Bangladesh Business Climate Index BBX 2023-24

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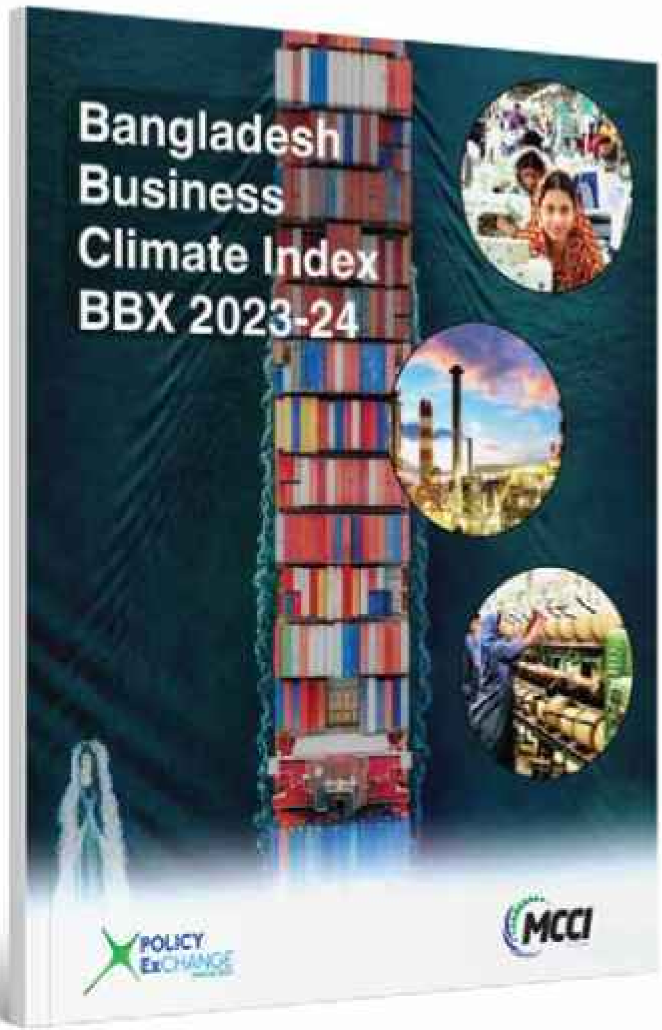

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Acknowledgment

The Bangladesh Business Climate Index (BBX) was introduced in 2021, which provides comprehensive insights into the regulatory and business landscape of Bangladesh. Unlike global indicators such as the World Bank Doing Business report, the BBX is tailored to the specific realities of Bangladesh, focusing on geographic and sector-specific factors. The BBX aims to equip both private investors and government agencies with timely and detailed data to navigate the country's business environment effectively. The BBX 2023 utilizes a Stratified Multistage Cluster Sampling Approach and draws on inputs from 520 business owners and intermediaries through questionnaires and interviews. The report is spearheaded by Policy Exchange Bangladesh and the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI). The work has been carried out under the overall supervision and technical guidance of Dr. Masrur Reaz (Chairman, Policy Exchange) and critical analyses, drafting, and survey work were carried out by Policy Exchange team members that included Faaria Tasin (Investment Climate Consultant), Pinaky Shankar Rahul Bhowmik (Senior Research Analyst), S.M. Hasibul Karim (Statistical and Survey Expert), Md. Ziaur Rahman (Senior Policy Analyst), and Rafid Anjum (Business Analyst). The team acknowledges the guidance and contributions of the MCCI core group, including Md. Saiful Islam, Kamran T Rahman, Habibullah Karim, Barrister Nihad Kabir, Syed Nasim Manzur, and Farooq Ahmed, which have enhanced the robustness of the BBX. Additionally, gratitude is extended to various private sector institutions, chambers, and associations for their participation and valuable inputs, enriching the depth and accuracy of the study.

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Acronyms

a2i - Access to Information

AAFA - American Apparel and Footwear Association

ADR - Alternative Dispute Resolution

AMCs - Asset Management Companies

API - Application Programming Interface

ASEAN - Association of Southeast Asian Nations

BAT - British American Tobacco

BCT- Bay Container Terminal

BB - Bangladesh Bank

BBS - Bangladesh Bureau of Statistics

BBX - Bangladesh Business Climate Index

BCG - Boston Consulting Group

BDT - Bangladeshi Taka

BECA - Bangladesh Environment Conservation Act

BGMEA - Bangladesh Garment Manufacturers and Exporters Association

Bibhags - Divisions (in the context of Bangladesh)

BIDA - Bangladesh Investment Development Authority

BITAC - Bangladesh Industrial Technical Assistance Centre

BIWTA - Bangladesh Inland Water Transport Authority

BoP - Balance of Payments

BSEC - Bangladesh Securities and Exchange Commission

BSMSN - Bangabandhu Sheikh Mujib Shilpa Nagar

BSRS - Business Responsibility and Sustainability Report

BSTI - Bangladesh Standards and Testing Institution

BTEB - Bangladesh Technical Education Board

CDP - Committee for Development Policy

CPA- Chittagong Port Authority

COVID-19 - Coronavirus Disease 2019

CPI - Consumer Price Index

CSR - Corporate Social Responsibility

DCCI - Dhaka Chamber of Commerce & Industry

DFQF - Duty-Free Quota-Free

DCC- Dhaka-Chittagong corridor

DoE - Department of Environment

DVS - Document Verification Systems

e-TIN - Electronic Tax Identification Number

EBA - Everything But Arms

EIU – Economic Intelligence Unit

EPZ - Export Processing Zone

ESG - Environmental, Social and Governance

EU - European Union

EZ – Economic Zone

FAO - Food and Agriculture Organization

FDI - Foreign Direct Investment

FY - Fiscal Year

G2G - Government-to-Government

GDP - Gross Domestic Product

GED - General Economics Division

GoB - Government of Bangladesh

GRI - Global Reporting Initiative

GSP - Generalized System of Preferences

HDI - Human Development Index

HIC - High-Income Country

ICT - Information and Communication Technology

IFC - International Finance Corporation

IFPRI - International Food Policy Research Institute

IMF - International Monetary Fund

ICD - Inland Container Depots

IP - Internet Protocol

IT - Information Technology

ITA - Income Tax Act

ITES - Information Technology Enabled Services

LC - Letter of Credit

LDC - Least Developed Countries

LPI - Logistics Performance Index

MCCI - Metropolitan Chamber of Commerce & Industry

MPS - Monetary Policy Statement

MSMEs - Micro, Small, and Medium-sized Enterprises

NAP - National Action Plan

NBR - National Board of Revenue

NGO - Non-Governmental Organization

NLDCC - National Logistics Development Coordination Committee

NPL - Non-Performing Loans

NSW - National Single Window

ODA - Official Development Assistance

OECD - Organisation for Economic Co-operation and Development

OSS - One Stop Service

OTEXA - Office of Textile and Apparels

PT - Patenga Terminal

PPP - Public-Private Partnership

PPP - Purchasing Power Parity

PPPA - Public-Private Partnership Authority

RCEP - Regional Comprehensive Economic Partnership

RIA - Regulatory Impact Assessment

RJSC - Registrar of Joint Stock Companies & Firms

RMG - Ready-Made Garment

SACCI - South African Chamber of Commerce and Industry

SDGs - Sustainable Development Goals

SEBI - Securities and Exchange Board of India

SMEs - Small and Medium Enterprises

SOPs - Standard Operating Procedures

SRG – Sustainability Reporting Guidelines

TDS - Tax Deducted at Source

TRIPS - Trade-Related Aspects of Intellectual Property Rights

TVET - Technical and Vocational Education and Training

UAE - United Arab Emirates

UK - United Kingdom

UMIC - Upper Middle-Income Country

UN - United Nations

UNCTAD - United Nations Conference on Trade and Development

USA - United States of America

USD - United States Dollar

VAT - Value Added Tax

WEO - World Economic Outlook

WTO - World Trade Organization

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Key Highlights: BBX 2023-24

Innovative business environment index that provides timely and structured insights on regulatory and other barriers to doing business

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 three consecutive years.

BBX Tailored to Bangladesh context; covers sectors and geographies, 11 Pillar areas, and based on survey of more than 520 firms

BBX 2023-24 is tailored to the realities of Bangladesh and is granular in approach. The index is based on interviews with entrepreneurs, and spans over eleven 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; 10) Access to Finance; and 11) Environmental Regulations, and Standards.

Seeks to provide evidence based inputs to identify best practice areas, reform needs, and promote dialogue on business environment

The BBX is designed to be relevant to the country-specific realities of Bangladesh. As such, it is very sector and geography-specific. The primary goal of the BBX is to offer evidence-based inputs to local and national government agencies to enhance service delivery and develop actionable policy agendas that benefit local businesses. It seeks to benchmark rankings within the country, identify best performers, showcase exemplary practices, and promote dialogue between government and businesses to facilitate policy reform.

From a methodological standpoint, the BBX employs a Stratified Multistage Cluster Sampling Approach and assigns recommended weights to each industry based on its contribution to GDP and employment, ensuring a comprehensive and representative assessment of the business environment in Bangladesh. A total of 520 respondents were included in the computation of the Index. In the first phase, data is analyzed by Division, and it was achieved by preparing the absolute scores across 39 indicators for each Division.

BBX 2023-24 marks a drop in aggregate composite BBX score. The latest BBX index score is 58.75, down from 61. 95 from BBX 2022-23

The composite BBX score in 2023-24 is 58.75 which falls under category of an 'Several Bottlenecks remain for Business: Significant efforts required'. The distance to 100 suggests that more needs to be done for Bangladesh to become a genuinely attractive emerging market. To unlock the country's potential, the following key reforms would be paramount: Improving Infrastructure and Logistics, Strengthening Financial Systems, Enhancing Legal and Regulatory Frameworks, Bolstering Institutional Governance, etc.

The composite score 58.75 puts Bangladesh business environment in the category 'Several Bottlenecks in Business Environment: Significant Efforts required'

The BBX score of 58.75 for 2023-24 marks a deterioration and paints a picture of a challenging business landscape in the country, with no significant reform measures implemented in the past year. This decline from the previous year's score can be attributed to a variety of factors, including the increasing pressure from tax authorities amid continued revenue shortfall on the part of the government, streamline expenditures, combat inflationary pressures, navigate import compression and rising interest rates, contend with the impacts of the Russia-Ukraine war, and struggle with the overall global economic uncertainties.

Seven out of ten pillars that are common both in the previous BBX and the BBX 2023-24 experienced deterioration

Access to Land, Trade Facilitation, and Technology Adoption are the only three areas of investment climate that experienced improvements

Over the three years of BBX, Access to Finance and Paying Taxes have experienced continued decline

Two main growth centers , Dhaka, and Chattogram, only come at the top in one pillar area each

Trade Facilitation and Technology Adoption are the two areas on continued improvement

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

Bangladesh Composite Score 2023-24----→ 58.75

Pillar	2022-23	2023-24
Starting a Business	70.78	62.74
Access to Land	53.07	53.11
Availability of Regulatory Information	72.85	68.04
Infrastructure	74.49	71.08
Labour Regulation	74.40	70.04
Dispute Resolution	64.24	62.38

Pillar	2022-23	2023-24
Trade Facilitation	58.61	60.87
Paying Taxes	55.21	54.74
Technology Adoption	60.60	63.50
Access to Finance	35.22	28.11
Environment	--	51.59

Sectors with a lighter regulatory framework/compliance and oversight and which have a higher degree of informality also appear to have the burden of higher informal payments.

This is because the level of informality is associated with lower compliance and predatory behavior by some officials who often take advantage of such weakness by obtaining informal payments.

Informal Payments culture diminishes effectiveness of incentives

Policy support through incentives and others often get offset by the level of Informal payments required to continue business. For instance, RMG has the highest informal payment needs, perhaps owing to their fast-paced and high-frequency transaction due to continued exports.

Frequency of regulatory compliance/interaction determines informal payments need

Frequency of interactions with regulatory service delivery agencies also determines informal payment requirements. Often, firms in sectors that have a high frequency of regulatory approval such as border clearances, standard testing, and export/import approvals end up paying higher informal payments due to the higher frequency of regulatory interactions.

Access to Finance consistently most difficult area of business environment

Access to finance has emerged as the consistent most difficult element of the business environment. The pillar has experienced a constant decline over the three years and is ranked the lowest in 2023-24 BBX. The ranking also falls under the lowest category of business environment in the BBX method i.e., the 'Difficult Business Environment' category indicating that this area of business environment requires massive and urgent reforms.

Business Environment elements have varying degree of quality

A 42.97-point difference between the highest scoring pillar i.e., Business Infrastructure and the lowest ranked pillar i.e., Access to Finance indicates the varying degree of quality of the business environment across important areas, and that targeted attention and reform design/urgency will be required for various areas of the business environment.

Regulatory service quality/ effectiveness of reform ultimately depends on field level service providing government agencies

There is a need to target last mile/field level regulatory service delivery arrangements for reforms and improvements. The benefits of laws/regulations often get impacted in varying degrees depending on the quality of application /enforcement of the regulatory service delivery by the field-level offices. Often conducive provisions of a law or regulations fail to deliver the intended benefit to businesses as time, effort, complexities, documents, and payments get affected by the way officials in the field/last mile regulatory service delivery point handle the interactions. This is reflected in mixed performance in BBX score by divisions across different pillar areas.

Size , sophistication, and urban location influence usage of technology

Size, sophistication, and urban location of businesses influence technology usage for regulatory compliance. Dhaka and Chattogram scored high in the 'Access to Regulatory Information' pillar. These locations are where the majority of the large and upper-middle-sized firms are located. The two locations also are vibrant with many business advocacies. Dialogue and awareness programs make businesses more aware of rights, and obligations and interconnected with the community.

Presence of large and upper-medium sized firms dilute attention from Small businesses when it comes to access to finance

A low score of Dhaka and Chattogram in 'Access to Finance' indicates that the presence of large and upper-medium-sized firms dilutes the attention of financial institutions from the small and lower-medium-sized firms. This corroborates the need for effective and targeted SME finance programs with regulator monitoring to gauge if benefits are reaching the targeted segments.

Infrastructure development needs to be more targeted to business competitiveness

While infrastructure remains the highest-scoring pillar, the absolute score in infrastructure has taken a slight dip. This implies that while the country has significantly improved transport infrastructure, adequacy and efficiency of industrial (e.g., smooth power and energy) and trade infrastructure (e.g., ports, freight transportation) remain behind the needs and expectations of businesses.

Sustainable operation of infrastructure requires adequate attention

Completion of infrastructure is important but sustainable operations are perhaps even more important to deliver the intended benefit to the businesses. This is quite evident in the case of power. The country has made remarkable achievements in expanding the power generation capacity to that of above 24000 MW. Yet, due to frequent power outages, firms indicated that their operations to big hit.

Reforms unless targeted to address the core issues do not yield much result

In access to land, despite several ICT-led reforms in the past couple of years, 90% of respondents suggested they have not experienced any beneficial reforms while 65% still made informal payments. This implies that reforms are not going to deliver the intended results unless the right reforms are targeted and prioritized. This also underscores the importance of incorporating a reform feedback mechanism once a reformed process is put into enforcement.

Despite significant expansion and introduction of new transport infrastructure, including some which are of mega nature, infrastructure experienced a slight drop in the 2023-24 score. This was largely due to frequent outages in electricity and energy, as well as transport logistics being termed as a problem in trade hub areas such as Chattogram and relative remote geographies such as Rajshahi. This implies that the completion of infra projects is not sufficient to render efficiency to the private sector, and that sustained operation of the infrastructure also requires attention for infra that are important for private sector operations.

Sectors with specialized regulators subject to greater regulatory burden

Presence of many sectoral regulators creates greater hassle than sector agnostic regulators such as trade license or company registration issuance authorities. Starting a business turned out to be more difficult for sectors such as construction, chemicals, pharmaceuticals, and RMG firms. These sectors are subject to supervision/regulatory decisions by several sector-relevant regulators such as customs, Rajuk, fire authority, explosive directorate, and drugs administration, and have indicated more difficult experiences in their respective sectors.

Regulatory predictability remains a critical challenge

Regulatory changes continue to remain largely unpredictable as little or no prior notices are provided to the private sector indicating of imminent changes; nearly 40% indicate that they did not receive any such prior head-up. This adds to regulatory uncertainty and policy inconsistency with a determinantal effect on investors' confidence.

Skills shortage more acute in firms linked to global value chain and in tech and knowledge intensive sectors

Sectoral scores in Labor, particularly feedback on skills availability suggest that the skills gap/shortage is more acute for firms that are global value chain oriented and for sectors that are more knowledge and technology-intensive. This is a wake-up call for policymakers as Bangladesh will have a significant reply on leveraging the power of global markets through competitive and diversified export products, as well as fast-paced technology adoption and innovation for productivity and developing a strong digital economy sector.

Availability of professional service providers help firms address challenges

Availability of capable service providers and experts to assist firms tends to lead to a better experience for firms. Dhaka scoring highest rank in dispute resolution is a testament to that the overwhelming majority of legal and arbitration professionals are located in Dhaka allowing firms here to tap into their advice and services for contract enforcement disputes.

The ongoing macroeconomic challenges clearly had an adverse impact on the business environment. The most notable impact is the drop in score in infrastructure which happened despite several important infra projects coming into operation. The other important impact can be observed in the Access to Finance which dipped 20 percent as a result of the impact of volatility in foreign exchange rates and availability and the import compression that ensured.

Reform in line with global best practices yield strong benefits

Steady reforms in line with global standards can help turn the tide in difficult business environment areas. Trade facilitation in Bangladesh has been a trailing area and was also one of the low-scoring pillars in last year's BBX. However, BBX 2023-24 denotes an improvement and this can perhaps be attributed to the fact that there are a number of reforms that have been brought in alignment with WTO Trade Facilitation Agreement (TFA) guidelines. This includes the new Customs Act 2023 aligned with the Revised Kyoto Convention, expansion of Authorized Economic Operator (AEO), removal of minimum tariff value in several products in the last finance bill, expansion of the electronic payments system etc.

Businesses face frequent regulatory changes by the government, accessibility and transparency regarding regulatory information poses compliance challenges in business operation

Regulatory changes continue to remain largely unpredictable as little or no prior notices are provided to the private sector indicating of imminent changes; nearly 40% indicate that they did not receive any such prior head-up. This adds to regulatory uncertainty and policy inconsistency with a determinantal effect on investors' confidence.

Sectoral scores for trade facilitation show that sectors with sensitive freight are experiencing longer time and complexities in border clearance

This implies that specialized agencies such as BSTI, Dangerous Goods Department, Explosives Directorate, Plant Quarantine Wing, which have an important role in regulatory clearance of import and export freight, need to develop more robust yet agile methods of inspections and clearance while also developing their technical capabilities.

Technology adoption and application are on a steady increase, perhaps an outcome of the Digital Bangladesh initiative

More than 50% use virtual applications for marketing, sales, and payments with digital payments experiencing the highest increase. Technology use is increasing across the different spheres of business including customer engagement and business administration tasks, which will help Bangladeshi firms to raise their efficiency. Increasing policy incentives to expedite making such a positive trend more widespread required serious consideration.

Sector-Specific Regulatory Overlaps and Poor Coordination Create Significant Challenges for Starting several businesses

Sectors, such as construction, chemicals, pharmaceuticals, and ready-made garments (RMG), have been facing additional challenges in starting businesses due to the involvement of multiple sector-specific regulators. The lack of strong coordination between these various regulatory bodies is creating complexities and obstacles for entrepreneurs and businesses in these industries. While laws and regulations are designed to provide benefits, the quality of their application and enforcement at the field level can significantly impact the realization of these intended outcomes.

While Bangladesh has made significant strides in its economic development, there are two areas that require continued attention and investment

The availability of a skilled workforce and the need to address digital literacy gaps. The lack of a skilled workforce has emerged as an area of concern, particularly as the country aims to enhance its competitiveness and participation in global value chains. Improving digital literacy is therefore crucial in today's increasingly technology-driven business environment.

Recognizing the importance of a predictable and consistent regulatory environment is a crucial step in creating a more favorable investment climate

By improving communication, transparency, and the overall approach to regulatory changes, the government can help address the concerns raised and foster a more conducive business ecosystem that supports the growth and success of enterprises across various sectors.

Results in the environmental pillar indicate that awareness about imperatives/benefits of waste management and energy efficiency requires major work

Green Building on the other hand is making good progress, perhaps stimulated by green factories transition in the RMG sector and the Bangladesh Building Code promoting green building.

Table 1: Top Constraints Faced by Business per Survey Category in 2023

STARTING A BUSINESS	ACCESS TO LAND	AVAILABILITY OF REGULATORY INFORMATION	INFRASTRU-CTURE	LABOUR REGULATIONS	DISPUTE RESOLUTION	TRADE	PAYING TAXES	TECHNOLOGY ADOPTION	ACCESS TO FINANCE	ENVIROMENTAL REGULATIONS AND STANDARDS
Multiple government agencies engaged in the licensing process	High number of bank drafts required during land acquisition	Absence of regulatory calendar	Frequent power outages	Lack of skilled workforce, including management roles	Complex court procedures and long wait times.	Too many agencies are involved	Frequent and arbitrary increases in tax and VAT rates	Inadequate digital literacy	LC restricted, even for essential commodities	No proper waste disposal system in place
Increased cost of trade license, including informal payments	Corruption in the Land Office	Businesses not given prior notice by government agencies regarding any regulatory changes	Low maintenance of the sewerage system by government agencies	Difficulty in accessing technology, training resources, and technical materials	Shortage of manpower, especially judges and dedicated lawyers	Traffic and congestion at the port; security personnel harassment	Creating tax files is complicated	Manual Supply Chain Management	Difficulty in securing bank loans; complex loan procedures	Increased operation costs
Weak coordination between agencies	Land transfer takes a long time	Websites and guidelines are not always up to date	High cost of logistics and raw materials	Salary rate increases	Resolving commercial disputes is time-consuming and costly	Delays by customs employees	Time-consuming process	Difficulty in accessing technology solutions	Instability and increase in the dollar exchange rate	Technology infrastructure limitations

Key Messages

Pillar 1: Starting a Business

	Pillar Score
2023	62.74
2022	70.78
2021	68.91

Key Findings

Despite government efforts, Bangladesh experienced a decrease in the overall score of the "Business Climate Index" in 2023-24, from 70.78 to 62.74.
Entrepreneurs in Bangladesh continue to face obstacles such as bureaucratic red tape, prolonged application processing times, and the requirement to navigate through 23 government agencies to establish and run a business.

Businesses in Barisal and Khulna divisions experienced relatively fewer challenges when initiating business activities, compared to those in Dhaka, Sylhet, and Mymensingh, where the average cost of obtaining trade licenses is higher and the number of government agencies to visit is greater.

The "electronics & light engineering" and "financial intermediaries" sectors reported a relatively smoother experience when initiating operations in Bangladesh in 2023, in contrast to the pharmaceuticals, chemicals, and construction sectors.
Following the pandemic, some digital procedures were introduced, but certain processes have reverted to manual ones, resulting in a relatively more challenging business environment this year compared to previous years.

Pillar 2: Access to Land

	Pillar Score
2023	53.11
2022	53.07
2021	58.90

Key Findings

Score for "access to land" has shown stability, with a slight positive trend indicating progress towards its 2021-22 level.
Over half of the participants (65.1%) reported instances where informal payments were necessary to secure land, with the practice being most prevalent in Dhaka, Chattogram, Khulna, and Sylhet regions.

Khulna and Rangpur faced the most obstacles in land acquisition and property registration among all divisions, while Rangpur, Barisal, Sylhet, and Dhaka have witnessed a decrease in their overall BBX scores over the past year.

Following the pandemic, some digital procedures were introduced, but certain processes have reverted to manual ones, resulting in a relatively more challenging business environment this year compared to previous years. The Construction and Ready-Made Garments (RMG) sectors have shown the lowest BBX scores among all sectors for the 2023-24 period, with the construction sector facing a significant number of bank drafts required during land acquisition or property transactions, and the RMG sector encountering challenges related to property registration and high costs associated with title transfers.

Pillar 3: Availability of Regulatory Information

	Pillar Score
2023	68.04
2022	72.85
2021	59.83

Key Findings

The 2023-24 BBX score saw a 6.6% decline for the third pillar (related to regulations) compared to the previous year.

Frequency of modifying regulations by the government has been substantially high, with nearly 40% of respondents not being given prior notice by government agencies regarding any regulatory changes that impacted their businesses.

Khulna and Barisal have seen a significant decrease in their scores, transitioning from the range of 70s to the range of 40s over the past year, while Rangpur, Dhaka, and Chattogram have shown remarkable improvement.

The government imposes high charges for essential utilities such as gas without consulting or considering businesses' views regarding price hikes, and the services provided by the government are often deemed unsatisfactory.

Over 70% of respondents noted that the government frequently altered regulations in the past 24 months that affected their businesses, with the trend being notably observed in the leather and tannery, RMG, agriculture & forestry, and transport, storage, & communication sectors.

Pillar 4: Business Infrastructure

	Pillar Score
2023	71.08
2022	74.49
2021	72.02

Key Findings

Access to Infrastructure is the best performing pillar on the BBX 2023-24. There has been significant growth in access to electricity and internet availability in Bangladesh, which has been instrumental in improving the overall infrastructure and connectivity for businesses and residents.
Over 50% of the respondents reported that access to electricity, internet availability, and mobile phone connectivity for their businesses was relatively easy, with the exception of Chattogram, where access to these services was challenging.

Power outages in particular have been a persistent concern for businesses throughout Bangladesh.

Businesses in Barisal and Khulna have faced fewer disruptions from power cuts, while other divisions, particularly Dhaka, have frequently encountered outages that have impacted their operations, especially in the leather & tannery and RMG sectors.
Over the last 24 months, a significant majority of respondents from Chattogram and Rajshahi expressed challenges in accessing transport and logistic services, despite the government's focus on enhancing transport infrastructure.

Pillar 5: Labour Regulation

Pillar Score	
2023	70.04
2022	74.40
2021	66.35

Key Findings

The recent survey indicates a decrease in the BBX score for Labour Regulation, dropping from 74.40 in 2022-23 to 70.04 in 2023-24.

Businesses have faced moderate challenges in adhering to labor regulations in Bangladesh, with a higher prevalence of difficulties in Chattogram and Sylhet, where over 70% of respondents expressed struggles with compliance, particularly with labor filing/returns.

Sectors such as leather & tannery, textiles, and transport storage and communication have found it particularly challenging to comply with labor regulations and filings/returns over the past 24 months.

Accessing a skilled workforce, including for management roles, has presented moderate challenges for businesses. Industries most impacted include leather & tannery, RMG, textiles, and Real Estate, Renting, and Business Activities.

Challenges in accessing technology, training resources, and technical materials are widespread across various regions, including Dhaka, Chattogram, Rajshahi, Rangpur, and Sylhet, with over 72% of respondents from the RMG sector expressing concerns.

Pillar 6: Dispute Resolution

Pillar Score	
2023	62.38
2022	64.24
2021	57.48

Key Findings

Resolving commercial disputes in Bangladesh presents various challenges, with the judicial system emerging as a significant area of concern.
There is a lack of dedicated courts to handle disputes involving foreign companies, along with a shortage of skilled lawyers capable of handling such cases, exacerbating the situation.

Dhaka has notably improved its score compared to the previous year, attributed to the efforts aimed at improving efficiency through the adoption of Alternative Dispute Resolution (ADR) methods. In contrast, Chattogram has witnessed a decrease in its score, highlighting challenges in the dispute resolution process that need to be addressed.

Approximately 78% of respondents indicated that they have not observed any reduction in the time taken to resolve commercial disputes in Bangladesh over the past 24 months.
Clients have shown a preference for out-of-court settlements over judicial proceedings, with more than 90% of respondents acknowledging the effectiveness of Bangladesh's out-of-court commercial dispute resolution mechanisms.

Pillar 7: Trade Facilitation

Pillar Score	
2023	60.87
2022	58.61
2021	49.43

Key Findings

The trade facilitation score has held a positive trend over the last two years, increasing to 60.9 in 2023-24 from 58.6 in 2022-23 and 49.4 in 2021-22.

Notable improvements have been observed, such as a decrease in the average cost of customs clearance, a reduction in informal payment frequency, and a reduction in the average number of days for clearance.

Mymensingh and Rangpur divisions have exhibited the lowest average cost of clearance from customs agencies for exporting goods and services. In contrast, Khulna and Sylhet faced challenges, recording the highest number of days required for clearance.

Chattogram and Dhaka have performed well, displaying less than 10 days for customs clearance for exports, but Dhaka's customs clearance cost falls towards the higher end, particularly in the pharmaceuticals & chemicals sector.

The influx of younger officers has contributed to a decrease in the average number of days required for customs clearance, but obtaining clearance from customs agencies remains challenging, with only 15.7% of respondents finding the process relatively easy.

Pillar 8: Paying Taxes

Pillar Score	
2023	54.74
2022	55.21
2021	60.72

Key Findings

The survey indicates a slight decrease in the tax and VAT registration score, from 55.2 in 2022-23 to 54.7 in 2023-24, a significantly less decline compared to the previous year's 20% decrease.

Over 85% of respondents have acquired Value Added Tax (VAT) and/or Income Tax (IT) registrations for new businesses with ease within the last 24 months.

The highest registration costs, likely including informal payments, were observed among the RMG and Financial intermediaries' sectors. The leather & tannery industry and the RMG sector have the highest incidence of making informal payments for tax compliance, reaching 61.5%

Other challenges include frequent and arbitrary increases in tax and VAT rates, physical tax payment, and the creation of tax audit files, requiring legal assistance and raising costs.

Challenges related to filing and paying VAT and Income Tax appear more pronounced in the Chattogram division, particularly for the leather and tannery industry.

Pillar 9: Technology Adoption

	Pillar Score
2023	63.50
2022	60.60
2021	57.70

Key Findings

Businesses in Bangladesh have increasingly embraced technological solutions, leveraging the growing accessibility of internet and mobile networks, leading to a consistent improvement in the technology and digital adoption score from 57.7 in 2021-22 to 63.5 in 2023-24.
Close to 50% of respondents indicated utilizing virtual platforms for marketing activities, but a significant majority highlighted using specialized apps and digital platforms primarily for payment transactions.

Businesses in Chattogram prioritize the use of digital platforms for marketing and sales, while those in Dhaka focus more on using them for business administration tasks, reflecting regional differences in digital strategy.
The Leather & Tannery, RMG, and Real Estate, Renting and Business Activities sectors have made considerable investments in new technology equipment, software, and digital solutions to streamline their business processes over the last 24 months.
Less than 3% of respondents expressed substantial difficulty in utilizing digital solutions for their business operations, indicating a general positive trend towards the adoption of technology within businesses.

Pillar 10: Access to Finance

	Pillar Score
2023	28.11
2022	35.22
2021	50.78

Key Findings

The tenth pillar, Access to Finance, has shown a consistent decline over the past three years, dropping from 50.8 in 2021-22 to 28.1 in 2023-24.

Respondents have highlighted that the instability and increase in the dollar exchange rate have jeopardized their companies' overall business strategies and access to many types of finance, most notably trade finance.

More than 80% of the surveyed individuals encountered moderate to substantial challenges in securing bank loans for their businesses in Bangladesh over the last two years.
Accessing finance from both Banking and Non-Banking Lending Institutions poses a notable challenge for micro and small enterprises, stemming from factors like complex loan procedures, increasing interest rates, limited access to formal finance, and inadequate government policies.

Nearly all respondents from the Pharmaceuticals & Chemicals, Real Estate, Renting and Business Activities, and RMG sectors expressed challenges in obtaining bank loans.

Pillar 11: Environmental Regulations and Standards

	Pillar Score
2023	51.59
2022	--
2021	--

Key Findings

The new eleventh pillar evaluates the current environmental regulations and standards implemented in Bangladesh and their potential impact on businesses.
Waste management remains a practice that is not yet widely adopted by businesses in Bangladesh, with a significant number of small and medium enterprises admitting to not prioritizing waste reduction initiatives.
Dhaka demonstrates the most significant efforts in waste reduction (46.7%), followed by Rangpur (25%), while less than a quarter of respondents from all other divisions reported actively engaging in waste reduction practices.
Most respondents have indicated that reducing waste poses a moderate to significant challenge, with this difficulty being particularly pronounced in the Electronics & Light Engineering and Leather & Tannery industries.
Businesses are performing moderately well in water conservation, but enterprises in Chattogram, Mymensingh, and Rangpur face relatively greater challenges compared to other divisions.
Less than 20% of respondents, overall, encounter challenges when investing in green building designs and operations, indicating the potential for increased investment in this sector.

Table 2: How Do the Pillars Fare for Different Sectors

	PILLAR AREA	MOST CONDUCIVE IN	MOST DIFFICULT IN
	Starting a Business	Electronics & Light Engineering	Pharmaceuticals & Chemicals
	Access to Land	Electronics & Light Engineering	Construction
	Availability of Regulatory Information	RMG	Pharmaceuticals & Chemicals
	Infrastructure	Financial intermediaries	Leather & Tannery
	Labour Regulation	Financial intermediaries	Leather & Tannery
	Dispute Resolution	Real Estate, Renting and Business Activities	Pharmaceuticals & Chemicals
	Trade Facilitation	Transport, Storage & Communication	Leather & Tannery
	Paying Taxes	Financial intermediaries	Leather & Tannery
	Technology Adoption	Wholesale and retail trade	Leather & Tannery
	Access to Finance	Pharmaceuticals & Chemicals	Real Estate, Renting and Business Activities
	Environmental Regulations and Standards	Pharmaceuticals & Chemicals	Transport, Storage & Communication

Figure 2: Business Environment Score: Where Do Sectors Stand (Sectors' Perception of Respective Business Enironment)

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

Name of Pillars	Position in Dhaka 2022-23	Position in Dhaka 2023-24	Position in Dhaka Change	Position in Chittagong 2022-23	Position in Chittagong 2023-24	Position in Chittagong Change	Top Performer
Starting a Business	6	8	↓	3	5	↓	Barisal
Access to Land	1	5	↓	4	3	↑	Mymensingh
Availability of Regulatory Information	7	4	↑	6	1	↑	Chattogram
Infrastructure	2	7	↓	4	8	↓	Barisal
Labour Regulation	1	3	↓	5	7	↓	Barisal
Dispute Resolution	7	2	↑	5	6	↓	Sylhet
Trade Facilitation	8	5	↑	4	4	↔	Rangpur
Paying Taxes	1	7	↓	2	5	↓	Barisal
Technology Adoption	4	6	↓	3	7	↓	Sylhet
Access to Finance	8	6	↑	3	7	↓	Rajshahi
Environmental Regulations and Standards		1			6		Dhaka

Table 3: Top and Bottom 3 Pillars across Sectors

Name of Sector	Top 3 Pillar Areas	Bottom 3 Pillar Areas
WHOLESALE AND RETAIL TRADE	Labour Regulation Infrastructure Technology Adoption	Access to Land Access to Finance Environmental Regulations
TRANSPORT, STORAGE & COMMUNICATION	Trade Facilitation Availability of Regulatory Information Infrastructure	Paying Taxes Environmental Regulations Access to Finance
CONSTRUCTION	Labour Regulation Infrastructure Technology Adoption	Environmental Regulations Access to Land Access to Finance
ELECTRONICS & LIGHT ENGINEERING	Infrastructure Labour Regulation Starting a Business	Environmental Regulations Trade Facilitation Access to Finance
LEATHER & TANNERY	Availability of Regulatory Information Environmental Regulations Starting a Business	Access to Finance Trade Facilitation Technology Adoption
AGRICULTURE & FORESTRY	Infrastructure Labour Regulation Availability of Regulatory Information	Paying Taxes Access to Land Access to Finance
REAL ESTATE, RENTING AND BUSINESS ACTIVITIES	Availability of Regulatory Information Labour Regulation Dispute Resolution	Environmental Regulations Trade Facilitation Access to Finance
FOOD AND BEVERAGE	Infrastructure Availability of Regulatory Information Labour Regulation	Access to Land Environmental Regulations Access to Finance
PHARMACEUTICALS & CHEMICALS	Infrastructure Labour Regulation Environmental Regulations	Trade Facilitation Access to Finance Technology Adoption
READYMADE GARMENTS	Availability of Regulatory Information Dispute Resolution Labour Regulation	Paying Taxes Access to Land Access to Finance
TEXTILES	Infrastructure Availability of Regulatory Information Labour Regulation	Environmental Regulations Paying Taxes Access to Finance
FINANCIAL INTERMEDIARIES	Labour Regulation Infrastructure Starting a Business	Trade Facilitation Access to Finance Technology Adoption

Chapter 1: Introduction

1.1 Bangladesh's Remarkable Growth Trajectory: A Vision for Development by 2041

Bangladesh stands as one of the most dynamic and rapidly growing economies in the world today, characterized by significant achievements in economic development, resilient remittance inflows, strong agriculture performance, and stable macroeconomic conditions. Despite an initial slowdown caused by the COVID-19 pandemic, the economy of Bangladesh has exhibited remarkable growth in the last two fiscal years, with a real GDP expansion of 6.94 percent in FY21 and 7.10 percent in FY22.[1] As per the provisional estimates by the Bangladesh Bureau of Statistics (BBS), the economy is expected to maintain a solid growth rate of 6.03 in FY23. The target for FY24's real GDP growth is set at 7.50 percent.

Figure 1: Bangladesh: GDP Per Capita and Real GDP Growth (Year-wise Analysis)

Fiscal Year	Per Capita GDP US$ (in Current Prices)	Real GDP Growth
FY 18	1964	7.32
FY 19	2122	7.88
FY 20	2234	3.45
FY 21	2462	6.94
FY 22	2687	7.10
FY 23*	2657	6.03
Projected		
FY 24		7.50
FY 25		7.80
FY 26		8.00

Source: Bangladesh Bureau of Statistics (BBS); Ministry of Finance

The nation's development journey is exemplified by the global emergence of its Ready-Made Garments (RMG) sector, a transformative force that has not only created substantial job opportunities and income streams but also played a pivotal role in significantly reducing extreme poverty. Over the years, manufacturing activity has soared from 5.5% of GDP at independence to an impressive 23% in FY 2023, with the ready-made garments sector emerging as a key player in the global textile and RMG value chain. This sector has become a cornerstone of Bangladesh's economic landscape, contributing 10.4% to the GDP and a staggering 84.5% to exports in FY 2023.[2] In the

[1] Statistical Yearbook Bangladesh 2022, Bangladesh Bureue of Statistics, 2023
[2] Bangladesh Economic Review 2023. Ministry of Finance.

same fiscal year, total exports grew by 6.67% to reach USD 55.6 billion. Despite the positive growth, export earnings fell short of the USD 58 billion target by 4.28%. This decline can be attributed to various factors, including the prevailing global economic turmoil and uncertainties, weaker demand in key target markets, and inflationary pressure. Notably, the primary drivers of the export growth were knitwear and woven garments, which enabled the overall exports to surpass the USD 50 billion milestone for the second consecutive year.

