



# **Background Studies for the Second Perspective Plan of Bangladesh (2021-2041)**

**Volume-1**

**Editor:  
Dr. Shamsul Alam**

**General Economics Division (GED)**  
Bangladesh Planning Commission  
Ministry of Planning  
Government of the People's Republic of Bangladesh  
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**M.A. Mannan, MP**  
Minister  
Ministry of Planning  
Government of the People's Republic of Bangladesh

## *Message*

It gives me immense pleasure to learn that the General Economics Division (GED) of Bangladesh Planning Commission is going to publish 16 background papers in six volumes which have been used as the inputs for preparing the country's Second Perspective Plan (2021-2041). The background papers of the Second Perspective Plan is the culmination of macroeconomic and sectoral issues of Bangladesh for future intervention that GED has pursued with various eminent economists, social scientists, researchers, and academicians at the national level.

My felicitations to the Member (Senior Secretary) and the officials in the General Economics Division (GED) for their perseverance in shaping this document. Documented background papers will be helpful for policy-planners, development practitioners, researchers, academicians and students as well. I believe that officials working in government ministries and agencies will be immensely benefited from these background papers for upgrading and updating their knowledge and professional competences. Finally, I thank GED leadership for undertaking this endeavour for printing background papers of the Second Perspective Plan in book volumes for much wider use. I earnestly wish their success.

A handwritten signature in black ink, appearing to be 'M.A. Mannan'.

**(M. A. Mannan, MP)**



**Dr. Shamsul Alam**  
Member (Senior Secretary)  
General Economics Division (GED)  
Bangladesh Planning Commission

## *Foreword*

Following the 2009 National Election that reinstated democracy in Bangladesh, two major changes ensued in the planning landscape of the country. First, Bangladesh returned to its five-year planning system discontinuing the PRSPs. The country, then, decided to synergize its short- and medium-term planning intervention introducing a long-term perspective plan. The efforts culminated into the preparation of first ever Perspective Plan of Bangladesh (2010-2021). The Plan, in fact, was an elaboration of the Vision 2021 announced by the Hon'ble Prime Minister Sheikh Hasina. It provided a roadmap for accelerated growth and laid down broad approaches for the eradication of poverty, inequality, and human deprivation. Most importantly, it provided the broader context in which the Sixth and the Seventh Five Year Plan would be implemented.

Embracing the Perspective Plan's creed, the 6th Five Year Plan (2011-2015) has completed its tenure and the 7th Five Year Plan (2016-2020) has crossed the halfway of its intended period of implementation approaching the end. The preparatory activities of the 8th Five Year Plan are expected to begin in 2019. However, like the two preceding plans, it needs a longer-term perspective plan to set the context and create the policy pathway. Moreover, in the meantime, Bangladesh has gone through some major socioeconomic transformation—it crossed the lower-middle income threshold of World Bank country classification in 2015 and qualified for the first time to graduate into a developing country in 2018. Based on her presentiment that such changes are imminent, the Hon'ble Prime Minister directed GED to initiate Second Perspective Plan (2021-2041) formulation process in the National Economic Council (NEC) meeting held on 20 October 2015.

And following that instruction the process of preparing the Second Perspective Plan has been initiated by General Economics Division at the end of 2016. The process formally started with preparation of a 'Concept Paper'. In addition, Planning Commission constituted a high level "Panel of Experts" for guiding the process of formulating the Plan within a participatory framework. For developing the Plan strategies and indicating the desirable development path that would lead to fulfilling its objectives, sixteen different

background studies covering different socio-economic sectors and sub-sectors, and a technical framework for macroeconomic projection for 2021-2041 were prepared. These background papers were undertaken for generating quantitative/qualitative benchmark values and targets for relevant indicators of the Plan and fill in critical knowledge gaps. Renowned economists, academicians, researchers and development practitioners in the relevant fields with a long-standing flair were assigned to conduct the studies within the stipulated timeframe. Later, the final drafts of the background papers were reviewed by relevant experts in the government as well as from professional and academic community. Based on such elaborate feedback, the drafts were modified and finalised by the author(s) under the overall supervision and guidance of General Economics Division (GED).

These background studies provided valuable information/inputs which significantly contributed towards drafting the Second Perspective Plan. These studies are rich in contents and, if made available, will enrich the knowledge base relating to development challenges and development options facing Bangladesh. In view of the importance of these studies, it has been decided that GED will publish these studies for making these available to interested readers, researchers and academia.

The background papers have been published in six separate volumes. It is expected that these volumes will help the readers to understand the rationale for the choice of the specific domain underlying the Plan and the design of the policy package adapted for the Plan for reconciling the goals of efficiency with those of equity. The studies attempted to spell out a reform strategy and agenda for agriculture, food security, industrialisation, poverty reduction, social inclusion, transportation, quality infrastructure, sustainable management of natural resources, and other development issues like governance, gender, urban development, service sector development, health and population management, human development, ICT and information highway, employment and labour market in the light of current conditions as well as past experience trends.

Now, I would like to take the opportunity to convey my gratitude to the people behind this splendid task. First and foremost, I will recall the diligent contribution from the relevant officials of GED for their untiring support and cooperation in managing all the studies. Finally, the publication will be a success only when it served the purpose of the readers that intended to.

I believe, this book of background papers prepared to help formulate the Second Perspective Plan of Bangladesh would be considered as one of the valuable knowledge products of GED.



**(Professor Shamsul Alam, M.A. Econs., PhD)**

## Acknowledgements

Preparing a long-term Second Perspective Plan (2021-2041) is not a simple task. It involves a number of steps and facets and background studies constitute the lion's share of this rigorous endeavor in terms of time and effort. As the General Economics Division (GED) is going to publish the background studies as a collection of 16 papers in 6 volumes, it likes to exert its heartfelt gratitude to all the actors involved.

First and foremost, GED likes to express its humble gratefulness to the Hon'ble Prime Minister Sheikh Hasina for her visionary leadership. Perceiving in advance the changing socioeconomic landscape of the country, she first felt the need of a second perspective plan to be formulated. In the National Economic Council (NEC) meeting of the 20th October 2015, she provided a clear guidance in this regard. Hence began the ensuing activities.

GED acknowledges the guidance and timely direction provided by the Hon'ble Minister for Planning Mr. A H M Mustafa Kamal, FCA, MP. Mr. Abdul Mannan, MP, State Minister, Ministry of Planning and Ministry of Finance, gave valuable time and precious guidance. GED is indebted to them.

GED, gratefully recalls the valuable contribution of the Panel of Experts headed by Dr. Wahiduddin Mahmud for its suggestions all through. The reviewers' (members of technical committee) contribution to the background papers are also acknowledged herewith.

GED is indebted to the outstanding leadership of Dr. Shamsul Alam for this endeavor and the others. In his nine years tenure, he has raised GED, the policy-planning hub of the country, into the highest level of rigor. He is the person who intently reviewed and edited the background papers word by word and transformed them into one interlinked document that ultimately culminated into the Second Perspective Plan (2021-2041).

Ms. Feroza Begum, not only as the Chief, GED but also as the Project Director of Mid-Term Review of the Perspective Plan and Formulation of Bangladesh Vision 2041 coordinated all the administrative and financial procedures. Mr. Md. Forhad Siddique, Deputy Chief and Deputy Project Director seconded her with his ubiquitous involvement in all the activities. Ms. Josefa Yesmin, Assistant Chief, as the Assistant Project Director exerted her best to make the initiative a success story. Preparing the project proposal, concept paper and other relevant documents as well as providing data support, Mr. Sheikh Moinul Islam Moin, Senior Assistant Chief, played his role in the process. Ms. Shifat Anwar Tumpa, Assistant Chief also provided constant support in the process of preparation of these background papers.

Last but not the least, many officials from the General Economics Division (GED), Bangladesh Planning Commission, Ministry of Planning and other ministries of the government graced with their presence to project-related meetings and discussions.

We gratefully acknowledge the efforts by all concerned in the Bangladesh Planning Commission.

**December 2018**

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# Part-1



# **Good Governance, Democratization, Decentralization of Power and Capacity Building for Institutions Compatible with a Transforming Economy**

**Mohiuddin Alamgir\***

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\* Dr. Mohiuddin Alamgir is a renowned economist and served as a consultant for Asian Development Bank.

# Good Governance, Democratization, Decentralization of Power and Capacity Building for Institutions Compatible with a Transforming Economy

## A. Overview

The Father of the nation declared on 7<sup>th</sup> March 1971, “...Ebarer Sangram Muktir Sangram, Ebarer Sangram Shadhinotar Sangram. ...”. For all practical purposes, from that moment onwards Bangladesh had declared its independence and became an independent sovereign state founded in principles of democracy. This declaration came in front of millions of Bangladeshis in Dhaka, around the country and around the world. The formal takeover of power came on December 16, 1971 when the Bangladesh Mukti Bahini comprehensively defeated the infamous occupation armed forces of Pakistan. The War of Liberation and the victory that followed was an act of good governance as the government of the day guided the nation through trying times in a transparent, accountable and incorruptible way; it was a democratic act, as people’s aspiration was imbued by a democratic spirit which led to an overwhelming verdict in the 1970 general election to rule their own destiny on the basis of six points later expanded to full independence; it was an act of successful decentralization of power as the civilian authority and the Mukti Bahini sector command structure fought side by side with the people of Bangladesh in a decentralized but coordinated way to cause the demise of the Pakistani army; and finally, it was an act of capacity building from scratch for institutions compatible with a transforming post-liberation economy. No wonder, a fully functioning and operational government and economy was in place in virtually no time following liberation to carry on the task of nation building.

Vision 2041 will define Bangladesh in terms of institutional maturity and leadership giving credence to the statement that making impossible possible is what Bangladesh is all about and Bangladesh is good at. Bangladesh needs something big to lift its spirit.

The challenge is to devise technical means to enhance the capital base with population growing as projected and land being fixed and raise factor productivity while opening the economy for export led growth in conjunction with the expansion of domestic demand support by population, income and urban growth. More important is the challenge of institutional transformation to go along with socioeconomic transformation.

The issues of governance, democratization, decentralization and institution building that Bangladesh is confronted with today are the results of wrong turns at various points of the nation’s history. With quality leadership that Bangladesh has, faith in democracy that Bangladesh carries under the constitutional umbrella and above all the untiring aspiration of people to do better against all odds, the shortcomings will be on the mend. Patience and perseverance aided by sound polices and institutions will win the day with the Second Perspective Plan of Bangladesh (SPPB) providing the much needed framework for reaching the bold target of attaining a developed country status by 2041 with a per capita income of \$12,000 as laid down by the Honorable Prime Minister.

The bold Vision 2041 laid out by the honorable Prime Minister will require bold policy measures dealing with issues and challenges for institutions of good governance, democratization, decentralization of power and capacity building compatible with a transforming economy.

Good governance is the launch pad for longer term perspective development of Bangladesh.

Decentralization of power is paramount to pluralistic democracy and good governance. Bangladesh cannot go forward and be a developed country by 2041 as desired by the Honorable Prime Minister unless administrative, financial (including revenue) and political power is decentralized to the grassroots level, more formally to the lowest hierarchical level of government structure.

Capacity building for institutions compatible with a transforming economy is important for pluralistic democracy, decentralization of power and good governance. The critical elements are: right type of institutions for right task, strengthening of institutions to function effectively in delivering assigned tasks, developing capacity to manage institutional transition during socioeconomic transformation and finally, making sure that institutions remain dynamic not trapped in mediocrity and conformity.

This paper will examine the role of institutions in Bangladesh's road to 2041 in terms of measurable targets, analyze issues and challenges related to the targets and discuss strategies to attain the targets overcoming the challenges.

## **B. Introduction**

The Government of Bangladesh is in the process of formulating the Second Perspective Plan of Bangladesh (SPPB) covering the period 2021-2041. Bangladesh is at crossroads of its development journey. Bangladesh may by default continue on a relatively 'low-level equilibrium growth path trap' oscillating in a band between 7% annual growth on the high and 5% on the low. This will happen with continuation of current policies and institutions. Alternatively, Bangladesh could very well escape the 'low-level equilibrium growth path trap' and accelerate asymptotically towards a 'higher-level equilibrium 10-11% annual growth path' which will take it to a per capita income of \$12,000 by 2041 as declared recently (June 20, 2017) by the honorable Prime Minister and possibly exceed \$20,000 in 2050 both at today's prices.

Given the 2041 per capita income target, one would have to work backwards to spell out policy, strategic, institutional and sectoral implications. Since a nation's life cycle clock does not stop at 2041, the SPPB would of necessity have to present a vision, however sketchy it might be, of 2050 and the turn of century in 2100.

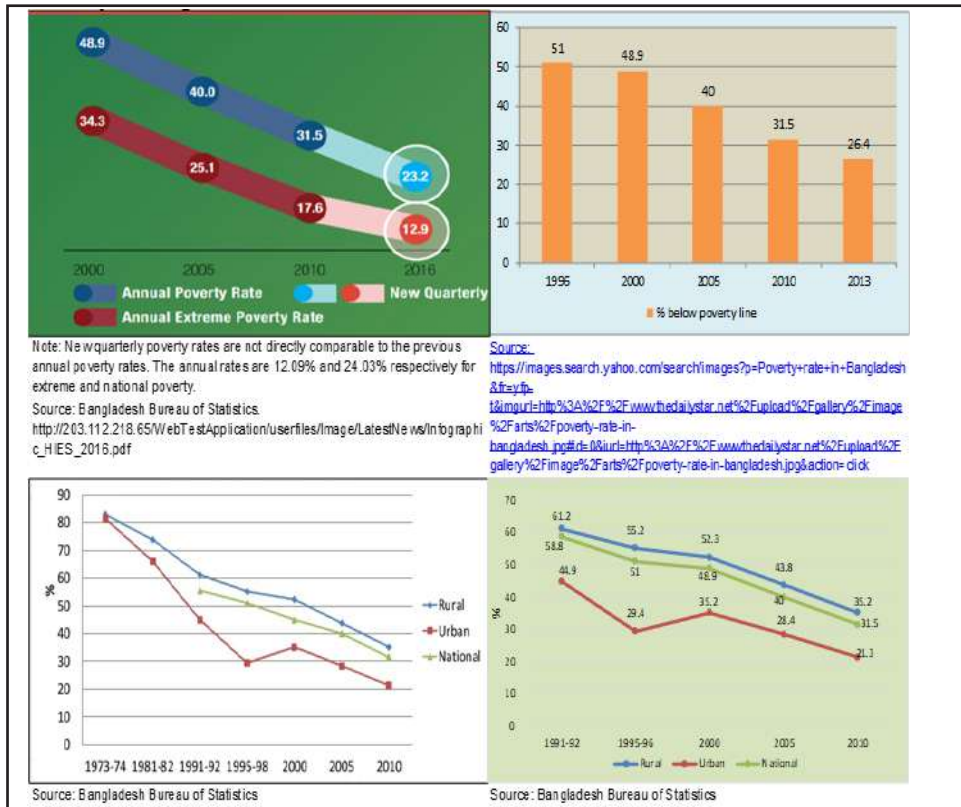
The SPPB is first and foremost a vision statement. Vision 2041 is in principle a political manifesto reflecting quality of leadership and aspiration of all Bangladeshis. The manifesto visualizes the global stage/setting in 2041, 2050 and 2100, and placing Bangladesh in it as the honorable Prime Minister has done by putting Bangladesh in the comity of developed nations in 2041. This means Bangladesh will not only match or exceed a mechanically determined income cut-off line to be called a developed country, but it will also match or do better than its future comparator countries in terms of leadership, life and institutions.

This paper is approached on the clear understanding that the Second Perspective Plan of Bangladesh (SPPB) is not an ordinary plan. It comes on the heels of what appears to be a very successfully implemented First Perspective Plan of Bangladesh (2010-2021).

There are yet four years to go to fill up the gaps in implementation. Much experience has been gained in terms of raising the growth trajectory, initiating game changing policy and institutional reforms resulting in macroeconomic stability and double digit export growth along with healthy flow of remittances and making growth more inclusive as reflected in steadily declining poverty rate (percentage of population living below the official poverty line) faster than many comparator countries (Figures 1 and 2). Concern remains with slow pick up of investments especially due to shortfall in ADP and mega projects implementation, unfinished agenda of policy and institutional reforms, slower than expected pace of economic and export diversification, anemic inflow of foreign direct investment and weak governance.

The SPPB is designed to assist Bangladesh to make a break through from the current state of unfulfilled promises, revealed inertia and development gaps in order to bring about a significant shift in the aggregate production function riding on technology, ICT, skill, governance and diversification. The country will be poised to break the so called “single digit” growth barrier to hover around the double digit growth envelope making Bangladesh to graduate out of LDC by 2024 to become an upper middle income country by 2030 and a developed country by 2041. Bangladesh will have to move onto a transformational path of economic development undergoing political transitions and deep seated reforms of many of its institutions. Given that democracy has been a harbinger of structural gain in poverty reduction (Ahmed, Alamgir and Mujeri 2016), continuation of the reform process to strengthen democratic institutions including effective decentralization of political, fiscal and administrative power to the lowest echelon of the government will push Bangladesh faster along the transformational path sought by the SPPB. Solution to every short term challenge has to be approached from a longer-term perspective. Short-term trouble shooting is well and good and necessary but all actions must be pursued within the framework of a longer-term perspective plan. Given this the SPPB is a welcome move by the political leadership of Bangladesh.

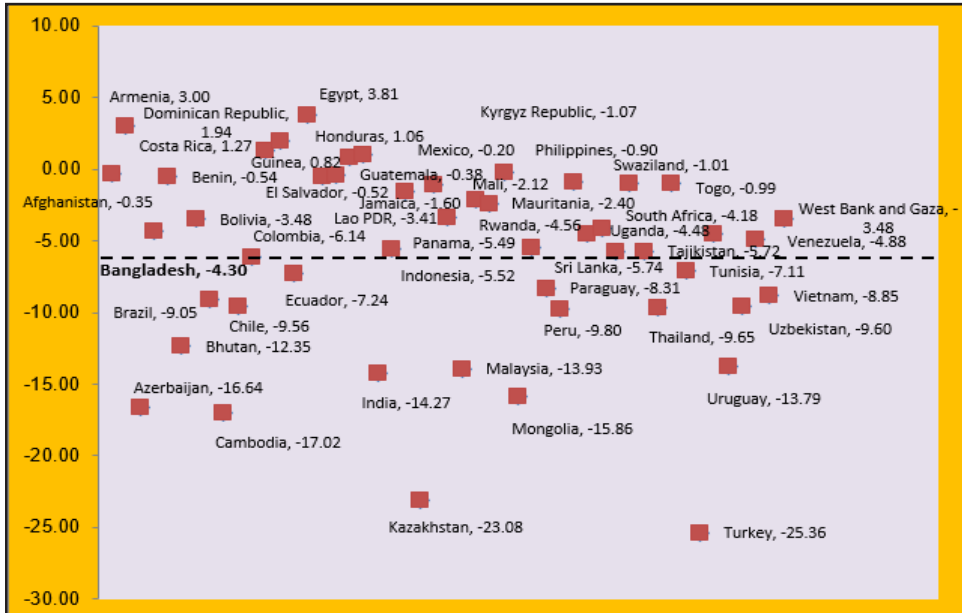
**Figure 1: Poverty trend in Bangladesh (% of population)**



The process of growth as envisaged in SPPB is inclusive ensuring substantial reduction in poverty and inequality. Pushed to the extreme it is a vision of poverty free egalitarian Bangladesh recognizing though that frictional poverty and structural inequality are hard nuts to crack and will remain so. Inclusion in SPPB shall have important operational significance. Each individual member of the society irrespective of gender, color, creed, ethnicity, religious or any other dimension of differentiation will, unless otherwise incapacitated, be a source of growth and as such will have effort-based claim on production, consumption, saving and investment. Such a concept of inclusion needs to be institutionalized through good governance, democracy, decentralization and capacity building, the undisputed four pillars of prosperity.



**Figure 2: Annual % Change in Poverty (between 1990s and 2014)**

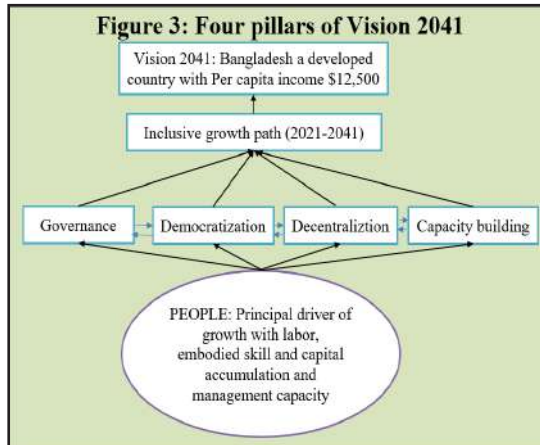


Source: Calculated from <http://databank.worldbank.org/data/reports.aspx?source=2&type=metadata&series=NY.GDP.MKT.P.KD.ZG#>

**C. The Conceptual Framework – Setting Parameters for Four Pillars**

**Overall framework**

The title of the study with its emphasis on good governance, democratization, decentralization and capacity building clearly recognizes that Bangladesh’s path to prosperity as a developed nation with a per capita income of \$12,500 by 2041 has to be founded in these four pillars. In order to understand how each of these pillars will contribute to the inclusive growth path



(2021-2041) leading to a developed country status for Bangladesh, a framework is developed for each showing underlying processes driving each pillar. The study naturally treats these concepts as the four pillars of economic transformation over the Second Perspective Plan (2021-2041) period. The study will elaborate these concepts in considerable detail drawing on the framework for each. This will constitute the conceptual framework of the study. The overall framework for achieving Vision

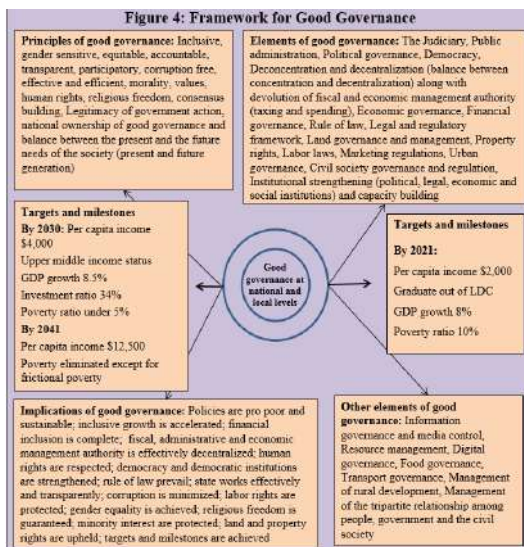
2041 shows the pivotal role played by people as the principal driver of growth pooling together the four pillars in an interactive way to move towards the environmentally sustainable and climate resilient inclusive growth path which will lead the country to the target set by the Honorable Prime Minister (Figure 3).

### Good governance framework

Good governance is the launch pad for longer term perspective development of Bangladesh. Good governance is defined by institutional quantity, quality, maturity, effectiveness, efficiency, transparency and accountability, incorruptibility, diversity, equity, inclusion and cultural competence.

