capacity to both refinance bank loans with longer term (and larger scale) financing, as well as for direct financing through capital markets. Local commercial banks and asset management companies are the domestic institutions with the highest potential to invest in green bonds. In general, investors with higher assets under management and a higher share in fixed income, would be more likely to invest in a green bond.

Facilitating micro, small and medium sized enterprises to accessing finance. Many MSMEs have reported experiencing a higher proportion of challenges when it came to accessing finance. The firms mentioned that this deterrent intensified after the government introduced the capping on loans at 9 percent to promote investment. This in many cases is resulting in an unintended side-effect of credit rationing. Banks and other financial institutions are preferring to provide loans to large companies with considerable assets and collateral. As a result, MSMEs are unable to compete with large firms and thus losing out on access to finance.

Table 30: Broad Policy and Indicator Specific Policy Recommendations

Type of Indicator	Recommendations	Leading Institutions	Time Required
Broad Policy			
Broader Policy Support for Sustained Competitiveness and Capacity	<ul style="list-style-type: none"> ● Modernizing archaic laws such as the Companies Act 1994, Competition Act 2012 and Import and Exports Control Act 1950 	Ministry of Law, Justice and Parliamentary Affairs, Ministry of Finance, Ministry of Commerce	Medium-Term
	<ul style="list-style-type: none"> ● Introduce national investment climate reform program with time-bound, continued improvements 	PMO, Ministry of Commerce, NBR, Ministry of Finance, Ministry of Industries	Medium-Term
	<ul style="list-style-type: none"> ● Utilization of new generation promotion mechanisms by Investment Promotion Agencies. 	PMO, BIDA, BEZA, BHTPA, PPA, and BEPZA	Short-Term
	<ul style="list-style-type: none"> ● Reviving dynamism in employment and exports, diversifying the economic base, and providing the much-needed lift to the SMEs. 	PMO, NBR, Chittagong Port Authority, Ministry of Industries, Ministry of Commerce, Ministry of Finance	Short-Term
Indicator-Specific Recommendations			
Starting a Business	<ul style="list-style-type: none"> ● Review why OSS has mixed success and make adjustments accordingly ; Develop a comprehensive One Stop Service (OSS) model 	BIDA, BEZA, BHTPA, PPPA and BEPZA	Short-Term

	<ul style="list-style-type: none"> ● Develop Standard Operating Procedures (SOPs) to reduce the regulatory burden and bring predictability in regulatory service delivery. 	BIDA, BEZA, BHTPA, PPPA and BEPZA	Short-Term
	<ul style="list-style-type: none"> ● Introduction of systemic methods such as Regulatory Impact Assessment (RIA) and Feedback Loop to improve regulatory service delivery. 	Ministry of Law, Cabinet Division, BIDA	Medium-Term
	<ul style="list-style-type: none"> ● Establishing an online portal containing all information relevant to regulatory delivery 	BIDA, BEZA, BHTPA, PPPA and BEPZA	Short-Term
	<ul style="list-style-type: none"> ● Revitalizing certain laws such as The Company's Act; Review sectoral licensing regulations for priority export and domestic sectors. 	Ministry of Law, Justice and Parliamentary Affairs, Ministry of Finance, Ministry of Commerce	Short-Term
	<ul style="list-style-type: none"> ● Integration of the gender dimension in regulatory service delivery will help to facilitate more gender inclusive regulations. 	BIDA, BEZA, BHTPA, PPPA and BEPZA	Medium-Term
	<ul style="list-style-type: none"> ● Introducing a system that accommodates innovative business activities and start-ups 	BIDA, ICT Division, Startup Bangladesh Ltd.	Short-Term
Access to Land	<ul style="list-style-type: none"> ● Increasing transparency of the Land Offices and Sub-Registry Offices service by making information on service standards publicly available. 	Ministry of Land, RAJUK	Medium-Term
	<ul style="list-style-type: none"> ● Increasing transparency by publishing statistics on land disputes and statistics on property transfer transactions 	Ministry of Land, RAJUK	Medium-Term
	<ul style="list-style-type: none"> ● Conducting cost-benefit analysis and assessing feasibility of reducing the fees at the Sub-Registry Offices 	Ministry of Land, RAJUK	Medium-Term
	<ul style="list-style-type: none"> ● Computerizing/digitizing all land records and property title registration. The following is recommended <ul style="list-style-type: none"> - Scanning and indexing should start from the new transactions at Land Offices and SROs - Scanning should begin with transactions that have been completed in the past few years for both the Land Offices and the SROs. - All archives should be scanned including the Balam Books for a period of 25 to 30 years 	Ministry of Land, RAJUK	Medium-Term
	<ul style="list-style-type: none"> ● Introducing an online information portal containing all information relevant to regulatory requirements and 	BIDA, BEZA, BHTPA, PPPA, BEPZA, Cabinet Division, Ministry of Law	Short-Term