Figure 2: Trend Analysis of RMG Exports and Growth Rates

FISCAL YEAR	EXPORTS AS PERCENT OF GDP (CURRENT USD)	RMG AS PERCENT OF GDP (CURRENT USD)
FY 1990	1.97	2.0
FY 2000	10.7	8.1
FY 2010	14.1	10.8
FY 2020	9.0	7.5
FY 2021	9.3	7.6
FY 2022	11.3	9.3
FY 2023	12.2	10.4

Source: Bangladesh Export Promotion Bureau, Bangladesh Bank, World Bank, BGMEA

The agriculture sector, which was once the main driving force of the economy, has seen a reduction in its contribution to the GDP, while the service and industry sectors have experienced increased contributions, reflecting the country's shift towards a more diversified and modern economy. The provisional estimate of BBS indicates that the agriculture sector grew 2.61 percent in FY 2022-23, down from 3.05 percent in the previous fiscal year. Looking ahead, growth in agriculture is expected to recover, unless disrupted by floods and other natural disasters. Conversely, the industry sector exhibited an impressive growth of 8.18 percent in FY23, slightly lower than the 9.86 percent recorded in FY22. Meanwhile, the services sector maintained a growth rate of 5.84 percent in FY23.[3]

[3] Statistical Yearbook Bangladesh 2022, Bangladesh Bureau of Statistics, 2023.

Figure 3: Sectoral Growth Rates of GDP at Constant Prices

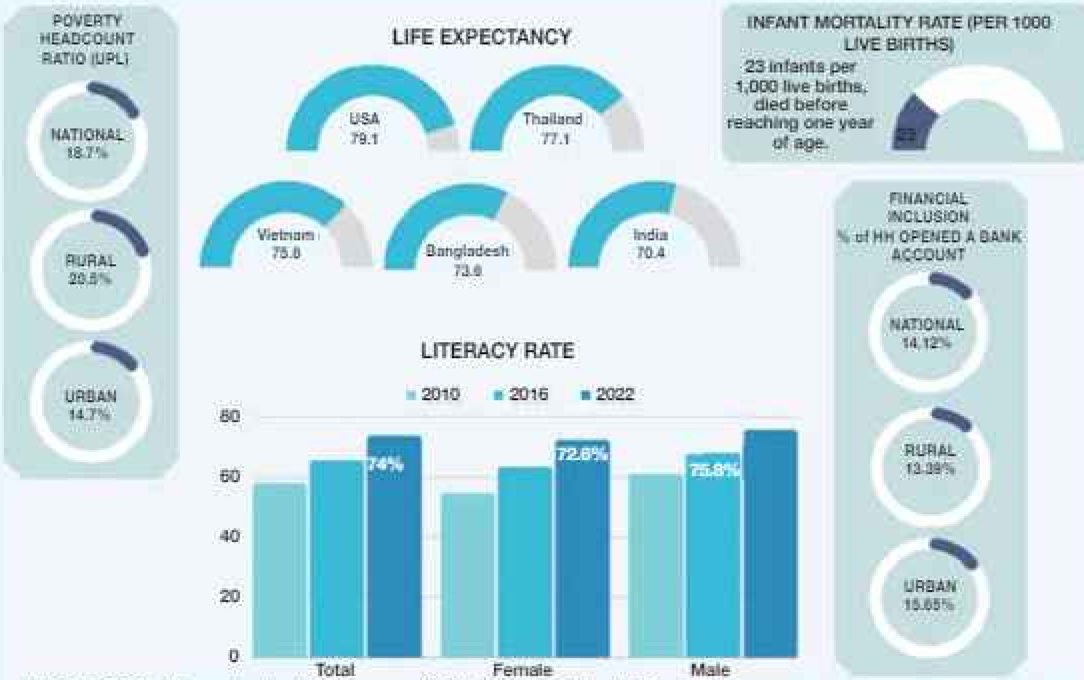
Fiscal Year	Agriculture	Industry	Services
FY 17	3.20	8.27	6.37
FY 18	3.54	10.20	6.55
FY 19	3.26	11.63	6.88
FY 20	3.42	3.61	3.93
FY 21	3.17	10.29	5.73
FY 22	3.05	9.86	6.26
FY 23*	2.61	8.18	5.84

Source: Ministry of Finance; Bangladesh Bureau of Statistics

Over the past decades, Bangladesh has made remarkable strides in various social development indicators. The Human Development Report 2021-22 highlights Bangladesh's persistent improvement in its Human Development Index (HDI) scores, showcasing its aspiration to graduate from the UN's Least Developed Country (LDC) status by 2026. Despite the health and education sectors' relatively modest share of GDP, with education accounting for less than 3 percent (of GDP) and human health and social work activities for less than 4 percent (of GDP) over the past five years, the nation has made impressive and swift advancements in various social development indicators, such as infant and child mortality rates, educational gender disparity, and other key social metrics.[4] Given the impressive development in these indicators, Bangladesh is expressing strong commitments to achieve the Sustainable Development Goals (SDGs) and become an upper-middle-income country by 2031 and a developed nation by 2041.

[4] Human Development Report 2021-22, United Nations Development Programme.

Figure 4: Bangladesh's Performance in Selected Socioeconomic Indicators



Source: HIES 2022, Bangladesh Bureau of Statistics; World Bank

	BANGLADESH	INDIA	MALAYSIA	SRILANKA	THAILAND	VIETNAM
Mean Years of Schooling, 2021 (SDG 4.4)	7.4	6.7	10.6	10.8	8.7	8.4
Expected years of schooling, 2021 (SDG 4.3)	12.4	11.9	13.3	14.1	15.9	13
Total Net Attendance Rate (Primary Education)	93.4 (2019)	95.46 (2020)	99.08 (2017)	-	98.92 (2019)	98.92 (2014)
Infant Mortality Rate (Per 1,000 live births)	23 (2021)	26 (2021)	7 (2021)	6 (2021)	7 (2021)	16 (2021)
Life expectancy at birth, 2021 (SDG 4.3)	72.4	67.2	74.9	76.4	78.7	73.6
Maternal mortality ratio, 2017 (SDG 3.1) (deaths per 100,000 live births)	173	133	29	36	37	43
Gross national income (GNI) Per capita, 2021 (2017 PPP)	5,472	6,590	26,658	12,578	17,030	7,867
Human Development Index (HDI) Rank,2021	129	132	62	73	66	115

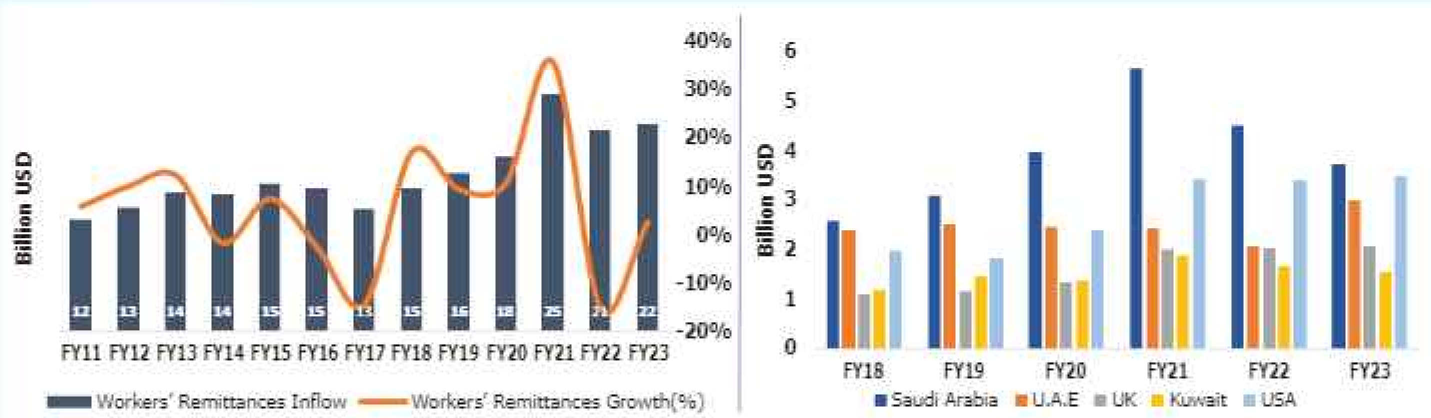
Source: World Bank; UNDP

Remittances have significantly contributed to Bangladesh's economic growth by serving as a catalyst for various positive impacts, including balancing the balance of payments, increasing foreign exchange reserves, enhancing national savings, and improving the country's macroeconomic indicators. The inflow of workers' remittances has also experienced an increase of 2.75 percent to USD 21.61 billion in FY 2023, from USD 21.03 billion in FY 2022.[5] Remittance inflows exhibited a steady increase from FY17 to FY21, nearly doubling over this period. However, there was a decline of 15.1 percent in FY22, followed by modest growth of 2.8 percent in FY23. Notably, official

[5] Bangladesh Bank Annual Report 2023.

remittance inflows from Saudi Arabia, traditionally Bangladesh's largest overseas labor market, decreased in FY22 and FY23 despite a steady increase in the outflow of migrant workers. Conversely, positive growth in remittances was observed in FY 23 from the UAE, USA, and UK, with increases of 46.4 percent, 2.4 percent, and 2.0 percent, respectively.[6] In FY21, the US surpassed the UAE as the second-largest source of remittances for Bangladesh and nearly matched Saudi Arabia in FY23.

Figure 5: Workers' Remittance Inflow Growth Rate and Major Contributing Countries



Source: Bangladesh Bank, Bangladesh Bureau of Statistics

Bangladesh has demonstrated consistent economic growth since the 2000s and is recognized as one of Asia's most impressive success stories in recent years. The country has set its vision to reach the Upper Middle-Income Country (UMIC) status by 2031, and High-Income Country (HIC) status by 2041, with a target of raising per capita income of over USD 12,500. The 2041 Vision aims for industry to generate 40% of GDP by 2031 and then gradually reduce it to 33% by 2041. This transition can be realized through a process of rapid inclusive growth including but not limited to building an innovative knowledge economy, increasing the productive capacity, and protecting the environment. Furthermore, the Government aims to ensure a minimum quality of life for all citizens by 2041, with the goal of eliminating extreme poverty by 2031 and reducing the incidence of poverty to 3% or less by 2041. Those classified as poor will have sufficient income to afford the minimum consumption basket required for a decent quality of life. This strategic plan underscores the commitment of eradicating poverty and enhancing the well-being of all citizens, setting ambitious targets to uplift the standard of living and reduce poverty levels significantly over the long term.

[6] Bangladesh Bank Annual Report 2023.

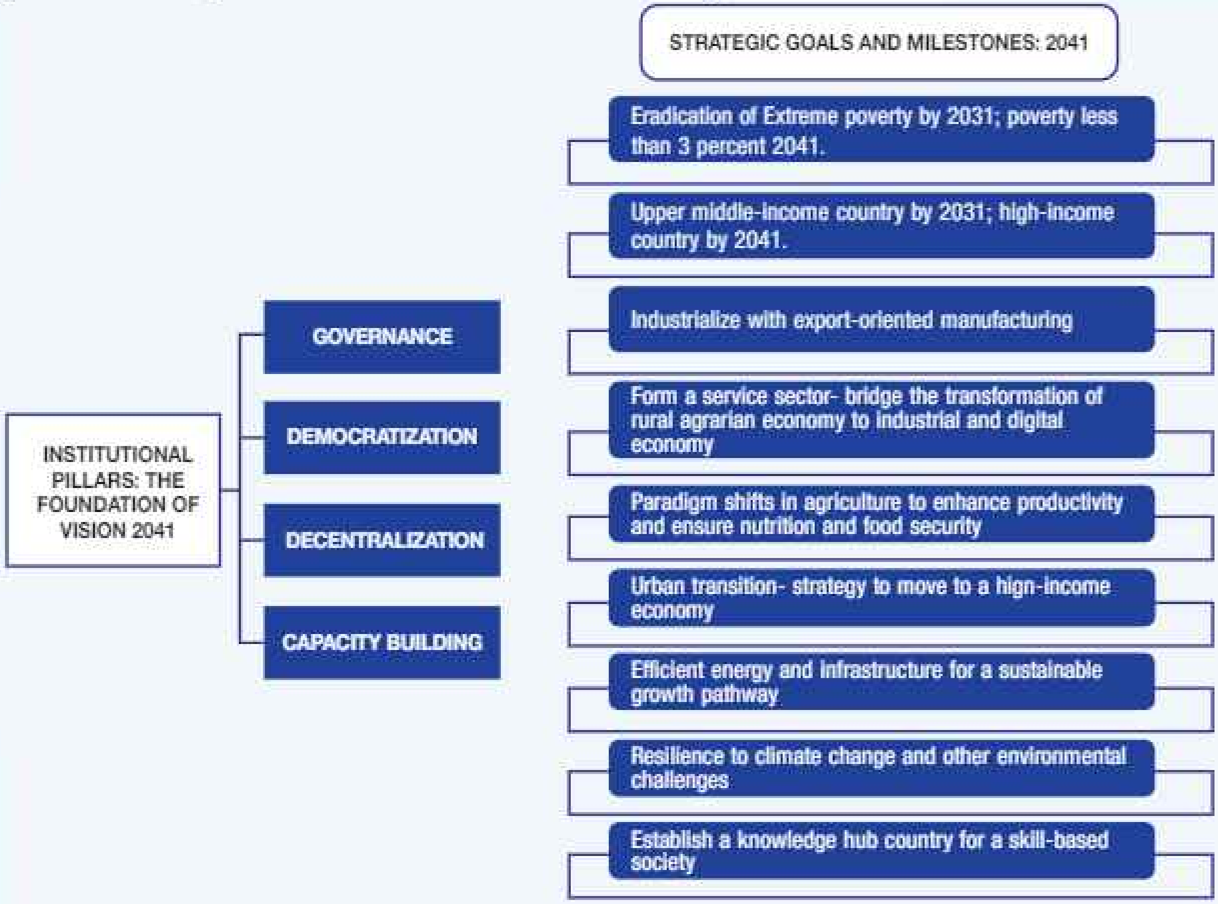
Table 1: Macro Projections for FY 2031 and FY 2041

INDICATOR	TARGET FY31	TARGET FY41
Real GDP Growth (%)	9.00	9.9
Exports (Growth rate)	11.65	11.0
Imports (Growth rate)	12.05	10.0
Remittances (Growth rate)	4.50	2.0
Private Investment as (%) of GDP (including PPP)	31.43	36.36
FDI as (%) of GDP	3.0	3.0
Extreme Poverty (%)	2.3	<1.0
Poverty (%)	7.0	<3.0
Adult Literacy Rate (%)	100	100
Infant Mortality Rate (%) (per 1000 live births)	15	4
Total Fuel-Based Generation Capacity	33,000 MW	56,734 MW
Access to electricity	100%	100%

Source: GED Projections, PERSPECTIVE PLAN OF BANGLADESH 2021-2041

In alignment with the dynamic shifts on the global stage, the Government also aims to establish a Smart Bangladesh by 2041. This initiative places the highest importance on increasing financial inclusion through the development of technology and upskilling. Built on the four pillars of Smart Citizens, Smart Government, Smart Economy, and Smart Society, the initiative aims to bridge the digital divide by innovating and scaling sustainable digital solutions. These solutions are designed to benefit all citizens and businesses, regardless of their socio-economic background or size.

Figure 6: Strategic Goals and Milestones for Bangladesh: 2041



Source: a2i, Bangladesh 8th Five Year Plan

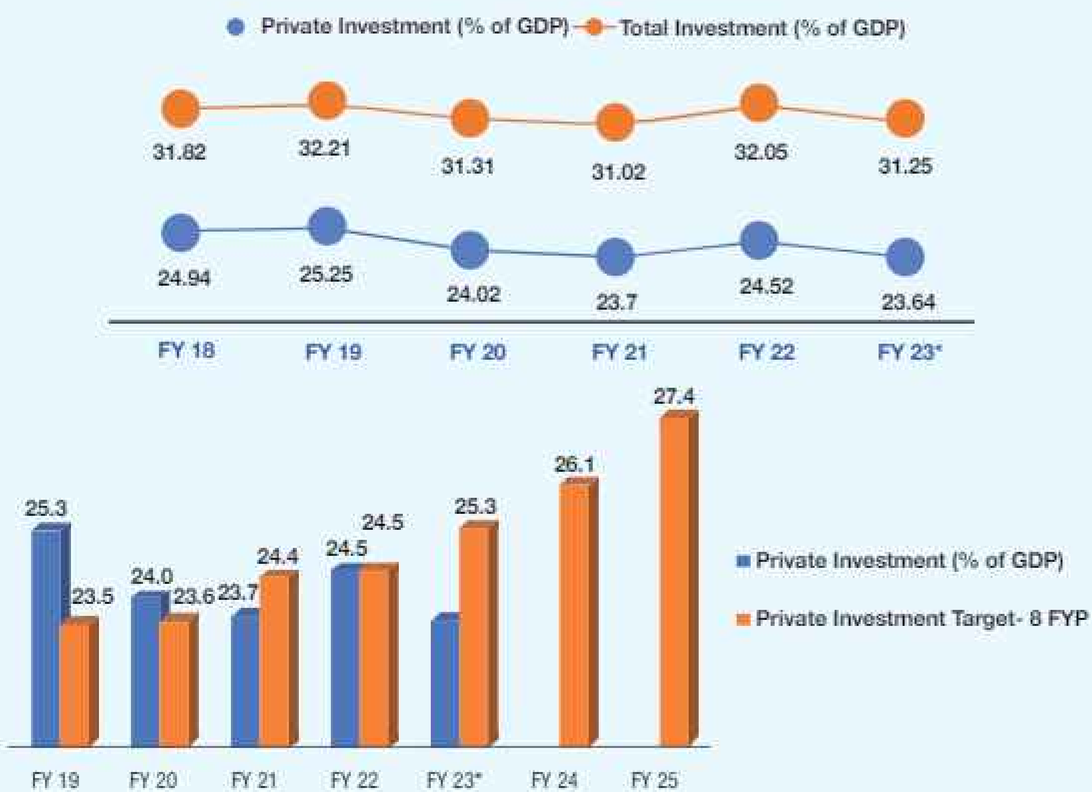
1.2 The Role of Foreign Direct Investments and Domestic Investments in Bangladesh's Growth Trajectory

Private investment plays a crucial role in the economic development of any country, and Bangladesh is no exception. It plays a significant role in sustaining the rapid growth of the economy, as evidenced by the fact that almost 76% of the total investment in Bangladesh comes from the private sector. The significance of the Bangladeshi private sector lies in its ability to drive economic growth, create employment opportunities, attract investment, and foster innovation. This competitive advantage leads to increased foreign direct investment (FDI) and contributes to creating a favorable investment climate, ultimately propelling the economy towards higher growth. According to provisional estimates, total investment accounted for 31.25% of GDP in FY 2022-23, with private investment experiencing a decline to 23.64% of GDP, down from 24.52% in the previous fiscal year.[7]

[7] Bangladesh Economic Review 2023, Ministry of Finance.

While it is imperative for Bangladesh to maintain a steady growth of private investment, the country fell behind in meeting its target for 2023 under the 8 Five Year Plan. This decrease in private investment is attributed to lower investor confidence due to the persisting dollar crisis, global uncertainty, higher inflation, and reduced demand for goods in international markets. Despite the decline, private investment remains a critical driver of economic growth, employment creation, and poverty alleviation in Bangladesh. Vision 2041 foresees a target of 36.36 percent of private investment for Bangladesh to become a Developed Country, with an average of 31.23 percent from FY 21- FY41.[8]

Figure 7: Trends in Private and Total Investment in Bangladesh- A Graphical Analysis



Source: Bangladesh Bank, Bangladesh Bureau of Statistics

Bangladesh needs to overcome various obstacles that are hindering the increase in private investment. Private sector credit growth, a reflection of private investment at the national level, fell short of the programmed growth target of 11% set for June 2024.

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8 Perspective Plan of Bangladesh, 2020, General Economic Division, Ministry of Planning.

In December 2023, it experienced a slightly lower year-on-year growth of 10.2 percent, compared to its growth rate of 10.9 percent in December 2022. This growth rate was primarily influenced by higher domestic and international commodity prices, coupled with a notable depreciation of the Bangladeshi Taka (BDT) against the US Dollar (USD). Despite that, Bangladesh performed fairly well compared to many other emerging and developing Asian economies.

Figure 8: Cross-country comparison of private sector credit growth Nov'23

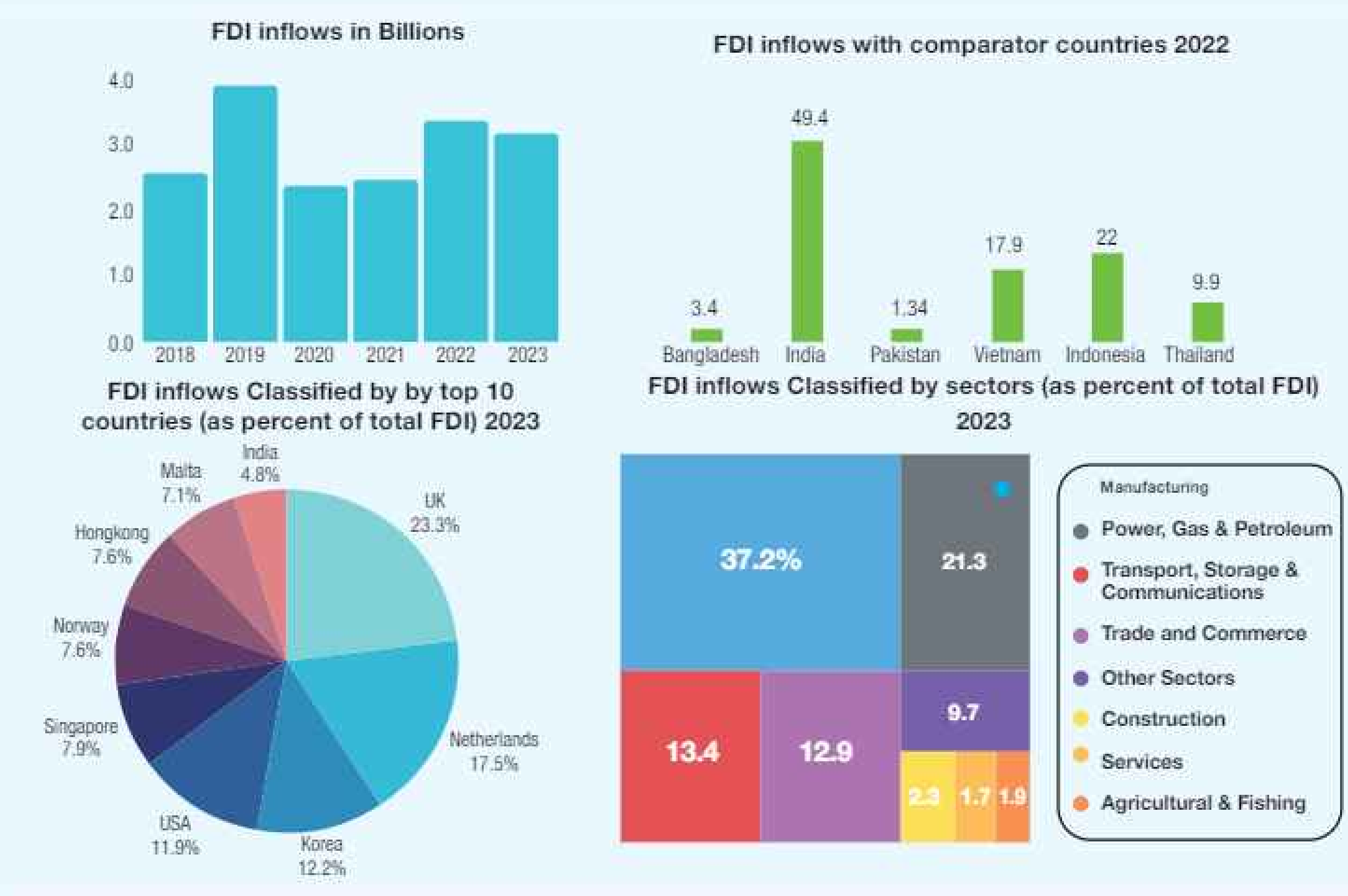
Source: Bangladesh Bank; Respective Central Banks' Websites

While Bangladesh is acknowledged as a burgeoning investment hub, the level of Foreign Direct Investment (FDI) in the country remains limited and predominantly focused on traditional sectors such as the garments and textiles industry, oil and gas, energy and power, financial services, pharmaceuticals, etc. FDI is a powerful tool for developing the Bangladesh economy and can significantly contribute to achieving the country's socio-economic objectives, including poverty reduction goals. The inflow of foreign capital strengthens the domestic investment base, stimulates economic activities, creates employment opportunities, and brings along technological advancements and managerial expertise, which can have a transformative effect on local industries.

The inflow of private investment and foreign direct investment (FDI) in Bangladesh is hampered by various factors, which have prevented the country from keeping pace with many of its comparator nations. According to the World Bank, FDI in 2022 stood at only 0.3% of the country's GDP, significantly lower than its peer economies in South and Southeast Asia, such as Vietnam (4.4%), Myanmar (2.2%), and Cambodia (11.9%). During FY 2022-23, FDI inflows in Bangladesh decreased to USD 3249.68

million from USD 3439.63 million recorded in FY 2021-22, marking a significant 5.52 percent decrease within a year.[9] The decline in FDI aligns with the global trend, as indicated by UNCTAD's World Investment Report 2023, which revealed a 12% decrease in global FDI in 2022, amounting to USD 1.3 trillion, attributed to various global crises. A primary strategic focus of the 8FYP is to enhance FDI inflows into Bangladesh through an extensive effort, to increase it to 3% of GDP from current levels.

Figure 9: Bangladesh's Foreign Direct Investment Landscape



Source: Bangladesh Bank

The substantial foreign direct investment (FDI) flowing into various sectors of Bangladesh offers valuable perspectives on the nation's economic terrain and highlights the industries drawing notable investments. In FY 2023, the manufacturing sector in Bangladesh received the highest net FDI inflows, amounting to USD 1208.56

[9] Foreign Direct Investment & External Debt report 2023, Bangladesh Bank.

million, which accounted for 37.2% of the total FDI. Within the manufacturing sector, the majority of the investment was in textiles and wearing (USD 662.19 million), followed by food products (USD 255.99 million). This was followed by FDI inflows in other sectors such as Power, Gas and Petroleum, Transport, Storage and Communication, Trade and Commerce, and Services. Figure 9 shows major country-wise Net FDI Inflows in the FY 2023. UK with USD 564.98 million is leading the top 10 countries of net FDI inflow, followed by Netherlands, Korea, and USA.

Bangladesh possesses numerous attractive qualities that could establish it as a compelling destination for foreign direct investment (FDI). The Trillion Dollar Economy report, conducted by the Boston Consulting Group (BCG) and the World Bank, underscores several of these attributes. The significance of the country's private sector lies in its capacity to propel economic growth, generate employment opportunities, attract investment, and foster innovation. This competitive advantage has the potential to increase foreign direct investment (FDI) by offering lucrative business prospects and creating a favorable investment climate, positioning the economy to surpass the USD 1 trillion mark by 2040, according to the World Bank & BCG Analysis.

The Trillion Dollar Economy report underscores the rapidly growing digital economy of Bangladesh, driven by expanding connectivity and enhanced digital consumer engagement. The country has witnessed a nearly twofold increase in mobile cellular subscriptions from 2012 to 2021, reaching approximately 177 million, while internet penetration has surged to around 70% over the past decade. With approximately 650,000 freelancers, Bangladesh now stands as the second-largest global contributor of online labor. The country hosts 15% of the world's freelancers, ranking second only to India with 24.8%. Additionally, the expanding social commerce segment is contributing to digital economic growth, with over 50,000 entrepreneurs on Facebook in Bangladesh.

These factors, coupled with Bangladesh's strategic location, expanding economy, labor endowment, English language-friendly population, maritime access, and favorable investment policies, offer numerous opportunities for international investors looking to diversify their business interests.

The government's proactive measures, including the establishment of economic zones, streamlined investment procedures, and tax incentives, further enhance Bangladesh's appeal as an FDI-friendly country. Despite the advantages, the country has not emerged as a leading destination for FDI. Inflow is relatively low compared to regional peers. While Bangladesh offers attractive incentives to both local and foreign private investors, it needs to address the existing deterrents and focus on implementing investment-friendly policies, developing socio-economic and physical infrastructure, simplifying regulatory practices, addressing tax rigidity, and removing bureaucratic bottlenecks.

THRIVING INDEPENDENT WORK SECTOR

- ONE OF WORLD'S LARGEST SOURCES OF ONLINE WORKERS
- INCREASED NUMBER OF ONLINE ENTREPRENEURS

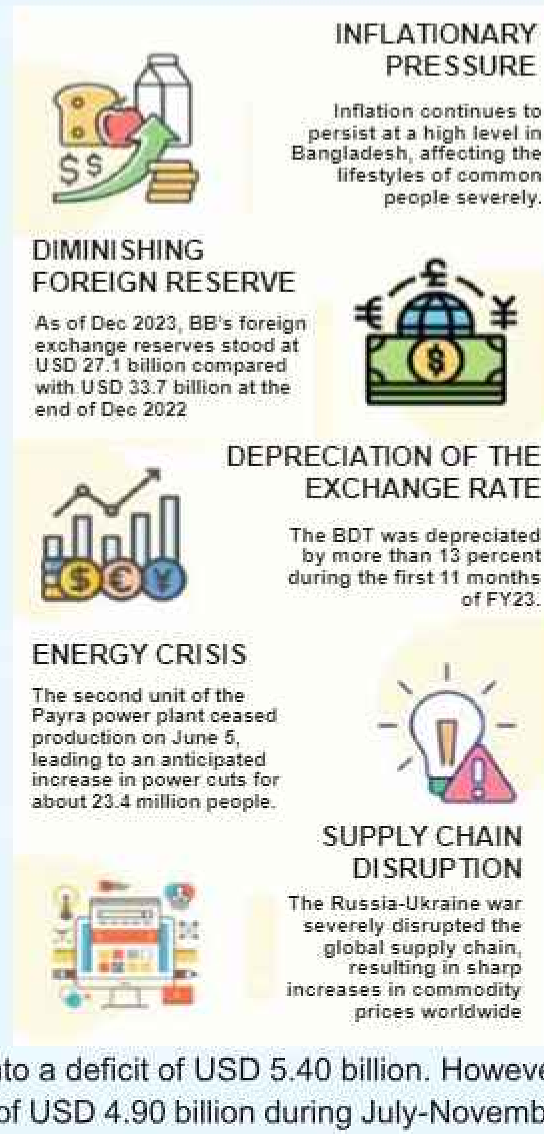
DIGITAL MOMENTUM

- INCREASED MOBILE SUBSCRIPTIONS
- INCREASED INTERNET USERS

OTHER INCENTIVES

- MARITIME ACCESS
- FAVORABLE INVESTMENT POLICIES
- TAX INCENTIVES
- INEXPENSIVE LABOR
- ENGLISH LANGUAGE FRIENDLY POPULATION

1.3 Current Economic Challenges and Headwinds in Bangladesh



The global economic growth in 2023 is highly uncertain due to the lingering impact of the COVID-19 pandemic and the escalating adverse effects of the ongoing Russia-Ukraine war. Although the recovery efforts in response to the pandemic have been robust, there has been a mismatch between global demand and supply due to supply chain issues, leading to increased prices of various products, including energy. Like other countries of the world, an upward trend in the price level is also being observed in Bangladesh. The country is grappling with challenges such as inflation, diminishing foreign reserves, exchange rate pressures, high import expenses, energy crisis, and banking irregularities.

The Consumer Price Index (CPI) data indicates a moderate decline in the point-to-point inflation rate, reaching 9.41 percent in December 2023.[10] However, the average headline inflation rose to 9.48 percent during the same period. Despite a current account surplus, the Balance of Payments (BoP) faced pressure as the financial account transitioned into a deficit of USD 5.40 billion. However, the overall balance of the BoP showed a deficit of USD 4.90 billion during July-November

[10] Consumer Price Index, 2023.

2023, compared to a deficit of USD 6.00 billion in the corresponding period of the previous fiscal year. Efforts to address these challenges include anticipated improvements in the financial account, such as reduced trade credit deficits and increased inflows of FDI, ODA, and PFI, suggesting a more balanced and resilient BoP scenario in the upcoming months of FY24.

The overall balance of payment deficit has created pressure on the BDT exchange rate and resulted in a decline in foreign exchange reserves until the fourth quarter of FY23. The BB has been executing a strategy of gradual Taka depreciation, considering the potential inflationary impact of such devaluation on the economy. As of Dec 2023, BB's foreign exchange reserves were at USD 27.1 billion, down from USD 33.7 billion at the end of Dec 2022, while the BDT has depreciated by over 13 percent during FY23. Subsequently, in July-December 2023, the BDT experienced an additional depreciation of 1.49 percent against the USD. (MPS, Bangladesh Bank).[11]

Furthermore, the instability of the dollar poses obstacles for banks in fulfilling import LC payments, leading to delays in project implementation. Import limits are also imposed due to declining reserves. Additionally, with the election season looming, political unrest will only intensify the hurdles the economy is already witnessing.

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The unfavorable developments hindering the growth momentum of the economy and leading to persistently high inflation pose concerns with the country's graduation from Least Developed Countries (LDC) status. As Bangladesh approaches the transition out of LDC status in 2026, there comes a pressing need for the country's long-term development priorities, including diversifying exports, resolving financial sector vulnerabilities, and making urbanization more sustainable.

[11] Monetary Policy Statement, Bangladesh Bank.

1.4 Objectives of the Bangladesh Business Climate Index

The Bangladesh Business Climate Index (BBX) is designed to assess the country's business environment, identify areas for enhancement, and provide valuable insights for informed investment decisions. It aims to create a locally relevant index based on private sector perspectives, capturing the challenges faced by businesses across the business cycle. The primary goal of the BBX is to offer evidence-based inputs to local and national government agencies to enhance service delivery and develop actionable policy agendas that benefit local businesses. Additionally, the BBX seeks to benchmark rankings within the country, identify best performers, showcase exemplary practices, and promote dialogue between government and businesses to facilitate policy reform.

Figure 10: Objective of the Bangladesh Business Climate Index

The Bangladesh Business Climate Index (BBX) is designed to assess the country's business environment, identify areas for enhancement, and provide valuable insights for informed investment decisions. It aims to create a locally relevant index based on private sector perspectives, capturing the challenges faced by businesses across the business cycle. The primary goal of the BBX is to offer evidence-based inputs to local and national government agencies to enhance service delivery and develop actionable policy agendas that benefit local businesses. Additionally, the BBX seeks to benchmark rankings within the country, identify best performers, showcase exemplary

practices, and promote dialogue between government and businesses to facilitate policy reform. It employs a Stratified Multistage Cluster Sampling Approach and assigns recommended weights to each industry based on its contribution to GDP and employment, ensuring a comprehensive and representative assessment of the business environment in Bangladesh.

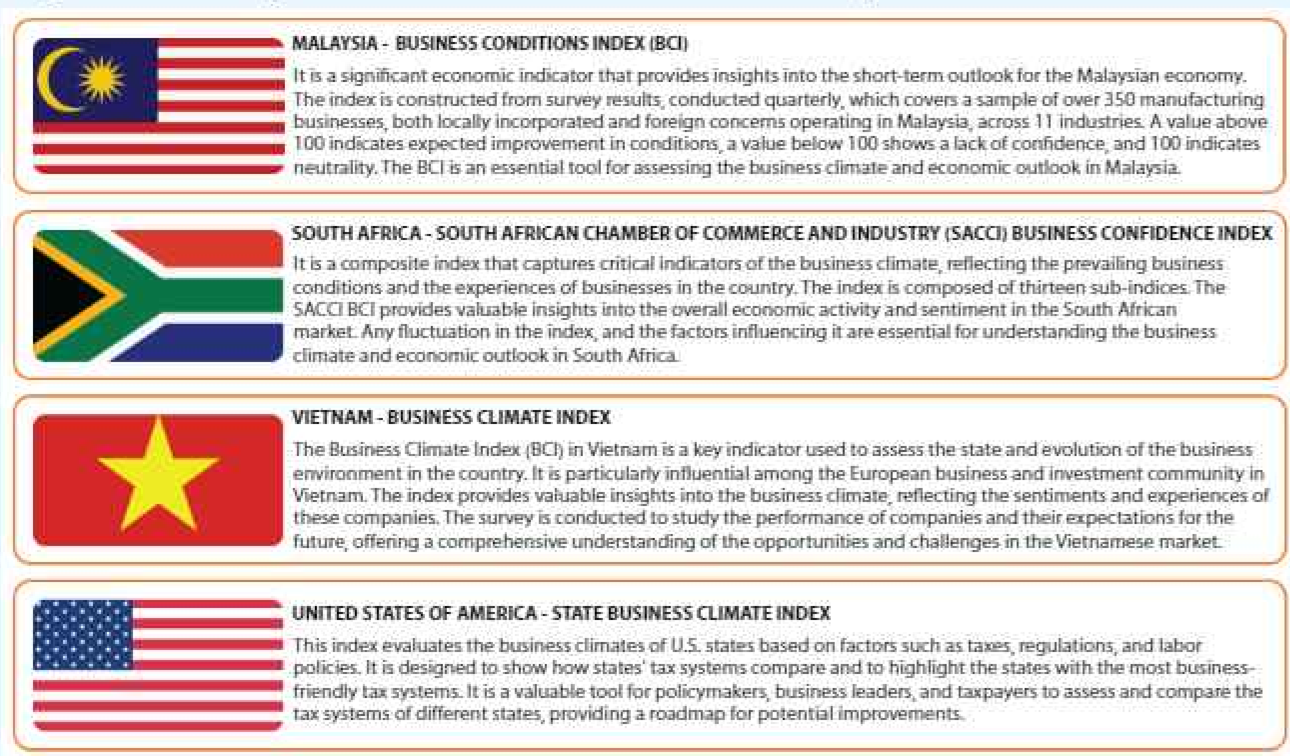
The BBX 2023 offers insights into the state of Bangladesh's business climate. Chapter 1 provides an overview of Bangladesh's development journey and the challenges that require attention. Following this, the importance of assessing a country's business environment, particularly its relevance to Bangladesh, is discussed in Chapter 2. Chapter 3 details the methodology used to measure the business climate, while Chapter 4 highlights the development challenges and the key focus areas. The survey findings are carefully explored in Chapter 5, following which Chapter 6 delves into extensive insights and recommendations.