We need a framework for good governance which all stakeholders should be adhering to. The framework comprises the principles of good governance, elements of good governance (main and others) and implications of good governance (Figure 4). With the principles followed and elements established, implications will be realized achieving Bangladesh’s the Second Perspective Plan (2021-2041) targets and milestones will be almost automatic with minor or major course corrections if the evolving circumstances demand. Seven key principles of good governance are inclusive, gender sensitive, equitable, accountable, transparent, and participatory and corruption free (according to UNESCAP Good governance has 8 major characteristics: participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law). Eight founding elements of good governance are the judiciary, public administration, political governance, democracy, Deconcentration and decentralization, economic governance, financial governance and the rule of law. The study makes the

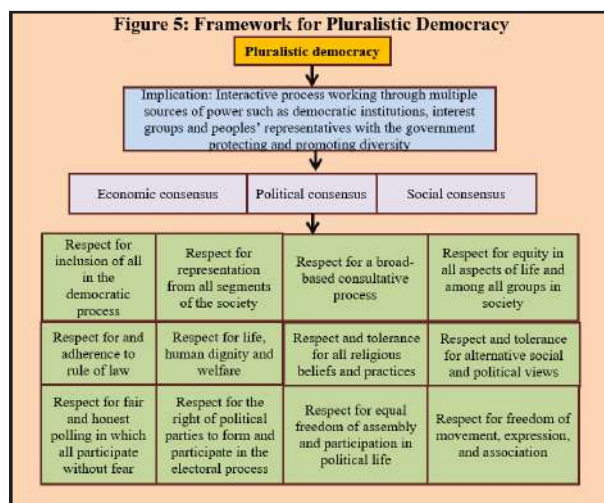
point that in Bangladesh, the lack of adherence to the key principles of good governance as described above has created a situation in which judicial independence and integrity is not beyond question, public administration is unquestionably wanting, political governance is abusive of power, democratic institutions are weak, power is concentrated at the center, economic governance can claim slight edge over financial governance which is mired in anomalies and the rule of law is nearly non-existent. The study will bring out the silver lining amidst this depressing scenario and recommend measures consistent with the emerging development aspiration



of the people. Bangladesh came into existence without resolving many internal contradictions. What appears to be so called bad governance is actually manifestation of these contradictions that over time get resolved by first taking turn to the extremes and then settling down for reason, logic and goodwill. The study will carry out an in-depth analysis showing the path towards 2041.

## Democratization framework

Bangladesh could escape the hybrid democracy trap defined as nations where consequential irregularities exist in elections regularly preventing them from being fair and free<sup>1</sup> to move to full pluralistic democracy which should be the democratic perspective of Bangladesh Vision 2041 (Figure 5). Full democracies are nations where civil liberties and basic political freedoms are not only respected, but also reinforced by a political culture and leadership conducive to the thriving of democratic principles. Pluralistic democracy is full democracy plus full guarantee for the democratic process to be inclusive, representative, consultative, equitable, sensitive, bold, patriotic, secular, hands of friendship to all at home and abroad



but prepared to defend freedom at all costs. In a pluralistic democracy, leadership will emerge out of multiple choice within the framework of the Constitution. One democratic leadership will guide power transition to another through normal electoral process without intervention from any non-elective body. All stakeholders will stand by the concept of pluralistic democracy. Historical experience suggests democracy is a necessary (if

not sufficient) condition for growth acceleration and poverty reduction. This study will argue for institutionalization of democracy in Bangladesh. For one if Bangladesh is to go forward with its aspiration to achieve high income country status by 2041, then everything possible must be done to restore parliamentary effectiveness through cooperation among contending parties. In the same breadth the credibility of the Election Commission (EC) and other bodies of democracy will have to be restored. Bangladeshis do not want to sit in one place any more, nor do they want to remain in poverty. Aspiration is driving people and people are driving the economy enabled by democracy. The drive will be stronger under a pluralistic democracy.

The path towards full pluralistic democracy by 2041 has to be founded on a strong and fair election commission, credible election, effective parliament, periodic election with participation of all and consensus on broad outline of economic, political and social agenda so that continuity is assured and a turnover of power would not lead to dead halt of existing programs and starting from scratch.

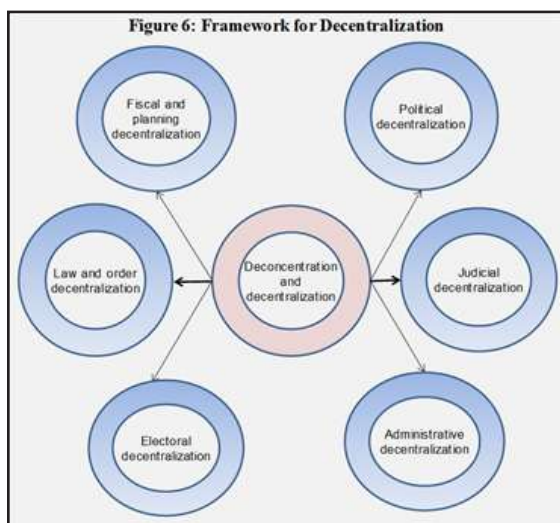
<sup>1</sup> Wikipedia. [https://en.wikipedia.org/wiki/Democracy\\_Index](https://en.wikipedia.org/wiki/Democracy_Index)

That will be waste of time and resources that Bangladesh ill affords. Pluralistic democracy is achievable with adherence to a ‘respect matrix’ (Figure 5) - respect for inclusion, representation, consultation, equity, rule of law, human dignity, religious beliefs, social and political views, fair and honest polling, electoral participation, freedom of assembly and association.

In the ultimate analysis all power is vested in people secured by pluralistic democracy. There will be winners and losers in the short term electoral process, but there will be no losers in the longer term human development process. It is submitted that for Bangladesh, as in all democracy loving world, pluralistic democracy is an end and means to an end as well. The per capita income target of \$12,500 by 2041 is enshrined in pluralistic democracy and pluralistic democracy is indispensable for attaining the declared income target.

Pluralistic democracy represents the overriding umbrella for the Bangladesh society to operate under. The disparate forces representing different institutions, interest groups and people’s need to be brought into an interactive decision making process that will work through multiple sources of power. Conflicts will arise but conflict resolution mechanism shall be put in place so that disagreements do not get out of hand undermining national aspirations improving the quality of life with dignity and harmony.

### Decentralization framework



Decentralization in theory is decomposition of power into elements that can be exercised by agents at various levels in accordance with agreed principles in order to achieve agreed targets. From the theoretical perspective, Vision 2041 is anchored in a balance between centralized and decomposed structure of power. Support comes from the constitution (articles 59 and 60). Various definitions exist for decentralization in practice which is simply delegation (transfer of power from superior authority to subordinate one), devolution (transfer of power to locally constituted political bodies),

Deconcentration (transfer of specific responsibilities from center to subordinate bodies) or dispersal (posting of officials outside capital without substantial transfer of power) to carefully defined entities with specific areas of responsibility.

Decentralization of power is paramount to pluralistic democracy and good governance. Bangladesh cannot go forward and be a developed country by 2041 as desired by the

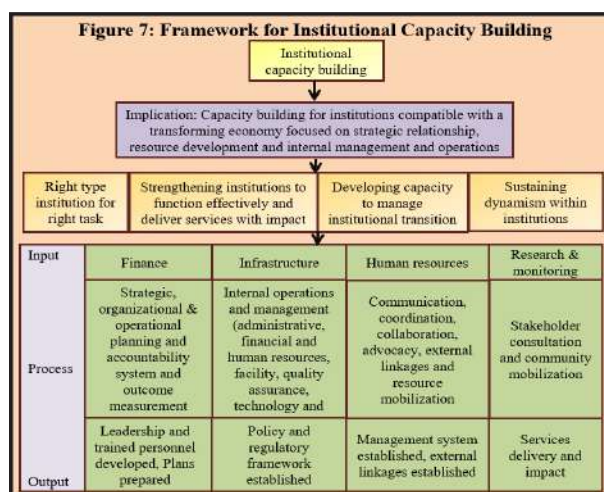
Honorable Prime Minister unless administrative, financial (including revenue) and political power is decentralized to the grassroots level, more formally to the lowest hierarchical level of government structure. The study will make the case for Deconcentration and decentralization in Bangladesh which currently falls far short of the optimal given that all decision making power is located in Dhaka. For a change the planning process too has to be decentralized.

The framework for decentralization (Figure 6) suggests target of completing the process of Deconcentration and decentralization by 2041 under six concepts: (i) fiscal and planning decentralization, (ii) political and decision-making decentralization, (iii) vertical and judicial decentralization, (iv) administrative and personnel decentralization, (v) electoral decentralization. This will have implication for urban and land use planning and shifting power away from Dhaka in favor of other nodes.

The power of decentralization is exerted through democratic good governance. Cross-country analysis shows significant correlation between decentralization and democracy. The latter has brought accelerated growth in Bangladesh implying that decentralization may contribute to growth by strengthening democracy.

### Capacity building framework

Capacity building for institutions compatible with a transforming economy is important for pluralistic democracy, decentralization of power and good governance. Governance and leadership and its mission, vision and strategy will define institutional capacity focused on



strategic relationship, resource development and internal management and operations. The critical elements are: right type of institutions for right task, strengthening of institutions to function effectively in delivering assigned tasks, developing capacity to manage institutional transition during economic transformation and finally, make sure that institutions remain dynamic not trapped in mediocrity and conformity. Strong institutions are founded on strong inputs; operate through effective processes to

produce the desired output (Figure 7). Bangladesh faces challenge at every step that will be elaborated in the paper along with remedies.

Institutions properly designed and managed shall provide the stimulus for building human capital, physical capital, and technological progress. Policy and institutional reforms will have to play a vital catalytic role. These are deep seated game changing reforms which will have its natural enemies whose perceived interest may be hurt. Prompt legislative actions will be crucial but this cannot be guaranteed without well-functioning legislature in which



voices of the position and opposition are equally heard and respected and accommodated. This implies a smoothly functioning participatory and pluralistic democracy. At the same time an impartial, honest, independent and separate judiciary must be functioning to consolidate legal foundation and adjudicate conflicts. Fundamental reforms of economic and social institutions will lay the foundation for physical and human capital accumulation and technological progress. Financial (fiscal and monetary), banking, trade and capital market reforms combined with market liberalization measures, incentive and legal and regulatory framework and internal and external security shall pave the way for physical capital accumulation.

#### **D. The Current State of Institutions**

##### **Planning**

The First Five Year Plan (1973-78) died before it was born, so to speak. This has changed dramatically in recent years. The Two-Year Plan (1978–80) was an attempt to glide through a period of internal and external uncertainties. Political uncertainties and the democracy movement doomed the Second (1980-85) and the Third Five Year Plan (1985-90). The Fourth Five Year Plan (1990-1995) an experiment in participatory planning whose implementation actually started in 1995. The private sector oriented Fifth Five Year Plan (1997-2002) was launched in 1997 calling for 7% growth rate of GDP. Through the five plans the planning process improved with increasing high-level inputs from domestic and foreign experts. As a result, the First Perspective Plan (2010-2021) and the Sixth Plan are simply master pieces of strategic thinking anchored in Vision 2021, seventh is no different. Achievements under sixth plan are behind target but pace is picking up so that an asymptotic convergence with the First Perspective Plan (2010-2021) target by 2021 is conceivable. No wonder world bodies are lauding Bangladesh's performance and competing with one another to up projected growth rate for few years down the road -World Bank, IMF and ADB. So all is well with planning as an institution. Bangladesh compares favorably with comparator countries in terms of planning framework and link with budget (Table 1), but lags behind in synchronization with budget and results achievement in which Korea is an outstanding example (Figures 8, 9 and 10). Evidently, Bangladesh has some way to go in planning and learn from leading Asian countries like the Republic of Korea.

Planning in Bangladesh faces two major challenges, namely, synchronization with the medium-term expenditure framework and the annual budget, especially in fiscal projection and project/program implementation capacity. Planning capacity is overtaxed between tasks of strategy formulation and policy development and sectoral planning, project planning, resource planning and evaluation. With the preparation and inputs it will have had the SPPB will be different from the past will hopefully exceed expectation in terms of realized outcome once coordination with the Ministry of Finance improves and the planning body repositions itself to focus primarily on strategy formulation as with Niti Aayug (National Institution for Transforming India).

**Table 1: Planning and budget link**

Country	Plan	Budget link	Results
Korea	2050 vision and 5-year rolling fiscal plan	Very strong	Strong
Thailand	5-year plans	Weak	Strong
Vietnam	5-year plans	Strong	Strong
Indonesia	Long-term National Development Plan 2025, 5-year Plans	Moderate	Moderate
Malaysia	Long-term plan 2020, 5-year plans and annual budget	Strong	Strong
Philippines	Medium-Term Economic Development Plan	Moderate	Weak
India	5-year plans	Moderate	Moderate
China	5-year plans	Strong	Strong
Bangladesh	Second Perspective Plan of Bangladesh 2021-2041, 5- year plans		

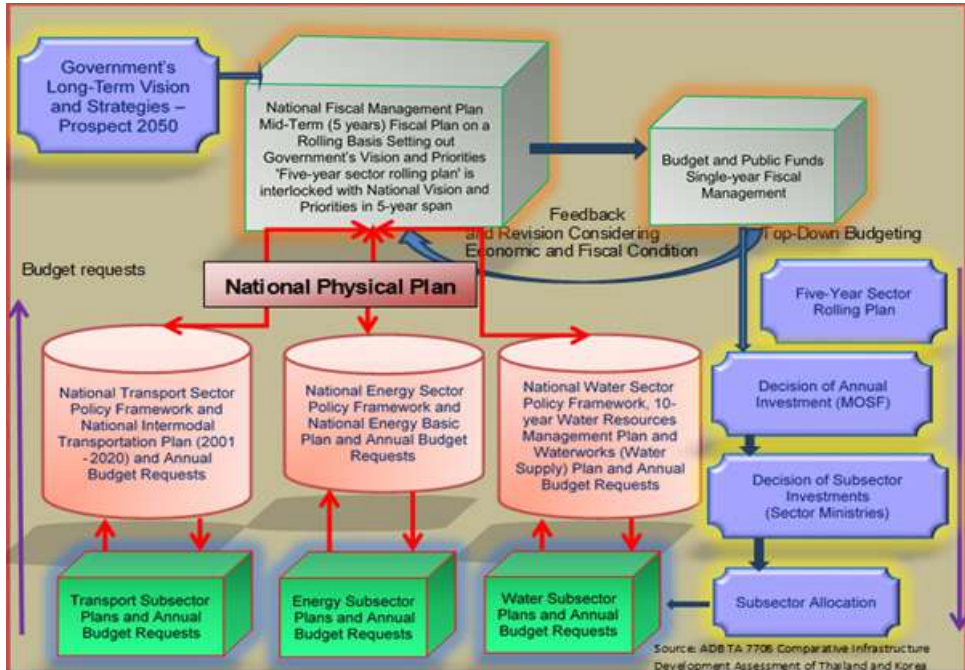
Source: Country references

**Figure 8: The comparative planning framework in Korea and Thailand**



Source: ADB TA 7706. Comparative infrastructure Assessment of Kingdom of Thailand and Republic of Korea.

**Figure 9: Synchronized planning and budgeting – Republic of Korea**



Source: ADB TA 7706. Comparative infrastructure Assessment of Kingdom of Thailand and Republic of Korea

**Figure 10: Transport sector investment outcome in Korea**



Source: Republic of Korea Transport authorities.



## Governance

Sound institutions are required to sustain income growth, lowering of poverty and to sustain sustainability as GDP growth pressure will be heavy on the environment. This section will analyze the current state of institutions of governance and economic management, their weaknesses and strengths in steering Bangladesh towards a developed economy and society. The section will start with defining institutions and describing types of institutions. For the purpose of current study institutions are systems of established and prevalent social rules that structure social interactions. Institutions are also intermediaries through which laws and regulations are made and implemented, decisions are agreed upon and carried out and rules are made and enforced. Institutions also provide the setting for individuals and groups to benefit from development interventions.

According to Wikipedia, Governance refers to all of the processes of governing by a government, market or any other entity working through laws, norms, power or language of an organized society. Governance relates to processes of interaction among actors that lead to formation of social norms and institutions defining how these are structured, sustained, regulated and held accountable.

In Bangladesh, the relevant institutions of governance and economic management are the following: the government including the executive, public administration and law and order; market; corporation; judiciary; financial governance dealing with planning and budgeting, finance, banking, financial stability, financial inclusion, capital market, micro financial institutions and regulatory regime for the private sector; resource management including management of the land market; urban governance and political governance comprising management of the land market; urban governance and political governance comprising democracy, democratic institutions, legislature and the electoral process. According to Khalid Shams (2015), Future growth and its sustainability will be contingent upon a peaceful and productive society which has to be based on effective, but at the same time a generally accountable system of public governance. There exists in Bangladesh a broad social mandate for public governance that is incorporated in Part II of our constitution laying down the ‘Fundamental Principles of State Policy’. Then there are more specific provisions which outline numerous functions of the various organs of the government, the parliament, the executive and the judiciary.

The study will argue that the state of governance and economic management in Bangladesh presents a mixed picture calling for corrective measures going forward with transformation into a developed country.

Bangladesh has done well in terms of GDP growth and poverty reduction despite falling short in governance but it could do better with good governance. Accelerated growth in the future required to reach the GDP per capita target of SPPB has to be anchored in good governance.

Bangladesh is in many ways a unique case in which one has to be cautious in determining how far one goes to make corrections consistent with a developed country aspirant as Bangladesh is in a matter of less than three decades. Currently, according to the World Bank data on the status of government effectiveness, Bangladesh is among the weak (Table 2 and Figure 11). Similarly, Bangladesh lags behind other countries in terms of a series of indicators like governance effectiveness, economic freedom, gender, corruption,

competitiveness, democracy, global freedom and peace (Figure 12). In voice and accountability index, Bangladesh is ahead of countries like Cambodia, Lao PDR, Uruguay and Uzbekistan but behind Benin, Bhutan, Costa Rica, Mexico and Malaysia (Figure 13). For longer term perspective development of Bangladesh, good governance has to be the anchor as it is closely related to growth and economic prosperity as measured by GDP per capita, gross fixed capital formation and total trade. The challenge is how you build good governance as a foundation for the future when everyone directly or indirectly practice bad governance!!!

**Table 2: Status of Government effectiveness 2015**

Governance Type	Country
Very weak (<-1)	Afghanistan (-1.34), Burundi (-1.15), Angola (-1.01), Chad (-1.45), Central African Republic (-1.79), Comoros (-1.52), Congo Dem Rep (-1.63), Congo Rep (-1.02), Eritrea (-1.60), Guinea (-1.14), Guinea Bissau (-1.62), Haiti (-2.00), Liberia (-1.37), Madagascar (-1.29), Mauritania (-1.03), Myanmar (-1.24), Nepal (-1.83), Sierra Leone (-1.26), Solomon Islands (-1.03), Sudan (-1.48), Timor-Leste (-1.05), Togo (-1.18), Yemen Rep (-1.64), Zimbabwe (-1.15)
Weak (0.00 to -1)	Algeria (-0.51), Argentina (-0.09), Armenia (-0.14), Azerbaijan (-0.23), Bangladesh (-0.73), Belize (-0.70), Benin (-0.62), Bolivia (-0.6), Bosnia and Herzegovina (-0.54), Burkina Faso (-0.59), Cambodia (-0.69), Cameroon (-0.76), Cote d'Ivoire (-0.65), Djibouti (-0.96), Ecuador (-0.44), Egypt (-0.76), Ethiopia (-0.64), Gambia, The (-0.89), Ghana (-0.26), Grenada (-0.20), Guatemala (-0.71), Guyana (-0.34), Honduras (-0.82), Kenya (-0.29), Kosovo (-0.42), Kyrgyz Rep (-0.90), Lao PDR (-0.50), Lesotho (-0.67), Malawi (-0.67), Mali (-0.91), Moldova (-0.63), Mongolia (-0.40), Mozambique (-0.70), Nicaragua (-0.80), Niger (-0.61), Pakistan (-0.66), Papua New Guinea (-0.62), Paraguay (-0.95), Rwanda (-0.04), Sao Tome and Principe (-0.76), Senegal (-0.44), Tajikistan (-0.82), Tanzania (-0.60), Turkmenistan (-0.87), Uganda (-0.48), Uzbekistan (-0.68), Zambia (-0.55)
Moderate (0.00 to 1.50)	Albania (0.03), Barbados (1.0), Bhutan (0.41), Cape Verde (0.15), Dominica (0.11), Georgia (0.40), India (0.10), Samoa (0.49), Sri Lanka (0.01), Vietnam (0.08)
Good (1.50 to 2)	Australia (1.56), Austria (1.47), Belgium (1.44), Canada (1.77), Sweden (1.81), Denmark (1.85), Finland (1.82), France (1.44), Germany (1.74), Iceland (1.50), Ireland (1.54), Japan (1.79), Luxembourg (1.72), New Zealand (1.89), Netherlands (1.84), Norway (1.86), United Kingdom (1.62), United States (1.46)
Very good (>2)	Singapore (2.25), Switzerland (2.01)

Note: 1. Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.  
2. Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.  
Five governance types are defined here as very weak (<-1), weak (0.00 to -1), moderate (0.00 to 1.50), good (1.50 to 2) and very good (>2).  
Source: <http://info.worldbank.org/governance/wgi/#home>

These are global perception based measures which is subjective in a large way. Bangladesh is unique in that despite so called governance shortcomings, the country has performed well on the scale of economic and social indicators prompting some scholars like Asadullah, Savoia and Mahmud (2014) in a scholarly article in World Development to call it a paradox. The present study will try to get to the bottom to understand this paradox beyond what authors had done by looking individually at all elements of governance and economic management to identify sources of strength that can be built upon and those of weakness too that have to be subjected to significant transformation in order to make the journey towards a developed society by 2041 more plausible than what might appear now to the born skeptics. For example, planning and budgeting are doing fine, macroeconomic stability producing non-inflationary growth is a source of pride yet the banking sector and

revenue mobilization are constant sources of worry more so when there is political and private sector resistance to change (“unresolved” banking scandals and the VAT debate surrounding 2017-2018 budget deliberations).