Availability of Regulatory Information	<p>procedures. The portal should include the following information:</p> <ul style="list-style-type: none"> - Key steps in a permit process from beginning to end. - Key agencies involved. - All required documents that need to be submitted for each approval. - The names of all certificates, permits and approvals required in the process. - Timeframes and fees associated with the various approvals. 		
	<ul style="list-style-type: none"> ● Introduce and publish a regulatory calendar at the beginning of a fiscal year indicating all upcoming laws for the year. 	Ministry of Law, BIDA	Short-Term
Infrastructure	<ul style="list-style-type: none"> ● Strengthen institutional and implementation capacities with regards to PPPs: Review PPP Law and relevant regulations for more effective implementation. 	PPPA	Medium-Term
	<ul style="list-style-type: none"> ● Financing infrastructure projects by sovereign bond issuance. 	Bangladesh Bank, PMO, Ministry of Finance, Securities and Exchange Commission	Medium-Term
	<ul style="list-style-type: none"> ● Developing domestic capital markets and issuance of local currency bonds offshore. 	Bangladesh Bank, PMO, Ministry of Finance, Securities and Exchange Commission	Medium-Term
	<ul style="list-style-type: none"> ● Enacting private power sector transmission policy. 	Ministry of Power Energy and Mineral Resources,	Medium-Term
	<ul style="list-style-type: none"> ● Selection of Economic Zones should be based on careful feasibility studies and competitive analysis. 	BEZA, PMO	Medium Term
Labour Regulation	<ul style="list-style-type: none"> ● Align the current curriculum and training modules with the market needs. 	Ministry of Education, Industry Skills Council, NSDA	Medium-Term
	<ul style="list-style-type: none"> ● A re-skilling initiative of workers involved in sectors with export potential could be undertaken for migrant returnees from the Middle East. 	Ministry of Education, Industry Skills Council, NSDA	Medium-Term
	<ul style="list-style-type: none"> ● The skills eco-system requires several policy and strategic initiatives which are as follows: <ul style="list-style-type: none"> - Developing Long-term Skills Strategy/Master plan/Program Aligning with National Growth Strategies and Projected Key Growth Drivers. - Public Private Partnership in delivery of skills. This is critical in 	NSDA, Ministry of Education, Industry Skills Council	Long-Term

	<p>high skills matching and high employment outcomes.</p> <ul style="list-style-type: none"> - Employment-linked performance-based financing of skills program. This would yield better employment outcomes. - Greater business orientation of Private Training Providers. - Developing common strategy for the development of occupational standards, curriculum and training materials through the official channels (BTEB). 		
Dispute Resolution	<ul style="list-style-type: none"> ● Enforce the mandatory mediation provisions through adoption of the administering rules to support the implementation and create of the necessary infrastructure to operationalize mediation. 	High Court Division of the Supreme Court of Bangladesh, Ministry of Law, Justice and Parliamentary Affairs	Short-Term
	<ul style="list-style-type: none"> ● Establishing time limits for certain stages of court cases and monitoring compliance. 	High Court Division of the Supreme Court of Bangladesh, Ministry of Law, Justice and Parliamentary Affairs	Medium-Term
	<ul style="list-style-type: none"> ● Amend the Bangladesh Arbitration Act 2001 to improve implementation. 	Ministry of Law, Justice and Parliamentary Affairs	
	<ul style="list-style-type: none"> ● Establish a dedicated commercial bench within the High Court and designate specially trained judges. 	High Court Division of the Supreme Court of Bangladesh	Medium-Term
	<ul style="list-style-type: none"> ● Introduce case management and court automation at both the High Court and lower court levels. 	High Court Division of the Supreme Court of Bangladesh	
Trade Facilitation	<ul style="list-style-type: none"> ● Streamline documentation requirements 	PMO, NBR, Ministry of Commerce	Short-Term
	<ul style="list-style-type: none"> ● Promote the e-payment system and facilitate large value transactions. 	NBR	Medium-Term
	<ul style="list-style-type: none"> ● Develop a fully operational National Single Window (NSW) for trade, connecting all relevant agencies and fully automating all trade-related procedures. 	NBR, Ministry of Commerce, PMO	Long-Term
	<ul style="list-style-type: none"> ● Adopting certain policy measures such as reducing para-tariffs can support in inducing more trade and thus increasing private investment and FDI. 	NBR, PMO	Medium-Term
	<ul style="list-style-type: none"> ● Improve trade logistics through enhanced infrastructure, more efficient container handling, and shorter domestic transit times. 	Ministry of Industries, Chittagong Port Authority, NBR	Medium-Term