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

The economic advancement of Bangladesh is predominantly reliant on private sector investments, underlining the significance of a favorable business environment for the country. This environment is a combination of opportunities and obstacles that firms face in their daily operations. The number of businesses entering the market, and the proportion of high-growth businesses depend on various factors in the business environment. Research indicates that the establishment of a conducive business environment contributes to increased private sector investments, originating from both domestic and foreign entities.

The regulatory framework governing the economy may inadvertently or purposefully restrict the operational scope of the private sector. Such restrictions obstruct businesses from freely conducting their operations, compelling entrepreneurs to turn to informal activities beyond the purview of regulatory and tax authorities or explore opportunities abroad. In cases where a conducive business environment is lacking, individuals may also find themselves unemployed. Foreign investors, understanding the potential obstacles posed by regulatory manipulation, tend to avoid investing in countries with strict regulations targeting the private sector.

Figure 11: Homegrown business climate indices in comparator countries

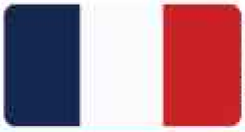


CANADA-CANADA BUSINESS OUTLOOK SURVEY INDICATOR

It is a key measure of business sentiment and economic outlook compiled by the Bank of Canada. It provides valuable insights into the business climate, including factors such as production, new orders, sales, and employment. Each quarter, the Business Outlook Survey (BOS) results are based on interviews with senior management of about 100 firms. The BOS indicator was -3.51 in 2023 Q3, down from -2.31 in 2023 Q2. This is the indicator's lowest level in over a decade, except for a brief period early in the COVID 19 pandemic.

CHINA-CHINA BUSINESS CLIMATE INDEX

The index is a major gauge of the country's macroeconomic outlook based on a survey of various enterprises. It is scaled from 0 to 200 points, with 100 being the critical value. A reading of more than 100 indicates a sound and optimistic climate, while a reading below 100 is a sign of a pessimistic business environment. The index provides valuable insights into the state of the Chinese economy and is closely monitored by investors and policymakers.



FRANCE-FRANCE BUSINESS CLIMATE COMPOSITE INDICATOR

It is a significant measure that summarizes information from surveys conducted in the manufacturing, services, trade (retail and wholesale), and building construction sectors. The indicator is closely monitored by investors, policymakers, and analysts to gauge the economic outlook and make informed decisions. The indicator averaged 100.08 points from 1977 until 2023.

GERMANY-IFO BUSINESS CLIMATE INDEX

The ifo Business Climate Index is the most important leading indicator for the development of the economy in Germany. The index is calculated based on the responses of manufacturers, service providers, trade, and construction companies, and is published every month. It is an important tool for assessing the economic climate in Germany and is closely monitored by investors, policymakers, and economists. It measures the business perceptions of both current and future German business conditions.

JAPAN-SHOKO CHUKIN BUSINESS CONDITIONS DIFFUSION INDEX (DI)

The Shoko Chukin Business Conditions DI is a key economic indicator produced by the Shoko Chukin Research, a Japanese organization affiliated with the Shoko Chukin Bank. The index is used to gauge the economic conditions in Japan. It measures the diffusion of business conditions, reflecting the percentage of companies reporting an improvement minus those reporting a deterioration. The index is an important tool for assessing the overall business climate and economic outlook in Japan.

Source: China Business Climate Index, Business Conditions Index, Business Climate Index, USA Tax Foundation, ifo Institute, Shoko Chukin Research, Reuters; SACCI, and Bank of Canada

Business environmental analysis is a widespread global practice, where organizations study external factors that affect their operations. Many major countries, such as Russia and Mexico, assess regions or states using a variety of measures and employ financial transfers as incentives to drive the implementation of reforms. Evidence from India indicates that simply measuring a country's regulator performance can be a significant incentive for enacting reforms, as exemplified by the Doing Business Report. Several countries, including Bangladesh, have implemented reforms based on this report. Nevertheless, the Doing Business report serves merely as an initial step for reforms and lacks a comprehensive assessment of the overall business environment. This includes aspects such as access to finance, technology, infrastructure, and land acquisition. Evaluating nations with diverse characteristics on a unified scale poses difficulties for multi-country indexes, causing certain countries to receive favorable ratings while others do not, particularly on matters that are not universally applicable or are of varying importance across nations. Therefore, single-country indexes emerge as a more effective measure of a country's business environment development and enhancement over time.

Creating a business climate index specific to Bangladesh would offer a comprehensive understanding of the current investment climate and the associated limitations in the country. Developing such an index helps identify critical areas of the business environment and enables the design of effective micro-policies from the perspective of entrepreneurs. The government of Bangladesh can utilize this tool to create sensible corporate regulating laws. Moreover, it can also lead to a policy discussion by highlighting potential challenges and identifying good practices.

Policy reforms significantly benefit from an extensive analysis of business environments and regulatory rules. It is relevant to Bangladesh's development priorities and can address the need for institutional strengthening. The impact of specific laws and regulations on factors such as poverty, corruption, employment, credit accessibility, and the scale of the informal economy can be discerned through this analysis, enabling policymakers to make informed decisions and gauge the constraints per industry and region.

Figure 12: Bangladesh's Performance on Global Indices

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

An in-depth evaluation of the business climate in Bangladesh will allow for a reflection on the country-specific context and priorities that are not currently measured by global indices. The BBX aims to provide a comprehensive perspective on the country's investment climate and associated constraints, allowing for a more focused assessment. It offers the flexibility to define parameters critical to Bangladesh's business environment and can lead to greater acceptance among policymakers. The index captures differences in the business environment, including regulations and their enforcement across locations and critical economic sectors within the country. It provides data on each selected location and sector, along with recommendations to improve performance. The BBX is relevant to Bangladesh's development priorities, as it addresses the need for institutional strengthening and provides clear empirical benchmarking that allows policymakers to gauge constraints per industry and region. It also enables the identification of strong and weak areas in Bangladesh's business environment, facilitating the prioritization of interventions needed to enhance economic productivity and growth.

The Bangladesh Business Climate Index (BBX) is of significant relevance for several key reasons:

1. Development Priorities: The BBX is in line with Bangladesh's development priorities, aiming to become a middle-income country with diversified export industries and a more productive industrial and service sector. The country is now ready to embrace a new growth model supported by an updated policy framework, building on the achievements of its initial economic expansion.

2. Economic Challenges: It reflects the various business and economic obstacles faced by Bangladesh as it strives to address competitiveness challenges, particularly as it modernizes its key sectors such as the ready-made garment (RMG) industry and aims for substantial growth in exports. The BBX can provide tailored insights for different high-growth sectors, aiding in the country's advancement.

3. Institutional Strengthening: As Bangladesh aims to transition to an upper middle-income economy, there is a pressing need to strengthen its institutions, particularly in terms of government policy responsiveness and coordination. This is crucial, as institutional factors are a major distinguishing element between middle-income and higher-income countries. The experience of East Asian economies highlights the significance of strong institutions and a meritocratic bureaucracy in guiding nations toward prosperity. Therefore, as Bangladesh addresses its economic challenges and pursues its development goals, the focus on institutional strengthening is paramount.

4. Empirical Benchmarking: It offers practical and specific benchmarks based on empirical data, enabling policymakers to assess the challenges within each industry and region. The BBX provides quantitative measurements that are comparable to other indicators, delving deeper into various aspects. This allows for a detailed analysis of industries and activities, benefiting from a large sample size and methodological rigor.

Unlike global indices that use a uniform scale to measure over a hundred countries, the BBX focuses on tailored assessments, providing a more nuanced understanding of the economic landscape.

Figure 13: Relevance of BEX for Bangladesh

The Bangladesh Business Climate Index (BBX) provides detailed insights into the regulatory environment, offering a wealth of specific information on regulations that either support or impede business activities. By identifying significant bottlenecks causing bureaucratic delays and assessing the cost of compliance with regulations, the BBX can assist government agencies in prioritizing the most challenging factors hindering business activities. This, in turn, enables targeted reform activities to be mobilized, addressing the specific obstacles identified by the index.

Figure 14: What makes a Home-Grown Business Index Critical for Bangladesh

A regular evaluation of the business climate offers a systematic overview of an otherwise uncertain policy landscape. This process enables decision-makers to assess their advancements, evaluate the impacts of policy changes, and share insights on successful policies. The assessment furnishes practical policy recommendations that can be implemented, adjusted, or enhanced to foster a positive business environment within the nation. It equips policymakers with a prioritized roster of actions required to bolster economic efficiency and expansion. Additionally, it presents a framework for identifying the strengths and weaknesses in Bangladesh's business environment.

Business indices play a crucial role in identifying successful practices that can be replicated across the entire business environment. According to the Doing Business report, the top-performing countries commonly utilize electronic systems, such as online business incorporation processes, electronic tax filing platforms, and online procedures for property transfers. These countries also exhibit sound business regulation and a high level of transparency. Research indicates that countries excelling in the Doing Business report experience increased entrepreneurial activity, leading to enhanced employment opportunities, higher government tax revenues, and improved personal incomes. Furthermore, business indices enable policymakers to objectively measure the impact of their interventions and communicate the rationale for reforms to a wider audience, including the country's citizens.

Business climate data and analyses provide valuable insights for policymakers, investors, and researchers to evaluate Bangladesh's performance across various economic and social aspects. This includes assessing the regulatory environment for local businesses, understanding the impact of laws and regulations on business activity, making well-informed decisions regarding policy reform and private investment, and identifying successful practices in regulatory reform. The data also supports research on institutions and regulation, providing a comprehensive understanding of the business landscape in Bangladesh.

The presence of a non-conductive and inefficient business environment is often associated with rent-seeking behavior. Countries with excessive red tape and extensive interactions between the private sector and the government tend to offer significant opportunities for exploitation. For instance, the countries ranked in the bottom 20 in Transparency International's Corruption Perceptions Index typically require an average of 8 procedures to initiate business and 15 procedures to secure a building permit. In contrast, the top 20 countries complete the same processes with 4 and 11 procedures, respectively. Not to mention, the introduction of electronic compliance measures is linked to a reduction in informal payments. This underscores the impact of business environment efficiency on reducing corrupt practices and streamlining business processes.

Chapter 3: Methodology

The Bangladesh Business Climate Index (BBX) is an index that seeks to measure the business environment in the country and provides a comparative picture of the regulatory landscape across 8 *Bibhags* or Divisions across Bangladesh. The BBX is composed of 10 indicators or pillars 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 businesses and intermediaries face in engaging with regulations. The BBX comprises the following 11 pillars – Business Entry; Access to Land; Transparency; Access to Infrastructure; Labor Regulations; Dispute Resolution; Trade Facilitation; Tax Regulations; Technology Adoption, Access to Finance; and Environmental Regulations and Standards.

Figure 15: The 11 Pillars of the Bangladesh Business Climate (BBX) Index

Each of the 11 pillars comprises 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 to 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 predictably communicated to businesses.

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 Regulations

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 exports
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

Pillar 11: Environmental Regulations, and Standards

This pillar measures the efforts given and investments undertaken to maintain environmental standards.

S. No.	Indicator
1.	Efforts to reduce waste
2.	Difficulty in water conservation
3.	Investment in energy-efficient business operations
4.	Investment in green building designs and operations

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 the 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 objectives 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.

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 the 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 two 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 which may have disrupted data collection.

3.1.4 Data analysis

Effective stakeholder dialogue: To ensure all the steps of data collection reflect 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 39 indicators for each Division. This gives 39 x 8 = 312 data points to begin with.

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

Where, B is the value of the indicator; i is the sub sector and k is the sub indicator; Xjk is the score of the ith 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 39 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 39 indicators for Bangladesh.

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

Where, B is the value of the indicator; i is the sub sector and k is the sub indicator; Xjk is the score of the ith term in j sub sector and k indicator and n is the total number of firms surveyed.

3. Next, each of the 39 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 11 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 2: Illustration of the pillars and the weights provided to them

Number	Indicator	Weight
1	Starting a Business	9.09%
2	Access to Land	9.09%
3	Transparency and Availability of Regulatory Information	9.09%
4	Industrial and Business Infrastructure	9.09%
5	Labour Regulations	9.09%
6	Business Dispute Resolution	9.09%
7	Trade Competitiveness	9.09%
8	Ease of Paying Taxes	9.09%
9	Technology Adoption	9.09%
10	Access to Finance	9.09%
11	Environmental Regulations and Standards	9.09%
	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 by 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 with 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.

Figure 16: Respondent type and Pillars covered in BBX 2022

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 in which firms operate. BBX aims to select a nationally representative sample by delving into all eight Divisions of the country. The following key principles will guide 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 administered on the industries that have significant contributions 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; strata must be formed based on some known characteristics that ensure homogeneity within a particular stratum and exude heterogeneity in the sampling units among the strata. Primarily, stratification should be done among the business firms by the broad Sectors identified by the 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 that in aggregate contribute to 75 percent of total GDP and employment in Bangladesh have been considered. 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 3: 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 4: 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 5: 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

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.

3.5 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 an additional 30% 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 = 1.30

$$N = \frac{1.96^2 p(1-0.5)}{0.05^2} \times 1.30 \approx 499$$

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 6: Allocation of Samples

Sectors	Allocation of samples by Administrative Divisions								
	Samples per Strata	Dhaka	Chattogram	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 division, it will be substituted by available industry from nearby division.

Table 7: Distribution of samples under Manufacturing Industry

Manufacturing industry	Allocation of samples by Administrative Divisions								
	Samples per Strata	Dhaka	Chattogram	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:

The Criticality of a Favorable Business Climate for Realizing Bangladesh's Aspirations to become a Developed Country by 2041

4.1 Current Macroeconomic Outlook and the Voyage to Bangladesh Vision 2041

4.1.1 Bangladesh's Economic Resilience and Growth Trajectory

The economy of Bangladesh has shown significant growth and development in recent years. It is the 33rd largest economy in the world in nominal terms and the 25th largest by purchasing power parity, making it the third-largest economy in South Asia. Despite facing challenges such as rising inflationary pressure, energy shortages, and a balance-of-payments deficit, Bangladesh has demonstrated resilience with an estimated growth of 6.0 percent in FY23.

In the aftermath of the COVID-19 pandemic, the country has demonstrated remarkable resilience and rapid recovery. In fact, Bangladesh was ranked 34th among the most resilient economies in the face of the pandemic, outperforming many other South Asian nations according to Bloomberg's COVID Resilience Ranking in June 2022. Furthermore, the IMF forecasts that Bangladesh will maintain a lead in terms of per capita GDP compared to its neighbors over the next five years, up to 2026, despite the difficulties of the post-COVID economic era. The country's economic recovery and growth have been notable, reflecting its ability to navigate global uncertainties and sustain its positive trajectory.

Table 8: Bloomberg Covid Resilience Ranking

	Rank	Bloomberg Resilience Score	Vaccine Doses Per 100	Lockdown Severity
Vietnam	18	74.6	235.7	26
Thailand	33	70.2	199.9	30
Bangladesh	**34**	**70**	**167.7**	**34**
Malaysia	37	69.3	216.2	45
India	39	69	143.1	37
Indonesia	44	65.2	154.5	34
Pakistan	50	58.2	127.6	43

Source: Bloomberg (The Covid Resilience Ranking)

Bangladesh has also made remarkable progress in poverty reduction, reaching lower-middle income status in 2015, and is on track to graduate from the UN's Least

Developed Countries list in 2026. A robust demographic dividend, strong ready-made garment exports, resilient remittance inflows, and stable macroeconomic conditions support the success of Bangladesh's economic transformation and rapid economic growth. To achieve its vision of attaining upper middle-income status by 2031 and a high-income country by 2041, Bangladesh will require concerted efforts to address the current economic challenges. The country needs to create a competitive business environment, enhance human capital, build efficient infrastructure, and attract private investment, both domestic and foreign; overall Bangladesh needs to create an environment conducive to sustained and inclusive growth.

Table 9: Bangladesh 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**	6.94	7.10	6.03*	8.37	8.51	8.91	9.00	9.36	9.90
Gross Investment**	31.02	32.05	31.25*	36.16	37.44	40.60	41.15	43.41	46.88
Private Investment (Including PPP)**	23.7	24.52	23.64*	27.30	28.20	30.96	31.43	33.37	36.36
Tax Revenue**	7.36	7.76	7.64*	11.26	12.26	16.96	17.35	19.15	21.85
Export growth***	14.89	33.44	6.28*	10.60	10.75	11.50	11.65	12.05	11.00
Remittance growth***	36.1	-15.1	2.8*	6.60	6.00	4.75	4.50	3.50	2.00
Private Sector Credit***	8.35	13.66	10.57*	13.74	14.00	14.32	14.36	14.52	14.75

***Provincial**
****(As percentage of GDP or Otherwise indicated)**
*****(Percentage Change or Otherwise Indicated)**

Source: Bangladesh Bank (Quarterly; Annual), PP2041, Bangladesh Bureau of Statistics.

Global GDP is projected to decline to 2.9 percent in 2024, down from 3.5 percent in 2022 and the projected rate of 3 percent in 2023, according to the World Economic Outlook by the IMF (October 2023). As indicated in Table 10, Bangladesh and India are anticipated to have the highest GDP growth rates of 6 percent and above among selected South Asian countries. The GDP growth of Bangladesh saw a significant decline to 3.45 percent in FY20 from 7.88 percent in the pre-pandemic year but rebounded to 7.10 percent in FY22. However, the growth rate was impeded by the Russia-Ukraine crisis, falling to 6.03 percent in FY/23. The World Bank expects further slowing down of real GDP growth in FY24 due to ongoing import suppression measures but anticipates a re-acceleration over the medium term. The total merchandise import payments of Bangladesh (including imports of EPZ) during the years 2022-2023 and 2021-2022 amounted to USD 68.4 billion and USD 79.6 billion, respectively, reflecting a 13.11% decrease in dollar terms.[12]

Table 10: Import Payments (Million USD)	
2018	52939.6
2019	56060.8
2020	48517.8
2021	54332.1
2022	79573.5
2023	68430.5

Source: Bangladesh Bank

A study by IFPRI shows that the impacts of the Russia-Ukraine war on Bangladesh's economy include a GDP loss of 0.36 percent due to increases in international commodity prices; the impact further extends to an increase of three million in the number of poor, primarily rural poor.[13] Furthermore, the war has led to economic upheaval, with the taka depreciating by about 25 percent, reserves shrinking by about 28 percent, and a wide range of instability at micro- and macroeconomic levels.

While Bangladesh has been performing impressively well in maintaining its GDP growth rate, there is an opportunity to redirect focus toward the broader well-being of the people by prioritizing aspects such as employment, nutrition, and protection from natural disasters. This will enhance the Government's commitment to ensuring the overall welfare of the population.

Economists advise that the country should place a stronger emphasis on enhancing its social safety nets and healthcare services, as these sectors play a crucial role in providing genuine support to the people. This shift in focus is crucial, especially considering that food insecurity rose from 25.3 percent of the global population in 2019 to 29.6 percent in 2022, with severe food insecurity affecting 11.3 percent of the global population.[14]

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[12] Annual Import Payments of Goods and Services, 2022-23, Bangladesh Bank
[13] Impacts of the Russia-Ukraine War Price Shock on the Bangladesh Economy, 2023, IFPRI
[14] The state of Food Security and Nutrition in the World, 2023, FAO (Food & Agriculture Organization)

Table 11: Overview of Global Economic Growth as of October 2023, WEO

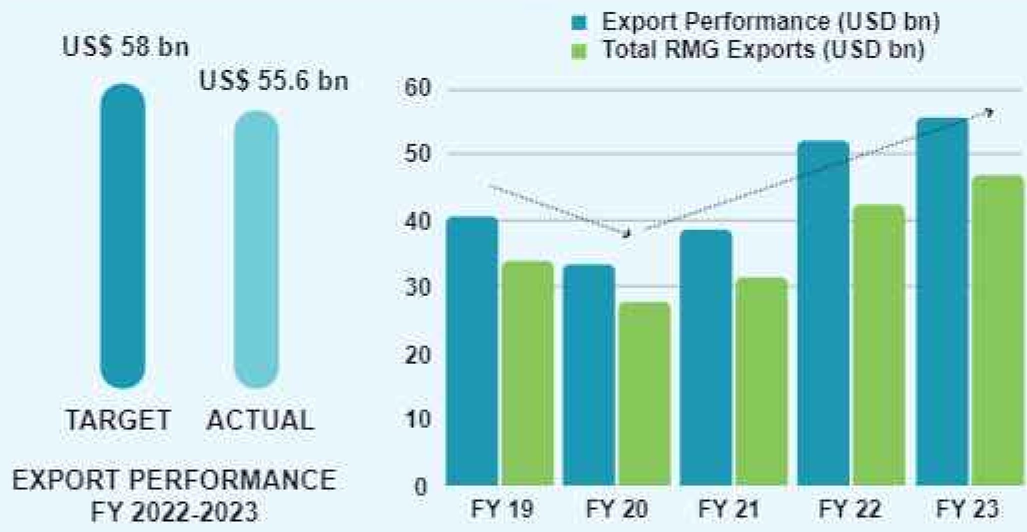
REGION	GROWTH (%)						
	ACTUAL				PROJECTION		
	2019	2020	2021	2022	2023	2024	2028
World	2.8	–2.8	6.3	3.5	3.0	2.9	3.1
Advanced Economies	1.7	-4.2	5.6	2.6	1.5	1.4	1.7
United States	2.3	-2.8	5.9	2.1	2.1	1.5	2.1
Euro Area	1.6	-6.1	5.6	3.3	0.7	1.2	1.3
Japan	-0.4	-4.2	2.2	1.0	2.0	1.0	0.4
Other Advanced Economies	1.9	–4.1	6.0	3.1	1.5	1.8	2.0
Emerging Market and Developing Economies	5.2	-0.5	7.5	4.5	5.2	4.8	4.5
Bangladesh	7.9	3.4	6.9	7.1	6.0	6.0	7.0
China	6.0	2.2	8.4	3.0	5.0	4.2	3.4
India	3.9	-5.8	9.1	7.2	6.3	6.3	6.3
Indonesia	5.0	-2.1	3.7	5.3	5.0	5.0	5.0
Pakistan	3.1	-0.9	5.8	6.1	-0.5	2.5	5.0
Sri Lanka	-0.2	-4.6	3.5	-7.8	-	-	-

Source: World Economic Outlook, Oct 2023

4.1.2 Driving Bangladesh's Economic Growth: The Role of Ready-Made Garments and Remittances

The ready-made garments (RMG) industry is a vital component of Bangladesh's economy, making a significant contribution to the country's GDP and constituting a large portion of its gross export earnings. However, the RMG sector experienced a slight decrease in growth during the April-June quarter of FY23 compared to the previous quarter, mainly due to reduced demand from major export destination countries, possibly linked to a global recession. A similar situation was noticed after the outbreak of the COVID-19 pandemic which led to a substantial reduction in exports by 16.23 percent to 12.18 percent of GDP, while global exports decreased by 8.98 percent. The steeper fall in Bangladesh's exports suggests the presence of specific factors within the country that exacerbated the decline, in addition to the global economic slowdown caused by the pandemic. Nonetheless, the overall RMG exports have maintained reasonably good growth throughout the following years.

Figure 17: Export Performance of Bangladesh



Source: Bangladesh Export Promotion Bureau

Bangladesh's export earnings have exceeded USD 50 billion for the second consecutive year, reaching a record USD 55.6 billion in FY23. This achievement is significant and the 6.67% increase from the previous year, although falling short of the USD 58 billion target, is a positive sign considering the challenging global economic conditions and the current international market turbulence. The growth was driven by the garments sector, which diversified its products to emerging markets, showcasing the sector's resilience. The export of readymade garments witnessed a growth of 10.27% in FY23, reaching USD 47 billion, up from USD 42.6 billion in 2022.[15] The net export earnings from the RMG sector continued to be over 70%, contributing significantly to Bangladesh's trade balance. Additionally, Bangladesh's RMG export reached USD 23.4 billion during the July-December period of FY24, indicating 1.72 % year-over-year growth.

There exists a substantial gap between the RMG sector of Bangladesh and the country's second-highest export category, amounting to an impressive margin of over USD 45 billion. In FY23, RMG constituted 85 percent of the total goods export of Bangladesh of which 46 percent of total export came from knitwear and 38 percent came from woven garments. However, other sectors such as leather, jute, home textiles, and agricultural products faced challenges and experienced negative growth. Some of these challenges include international trade barriers, environmental and compliance issues, inadequate market access, local production issues such as dated machineries, production inefficiencies, inadequate investment in modernization, etc. The government

[15] Annual Report 2022-23, Export Promotion Bureau

needs to address all the issues hindering the growth of these sectors to ensure a more balanced and sustainable export performance.

Figure 18: Export Performance for Specific Items

Products	Export Performance for FY 2022-23 (Million USD)	% Change of Export Performance FY 2022-23 over FY 2021-22	% Of Total Export of Goods
Agricultural Products	843.03	-27.47	1.5
Leather & Leather Products	1223.62	-1.74	2.2
Wood & Wood Products	10.72	107.35	0.02
Cotton & Cotton Product	411.12	67.86	0.7
Jute & Jute goods	912.25	-19.1	1.6
RMG	46991.61	10.27	84.6
Home Textile	1095.29	-32.47	2.0

Source: Bangladesh Export Promotion Bureau

According to the United Nations' Commodity Trade Statistics (UNCTAD), Bangladesh's export concentration ratio was 0.40 in 2020, more than double the 0.18 ratio of Least Developed Countries (LDCs) and over four times more concentrated than the average for developing countries (0.09). In contrast, the export baskets of Bangladesh's peer countries and main competitors in RMG export markets, such as India, Vietnam, Cambodia, and Indonesia, were much less concentrated than

Bangladesh. Despite some progress, Bangladesh has not been able to diversify its export basket compared to its competitors, leading to more concentration in the textiles sector. The country's export basket remains heavily reliant on textile products, particularly RMG, which has hindered its ability to diversify and has resulted in a relatively high specialization in specific products within the textile sector. This high export concentration in RMG has made the economy vulnerable and indicates the need for export diversification to sustain growth.

The government wants to leverage on certain advantages to increase exports while providing incentives for remittances to increase the overall forex reserve. The export target for goods for the fiscal year 2023-24 has been set at USD 72 billion, with a focus on further diversifying export markets and products.[16] By capitalizing on advantages such as a skilled labor force and the relocation of industries from China, the government is aiming to boost the country's export performance. Furthermore, the Government's cash incentives, along with supportive measures of Bangladesh Bank, have significantly boosted inflows into the country through inward remittances. GoB provides a 2.5% incentive on money sent back home, which is added directly to the transfers made to remittance receivers, either as cash or into their bank accounts. The banks can offer incentives at the rate of 2.5% per dollar, which could further encourage the flow of remittances into the country. Any surge in remittances is crucial for Bangladesh, as it contributes to economic growth, helps balance payments, increases foreign exchange reserves, and enhances national savings.

Table 12: Trend of Remittance Inflow in Bangladesh

	Total Remittance (Million USD)	Growth (%) of Remittance	Remittance (%) of GDP	Remittance (%) of Export Earnings	Remittance (%) of Import Payment
FY 18	14.98	17.32	4.66	41.29	27.51
FY 19	16.42	9.6	4.67	41.46	29.62
FY 20	18.21	10.87	4.87	56.68	35.91
FY 21	24.78	36.1	5.95	67.14	40.83
FY 22	21.03	-15.12	4.57	42.71	25.49
FY 23*	21.61	2.75	4.76	41.29	31.1

Source: Bangladesh Bureau of Statistics; Statistics Department, Bangladesh Bank (from July 2016) and Foreign Exchange Policy Department, Bangladesh Bank (up to June 2016); (P= Provisional)

[16] Bangladesh News, August 2023, Ministry of Foreign Affairs.

The widening gap between official and unofficial exchange rates, along with institutional obstacles such as lengthy formalities of using formal channels, is leading to the increasing preference for traditional Hundi system by remitters. In November 2023, the official exchange rate offered by banks was Tk 109.5 per dollar for remittance, while the rate in the informal market was around Tk 117-119 per dollar. Given this, a steady fall in the inflow of remittance was witnessed between July 2023 to September 2023 despite the increase in the number of registered overseas migrant workers. However, the inflow of remittance to Bangladesh increased 21 percent year-on-year to USD 1.93 billion in November as most banks started offering higher rates for the US dollar to boost foreign currency collection. If focused on the yearly inflow of remittance, it can be seen that despite a significant drop in remittance inflows overseen in FY22 owing to Covid-19 pandemic, the inflow of remittances and its percentage share (in terms of GDP, exports, and imports) exhibit improvement in FY23. Total remittances received stood at USD 21.6 billion which was 2.75 percent higher than that of the previous fiscal year. The increased remittance inflow to Bangladesh in April–June of FY23, amounting to USD 5575.65 million, reflected a positive trend, amidst the high inflation faced by the global economy. This surge was attributed to expatriates sending extra money to their family members before Eid-Ul Azha. As many banks offered higher rates for the US dollar to boost foreign currency collection, the positive trend in remittance inflow continued, with a 21% year-on-year surge to USD 1.93 billion in November 2023 compared to the same month in 2022. Despite a slight month-to-month decrease, the overall growth in remittances reflected a significant improvement compared to the previous year. This increase in remittance inflow is a positive development for the country, especially considering the challenges posed by the current global economic uncertainties.

Figure 19: Country-Wise Share (%) of Remittance Inflows for Bangladesh (FY23)

Source: Bangladesh Bank

Despite a decrease in the number of expatriate workers in the Middle East and Gulf region, Bangladesh received the largest amount of remittances from KSA in FY 23, followed by the USA, the UAE, and the United Kingdom. In the last six months of 2023, the highest wage earner's remittance was recorded in December amounting to USD 1.99 billion, which was an increase from USD 1.70 billion recorded in the same month of the previous year. The increase in remittance inflow can be attributed to the declining global cost of sending remittances. The global average cost of sending USD 200 in remittances decreased to 6.2% in Q2FY23, which was the lowest in the last four quarters. Specifically, sending USD 200 to the South Asia region cost an average of 4.31% in the same period, down from 4.58% the previous quarter.[17] However, despite this and other additional incentives, remittance inflow in Bangladesh is not increasing in pace with the country's growing number of migrant workers primarily because of the growing use of the hundi system, an illegal cross-border transaction service.

4.1.3 Bangladesh's Strategies for Inflation, Investment, and Business Climate Improvement

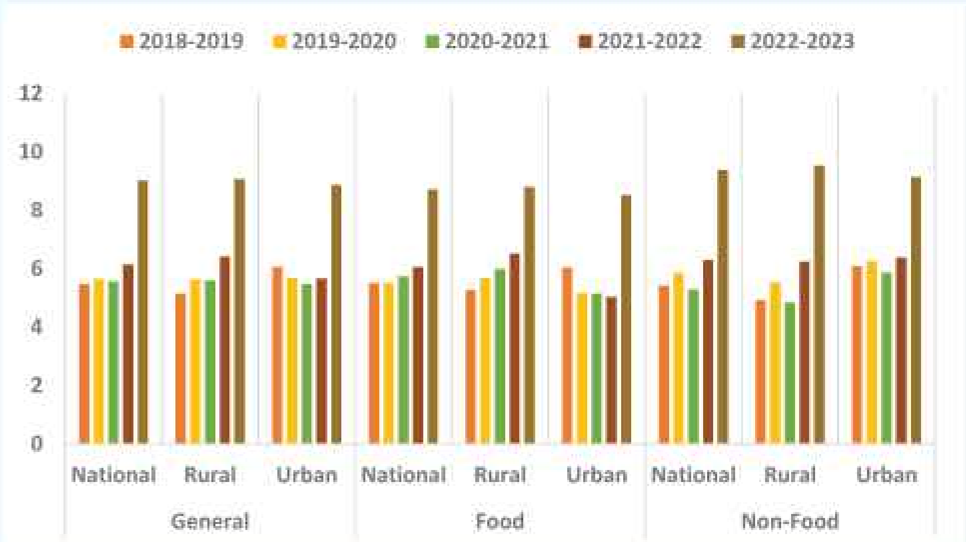
Amidst the surge in remittances, Bangladesh is currently grappling with a notable inflation rate, which stands at around 10%. This high inflation rate, the highest in over a decade, is a matter of concern for policymakers, the government, economists, and the general population. The inflation has been primarily driven by factors such as rising food prices, supply chain disruptions, and market imperfection. The country's food inflation peaked at 12.56 percent in October 2023, the highest in at least a decade. Despite a slight easing to 9.49 percent in November 2023, the inflation rate remains significantly above the central bank's target of 6 percent[18]. The government and central bank have attributed the high inflation to external factors, but local issues such as market management and structural factors have also been identified as contributors.

Despite the successful containment of inflation by global central banks through policy rate increases, the Bangladesh Bank has faced challenges in the past year due to an inefficient transmission mechanism. Although Bangladesh is officially classified as a free market economy, in practice, it has been observed that its markets are not consistently sensitive to the forces of supply and demand. Moreover, they exhibit limited responsiveness to international market dynamics and supply-side factors. According to the FAO Food Price Index, the price indices of meat, dairy, cereals, and vegetable oils experienced a decline in the international market in December 2023 compared to the same month of the previous year[19]. While the world market experienced

[17] Remittance Prices Worldwide Quarterly Report, September 2023, World Bank
[18] Bangladesh Bureau of Statistics Database
[19] Food Price Index 2023, Food & Agriculture Organization

a decline in the prices of various products, the same trend did not occur in Bangladesh, and this divergence in market behavior has contributed to unique economic challenges and implications for inflation dynamics in the country. The effectiveness of Bangladesh Bank's policies is primarily hindered by delays in decision-making and substantial transmission lags. The time it takes for a central bank's policy decisions to impact inflation can be significant, often extending over several months or even years.

Figure 20: Inflation Rate of Bangladesh: Pre- and Post-Covid Period



Source: BBS, Bangladesh Bank

The issue of high inflation in Bangladesh has its roots in a substantial increase in fuel prices over a period of nine months, coupled with a rise in fertilizer prices. The global surge in commodity prices, driven by the repercussions of the pandemic and the Russia-Ukraine war, has particularly impacted import-dependent countries like Bangladesh. As a result of this high inflation, individuals with low incomes are facing significant threats, with economists expressing concerns that a portion of the population, estimated at 2-3 percent, are just above the poverty line and at risk of falling below it at any moment. Given this scenario, addressing inflation has become the top priority. Bangladesh will need to deploy both conventional and non-conventional tools to combat this inflationary pressure.

The Vision 2041 envisions a transformative journey for Bangladesh, aspiring to become a prosperous, developed, and technologically advanced nation by the year 2041. With a primary goal of eliminating extreme poverty and attaining Upper Middle-Income Country (UMIC) status by 2031, it charts a course toward achieving High-Income Country (HIC) status by 2041, thereby eradicating poverty altogether[20]. Emphasizing

[20] Perspective Plan of Bangladesh 2020, General Economic Division

inclusivity, sustainability, and resilience, the vision aims to ensure exceptional education, healthcare, and services for all citizens.

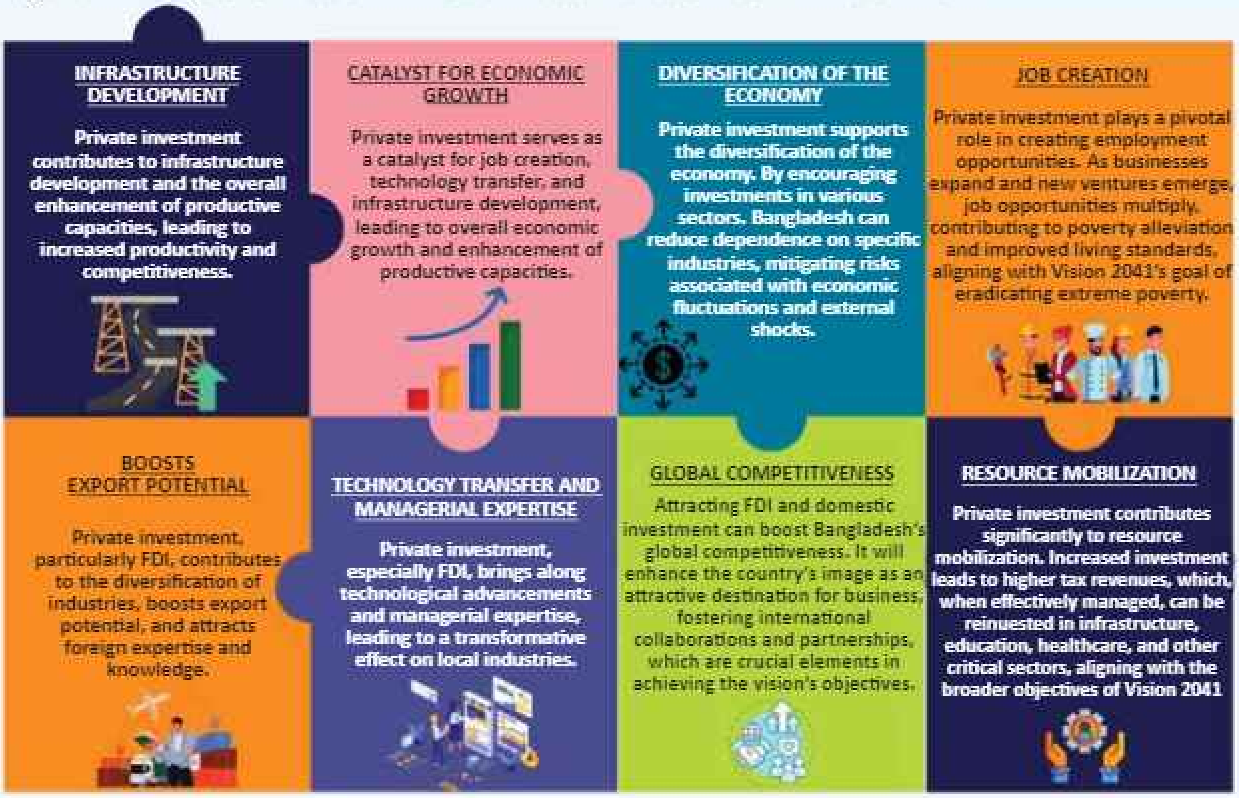
The Smart Bangladesh Vision 2041 stands as a comprehensive and ambitious initiative, placing a strong emphasis on citizen empowerment and well-being. This is to be accomplished through the establishment of a knowledge-based economy, along with the promotion of digitization, innovation, and entrepreneurship. Digital Bangladesh is an integral part of the government's Vision 2021 and Vision 2041 which includes: (i) Developing human resources ready for the 21st century, (ii) Connecting citizens in ways most meaningful to them, (iii) Taking services to citizens' doorsteps and (iv) Making the private sector and market more productive and competitive through the use of digital technology.