**Figure 11: Cross-country scatter of government effectiveness, 2014**

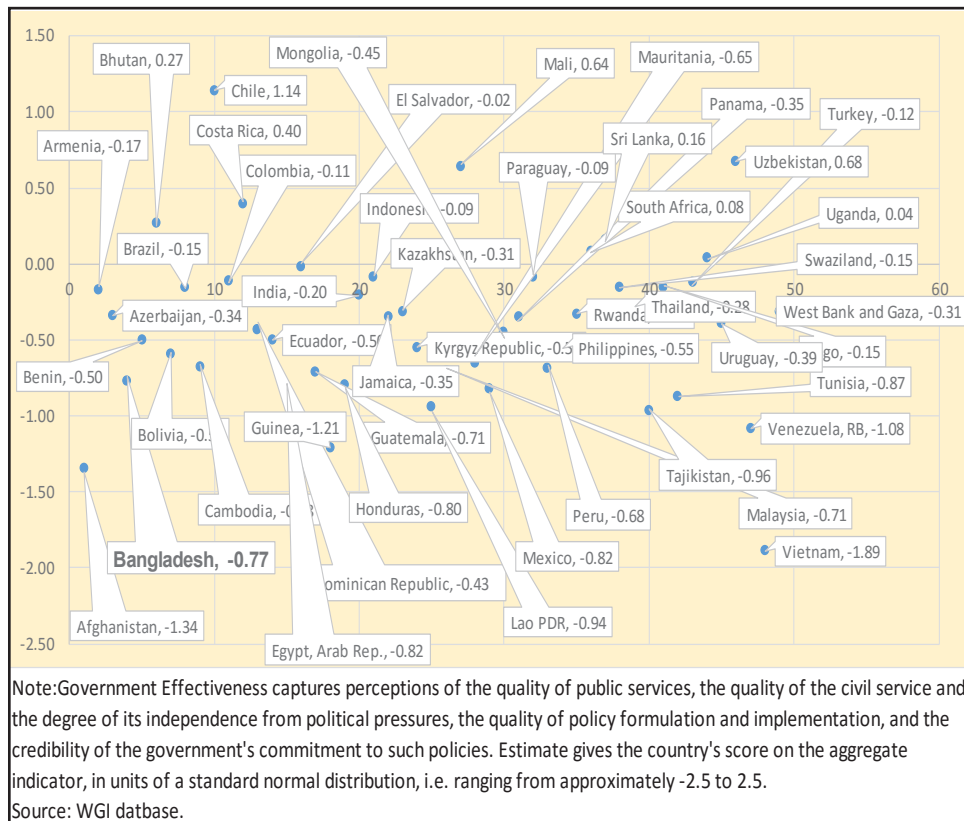
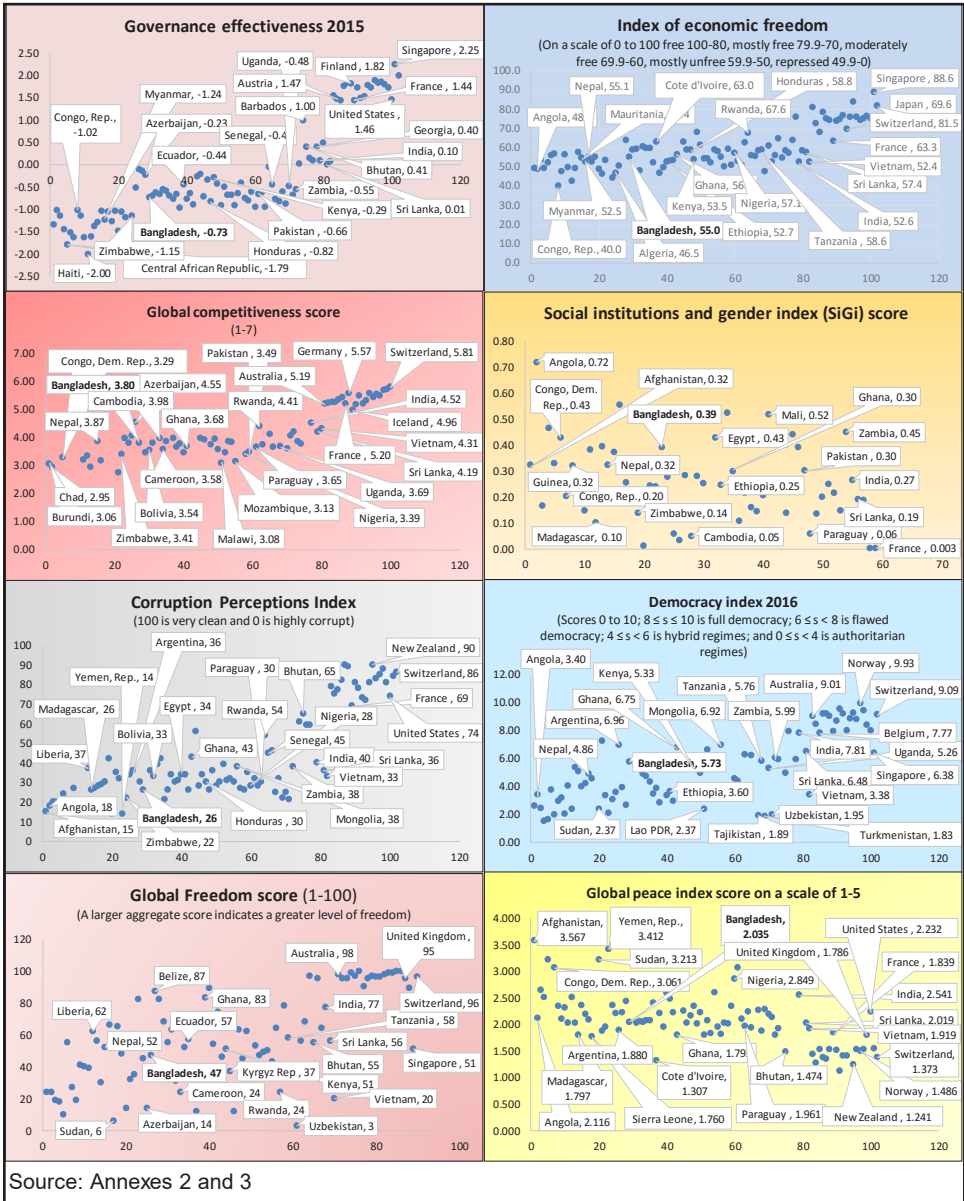
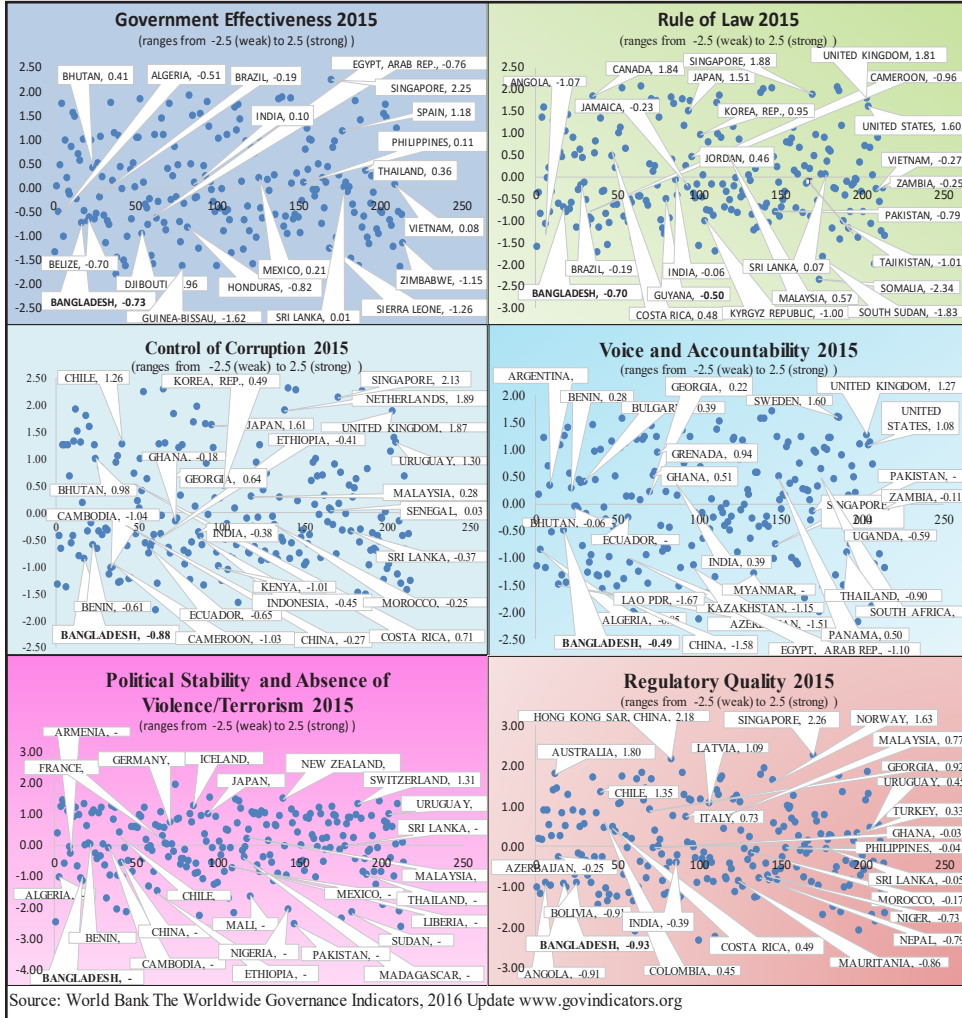


Figure 12: Cross-country scatter plot of government effectiveness and other indicators, 2015



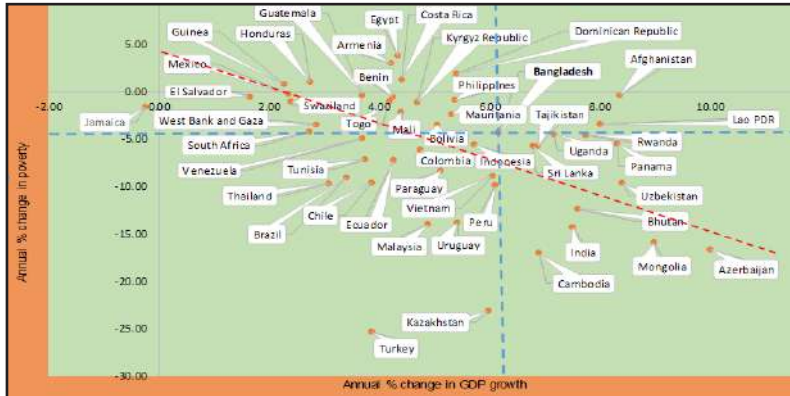
Source: Annexes 2 and 3

**Figure 13: Cross-country scatter of governance indicators, 2015**



Bangladesh has done well on income growth and poverty reduction presumably without strong institutions and relatively weak governance (Figure 13). Cross country experiences suggest income growth and poverty reduction have gone together with (India) or without strong institutions (Cambodia). On the other hand, there are many outliers albeit with (Azerbaijan) or without (Mongolia) strong institutions but gains are mostly short term (Figure 14). Having said that it is true growth will be sustainable if institutions are strong since goals are achieved easier.

**Figure 14: Growth and change in poverty (since 1990s-2014)**



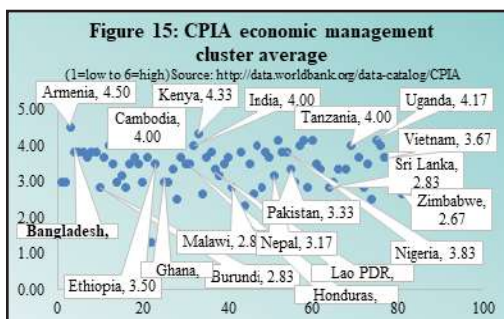
Source: World Bank data base.

Are institutions weak in Bangladesh. Many say so and data (Figure 8) seem to indicate so. Doubts persist. After all, the country is managing 160 million people that is growing without any major crisis or civil war. Therefore, the so called Bangladesh surprise is perhaps no surprise at all. Bangladesh did so well on MDGs and is expected to do well in SDGs too despite relatively low per capita income simply because institutions are strong, governmental with gaps, non-governmental in a robust way and the people who are the source of strength of Bangladesh. Take the case of fertility decline which has been lauded by all in awe. People made the rational choice to have smaller families.

Challenges to address in governance in Bangladesh (Alamgir 2015) are lacking strength, competency, effectiveness, transparency and accountability and struggling with the serious consequences of corruption. Governance is a metaphor for sound administration for sustainable inclusive development that lowers poverty and inequality.

### Economic and financial management

Cross-country data for 81 countries suggest that in economic and financial management Bangladesh's performance is mixed. It has a comfortable rank of 17 in economic management cluster average with a score of 3.83 ahead of Burundi, Lao PDR, Ghana, Malawi, Nepal, Pakistan, Sri Lanka and Zimbabwe among others but behind Armenia, Cambodia, India, Kenya, Tanzania and Uganda (Figure 15). In economic management cluster, Bangladesh is weakest in fiscal policy, better in macro management and debt policy as shown below.



In economic management cluster, Bangladesh is weakest in fiscal policy, better in macro management and debt policy as shown below.

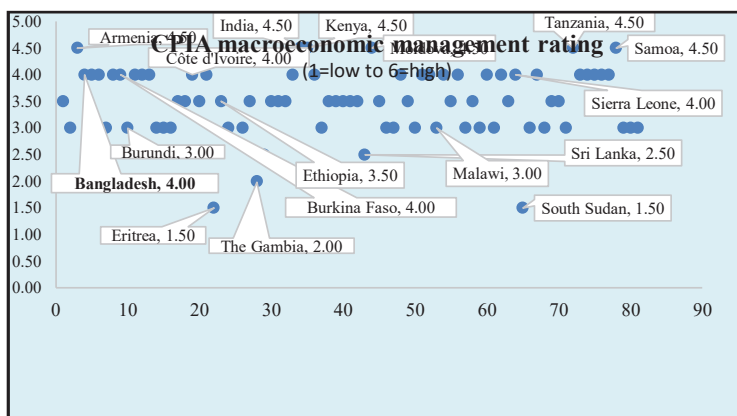
Bangladesh has done well (score of 4 to 6 in the scale of 1 to 6) also in CPIA macroeconomic management and debt policy rating (score of 4) behind India, Kenya and Tanzania but ahead of Ethiopia, Honduras, Lao PDR, Nigeria, Pakistan, Nepal, Sri Lanka and many others (Figure 16).



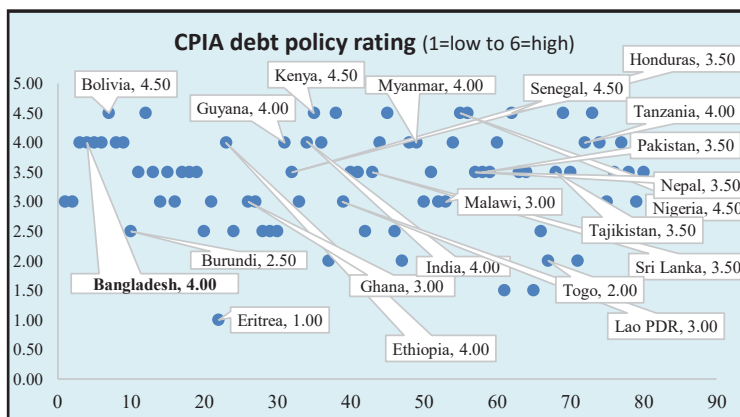
Bangladesh's performance is average (score of 3 to 4) in business regulatory environment, efficiency of revenue mobilization and quality of budgetary and financial management rating (score 3) (Figure 17), and equity in public resource use, fiscal policy rating and trade rating (score 3.50) (Figure 18).

In regulatory, revenue mobilization and budgetary and financial management rating Bangladesh is behind many countries like Burkina Faso, Ethiopia, Sri Lanka, Bhutan, India, Kenya, Myanmar, Pakistan, Vietnam and even Afghanistan for a total of 39 countries that are ahead while it can take consolation in being ahead of Cambodia, Chad, Nigeria, Nepal, Angola, Madagascar and some others. Bangladesh falls below average to a poor (score less than 3) level in financial sector, public sector management and institutions and transparency, accountability, and corruption in the public sector rating putting it behind 49 countries including Bhutan, Rwanda, Ghana, India, Vietnam, Sri Lanka, Nepal and Pakistan (Figure 19). Mercifully Bangladesh is ahead of Cameroon, Gambia, Liberia, Togo, Yemen and Angola and some others.

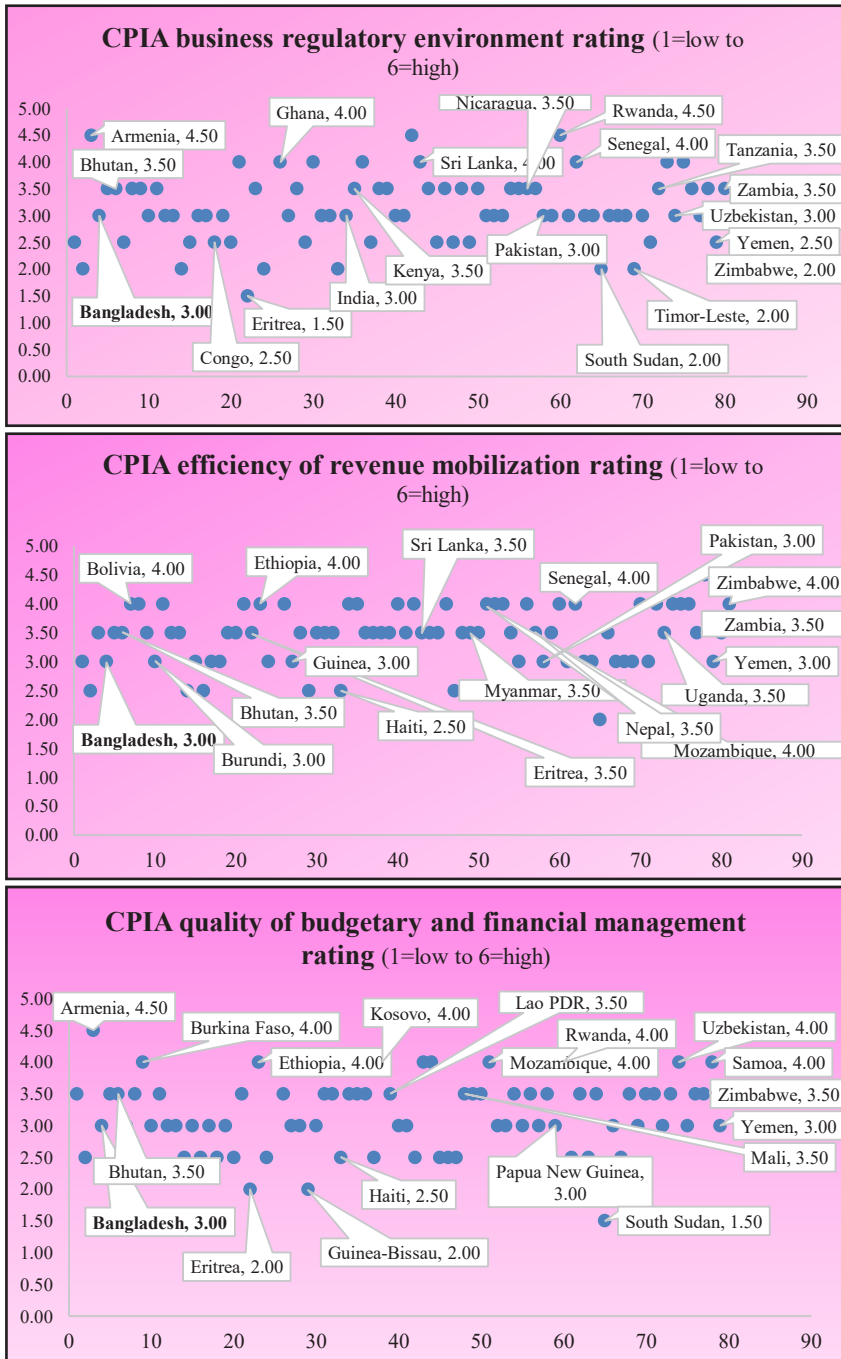
**Figure 16: Macroeconomic management and debt policy rating**



Source: <http://data.worldbank.org/data-catalog/CPIA>



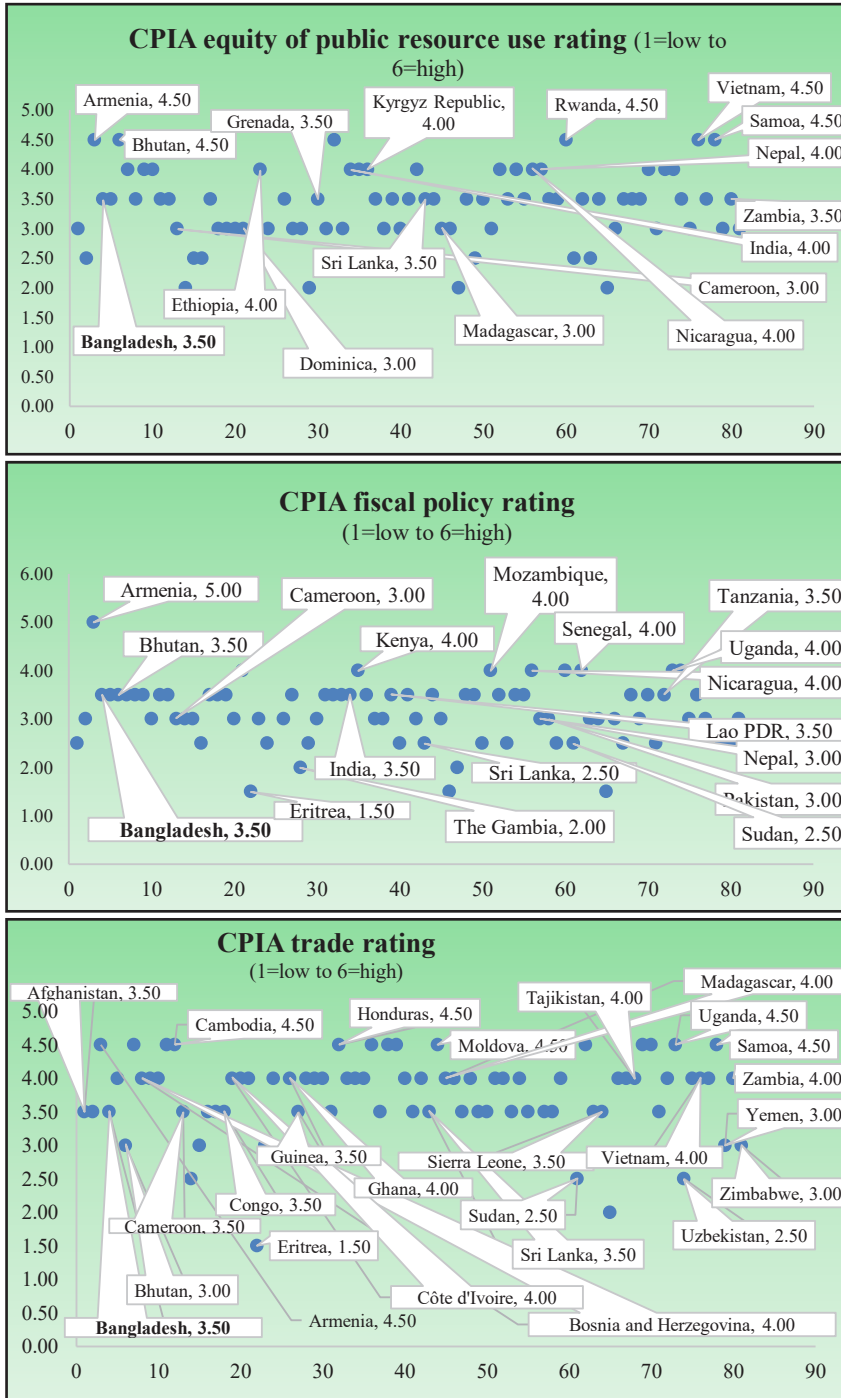
**Figure 17: Regulatory environment, revenue mobilization and financial management rating**



Source: <http://data.worldbank.org/data-catalog/CPIA>

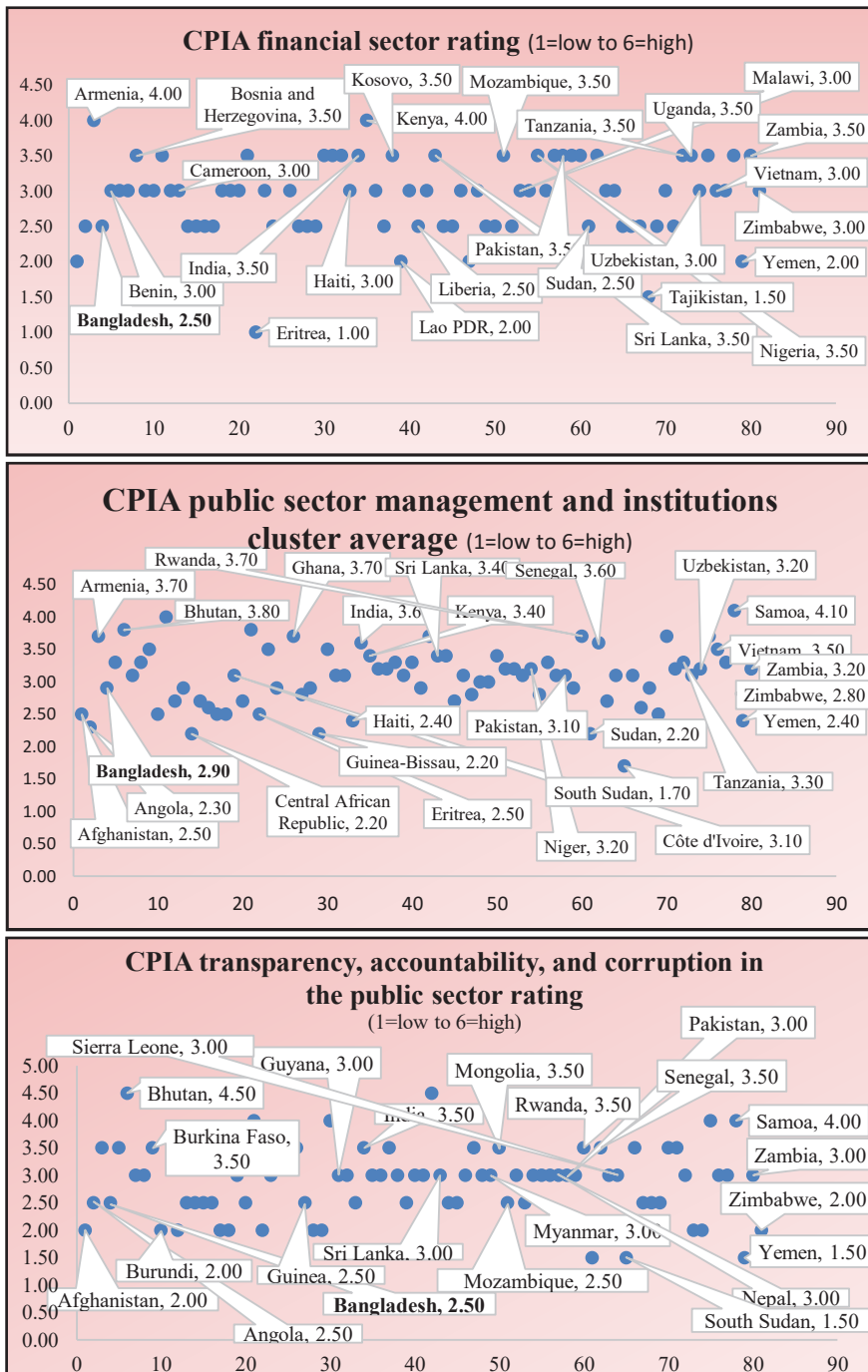


Figure 18: Public resource use, fiscal policy and trade rating



Source: <http://data.worldbank.org/data-catalog/CPIA>

**Figure 19: Financial sector, public sector and transparency, accountability and corruption rating**



Source: <http://data.worldbank.org/data-catalog/CPIA>

A further look at Bangladesh's history of economic management reveal what has been happening. While Bangladesh received plaudit for macroeconomic policies, it has been soundly and correctly criticized for lapses in financial sector governance. While Bangladesh has received credit for fiscal prudence, its revenue mobilization effort has disappointed observers at home and abroad.