Paying Taxes	<ul style="list-style-type: none"> ● Simplification of tax reporting forms. 	NBR	Short-Term
	<ul style="list-style-type: none"> ● Educate taxpayers and tax professionals on the tax system. The tax administration could strengthen its outreach education initiatives by: <ul style="list-style-type: none"> - publishing help manuals on the forms on its website. - providing free, downloadable software for preparing tax returns. - organizing live phone-in question-and-answer sessions with accountants. - distributing CDs with software and help content to accountants, trade bodies, and professional and business associations. - organizing meetings and seminars with taxpayers and tax practitioners. - answering taxpayers' queries by phone and e-mail at the call center. 	NBR, Ministry of Finance	Medium-Term
	<ul style="list-style-type: none"> ● Fully implement the new VAT Law which makes the VAT refund process more efficient. 	NBR	Long Term
	<ul style="list-style-type: none"> ● Modernize the tax administration. Some of the tax administration reforms are below: <ul style="list-style-type: none"> - Digitalization of the overall tax system in a systematic manner is a must. Records should be maintained in such a way so as to reduce intermediaries that lessen the chances of human error. - Reliance should be increased on Information Technology – big data, real time analytics, mobile apps, social media, etc. - Self-assessment of taxes should be promoted. Paying taxes should be made simple and not considered a headache. - Efficiency of tax audit strategies should be increased while reducing the risk of leakage. - Segmentation of taxpayers could benefit overall tax collection. Every group will require a different approach. 	NBR	Medium-Term
	<ul style="list-style-type: none"> ● Reducing the cost of internet connection. 	ICT Ministry, NBR	Short-Term

Technology Adoption	<ul style="list-style-type: none"> ● Gradually build up Bangladesh's technology extension system to support upgrading in more advanced firms and sectors. 	PMO, ICT Ministry	Medium-Term
	<ul style="list-style-type: none"> ● Strengthen government capabilities to better target direct support for innovation and technology adoption 	PMO, ICT Ministry	Medium-Term
Access to Finance	<ul style="list-style-type: none"> ● Implementing a modern resolution framework for distressed assets. 	Bangladesh Bank	Short-Term
	<ul style="list-style-type: none"> ● A proper NPL resolution process is essential which would entail a framework for early recognition, reporting, and time-bound resolution of stressed assets. 	Bangladesh Bank	Medium-Term
	<ul style="list-style-type: none"> ● Addressing NPL flows along with NPL stocks addressing the problem of willful defaulters and related party transactions. 	Bangladesh Bank	Medium-Term
	<ul style="list-style-type: none"> ● Developing local capital markets as a source of long-term finance. 	Bangladesh Bank, Bangladesh Securities and Exchange Commission	Medium-Term
	<ul style="list-style-type: none"> ● Stimulate the corporate debt market by correct reforms. 	Bangladesh Bank, Bangladesh Securities and Exchange Commission	Medium-Term
	<ul style="list-style-type: none"> ● Develop a domestic green bond market to mobilize private capital for climate-related initiatives. 	Bangladesh Bank, Bangladesh Securities and Exchange Commission	Medium-Term
	<ul style="list-style-type: none"> ● Removal of current loan capping and allowing market force to regulate interest rates. 	Bangladesh Bank	Medium-Term

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A BRIEF PROFILE OF MCCI, DHAKA

Founded in 1904, the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) is the oldest and the pre-eminent trade organization of Bangladesh. Its membership roll encompasses leading commercial and large industrial organizations of the country, including public sector corporations and local as well as multinational companies. Presently, almost all major enterprises of the manufacturing and service sector are among its members. The Chamber provides a wide range of professional services to its members.

The Chamber's services, developed over a long period, are comprehensive and cover specialized areas such as taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial concerns. The Chamber maintains a secretariat manned by professional staff. It offers secretarial services to the Bangladesh Employers' Federation (BEF), the lone national level organization of employers in the country dealing with industrial relations, occupational safety and health, workplace cooperation, skills development, labor law and other labor-related issues.

The Chamber's policy recommendations and inputs related to ongoing reforms have gained wide acceptance amongst government and policy makers. MCCI has earned recognition at home and abroad by offering services such as issuing certificates of origin, and, through conducting economic research and sector surveys, offering trade and investment facilitation services, legal services, information management and dissemination, and publications related to trade and commerce.

The Chamber is represented in many Advisory Councils as well as Committees formed by various ministries of the government of Bangladesh. MCCI also maintains effective working relations with development partners, e.g., the World Bank Group, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Asian Development Bank (ADB), Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), the Asia Foundation, etc. MCCI has a long history of joint collaboration. It interacts regularly with major international trade bodies and many private sector organizations located all over the world.



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