Figure 21: Key Targets and Focus of Bangladesh Vision 2041

Source: General Economics Division (GED) Bangladesh Planning Commission, a2i, Dhaka Tribune, The Daily Star

In the pursuit of becoming a developed economy by 2041, Bangladesh aims to significantly increase its private investment to GDP ratio from the current 23.6% to an impressive 36.3% by 2041, as outlined in the Perspective Plan. The private sector is expected to play a significant role in achieving this target. Given this, the country recognizes the pivotal role of strengthening private and foreign direct investment (FDI) alongside enhancing tax revenue collection to attain desired economic growth and the targets set out in Vision 2041. To achieve this, the government is focusing on policy reforms and building a supportive institutional arrangement to attract investment. This strategic focus aims to significantly increase the private investment to GDP ratio to the desired level by 2041. To create an enabling environment for rapid, efficient, and sustainable growth, Bangladesh places special emphasis on developing efficient energy and infrastructure. Moreover, building resilience to climate change and positioning the country as a knowledge hub for fostering a skill-based society are integral aspects of the comprehensive plan. The government's commitment to achieving these goals involves policy reforms, the establishment of supportive institutional frameworks, and the creation of a conducive tax system to attract more investment. This forward-looking strategy underscores the importance of private investment in driving economic growth, generating employment opportunities, and facilitating the transfer of technology and managerial knowledge to alleviate poverty.

Figure 22: Importance of Private Investment to Attain Vision 2041



The Bangladesh Business Climate Index (BBX) can prove to be an essential tool for understanding and improving the business environment in Bangladesh, ultimately serving as a valuable instrument to attract private investments. The BBX is tailored to the realities of Bangladesh and provides private investors and government agencies with timely and detailed data on regulatory and other barriers to doing business. It is based on interviews with entrepreneurs and covers eleven major areas identified as key to investor interest.

The BBX introduced an innovative business environment index tailored specifically for Bangladesh, offering comprehensive data on regulatory and other barriers to

doing business. Unlike many global indicators such as the World Bank's Doing Business, which has been discontinued, the BBX is tailored to the country-specific realities of Bangladesh, making it highly sector and geography-specific. In line with the recommendations of economists and industry experts, the index targets sectors collectively responsible for 75 percent of the nation's total GDP and employment. Additionally, BBX aims to provide evidence-based inputs to local and national government agencies, facilitating dialogue between government and businesses and allowing more participation of stakeholders in policy reform. BBX also aims to identify best performers and showcase practices and initiatives implemented locally that can be examples for other government agencies.

BBX supports the continuous evaluation of the business environment and offers a structured overview of an otherwise uncertain policy landscape. It enables policymakers to assess their progress, evaluate the impact of policy changes, and share information on effective policies. The index presents practical policy measures that can be implemented, encouraged, or enhanced to foster a favorable business climate in the country. It equips policymakers with a prioritized list of interventions necessary to improve economic productivity and growth, and it also provides a framework for identifying the strengths and weaknesses in Bangladesh's business environment.

In essence, the BBX offers a well-organized overview of the quality of Bangladesh's business environment, playing a crucial role in pinpointing areas for improvements and providing evidence to guide government policy and reform decisions. Its relevance extends to multiple facets for Bangladesh, contributing significantly to the attraction of private investments and ultimately supporting the nation's aspirations to achieve Vision 2041.

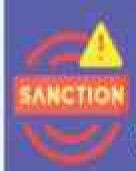
Figure 23: Why a Home-Grown Policy Index Is Critical for Bangladesh

4.2 Current Geopolitics and Its Implications on Bangladesh

The Russia-Ukraine war has had a significant impact on the global supply chain, with repercussions felt in various countries, including Bangladesh. The war has caused disruptions in the supply of key commodities, such as wheat, corn, and fertilizers. Hundreds of ships loaded with essential goods have been stranded at Ukrainian ports, leading to food shortages and inflation worldwide. The conflict has also led to a surge in global energy prices, with the price of LNG and gas experiencing historic highs, impacting the energy sector, and increasing costs for countries reliant on energy imports. For example, in the first six months after the start of the conflict, natural gas prices rose by 120-130 percent and coal prices rose by 95-97 percent. Grain exports from Ukraine saw a significant decline at the onset of the war, with some recovery facilitated by the Black Sea Initiative, an agreement enabling Ukraine to export grain. Additionally, there has been a notable reduction in fertilizer exports from Russia, which is particularly concerning as fertilizers are essential for the cultivation and eventual harvesting of grain in several countries, including Bangladesh.

The war, which began thousands of kilometers away, has successfully created disruptions in Bangladesh's supply chain and led to a cost-of-living crisis in the country. This has resulted in a decline in the net income of industrial workers, decreased purchasing power, and a drain on the central bank's reserves. The war has also exposed the country's longstanding structural problems, such as low tax revenue, overreliance on imports, and a narrow export base. Additionally, the Russia-Ukraine war has led to significant challenges for companies in Bangladesh due to the shortage of raw materials. The war-induced supply chain disruptions and the surge in the cost of raw material imports have significantly impacted the manufacturing sector, particularly the garment and textile industry, which heavily depends on imports of raw materials such as cotton. The increased cost of raw materials has led to higher production costs, affecting the competitiveness of Bangladesh's exports. The shortage of raw materials has affected various industries, including the production of electrical appliances and construction materials.

Figure 24: Impact of Russia-Ukraine war on Bangladesh's Economy

 ENERGY SECTOR	The surge in global oil and gas prices has directly impacted Bangladesh, leading to increased energy costs and supply shortages. The price of gas used for power generation has been increased from current Tk5.02 to Tk14 (179% jump) per cubic metre in February 2023. Also, the gas price for captive power plants raised to Tk30 from Tk16 (88% jump). For large industries, the price is going up to Tk30 from Tk11.98 (150% jump). Bangladesh's reliance on cocal has grown due to escalating energy prices. However, this traditionally inexpensive fuel has also experienced price hikes due to the war. The halt in coal exports from the Russia/Ukraine region has led to global shortages and disruptions in various industries, including steel, which heavily depends on coal.
 SUPPLY CHAIN DISRUPTIONS	Bangladesh's economy has been hit by supply chain disruptions, particularly in the energy and agriculture sectors. The country imports wheat, maize, and other essential items from Russia, and the war and subsequent sanctions have necessitated finding alternative sources, leading to increased costs and potential shortages.
 TRADE AND EXPORTS	The war and subsequent sanctions have disrupted Bangladesh's trade, especially with Russia. The country's exports to Russia, primarily textiles and clothing, have been impacted, leading to challenges in maintaining export receipts and trade relationships. In FY 23, Bangladesh's exports to the promising market of Russia experienced a significant decline of 27.87 percent (USD 460.39) compared to the previous year in FY 22 (USD 638.31). The country imports wheat and maize from Russia, and the war and subsequent sanctions have necessitated finding alternative sources, leading to increased costs and potential shortages.
 INFRASTRUCTURE PROJECTS	The war has the potential to delay or escalate the costs of critical infrastructure projects in Bangladesh, such as the Rooppur Nuclear Power Plant, which is being implemented with Russian involvement. Economic sanctions and the war's impact on Russian companies could lead to delays and increased costs for these projects.
 INCREASED PROVERTY	The spike in global commodity prices has pushed 3 million people into poverty in Bangladesh as per a study by the Bangladesh Institute of Development Studies (BIDS). This has particularly affected vulnerable rural households reliant on agriculture. The increase in food and fuel prices has had a significant adverse impact on consumption, investment, and overall welfare.
 FINANCIAL QUANDARY AND SHIPPING RESTRICTIONS	Bangladesh has faced economic and political quandaries due to the war, with challenges such as banks being unwilling to open LCs for trade with Russia, increased shipping costs, and difficulties in retaining export receipts. The negative impact of financial sanctions on Russia has also affected significant projects and trade relationships in Bangladesh.
 FOOD SECURITY AND COMMODITY PRICES	The surge in global commodity prices, particularly for items like edible oil, food, sugar, and intermediate goods, has led to significant cost escalations in Bangladesh, having adverse impacts on the country, particularly in terms of food security and the welfare of its population. Bangladesh's point to point food inflation has increased. The point to point food inflation increased to 9.73 percent in FY 2023 from 8.37 percent in FY 2022. Non-food inflation in the same period was recorded at 9.6 percent from 6.33 percent.

The ongoing war and economic sanctions have made it more difficult for companies to acquire credit, particularly to import goods, and the negative impact of financial sanctions on Russia has disrupted trade relationships and affected the retention of export receipts. The shortage of raw materials and the increased cost of imports have pushed production costs up, resulting in higher prices for consumers. Companies have been facing challenges in adjusting their additional production costs, and the price hikes of locally sourced raw materials have further affected businesses dealing in various products. The shortage of raw materials and the increased cost of imports have significantly squeezed Bangladesh's non-RMG exports to the global market, impacting various industries and businesses in the country.

The escalating tensions between the United States and China have caused a huge shift in global trade patterns, with some countries benefiting from increased exports, while others have faced challenges due to the disruptions in global supply chains. Countries, such as Vietnam, Thailand, Korea, and Mexico, were able to boost their exports significantly by providing substitutes for goods subject to the US-China tariffs, while others, such as Ukraine and Colombia, saw a decline, largely because their exports complemented goods hit by the tariffs. A study by Fajgelbaum et al. (2023) on "The US-China Trade War and Global Reallocations" explores the impact of the trade dispute on trade opportunities for bystander countries.[21] It suggests that the trade dispute has generally enhanced trade opportunities for most countries rather than just causing shifts in trade patterns across destinations. As a result, many multinational companies are redirecting investments to other locations, such as Southeast Asia, and India, or repatriating their earnings. Consequently, it is believed that Bangladesh can also benefit from this situation.

The trade relationship between Bangladesh and the United States has been significant, with the United States being a major export destination for Bangladesh's products. Similarly, China has been a key source of imports for Bangladesh, indicating the importance of these two countries in Bangladesh's trade landscape. In FY 2023, Bangladesh's primary import partner was China, with import payments exceeding USD 17.8 billion. On the other hand, the United States was the top export partner of Bangladesh, with the total export receipt from the USA standing at USD 8.28 billion in the same fiscal year. Bangladesh presents a variety of appealing attributes that can attract more investment into the economy, and potentially capitalize on the tensions between the United States and China. In fact, in FY 2018, when the US-China trade war led to an increase in foreign direct investment (FDI) from China to Bangladesh, particularly through factory relocations and investments in the country's export processing zones, the surge in FDI from China rose to USD 506 million in the 2017-18 financial year,

[21] Fajgelbaum, P. et al. (2021) The US-china trade war and global reallocations

up from USD 68.5 million in 2016-17. It clearly signifies the potential benefits that Bangladesh can enjoy from the tensions between the United States and China[22].

Table 13: Export Receipts and Import Payments of Bangladesh

	2022-23	2021-22		2022-23	2021-22
USA- Export Receipts (Billion USD)	8.28	9.00	China- Import Payments (Billion USD)	17.83	20.88
Readymade garments	7.24	7.97	Cotton	2.25	2.52
Fish, shrimps and prawns	0.02	0.04	Nuclear reactors, boilers	2.16	4.29
Home textiles	0.06	0.10	Electrical Machinery an Equipment	1.72	1.96
Jute manufactures	0.01	0.02	Mineral fuels, mineral oilsand products	1.57	0.15
Leather & leather manufactures	0.34	0.30	Knitted or crocheted fabrics	1.26	1.55
Handicrafts	0.01	0.01	Man-made filaments	1.22	1.41
Others	0.59	0.57	Man-made staple fibres	1.06	1.18
			Others	6.59	7.82

Source: Bangladesh Bank

An examination of data from the Office of Textile and Apparels (OTEXA) under the US Department of Commerce reveals that the US witnessed a nearly 28% increase in garment imports between 2017 and 2022, amounting to almost USD 100 billion. During the same period, China's garment exports to the US decreased by around 20 percent, despite remaining the top supplier. Meanwhile, Bangladesh, traditionally known for producing basic items, has significantly expanded its capacity to manufacture high-value apparel, leading to a 35% year-over-year growth in US textile and apparel imports from Bangladesh in 2022. As a result, Bangladeshi apparel manufacturers and exporters are being urged to cultivate stronger relationships with US buyers who have not yet transitioned to Bangladesh or those importing smaller quantities. BGMEA is also collaborating with the American Apparel and Footwear Association (AAFA) to enhance the competitiveness and trade access of Bangladesh's ready-made garment (RMG) sector in the US market. This partnership aims to unlock the potential of the RMG sector by improving purchasing practices, bolstering sustainability efforts, and expanding trade access to the US market.

[22] World Trade Statistical Review 2023, World Trade Organization

Figure 25: Incentives provided by Bangladesh for higher FDI

Source: Dhaka Chamber of Commerce & Industry (DCCI)

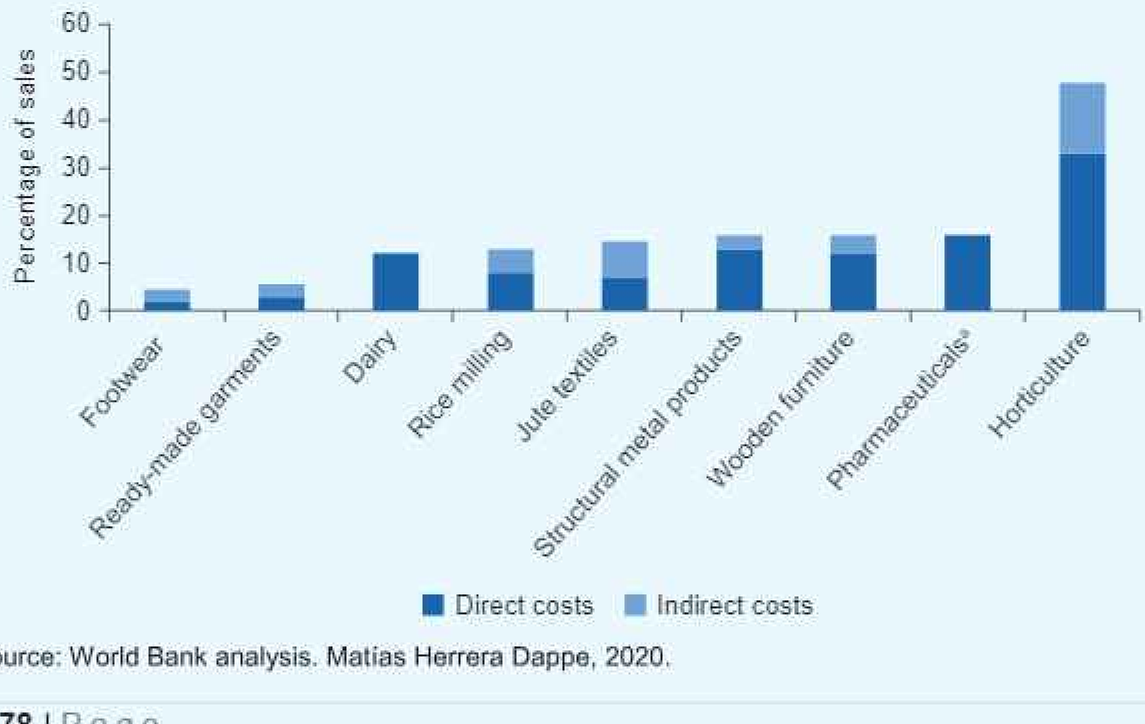
Bangladesh offers a range of attractive features that can draw more investment into the country and benefit from the US-China tension. The nation's stable economic growth, strategic location between South and Southeast Asian markets, and vibrant private sector make it an attractive investment destination. The government has been actively implementing reforms to streamline bureaucratic processes, enhance infrastructure, and facilitate foreign investment. Additionally, Bangladesh offers a burgeoning consumer market with a growing middle and affluent class which is going to reach 34 million by 2025, increasing urbanization, and rising disposable incomes, which can attract diverse industries. The country allows foreign investors to set up ventures, either wholly owned or in collaboration with local partners. There are also various attractive sectors for investment in Bangladesh, including textiles and garments, leather goods, light manufacturing, power and energy, electronics, and information and communications technology (ICT). Not to mention, the availability of cost-effective and trainable labor that is highly advantageous for various industries, including manufacturing, IT, and healthcare. Despite these advantages, challenges such as bureaucratic tangles, hidden costs, inadequate infrastructure, and limited financing instruments still exist and need to be addressed to further enhance its attractiveness to foreign investors.

4.3 Enhancing Competitiveness of Bangladesh's Products

4.3.1 Improvements in Connectivity

Bangladesh, despite its relatively young age, has made impressive strides in reducing poverty and promoting shared prosperity, however, as it undergoes the transition to a developing nation, it is confronted with a range of challenges. These include the absence of efficient inland freight transport systems for international supply chains, high logistical costs, and the lack of a National Logistics Policy. The country's sustained economic growth and poverty reduction efforts have created a need for advanced logistics development to further integrate its economy with the world economy and meet the challenges of increased export size and private investment. According to the report " Moving Forward: Connectivity and Logistics to Sustain Bangladesh's Success" by the World Bank (2020), logistics costs in Bangladesh are high across most sectors, ranging from 4.5 percent to 47.9 percent of sales. This imposes significant costs on the economy as well, with transportation costs often making up a significant portion of the total production costs. Inventory carrying costs represent a substantial share of logistics costs, and road transport rates are higher than in many developing and developed countries. The competitiveness of major ports such as Chittagong and Mongla is compromised by issues such as shallowness, equipment shortage, and congestion. Logistics costs for the pharmaceutical industry include only direct costs, as firms did not provide the information required to estimate inventory carrying costs.

Figure 26: Logistics costs in Bangladesh, by industry



Source: World Bank analysis. Matías Herrera Dappe, 2020.

The lack of inland waterway transportation further exacerbates the challenges in the logistics sector. The World Bank's Moving Forward report further emphasizes that Bangladesh is not fully exploiting the comparative advantages of rail and inland water transport, as it heavily relies on road transport, which contributes to the challenges faced by the logistics system. Bangladesh Inland Water Authority (BIWTA) lacks an accurate mechanism to record freight flow movement. This absence of accurate and detailed data hinders the ability to base actions on the recorded information. While several studies on inland waterways have been conducted in Bangladesh, none of them have undertaken a comprehensive freight flow analysis. The benefits of inland waterway transportation range from offering a cost-effective alternative to road transport to alleviating congestion on roads, increasing connectivity, and many more.

Figure 27: Key Drivers of Higher Logistics Costs in Bangladesh

INFRASTRUCTURE AND SERVICES IMBALANCE	The demand for infrastructure and services has exceeded supply, leading to congestion, especially on roads and highways. This imbalance has resulted in inadequate capacity and poor reliability of services, increasing costs for private firms and affecting the country's overall logistics performance.
DOMINANCE OF ROAD TRANSPORT AND CONGESTION	The dominant role of road transport in Bangladesh's logistics system has led to pervasive congestion and delays, significantly increasing logistics costs. For instance, congestion on roads alone doubles standard trucking costs; if roads were uncongested, logistics costs would decrease by at least 7-35 percent, depending on the specific sector. Moreover, the average dwell times at Chattogram Port are 4 days for an export container and 11 days for an import container. Reducing these dwell times would result in a significant reduction in logistics costs (Matías Herrera Dappe, 2020. World Bank). Furthermore, the country is not fully utilizing the potential benefits of rail and inland water transport, relying predominantly on road transport.
UNSOPHISTICATED LOGISTICS SYSTEM	Bangladesh's logistics system is characterized as unsophisticated, with limited use of multimodal transport, fragmented service providers, and low adoption of information technology tools. This lack of sophistication contributes to inefficiencies and high costs in the logistics sector.
INEFFECTIVE GOVERNANCE AND OUTDATED POLICIES	The governance of the logistics sector is fragmented, with a lack of coordination and integration among different stakeholders. Outdated policies and regulations, as well as market failures, have led to a non-competitive logistics service market and hindered the sector's efficiency and innovation.
ABSENCE OF NATIONAL LOGISTICS POLICY	The absence of a National Logistics Policy in Bangladesh contributes to the existing logistics challenges, as it leads to a lack of integrated policy framework and fragmentation in sectoral governance. This, in turn, hampers the modernization and efficiency improvements in the logistics sector.

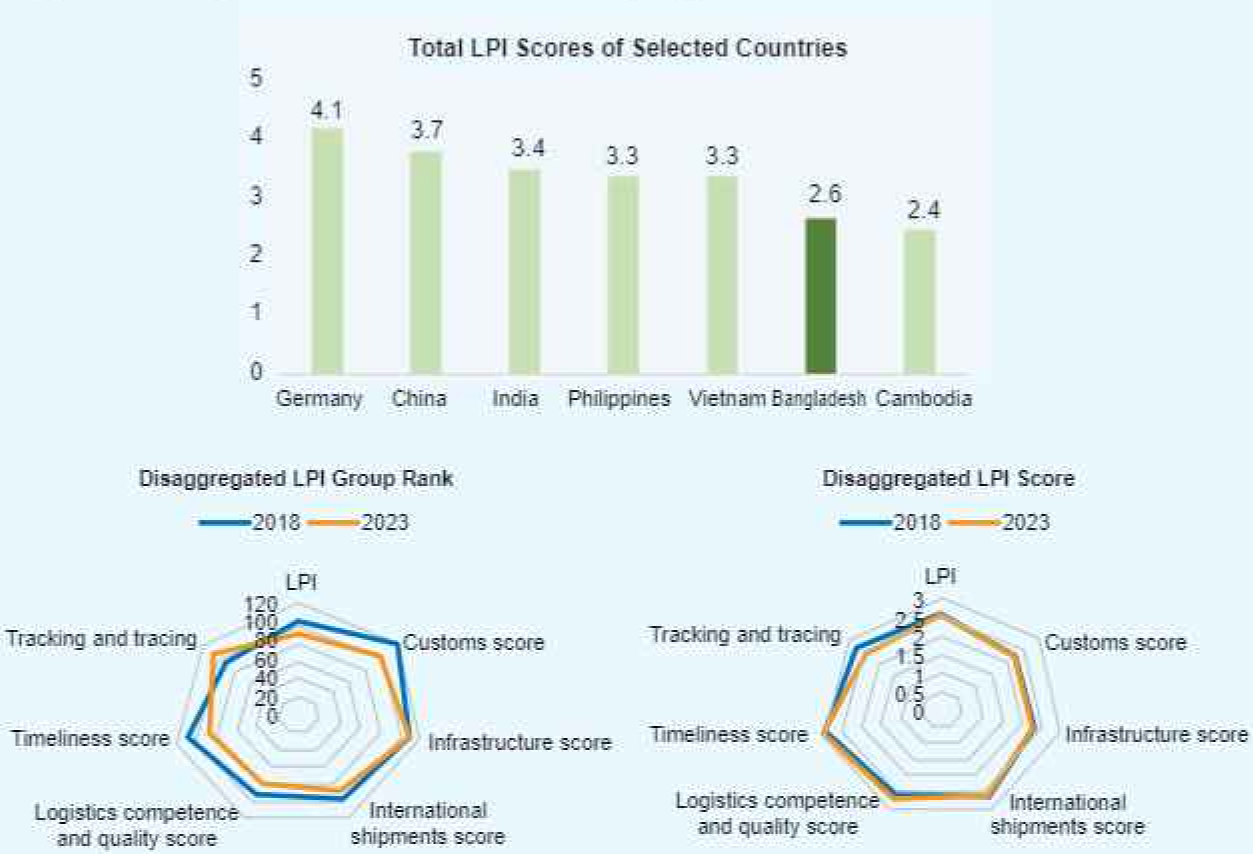
Source: Matias Herrera Dappe, 2020. Moving Forward- Connectivity and Logistics to Sustain Bangladesh's Success. DC: The World Bank

The impact of high logistics costs on productivity in Bangladesh is substantial and translates into lower global competitiveness of goods and services. Industries in the country maintain large inventories of raw materials and finished goods, with inventory carrying costs representing a significant portion of logistics costs. These carrying costs range from a substantial percentage to over half of the total logistics costs across various industries. Moreover, a significant portion of these inventories is affected by inconsistent deliveries and congestion, depending on the specific industry. This situation particularly affects export-oriented industries and those reliant on imported inputs, leading to the need to maintain higher levels of inventories to mitigate the impact of unreliable deliveries and higher lead time caused by congestion at ports. Improving logistics performance is therefore crucial for reducing costs and delays for exports, expediting imports, and supporting the diversification of the economy, ultimately contributing to improved productivity and competitiveness.

However, Bangladesh has taken steps to address these issues by establishing the National Logistics Development Coordination Committee (NLDCC). The NLDCC is playing a crucial role in coordinating the efforts to address the significant logistics challenges in the country and to support the development of the National Logistics Policy. The NLDCC's efforts are aimed at creating an integrated policy framework and overcoming the fragmentation in sectoral governance, which have been hindering the modernization and efficiency improvements in the logistics sector. The establishment of the NLDCC reflects the recognition of the need for a comprehensive strategic vision and effective coordination to address the governance weaknesses and capacity constraints in the logistics sector.

Bangladesh has already made significant progress in the World Bank's Logistics Performance Index (LPI) 2023, managing a score of 2.6 on a 5-point scale. The country climbed in ranks by 12 places compared to 2018, which indicates an improvement in the country's trade and business skills. The LPI is based on six components, and Bangladesh's performance has improved in four of them: customs, international shipment, logistics competence and quality, and timeliness. Specifically, the country's ranking in the customs category has improved by 20 notches, indicating enhanced efficiency in customs management and goods clearance. Furthermore, Bangladesh's performance in logistics competence and quality has risen to 81st from 102nd, and in the international shipment category, it has improved to 91st from 104th.

Figure 28: Logistics Performance Index (LPI), 2023



Source: The Logistics Performance Index and Its Indicators, World Bank

The positive development in Bangladesh's LPI ranking reflects the country's efforts to overcome logistical challenges and improve its trade and business environment. However, it also highlights the need to address challenges in other components, such as infrastructure and tracking and tracing, to further enhance the country's logistics performance. The recent progress in the LPI is expected to help Bangladesh attract more foreign direct investment and achieve its export diversification goals. It also underscores the importance of continued focus on improving logistics infrastructure and services to sustain and enhance the country's economic development.

The GoB has made significant strides in addressing the country's logistics challenges through various ongoing and completed projects, demonstrating a strong commitment to enhancing the nation's transport infrastructure. The completion of iconic infrastructure projects like the Padma Bridge, Elevated Expressway, Metro Rail, and Karnaphuli Tunnel showcases Bangladesh's commitment to advancing its transportation network. These developments are poised to bolster the country's economy by improving connectivity, reducing travel time, and facilitating trade and commerce. For instance, the Padma Bridge is expected to significantly enhance regional connectivity and stimulate economic growth by integrating the southwestern region with the rest of the country. Furthermore, the construction of Terminal 3 at Hazrat Shahjalal International Airport is set to elevate Bangladesh's air transport capacity, supporting the country's ambitions to become a regional aviation hub. These achievements underscore the government's dedication to fostering economic progress and prosperity through strategic infrastructure investments. Additionally, the government's efforts in developing a port-led integrated logistics network, such as the Bay Terminal project at Chattogram Port, are indicative of Bangladesh's commitment to becoming a world-class port and further reducing logistics costs. The completion of these projects will not only modernize the country's logistical system but also create opportunities for businesses, boost export growth, and contribute to the overall economic development of Bangladesh.

Figure 29: Mega Projects in Bangladesh

These projects collectively reflect the government's proactive approach to addressing the logistics challenges in Bangladesh and are poised to contribute to the country's economic growth by improving trade facilitation, reducing transportation costs, and strengthening overall connectivity. The government's efforts in advancing these projects underscore its commitment to modernizing the country's logistics infrastructure, which is crucial for attracting investment, fostering economic development, and enhancing the overall competitiveness of Bangladesh. These initiatives are aligned with the broader goal of creating a more efficient and integrated logistics framework, which is essential for sustaining economic growth and fostering a conducive business environment. The ongoing and completed logistics projects in Bangladesh are a testament to the government's dedication to overcoming the existing challenges and laying the foundation for a more robust and competitive logistics sector. These initiatives are expected to have a far-reaching impact on the economy, supporting trade, investment, and overall economic development.

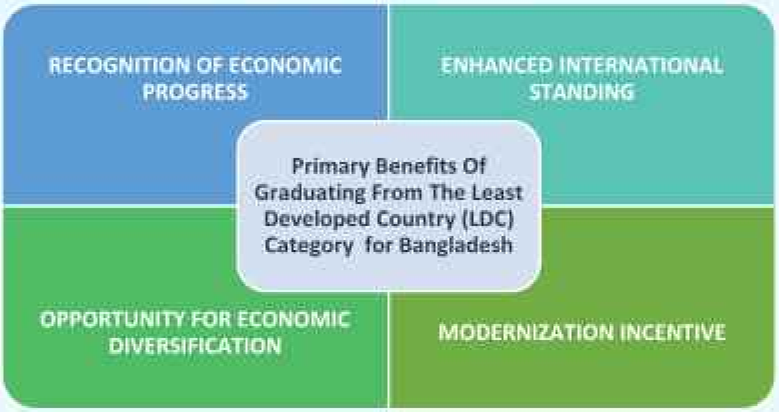
4.3.2 Bangladesh LDC Graduation

Bangladesh's graduation from the Least Developed Countries (LDCs) category is a significant milestone reflecting the country's economic progress and resilience. The graduation, scheduled for November 24, 2026, is based on the country meeting at least two of the three graduation criteria: income per capita, human assets, and economic and environmental vulnerability. Bangladesh met all three criteria for the first time in 2018

and again in 2021, leading to its recommendation for graduation in 2024, which was subsequently extended to 2026 due to the pandemic. This achievement signifies Bangladesh's enhanced economic strength and its ability to withstand various financial and climate-related shocks.

By meeting these criteria, Bangladesh has received the final recommendation to graduate from the LDC status from the United Nations Committee for Development Policy (CDP). This indicates its capability to continue its path of development and its resilience during economic and environmental shocks. This shift from LDC status will typically bring about positive changes to the country, including increased access to international markets, enhanced credibility, and improved investment prospects. As a non-LDC, Bangladesh may experience a boost in trade opportunities, as it can access preferential trade agreements and face fewer trade restrictions. Additionally, graduating from LDC status often signifies economic growth and development, attracting more foreign investments and fostering a more robust and diversified economy. The country may also benefit from improved access to financial assistance, technology, and knowledge transfer, contributing to its overall progress and sustainability. Bangladesh's graduation will lead the country to a more prominent position during negotiations and in global partnerships, conveying economic strength and more capable human resources.

Figure 30: Benefits of Graduating from LDC Status



The upcoming graduation from the Least Developed Country (LDC) status is serving as a significant motivator for modernizing Bangladesh's policy-making and updating its international partnerships. Despite being one of the least regionally integrated countries in Asia, Bangladesh recognizes the importance of developing a strategic network of trade and international partnerships, particularly through exploring the potential of regional integration, as it prepares for LDC graduation. To sustain its success, Bangladesh must revamp its economic model, which has heavily relied on price competitiveness. Overcoming the dual nature of its industrial model, characterized by an export-oriented Ready-Made Garments (RMG) sector and highly protected industries serving the domestic market, is crucial. Diversifying the export base, establishing a strategic network of international partnerships, and promoting an innovation- and quality-focused industrial development model are essential steps. Furthermore, Bangladesh needs to prepare the state for the future, ensuring transparency and accountability to meet the evolving demands of society and the global economy. Shifting the current business mindset and updating policy approaches are imperative. The existing policy toolbox tends to favor incumbent firms, maintain the status quo, and lacks incentives for investing in innovation. This limitation not only hampers foreign investors' interest in the country, despite its significant market potential and strategic geographic location but also hinders Bangladesh's ability to adapt to the increasingly complex demands of the modern world.

Bangladesh's graduation from the LDC category will affect its access to international support measures (ISMs) in several ways. The most significant impact will be the loss of LDC-specific duty-free quota-free (DFQF) schemes, which were specifically crafted to support the trade of poor and vulnerable economies. This loss of preferential market access is a key consequence of graduation from the LDC category. Additionally, Bangladesh will experience changes in its access to official development assistance (ODA). Around 32% of total ODA to Bangladesh between 2018 and 2021 focused on economic transformation programs, making Bangladesh one of the countries where ODA focuses the most on economic transformation. The country will need to adapt to potential changes in ODA flows post-graduation. Furthermore, Bangladesh's access to climate funds will be affected by its graduation from the LDC category. Climate funds are crucial for addressing the impact of climate change on socio-economic development, and the country will need to navigate changes in this area as a result of its graduation. As outlined in the OECD report on "Production Transformation Policy Review of Bangladesh," LDC graduation will primarily include the loss in three main areas: preferential trading arrangements, World Trade Organization agreements, and development co-operation.

Table 14: Impacts of graduation from LDC for Bangladesh

PREFERENTIAL TRADING ARRANGEMENTS	▪ Graduation from the LDC category will lead to the loss of preferential market access, including the LDC-specific duty-free quota-free (DFQF) schemes in key markets like the EU, Canada, and Japan, which were specifically designed to support the trade of poor and vulnerable economies. ▪ The RMG sector, particularly benefiting from the 'Everything But Arms (EBA)' initiative, will face significant changes as EU exports transition to the Generalized System of Preferences (GSP), GSP+, or alternative arrangements after a three-year transition period until 2029.
WORLD TRADE ORGANIZATION AGREEMENTS	▪ Bangladesh, upon graduation, will lose special and differential treatment under WTO agreements, including the extension for LDCs in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). ▪ Intellectual property rights and sectoral regulations for the pharmaceutical industry will need to align with the TRIPS agreement. ▪ Bangladesh will no longer enjoy the general transition period for LDCs under TRIPs, necessitating a review of subsidies to

	comply with the Agreements on Agriculture and Subsidies and Countervailing Measures. ▪ Bangladesh will lose certain facilities for dispute settlement, and various LDC-specific provisions in other WTO agreements will expire, affecting the country's benefits in regional agreements and future trade negotiations, as well as access to training and capacity-building opportunities.
DEVELOPMENT CO-OPERATION	▪ The loss of access to certain international support measures will affect the official development assistance (ODA). Bangladesh has been a significant recipient of ODA, with around 32% of total ODA between 2018 and 2021 focusing on economic transformation programs. The country will need to adapt to potential changes in ODA flows post-graduation. ▪ Some partners, such as Japan, may offer slightly less favorable terms on ODA loans, and there could be a gradual shift from grants to loans, notably from Germany. ▪ Bangladesh will lose access to specific mechanisms reserved for LDCs, like the LDC Fund for climate change, and will experience higher contributions to the United Nations system, estimated at USD 5 to 5.5 million per year. Support for travel to meetings will also be discontinued.

Source: OECD/UNCTAD (2023), Production Transformation Policy Review of Bangladesh: Investing in the Future of a Trading Nation, OECD Development Pathways, OECD Publishing, Paris

While major development partners like the World Bank, Asian Development Bank, and certain United Nations entities are expected to continue their assistance, some partners might provide less favorable terms on Official Development Assistance (ODA) loans. There could also be a shift from grants to loans, impacting financial support. However, Bangladesh will likely experience increased financial contributions to the United Nations system, resulting in higher annual payments. Despite the challenges, Bangladesh aims to adapt by upgrading industries, improving linkages, enhancing productivity, diversifying production, and exploring new markets. The country perceives graduation not merely as a hurdle but as a stage to base the next phase of development, emphasizing resilience and strategic planning. Bangladesh's upcoming transition from LDC status may also impact its ability to maintain and develop its industrial capabilities. This transition raises concerns about the country's compliance with specific policies, particularly in comparison to other developing countries. In practical terms, this transition may involve the discontinuation of certain exemptions by 2026. The final decision on this will be influenced by the ongoing negotiations, aiming to potentially extend the Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver beyond Bangladesh's graduation date.

Table 15: Compliance of Bangladesh health, industrial and investment policies with the WTO regime for developing countries other than LDCs

Bangladesh Health, Industrial and IP Policies	WTO Compliant
Strategic cancellation or suspension of medicine registration/licensing	No.
Import bans on strategic products	No.
Local manufacturing and joint venture requirements (1982)	Yes.
Administrative rules providing government review of licensing agreements, supervision by local personnel, and strict enforcement of unlicensed imports (1982)	Possible.
Export performance requirements for foreign manufacturers	No.
Government use licensing carve-out for emergencies (2016)	Possible.
Required donations to local research and development organizations/institutions (or tax benefits contingent on those donations) (2016, 2018)	Yes.
Tax benefits and cash incentives contingent on domestic value added (2018)	Possible.
Access to preferred finance for API and reagent producers	Yes, but challengeable.
Removal of red tape for API and Reagent producers	Yes, but challengeable.
Priority plot allocation in special economic zones for API and reagent producers	Yes, but challengeable.
Suspended pharmaceutical patents	No.
Non-specific exclusionary rights for patent holders	No.
Shortened patent term	No.
Compulsory licensing rules	Possible.
Patent revocation rules; "working" requirement (4 years)	Possible.

Source: Adapted from (Rahman et al., 2020[14]), OECD/UNCTAD (2023), Production Transformation Policy Review of Bangladesh: Investing in the Future of a Trading Nation, OECD Development Pathways, OECD Publishing, Paris

Bangladesh has untapped export potential in ASEAN, South Asia, and East Asia, offering significant growth opportunities. It is therefore crucial to adopt a strategy that integrates both LDC graduation and regional integration. Following a proactive regional integration agenda, which includes bilateral agreements and partnerships with blocs such as ASEAN and RCEP, is essential, taking inspiration from the success seen in Vietnam. The implementation should be gradual, as moving from preferential to reciprocal trade requires a revamped policy framework, impacting various sectors and political considerations. Bangladesh must also take an active approach in its trade agreements since a significant portion of its exports head to nations with LDC tariff preferences, which will be lost after graduation. This transition may result in the removal of policy tools, including export subsidies and cash incentives. This dual challenge is likely to have adverse effects on employment levels and, consequently, hinder GDP growth. Presently, Bangladesh benefits from favorable interest rates for development financing as an LDC, but this advantage will cease post-graduation. It becomes crucial, therefore, to enhance the business environment to stimulate both domestic and foreign private investment.