MTBF has proven to be a credible dynamic tool for budgeting and reconciling plan with rolling budget cycle.

Bangladesh is enjoying macroeconomic stability because of sound management. Time and again the Bangladesh economy has proven its resilience to external shocks, the 2008 global meltdown is one instance. Almost by coincidence or design (see Monetary Policy Statement for various cycles over past decade) Maastricht criteria in maintaining macroeconomic stability without recognizing prodding by the World Bank and IMF through structural adjustment and stabilization assistance. Maastricht criteria include

- (i) low and stable inflation (Bangladesh's monetary policy inflation target has been above global average but consistent with the country's economic parameters especially growth),
- (ii) low long term interest rates (higher than global average but consistent with inflation target),
- (iii) low national debt relative to GDP (public debt to GDP ratio at 36.5% in 2016 is in line with comparator countries),
- (iv) (iv) low deficits (the budget deficit as % of GDP at 4.7% in 2016 is well within acceptable limit) and
- (v) currency stability (under the managed float, Bangladesh Taka has been relatively stable for some time since Taka was floated in 2003).

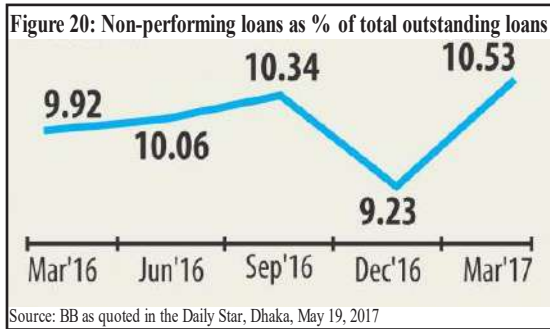
Annual budget has problem with revenue shortfall and optimistic ADP falling short due to implementation problem.

Mega project implementation is nightmare, just try a trip to Chittagong, money is allocated but it cannot be spent, implementation delay piles up, five-year project goes on to fifteen and still counting. Despite shortcomings, monetary and fiscal policy management has been prudent as borne out by cross-country data referred to above.

IMF in its recent report, Bangladesh: 2017 Article IV Consultation-Press Release says, "Steady monetary policy management and fiscal discipline have strengthened macroeconomic stability, allowing the economy to benefit from favorable external demand, high remittances, and low commodity prices." However, in view of declining remittances and Brexit IMF advises exchange rate management for stability including maintaining safe foreign exchange reserve.

So medium term budgeting and planning is in good shape, macroeconomic management is envy of neighbors but short term problems cloud the medium and the longer-term.

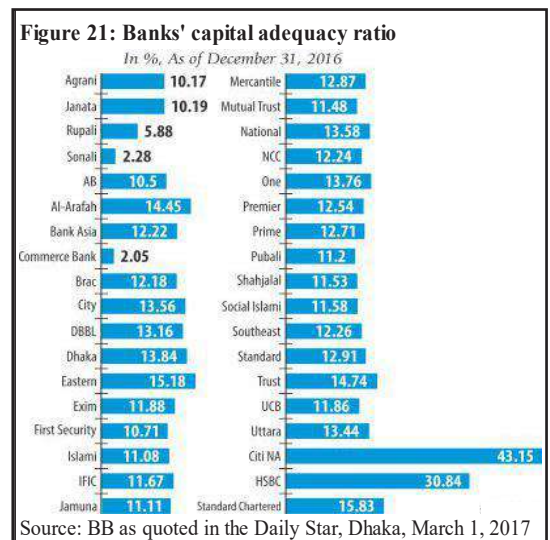
Bangladesh is at its institutional weakest in the financial and public sector management (Figure 19) impacting on all development parameters including global competitiveness indicator (GCI) (Figure 12). On the positive side Bangladesh recognizes that financial stability is an important component of macroeconomic stability. According to IMF Bangladesh has done well to enhance bank supervision, strictly enforce prudential regulations, and improve governance and risk management, particularly in state-owned banks. Financial intermediation has deepened significantly (deposit to GDP ratio increased) and Banking penetration is also increasing (branches and ATMs).



One achievement in banking that should be continued into the longer term future is Bangladesh Bank initiatives for inclusive financing through policy support for inclusive banking and inclusive growth facilitated by technology. Policy support initiatives for banking are rural emphasis in new bank branch location, interest subsidy, small accounts for farmers and refinancing facilities. Technology support include

digitization, automation and electronic fund transfer while inclusive growth support takes the form of refinancing for agricultural lending, mandatory lending target for agricultural lending and low cost refinance for SME lending.

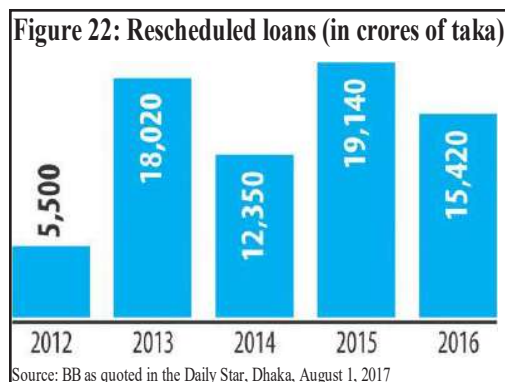
While noting the above, state-owned commercial banks (SCB) remain a problem with a



galaxy full of issues: non-performing loans (NPL) (Figure 20), capital inadequacy (Figure 21), rescheduled loans (Figure 22), financial scams, managing bank failure, deposit insurance, large defaulters, new banks and bank financing of stock market speculation and last but not the least political interference in banking as recognized by the honorable Finance Minister in the Parliament. Moreover, the central bank lacks the autonomy to take bold measures against defaulters and malpractices in the banking sector. Alamgir (2015b) and Khatun (2017) have elaborated on these anomalies in the banking sector in Bangladesh.

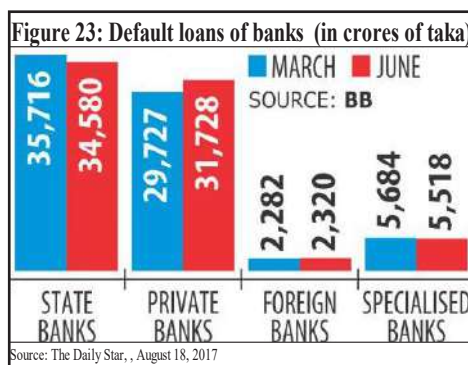
2 Rahman, Atiur. 2014. Financial Inclusion and Sustainable Development, the Bangladesh Case. Asian Development Bank, 2014.

The story of the financial sector management in Bangladesh continues along the following line. Despite efforts at integration, the financial sector remains fragmented affecting financial intermediation. Financial governance is weak at best and has to improve. Capital market is weak. MFIs are strong but needs to consolidate and integrate.

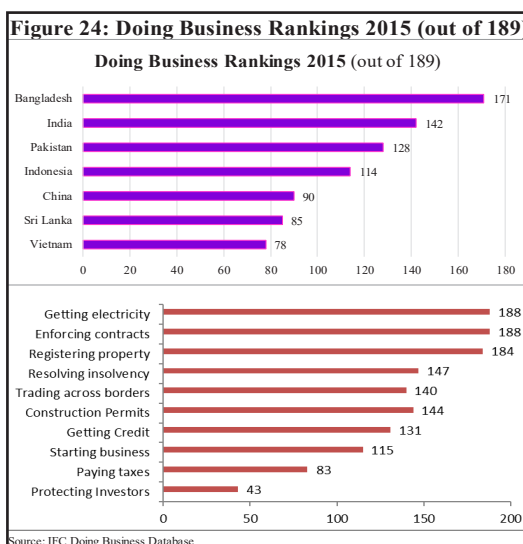


supervision and strengthen regulatory framework. There is problem in both public as well as private banks, the former due to politically driven lending and the latter unethical lending to friends and relatives, both susceptible to corruption and loss of depositor funds. Recent amendments to the banking law (involving among others the number of family members in the board and members' tenure) are moves in the wrong direction opening the door for more, not less abuse of public funds in trust of the banks. However, in recent months because of State Banks' efforts at loan recovery default loans have declined slightly (Figure 23).

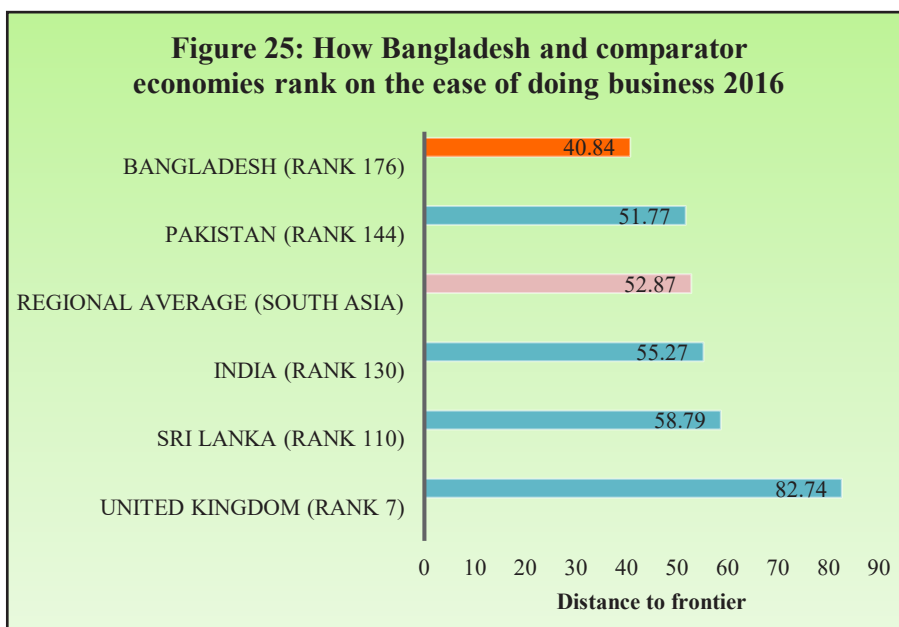
The performance and operation of the banking system are under close scrutiny of the banking supervision division of the banking supervision division of BB. Banking governance has been problematic notwithstanding the fact that BB has implemented Basel II and is in the process of taking up Basel III. BB has taken measures to improve banking



Bangladesh's weak economic and financial management shows up in its global standing for doing business in 2015 (Figure 24). Bangladesh has problem in all scores be it getting electricity or enforcing contracts or registering property or getting construction permit. The story is the same. No wonder in 2015, Bangladesh ranked 171 (out of 189) in doing business ranking well behind Vietnam (78), Sri Lanka (85), China (90), Indonesia (114), Pakistan (128) and India (142). Bangladesh ranked even lower, 176 in 2016 (Figure 25). In terms of procedures (number), time and cost to start a business in Dhaka, Bangladesh



is far behind regional and global average (Table 3). This relationship is repeated in global competitiveness index except for Pakistan which seem to fair poorer than Bangladesh (Figures 26). For the SPPB, global competitiveness of Bangladesh is critical if Bangladesh were to export its way out of middle income trap while increasingly sharing prosperity with domestic demand expansion in response to income and population increase. The medium term ambitious export target for garments and beyond moving up the value chain, diversification into newer products such as leather, shipping, pharmaceuticals will not be achieved without enhanced productivity and improved competitiveness. One has to be conscious that countries like Cambodia, Vietnam, Myanmar and competitors from Africa will be up and doing to dislodge Bangladesh from its enviable advantageous position in the export of certain products.



**Note 1:** The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business Indicator. An economy's distance to frontier is indicated on a scale of 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which data cover 2 cities, scores are a population-weighted average for the 2 cities.  
Source: Doing Business database.

**Note 2:** Ten topics of Doing Business indicators are Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts and Resolving Insolvency Source: <http://www.doingbusiness.org/about-us/faq>  
Source: <http://www.doingbusiness.org/data/exploreeconomies/bangladesh>

**Table 3: Procedures (number), time and cost to start a business in Dhaka and Chittagong**

Indicator	OECD high		
	Dhaka	South Asia	income
Procedure - Men (number)	9	8.1	4.8
Time - Men (days)	19.5	15.4	8.3
Cost - Men (% of income per capita)	13.8	13.4	3.1
Procedure - women (number)	9	8.2	4.8
Time - women (days)	19.5	15.6	8.3
Cost - women (% of income per capita)	13.8	13.4	3.1
Paid-in minimum capital (% of income per capita)	0	0.2	9.2

Source: <http://www.doingbusiness.org/data/exploreconomies/bangladesh>

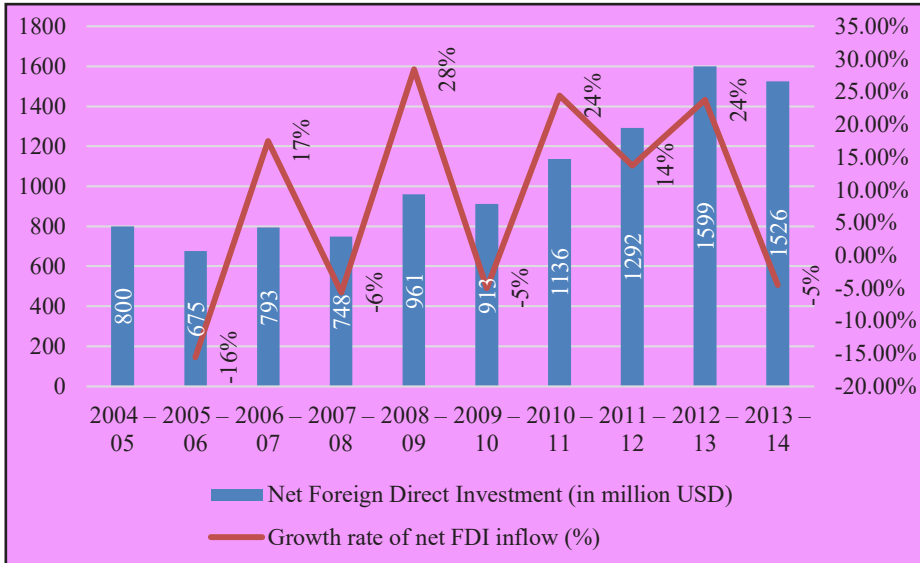


Source: Annex 2

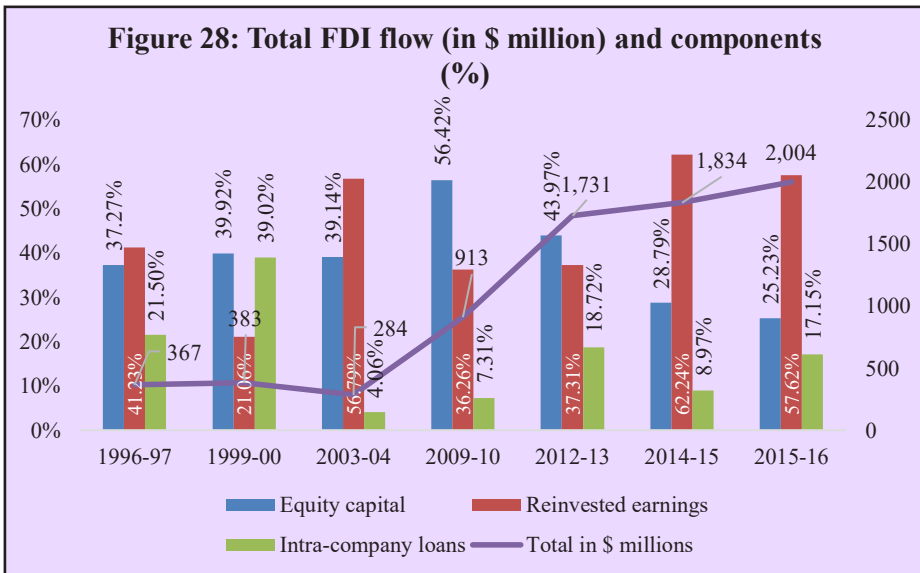
Economic management and finance has implication for foreign direct investment (FDI). Historically, FDI has never been an important element in GDP or investment in Bangladesh. The annual flow was miniscule in early years (\$0.090 in 1972) until Export Processing Zones emerged as focal point for FDI. In order to boost FDI the government offered a series of policy incentives "...tax holiday for several years, duty free facility for importing capital machinery, 100% foreign ownership, 100% profit repatriation facility, reinvestment of profit or dividend as FDI, multiple visa, work permit for foreign executives, permanent resident or even citizenship for investing a specific amount, Export Processing Zone (EPZ) facility, and easy hassle free exit facility." Even then FDI averaged only little over \$300 million annually during 1980 – 1995. The amount rose to an estimated \$1,486 million in FY2014 (Figure 27) which is about less than 1% of GDP. More important fresh flow is relatively small and has been declining in recent years (Figure 28).



**Figure 27: FDI trend in Bangladesh 2004-05 to 2013-14**



Source: Abdin (2015)



Source: Bangladesh Bank. <https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjanjun2016.pdf>

Challenges facing economic management and finance are: domestic resource mobilization inadequate to meet financing needs of a growing economy; financial governance is weak; the financial sector is fragmented; sub-optimal resource mobilization and allocation; the quality of budgetary and financial management is inadequate, the regulatory environment cannot encourage investment, Foreign Direct Investment (FDI) is anemic; inadequate synergy between monetary and fiscal policy; weak cross-country standing in doing business

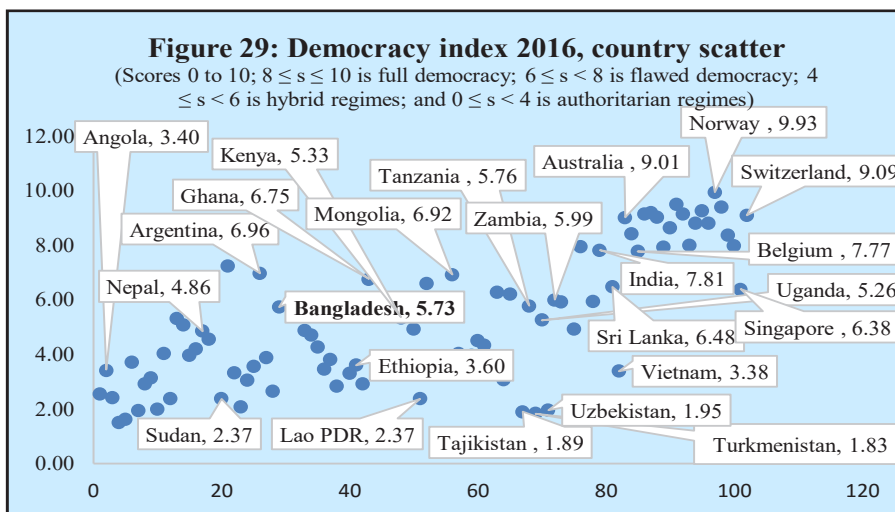


and competitiveness; poor project implementation especially mega projects; and poor public sector management and institutions and transparency, accountability, and corruption in the public sector.

## Democracy

Institutionally, the participatory nature of democracy is conducive to growth and poverty reduction mainly through the rising aspiration of the people. Bangladeshis do not want to sit in one place any more, nor do they want to remain in poverty. Aspiration is driving people and people are driving the economy enabled by democracy. The drive will be stronger under a pluralistic democracy.

Democracy comes in various shapes and sizes so to speak: full democracy, flawed democracy, hybrid democracy and authoritarian regimes (Annex 1). Individual countries have their own specific situation. In Afghanistan, stable governance could not take firm root under troubled democracy. India is closest to full democracy with a score of 7.80 (Figure 29).