Updating Bangladesh's policy approach and ensuring its resilience post-LDC graduation is imperative for the country to actively participate in the global establishment of secure, sustainable supply chains. As a nation engaged in trade, Bangladesh must also play a proactive role in shaping both global and local production, consumption, and trade patterns. The pharmaceutical sector can play a crucial role in the ongoing reshaping of Bangladesh's socioeconomic framework. The pharmaceutical industry, characterized by significant industrial interconnections and impacts, extends from agri-food to chemicals. It operates within global networks, necessitating a strong local foundation in science, research, and development. The country must transition into a new phase of development, driven by innovation, facilitated by digitalization, and supported by international partnerships. Advancing digitalization and enhancing global collaborations are identified as crucial elements for sustaining future progress.

4.3.3 Importance of Environmental, Social and Governance (ESG)

In recent times, the performance of companies in terms of environmental, social, and governance (ESG) factors has been increasingly integrated into both management and investment decision-making. This is due to its positive effects on cost reduction, increased productivity, and optimal investment outcomes. ESG encompasses a framework used to evaluate an organization's business practices and performance in areas beyond traditional financial metrics, related to sustainability, ethical issues, and corporate governance. It also aids in measuring business risks and opportunities in these areas. The incorporation of ESG into decision-making processes is driven by the desire to support companies that align with stakeholders' values on environmental sustainability and social responsibility, and also due to the potential for better long-term financial performance, lower costs, reduced business risks, and new marketing opportunities. Companies can incorporate ESG into their business practices by integrating ESG initiatives into their core business models, leveraging advances in technology to produce responsible and realistic ESG disclosures, and complying with reporting standards on offsetting carbon emissions and regulating net-zero metrics.

The term ESG is commonly associated with investment, but it encompasses a broader range of stakeholders, including not only the investment community but also customers, suppliers, and employees, all of whom are increasingly concerned about the sustainability of an organization's operation. This indicates that ESG considerations are relevant to a wide array of parties beyond just investors, reflecting a growing emphasis on sustainable and responsible business practices across various stakeholder groups. As global discussions on mandating ESG disclosures and assurance gain traction, Bangladesh is recognizing the importance of embracing ESG reporting to stay competitive in the international market and align with global trends.

In Bangladesh, several initiatives related to Environmental, Social, and Governance (ESG) have been emerging, aiming to improve sustainability, transparency, and accountability in the business sector. Some examples of these initiatives include:

1. Regulatory Interventions: The Bangladesh Bank has introduced the notion of taking ESG reporting seriously through its circular "Mainstreaming corporate social responsibility in banks and financial institutions in Bangladesh". The Central Bank has also issued a 'Sustainable Finance Policy' to integrate 'Environmental, Social, and Governance (ESG) issues' into the operations of banks and financial institutions in Bangladesh, in 2020.

2. Mandatory ESG Reporting: The Bangladesh Securities and Exchange Commission (BSEC) has made it compulsory for listed companies to include ESG reporting in their annual reports according to Sustainability Reporting Guidelines (SRG).

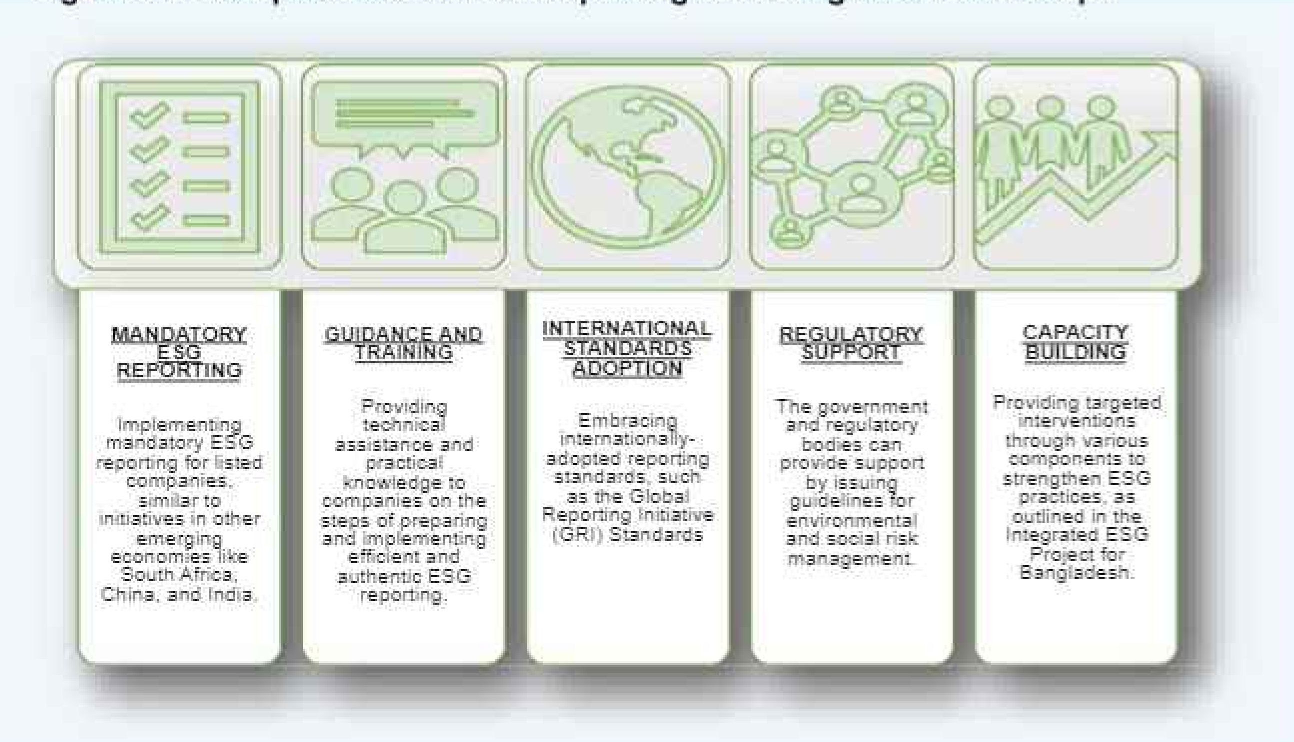
3. NGO Initiatives: Non-Governmental Organizations (NGOs) in Bangladesh are voluntarily reporting on ESG performance, driven by the increased demand for transparency and accountability from stakeholders, including donors, beneficiaries, and partners.

4. Corporate ESG Reports: Companies, like BAT Bangladesh, have been publishing their ESG reports, highlighting their efforts towards environmental, social, and governance priorities.

These initiatives signal a shift in the policies of foreign jurisdictions, which may soon require ESG disclosures to be an integral part of financial reporting in advanced economies. Therefore, Bangladesh must monitor and adapt to ESG-related developments in other jurisdictions, particularly in the EU and the US, to remain competitive in the international market. If the EU and the US companies become subject to mandatory ESG disclosure requirements, there is a reasonable chance that they may transfer some of those obligations to their suppliers in Bangladesh to meet their commitments. Consequently, the failure of Bangladeshi suppliers to meet these requirements may result in missed business opportunities, as foreign buyers seek alternative suppliers capable of providing sufficiently transparent ESG disclosures to obtain favorable assurances.

There are examples of successful ESG reporting in other countries as well that Bangladesh can learn from. For instance, in India, the Securities and Exchange Board of India (SEBI) introduced mandatory ESG reporting for the top 1000 companies in the form of a Business Responsibility and Sustainability Report (BSRS). Additionally, Malaysia has introduced mandatory ESG reporting standards for all publicly listed companies, covering various responsibilities such as equity, diversity, human rights policies, and sustainable development practices. These examples illustrate how other countries have implemented mandatory ESG reporting and can serve as valuable models for Bangladesh to consider as it continues developing its own ESG reporting framework.

Figure 31: Best practices for ESG reporting that Bangladesh can adopt



It is important to note that ESG reporting can help Bangladesh attract foreign investment by enhancing transparency, accountability, and sustainability. Although many businesses in the country engage in CSR activities, the quality of CSR reporting is frequently subpar and, at times, influenced by political factors. By disclosing their environmental, social, and governance performance, companies in Bangladesh can appeal to a growing segment of investors considering ESG factors in their investment decisions. This can lead to increased foreign investment, demonstrating a company's commitment to long-term sustainable practices and risk management. Additionally, ESG reporting can improve a company's credibility and help attract sustainable investors, ultimately contributing to long-term financial success. Although ESG reporting is still in its early stages in Bangladesh, the country can benefit significantly from observing and learning from the experiences of other nations in this domain. By adopting best practices, Bangladesh can stay aligned with international trends, ultimately attracting foreign investment, and enhancing corporate sustainability and accountability.

The analysis of environmental, social, and governance (ESG) practices in Bangladesh sheds light on the country's commitment to sustainable development and responsible governance. As subsequent chapters delve into the quality of the investment policy framework and other critical aspects, it becomes evident that Bangladesh's efforts to enhance ESG practices play a pivotal role in shaping its economic landscape. By aligning with international standards and adopting best practices, Bangladesh not only strengthens its attractiveness to foreign investors but also lays the groundwork for sustainable and inclusive growth. As the discussion progresses, it will become increasingly clear how these initiatives intersect with broader policy frameworks and contribute to Bangladesh's journey towards economic prosperity and resilience.

Chapter 5:

Bangladesh Business Index – Scores for 2023-24 and Implications on Private Sector

The Bangladesh Business Index 2023-24 offers an evaluation of the current business environment in Bangladesh. This assessment compares Bangladesh against the best regulatory practices in the country, showcasing how close the business environment is to achieving optimal regulatory performance across various business pillars.

The score was calculated based on two key steps:

Step 1

- Individual sub-factors were re-scaled using the linear transformation (worst – y)/ (worst – best). The highest score represents the best performance on the sub-factors across all pillars.

Step 2

- For calculating the overall score for Bangladesh, the scores for individual pillars were obtained and aggregated through simple averaging into one score, first for each pillar and then across all 10 pillars; Starting a Business, Access to Land, Availability of regulatory information, Access to Infrastructure, Labour Regulations, Dispute Resolution, Trade Facilitation, Paying taxes, Technology Adoption, Access to Finance and Environmental Regulations, and Standards.

In the first phase, data is analyzed by Division, and it was achieved by preparing the absolute scores across 39 indicators for each Division. As the total number of Divisions is 8, this gave us, 39 x 8 = 312 data points to begin with.

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

Where B is the value of the pillar; i is the sub-sector and k is the sub-indicator; Xjk is the score of the ith 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 11 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.

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

Where I represent the index; w is the weight assigned, i is the sub-sector and k is the sub-indicator; Xjk is the score of the ith term in j sub-sector and k indicator and n is the total number of firms surveyed.

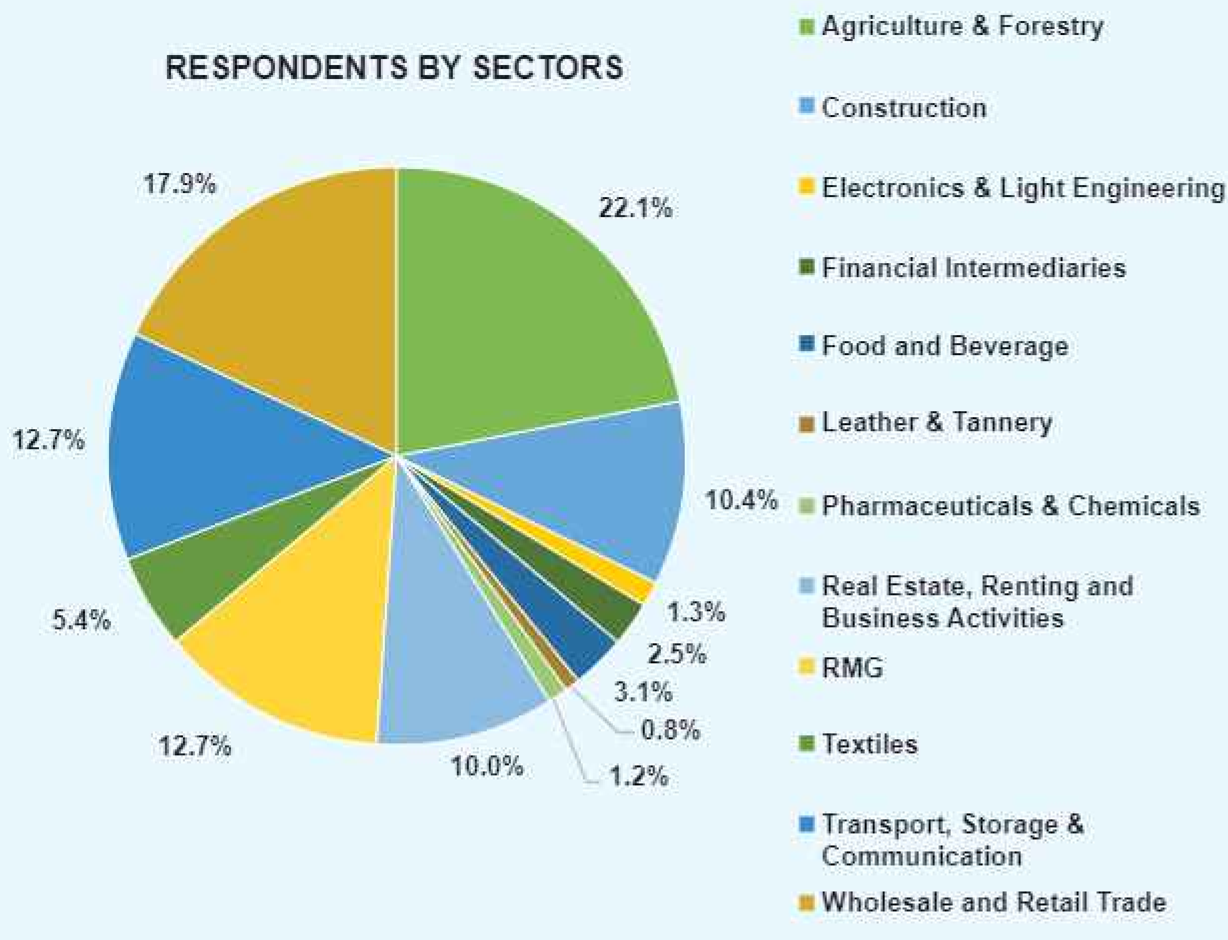
The Bangladesh Competitive Index employs a straightforward calculation method: assigning equal weight to all pillars and, within each pillar, evenly distributing weight among its subfactors or components. **Scores are rated on a scale from 1 to 10, where 0 signifies the worst performance and 10 denotes the best performance.** 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.

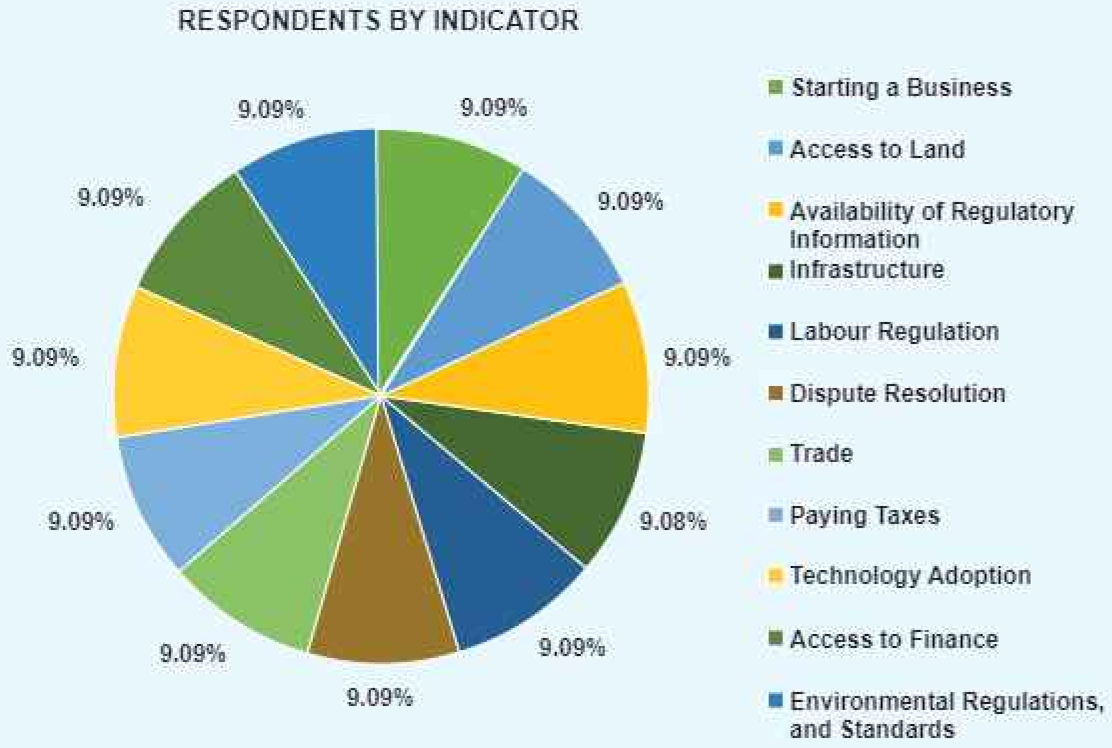
The overall score distribution was categorized into four categories as shown below:

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

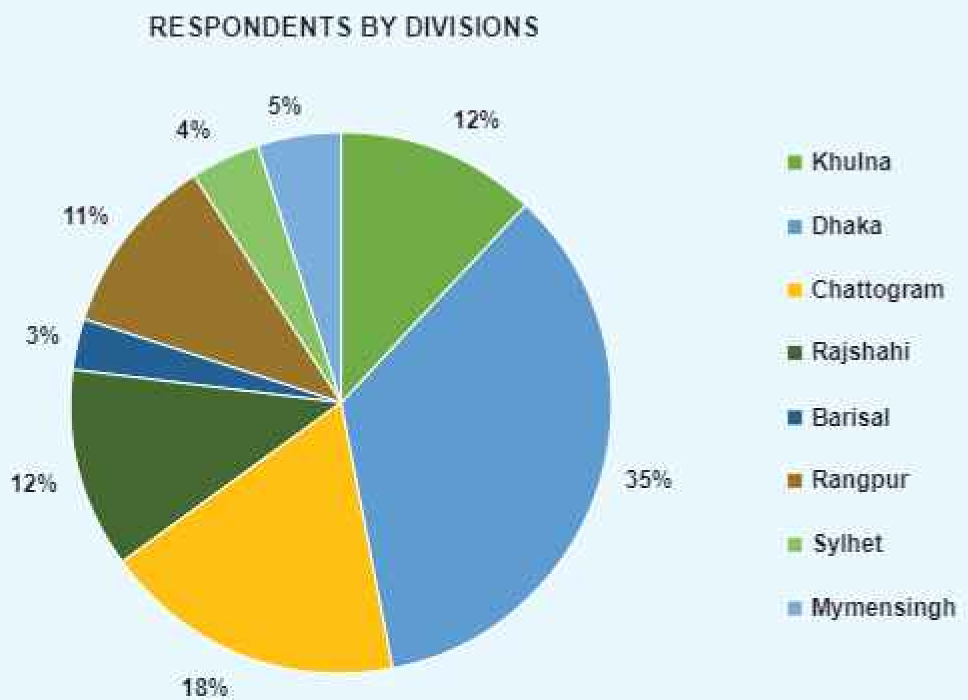
5.1 Respondent Profile

A total of 520 respondents were included in the computation of the Index. More than half of the respondents (54 percent) were from the services sector. While the rest were from manufacturing (24 percent) and agriculture (22 percent). Dhaka has the highest number of respondents with 35 percent, followed by Chittagong and Rajshahi at 18 percent and 12 percent respectively. The agriculture and forestry sectors were represented by the highest number of respondents at 22 percent followed by the wholesale and retail trade sectors at 18 percent and transport, storage, and communication, and RMG sectors at 13 percent. Finally, 66 percent of the respondents were made up by small and micro firms, 18 percent by medium sized firms and 16 percent by large firms.



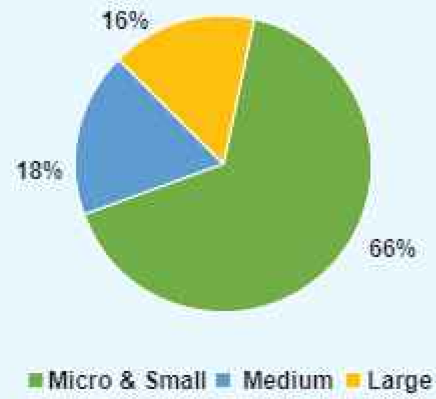


RESPONDENTS BY INDICATOR
9.09%
9.09%
9.09%
9.09%
9.09%
9.08%
9.09%
9.09%
9.09%
9.09%
9.09%
Starting a Business
Access to Land
Availability of Regulatory Information
Infrastructure
Labour Regulation
Dispute Resolution
Trade
Paying Taxes
Technology Adoption
Access to Finance
Environmental Regulations, and Standards



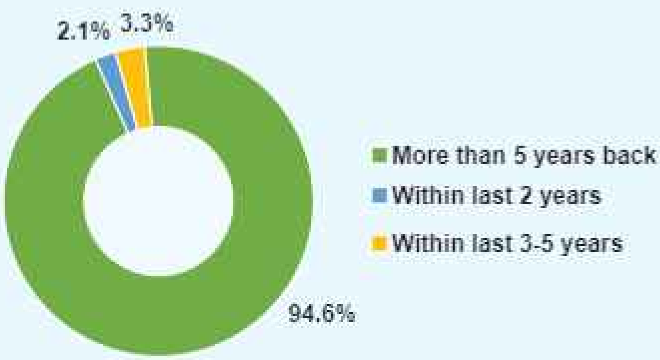
RESPONDENTS BY DIVISIONS
12%
35%
18%
12%
3%
11%
4%
5%
Khulna
Dhaka
Chattogram
Rajshahi
Barisal
Rangpur
Sylhet
Mymensingh

RESPONDENTS BY FIRM SIZE

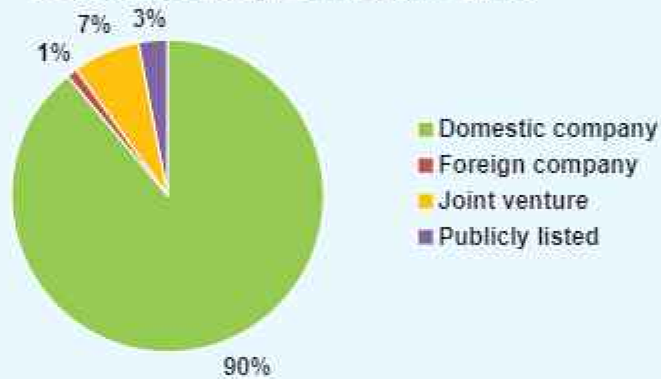


RESPONDENTS BY INDUSTRY TYPE

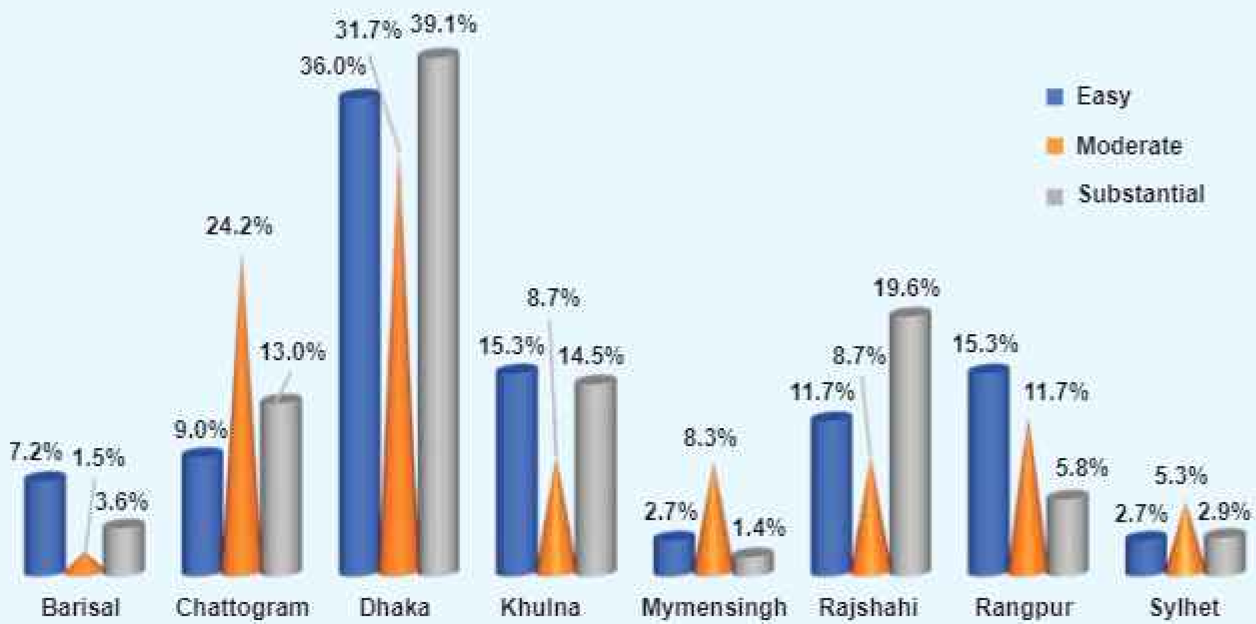
BUSINESS INCEPTION DATE



RESPONDENTS BY OWNERSHIP TYPE



HOW DIFFICULT WAS IT TO BOTAIN APPROVALS FROM VARIOUS GOVERNMENT AGENCIES



5.2 Bangladesh Business Climate Index Results 2023-24: A Decline in Overall Index Score since BBX 2022-23

2021-22
61.01

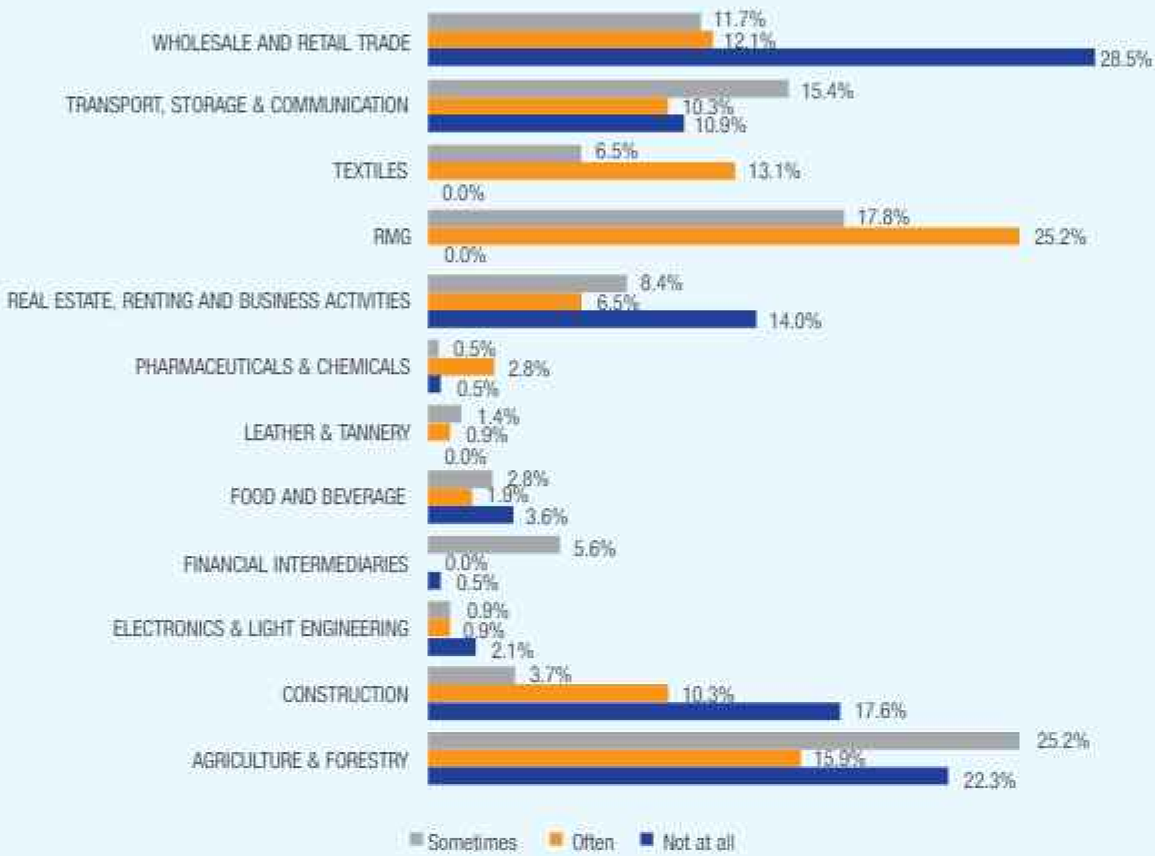
→

2022-23
61.95
Improving Business Environment: Progress made however more needs to be done

→

2023-24
58.75
Challenging Business Environment due to inflationary pressures, rising interest rates, and global economic uncertainty

INFORMAL PAYMENT TO OBTAIN SECTORAL REGISTRATION

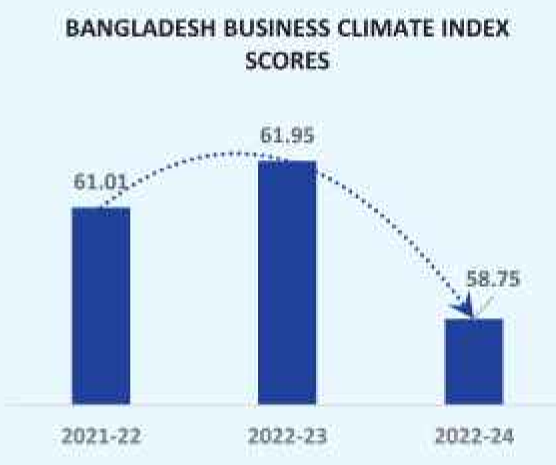


Bangladesh Business Climate Index – Performance by Pillar

Bangladesh Composite Score 2023-24 ----→ 58.75

Pillar	2022-23	2023-24
Starting a Business	70.78	62.74
Access to Land	53.07	53.11
Availability of Regulatory Information	72.85	68.04
Infrastructure	74.49	71.08
Labour Regulation	74.40	70.04
Dispute Resolution	64.24	62.38
Trade Facilitation	58.61	60.87
Paying Taxes	55.21	54.74
Technology Adoption	60.60	63.50
Access to Finance	35.22	28.11
Environment	--	51.59

The Bangladesh Business Climate Index (BBX) score of 58.75 for 2023-24 marks a deterioration and paints a picture of a challenging business landscape in the country, with no significant reform measures implemented in the past year. This decline from the previous year's score can be attributed to a variety of factors, including the increasing pressure from tax authorities in midst of continued revenue shortfall on the part of the government, streamline expenditures, combat inflationary pressures, navigate import compression and rising interest rates, contend with the impacts of the Russia-Ukraine war, and struggle with the overall global economic uncertainties.



Moreover, obstacles related to access to finance and land for businesses,

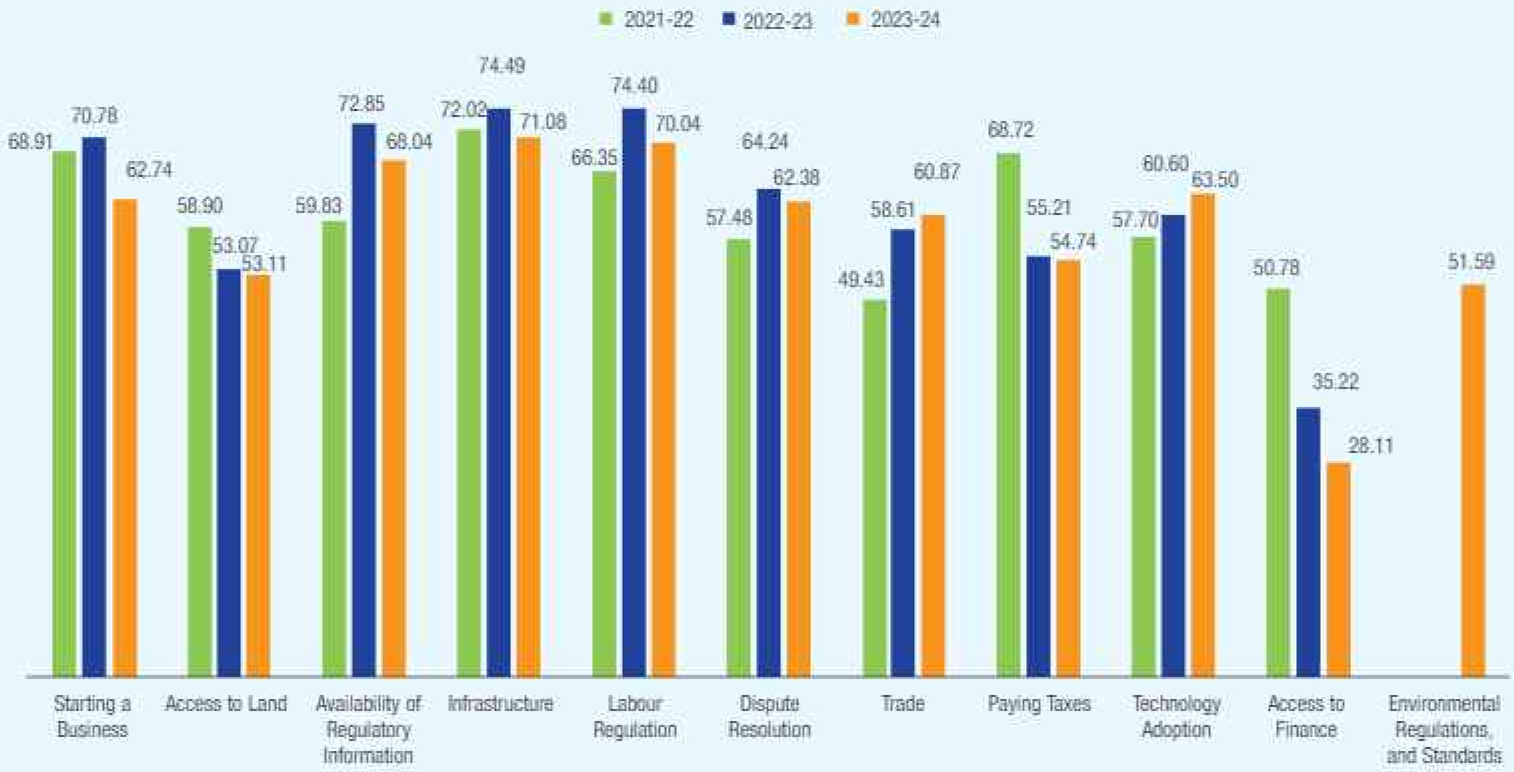
delays in land ownership transfers, issues with verifying ownership accurately, and the prevalence of informal payments have all contributed to the decrease in the index score. The persistence of frequent power outages and escalating utility costs have further weighed down on the overall business climate.

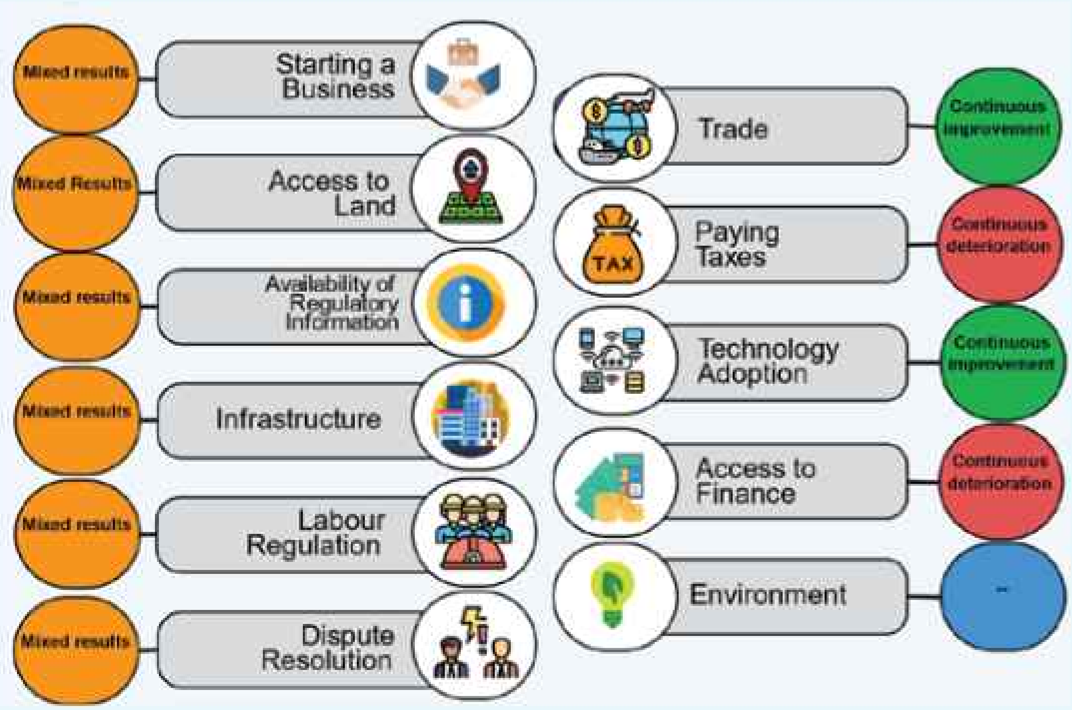
Regarding specific pillar scores, the highest-performing pillars in 2022-23 were business infrastructure and labor regulation. However, signs of improvement in the business climate were only evident in pillars related to access to land, trade facilitation, and technology adoption. Compared to BBX 2022-23, scores have declined for all the other pillars. Notably, access to finance has continued to be the lowest-performing pillar with a score of 28.11. This underscores the challenges businesses are still facing in securing financial support. Addressing these issues will require significant attention and concerted efforts to enhance the business environment and foster economic growth in Bangladesh.