Source: Annex 2

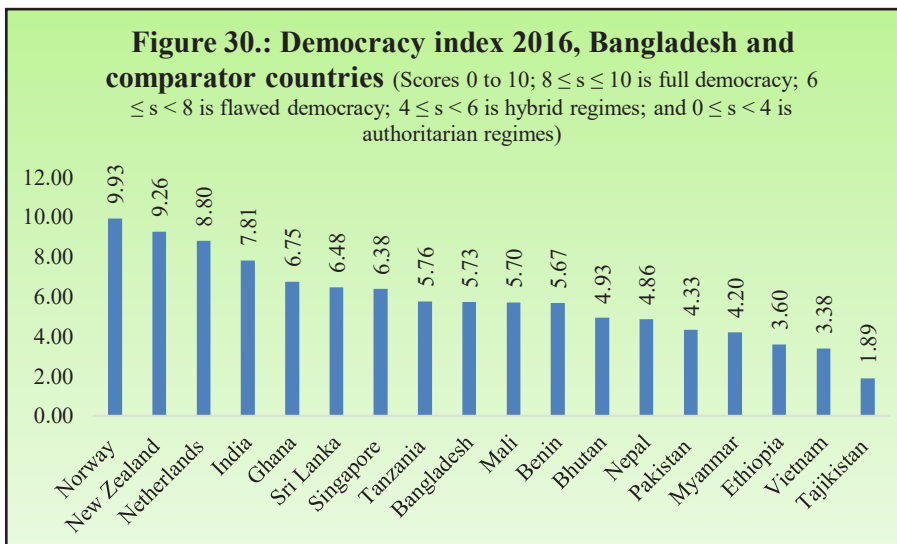
Angola changed from a one party Marxist-Leninist system to a multiparty democracy under 1992 constitution. Under the new 2010 constitution, Angola is a presidential republic with a multiparty system in which the President has absolute power. The 2012 election was considered flawed. The well-functioning multi-party democracy in Rwanda seems to have settled down for a life-time Presidency of the current incumbent who just received another 7-year mandate. From a one party Marxist-Leninist state the Republic of Congo became democratic with elections held under multi-party system since 1993 but one president has ruled for 26 of last 36 years. One president has ruled Eritrea since independence from Ethiopia in 1993. The military has dominated politics and ethnic conflicts have dominated the social landscape for much of post-independence era of Myanmar. The military grabbed power in 1962. Since 2010, the government initiated reforms towards liberal democracy. Zimbabwe has had one government and ruling party leader since independence in 1980 turning the country into nearly a non-functioning state. Since 1993,

Azerbaijan has been ruled by Aliyev family, first the father and then the son since 2003. Elections have been criticized for voter fraud and corruption. The Marxist-Leninist government of 1975-1990 in Benin gave way to a multi-party republic in 1991. Bolivian history is one of internal and external wars, loss of territory to neighboring countries (Brazil, Peru and Chile), military coup and counter coup until early 20th century when Bolivia started being governed by democratically elected governments since 1982, ending a long string of military coups. Bolivia is a multiparty democracy. Since it gained independence from France in 1960, Burkina Faso went through a series of coup and counter coup until a democratically elected government was installed in 2015. Cambodia gained independence from France in 1953. Cambodia has lived through Vietnam War, Khmer Rouge and a virtual one party rule since 1997 under which opposition is suppressed. Officially the country is a multiparty democracy. Following Marxist-Leninist rule, the Ethiopian People's Revolutionary Democratic Front (EPRDF) gained power. The 1994 constitution established a parliamentary republic. The first multiparty election was held in 1995. EPRDF has held on to power since 1991 through much debated elections in recent years especially in 2010. The republic of Ghana is a unitary presidential constitutional democracy in West Africa. Since independence in 1957 after a long stint of Kwame Nkrumah (1957-1966) Ghana alternated between civilian and military governments. Presumably election is held every four years. Ghana has been a stable democracy since 1992. There have been complains of electoral fraud from time to time. The Republic of Kenya is a presidential representative democratic republic. There have been problems with democratic elections in the 2000s. President Moi ruled long from 1978 to 2002. Under a new 2010 constitution election was held in 2013. The 2017 election has been marred by violence and controversy over election outcome. Pakistan is an Islamic republic. It has alternated between democratic and military government throughout its history since independence from Britain in 1947.

Republic of India is a country in South Asia. It gained independence from Britain in 1947. India is a parliamentary democracy. India has successfully conducted sixteen elections for the lower house of the parliament, the Lok Sabha, the latest in 2014. India is a stable democracy whose stability is threatened by extreme wealth and poverty pitted against each other. The future of the Indian democracy which is considered a role model for all developing countries hangs precariously on accelerated inclusive development to put a damper on rich-poor divide. However, Indian belief in democracy is deep rooted and all in politics, public policy and administration, judiciary and law enforcement agencies are fully geared to protecting democratic values and institutions. Unlike many developing countries, India never experienced military intervention in politics although India has seen declaration of emergency in India which curbed civil rights from 25 June 1975 to 21 March 1977. Many consider it a dark period of Indian political history.

Throughout its post-liberation history, Bangladesh has alternated between multiparty parliamentary representative democracy modeled on the Westminster system of unicameral parliamentary government, presidential democracy and a short-lived one party democracy. In the 1980s the military dictatorship ruled the country until democratic rule was re-established in 1992. Since then elections were held at periodical intervals and power was transferred peacefully. Between 2007 and 2008 a military backed caretaker government ruled the country until the 2008 election that returned power to democratically elected government. Critics have accused the government of trying to turn Bangladesh

into a dominant party state under the ruling Awami League. This does not augur well for democratic decision-making in the country given that democracy in Bangladesh suffer from credibility crisis in Election Commission and anti-corruption commission. Cross-country data suggest that in democracy index Bangladesh is behind India, Sri Lanka and Tanzania but ahead of Bhutan, Nepal, Pakistan and Myanmar (Figure 30).



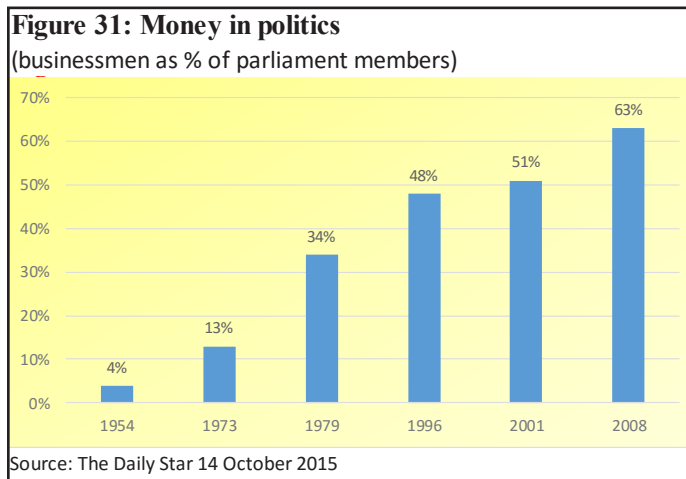
Source: Annex 2

Democratization is a process. Cross-country analysis of 90 countries suggest a strong significant positive correlation between democracy index and GDP per capita, gross fixed capital formation and total trade all for 2015. The growth and poverty reduction paths of Bangladesh are clearly divided into two phases: pre-democracy (before 1991) of slow growth (3.9% in 1975-1990) and high poverty (56% in 1991) and post-democracy (after 1991) of rapid growth (5.5% in 1990-2015) and reduced poverty (24% in 2015) (Bangladesh Bureau of Statistics). While Bangladesh has clearly reaped what one might call the democracy dividend, the challenge is how with an index of 5.73, Bangladesh could escape the hybrid democracy trap.

This is not an enviable choice. The democratic perspective of Bangladesh Vision 2041 is to move to full pluralistic democracy from the current hybrid democracy. This will mean moving up the score from  $4 \leq s < 6$  hybrid group to  $8 \leq s \leq 10$  full democracies which is also pluralistic. This concept is inclusive, representative, consultative, equitable, sensitive, bold, patriotic, secular, hands of friendship to all at home and abroad but prepared to defend freedom at all costs.

More ominous are the three threats to democracy that need to be tackled heads on: winner takes all, violence and money in politics. Bangladesh may have to reconsider winner take it all formula which producing disproportionately higher number of seats with modest share of popular vote, a situation from which both major political parties benefitted. Violence can be contained by promoting respect for law and inculcating discipline among party cadres. The principle that no one is above the law and the force of law shall equally apply

to all can only be operationalized in a pluralistic democracy where no one single source of power can dominate decision-making and resource allocation. Money in politics is found



worrisome by eminent persons in Bangladesh (Figure 31). Bangladesh needs to institutionalize democracy in order to accelerate growth and poverty reduction. Civil society can play useful role. Even the long standing political parties in Bangladesh behave like clubs, bullies, vote hunters and/or money spinners. Now money in politics has everyone worried

from President, Chief Justice to others. Money and politics will always go together as it has in most countries from time immemorial. This must change to minimize the influence of money in administrative, political, financial, judicial and legislative decision-making process. Yes, money can buy everything but it should not be allowed to do so. This is where political institutions must come out in favor of integrity.

The first and foremost challenge is, how could Bangladesh escape the hybrid democracy trap and move to pluralistic full democracy? The other challenge is to make political parties adhere to the principles of pluralistic democracy in the conduct in their affairs. Finally, one has to deal with the three threats to democracy: winner takes all, violence and money in politics.

### Decentralization

The search for decentralization and devolution- myth vs reality has led many scholars and practitioners into labyrinth of classic power struggle in which no one wants to cede an inch. Decentralization is about real power sharing and this is something no one wants to do. Since earlier times, Bangladesh and its predecessor countries Pakistan and India initiated multiple measure to decentralize and share power and make administration more manageable, physically and politically.

Local governments were established in the colonial period under the Local Self-Government Act of 1885. Decentralization was attempted through Basic Democracies since late 1950s. Reform of the local government has been a priority of all governments in Bangladesh. Articles 59 and 60 of the Constitution called for elected bodies of local government with powers to impose taxes, prepare budget and maintain funds. The devolution of power is thus enshrined in the Constitution. Bangladesh abolished the system of basic democracies and established a short-lived District Governorship in 1973 along with a three-tier Union Parishad, Thana Development Committee and Zila Parishad. However, the then government

did not follow through constitutional provision for electoral democracy and devolution of power. The Local Government Ordinance of 1976 created Gram Sabha (Village Councils) later transformed into Gram Sarkar (Village Government) that was a mini-government undertaking planning and promotional programs. The Gram Sarkar was abolished in 1982 in favor of Upazila Parishads. In the first half of the 1990s, the bureaucracy-dominated Thana Parishad's were reinstated only to be replaced by a four-tier structure including Gram/Palli (Village) Parishad, Union Parishad, Thana/Upazila Parishad and Zila (District) Parishad. For all the changes local bodies were controlled by the central government giving rise to a patron-client relationship between the two. The Government in power since 2001 introduced the Gram Sarkar Act to revive Gram Sarkars. (Mollah 2007, Panday 2011, Tamanna and Afroz 2015 and Wahab, undated)

History suggests, local governments have been anything but conduits of effective decentralization in Bangladesh neither have these been drivers of growth, and experience shared with cross country evidence. Challenges to decentralization are many explaining a weak correlation with growth. Local bodies are not

- (i) anchored in strong legal and regulatory framework notwithstanding constitutional provisions and various local government Acts (colonial legacy of nomination system lingers; too many laws and circulars which are contradictory and meaningless; local government is the body of elected persons, however, the bone of contention of partisan vs non-partisan local government polls has only been addressed recently; until recently local government elections were held on non-partisan basis which has been changed to partisan election through amendment to the relevant Act, the Local Government (Amended) Act, 2009, on 30th December 2015; local government elections are often fought and won by might rather than free political choice; flawed democracy at the grassroots raise serious question about fairness of polls at other levels (Alim 2015, Choudhury 2015, Mollah 2007)),
- (ii) self-governing (undue bureaucratic control - controlled by the center, natural outcome of a strong unitary character of the government centralized in Dhaka with major political and administrative decisions taken in Dhaka),
- (iii) institutionally effective (capacity constraint, lack of skills and competence, political interference and conflict, ineffective coordination and continuing resistance to decentralization efforts by the bureaucracy and lower-level government officials),
- (iv) financially viable (financial disempowerment with limited revenue power because of little fiscal and administrative autonomy and lack of mobilization of local resources),
- (v) development oriented (development functions usurped by line ministries),
- (vi) innovative (lacking motivation, capacity and access to information),
- (vii) technology driven (lagging technology knowledge, access and resources to avail),
- (viii) attractive to the educated self-respecting people (poor image courted by local Mafiosi with patronage from above),
- (ix) participatory (more exclusive than inclusive due to non-adherence to the participatory planning process),
- (x) gender sensitive (exclusion of women a norm),

- (xi) accountable (no checks and balance giving rise to rampant corruption). Politicians use local bodies for patronage and to strengthen their political muscle. Hence, conflict and tension arose when local Members of the Parliament (MP) was placed as head of the local body at the Thana level in recent years. The new legal framework for UZP has deepened the rift among UZP Chairman, Upazila Nirbahi Officer (UNO) and MP.

There are many challenges. For example, completing the process of Deconcentration and decentralization by 2041 will have to be achieved under six concepts: (i) fiscal and planning decentralization, (ii) political decentralization, (iii) Vertical and law and order decentralization, (iv) administrative decentralization, (v) electoral decentralization and (vi) judicial decentralization. At the regional level, the relative progress has been modest with Bangladesh behind others (Table 4). It will require, among others, a comprehensive Law replacing 130 laws and over 100 sub-laws and rules clarifying powers and functions of local bodies at all levels. This has been a battle cry for many stakeholders in recent times. Furthermore, consideration may have to be given to converting present administrative divisions into provinces as some have suggested (Wahab, undated). This will have implication for urban and land use planning and shifting power away from Dhaka in favor of other nodes like the Faridpur region just beyond the Padma Bridge under construction. The point is who will bell the cat.

**Table 4: Decentralization in Bangladesh and South Asian Neighbors**

Country	Vertical decentralization including law and order (Number of tiers)	Political decision-making decentralization: Extent to which subnational actors have right to make political decisions	Administrative decentralization: extent to which executive appointments are made by actors at same (or lower) tier, rather than from above	Electoral decentralization: Extent to which subnational officials are elected	Fiscal decentralization: Share of subnational governments in total tax revenues or public expenditures	Judicial decentralization Share of cases resolved at subnational level
Bangladesh	Partial (5)	Very limited	Limited	Limited	Very limited	Limited
India	Partial (6)	Partial	Partial	Partial	Partial	Limited
Sri Lanka	Partial (5)	Partial	Partial	Partial	Limited	High
Nepal	Partial (5)	Limited	Limited	Partial	Limited	Limited
Pakistan	Partial (6)	Partial	Partial	Partial	Limited	High
Bhutan	Partial (5)	Limited	Limited	Partial	Limited	High
Afghanistan	Limited (4)	Limited	Limited	Partial	Limited	High

**Source:** Country analysis.

**Note:** Country characterization of the level of decentralization is very limited, limited, partial and high in that order.

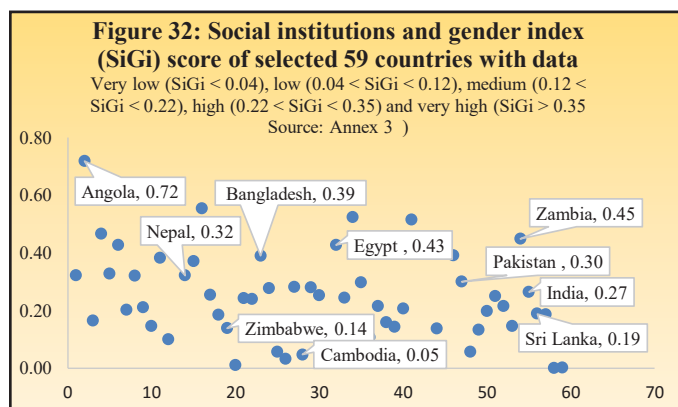
## Capacity

### Gender empowerment

According to OECD (2014), Bangladesh along with other countries in the South Asia region has some of the highest levels of discrimination by all sub-indices of SiGi. Most problematic is family code and son bias. Legal age at marriage is always controversial and son bias is often taken to the extreme of aborting the girl child. The issue is cultural bias, belief and social norm which can and have been challenged by legal instruments but that has limitation too in the sense that people find ways to bypass these. According to Social

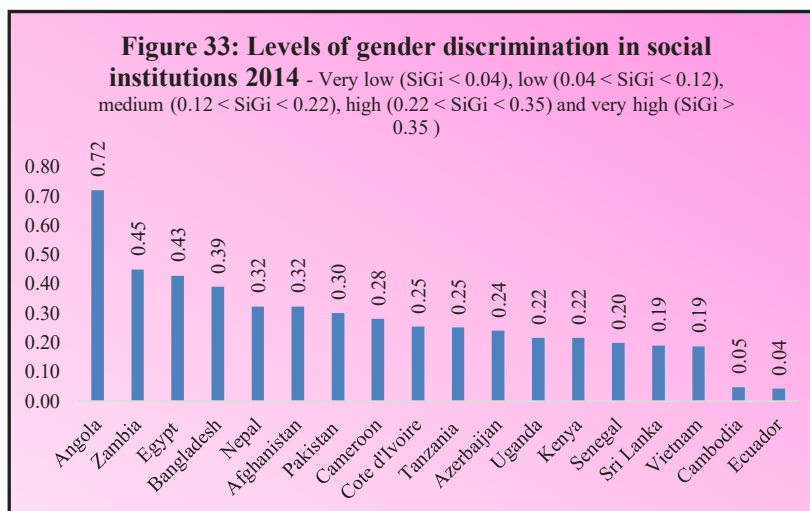
Institutions and Gender Index (SiGi) score, Bangladesh with its score of 0.39 is grouped together with countries with very high gender discrimination (Figure 32). More specifically Bangladesh is well behind likes of Nepal, Afghanistan, Pakistan, Cameroon, Cote d'Ivoire, Tanzania, Azerbaijan, Uganda, Kenya and many others (Figure 33).

Highest political leadership has been vested in women in Bangladesh. Bangladesh has made immense gain in female education, infant mortality, maternal mortality, fertility and



access to credit but these have not translated into gains in terms of property rights, inheritance, entry to business, access to financial services, government service, parliament, local government, access to public space, law enforcement, army, legal profession, sports, violence against women, reproductive autonomy,

fertility preferences, divorce, parental authority, gender sensitive budget and the like. According to grouped SiGi sub-indices, gender discrimination is very high in Bangladesh in discriminatory family code, medium in restricted physical integrity, very high in son bias, high in restricted resource and assets and medium in restricted civil liberties (OECD Development Center, 2014).



Source: Annex 3



## Legislature

Historically, the legislature in Bangladesh has been an insecure body being suspended or sidelined along with the constitution several times in 1979 (the first parliament), 1982 (the second parliament) and twice more (the third and the fourth parliament) by the military ruler on demand from the vocal opposition. Even after the restoration of democracy in 1991, the parliament was under seize in 2006 due to a fraudulent election and postponement of election the same year by military intervention (Islam 2005).

The challenge is how to raise effectiveness of legislature in Bangladesh to institutionalize democracy in Bangladesh. Without a functional legislature, democracy will be meaningless as it is almost now in Bangladesh. One can follow the lead of India. The constitution declared India as a democratic federal republic with a parliamentary system of government. The Indian Parliament is bicameral, Bangladesh unicameral. India is a unique example of complete independence of the executive, legislature and the judiciary. As the law-making, law enforcement and adjudicating body, the legislature is presumably the first organ of the government. India understands it and acts accordingly. The legislature provides guidance and lays down rules but in cases it imposes its will on the other two organs of the government that is not admissible under the constitutions. Parliamentary decisions and legislations follow sensible deliberations, not mired by theatrics and demagoguery. Under no circumstances a parliament is a rubber stamping body. The challenge is how to make these characterizations stick to the national assembly of Bangladesh. The functioning of the national and state legislatures is clearly laid out in the Indian constitution. That is something to be considered when Bangladesh decides to have central as well as provincial legislatures the current divisions converted into provinces. The Indian parliament takes its budget making function very judiciously looking carefully into all proposals for revenue and expenditure while going carefully over the previous years' account. In a way the legislature maintains control over all financial transactions and expenditures incurred by the executive. The Indian parliament has control over the executive through its power to remove the executive or reject a policy or budget or law of the executive. These are powers as well as responsibilities. The challenge is to raise the comprehension of the Bangladesh legislature to this level.

## Judiciary and the Rule of Law

There is an eternal search for independent, separate, effective, efficient, just, impartial, corruption-free, a political and victim-friendly judiciary all over the world Bangladesh included. This is Bangladesh's perspective for 2041. Democracy thrives on independence of the three organs of the government namely, the executive, the legislative and the judiciary but preserving the independence (personal, substantive, internal and collective) of judiciary is a challenge even in developed country. Personal independence is freedom from influence including government; substantive independence is decisional freedom; internal freedom means independence from superiors and colleagues; and collective independence means institutional independence. In other words, the judiciary has to be an independent institution.



The Constitution of Bangladesh provides for independence of judiciary under Articles 7, 35(3) and 116A of Part VI that deals with judiciary. The separation of judiciary is enshrined in Articles 22, 95 (1), 107, 113, 115 and 116. However, despite several attempts to institutionalize separation of power, it finally happened under the caretaker government in 2007.

Hence, independence and separation of judiciary another must “But in Bangladesh the executive heavily influences the judiciary as the enforcing agency of rules of law. Particularly the appointment process of justices in the higher courts were not made in line of the spirit of establishing rule of law in the society.” (Islam 2005)

Looking at the situation in neighboring countries, the Indian judiciary is tainted by corruption even at the highest level that is the Supreme Court. The system has some of the features observed in Bangladesh, namely, delays in the disposal of cases, shortage of judges and complex procedures (Wikipedia, [https://en.wikipedia.org/wiki/Judiciary\\_of\\_India](https://en.wikipedia.org/wiki/Judiciary_of_India)). In Sri Lanka, New constitutions in 1972 and 1978, however, cut back on the judiciary’s protection from parliamentary and presidential intrusions.

Having been threatened by the 16th amendment, the judiciary fought back by striking down the amendment through a Supreme Court judgment creating an impasse with the legislature and the executive. How this will end will determine the state of independence of judiciary in Bangladesh. Cross country review shows that the independence and integrity of the judiciary is under threat in the majority of developing countries from Angola to Zimbabwe (author’s analysis of 100 countries). The challenge is to have it function independently, honestly, effectively in favor of the aggrieved. Specific challenges are case overload, quality of people, poor incentive, litigating public, political influence, corruption, poor legal education and capacity.

### **The Executive, the Bureaucracy and the Law and Order agencies**

Islam (2005) says, “... the executive in Bangladesh enjoyed unparalleled power in the hierarchy of governing organizations virtually with no accountability and minimum concern for public goods. The public sector based economic system also contributed to a further expansion of the role of executive.”

The weakening of the civil service is a fundamental reason for the weakness in public administration today in Bangladesh. Politicization, aborted reform initiatives, ceding of power by politicians to bureaucracy have been the order of the day contrary to the interest of effective service in service of the nation.

Elitism in civil bureaucracy since the British and successor Pakistani Raj carried over into liberated Bangladesh was degenerative as it led to stunted growth of representative institutions, undermining of democratic values and political leadership, impeded administrative reforms, and contributed to administrative inefficiency and corruption and lack of transparency and accountability. Post liberation Bangladesh could have started fresh with a revolutionary civil service reform but it chose or better was led not to.

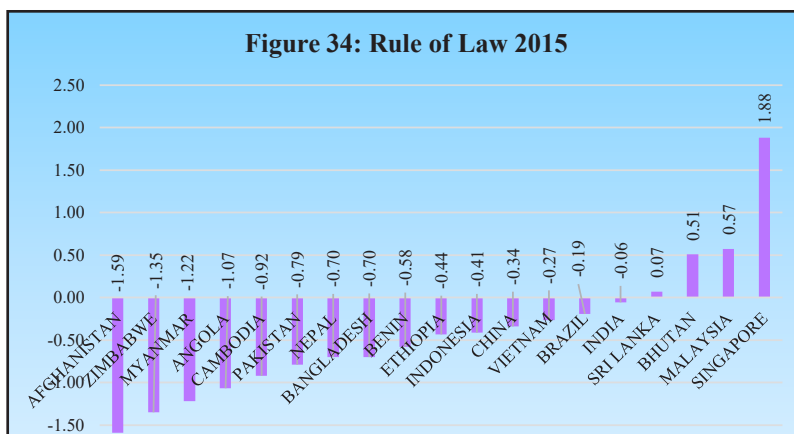
Amidst all this Bangladesh tried to turn a meek provincial Planning Board into a super bureaucratic institution called the Planning Commission which, instead of addressing the pressing problems of the day focused primarily on preparing the First Five Year Plan. The Plan was a reasonable first attempt but it arrived in the backdrop of an economy that was in doldrums. Economic management was poor especially in the public sector overloaded with nationalized enterprises led mostly by CSPs who were anything but economic managers. The Plan had no answer for how the hapless nation were to face the shocking event—the 1974 famine.

Administrative reform is a must. Bangladesh must continue to uphold the principles of nationalism, secularism, democracy and inclusivity in politics and economics and introduce true civil service reforms which have been in limbo for years. The Administrative and Services Reorganization Committee (ASRC) and the National Pay Commission were set up to address imbalances in the civil bureaucracy but given the hostility of the elite senior bureaucrats not much happened by way of implementation, service reorganization was shelved (Mollah 2011). Pay revision appears to be easier deal than service reorganization. The latest round of pay revision in 2015 was received well.

The effort of the late 1970s to professionalize civil service creating classless service and instituting a senior service pool (SSP) and the subsequent ascendency of the civil service sharing power with the army during much of the 1980s supported by administrative reorganization and streamlining did not make any material difference in the character of the bureaucracy or its impact on growth and poverty reduction due primarily to reluctance to reform (Zafarullah as quoted in Mollah 2011). The Administrative Reorganization Committee (ARC) of the early 1990s produced a detailed report with nowhere to go amid mutual suspicion of bureaucrats and politicians. The same was the fate of the recommendations made later by the Public Administration Reform Commission (PARC) which could not be implemented due to bureaucratic resistance and politics.

Khalid Shams summarizes the state of law enforcement in Bangladesh saying law enforcement system in almost all the sectors needs to be strengthened and professionalized (Shams 2015).

No one can deny that law and order is an important element in the peace, stability, growth and poverty reduction nexus. Institutions of law and order have to abide by norms of law and order behaving as source of comfort, security and stability and should not pose as threat to life and property of ordinary or corporate citizens alike. Bangladesh scores poorly in rule of law index (Figure 34). In Bangladesh the line is often blurred due to over enthusiasm, political patronage and criminal intent. However, there is the issue of manpower. Bangladesh has one of the lowest ratio of police personnel to population (Shams 2015).



Source: Annex 2

The challenge is embedded in this quote “The structure and working patterns of bureaucracy in Bangladesh are a legacy of British colonial rule, which impeded reform efforts after Independence and caused politicization of the administration and governance. Civil-military elitisms reduced accountability of the administration, resulting in a dominating bureaucratic structure with corruption.” (Mollah 2011) from Ahmed, Alamgir and Mujeri (2016). As for rule of law the twin challenges are corruption and institutional subversion of the rule of law.

### Political institutions

Political institutions are organizations which create, enforce and apply laws. They often mediate conflict, make (governmental) policy on the economy and social systems and otherwise provide representation for the populous. Learn how political institutions impact the law, economy, culture and society as a whole....Examples of such political institutions include political parties, trade unions, and the (legal) courts. (Allstair Boddy-Evans, 2017 <https://www.thoughtco.com/political-institutions-44026>)

Political institutions are countervailing force to authoritarian trend or tendency in the government, the leadership or any other institution like the armed forces and the law and order agencies. According to Islam (2005) “Political institutions matter for the quality of governance in a country. ...Political institutions could help determine the limits on the arbitrary exercise of power by politicians and bureaucrats.” In Bangladesh, political institutions are inherently weak resulting in occasional surrender of power to military autocracy until people rise to the occasion and reclaim power from the usurpers of power.

Political institutions are pillars of pluralistic democracy and representative government. This is not fully appreciated by political forces in Bangladesh which considers institutions as barriers to rather than aid to political processes to play their legitimate role of resolving conflicts and promoting collective welfare in the spirit of cooperation and coordination.

Political institutions are critical to ensure political stability while also providing an enabling environment for rapid growth and poverty reduction.

All political institutions and political parties are the custodian of political stability.

Representative governments and fair and balanced representation bring maturity to political institutions. Otherwise political institutions remain weak and instability reigns supreme.

Democracy can thrive only on democratic political institutions. Political parties have to be democratic, transparent, accountable and inclusive. According to analysts the situation in Bangladesh is to the contrary. The political parties and their leadership are in principle guardians of democracy and protectors of democratic values but the process is undermined by non-democratic practices within parties themselves. All political parties should adhere to the concept of pluralistic democracy in the conduct of their affairs just as in the nation.

None of the constitutions of the two major parties of Bangladesh offer any dedicated, independent or representative dispute resolution body. The accountability mechanism for the national executives of AL and BNP is also completely absent in their constitutions. None of the bodies are accountable to the party members or to the party conference. Additionally, the constitutions do not provide any explicit or independent mechanism to control the body of national executive, paving the way for the possibility of the national executives of both the parties to become autocratic in certain situations.

The challenge for SPPB is to improve the quality of politics and political institutions. Political institutions should provide security of life and human dignity. Under normal institutional practices all legitimate political parties should be allowed to participate in the democratic electoral process equally without fear or favor. The real challenge is to strengthen political institutions to steer the country along stable and inclusive development path in a sustainable way. The related challenge is to prod political parties to adhere to the principles of pluralistic democracy,

### **Social institutions**

Civil society organizations (CSOs) need to be closer to people. Social inclusion needs social institutions to comply with norms and principles of inclusion. Even with impressive economic and social progress there shall always be some that are poor and disadvantaged. Social safety net is welcome but all social institutions too must be at their service. Development institutions (civil society and public) should devise sustainable programs of support recognizing though that in the final analysis it is the nation as an institution and its people as an institution that have to protect the poor.

Bangladesh has historically been at the forefront of civil society movement. The level of development of the civil society movement in Bangladesh in terms of maturity, content, coverage, output, effects and impact is way ahead of its peer group of countries and rather out of line with its economic standing. Historically, were registered under the 1961 Voluntary Social Welfare Agencies (Regulation and Control) Ordinance. Over time tension developed with the authority, a kind of turf war or war of conscience as the majority of non-governmental organizations (NGOs) /CSOs were perceived to be anti-establishment and sympathetic to the aspirations of the people of pre-independent Bangladesh. During the liberation war period a new class of NGOs and CSOs emerged supporting the war effort.

In Bangladesh, the NGO/CSO collective is the third state in Bangladesh behind politicians and the bureaucracy. The NGO/CSO entities have practically stepped in to fill at least part of the huge gap in the delivery of functions of the state by politicians and the bureaucracy. Available evidence suggests the civil society movement in Bangladesh have had impact on development at micro level, the macro impact was modest. Some institutional and policy issues will influence the direction civil society takes in the future. There is a case for a unified legal framework but one must be careful not to stifle innovation, creativity and experimentation.

Governance, transparency accountability and corruption and related questions surrounding civil society organizations are contentious issues but these need to be faced squarely in the new age. Particular points of interest are openness and representativeness of the governing body, non-representation of staff and beneficiaries, unaccountability in matters of financial management, limited information sharing, rural elite domination of cooperatives, highly political character of trade unions and the alleged crony management structure and operations in general of civil society organizations which limits their oversight role of service delivery. What about participation and democratic decision-making within civil society organizations or cost-effectiveness?

Are civil society organizations more cost-effective than the government or the private sector? How does one differentiate among costs of service delivery, production and trade activities and training activities? It is not only a question of bookkeeping and having numbers available for one to take a look but it also a matter of dealing with single product line and joint product line where apportioning of costs has conceptual and data complications? This is why finance should be available for effective monitoring on inputs and outputs and evaluation of effects and impact of civil society activities on the basis of measurable indicators.

The challenges facing CSOs in Bangladesh are many: (i) mutually suspicious and divisive relationship with the government; (ii) attempted excessive control by the government; (iii) political, administrative and financial repression; (iv) lack of financial independence, (v) foreign aid dependence; (vi) degeneration into contractor status; (vii) limited or no innovation; (viii) poor governance with lack of transparency, accountability and corruption; (ix) internal conflict and tension; (x) autocracy of the top; (xi) mixed quality of staff and personnel; (xii) fraud and lack of professionalism; (xiv) lack of matching skill; (xv) waning idealism; (xvi) unproductive competition and rivalry undermining the quality of services provided; (xvii) slow death of early optimism of alternative to public sector service delivery; (xix) no clear succession plan by the founder philosopher be it Yunus or Abed or Dr. Zafrullah Chowdhury or any other; and (xx) personality cult.

### **Basic education**

The Government adopted National Education Policy 2010 incorporating bold aims and objectives with the rationale to ensure the rights and the opportunities for education for all eradicating all differences. In articulating aims the education policy emphasizes, among others, the need to remove illiteracy, stimulate the intellectual and practical qualities of the learners, foster creative and thinking faculties among the learners, to evolve an education process that is oriented to creativity, practicability and productivity to achieve

advancement in the economic and social fields of the country, ensure skills of high standard to compete globally, emphasize ICT, help students grow up with sound moral character, enable students to acquire skills in vocational education, ensure proper quality of education at each level, build skills to deal with threats from climate change and natural disasters, and to take special measures for the education of backward classes, street children and the physically and mentally challenged. The policy spells out specific aims and strategy for different levels of education. Much attention is given to adult and non-formal education, women's education and all important teacher education. On the other hand, attention is drawn to the importance of English education from early on, vocational and technical education and computer literacy prior to secondary education.

Bangladesh has gained in primary and secondary and female enrolment but dropout rate remained high at over 20% in 2015. Education received 12% of budget allocation in 2014 down from 14% in 2010 (Table 5) but much of it goes to higher education. Net primary enrollment increased from 94.8% in 2010 to 97.7% in 2014. Transition of primary students to secondary level is low. Nonetheless secondary enrolment increased from 43% in 2010 to 50.21% in 2014. Girls now outnumber boys at primary and secondary level. Repeater rate is high but declining, completion rate at secondary level is declining and disparity in enrolment between the rich and poor is widening and increases with level (estimated gap in enrolment is 22% at primary and 90% at secondary level). Learning level is poor. Reflecting quality, teacher/student ratio has been declining at primary level but increasing at secondary level. These inadequacies represent significant waste of resources. Entry into tertiary education is low and dropout rate is much higher among girls. Quality, poverty, inequity, gender discrimination, poor physical facilities, inadequate teacher training and lack of standards plague the educational system of Bangladesh.

<b>Table 5: Basic education indicators for Bangladesh</b>			
<b>Indicators</b>	<b>Sub-indicators</b>	<b>2010 (unless stated otherwise)</b>	<b>2014 (unless stated otherwise)</b>
Indicators of Participation	a) Primary Gross Enrolment Rate	107.7%	108.4%
	b) Primary Net Enrolment Rate	94.8%	97.7%
	c) Secondary Gross Enrolment Rate	47.34%	55.84%
	d) Secondary Net Enrolment Rate	43%	50.21%
Indicators of Internal Efficiency	a) Primary Repetition Rate	12.6%	6.4%
	b) Primary Dropout Rate	39.8%	20.9%
	c) Primary Survival Rate	67.3%	81%
	d) Primary Student Absenteeism	16%	13.3%
Indicators of Quality	a) Primary Student Teacher Ratio	1:48 (2009)	1:42 (2013)
	b) Secondary Student Teacher Ratio	1:35 (2009)	1:37 (2013)
Indicators of Educational Expenditure	a) Public expenditure on education as % of total expenditure	13.8% (2009)	12.3% (2015)
	b) Public expenditure on education as % of GDP	2% (2009)	2.3% (2015)
<i>Source: Bangladesh Education Statistics-2014, BANBEIS; World Development Indicators</i>			
as adopted from 7th Plan, Chapter 11, Table 11.2.			

Looking forward towards 2040s, the SPPB may wish to look at educational development and policy in a more holistic and inclusive way combining the evolution of the education policy with skill development policy and economic development policy. Herein lies the logic of the emphasis placed on synchronization and balance to create dynamic impulses for balanced skills development in response to economic growth on the one hand, and population growth on the other.

The school age population is an input into the educational facilities which need to be improved and made functionally oriented with a higher level of technology content. Educational outputs in turn are inputs into the skill development facilities producing supplies of different types of skills with complementary technology support. Key considerations for educational development are twofold: economic demand via skill demand and social demand via demand for sound moral character, intellectual and practical qualities, creative and thinking faculties and creativity, practicability and productivity. These are interlinked with skill demand for various trades and civic demand for good citizens and people of high cultural and literary values.

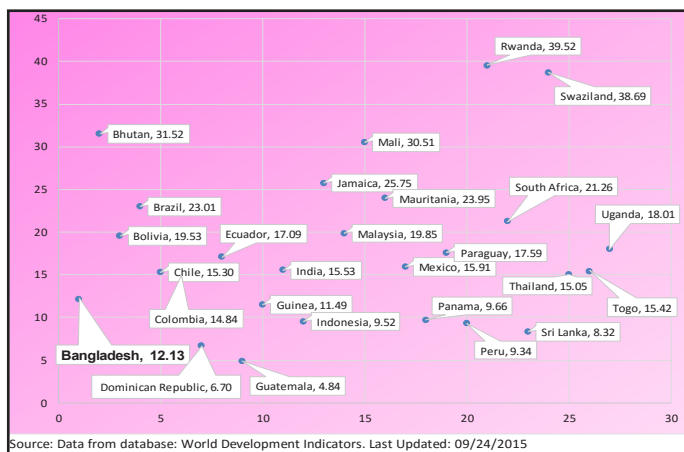
The critical challenge is to align and fine tune educational development with skill development in a flexible way to match strategies for economic growth and development with social aspirations for literate and culturally and religiously sensitive citizenry. One quality emphasized correctly by the current educational policy is tolerance for different ideologies and points of view. This way educational policy and development will constitute the foundation for pluralistic democracy.

The integrated nature of population growth, educational development, skill development and economic growth and development brings out an important issue for the future. The present inequalities of the integrated system will be further entrenched unless the system can be made more open and delinked from initial family resource endowment, educational attainment, social status, political influence and exposure to cultural diversity and openness which determine access to education, especially quality/special/exclusive education in elite institutions which are public, private (mostly), semi-public and semi-private and whose very existence is problematic in the absence of countervailing forces pushing equity and equality.

One serious challenge is the quality of secondary education. Secondary education is the weakest link in the educational system of Bangladesh. Both primary and higher education benefits from significant government patronage, secondary education which is largely community-driven not so though there is resource engagement in partial subventions of teacher salaries as shown by low budget allocation to secondary education in Bangladesh compared with other countries (Figure 35). The quality of secondary level graduates is wanting. Over 90% of secondary students are in non-government schools. The performance of students in SSC from these schools is significantly lower than those from well-resourced government schools. Dhaka does much better than rural Bangladesh. Secondary level provides inputs into higher education and technical education. If secondary output is not up to the mark, then it will be reflected in the output of higher and technical education. Four challenges for secondary education are out of pocket expenses, review and revision of the MPO system, secondary stipends and school autonomy. The SPPB should look into the causes and consequences of weak secondary education link in Bangladesh and define a policy package along with institutional reforms to redress the situation.



**Figure 35: Government expenditure per student, secondary (% of GDP per capita)**



To summarize, Bangladesh has performed well in terms of basic education indicators (primary school enrolment and female enrolment for example) but is haunted by poor quality and dropout problems. Inadequate preparation for participation in a tech savvy, multilingual, multi-skilled and multi-tasked world is the issue.

Investments in capacity building will help achieve targets for 2041: (i) moving from the current virtual non-functioning to well-functioning legislature with diversity of interests represented, (ii) from the current weak judiciary susceptible to political influence and corruption to a strong and independent incorruptible judiciary, (iii) from the current scandal-ridden financial and banking system to a system with focus, integrity and efficiency, (iv) from the current quantity driven but quality deprived educational system to quality over quantity-based education for all, (v) a decisive shift from the current low-skill-low productivity system to higher level skill development by transforming training, TVET and university education as under way through the Ministry of Finance, (vi) from the current weak initiatives for ICT development to the full flowering of the Digital Bangladesh drive paving the way for a SMART Bangladesh (smart cities, smart transport, smart agriculture etc.), and (vii) from the current total absence of a technology upgrading system to an advanced comprehensive system for invention, innovation, adaptation and adoption system for technology compatible with a transforming economy.

Against this backdrop, the institutional Vision 2041 will encompass (i) bold target jettisoning Bangladesh into the space following an accelerated growth trajectory, (ii) bold leadership to initiate and guide the process the whole way, (iii) transparency, accountability and effectiveness in governance, (iv) pluralistic democracy and (v) above all peoples' aspiration.

### **Bangladesh is fortunate.**

Target is already laid out. Bangladesh is to be a developed country by 2041 with a per capita income of \$12,500 which is in line with the World Bank projected threshold.



Bold leadership is in place. The current leadership has embraced a bold development agenda which no one else has done before.

Today's arguably authoritarian "democracy" can easily become pluralistic democracy with tolerance and accommodation and adherence to non-interfering periodic election based on one person one vote principle.

Peoples' aspiration was there, is there and will be there. It has always driven Bangladesh forward making it an envy of the development community.

## **E. Institutions for Transformational Development**

(Capital Accumulation - Human Capital, Physical Capital, and Technological Progress)

### **The Case for Transformational Institutions**

This section will provide the rationale: why a country's political, legal, economic and social institutions will affect progress and will be the catalyst for transformational development towards a developed economy. This is because institutions properly designed and managed shall provide the stimulus for building human capital, physical capital, and technological progress. This section explains how human capital accumulation, physical capital accumulation and technological progress shall impact on growth of Bangladesh and facilitate its transition to a developed society.

The conceptual/theoretical underpinning of capital accumulation and technological progress is derived from the production function approach defining output as a function of land, labor, capital, organization and technology. The latter is the shift parameter allowing outward movement of the production function allowing more to be produced with same or less input because of technology driven productivity increase. IT is an integral part of the technology space and increasingly it is proving to be transformational as the whole world has experienced over past four decades. The productivity enhancing contribution of skill development and technology especially IT is embodied in land, labor, capital and organization (e.g., the delivery of public/government and financial services) and there is also a disembodied component defined as total factor productivity. These considerations of technology, IT, skill development and economic growth interaction are pivotal as Bangladesh strives to be a "digital" country by 2021, an upper middle-income country by 2030 and a developed society by 2041 and provide productive employment to all able bodied individuals willing to and looking for employment. Physical capital accumulation will trigger movement along the original production function; shifts in production function occur only with skill development bringing in productivity boost and technology working as a shift parameter. Transformation of the Bangladesh economy will come through institutional transformation affecting human capital, physical capital and technological progress. Cross-country data supports this thesis.

Cross-country data from 168 countries show statistically significant correlation between GDP per capita 2015 and institutions (proxy by observations on rule of law) (Table 6). Similar significant correlation exists between GDP per capita and physical capital (gross fixed capital formation), GDP per capita and human capital (CPIA building human resources rating (1=low to 6=high), Educational attainment, at least completed upper

secondary, population 25+, total (%) (cumulative) and Educational attainment, at least Bachelor's or equivalent, population 25+, total (%) (cumulative)), and GDP per capita and technological progress (ICT service exports (BoP, current US\$), proxy by mobile cellular subscriptions (per 100 people) and individuals using the Internet (% of population)). These findings are in line with Acemoglu, et.al. (2014). The authors make the important point about the primacy of institutions as explanatory variable of economic development. Following North and Thomas, the authors argue that institutions impact on total factor productivity (TFP) embodying technological progress among others, human capital and physical capital transmitting influence on economic development. In other words, the direct significant correlation between GDP per capita and variables representing physical capital accumulation, human capital and technological progress reported here can only be realized in full in the future towards vision 2041 through an appropriate institutional umbrella that would unleash developmental impulses from the three triggers.

**Table 6: Correlation between GDP per capita and selected human capital and technology variables, 2015**

Variable	Correlation coefficient
Rule of law	0.79
Gross fixed capital formation	0.34
CPIA building human resources rating (1=low to 6=high)	0.38
Educational attainment, at least completed upper secondary, population 25+, total (%) (cumulative)	0.37
Educational attainment, at least Bachelor's or equivalent, population 25+, total (%) (cumulative)	0.74
ICT service exports (BoP, current US\$)	0.52
Mobile cellular subscriptions (per 100 people)	0.35
Individuals using the Internet (% of population)	0.73

All coefficients are significant at 1% level.

Source: World Bank, WDI.

Policy and institutional reforms will have to play a vital catalytic role. These are deep seated game changing reforms which will have its natural enemies whose perceived interest may be hurt. Prompt legislative actions will be crucial but this cannot be guaranteed without well-functioning legislature in which voices of the position and opposition are equally heard and respected and accommodated. This implies a smoothly functioning participatory democracy. At the same time an impartial, honest, independent and separate judiciary must be functioning to consolidate legal foundation and adjudicate conflicts. Fundamental reforms of economic and social institutions will lay the foundation for physical and human capital accumulation and technological progress. Financial (fiscal and monetary), banking, trade and capital market reforms combined with market liberalization measures, incentive and legal and regulatory framework and internal and external security shall pave the way for physical capital accumulation. Bangladeshi investors will not be seeking refuge in Gambia to invest money nor will they take money out of the country through illegal means because there will be plenty of opportunity for productive and profitable investments in a secure Bangladesh without fear or favor of anyone except market operators. This scenario

will be further emboldened and enhanced by structural reforms of the educational system under the 2010 education policy and government's new and strong emphasis on skill and technology development. The Skill for Employment Investment Program, strengthening of the TVET program, the digital Bangladesh drive and IT parks development initiative are moves in the right direction to expand the human resources and technology base. Non-governmental and community based organizations will bring in new ideas, make accumulation and technological progress more inclusive and effective establishing links with the real problems of the real people.

### Physical Capital Accumulation

Physical capital is the capital stock in production function comprising machinery, building, computers and the like. Combined with land and labor and pushed by technology it contributes to production and growth. Capital has life and it is not used up completely in one production cycle though it depreciates at a given rate with time and use. Provision has to be made for replacement of capital through depreciation allowance and for new capital through investment.

Institutions that encourage investment in physical capital and R&D are: Property rights, honest government, political stability, a dependable legal system, competitive open markets, commercial settings that help innovators to connect with capitalists, intellectual property rights, a high-quality education system, a commercial setting that helps innovators connect with capitalists, financial backers, venture capitalists, culture that supports entrepreneurs as the US, patents and intellectual property rights, institutional subsidy for new ideas, innovations, inventions and prototype and early cycle production and government tax break for R & D investment.

Cross-country correlation of gross fixed capital formation and selected institutional variables (Table 7) highlight the importance of the following (highly significant correlation): Governance effectiveness; Rule of law; Economic freedom; Corruption perception; Global competitiveness; Democracy; Ease of doing business; and Freedom.

What the above implies, institutions protecting rights, freedom, market, innovation and business environment are critical for longer-term transformational investments in physical capital accumulation. As indicated above capital accumulation will be influenced by technology, in turn technology will influence capital and the two together will determine the rate and structure of growth over the longer-term. Bangladesh will have to invest in both capital and technology in order for capital-technology-capital dynamics work out fully through productivity growth to trigger accelerated economic growth on the path to a developed country (Figure 36).