Table 16: Detailed Comparison of Pillar Scores

Pillars	BBX Scores in 2021-22	BBX Scores in 2022-23	BBX Scores in 2023-24	% Change in Scores between 2022-23 & 2023-24	Improvement/ Deterioration Compared to BBX 2022-23
Starting a Business	68.91	70.78	62.74	-11.35%	Deterioration
Access to Land	58.90	53.07	53.11	0.07%	Improvement
Availability of Regulatory Information	59.83	72.85	68.04	-6.60%	Deterioration
Infrastructure	72.02	74.49	71.08	-4.58%	Deterioration
Labour Regulation	66.25	74.40	70.04	-5.86%	Deterioration
Dispute Resolution	57.48	64.24	62.38	-2.89%	Deterioration
Trade Facilitation	49.43	58.61	60.87	3.86%	Improvement
Paying Taxes	68.72	55.21	54.74	-0.86%	Deterioration
Technology Adoption	57.70	60.60	63.50	4.79%	Improvement
Access to Finance	50.78	35.22	28.11	-20.18%	Deterioration
Environmental Regulation and Standards			51.59		

Figure 32: Comparison of BBX Pillar Scores



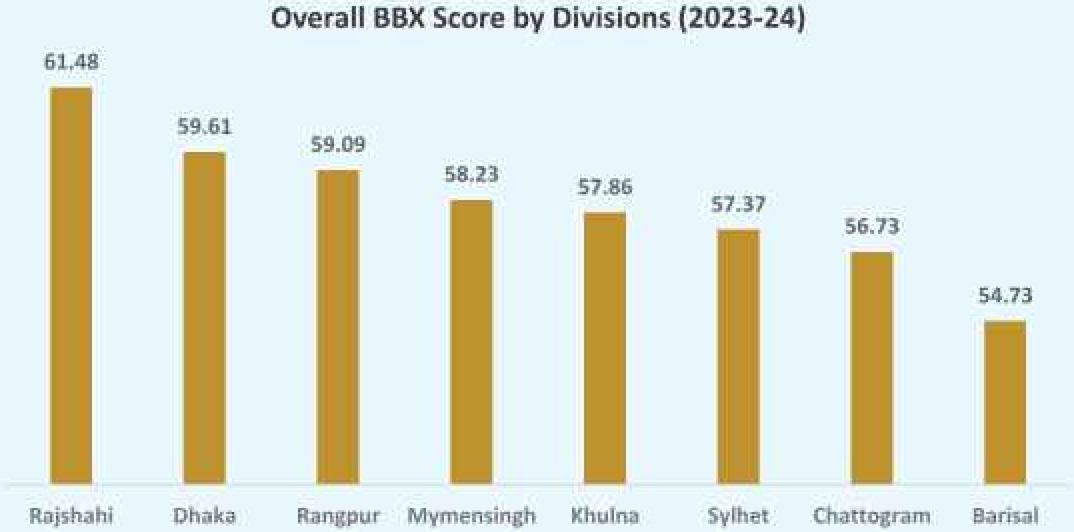


Bangladesh Business Climate Index score of 58.75 has the following implications:

Seven out of eleven pillars are classified under the category of "deterioration" in BBX 2023-24 indicating areas of decline in the business climate. This emphasizes the necessity for the country to initiate/roll out comprehensive business environment reform on urgent basis, to create a more conducive environment for businesses to thrive, attract investments, and contribute to sustainable economic growth in the country. This transition calls for a synchronized effort towards policy reforms, aimed at reducing challenges faced by businesses in the country.

The 2023-24 index also showed minimal advancement compared to the previous year, indicating a lack of comprehensive national reform efforts. In comparing the BBX scores of 2023-24 to those of 2022-23, a noticeable decline is evident, although with a silver lining as three pillars - Access to Land, Trade Facilitation, and Technology Adoption - demonstrate some positive advancements. **There is a 42.97-point difference between the best-performing pillar – Infrastructure and the worst-performing pillar – Access to Finance, clearly reflecting the disparity in the operating environment for the private sector in the country.** Notably, a new pillar, Environmental Regulations and Standards, has been introduced in this year's analysis, adding a fresh perspective to the evaluation of the business climate.

Businesses, particularly small and medium enterprises (SMEs), are encountering difficulties in accessing finance. The report emphasized the need for reforms in various sectors such as port capacity and efficiency, financial intermediation, administrative processes, legal frameworks, tax regulations, and governance to enhance the business



environment. It also suggested measures like developing local capital markets, improving tax system digitalization, and enhancing regulatory frameworks.

The BBX revealed variations in business climates across different regions of Bangladesh. This year, divisions such as Rangpur, Rajshahi, and Dhaka have shown stronger business environments in contrast to Barisal and Chattogram, as indicated by the overall index score. Nevertheless, when examining each division under specific pillars, distinct performance variations are observed. This regional disparity underscores the need for targeted interventions to improve business conditions nationwide.

While Dhaka and Chattogram stand as the leading contributors to the country's GDP, both divisions fall within the score range of 56.73 to 59.61 in the Bangladesh Business Climate Index. This highlights persistent bottlenecks for businesses, including an uncertain regulatory environment and inadequate institutional support. Notably, Dhaka and Chattogram have shown progress in accessing regulatory information, with over 80% of respondents successfully obtaining crucial online information relevant to their businesses, however, both divisions have experienced a decline in score for most of the pillars. Factors such as power outages, challenges in accessing transport and logistic services, increasing production costs, complex tax systems, etc. have been cited as primary reasons, among others, for this decline. Additionally, small businesses continue to encounter difficulties accessing finance due to the concentration of large and medium enterprises in Dhaka and Chattogram. Despite government infrastructure initiatives like the Dhaka Metro Rail, Hazrat Shahjalal International Airport Terminal 3, a four-lane elevated expressway in Chattogram, and the Bangabandhu Tunnel, businesses in these two major cities continue to face constraints as indicated by the dropping scores across various pillars.

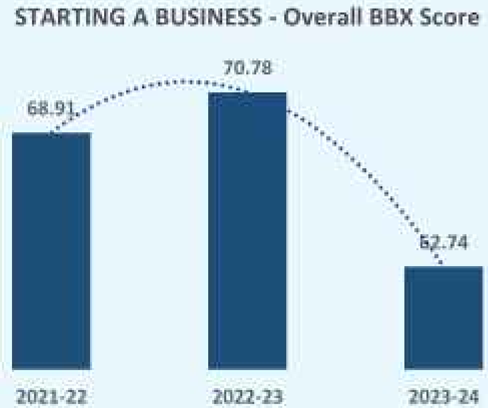
Table 17: Summary of Bangladesh Business Climate Index Pillars

Pillar	Indicator	Score	Implications	Observations
1	Starting a Business	62.74	Improving Business Environment	Nearly 40 percent of respondents have visited more than five government agencies to start a business. Obtaining a license and navigating regulations is difficult. The cost of trade license, including informal payments, has increased over the year.
2	Access to Land	53.11	Several Bottlenecks remain for Business	77 percent of respondents found it difficult to procure land. Over 65 percent of respondents had to provide facilitation payments to speed up processes such as transferring land ownership. A high number of bank drafts are required during land acquisition making it more complex for business operations.
3	Availability of Regulatory Information	68.04	Improving Business Environment	Nearly 80 percent of respondents were able to access information online about all rules and regulations by the government that impact their businesses. Businesses are often not given prior notice by government agencies regarding any regulatory changes.

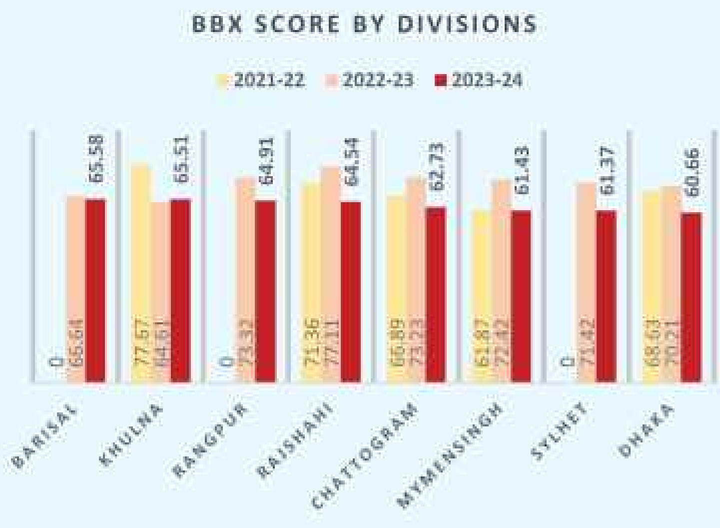
Pillar	Indicator	Score	Implications	Observations
4	Infrastructure	71.08	Improving Business Environment	Although this constraint is relatively light due to Bangladesh's investment in infrastructure, more than 70 percent has their businesses have been adversely affected by recent energy shortages.
5	Labor Regulation	70.04	Improving Business Environment	More than 75 percent respondents faced challenge in obtaining skilled workforce. Trainings centers not equipped with updated curriculums.
6	Dispute Resolution	62.38	Improving Business Environment	Firms have confidence in the current judicial system to uphold their property rights and contracts; but they have not experienced a reduction in the time for resolving commercial disputes, especially linked to land and property. There is a shortage of manpower, especially judges and dedicated lawyers for pending and new cases.
7	Trade Facilitation	60.87	Several Bottlenecks Remain for Business	Congestion at the ports, especially Chattogram, is impacting lead time for exporters and importers in Bangladesh, making them less competitive.
8	Paying taxes	54.74	Several Bottlenecks Remain for Business	63 percent of respondents complained of difficulty filing and paying taxes. Taxation in Bangladesh has low collection levels, complexity of rules, hassle, and poor compliance.

Pillar	Indicator	Score	Implications	Observations
9	Technology Adoption	63.50	Improving Business Environment	Only 37 percent report investing in new technologies in past 24 months. Leather & Tannery, Real Estate, Renting and Business Activities, and RMG, have relatively invested more in new technologies than other sectors.
10	Access to Finance	28.11	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.
11	Environmental Regulations and Standards	51.59	Several Bottlenecks Remain for Business	Only 6 percent of the respondents have invested in energy-efficient business operations in the past 24 months. Less than 30 percent made any effort to reduce waste in the past 24 months.

5.2.1 Starting a Business : *Improved digital processes post-pandemic has slashed time and costs for paperwork submissions, yet persistent bureaucratic hurdles hinder business initiation.*



Despite the government's efforts to simplify the registration process and enhance the business environment, Bangladesh experienced a decrease in the overall score of the first pillar in the Business Climate Index in 2023-24 from 70.78 to 62.74. Entrepreneurs in the country continue to face obstacles such as bureaucratic red tape, prolonged application processing times, and the requirement to navigate through 150 regulatory services from 23 government agencies in order to establish and run a business. The approval process for commencing a business in Bangladesh entails securing up to 150 approvals from different agencies, rendering it a complex and time-intensive procedure. Notable government authorities involved in the process include the 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. Weak coordination among these agencies further complicates the process, requiring investors to submit the same set of documents to multiple entities and fulfill authentication requirements at each stage. Recognizing the intricacies of this regulatory environment, it becomes crucial for entrepreneurs to consider seeking professional legal assistance to navigate the process more effectively.



The Companies Act in Bangladesh has also faced criticism on several fronts, creating challenges for businesses operating in the country. Some notable issues with the Act include its outdated and often ineffective nature, coupled with a lack of clarity on various matters relating to existing companies. Many aspects of the Act are also not easy to implement, and as a result, a large number of cases are being filed in the courts, which require a long time to settle.

Additionally, the Act does not adequately protect the rights of minority shareholders, leading to concerns about prejudicial treatment and managerial negligence. The Act's provisions for resolving trade disputes and company-related matters are also complex and time-consuming, leading to a high number of commercial litigations and delayed settlements. These impediments discourage investment and hinder corporate governance, consequently negatively affecting the ease of doing business in the country.

Some of the respondents from industries such as leather & tannery, pharmaceuticals & chemicals have mentioned that they require informal payments for obtaining sectoral registration/approval when initiating a business. This highlights the importance of prioritizing the easing of business entry regulations to facilitate faster formalization and support the expansion of the small business base, as noted by these respondents.

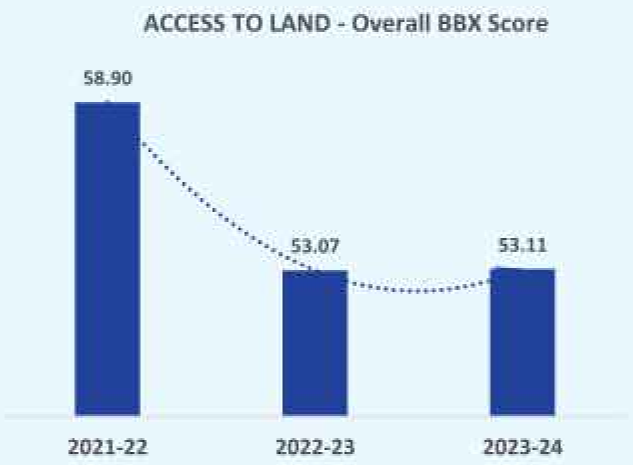
The survey indicates that companies in Barisal and Khulna, experienced relatively fewer challenges when initiating business activities, whereas those in Dhaka, Sylhet, and Mymensingh encountered more significant hurdles. This disparity can be explained by the average cost required to obtain trade licenses in Barisal and Khulna, which accounts to be the lowest among all the divisions (less than Tk. 13000), in contrast to Dhaka, Sylhet, and Mymensingh where the average cost of obtaining trade licenses is the highest (more than Tk. 15000). Furthermore, over 40 percent of the respondents indicated that they need to visit fewer than 3 government agencies/departments to initiate business in Barisal and Khulna. This serves as a significant incentive, suggesting a reduced regulatory burden on businesses. The impact of this incentive is evident in the divisional scores of Barisal and Khulna. Conversely, more than half of the respondents in Chattogram indicated that they need to visit 3 to more than 5 agencies to initiate a business in their area, contributing to Chattogram being among the divisions with lower scores in BBX 2023-24.

A sector-wise analysis shows that "electronics & light engineering", and "financial intermediaries" reported a relatively smoother experience when initiating operations in Bangladesh in 2023, in contrast to

businesses in pharmaceuticals and chemicals, and construction. The average duration for obtaining trade licenses and VAT registration is at its lowest for sectors with high sectoral scores, while it is notably longer for the construction sector. Respondents who commenced business in the construction and pharmaceuticals & chemicals sector have also cited challenges associated with complying with license renewal, as well as the physical process of paying taxes and VAT. Following the pandemic, many government agencies were open to receiving documents digitally or via email, leading to a reduction in the time and cost associated with submitting required paperwork. However, three years after the pandemic, certain digital procedures are reverting to the previous manual processes, resulting in a relatively more challenging business environment this year compared to previous years.

5.2.2 Access to Land : *Remains a critical bottleneck for infrastructure projects, with challenges such as inadequate land records, ineffective administration, delays in property mutation and informal payments.*

In comparison to the previous year, the overall BBX score for "access to land" has shown stability, with a slight positive trend indicating progress towards its 2021-22 level. However, access to land is still identified as a critical bottleneck for infrastructure projects in Bangladesh. To date, this issue remains unresolved, due to inadequate land records, ineffective land administration, and insufficient legal instruments.



Additionally, challenges persist in dealing with government agencies during land procurement processes. Issues such as verifying property ownership accurately, delays in property mutation, and the need for informal payments further complicate the acquisition of land for business purposes. Much like the preceding year, a significant majority of respondents (76.7%) highlighted challenges in acquiring land in Bangladesh and navigating through government departments and agencies, with no significant advancement in this area.

Close to 90% of the survey participants indicated that no beneficial reforms or regulatory measures were implemented concerning land access for their businesses. This observation could explain why the overall score for the second pillar has shown minimal change this year.

Over half of the participants (65.1%) reported instances where informal payments were necessary to secure land in the country within the past 24 months, the practice of which was recorded to be most prevalent in Dhaka, Chattogram, Khulna, and Sylhet regions. The data reveals that Khulna and Rangpur faced the most obstacles in land acquisition and property registration among all divisions. Upon further analysis of the regions, it is evident that Rangpur, Barisal, Sylhet, and Dhaka have witnessed a decrease in their overall BBX scores over the past year. In addition to frequently resorting to informal payments for land acquisition, individuals and businesses in these regions experienced extended timelines when transferring land titles into their business's names at the land records office, surpassing the durations seen in other areas.

As is evident from the data received, the construction and sector have achieved the lowest BBX scores across all sectors. While the RMG sector encountered challenges related to property registration, the primary bottleneck in the construction sector was the significant number of bank drafts required during land acquisition or property transactions. These processes have been noted to be time-consuming. Additionally, the RMG sector faced significant costs associated with title transfers, impacting its overall performance in the BBX score for the current year. Together, these factors collectively contribute to the complexities surrounding access to land for business activities in Bangladesh. The country's rapid population growth, coupled with a high rate of land transfer and

conversion, underscores the critical need for efficient land administration and management.

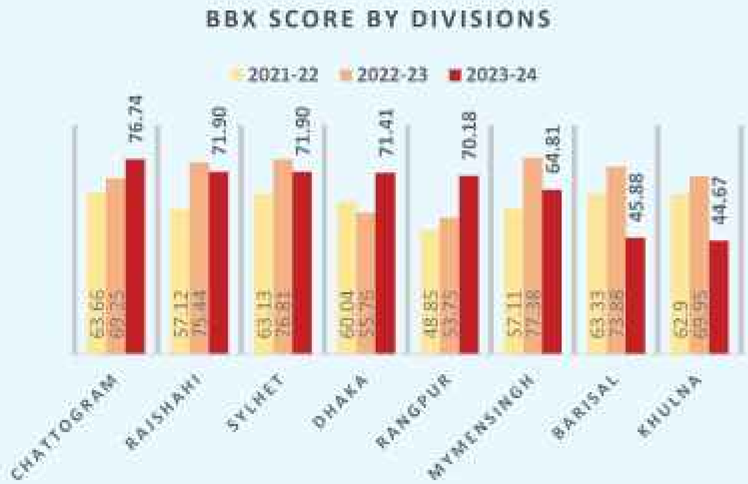
5.2.3 Availability of Regulatory Information : *Businesses face frequent, regulatory modifications by the government, accessibility and transparency regarding regulatory information vary across regions posing compliance challenges in business operations.*

Over the past 24 months, the frequency of modifying regulations by the government has been substantially high for the country. Nearly 40 percent of the respondents were not given prior notice by government agencies regarding any regulatory changes that impacted their businesses. These practices are mirrored in the 2023-24 BBX score, which saw a 6.6% decline for the third pillar compared to the previous year.

Khulna and Barisal have seen a significant decrease in their scores, transitioning from the range of 70s to the range of 40s over the past year, whereas Rangpur, Dhaka, and Chattogram have shown remarkable improvement. Less than 50 percent of the respondents in Khulna and Barisal have reported being unaware of all the necessary registrations and renewals required to establish or operate a business in Bangladesh. Furthermore, in terms of accessing online information regarding government rules and regulations, Khulna's performance is subpar. This limitation can create an uncertain and non-transparent environment for businesses to operate in, leading to decreased trust in online services and hindering digital inclusion efforts in the country. Additionally, inadequate access to crucial regulatory information may pose compliance challenges for businesses, particularly startups and small enterprises, limiting their growth potential and competitiveness on a

Throughout the pandemic, numerous Facebook business pages and groups surfaced, providing essential regulatory information that boosted online engagement among firms and facilitated information exchange. However, over time, many of these pages have become inactive, restricting businesses' access to regulatory information. This situation may have contributed to a slight decline in the overall BBX score.

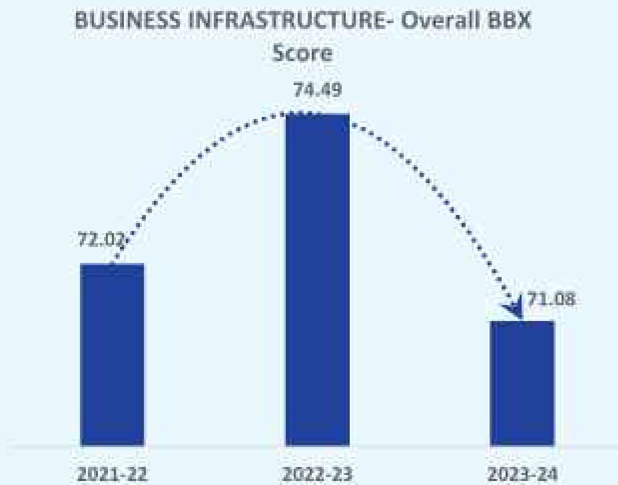
global scale. The government imposes high charges for essential utilities such as gas without consulting or considering businesses views regarding price hikes. Despite businesses paying these elevated rates, the services provided by the government are often deemed unsatisfactory.



Conversely, Chattogram, Dhaka, and Rangpur present encouraging data with over 80% of respondents successfully accessing crucial online information relevant to their businesses. The notable contrast between the highest and lowest-performing divisions highlights the continuing disparity in regulatory information accessibility across regions. This discrepancy not only underscores differences in internet access but also reveals disparities in the availability of information concerning rules and regulations by local government bodies such as municipal corporations.

Over 70% of respondents noted that the government frequently altered regulations in the past 24 months that affected their businesses. The trend was notably observed in the leather and tannery sector, as well as in the RMG, agriculture & forestry, and the transport, storage, & communication sectors. However, a key factor influencing the scores of each sector was whether they received timely notifications from government agencies regarding regulatory changes. This aspect likely contributed to the lower scores observed in the pharmaceuticals and chemicals sector, where less than 20 percent of respondents were informed in advance of any modifications implemented by government agencies.

5.2.4 Business Infrastructure : *Significant development driven by ambitious national projects and strategic investments, yet challenges such as frequent power outages and logistical inefficiencies persist.*

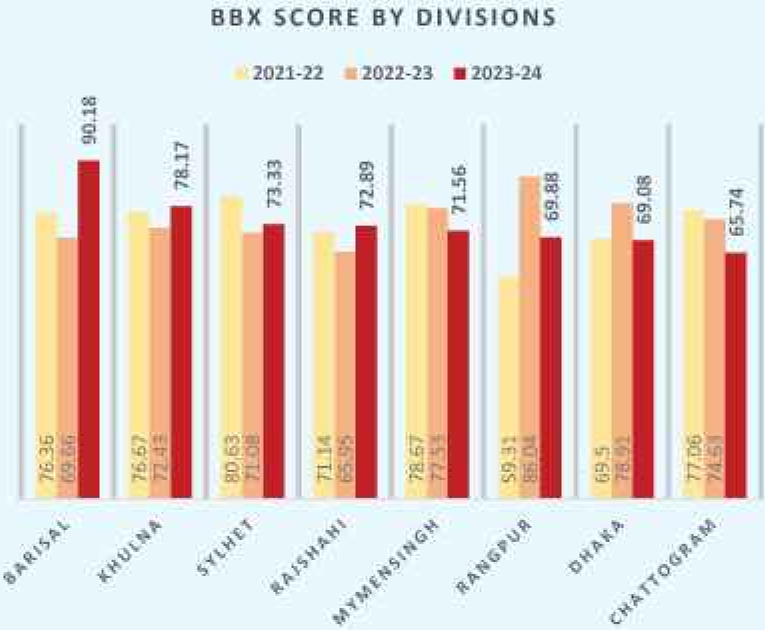


Bangladesh's business infrastructure is experiencing significant growth and development, driven by ambitious mega-projects and strategic investments in various sectors. The construction industry is booming as the country has been actively engaged in an extensive spectrum of mega-projects spanning power and energy, transportation, railways, and port development to address infrastructure limitations. Survey results indicate that businesses, in general, are satisfied with access to various services, showing minimal concerns regarding water services and electricity availability. However, they have voiced dissatisfaction with frequent power outages and inadequate maintenance of the sewerage system by government agencies. This discontent is evident in the recent 4.6% decline in the BBX score for the fourth pillar.

The Trillion Dollar Economy report, conducted by the Boston Consulting Group (BCG) and the World Bank, underscores the rapidly growing digital economy of Bangladesh, driven by expanding connectivity and enhanced digital consumer engagement. The country has witnessed a nearly twofold increase in mobile cellular subscriptions from 2012 to 2021, reaching approximately 177 million, while internet penetration has surged to around 70% over the past decade.

Over the last 24 months, a significant majority, exceeding 60 percent of respondents from Chattogram and Rajshahi, expressed challenges in accessing transport and logistic services for their businesses. Although the government is focusing on enhancing its transport infrastructure, including roads and waterways, to facilitate better connectivity and trade facilitation, challenges such as traffic congestion, inadequate road capacity, and logistical inefficiencies persist, impacting the movement of goods and services. Despite the extensive public sector investments allocated to infrastructure projects such as the Padma Bridge, Dhaka Metro Rail, and Dhaka Elevated Expressway, companies have noted a surge in transportation fares leading to increased logistics costs.

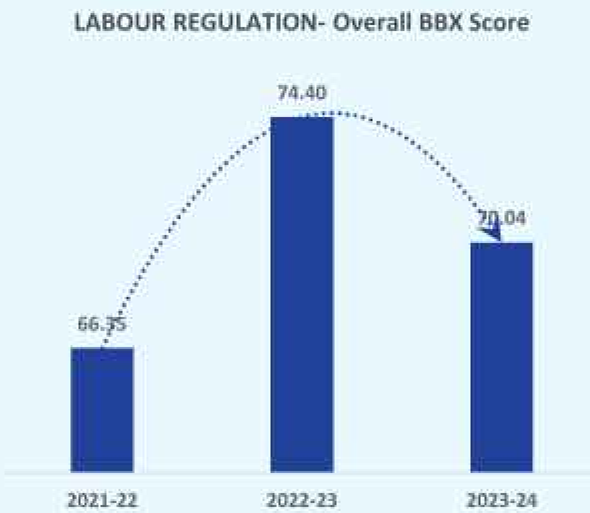
Power outages have also been a persistent concern for businesses throughout Bangladesh in recent years. During times of increased demand, like heatwaves, widespread power outages occur, resulting in electricity supply shortages and disruptions across various regions and industrial sectors of the country. The frequency of power outages in firms in a typical month in Bangladesh was reported to be 26.2 by the World Bank. These interruptions significantly impact business operations. Dhaka is one of the lowest scoring divisions for this particular pillar in 2023-24. Factors such as elevated logistics expenses, frequent power interruptions, and the necessity of informal payments for utility connections could have influenced this decline in score.



While businesses in Barisal and Khulna have faced fewer disruptions from power cuts, other divisions have frequently encountered outages that have impacted their operations. This issue has been particularly pronounced in the leather & tannery, and RMG sectors, which received the lowest scores in this year's BBX analysis. Conversely, businesses in the financial intermediary's sector experienced the least impact from power outages, with the Pharmaceuticals & Chemicals industries also facing relatively fewer disruptions. However, business entities collectively are expressing concerns regarding potential load shedding in the upcoming summer months. The uncertainties surrounding the import of sufficient fuel for power plants amidst the dollar crisis, combined with predictions of reduced rainfall, higher temperatures during summer, and increasing demand for electricity, could exacerbate the power outage scenario in Bangladesh.

Over 50 percent of the respondents reported that access to electricity, internet availability, and mobile phone connectivity for their businesses was relatively easy. The only exception was Chattogram, where approximately 66% of respondents found it challenging to secure electricity for their businesses, and over half of them expressed difficulties in accessing internet and mobile phone connectivity services. Overall, there has been significant growth in access to electricity and internet availability in Bangladesh. This progress has been instrumental in improving the overall infrastructure and connectivity for businesses and residents in the country.

5.2.5 Labour Regulation : *Initiatives taken to address shortages in skilled labor, but compliance challenges, with labor filing/return poses obstacles, affecting sectors like leather, tannery, textiles, transport storage and communication.*



The recent survey indicates a decrease in the BBX score for Labour Regulation, dropping from 74.40 in 2022-23 to 70.04 in 2023-24. Upon closer examination, it is evident that businesses have faced moderate challenges in adhering to labor regulations in Bangladesh over the last two years. Particularly noteworthy is the higher prevalence of difficulties in Chattogram and Sylhet, where over 70 percent of respondents expressed struggles with compliance. Notably, labor filing/returns pose the greatest challenge in these regions, reflected in their lowest scores in this year's assessment. Sector-specific analysis further reveals that industries such as leather & tannery, textiles, and transport storage and communication have found it particularly challenging to comply with labor regulations and filings/returns for their businesses over the past 24 months. These difficulties may have contributed to these sectors achieving lower scores in this year's evaluation.

The availability of a skilled workforce, including management roles, has presented moderate challenges for businesses. A significant majority of respondents, exceeding 75 percent, have acknowledged this issue, with Sylhet reporting a full 100 percent consensus. Despite the annual influx of graduates and internal migration to urban centers like Chattogram and Dhaka, accessing skilled labor has proven to be problematic. Industries most impacted include leather & tannery, RMG, textiles, and Real Estate, Renting, and Business Activities, where over 80 percent of respondents have identified a shortage of skilled workers as a major concern. The annual production of trained workers appears insufficient to meet the local demand for skilled labor. Initiatives are underway to establish new technical institutions and vocational schools aimed at cultivating a highly skilled workforce for the growing industrial hub in Chattogram. Moreover, private endeavors are being implemented to tackle the scarcity of skilled manpower in the region. In Dhaka, the IT industry is experiencing significant growth, with over 4,500 IT/ITES firms employing more than 750,000 ICT professionals (BIDA).

Challenges in accessing technology, training resources, and technical materials are widespread across various regions, including Dhaka, Chattogram, Rajshahi, Rangpur, and Sylhet. This obstacle has impeded the efforts of each region to enhance the skills of their employees for the betterment of their businesses. Specifically, more than 72 percent of respondents from the RMG sector have expressed concerns regarding this issue.

In response to inquiries about challenging labor regulations, participants emphasized that the rate of salary increase stands out as the most significant concern among various issues. Licensing was also identified by respondents as the second most problematic labor regulation. Upon delving into specific sectors, it becomes evident that the concern regarding salary increase rates, which is influenced by job performance, inflation, and industry-specific conditions, is prevalent across all industries.

5.2.6 Dispute Resolution : *Despite challenges like human resources shortages and the absence of dedicated courts for foreign companies, adopting Alternative Dispute Resolution methods has yielded early positive outcomes.*

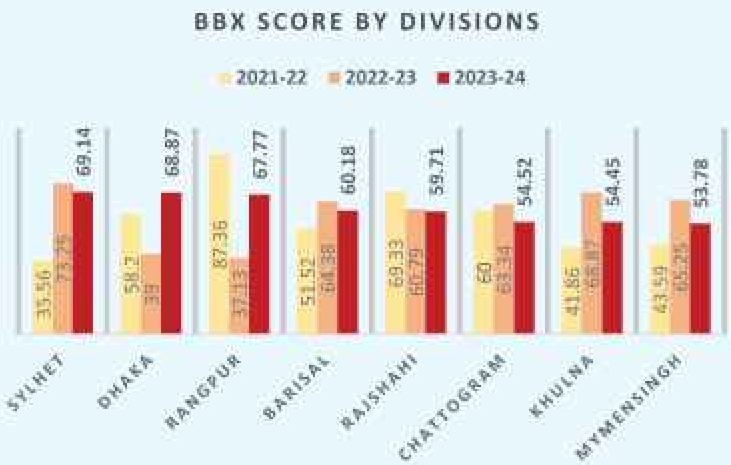
Resolving commercial disputes in Bangladesh presents various challenges, with the judicial system emerging as a significant area of concern. Over the past 15 years, the number of pending cases in Bangladesh has doubled, primarily due to the shortage of manpower. Currently, over 4.2 million cases await resolution across various courts in the country. With only one judge for ninety-five thousands of individuals in Bangladesh, the strain on the judicial system is evident.

The Covid-19 pandemic accelerated the digitalization of the justice system, leading Bangladesh to introduce 'virtual courts' for judicial proceedings in May 2020. This introduction marked a significant milestone in the nation's judicial system. The government must continue to promote the use of ICT in day-to-day court operations to improve efficiency and accessibility in the judicial system. Implementing e-judiciary to facilitate remote court proceedings will reduce physical presence requirements, make the justice system swift, ensure easier access to justice, and reduce case backlogs.

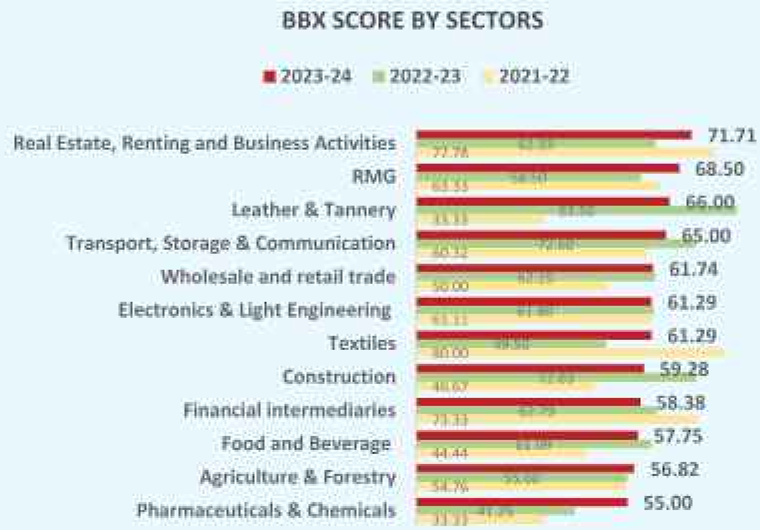
There is a lack of dedicated courts to handle disputes involving foreign companies, along with a shortage of skilled lawyers capable of handling such cases, exacerbating the situation. Moreover, the complex procedures within the current judicial system make resolving commercial disputes time-consuming and costly for businesses, discouraging further investment. While there is increasing concern of businesses timely completion on litigation process, a majority of respondents have indicated that they still perceive the current formal legal system in Bangladesh as effective in upholding their property rights and contracts. However, more reforms are required.

Dhaka has notably improved its score compared to the previous year, emerging as one of the top-performing divisions in terms of dispute resolution. The positive trend observed in Dhaka may be attributed to the efforts aimed at improving efficiency through the adoption of Alternative Dispute Resolution (ADR) methods for businesses. ADR has gained significant traction in Bangladesh as a cost-effective and efficient way to resolve disputes. It offers various mechanisms like negotiation, mediation, and arbitration that provide a less formal and more conducive environment for parties to communicate openly and reach agreements. In contrast, Chattogram has witnessed a decrease in its score, positioning it as the third lowest scoring division. This decline highlights challenges in the dispute resolution process that need to be addressed for better outcomes.

Approximately 78 percent of respondents indicated that over the past 24 months, they have not observed any reduction in the time taken to resolve commercial disputes in Bangladesh. This trend may have influenced the decline in the dispute regulation score for 2023-24, which decreased by nearly 3 percent compared to the previous year. Regions like Khulna and Rajshahi have experienced minimal reductions in the time required for resolving commercial disputes, with financial intermediaries being notably affected. Interestingly, clients have shown a preference for out-of-court settlements over judicial proceedings, with more than 90 percent of respondents acknowledging the effectiveness of Bangladesh's out-of-court commercial dispute resolution mechanisms. However, exceptions were noted in the Rajshahi division and the leather & tannery sector, where out-of-court settlements were perceived as ineffective. The collected data reveals that overall, there has been a general decrease in out-of-court dispute resolutions over the past year.



Efforts are being made to address these challenges through reforms, including the establishment of specialized courts, modernizing the court system, and initiatives to enhance efficiency and accountability within the judicial system. The objective is to establish confidence among both local and international investors by swiftly resolving commercial disputes via out-of-court arbitration, e-judiciary, and other efficient procedures. That said, the roll out and implementation of the efforts need fast tracking.

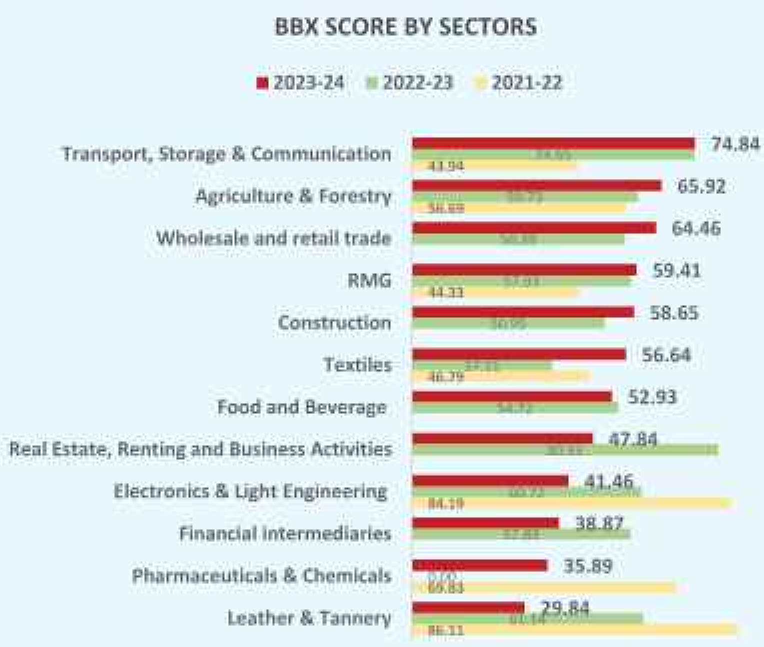


5.2.7 Trade Facilitation : *Improvements in customs clearance cost and time, yet challenges persist regarding informal payments and procedural delays at port agencies.*

Over the years, Bangladesh has made significant strides in trade facilitation through various initiatives. These include the development of online e-certification systems for trade agencies, the establishment of a dedicated agro-trade section on the Bangladesh Trade Portal, and capacity-building efforts to meet WTO Trade Facilitation Agreement measures. The reforms are reflected in the trade facilitation score that held a positive trend over the last two years, increasing to 60.9 in 2023-24 from 58.6 in 2022-23 and 49.4 in 2021-22.

Notable improvements have been observed, such as a decrease in the average cost of customs clearance, a reduction in informal payment frequency, and a reduction in the average number of days for clearance. Particularly noteworthy is the commendable performance of the Mymensingh and Rangpur divisions, exhibiting the

lowest average cost of clearance from customs agencies for exporting goods and services. Mymensingh has particularly excelled in obtaining clearance from trade clearance agencies, taking only an average of 5 days for this process. In contrast, Khulna and Sylhet faced challenges, recording the highest number of days required for clearance, resulting in a decline in their scores over the past year. Overall, Chattogram and Dhaka have performed well, displaying less than 10 days for customs clearance for exports. However, it's noteworthy that Dhaka's customs clearance cost falls towards the higher end. Particularly in the pharmaceuticals and chemicals sector, the highest customs clearance cost is observed, attributed to its sensitive nature of raw materials and other imported cargo requiring heightened scrutiny compared to other industries.