**Table 7: Correlation between gross fixed capital formation and selected institutional indicators**

Indicators	Gross fixed capital formation 2015
Governance effectiveness 2015	0.34**
CPIA economic management cluster average (1=low to 6=high) 2015	0.15
Rule of law	0.35**
Index of economic freedom (on a scale of 0 to 100 free 100-80, mostly free 79.9-70, moderately free 69.9-60, mostly unfree 59.9-50, repressed 49.9-0) 2017	0.28**
Corruption Perceptions Index (100 is very clean and 0 is highly corrupt) 2016	0.32**
Global rights index (Rating 5+ = No guarantee of rights; Rating 5 = No guarantee of rights; Rating 4 = Systematic violation of rights; Rating 3 = Regular violation of rights; Rating 2 = Repeated violations of rights; and Rating 1 = No regular violations of rights. 2017	-0.08
Global competitiveness score (1-7) 2016	0.40**
Democracy index (Scores 0 to 10; 8 ≤ s ≤ 10 is full democracy; 6 ≤ s < 8 is flawed democracy; 4 ≤ s < 6 is hybrid regimes; and 0 ≤ s < 4 is authoritarian regimes) 2016	0.29**
Global peace index score on a scale of 1-5 (out of 163 countries) 2017	-0.07
World Bank ease of doing business ranks (out of 190 countries) 2017	-0.34**
Social institutions and gender index (SiGi) score 2014	-0.15
Global Freedom score 2017	0.27*

\*significant at 5% level      \*\*significant at 1% level

**Source:** World Bank database.

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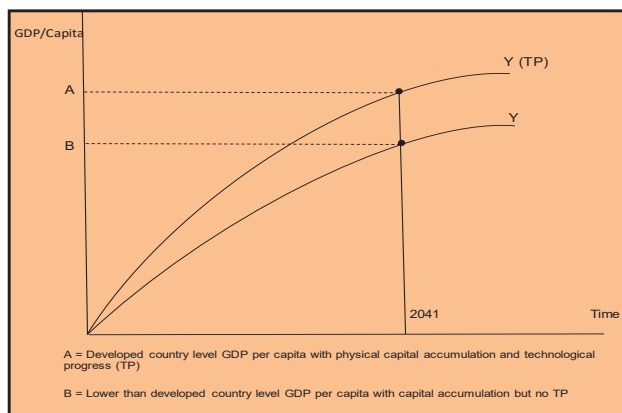
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**Figure 36: Bangladesh 2041 – Path to a developed country with physical capital accumulation and technological progress**

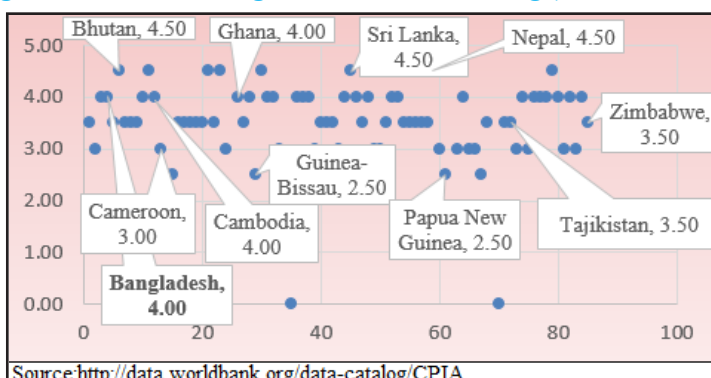


Source: Author

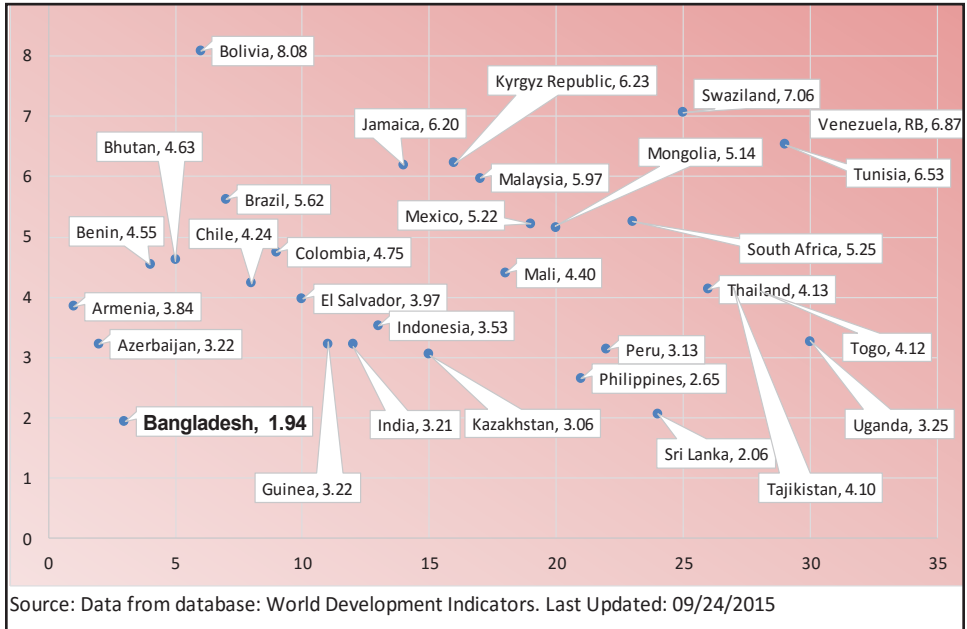
### Human Capital Development

Bangladesh performs above average in CPIA building human resources rating which is a good proxy for human capital accumulation (Figure 37). However, Bangladesh lags behind comparator countries in terms of educational expenditure as % of GDP (Figure 38). There is scope for improvement especially in the quality of human capital directly linked to productivity and institutional efficacy. The vast pool of 55 million or so labor pool of Bangladesh is a potent force to reckon with but without skill as it mostly ends up being a whimper. Nevertheless, the combination of demographic dividend and aspiration embodied in labor force some of the disadvantages of lack of skill can be neutralized but not enough to sustain double digit growth rate necessary over a spell (late 1920s and early 1930s) to have \$12,500 per capita income by 2041. Bangladesh needs basic skills, upgraded basic skills, executive skill (mid and upper level managers and supervisors), policy analysts and higher level industry-oriented IT skills

**Figure 37: CPIA building human resources rating (1=low to 6=high)**



**Figure 38: Government expenditure on education, total (as % of GDP)**



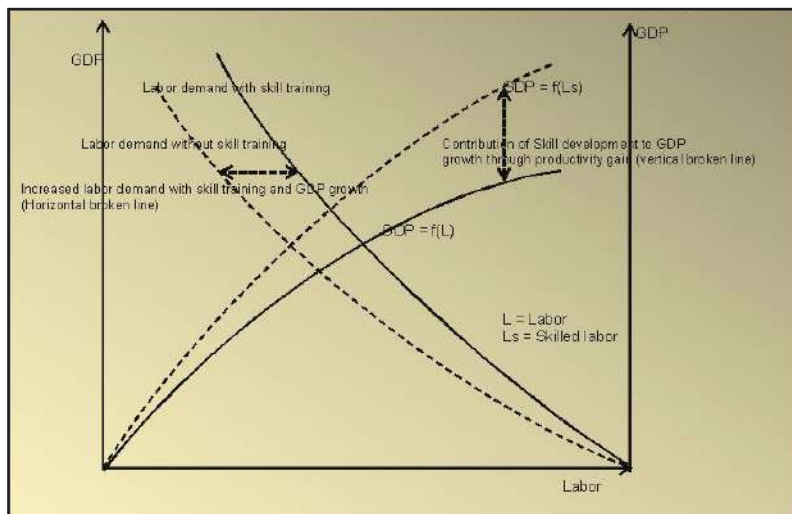
## Skill development

The challenge is annual addition of 2 million plus labor is difficult to absorb in the absence of appropriate training and skill development; low skill pervades the entire labor force causing low productivity; training and skill development facilities are inadequate and poorly equipped; competency based training is missing; and skill mix of overseas workers is unfavorable to raising average earnings/remittances to the level of other Asian countries like India, Pakistan and Sri Lanka.

Looking ahead, labor force demand will be influenced by overall and sector growth rates. Skill demand will be determined by economic growth, transformation and structural change. Growth will bring about change in scale. Transformation will introduce new technology, management and market links. With structural change, the economy will gradually move away from the agriculture sector though it will continue to support a significant share of total population and employment. Structural change will favor manufacturing and services. Already services sector has increased its share in total GDP over the past two decades. Starting from a relatively low base manufacturing sector has emerged as important source of growth and employment. One shining example is the garment sector which has not only multiplied employment it has also been responsible for significant social change through increased female labor force participation. Age at marriage has increased reducing fertility further. Close to two million women earn a living from the garment industry directly and indirectly. This surge in employment has also triggered significant rural urban migration benefitting primarily young women. The village home has lost unpaid labor but gained a salaried member with regular remittances. More young women want to gain access to skill training and join productive labor force. As a next logical step many of these women

have found way to move abroad as migrant labor. Available data suggest increasing share of women among overseas workers. In the past only few women went abroad in search of employment. This is rapidly changing as women now account for about a tenth of total overseas workers.<sup>3</sup> This trend will continue. Skill composition of both domestic and overseas workers will shift towards relatively higher skill category which will raise average productivity and remuneration. The bulk of incremental labor demand will come from growth industries, export oriented industries and labor intensive industries. Growth-skill nexus is indeed vital for Bangladesh (Figure 39).

**Figure 39: GDP Growth and skill development**



Source: Author

As with the economic structure, labor force distribution is moving towards manufacturing and services. Projected structural transformation of the economy and labor force implies growth of employment faster than labor force. Much of the new labor and labor displaced from agriculture will be absorbed in manufacturing and services sectors. Policy and institutional reforms must be in place to raise investment and profitability in order to sustain growth of higher productivity jobs at a pace exceeding the supply of labor. As indicated above, labor productivity is low in Bangladesh. The centrality of policy and institutional reforms affecting skill development and job placement domestically and abroad is well understood. Both public and private sector must work hand in hand to raise labor productivity for economic growth and poverty reduction. A structured training system must be in place. A well-functioning and integrated labor market demonstrating stronger link between wages and productivity and ease of labor mobility is another important precondition. The current labor market data shows close correlation between averages wages and productivity.<sup>4</sup> However labor market remains fragmented with some barriers to labor mobility. Transfer cost of labor from one sector to another domestically or from domestic market to foreign market is high.

3 Bureau of Manpower, Employment and Training website: <http://www.bmet.gov.bd/BMET/statisticalDataAction> accessed 10 February 2013.

4 Ahmed, Sadiq (2015)



One of the barriers to inter and intra-sector labor mobility is lack of training and skill upgrading facilities. Both public and private costs (direct and indirect) are relatively high. Development and implementation of a training and skill development system is a complex undertaking as it involves multiple stakeholders and has to be conceptualized within a longer time horizon. Besides training and skill development has to be linked with the educational system of the country as the latter provides input into the training and skill development system.

Designing a training and skill upgrading system has to start with needs assessment and target setting.

- Skill development is about assisting Bangladesh realize its potential to move beyond the middle income trajectory of Vision 2021 and become a developed country by 2041 creating large demand for diverse set of skills.
- Growth of productivity and income will have to come primarily from investment in Skill which is a binding constraint linked to limitations of capacity and quality assurance.
- Skill competency will have to be anchored in a literate and technology savvy population and a well-articulated skill development strategy consistent with growth and structural change.
- Both public as well as private sector will have to work together to mobilize necessary financial resources for skill training ensuring balanced supply of required quantity and quality for growth, export oriented and labor intensive sectors.
- Reform agenda should encompass the education policy, skill development and labor market policy, capacity creation, quality assurance, and broader and deeper private sector participation in skill development.
- Institution building/strengthening will have to go hand in hand to support the reform agenda.
- A strong project implementation arrangement needs to be put in place for synchronization, coordination and sequencing.

Strategies also need to be articulated and implemented for (a) basic education and skill development and (b) TVET. The latter will be covering both demands as well as supply management strategies. Critical strategic elements for consideration are (i) undertaking an in-depth diagnostic study, (ii) identifying champions and catalytic agents through a network of institutions, (iii) designing process oriented multi-pronged, multi-staged interventions, (iv) developing actual innovative programs for skill development as business ventures, and (v) making skill training system open, flexible and modular-based where feasible, effective, standardized and efficient, inclusive and transparent and free of corruption. The Government has already taken a giant step which needs to be built upon for Vision 2041.

Building on the approved NSDP, the Government's 10-year road map for skill development envisages establishing a new authority and a National Human Resource Development Fund (NHRDF) initially in the Ministry of Finance (MOF) by 2015. This trajectory will require sustainable sources of financing which may include support from the industry, government, users and external sources. In addition, a number of demand management and supply



management strategies will have to be adopted and implemented in order to avoid demand-supply mismatch. Demand management would call for careful analysis of growth sectors, skill demand, demand side financing (for example, vouchers, stipends) and constraints (for example, removing barriers to entry, and granting delegation of powers) as well as wage/price flexibility and access to finance. On the other hand, important supply management strategies include investment in training capacity, private sector incentive and access to TVET institutional facilities which are underutilized and promotion of apprenticeship and workplace-based training.

In keeping with the overall and sectoral growth targets of the SPPB, the skill development strategy has been formulated to respond to increase in demand for various types of skills during the plan period and beyond. Given total population, school age population, the number of graduates from different levels, the transformation of graduates into skills and labor force participation rate linkages, a longer term programmatic approach to skill development keeping in view the need to eliminate skill specific demand supply mismatch that has afflicted the job market in Bangladesh. The low level of skill and productivity of the Bangladeshi labor is endemic given that labor force survey data indicated that more than 60% of the labor force has either no education (40%) or up to primary education (22.8%).

With the approval of the National Education Policy and the NSDP, the government has embarked on major education and training reforms. The National Education Policy emphasizes the overall importance of education and training, while the NSDP reinforces the importance of skills development and opens up the sector for major policy and institutional reforms including substantial involvement of the private sector. Further opportunities have been opened up by the young age population from which could be reaping the population dividend making investments in much higher quality schooling combined with at least a four-fold increase or more in skilling and/or up-skilling of the labor force, which is expected to increase from 53.5 million in 2010 to 82.8 million in 2025, 96.2 million in 2030 and an estimated 126.8 million in 2041.

To accelerate economic growth from the current 7% to 9% and above, the government must address the skills shortage—one of the key binding constraints. Skills development requires a two-pronged approach. First, it must be anchored in foundational skills that come from high-quality schooling combined with relevant vocational and technical skills to capitalize on the demographic dividend. Second, it requires scaling up skills training by four to eight times the current annual training capacity.

Bangladesh needs to invest heavily in human development, particularly in schooling and skills development. Currently, only 500,000 receive skills training annually against the actual industry need of at least 2 million. Similarly, the total expenditure in skills development is estimated at around \$150 million per year against the need to invest about \$600 million; these numbers will grow as the labor force increases by 40% by 2025. Industry leaders need to and indications are they are willing to participate actively in skilling the work force in priority sectors to exploit the full potential of growth opportunities.

With donor support, the government has embarked upon a Skill for Employment Investment Program (SEIP) that will support its reforms in skills development, anchored

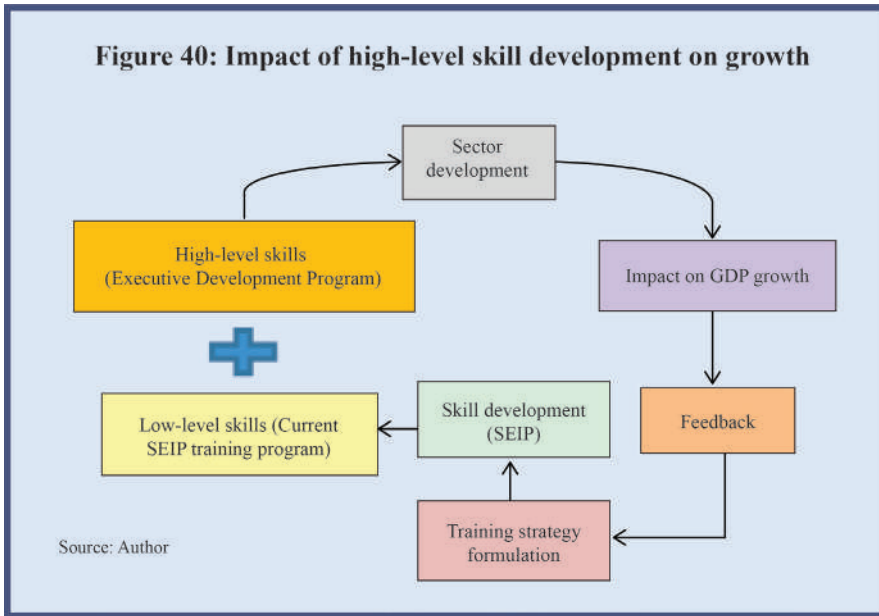
in the National Skills Development Policy (NSDP), 2011. Under overall supervision of the Ministry of Finance the program will support large-scale private sector involvement and promote public–private partnership, which is critical to meet existing and future labor market needs and to reduce the skills gap. This in turn is crucial for Bangladesh to move away from the “low-skill, low-wage equilibrium” to a “higher skill, higher wage virtuous cycle” to become a middle-income country. The investment program will help the government to scale-up skilling of new entrants and up-skilling of existing workers to contribute to higher growth of priority sectors as well as to cater the emerging demands in overseas job markets. It will also strengthen skills development in Bangladesh and support transition to a sector-wide approach (SWAp) by establishing a unified funding system and enhancing overall coordination of the currently fragmented system. It will also establish twinning arrangements with world class organization and institutions for international recognition of skills training. The program is fully aligned with the Perspective Plan, 6th and the 7th Five Year Plan.

The market responsive inclusive skills training program has engaged public training institutions of three ministries, industry associations, PKSF, and Bangladesh Bank Small and Medium Enterprise Department to train about 260,000 people in the first phase in six priority sectors, with an average job placement of 70% targeting among others, people from disadvantaged groups including people with disabilities and women. In three phases the ten-year program will train about 1.5 million people in 15 priority sectors strengthening along the way the training institutions’ quality assurance and assessment system. All skill development activities will be coordinated under a National Skill Development Authority (NSDA) with additional and uninterrupted finance to be mobilized and disbursed through a National Human Resources Development Fund (NHRDF). The program needs to be scaled up and continued to respond to the requirements of Vision 2041.

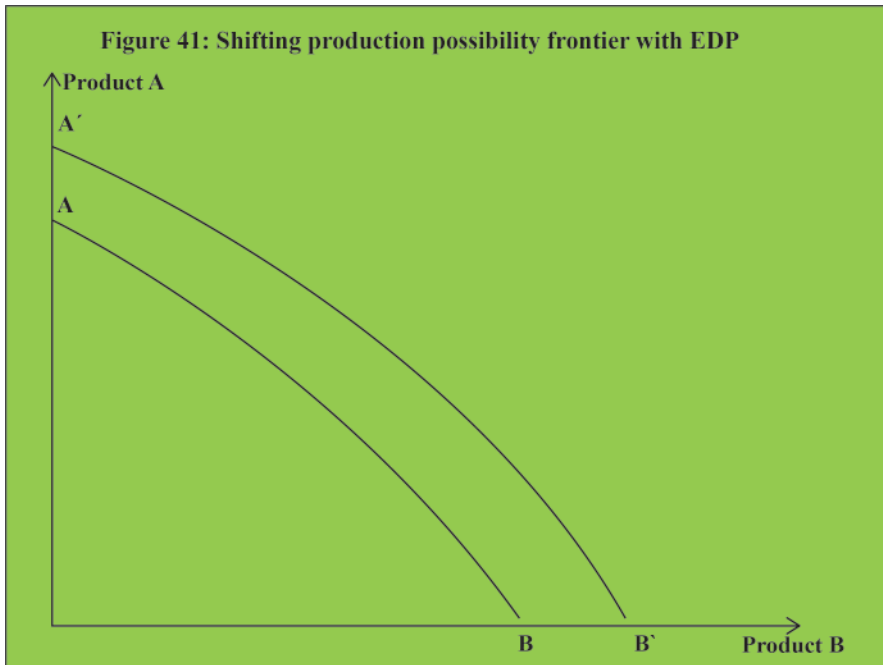
### **Executive Development Program (EDP)**

Bangladesh needs high level manpower to reach its target of achieving developed country status by 2041 after attaining upper middle income status well before 2030. It is already a lower middle income country. The path to the future is higher investment to GDP ratio along with policy and institutional reforms to overcome skill constraint underpinning greater diversification and higher growth. Skill level has to be raised at lower end of the scale but more important is to relieve acute shortage of mid and higher level supervisors, managers and executives. Higher level skills development will leverage on productivity increase at lower skill levels to produce accelerated growth of GDP through improvement of production efficiency and resource conservation (Figures 40 and 41). An executive development program (EDP) will have profound impact on production efficiency which will shift the production possibility frontier (PPF) outward. The important point to realize is that this may occur even without any incremental input/raw material.

**Figure 40: Impact of high-level skill development on growth**



**Figure 41: Shifting production possibility frontier with EDP**

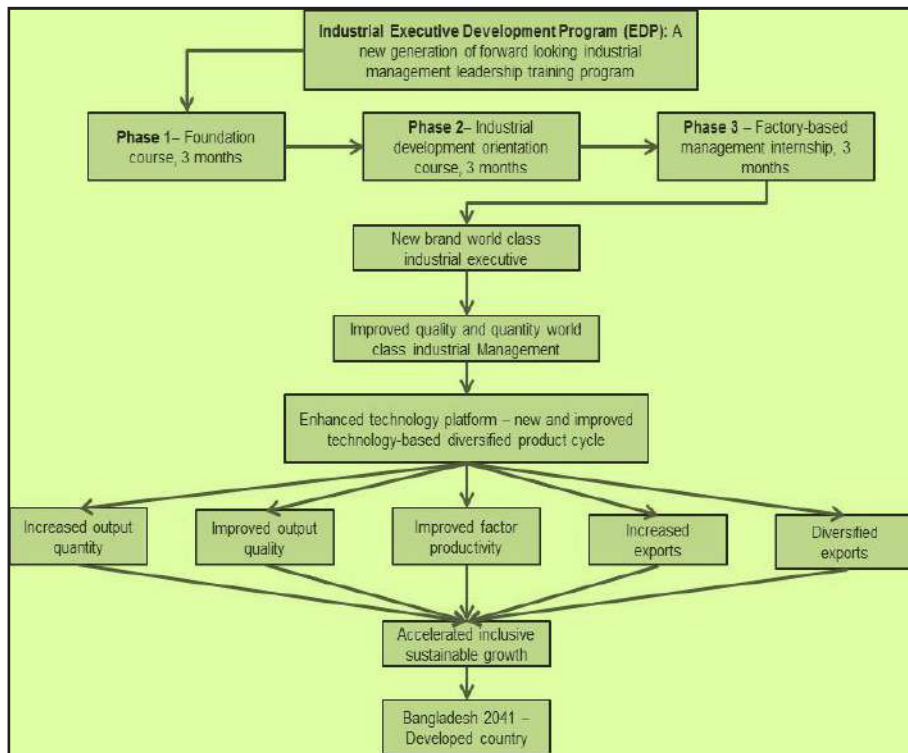


Source: Author

**Note:** New world class industrial management cadre trained under the executive development program (EDP) helping to shift PPF outward through improved efficiency and effectiveness in the use of production inputs and taking the production process to a higher technology level

SEIP training has largely covered Levels 1 – 4 of the National Technical and Vocational Education Framework (NTVQF). The missing link is in training of Levels 5 and 6 workers, supervisors and mid-level managers, high level managers and entrepreneurs. This gap is being partly filled 200,000 foreign workers who reportedly remit approximately \$5 billion annually. The Government is now turning attention to fill this gap at the industry level by designing and implementing an Industrial Executive Development Program (EDP) for selected university graduates and industrial workers to be transformed into world class supervisors and mid-level managers, high level managers and entrepreneurs. Four industries are being targeted, namely, ready-made garments (RMG), leather, textiles and knitwear. The Government will collaborate with four universities: Dhaka University Institute of Business Administration (IBA DU), East West University (EWU), BRAC University (BRACU) and Bangladesh University of Textiles (BUTEX) are working with SEIP management and designated industries to develop course modules for EDP. The Dhaka University is working with RMG, East West with leather, and BRACU with knitwear and BUTEX with textiles. On the basis of experience accumulated with application of the framework approach (Figure 42), the current four-university EDP can be expanded to meet the requirements of Vision 2041 taking advantage of the fact that Bangladesh is well endowed with advanced public and private universities. According to the University Grants Commission (UGC) there are 37 publics and 92 private universities in Bangladesh. More are in the pipeline.