Evident from the survey, the influx of younger officers has contributed to a decrease in the average number of days required for customs clearance. They demonstrate an improved grasp of international procedures and codes, leading to quicker processing times for customs clearance. Despite this progress, obtaining clearance from customs agencies remains challenging in Bangladesh. Merely 15.7% of the respondents reported finding the process of obtaining customs clearance relatively easy, indicating that a significant majority still perceive it as a challenging endeavor, despite the improvements in cost and duration. **While there has been a reduction in the frequency of informal payments, they remain prevalent across various sectors.** Over the last 24 months, many respondents encountered challenges when dealing with agencies such as BSTI and the explosives directorate at the port for importing goods and services. This difficulty was notably pronounced in the financial intermediaries and RMG sectors. Survey participants noted that traffic at the port, delays by customs employees, and security personnel harassment have adversely affected their businesses during the import and export processes in the country.

The customs and other port agencies are aware of the challenging business landscape and economic hardships in the country, displaying occasional sympathy towards these circumstances. The National Board of Revenue (NBR) of the Government of Bangladesh is set to open National Single Window (NSW) services to expedite export-import trade. NBR plans to roll out the Users Acceptance Test of select certificate-licensing and permit-issuing agencies for NSW in 2024. This will allow importers and local manufacturers to get speedy services on the release of pharmaceuticals and industrial raw materials, capital machinery, environmental-clearance certificates, and different testing certificates from the BSTI.

5.2.8 Paying Taxes : *There are improvements in VAT and IT registration, however challenges persist in tax filing and payment, with frequent regulatory changes affecting industries like leather & tannery and RMG.*

The survey indicates a slight decrease in the score, from 55.2 in 2022-23 to 54.7 in 2023-24. Notably, the decline this year is significantly less at 1 percent, in contrast to the previous year's substantial 20 percent decrease. This positive shift may be attributed to the increased awareness and familiarity among people in Bangladesh regarding VAT and Tax registration processes, with a growing number now proficient in completing these tasks online.

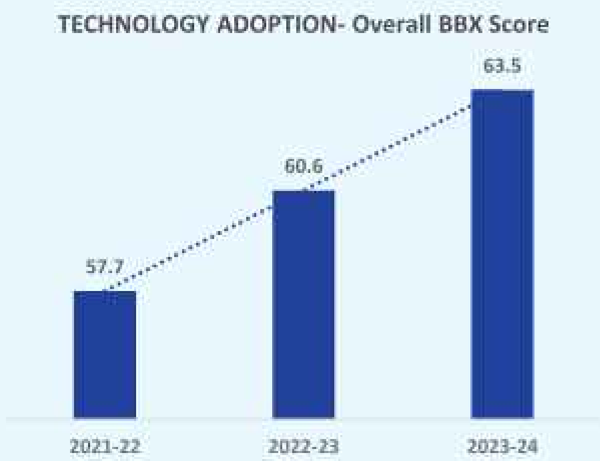
According to the survey findings, over 85% of respondents have acquired Value Added Tax (VAT) and/or Income Tax (IT) registrations for new businesses with ease within the last 24 months. Notably, the highest registration costs , likely including informal payments, were observed among RMG and Financial intermediaries. Despite government efforts to enhance tax infrastructures and policies, respondents still find it significantly challenging to file and pay VAT and Income Tax in Bangladesh. According to their responses, no significant reforms were introduced that could prove to be beneficial for their businesses.

VAT compliance has traditionally been a complex and time-consuming task for businesses and organizations, with numerous challenges and difficulties to overcome. Respondents have raised concerns about certain challenges within the current system. One noteworthy issue is the frequent and arbitrary increases in tax and VAT rates, occurring without adherence to specific rules. The dynamic and frequent changes in VAT and Tax regulations contribute to operational difficulties. Physical tax payment poses another challenge, adding an extra layer of complexity to the process. Moreover, the creation of tax audit files is identified as problematic, requiring individuals to seek legal assistance from accountants and lawyers, raising costs. These bottlenecks collectively highlight the need for a more stable and accessible tax framework.

Survey findings show that challenges related to filing and paying VAT and Income Tax appear more pronounced in the Chattogram division, particularly for those in the leather and tannery industry. The manual tasks of entering data, maintaining records, and tracking compliance are not just time-consuming but also susceptible to mistakes. In Dhaka and Sylhet, a larger proportion of respondents have faced negative effects on their businesses due to the existing tax landscape in Bangladesh. The necessity of making informal payments to comply with tax regulations has also been most prevalent in these regions. This is vividly reflected in this year's divisional scores, with Dhaka and Sylhet not only experiencing declines but also holding the lowest scores among all divisions. All respondents from the "leather & tannery" industry unanimously acknowledged the negative impact of the current tax environment on their businesses. An overwhelming 75 percent stated that this impact is frequently observed within this sector. The survey further highlights that the RMG sector has the highest incidence of making informal payments for tax compliance, reaching 61.5 percent.

5.2.9 Technology Adoption : *Businesses are increasingly adopting digital payment platforms, highlighting the growing trend of digitalization and the importance of efficient payment methods.*

In recent years, businesses in Bangladesh have increasingly embraced technological solutions, leveraging the growing accessibility of internet and mobile networks. This sector has shown remarkable progress, with a consistent improvement in its score from 57.7 in 2021-22 to 60.6 in 2022-23, and further to 63.5 in 2023-24. The utilization of high-speed broadband internet became crucial during the pandemic, prompting firms to enhance their virtual presence on platforms like Facebook, YouTube, and LinkedIn. This shift has enabled businesses to expand their reach and engage with a wider audience effectively.



Businesses have increasingly integrated the Internet, specialized applications, and digital platforms into their daily operations. While close to 50 percent of respondents indicated utilizing virtual platforms for marketing activities, sales and marketing do not emerge as the primary focus of their digital platform usage. Instead, a significant majority highlighted using specialized apps and digital platforms primarily for payment transactions. This shift underscores a growing trend toward digitalization in business operations, emphasizing the importance of efficient payment methods in the digital landscape.

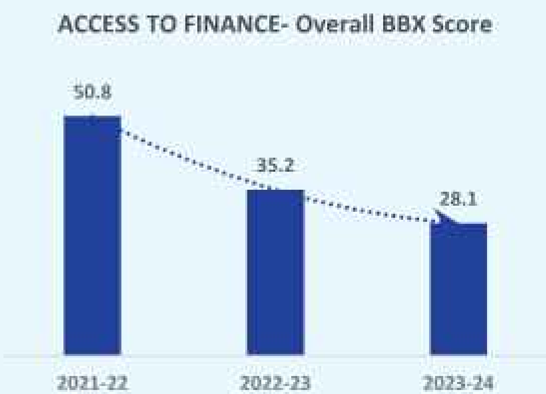
In Chattogram, marketing and sales take center stage when utilizing the internet and digital platforms, reflecting a strategic focus on customer engagement and revenue generation. Conversely, in Dhaka, approximately 80 percent of respondents prioritize the use of digital platforms for business administration tasks, underscoring a strong emphasis on operational efficiency and organizational management. This trend highlights the diverse ways in which different regions in Bangladesh leverage digital tools to enhance various aspects of their business operations, aligning their strategies with the specific needs and priorities of each location.

Businesses have prioritized automation by implementing various IT solutions to enhance transparency and efficiency in their operations. Over the last 24 months, sectors such as Leather & Tannery, Real Estate, Renting and Business Activities, and RMG have made significant investments in new technology equipment, software, and digital solutions to streamline their business processes. This strategic shift towards embracing technology reflects a growing belief among firms that diversifying business promotion and sales channels is essential for remaining competitive in the market. Less than 3 percent of respondents expressed substantial difficulty in utilizing digital solutions for their business operations. This indicates a general positive trend towards the adoption of technology within businesses, with most organizations recognizing the importance of leveraging digital tools to stay relevant and efficient in today's dynamic business landscape.

Bangladesh's increased internet penetration, smartphone usage, and social media engagement have created fertile ground for digital marketing opportunities. Businesses and consumers are embracing digital technologies by using various channels such as search engine optimization, social media marketing, email marketing, content marketing, pay-per-click advertising, etc. The government has also supported this growth by incentivizing tech startups and investing in digital infrastructure development.

5.2.10 Access to Finance : *Challenges such as restrictions on financial services like LC and difficulties in securing bank loans make this issue a critical bottleneck.*

The tenth pillar, Access to Finance, has shown a consistent decline over the past three years, dropping from 50.8 in 2021-22 to 35.2 in 2022-23 and further down to 28.1 in 2023-24. Respondents have highlighted that the instability and increase in the dollar exchange rate have jeopardized their companies' overall business strategies access to many types of finance, most notably trade finance. Financial services like LC have experienced significant restrictions, even for essential commodities, forcing businesses to incur higher costs both formally and informally.



More than 90 percent of the surveyed firms encountered moderate to substantial challenges in securing bank loans for their businesses in Bangladesh over the last two years. This difficulty was pronounced in most regions including Chattogram, Dhaka, Khulna, Mymensingh, and Sylhet.

Additionally, accessing finance from both Banking and Non-Banking Lending Institutions poses a notable challenge for micro and small enterprises. Business challenges stem from a combination of factors including complex loan procedures, increasing interest rates, limited access to formal finance, inadequate government policies to enable access financial skills gaps. The hurdles faced by micro and small enterprises in obtaining the necessary funding can impede their growth and sustainability, hindering their ability to thrive in the competitive business landscape. Addressing these challenges is crucial for fostering a conducive environment for SME growth and economic development in the country.

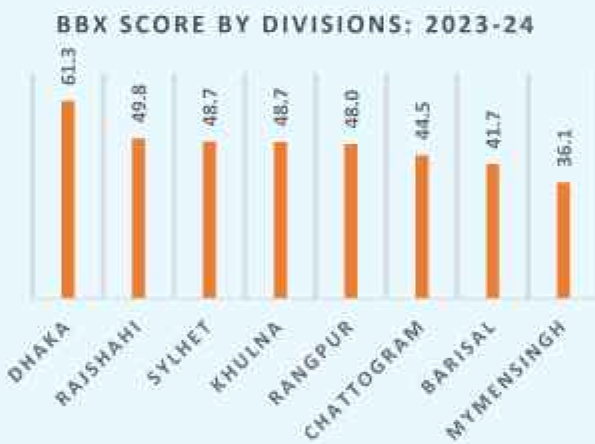
Survey results reveal that over 90 percent of respondents rely on bank borrowings to finance the purchase of fixed assets and capital for their companies, with retained earnings and owner contributions following closely. This heavy dependence on bank borrowings underscores the critical role financial institutions play in supporting business investments and growth, particularly in sectors such as Pharmaceuticals & Chemicals, Real Estate, Renting and Business Activities, and RMG.

Nearly all respondents from these sectors expressed challenges in obtaining bank loans. Given this, if access to bank borrowings remains challenging for businesses, it could disrupt the business environment significantly. The inability to secure essential financial services, such as LC facilities and international fund transfers, can further exacerbate the challenges faced by businesses. This lack of easy access to vital financial services not only hampers day-to-day operations but also hinders strategic decision-making and expansion opportunities. Ensuring smoother access to financial resources and services is paramount for maintaining a stable and conducive business environment that fosters growth, innovation, and economic resilience.

5.2.11 Environmental Regulations and Standards : *While comprehensive environmental policies are in place, challenges persist in waste management and energy efficiency practices among businesses, calling for strengthened enforcement and collaboration to ensure sustainable growth.*

This year, a new eleventh pillar has been introduced, revealing a score of 51.59 for 2023-24. This pillar is dedicated to evaluating the current environmental regulations and standards implemented in Bangladesh and their potential impact on businesses. As this pillar evolves, it will enable BBX to conduct in-depth analyses of the advancements and deficiencies in environmental practices. With more data available, comparisons can be made to track progress and identify areas for improvement within this crucial aspect of business operation. This ongoing assessment will provide valuable insights into the environmental landscape and its implications for sustainable business practices in Bangladesh.

Waste management remains a practice that is not yet widely adopted by businesses in Bangladesh. When surveyed about waste reduction efforts, a significant number of small and medium enterprises admitted to not prioritizing waste reduction initiatives. The limited focus on waste reduction among businesses can be linked to several factors, including insufficient segregation of dry recyclable materials and biowaste, resource constraints like limited space and dedicated personnel or departments, lack of awareness, and difficulties in meeting regulatory compliance. These challenges collectively hinder SMEs from effectively implementing waste management strategies.



Dhaka demonstrates the most significant efforts in waste reduction (46.7 percent), followed by the division of Rangpur (25 percent). In contrast, less than a quarter of respondents from all other divisions reported actively engaging in waste reduction practices. Particularly commendable efforts are observed in the leather & tannery and Pharmaceuticals & Chemicals industries, where a majority of businesses are dedicated to waste reduction initiatives.

Most respondents have indicated that reducing waste poses a moderate to significant challenge for them, with this difficulty being particularly pronounced in the Electronics & Light Engineering and Leather & Tannery industries. In terms of water conservation, businesses are performing moderately well. However, enterprises in Chattogram, Mymensingh, and Rangpur face relatively greater challenges in conserving water compared to other divisions. Interestingly, small, and medium

enterprises (SMEs) find it easier to conserve water than large enterprises, showcasing a contrasting trend between waste reduction and water conservation efforts.

It is noteworthy that less than 20 percent of respondents, overall, encounter challenges when investing in green building designs and operations. This optimistic statistic indicates the potential for increased investment in this sector with appropriate guidelines and regulations.

It is concerning that there is a lack of significant investment in energy-efficient business operations across all divisions and industries. On average, businesses have only allocated approximately USD 2000 towards energy efficient measures, such as investing in energy-efficient machinery. Notably, higher average investments in energy-efficient machinery have been observed in divisions like Chattogram, Dhaka, Khulna, and Rajshahi, as well as in industries like Food and Beverage and Electronics & Light Engineering. Moderate investments have also been noted in sectors such as Wholesale and Retail Trade facilitation, Agriculture & Forestry, and RMG.

Despite these several positive development steps, challenges remain in ensuring ease of compliance, particularly regarding waste and energy efficiency practices. Strengthening enforcement mechanisms and incentivizing compliance through greater collaboration between government agencies, industry stakeholders, and civil society are essential to further improve the regulatory environment and promote sustainable growth and development in Bangladesh.

Bangladesh has a comprehensive set of environmental policies, Acts, and Rules to address industrial pollution and environmental conservation. The Environment Conservation Act of 1995 and the accompanying 1997 Rules are crucial legislative documents for managing industrial water pollution in Bangladesh. The Act is enforced by the DoE, empowering them to coordinate with relevant authorities, adopt safety measures, advise on environmentally sound practices, conduct research, collect information on pollution, and enforce regulations through closure or prohibition of non-compliant industries. Despite these stringent measures, the adherence of businesses to these regulations and the overall level of accountability remains areas of concern that warrant further attention and scrutiny. Continuously updating and strengthening the existing policies can help ensure better environmental protection for the country. Aiming for a clean and green Bangladesh is an achievable goal. By setting clear targets and implementing effective strategies, the country can work towards a more environmentally sustainable future.

Environmental Conservation Rules 2023, which seek to regulate activities with potential environmental impacts and ensure sustainable growth. These rules categorize industrial units based on their activities and pollution levels, providing guidelines for obtaining environmental clearance and location certificates. Complementing this, the Bangladesh Environment Conservation Act (BECA) of 1995 establishes the Department of Environment (DoE) as the primary authority for environmental protection, empowering it to regulate pollution and enforce standards.

Additionally, specialized environment courts, established under the Environment Court Act of 2000, facilitate swift resolution of environmental disputes. Further legislative efforts include the Forest Act of 1927, Wildlife (Conservation and Security) Act of 2012, and Bangladesh Water Act of 2013, addressing issues ranging from forest conservation to water resource management. Moreover, Bangladesh has committed to reducing greenhouse gas emissions under the Paris Agreement, reflecting its dedication to global environmental initiatives. Despite these frameworks, challenges persist, including weak enforcement due to political reluctance, corruption, and insufficient data.

Top Constraints Faced by Business per Survey Category in 2023										
STARTING A BUSINESS	ACCESS TO LAND	AVAILABILITY OF REGULATORY INFORMATION	INFRASTRU-CTURE	LABOUR REGULATIONS	DISPUTE RESOLUTION	TRADE	PAYING TAXES	TECHNOLOGY ADOPTION	ACCESS TO FINANCE	ENVIRONMENTAL REGULATIONS AND STANDARDS
Multiple government agencies engaged in the licensing process	High number of bank drafts required during land acquisition	High Government charges for essential utilities	Frequent power outages	Lack of skilled workforce, including management roles	Complex court procedures and long wit times.	Too many agencies are involved	Frequent and arbitrary increases in tax and VAT rates	Inadequate digital literacy	LC restricted, even for essential commodities	No proper waste disposal system in place
Increased cost of trade license, including informal payments	Corruption in the Land Office	Businesses not given prior notice by government agencies regarding any regulatory changes	Low maintenace of the sewerage system by government agencies	Difficulty in accessing technology, training resources, and technical materials	Shortage of manpower, especially judges and dedicated lawyers	Traffic and congestion at the port; security personnel harassment	Creating tax files in complicated	Manual Supply Chain Management	Difficulty in securing bank loans; complex loan procedures	Increased operation costs
Weak coordination between agencies	Land transfer takes a long time	Websites and guidelines are not always up to date	High cost of logistics and raw materials	Salary rate increases	Resolving commercial disputes is time-consuming and costly	Delays by customs employees	Time-consuming process	Difficulty in accessing technology solutions	Instability and increase in the dollar exchange rate	Technology infrastructure limitations

Table 18: How Do the Pillars Fare for Different Sectors

PILLAR AREA	MOST CONDUCIVE IN	MOST DIFFICULT IN
Starting a Business	Electronics & Light Engineering	Pharmaceuticals & Chemicals
Access to Land	Electronics & Light Engineering	Construction
Availability of Regulatory Information	RMG	Pharmaceuticals & Chemicals
Infrastructure	Financial intermediaries	Leather & Tannery
Labour Regulation	Financial intermediaries	Leather & Tannery
Dispute Resolution	Real Estate, Renting and Business Activities	Pharmaceuticals & Chemicals
Trade Facilitation	Transport, Storage & Communication	Leather & Tannery
Paying Taxes	Financial intermediaries	Leather & Tannery
Technology Adoption	Wholesale and retail trade	Leather & Tannery
Access to Finance	Pharmaceuticals & Chemicals	Real Estate, Renting and Business Activities
Environmental Regulations and Standards	Pharmaceuticals & Chemicals	Transport, Storage & Communication

5.3 Sectoral Performance

The business landscape in Bangladesh offers a diverse array of opportunities alongside notable challenges. The government actively encourages foreign investment through its industrial policy and export-oriented growth strategy, aiming to bolster economic development. Despite commendable progress, the country grapples with issues like inadequate infrastructure, power shortages, bureaucratic hurdles, weak enforcement of labor laws, corruption, and others.

In terms of sector-specific environments, recent index results highlight financial intermediaries as having the most favorable conditions, closely followed by Electronics & Light Engineering. Conversely, sectors like Leather & Tannery, Pharmaceuticals, and Chemicals face more challenging climates due to obstacles such as restricted access to finance, complex license renewal and VAT/Tax process, limited technology upgrades, barriers to trade facilitation, and more.

To realize its ambitious goal of achieving upper middle-income status by 2031, Bangladesh must cultivate a conducive business climate that nurtures the growth of key sectors. By addressing these challenges and fostering an environment that supports innovation and investment, Bangladesh can pave the way for sustained economic progress and prosperity.

For a comprehensive insight, the performance of the pillars is detailed for each sector, accompanied by the overall sectoral findings of BBX outlined below.

5.3.1 Wholesale and Retail Trade

According to the survey findings, the sector faced the least number of challenges in labour regulation, while access to finance was the biggest constraint encountered by them.

5.3.2 Transport, Storage & Communication

According to the survey findings, the sector faced the least number of challenges in trade facilitation, while access to finance was the biggest constraint encountered by them.

5.3.3 Construction

According to the survey findings, the sector faced the least number of challenges in labour regulation, while access to finance was the biggest constraint encountered by them.

5.3.4 Electronics & Light Engineering

According to the survey findings, the sector faced the least number of challenges in infrastructure, while access to finance was the biggest constraint encountered by them.

5.3.5 Leather & Tannery

According to the survey findings, the sector faced the least number of challenges in regulatory information, while technology adoption was the biggest constraint encountered by them.

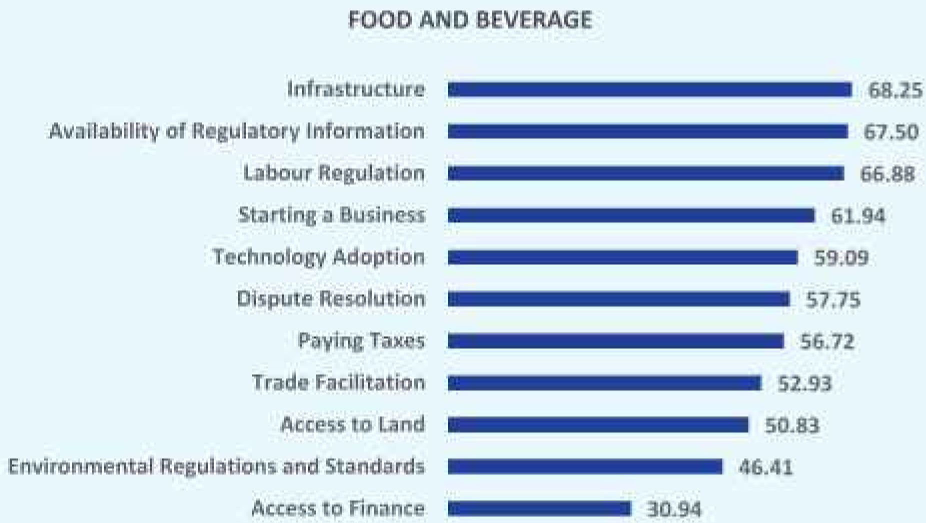
5.3.6 Agriculture & Forestry

According to the survey findings, the sector faced the least number of challenges in infrastructure, while access to finance was the biggest constraint encountered by them.

5.3.7 Real Estate, Renting and Business Activities

According to the survey findings, the sector faced the least number of challenges in regulatory information, while access to finance was the biggest constraint encountered by them.

5.3.8 Food and Beverage



According to the survey findings, the sector faced the least number of challenges in infrastructure, while access to finance was the biggest constraint encountered by them.

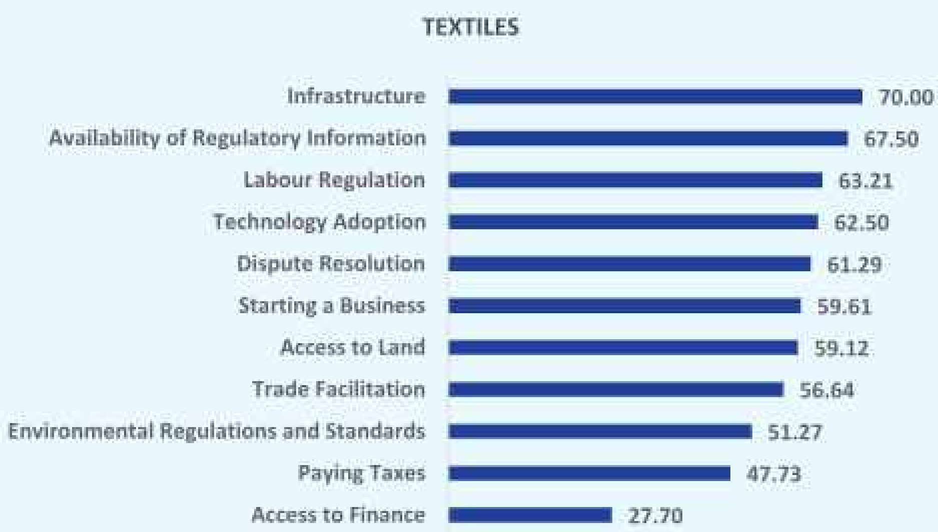
5.3.9 Pharmaceuticals & Chemicals

According to the survey findings, the sector faced the least number of challenges in infrastructure, while technology adoption was the biggest constraint encountered by them.

5.3.10 Readymade Garments

According to the survey findings, the sector faced the least number of challenges in regulatory information, while access to finance was the biggest constraint encountered by them.

5.3.11 Textiles



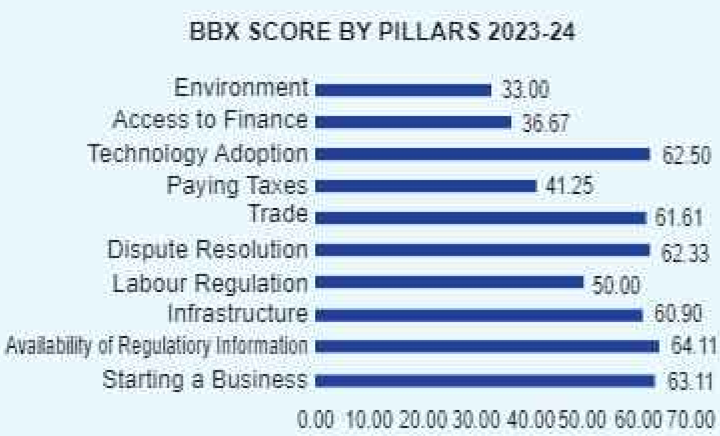
According to the survey findings, the sector faced the least number of challenges in infrastructure, while access to finance was the biggest constraint encountered by them.

5.3.12 Financial Intermediaries

According to the survey findings, the sector faced the least number of challenges in labour regulation, while technology adoption was the biggest constraint encountered by them.

5.3.13 Foreign Firm

Foreign firms operating in Bangladesh encounter a mixed landscape when it comes to establishing their businesses and navigating the regulatory environment. The assessment of foreign firms operating in Bangladesh reveals significant insights into the challenges they face within the business environment. With an overall score of 53.55, foreign firms encounter various obstacles across different pillars, highlighting areas of improvement necessary to foster a more conducive environment for foreign investment and business operations.



While the ease of starting a business and accessing regulatory information is relatively favorable, as indicated by pillar scores of 63.11 and 64.11 respectively, it's noteworthy that foreign firms often come with substantial financial resources, making them cash-heavy and thus facilitating the process of starting a business.

Additionally, regulatory information is favorable as the government actively seeks to attract Foreign Direct Investment (FDI), ensuring that relevant information is readily available and transparent for potential investors. However, challenges arise in accessing finance, scoring a low 36.67. Despite possessing sufficient financial resources, foreign firms face obstacles in obtaining suitable financing options tailored to their needs, hindering their expansion and adaptation to economic uncertainties.

Moreover, the introduction of the Environmental Pillar in the assessment framework adds a new dimension to the challenges faced by foreign firms. With a score of 33.00, this pillar underscores the significance of environmental regulations and practices. Waste management emerges as an under-prioritized aspect for many businesses, including foreign firms, attributed to factors like inadequate segregation of recyclable materials, resource constraints, and compliance difficulties. These challenges highlight the need for businesses to address environmental concerns alongside their operational and regulatory considerations. Regional disparities in waste reduction efforts further emphasize the importance of holistic environmental strategies, with Dhaka leading the way followed by Rangpur.

Table 19: Implications of Index Scores for Dhaka and Chattogram as Growth Locations

Name of Pillars	Position in Dhaka 2022-23	Position in Dhaka 2023-24	Position in Dhaka Change	Position in Chittagong 2022-23	Position in Chittagong 2023-24	Position in Chittagong Change	Top Performer
Starting a Business	6	8	↓	3	5	↓	Barisal
Access to Land	1	5	↓	4	3	↑	Mymensingh
Availability of Regulatory Information	7	4	↑	6	1	↑	Chattogram
Infrastructure	2	7	↓	4	8	↓	Barisal
Labour Regulation	1	3	↓	5	7	↓	Barisal
Labour Regulation	7	2	↑	5	6	↓	Sylhet
Trade	8	5	↑	4	4	↔	Rangpur
Paying Taxes	1	7	↓	2	5	↓	Barisal
Technology Adoption	4	6	↓	3	7	↓	Sylhet
Access to Finance	8	6	↑	3	7	↓	Rajshahi
Environmental Regulations and Standards		1			6		Dhaka

Key Messages on Implications on Current and Future Growth Centers

- Barisal emerges as the leading Division, excelling in four out of the eleven indicators. It demonstrates exceptional performance in starting a business, infrastructure, labor regulation, and paying taxes.
- Sylhet closely follows, showcasing strong performance in two indicators: dispute resolution and technology adoption.
- Dhaka shows notable progress in BBX 2023-24 across various indicators, including availability of regulatory information, dispute resolution, trade facilitation, and access to finance.
- Chittagong stands out as the top performer in the "availability of regulatory information" pillar. The region has shown improvement in two indicators in BBX 2023-24: access to land and availability of regulatory information.

- The table above illustrates the average score of the eleven indicators for each sector.
- According to the BBX 2023-24 report, the Wholesale and Retail Trade sector has demonstrated the strongest performance among all sectors, achieving a score of 60.30. This sector scored above 60 in most indicators, except for paying taxes, access to land, environmental regulations, and access to finance.
- In contrast, the Leather & Tannery sector has recorded the lowest average score compared to other sectors, with a score of 49.72. This sector scored below 40 in four indicators: paying taxes, trade facilitation, technology adaptation, and access to finance.

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

Sector	Pillar Score
Wholesale & Retail Trade	60.30
Transport, Storage & Communication	59.94
Agriculture and Forestry	59.90
Real Estate, Renting & Business	58.84
Electronics & Light Engineering	57.99
Construction	57.40
RMG	57.11
Textiles	56.96
Financial Intermediaries	56.52
Food and Beverage	56.29
Pharmaceuticals & Chemicals	55.23
Leather & Tannery	49.72

Chapter 6: Conclusion and Recommendations

Bangladesh has shown remarkable progress and development over the years, even amidst global uncertainties. Factors like a strong demographic dividend, robust ready-made garment exports, resilient remittance inflows, and stable macroeconomic conditions have fueled rapid economic growth. Notably, poverty has declined, human development outcomes have improved, and life expectancy has increased. Despite challenges like inflation, energy shortages, and a balance-of-payments deficit, Bangladesh's economy has shown resilience and recovery from the COVID-19 pandemic. However, challenges persist in terms of infrastructure gaps, climate change vulnerabilities, and lack of sustainable urbanization. To achieve its goal of becoming an Upper-Middle Income Country by 2031 and a Developed Country by 2041, the nation must boost private investment, including Foreign Direct Investment.

Given this, enhancing the business climate is crucial to stimulate private investment, requiring improvements in factors like starting a business, access to land, availability of regulatory information, infrastructure, labour regulations, dispute resolution, trade facilitation, paying taxes, technology adoption, access to finance, and environmental regulations, and standards. These enhancements are vital for sustaining an economic growth rate above 8%. To realize these economic aspirations, targeted reform measures and coordinated policymaking are crucial. Understanding the experiences and perspectives of businesses is essential, requiring real-time monitoring and analysis of structured data.

Unfortunately, Bangladesh lacks sufficient structured data on the business environment, particularly across various sectors. It is important to understand that analyzing structured data from businesses is vital for formulating effective policies to enhance private sector investment, providing policymakers with tools to address sector-specific constraints. Given this, the Bangladesh Business Climate Index (BBX) has emerged as a groundbreaking initiative offering insights into the challenges faced by the private sector, allowing policymakers to prioritize reforms based on the sector's needs.

6.1 Recommendations

6.1.1 Advocating for Broader Policy Support to Facilitate Transition Towards the Next Level of Growth Ambition.

In light of Bangladesh's ambitious economic growth targets and export diversification agenda, accurately identifying constraints within the business environment and subsequently implementing the right set of policies is paramount. Achieving a sustainable economic growth rate trajectory of 8 percent necessitates tapping into the country's vast potential. Given that Bangladesh possesses significant capabilities to enhance productivity and competitiveness, introducing the appropriate policies across various sectors can facilitate Bangladesh's integration and enhance its global competitiveness across a diverse range of industries.

This strategic approach is crucial for accelerating economic growth, further reducing poverty, and creating gainful employment opportunities. To realize its ambitions, Bangladesh must prioritize improving the business environment, developing policies to better connect with Global Value Chains, strengthening firm capabilities, and maximizing the benefits of agglomeration. Furthermore, fostering an innovation culture within government and businesses, enhancing regional integration, attracting higher quality Foreign Direct Investment (FDI), and leveraging international partnerships are key priorities highlighted in policy frameworks to support diversification and facilitate the transition to a more sustainable economic model.

6.1.2 Addressing Regulatory and Administrative Hurdles

The current business environment in Bangladesh falls short of fully aligning with the country's vision to become an Upper-Middle-Income Country by 2031. Despite efforts to streamline business startup procedures and reduce associated costs in recent years, regulatory and administrative hurdles persist for businesses operating in Bangladesh. The regulatory landscape is intricate, involving 23 government agencies that provide services to investors. Starting and running a business may require obtaining up to 150 approvals from various agencies, leading to complexity and redundancy in information submission. This results in increased costs and delays for approvals, negatively impacting private investment growth. Additionally, addressing governance challenges such as corruption, nepotism, and weak oversight mechanisms is essential for creating a conducive environment for economic progress. Strengthening governance structures, promoting transparency, and enhancing regulatory frameworks will be instrumental in building trust in the government and fostering a stable foundation for sustainable growth.

6.1.3 Modernization of Laws and Regulatory Frameworks

To enhance the business environment in Bangladesh, it's crucial to modernize outdated laws governing businesses, including the Companies Act and Bankruptcy Act. Establishing an effective One-Stop-Shop (OSS) for government services, improving contract enforcement through Alternate Dispute Resolution (ADR), and expediting the resolution of commercial cases are essential measures. Strengthening regulatory governance using tools like Regulatory Impact Assessment (RIA) is also critical. Investment promotion agencies, such as BIDA, BEZA, BEPZA, BHTPA, PPPA, and BSCIC, need institutional strengthening and a robust investment promotion strategy to attract private investment and FDI.

6.1.4 Enhancing Investment Promotion Mechanisms

Capacity building for investment promotion agencies is essential to deploy new-generation mechanisms for strategic investment promotion. The focus should shift from regulatory aspects to identifying priority sectors, designing projects, targeting investors, and converting interest into actual investment. BIDA, as the primary investment promotion agency, should provide handholding and after-care services, engage in one-on-one networking, and build a positive image of Bangladesh to attract strategic investments.

Furthermore, the modernization of laws governing businesses like the Companies Act 1994, Competition Act 2012, and Import and Exports Control Act 1950 is critical for improving the business climate. While amendments have been made over the years, further updates are necessary to address restructuring frameworks, mergers, and acquisitions, and streamline company winding-up processes. The partial implementation of laws like the Competition Act highlights the need for effective enforcement mechanisms to combat anti-competitive practices. Simplifying licensing requirements under outdated laws like the Imports and Exports Control Act can reduce complexity in business operations and create a more conducive environment for economic growth in Bangladesh.

6.2 Indicator-specific Recommendations

6.2.1 Starting a Business

Development of a Comprehensive One Stop Service (OSS) Model: Creating a comprehensive and efficient One Stop Service (OSS) model that offers a complete range of services from all relevant institutions necessary for initiating and running a business. Research indicates that establishing a holistic OSS system for regulatory service provision reduces both the time and procedures required to deliver services. Despite Bangladesh passing an OSS bill in February 2018 and establishing an OSS for investor services, it has not yet fully provided all the necessary services for investors to commence and manage businesses in the country. Learning from successful OSS implementations globally, Bangladesh can further optimize its OSS model, ensuring it aligns with international standards and best practices. By expanding the range of services and fostering interoperability among relevant agencies, Bangladesh can significantly streamline the business initiation process, contributing to a more investor-friendly environment and fostering economic growth.

Development of Standard Operating Procedures (SOPs): Developing Standard Operating Procedures (SOPs) can streamline regulatory processes, enhancing predictability and boosting investor confidence. Simplifying approval processes across agencies and automating them can reduce delays and enhance transparency in service delivery.

Introduction of Systemic Methods - Regulatory Impact Assessment (RIA) and Feedback Loop: Implementing Regulatory Impact Assessment (RIA) and Feedback Loop mechanisms is crucial for evaluating regulations' impact on businesses and improving service quality. Establishing an RIA unit at a central ministry and integrating RIA into the law-making process can enhance regulatory evaluation in Bangladesh. Additionally, introducing a Feedback Loop will help address gaps in service delivery quality based on private sector feedback.

Risk-Based Approval and Inspection System and Online Information Portal: Adopting a risk-based approval system and creating an online portal for regulatory information can optimize resources and expedite service delivery. This approach focuses on actual risks, prioritizing approvals for low and medium-risk applications while allowing inspectors to concentrate on high-risk activities. The online portal enhances transparency, reduces delays due to incomplete applications, and facilitates faster processing of accurate submissions.

Integration of the Gender Dimension in Regulatory Service Delivery: Integrating gender considerations into regulatory services can promote gender-inclusive regulations by encouraging participation of women-owned/led businesses in the law-making process. Strategies like involving women entrepreneurs in regulatory consultations and seeking input from women business organizations can ensure more inclusive regulations.

Accommodating Innovative Business Activities and Start-Ups: Supporting innovative business activities and start-ups requires policymakers to understand emerging business models like disruptive technologies (e.g., Uber, Airbnb). This understanding enables the development of appropriate regulations that foster innovation and attract new businesses to operate within the country.

6.2.2 Access to Land

Improving Accessibility to Property Registration Information: Enhancing public awareness of property registration procedures by making service standards, expected timeframes, and costs publicly available at Land Offices and SROs can promote transparency and reduce transaction costs. This transparency ensures clear procedures, accessible fee information, and minimizes informal payments or discretion.

Enhancing Transparency in Land-Related Data: Improving system transparency through the publication of statistics on land disputes and property transfer transactions can enhance accountability. Designing a mechanism to track land disputes at both administrative and court levels, along with publishing data on property transactions, can further enhance transparency in Bangladesh's property registration system.

Cost-Benefit Analysis and Fee Reduction at Sub-Registry Offices: Conducting a cost-benefit analysis to evaluate the feasibility of reducing fees at Sub-Registry Offices is essential to lower property transfer costs. Currently, the average cost of property transfer in Bangladesh is around 7 percent of the property value, with variations in different regions due to local government taxes. Exploring fee reduction possibilities, such as lowering stamp duty rates and introducing alternative property taxes, can align Bangladesh's property transfer costs with international standards.

Digitizing Land Records for Improved Accessibility: Initiating the computerization and digitization of all land records and property title registrations is crucial for improving access to and preserving property records. Transitioning from paper-based records to digital formats enhances record security, facilitates easier access to property titles, and simplifies ownership transfers. Implementing this process in phases, starting with new transactions, and gradually digitizing past records, can ensure a systematic and manageable transition towards a more efficient record-keeping system. The process of computerization can be implemented in three phases to make it more manageable: firstly, initiate scanning and indexing with new transactions at both Land Offices and SROs; secondly, commence scanning with transactions that have been completed in the past few years for both the Land Offices and the SROs, and finally, scan all archives, including the Balam Books, spanning 25 to 30 years.

6.2.3 Availability of Regulatory Information

Enhancing Regulatory Information Accessibility: Enhancing regulatory efficiency, reducing compliance costs, and improving regulatory quality for businesses are linked to easier access to online regulatory information, including fee schedules. Introducing an online portal with comprehensive details on regulatory requirements, procedures, fees, and forms can streamline processes, increase transparency, and help investors submit accurate applications promptly, reducing delays caused by incorrect or incomplete submissions. Authorities should adopt a proactive approach by developing detailed and user-friendly guidelines for applicants, accompanied by publicized, plain-language explanations of the overall process.

Implementation of a Regulatory Calendar: Introducing and publicizing a regulatory calendar at the start of each fiscal year listing upcoming laws can benefit businesses by providing foresight into the regulatory landscape. This initiative reduces regulatory unpredictability, enabling businesses to anticipate and adapt to forthcoming regulations effectively. Publishing upcoming laws enhances regulatory predictability, allowing businesses to make informed projections regarding operations, costs, revenues, and profits.

6.2.4 Infrastructure

Strengthening Institutional and Implementation Capacities through Public Private Partnerships (PPPs): Strengthening institutional and implementation capacities to promote private investment through Public-Private Partnerships (PPPs) for infrastructure services is crucial for Bangladesh to overcome fiscal constraints and attract much-needed investment. Enhancing capacity within entities like the Public-Private Partnership Authority (PPPA) and relevant ministries, improving structuring expertise, understanding risk-sharing mechanisms, and ensuring transparent Government-to-Government (G2G) agreements are essential steps for successful PPP adoption.

Exploring Sovereign Bond Issuance for Infrastructure Financing: Exploring sovereign bond issuance as a financing option can provide Bangladesh with an opportunity to assess the benefits and drawbacks further. Issuing sovereign bonds in international markets, potentially backed by state-owned enterprises, can establish benchmarks for sovereign risk pricing and open avenues for Bangladeshi companies in the infrastructure sector to access offshore financing post-COVID-19 market stabilization.

Developing Domestic Capital Markets for Infrastructure Financing: Developing domestic capital markets and issuing local currency bonds offshore can bolster infrastructure funding in Bangladesh. With government bonds dominating the market, diversifying into private equity and local currency bonds offshore can mitigate currency risks for issuers while offering investors stable returns based on country ratings and currency stability.

Enhancing Dynamism in the Power Sector: Enhancing dynamism in the power sector through private sector transmission policies and cross-border energy trade is vital for Bangladesh's energy landscape. Enacting private sector power transmission policies, implementing pilot PPPs in transmission sectors, fostering cross-border energy trade partnerships with neighboring countries, transitioning to cost-reflective tariffs, and corporatizing public utilities are strategic steps to drive growth and efficiency in the power sector.

Optimizing Economic Zones for Industrial Growth: Accelerating Economic Zones development by focusing on multi-tenant zones, collaborating with private firms to establish industrial zones with comprehensive facilities, investing in infrastructure connectivity for secondary cities, and developing self-contained industrial cities like Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) are key strategies to address land availability challenges, promote industrial clusters, economic diversification, and export expansion. Coordinating logistics infrastructure providers, conducting feasibility studies for zone selection, and optimizing agency collaboration are essential for successful Economic Zones development in Bangladesh.

6.2.5 Labour Regulation

Alignment of Curriculum and Training Modules with Market Needs: Ensuring that current training programs and curricula align with evolving market needs, especially in the context of advancing technology, is crucial. While the Bangladesh Industrial Technical Assistance Centre (BITAC) offers basic skills programs, there is a gap in meeting market demands due to rapid technological advancements. Despite the growth of Technical and Vocational Education and Training (TVET) by the government, low enrollment of women highlights the need for a well-funded skills development ecosystem involving industries to address the shortage of skilled workers essential for economic diversification.

Global Opportunities for Semi-Skilled Workers: Conducting a study to identify key opportunities for semi-skilled workers globally can inform the development of training curricula aligned with international standards. By creating training programs tailored to global demands, workers can enhance their skills, increase earning potential, and contribute more significantly to the country's economy through remittances.

Enhancing Learning Measurement at Primary and Secondary Levels: Enhancing learning measurement at primary and secondary levels is essential for benchmarking learning levels consistently over time and against international standards. Strengthening national student assessments can facilitate reliable benchmarking, informing policy decisions and improving educational practices. Additionally, enhancing teacher management processes, including selection, training, professional development, and assessment, at all education levels is crucial. Aligning national qualification frameworks between general education and TVET is necessary to support seamless transitions between educational pathways.

Policy Initiatives for the Skills Eco-System: Implementing various policy and strategic initiatives within the skills ecosystem is vital for effective skill development: i) developing a Long-term Skills Strategy aligned with national growth agendas and key drivers of growth; ii) fostering Public-Private Partnerships in skills delivery to enhance skills matching and employment outcomes; iii) introducing employment-linked performance-based financing for skills programs to improve employment prospects, iv) promoting a stronger business focus among Private Training Providers, and v) establishing a common strategy for developing occupational standards, curricula, and training materials through official channels like the Bangladesh Technical Education Board (BTEB).

6.2.6 Dispute Resolution

Enforcement of Mandatory Mediation Provisions: Implementing and enforcing mandatory mediation provisions by adopting administering rules and establishing the necessary infrastructure is essential to streamline commercial dispute resolution in Bangladesh. This initiative is anticipated to reduce both time and costs associated with resolving disputes, particularly lowering the high cost per claim compared to neighboring countries. Despite the presence of mandatory mediation provisions in the Code of Civil Procedure, the lack of implementing regulations has hindered effective implementation, highlighting the need for approved rules to facilitate court-referred mediation and address the resource constraints currently impeding the process.

Establishing Time Limits for Court Cases: Setting time limits for key stages of court cases and ensuring compliance can significantly enhance court efficiency, especially in commercial disputes where delays can lead to substantial losses. Introducing mandatory time standards for crucial events in commercial cases, along with mechanisms for realistic scheduling, enforcement, and limitations on adjournments, can expedite case resolution. Judges playing an active role in managing deadlines for evidence gathering and controlling adjournments can further expedite case proceedings.

Amending the Bangladesh Arbitration Act 2001: Amending the Bangladesh Arbitration Act 2001 to align with international best practices is crucial for enhancing arbitration effectiveness. While the Act covers essential aspects of international commercial arbitration, updating it to reflect recent developments in the field is recommended. Improving the enforcement process of arbitral awards by streamlining procedures, enforcing strict criteria for challenging awards, setting mandatory deadlines for arbitrator appointments, and eliminating delays can enhance arbitration efficiency.

Establishing a Dedicated Commercial Bench: Establishing a dedicated commercial bench within the High Court staffed with specially trained judges can significantly improve judicial effectiveness. Specialized commercial courts reduce caseloads in main courts, leading to quicker resolutions and increased consistency in legal application. These specialized courts not only expedite dispute resolution but also enhance predictability for court users while fostering expertise among judges.

Introducing Case Management and Court Automation: Introducing case management and court automation at both High Court and lower court levels can optimize case progression and efficiency. Enhancing existing case management systems through automation can improve data collection, streamline processes, and alleviate heavy caseloads in Bangladesh's judicial system. Reviewing current systems for effectiveness and transitioning to automated processes can enhance overall court efficiency and effectiveness.

6.2.7 Trade Facilitation

Streamlining Documentation Requirements: Simplifying documentation requirements for import and export processes in Bangladesh is crucial to reduce the burden on traders. The current manual cargo clearance procedures necessitate multiple document submissions at various regulatory agencies, leading to inefficiencies and delays. By exploring ways to streamline documentation, such as eliminating redundant paperwork and embracing electronic documents, the administrative load on traders can be significantly reduced, enhancing overall trade efficiency.

Enhancing Bangladesh Trade Portal: Enhancing the Bangladesh Trade Portal (BTP) and establishing a National Enquiry Point for Trade are essential steps to facilitate smoother trade operations. The BTP serves as a comprehensive resource for traders to fulfill regulatory obligations, but continuous updates and improvements are necessary. Setting up a National Enquiry Point aligns with WTO requirements and can further enhance trade facilitation efforts in Bangladesh.

Promoting E-Payment System: Encouraging the adoption of e-payment systems among traders for large transactions is vital to modernize payment processes. Despite the introduction of electronic payment systems by the NBR, low uptake persists. Promoting awareness, enhancing security measures, integrating e-payment solutions into existing systems, and enabling direct debit arrangements can boost the utilization of electronic payments, improving efficiency in financial transactions.

Develop a Fully Operational National Single Window for Trade: Establishing a fully operational National Single Window (NSW) for trade by automating trade-related procedures and connecting relevant agencies is crucial for enhancing border management and reducing trade costs. The NSW system streamlines transactions through a unified online platform, expediting processes, ensuring accuracy, and minimizing discretionary practices. The development of an NSW in Bangladesh is underway and expected to be completed by 2024.

Reduction of Regulatory and Supplementary Duties: Reducing regulatory and supplementary duties on raw materials and finished goods can stimulate trade and attract private investment in Bangladesh. By harmonizing tariff schedules, improving infrastructure logistics, adopting sector-specific tariff modernization strategies, and strengthening competition policies, the country can enhance its competitiveness and encourage more trade activities.

Revising Bonded Warehouse Policies: Revising bonded warehouse policies to extend benefits beyond the RMG sector is essential for promoting exports in other industries. Ensuring that non-RMG sectors have access to duty-free imports through bonded warehouses by simplifying licensing procedures is crucial for fostering growth across various sectors.

Encouraging Container Movement: Encouraging container movement through initiatives like increasing port capacity, constructing rail links between Dhaka and Chittagong, improving transport services, and enhancing inland waterway infrastructure can optimize trade logistics in Bangladesh. By investing in infrastructure development along key transport corridors and modernizing handling facilities, the country can boost container movement efficiency and reduce associated costs. It is recommended to implement the following actions: i) developing a cohesive strategy to enhance the efficiency of the Dhaka-Chittagong corridor, focusing on infrastructure and transportation services; ii) building a dual-track railway line connecting Dhaka and Chittagong to facilitate container transportation by rail, alongside constructing a four-lane road; iii) enhancing port capacity by expeditiously developing the Bay Container Terminal and Patenga Terminal in Chittagong, dredging relevant sections of the inland waterway network, modernizing the vessel fleet, and investing in handling equipment and dredging to encourage the utilization of the inland water transport system for container logistics.

Infrastructure Development: Encouraging both local and foreign investment in logistics accessories and railway infrastructure is crucial for improving logistics capabilities. The government should facilitate private investment in railway development to expand the capacity and efficiency of freight transportation. Furthermore, policies should be formulated to incentivize investments in off-dock facilities and enhance container carriage through riverways. Additionally, promoting the establishment of air freight stations and expanding port capacity are essential for accommodating the growing demand for logistics services. Moreover, reforms are needed to relieve the tax burden on logistics operators and introduce a one-stop service solution at land ports to streamline trade and connectivity.

Institutions and Skills Development: There is a pressing need for policy coordination among various ministries and institutions involved in the logistics sector to ensure effective implementation of initiatives. Additionally, workforce training programs should be introduced to equip logistics personnel with the necessary skills and knowledge. Certified training courses, including ethical practice training and training on handling dangerous goods, should be provided to both fresh graduates and existing employees. Furthermore, capacity building efforts should be scaled up through global best practices sharing, and policies should be developed to enhance safety and security standards in line with global norms. Collaboration between the National Board of Revenue (NBR) and the Chittagong Port Authority (CPA) is essential to improve port and logistics control and ensure seamless coordination in customs clearance processes.

Logistics Policy and Regulatory Framework Enhancement: To address the challenges posed by Bangladesh's impending graduation from the LDC status and the potential loss of GSP and duty-free access, it is imperative to develop a comprehensive logistics strategy and masterplan. This strategy should prioritize the efficient functioning of supply chains to maintain competitiveness. Additionally, a review of storage charges and simplification of customs regulations on Inland Container Depots (ICDs) are necessary to reduce logistics costs. Furthermore, equal access to bonded warehouses for all priority sectors, along with the establishment of common bonded warehouses for SMEs, will facilitate easier access to raw materials. Moreover, reforms are needed to introduce regulations for bonded trucking and privatize freight services in railways, enhancing efficiency and competitiveness in the logistics sector.

6.2.8 Paying Taxes

Simplification of Tax Reporting Forms: Many in the private sector feel that tax forms are excessively detailed and intricate, particularly for small and medium-sized enterprises (SMEs). One approach could involve assessing current tax forms to pinpoint areas where the number of fields can be minimized, and their usability enhanced. Utilize technology to implement pre-populated forms and incorporate automatic error checks for taxpayers, and effectively collaborate with entrepreneurs and professional associations to gain insights for improving the existing tax reporting system.

Taxpayer Education and Training: To address the knowledge gap impeding tax compliance among small businesses, educational campaigns should be implemented. These initiatives should include capacity-building and training programs tailored for entrepreneurs to improve their comprehension of tax regulations. Regular tax fairs can be organized to advocate and elucidate tax reforms, particularly following major changes such as the implementation of new VAT legislation and electronic filing systems. Furthermore, enhancing outreach education through resources like manuals, downloadable software, phone-in Q&A sessions, distribution of CDs, and hosting seminars involving taxpayers and practitioners can significantly contribute to bridging the tax compliance knowledge divide.

Full Implementation of New VAT Law: To optimize the efficiency of the VAT refund process, it is essential to fully enforce the new VAT Law. This involves tackling the extensive time (averaging 53 hours) and weeks (20.2) required for VAT refund compliance. The existing tax administration system in Bangladesh necessitates businesses to carry forward refund claims and offset excess amounts against future output VAT, requiring separate claims for VAT refunds and often leading to VAT audits. Enforcing the provisions outlined in the new VAT law would streamline VAT refund processes, reducing compliance time significantly. The updated system eliminates the need for separate refund claim forms or additional documentation during monthly VAT return filings, with refunds being calculated based on the information provided in these returns. The Commissioner will be responsible for providing explanations for rejected or delayed claims, ensuring a more efficient and transparent VAT refund system that automates the refund issuance process.

Modernization of Tax Administration: Enhancing the operational efficiency and user experience for taxpayers involves restructuring tax authorities along functional lines. Transitioning from the existing three-branch system to a more cohesive approach in tax administration is essential. It is imperative to systematically digitize the entire tax system to streamline operations and minimize the need for intermediaries, thereby reducing the likelihood of errors. Embracing Information Technology, including big data, real-time analytics, mobile applications, and social media, is essential for modernizing tax processes. Additionally, encouraging self-assessment of taxes can also simplify the payment procedure and make it more user-friendly.

Enhancing the efficiency of tax audit strategies is crucial for minimizing revenue leakage risks. Given this, segmenting taxpayers based on different criteria can optimize tax collection efforts by tailoring approaches to suit the specific needs of each group.

Reforming Minimum Taxation: The existing minimum tax requirement outlined in Section 163(4) of the ITA 2023 mandates taxpayers to pay a fixed rate on their total receipts, regardless of whether they generate profit or incur losses. This contradicts the core principle of income taxation. To address this issue, it is proposed to eliminate the minimum tax provision altogether. Instead, taxes would be levied based on actual income. Additionally, there would be a gradual reduction of Tax Deducted at Source (TDS) from the minimum tax, and the implementation of rational TDS rates utilizing Document Verification Systems (DVS) to ensure a fairer and more transparent tax system.

Efficient Utilization of Depreciation Allowance: The ITA 2023, specifically Section 42(6), permits carrying forward unutilized depreciation allowances to subsequent years. However, current minimum tax requirements mandate full utilization of depreciation allowances for calculating business income, even if minimum tax on total income surpasses regular business income tax. This results in inefficient utilization of depreciation allowances. To improve efficiency, it is suggested to apply minimum tax on total income only when depreciation allowances exceed business income. Any surplus depreciation allowance can then be carried forward to the following year, establishing a reserve for depreciation allowance and maximizing its utilization. This adjustment ensures taxation is more closely aligned with actual business income.

Transition from Indirect to Direct Taxation: The transition from indirect to direct taxation is not only a financial reform but a fundamental step toward achieving a more equitable and efficient fiscal system. Indirect taxes tend to disproportionately burden lower-income groups, as they consume a higher proportion of their income compared to higher-income individuals. By shifting towards direct taxation, which places a fairer burden on those with higher incomes, the government can promote social justice and reduce income inequality. This transition may also contribute to lowering the effective tax rate for businesses, making the tax system more attractive to investors.

Digitization and Automation of Tax Processes: Investment in digitization and automation of tax processes is essential for modernizing tax administration and improving efficiency. By leveraging technology, tax authorities can streamline operations, reduce paperwork, and minimize human errors. An integrated infrastructure that connects various wings of the National Board of Revenue (NBR), such as VAT, Income Tax, and Customs, can facilitate seamless data exchange and enhance overall revenue collection efficiency. Moreover, digitization can lower compliance costs for businesses, making the tax environment more conducive to investment.

Streamlining Tax Exemptions: To simplify the tax system, it's essential to address the disparity between the provision for tax exemption on certain income outlined in the Sixth Schedule of the Income Tax Ordinance and the absence of corresponding tax exemption certificates in related provisions concerning tax deduction at source. This mismatch often results in the deduction of taxes at source from individuals entitled to tax exemptions, creating unnecessary complications during operational procedures.

To streamline this process and remove unnecessary complexities, it's proposed to abolish the requirement for tax exemption certificates under the Income Tax Act of 2023 regarding income specified in the Sixth Schedule of the Income Tax Ordinance. This adjustment would bring greater coherence to the provisions, ensuring that tax exemptions on such income are implemented more logically and consistently.

6.2.9 Technology Adoption

Enhancing Internet Connectivity and Technical Knowledge Transfer: The cost of internet connectivity in Bangladesh needs to be reduced to enhance technology adoption and support new companies. The Digital Bangladesh initiative has achieved significant success, yet further improvements are necessary, particularly in reducing the high cost of internet connectivity compared to neighboring countries. Challenges such as restrictions on tax-deductible expenses for technical know-how and royalty payments, along with limitations on remittable costs linked to profits and turnover, hinder the technological advancement of new companies. To enhance technology adoption, it is crucial to reassess and significantly raise these limits, especially for new businesses during their initial 3-5 years of operation, through amendments to the Income Tax Ordinance, 1984, and the Foreign Exchange Guidelines of Bangladesh Bank.

Improving Technology Extension and Modernization: Bangladesh must enhance its technology extension system to drive the modernization of advanced firms and sectors, particularly industries like pharmaceuticals that require advanced capability support, including assistance in acquiring sector-specific technologies and improving organizational capabilities. Public support is crucial for fostering inter-firm and industry-science collaboration to overcome the significant costs associated with adopting suitable technologies and the necessity for research and development to tailor them to local needs. It is essential for technology extension efforts to be complemented by public infrastructure for piloting and testing new technologies, as well as the involvement of public research institutes.

Addressing Challenges in Market Access and Connectivity: The government needs to tackle issues related to market access, institutions, and maximizing connectivity. Enhancing public investment and reform initiatives to enhance firms should prioritize leveraging global connections, improving contract enforcement, and enhancing fundamental skills like STEM and engineering capabilities. This encompasses enhancing basic technological infrastructure, including quality standards, testing facilities, and providing industrial land with essential services.

Government Support Reforms for Innovation: To enhance innovation and technology adoption, it is essential to strengthen government mechanisms for more targeted support. Currently, there is a disconnect between the existing government assistance and the actual needs of firms to fully utilize technology. Challenges such as demand uncertainty, unclear economic benefits of new technology, lack of information on available options, and limited knowledge on acquisition methods hinder firms from embracing new equipment or software. Additionally, a lack of awareness about government programs supporting technology adoption within firms hampers the effectiveness of these initiatives and excludes potential beneficiaries. Given this, the government support programs need to be revised and aligned with firms' needs for technology adoption. Additionally, awareness about government programs supporting technology adoption needs to be improved to ensure broader accessibility and program effectiveness.

6.2.10 Access to Finance

Implementing a Modern Resolution Framework: Establishing a modern resolution framework for distressed assets is crucial for addressing the current challenges in Bangladesh's banking sector. This framework aims to eradicate bad debt, leading to enhanced efficiency and stability within the Bangladeshi banking system, thereby shielding the economy from significant financial shocks. The implementation of a clear and effective NPL resolution framework would not only signal strength to both international and domestic investors but also capitalize on Bangladesh's promising fundamentals and potential efficiency gains. While talks about a new bankruptcy law are ongoing, the reliance on the outdated Bankruptcy Law of 1997 underscores the need for a more coherent resolution structure.

A Proper NPL Resolution Process: It is imperative to establish a proper NPL resolution process involving early identification, reporting, and timely resolution of distressed assets. Initially, conducting an asset quality review is essential to grasp the extent of the issue, followed by implementing stricter regulations for loan classification, provisioning, and write-offs. Early detection of problems, especially identifying initial signs of stress, is crucial. Subsequently, a structured system for regular reporting to regulators must be in place. Lastly, addressing the NPL inventory requires the involvement of public and private asset management companies (AMCs), professional recovery entities, NPL servicers, and restructuring of banks.

Addressing Existing and Future NPLs: Addressing not only the existing stock but also the flow of NPLs requires tackling issues like willful defaulters and related party transactions. Enhancing supervision functions, promoting good corporate governance practices, and improving risk management within banks are essential steps.

Developing Local Capital Markets as a Source of Long-term Finance: Developing local capital markets is crucial for providing long-term financing to the private sector in Bangladesh, as the banking sector predominantly focuses on short-term instruments. Initiatives to stimulate the corporate debt market through reforms in trading structures, tax incentives, professional services, and approval processes for corporate bonds are necessary for market growth.

Stimulating Green Bond Markets: Bangladesh has potential to establish a domestic green bond market to mobilize private capital for climate-related projects. The country's high climate financing needs emphasize the importance of developing green bond markets to refinance bank loans and provide direct financing through capital markets.

Facilitating Micro, Small and Medium-Sized Enterprises (MSME) Finance: Facilitating access to finance for micro, small, and medium-sized enterprises (MSMEs) is essential. Challenges in accessing finance have intensified due to government loan capping policies favoring large companies. Addressing credit rationing issues faced by MSMEs is crucial to ensure their competitiveness and access to financial resources.

Encourage Foreign Funding for Long-Term Finance: Bangladesh's commercial banks seeking foreign funds to bolster their offshore portfolios highlights the importance of attracting foreign investment for long-term financing. The recent exemption of a 20% tax on interest accrued from foreign loans has lowered borrowing costs, prompting renewed interest in foreign financing. Encouraging policies to facilitate such foreign borrowings can enhance dollar liquidity and provide a stable source of long-term finance.

Leverage Partnerships with International Financial Institutions: Collaboration with institutions like the International Finance Corporation (IFC) can provide valuable opportunities for accessing long-term finance. Negotiating loan agreements with organizations like the IFC can support working capital needs, trade-related lending programs, and extend loans to eligible enterprises, especially in key sectors affected by economic challenges such as the Covid-19 pandemic, Russia-Ukraine war.

6.2.11 Environmental Regulations, and Standards

Promoting Sustainable Waste Management Practices in Small and Medium Enterprises for Environmental and Economic Benefits: It is crucial to promote understanding of the positive impacts on the environment and economy that come with implementing efficient waste management practices within businesses. Small and medium enterprises, in particular, should be motivated to embrace waste reduction efforts through the provision of incentives and supportive programs. Furthermore, it is beneficial to offer training and resources aimed at enhancing waste segregation practices and ensuring compliance with regulatory guidelines.

Promotion of Energy-Efficient Practices through Research and Incentives: Advocate for increased investment in energy-efficient machinery and operations across all industries and divisions. Additionally, offer financial incentives or tax breaks for businesses that adopt energy-efficient measures to encourage widespread implementation. Government support should be provided for research initiatives to develop innovative solutions for reducing industrial pollution and promoting sustainable practices. Guidance should also be extended to businesses interested in green building designs and operations to advance sustainable initiatives.

Enhancing Sustainability Through Rigorous Monitoring and Enforcement of Environmental Initiatives: Set up a comprehensive monitoring system to oversee advancements in waste reduction, water conservation, and energy efficiency initiatives. Regular evaluations by relevant authorities should pinpoint areas for enhancement and offer tailored interventions as needed. Increase penalties for non-compliance to deter violations and improve accountability.

Foster Collaboration: Facilitate partnerships between government agencies, businesses, NGOs, and local communities to collectively work towards sustainable development and environmental protection. Encourage information sharing and cooperation.

Improve Data Collection and Reporting: Enhance data collection mechanisms to monitor pollution levels, track compliance with regulations, and assess the impact of industrial activities on the environment. Utilize this data to inform policy decisions and measure progress.

Promote Corporate Social Responsibility (CSR): Encourage businesses to integrate environmental considerations into their operations through CSR initiatives. Recognize and reward companies that demonstrate a commitment to environmental sustainability.

Enhance Public Awareness: Conduct awareness campaigns to educate businesses, industries, and the general public about the importance of environmental conservation and the consequences of industrial pollution. Encourage sustainable practices and eco-friendly technologies.

It is Imperative for Bangladesh to Formulate a Robust National Circular Economy Vision and Strategy to Enhance Waste Management Practices and Transition Towards a Circular Economy. Drawing inspiration from successful models like Thailand's Bio-Circular-Green model and Cambodia's comprehensive action plan, Bangladesh should focus on recycling waste effectively. Collaboration between the Ministry of Commerce, industry associations, and stakeholders is crucial to develop sector-specific roadmaps, such as for circular textiles. This approach will facilitate the establishment of national indicators for monitoring progress and aligning with economic and environmental objectives. A clear vision and action plan are essential for the successful implementation of the circular economy strategy across various sectors.

Developing a National Action Plan (NAP) on Responsible Business Conduct is Pivotal for Bangladesh's Transition Towards Ethical and Sustainable Business Practices. Inspired by Thailand's comprehensive approach, Bangladesh can formulate a structured NAP that encompasses key areas like labor rights, community welfare, and human rights protection. By identifying priority areas, outlining a detailed implementation plan, and establishing robust monitoring mechanisms, Bangladesh can ensure effective integration of responsible business measures into corporate practices. Moreover, emphasizing inclusive consultations and cross-sector collaboration will ensure alignment with international standards and foster a culture of ethical business conduct nationwide. A well-structured NAP not only enhances corporate accountability but also contributes to social and environmental sustainability, thus fostering economic growth and development.

Promote Ethical Business Practices and Accountability, Bangladesh Should Integrate Responsible Business Principles Into its Legal Frameworks. Following the example of South Korea's proposed legislation on Sustainable Business Management, Bangladesh can enact laws that mandate corporations to uphold human rights and environmental standards across their supply chains. By incorporating provisions for transparency, accountability, and stakeholder engagement, Bangladesh can set a precedent in Asia and contribute to global efforts in responsible business conduct. Aligning with international due diligence concepts will not only enhance corporate governance but also reinforce Bangladesh's commitment to ethical and sustainable business practices on a global scale. This integration of responsible business practices into legal frameworks will foster trust, attract investment, and drive sustainable economic development.

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
BROAD POLICY			
BROADER POLICY SUPPORT FOR SUSTAINED COMPETITIVENESS AND CAPACITY	Update outdated legislation like the Companies Act of 1994, Competition Act of 2012, and Import and Export Control Act of 1950.	Ministry of Law, Justice and Parliamentary Affairs, Ministry of Finance, Ministry of Commerce	Medium-Term
	Implement a national investment climate reform initiative with ongoing, time-sensitive enhancements.	PMO, Ministry of Commerce, NBR, Ministry of Finance, Ministry of Industries	Medium-Term
	Employ modern promotional strategies through Investment Promotion Agencies.	PMO, BIDA, BEZA, BHTPA, PPA, and BEPZA	Short-Term
	Stimulate growth in employment and exports, broaden the economic foundation, and boost support for SMEs.	PMO, NBR, Chittagong Port Authority, Ministry of Industries, Ministry of Commerce, Ministry of Finance	Short-Term
INDICATOR-SPECIFIC RECOMMENDATIONS			

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
STARTING A BUSINESS	Evaluate and refine the OSS for optimal performance; Create a comprehensive One Stop Service (OSS) framework.	BIDA, BEZA, BHTPA, PPPA and BEPZA	Short-Term
	Develop Standard Operating Procedures (SOPs) to streamline regulations and enhance predictability in service delivery.	BIDA, BEZA, BHTPA, PPPA and BEPZA	Short-Term
	Implement systematic approaches like Regulatory Impact Assessment (RIA) and Feedback Loop to enhance regulatory services.	Ministry of Law, Cabinet Division, BIDA	Medium-Term
	Launch an online platform consolidating all pertinent regulatory information.	BIDA, BEZA, BHTPA, PPPA and BEPZA	Short-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Revamp specific laws such as The Company's Act; Assess sector-specific licensing rules for key export and domestic sectors.	Ministry of Law, Justice and Parliamentary Affairs, Ministry of Finance, Ministry of Commerce	Short-Term
	Incorporate gender considerations in regulatory services to promote inclusive regulations.	BIDA, BEZA, BHTPA, PPPA and BEPZA	Medium-Term
	Establish a system accommodating innovative business ventures and startups.	BIDA, ICT Division, Startup Bangladesh Ltd.	Short-Term
ACCESS TO LAND	Enhance transparency in Land Offices and Sub-Registry Offices by publicly disclosing service standards.	Ministry of Land, RAJUK	Medium-Term
	Improve transparency by releasing data on land disputes and property transfer transactions.	Ministry of Land, RAJUK	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Conduct a cost-benefit analysis to evaluate the possibility of reducing fees at Sub-Registry Offices.	Ministry of Land, RAJUK	Medium-Term
	Digitize all land records and property title registrations by: - Implementing scanning and indexing for new transactions at Land Offices and SROs. - Prioritizing scanning of recent transactions at both Land Offices and SROs. - Scanning all archives, including Balam Books, spanning 25 to 30 years.	Ministry of Land, RAJUK	Medium-Term
	Introduce an online information portal containing all information relevant to regulatory requirements and	BIDA, BEZA, BHTPA, PPPA, BEPZA, Cabinet Division, Ministry of Law	Short-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
AVAILABILITY OF REGULATORY INFORMATION	procedures. The portal should include the following information: - Essential stages in the permit process from initiation to completion. - Relevant agencies participating in the process. - Comprehensive list of the necessary documentation required for submission for each approval submission. - Names of all certificates, permits, and approvals essential for the procedure. - Clear delineation of timelines and associated fees for different approvals.		

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	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	Enhance institutional and implementation capabilities for Public-Private Partnerships (PPPs): Evaluate PPP legislation and pertinent regulations to enhance implementation efficiency.	PPPA	Medium-Term
	Finance infrastructure projects through the issuance of sovereign bonds.	Bangladesh Bank, PMO, Ministry of Finance, Securities and Exchange Commission	Medium-Term
	Develop domestic capital markets and issuance of local currency bonds offshore.	Bangladesh Bank, PMO, Ministry of Finance, Securities and Exchange Commission	Medium-Term
	Enact policies for private sector involvement in power transmission.	Ministry of Power Energy and Mineral Resources,	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Select Economic Zones based on thorough feasibility assessments and competitive analyses.	BEZA, PMO	Medium Term
LABOUR REGULATION	Align the current curriculum and training modules with the market needs.	Ministry of Education, Industry Skills Council, NSDA	Medium-Term
	Implementing a retraining program can be considered for returning migrant workers from the Middle East engaged in export-oriented sectors.	Ministry of Education, Industry Skills Council, NSDA	Medium-Term
	The skills eco-system requires the following policy and strategic initiatives: - Formulating a Long-term Skills Strategy/Master Plan/Program in alignment with National Growth Strategies and	NSDA, Ministry of Education, Industry Skills Council	Long-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	anticipated Key Growth Drivers. - Establishing Public-Private Partnerships for skill delivery, crucial for effective skills matching and enhanced employment prospects. - Implementing employment-linked and performance-based funding for skill programs to improve employment outcomes. - Enhancing the business focus of Private Training Providers. - Creating a unified approach for developing occupational standards, curriculum, and training materials through official channels like BTEB.		

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
DISPUTE RESOLUTION	Enforce the mandatory mediation provisions through the adoption of the administering rules – this will support the implementation and creation 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
	Set deadlines for specific phases of legal proceedings and oversee adherence to them.	High Court Division of the Supreme Court of Bangladesh, Ministry of Law, Justice, and Parliamentary Affairs	Medium-Term
	Amend the Bangladesh Arbitration Act 2001 to improve implementation.	Ministry of Law, Justice, and Parliamentary Affairs	
	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
	Introduce case management and court automation at both the High Court and lower court levels.	High Court Division of the Supreme Court of Bangladesh	

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
TRADE FACILITATION	Streamline documentation requirements.	PMO, NBR, Ministry of Commerce	Short-Term
	Encourage the use of e-payment methods and simplify high-value transactions.	NBR	Medium-Term
	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
	Implement policy adjustments like reducing para-tariffs to stimulate increased trade, fostering greater private investment and Foreign Direct Investment (FDI).	NBR, PMO	Medium-Term
	Improve trade logistics through enhanced infrastructure, more efficient container handling, and shorter domestic transit times.	Ministry of Industries, Chittagong Port Authority, NBR	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
PAYING TAXES	Simplify the tax reporting forms.	NBR	Short-Term
	Educate taxpayers and tax professionals on the tax system. The tax administration could strengthen its outreach education initiatives by: - Making help manuals for forms available on its website. - Offering free downloadable software for tax return preparation. - Hosting live phone-in Q&A sessions with accountants. - Distributing CDs containing software and educational materials to accountants, trade organizations, and professional associations.	NBR, Ministry of Finance	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	- Conducting meetings and seminars for taxpayers and tax professionals. - Providing assistance to taxpayers via phone and email through a dedicated call center.		
	Fully implement the new VAT Law which makes the VAT refund process more efficient.	NBR	Long Term
	Modernize the tax administration. Some of the tax administration reforms are below: - Implement a systematic digitalization of the tax system to minimize intermediaries and human errors in record-keeping. - Enhance reliance on Information Technology, utilizing big data, real-time analytics, mobile	NBR	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	applications, and social media. - Encourage self-assessment of taxes and simplify the tax payment process. - Improve the efficiency of tax audit methods to minimize leakage risks. - Optimize tax collection by segmenting taxpayers and tailoring approaches to each group.		
TECHNOLOGY ADOPTION	Reducing the cost of internet connection.	ICT Ministry, NBR	Short-Term
	Gradually build up Bangladesh's technology extension system to support upgrading in more advanced firms and sectors.	PMO, ICT Ministry	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Strengthen government capabilities to effectively focus on providing direct assistance for innovation and technology adoption.	PMO, ICT Ministry	Medium-Term
ACCESS TO FINANCE	Implement a modern resolution framework for distressed assets.	Bangladesh Bank	Short-Term
	Establish an effective Non-Performing Loan (NPL) resolution mechanism involving early identification, disclosure, and timely resolution of distressed assets.	Bangladesh Bank	Medium-Term
	Tackle both the inflow and existing stock of NPLs by addressing issues like deliberate defaulters and transactions with related parties.	Bangladesh Bank	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	Developing local capital markets as a source of long-term finance.	Bangladesh Bank, Bangladesh Securities and Exchange Commission	Medium-Term
	Stimulate the corporate debt market by correct reforms.	Bangladesh Bank, Bangladesh Securities and Exchange Commission	Medium-Term
	Develop a domestic green bond market to mobilize private capital for climate-related initiatives.	Bangladesh Bank, Bangladesh Securities and Exchange Commission	Medium-Term
	Eliminate existing loan limits and enabling market forces to determine interest rates.	Bangladesh Bank	Medium-Term
	Promote sustainable waste management practices in small and medium enterprises for environmental and economic benefits.	Department of Environment (DoE), Ministry of Environment, Forest, and Climate Change	Medium-Term
	Advocate for increased investment in energy-efficient machinery and operations across all industries and divisions.	Ministry of Environment, Forest and Climate Change, Ministry of Power, Energy, and Mineral Resources, Sustainable and	Medium-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
ENVIRONMENTAL REGULATIONS, AND STANDARDS	Support research initiatives to develop innovative solutions.	Renewable Energy Development Authority (SREDA)	
	Set up a comprehensive monitoring system to oversee advancements in waste reduction, water conservation, and energy efficiency initiatives.	Department of Environment (DoE), Environmental Courts and Tribunals	Short-Term
	Facilitate partnerships between government agencies, businesses, NGOs, and local communities to collectively work towards sustainable development and environmental protection.	Department of Environment (DoE), Ministry of Environment, Forest and Climate Change, Ministry of Planning, Ministry of Commerce	Medium-Term
	Enhance data collection mechanisms to monitor pollution levels, track compliance with regulations, and assess the impact of industrial activities on the environment.	Department of Environment (DoE), Bangladesh Bureau of Statistics, Bangladesh Bank	Medium-Term
	Encourage businesses to integrate environmental	Ministry of Environment, Forest and Climate	Short-Term

TYPE OF INDICATOR	RECOMMENDATIONS	LEADING INSTITUTIONS	TIME REQUIRED
	considerations into their operations through CSR initiatives.	Change, Ministry of Commerce	
	Conduct awareness campaigns to educate businesses, industries, and the general public about the importance of environmental conservation and the consequences of industrial pollution.	Department of Environment (DoE)	Short-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.

Chamber Building

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