**Figure 42: Approach to the development of new world class industrial leadership**

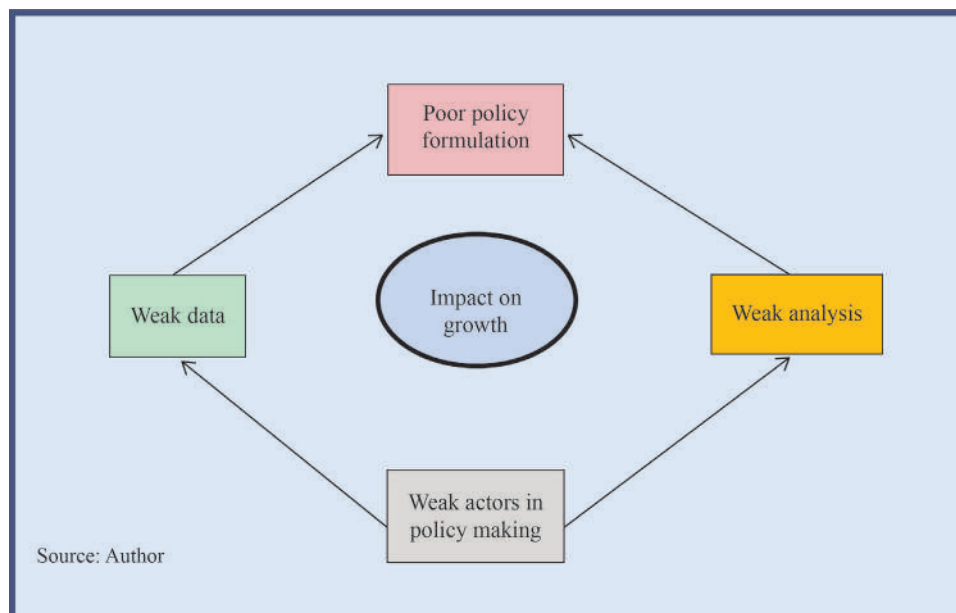


Source: Author

## Policy analysis training

Another serious skill gap is in policy analysis. Policy analysis is the foundation for informed decision making which is critical for achieving Vision 2041. Strategies will have to be formulated and implemented on the basis of sound policy agenda reflecting aspirations and consensus of all stakeholders. Much of the credit for impressive social and economic performance of Bangladesh can be traced to prudent macroeconomic and bold social policies, many owing to sound policy analysis as embodied in budget and planning documents. However, gaps, inadequacies and inconsistencies remain which need to be corrected. Such shortcomings can be attributed to (a) lack of data and information, (b) inadequate knowledge of technique of analysis, (c) lack of clear definition of the problem and identification of goals, (d) poor command over the scope of the subject under review, (e) insufficient knowledge of the historical context of the policy, (f) lack of longer term vision, (g) inadequate understanding of the political context of policy, (h) lack of knowledge of stakeholders and a framework for stakeholder consultation, (i) absence of framework of analysis, (j) weak networking, (k) difficulty in consensus building, (l) lack of knowledge and understanding of effects and impact of policy, (m) lack of knowledge of optimal implementation arrangement, (n) weak monitoring of implementation, and (o) lack of framework of analysis. The result is adverse impact on growth (Figure 43). With sound policy analysis growth performance would be better.

**Figure 43: The Problem: policy formulation and growth**



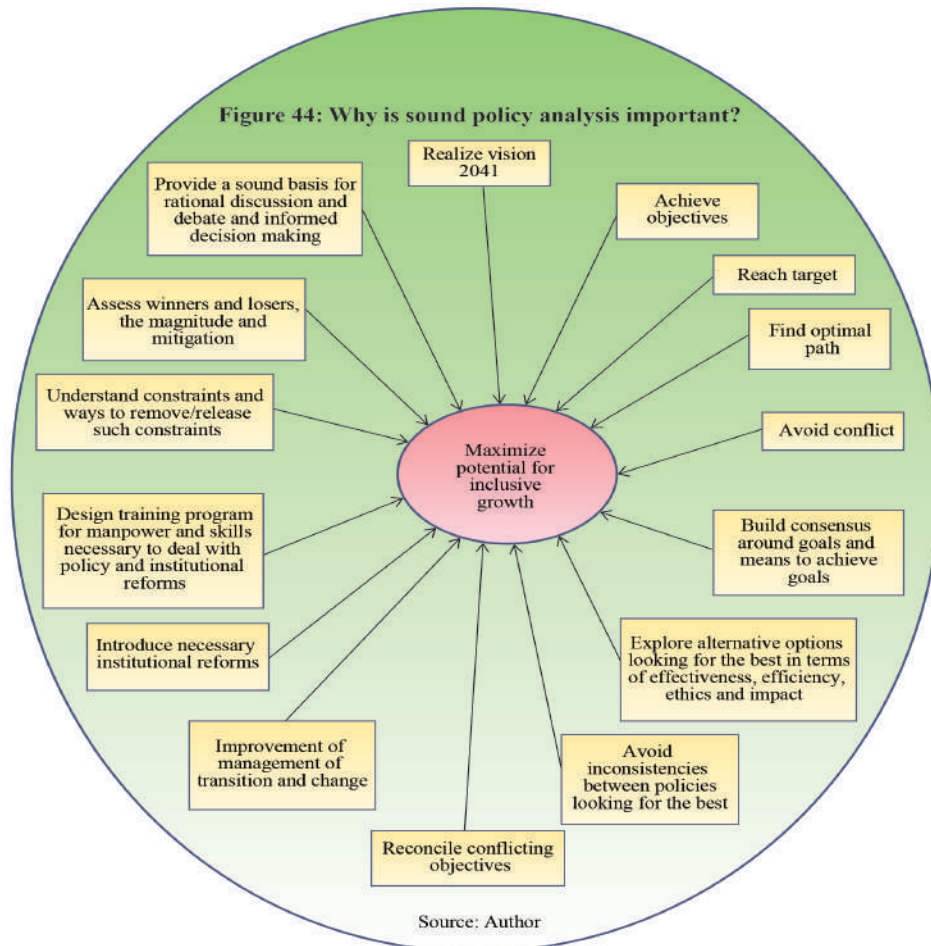
Policy analysis involves inventory of problems, prioritizing problems, selecting the most urgent at the moment, searching for alternative solutions, evaluating alternatives on the basis of agreed criteria and consultation with clients about potential candidate choice, preparation of position paper, feedback from client, final position paper, and decision

on policy with time horizon for implementation and arrangements for monitoring and evaluation. The decision makers will use the information and analysis available to draft and adopt a policy (Land Policy) and/or draft and enact a law (Land Law).

Policy analysis includes the following characteristics: intervention or non-intervention, regulation or deregulation, open door or closed door policy, new barriers or removal of barriers, more transparency or less, distribution or concentration, decentralization or centralization, reform or retrogression, forward looking or static, radical or incremental, market friendly or otherwise, trade friendly or otherwise, growth only or inclusive growth and many others.

Policy analysis has an analytic phase and a political phase. Sound and rigorous policy analysis based on reliable data has to be vetted politically and has to remain politically feasible. Otherwise, policy will not work. In other words, clearly articulated policy alternatives have to be offered to decision makers for a political choice. Professional policy analysts consider among others cost and consequences in choosing alternatives. Political leaders apply judgment, political environment, political fallout, political wisdom and transparency and accountability. From start to finish of policy analysis many decisions are involved. What is needed? A new policy? Reform of the existing policy? Revision of the existing policy? Change of scope of the existing policy? An amendment or two of the existing policy? A complementary policy? Elaboration of the existing policy to ease implementation? What kind of action plan is required for the implementation phase? These and many other relevant questions have to be soberly pondered over before making moves.

Policy analysis is important because it maximizes the potential for inclusive growth (Figure 44). Public policy affects nearly all aspects of life irrespective of the level at which policy decisions are taken. Political and business leaders alike trigger sound policy analysis with the firm belief that it will lead to actions contributing to growth of income, wages and profit. Policy makers and business leaders are always confronted with constraints and problems as they pursue growth and/or political objectives. They seek the most cost effective solutions with minimum or no damage to the client base. Their concerns arise from market signal and public discussion and debate. Both market and people place demand on leaders to come up with policies that would alleviate difficulties arising from a particular constellation of factors. Policy analysis will find the optimal path to realize vision and mission 2041, achieve objectives and reach set targets. Using the SEIP platform the Government has initiated a training program on policy analysis for executives at the Bangladesh Institute for Governance and Management (BIGM) which is intended to be a sound learning experience empowering participants to formulate, apply and evaluate policies. The learning module comprises basic disciplines and sector specialization. Formulation involves studying the field and policy case studies. Application and evaluation follows. For Vision 2041 this policy analysis training program should be expanded at BIGM and in leading partner universities.



## Technology

### Technology platform

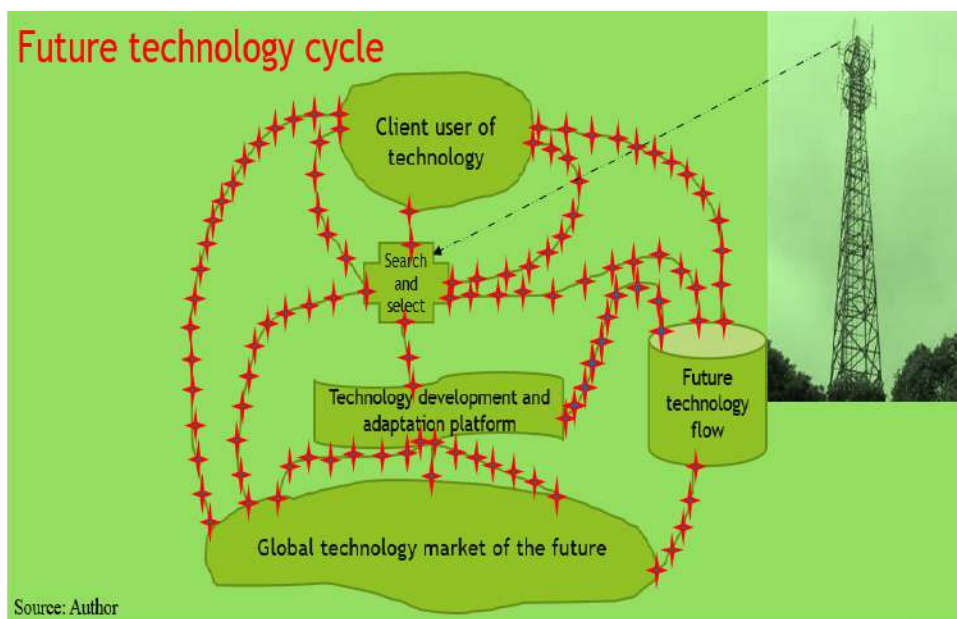
Technology will play a pivotal role in transforming the Bangladesh economy for moving along the accelerated growth trajectory towards achieving Vision 2041. There is a big gap in Bangladesh’s quest for new technology to raise factor productivity. Bangladesh has an advantage as a latecomer. While Bangladesh will indeed contribute by adding to new knowledge through research and development, it can do technology leap frogging by scanning the technology space to choose among possibilities and adopt and/or adapt. Bangladesh should consider creating a virtual platform jointly under the Ministry of Science and Technology and the private sector to develop, adapt or adopt and implement technology of the future (Figure 44). Bangladesh will have to join and be an integral part of the global technology value chain. Bangladesh cannot continue to live in the past. It has to directly deal with the global technology market of the future as an active player.



Through its own technology development and adaptation platform Bangladesh will add to the supply of technology in the global market and at the same time driven by its production, consumption, investment and trade needs Bangladesh will create demand for technologies for which it will apply a search and select instrument creating future technology flow for client user of technology. The challenge is how to create an environment for free flow of technologies through development adoption and adaptation. There are barriers – patent, finance, skill, motivation, relevance, information, universities, IT and others which have to be dealt with.

**Figure 45: Develop, adapt and implement technology of the future**

(Create a virtual platform jointly under the Ministry of Science and Technology and the private sector)



**Advanced Universities for science and technology**

High quality human capital is an important factor in the production function to transform Bangladesh into knowledge-driven economy with innovation. Bangladesh’s aspiration to move from lower middle income country (LMIC) in 2015 to an upper middle income (UMIC) country by 2030 and a developed country by 2041 will be one of the fastest transition in recorded history.

This is a challenge but an attainable one. The growth engine needs to be diversified into more productive sectors to make the most use of demographic dividend – 2 million youth flowing into labor market every year. Innovation will have to play a crucial role to avoid middle income trap, and IT and other advanced technologies could become a breakthrough.

Government has invested and continues to invest in basic education. The yawning gap in the quality of secondary graduates has been acknowledged. For UMIC and developed



country transition gap is deeper in high quality science and technology graduates, research and development and exploration of new ideas geared towards innovation, invention and experimentation. Bangladesh is far behind India, Korea, China, Malaysia and developed countries in terms of high-level advanced Universities in science and technology.

Bangladesh requires higher education graduates, particularly related to science and technology, to lead the innovation using the advanced technologies. The tertiary level enrollment is still stagnated around 12% in 2014 (only 30% of them are female).

Bangladesh education system needs to be cognizant of the four higher education challenges in Asia<sup>5</sup> to get ahead of the curve.

- Maintaining and improving education quality, even in the face of serious financial constraints.
- Increasing relevance of curriculum and instruction at a time of rapid change in labor market needs.
- Increasing and better utilizing the financial resources available to higher education.
- Balancing the continued expansion of access to higher education with greater attention to equitable access and inclusiveness of higher education systems to support inclusive growth.

Bangladesh has taken measures to strengthen existing higher education system, but more investments are required in the new growth frontiers.

- The government made efforts to improve the quality and relevance of teaching/research environment through innovation and accountability with the support from development partners.
- The Government is keen on expanding the IT sector and IT education by investing in IT parks and supporting Computer Science and Engineering (CSE) Department as well as Institute of Information Technology (IIT) in selected universities in order to nurture skilled graduates.
- The advanced technologies, such as IT, are instruments, and they need to be fully utilized to address the sector issues and challenges to explore the new growth frontiers.<sup>6</sup>

In addition, and more important is to establish/strengthen universities with advanced technologies in a medium and longer-term horizons. The challenge is how to avoid the current of university expansions without resources and quality. The steps are several. Start with Operational advanced universities for science and technology, support technology and innovation in Universities, establishing/strengthen advanced universities specialized

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5 ADB. 2011. Higher Education Across Asia: An Overview of Issues and Strategies. Manila.

6 There are 131 universities as of 2016 (37 public, 2 international, and 92 private universities). There are 6 “engineering and technology” universities in their name (5 public (BUET, CUET, RUET, KUET, DUET) and 1 private (BAUET)). Similarly, there are 25 “science and technology” universities (including business technology universities) (9 public, 1 international, 15 private), 5 “agricultural” universities (3 public, 2 private), 1 “textile” public university and 1 “maritime” public university.

<https://agileelements.wordpress.com/2008/10/29/what-is-a-center-of-excellence/>

in i) IT, ii) high tech agriculture, iii) marine, iv) textile and v) leather over the medium term and establish institutions of higher learning and research in the mold of IIT in India in all divisions over the longer term. Furthermore, attention has to be given to the establishment of Centers of Excellence (CoEs) in all trades with potential domestic and export expansion.

### Centers of Excellence (CoE)

An outstanding idea whose time has come and many existing bodies are clearly ready for the transition with SEIP support. Recall according to Wikipedia, "A center of excellence refers to a team, a shared facility or an entity that provides leadership, best practices, research, support and/or training for a focus area." The concept works well with a focus on a particular area. Hence the definition from website Agile Elements, "a Center of Excellence (CoE) should, at a most basic level consist of: A team of people that promote collaboration and using best practices around a specific focus area to drive business or customer-valued results."<sup>7</sup> CoEs should provide support (subject matter experts), guidance (standards and methodologies), shared learning (training and certification), measurements (output) and governance (resource allocation and coordination). One may consider going one step beyond and think of establishing Center of Innovation and Development (CFID). SEIP proposes to establish 30 centers of excellence. Following the discussion presented above, CoEs should be at the cutting edge of development in at least four areas: technical expertise, training, innovation and institution. Technical expertise is needed for the development of standards and for service delivery. Training is shared learning with focus on level, methodology, content, job link, job performance, job mobility and wages and productivity. Innovation will be concerned with linkages, product and process development, and technology and skill transfer. Finally, institution will deal with people, governance, development and output measurement.

CoEs would have to be devised separately for each sector. One blue print will not serve all because while all may follow the module discussed here as the starting point different CoEs will differ in details. One can draw lesson from the framework for a CoE for a hypothetical sector. It is a working model ready to go. The purpose of CoE can be generalized as follows:

- Provision of advanced technology facility for demonstration of productivity benefits to the sector
- Development and higher end training of skilled manpower
- Providing a platform for research and development for new technology development and technology transfer
- Undertaking low-cost automation and other industrial consultancy projects for upgrading of existing industry
- Supporting incubation of new business as there is good prospects for nurturing entrepreneurship
- Providing common service center for testing, calibration and others as needed
- Supporting repair and maintenance of equipment
- Demonstrating and creating models of IT implementation in the sector

The Government could provide a wide range of support to CoEs but such support would have to be carefully tailored to need. The Government has to work with industry associations and limit its support to facilities and equipment.

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<sup>7</sup> <https://agileelements.wordpress.com/2008/10/29/what-is-a-center-of-excellence/>

## IT - Core of IT Parks

The role of the ICT sector in expanding economic opportunity is not contested anymore. An important impetus for economic growth in modern times, the IT industry has greatly promoted sustainable development and is profoundly changing mankind's way of life and production. It works through business models, human capital and institutions. A number of events of the recent past has change the game playing field: technological progress, deregulation, private sector participation, declining costs, scope expansion of the ICT sector to hardware, software, internet and the like, productivity gain, and networking across time and space. ICT contributes to growth through productivity gain, reduced transaction cost, reduced travel, increased choices in the market place, market expansion, connectivity, improved access to information and faster delivery of services. Individuals gain from enhanced opportunity, networking, job search, financial planning and decision-making. They also benefit from removal of obstacles like geographical isolation, lack of competition and high prices, legal exclusion and information flow (Kramer et.al. 2007). ICT development is part of core development policies of Bangladesh but it requires sound government policies, infrastructure investments and manpower. Bangladesh will benefit from ICT led innovation, invention, technology finds, global networking, financial access, business facilitation, institutional development like e-government and productivity gain. The IT development framework for Bangladesh has to start with IT Parks development vision.

## IT Parks development vision

University upgrading and the proposed training academy concept provides a meaningful entry point for the future IT vision for Bangladesh linked to the longer term development perspective. There is great potential for IT application in IT and related industries in Bangladesh but one must recognize, as do many observers of the Bangladesh scene that the binding constraint is IT skills confirming what comes out clearly from dialogue with industry representatives. A critical path analysis would suggest sequential and synchronized investments in primary, secondary, university and higher level technical education along with IT infrastructure and specialized training facility as an integral part of IT Parks at Kaliakoir, Jessore and Purbachal for now and others in the future. The future of IT industry has to be anchored in two elements: upgraded IT education at selected universities to produce job-ready IT graduates and a state of the art IT Academy to produce highly skilled work-ready IT professionals who will directly enter into paid positions upon completion of courses.

## Longer Term Perspective

Given rapidly changing technology IT sector development has to be conceptualized within a longer term framework allowing for obsolescence and rapid turnover. Innovation, regeneration and reinvention are the buzzwords to be used in this environment. Physical and intellectual facilities and institutions have to be geared to longer term development of the IT industry itself and the other linked industries that rely on IT applications. In the context of Bangladesh, the government has formulated a digital Bangladesh plan for 2021, Vision 2021 for middle income Bangladesh which has already been attained, Vision 2030 for upper middle income Bangladesh which will probably be achieved well before and

Vision 2041 of a developed country Bangladesh which is a challenge though achievable especially if the IT base is strengthened. The Government supported IT Parks development initiative designed at an appropriate scale (large) will play a crucial role in the realization of the objectives of long term perspective plan of the Government of Bangladesh aiding along the way realization of goals of short term plans. One has to recall what famous Indian economist Ashok Rudra said nearly sixty years back about perspective plan: “The principal feature of a concrete short term plan is what may be termed its horizontal harmony. That is to say, the schemes and targets for the different sectors are such that they do not cause any bottlenecks for each other. On the other hand, the principal feature of an abstract theoretical projection is what may be called its vertical harmony; that is to say, harmony as between the projections for the different points of time. It is obvious that a perspective plan must exhibit both horizontal as well as vertical harmony.” (Rudra, A. 1959). The short and longer term development of the IT sector has to lay the basis for realization of the longer term development vision of Bangladesh. The short term horizontal expansion and longer term vertical projection have to go hand in hand. The two would have to be woven together in combined harmony. The IT Parks development initiative will foster harmony between long and short term development of Bangladesh by using IT industry as amplifier, transformer and propeller of industrialization.

### **Public-private Partnership**

Global best practices suggest IT sector development requires promotion of public-private partnership with strategic public sector investment in support of private sector participation. This is the story of Korea, China, Malaysia, Singapore, and India and to a certain extent even of the United States where the Department of Defense supports research for product and process development. Korea has provided support for IT parks, developed facilitating incentive framework and provided easy financing which have been more than matched by private sector investments. China has provided for agglomeration and integration of industries, skill development, technology parks and tax and financial incentives while other countries have tried the same though to a lesser extent. The most important common denominator is incentive for domestic and foreign private investment. In Korea IT industry development has witnessed intimate public private partnership. This partnership has been the harbinger of independent innovation, market driven approach, open and compatible technologies, integrated and comprehensive applications serving all sectors public and private. In Bangladesh, skill development, more than anything else requires strong public-private partnership. The Government has started the tradition of PPP in skill development. Kaliakoir High-tech Park is an example of PPP.

The article explains the role and future trend of IT industry, and states that information technology represented by the Internet and computers has brought about the third industrial revolution in history. In discussing the development trend of world IT industry, the article suggests that with potential new breakthroughs in information technology, the trend of agglomeration and integration of industries has become increasingly obvious, competition of intellectual properties and standards is intensifying and ubiquitous network is taking shape. It points out that China should bring into better play the role of IT industry as an “amplifier” in economic growth, a “transformer” in development mode and a “propeller” in industrial upgrading. It is important to follow a policy that emphasizes independent

innovation, market-driven approach, open and compatible technologies, integrated and comprehensive applications, and serving both military and civil purposes, so that a quantum leap of IT industry will be achieved. China should advance industrialization with information technologies and promote the IT industry in the course of industrialization in an effort to build an IT industry with Chinese characteristics. Greater efforts should be made to develop such core sectors as microelectronics, computer, software, key components and materials, as well as sectors with international competitiveness, including broadband mobile communication, next-generation network and information services. Continued improvement should be made in policies guiding the development of IT industry with a view to making China a country with a strong IT industry by 2020.

### **IT education and skill development**

The Government's SEIP project is supporting IT education at basic working level. Higher level education and training will be promoted under IT Parks development initiative. Initially, nine upgraded universities and the national training academy which is designed to turn job-ready university trained IT/other graduates into work-ready high level IT skilled worker ready to join IT industries and/or IT-supported/based other industries. In Bangladesh, much progress has been achieved over past four decades in terms of economic growth, employment and exports. However, industries remain narrow in range (textile dominance), limited in scale (few large scale manufacturing industries and IT industry stuck at boutique level) and shallow in depth (limited research and innovation). This background clearly limits how far one can go with IT Parks development and training academy set up in Bangladesh. It is not surprising that SEIP training program notwithstanding large investments is producing lower than mid-level industrial workers with limited impact on overall productivity growth (this hypothesis has to be tested with a well-designed research by a reputed research body like PRI). A separate specialized training program (Executive Development Program – EDP) had to be designed for mid to higher level workers/managers to fill the gap at the top. More so graduates from the IT training programs are finding hard to find job. For many trainees, university IT graduate education plus SEIP training are proving of little help in job search. The proposed training academy under IT Parks project has to learn from SEIP experience. Clearly, SEIP has to revisit its training strategy while IT Parks project has to start on right strategic and policy framework.

### **Policy Issues**

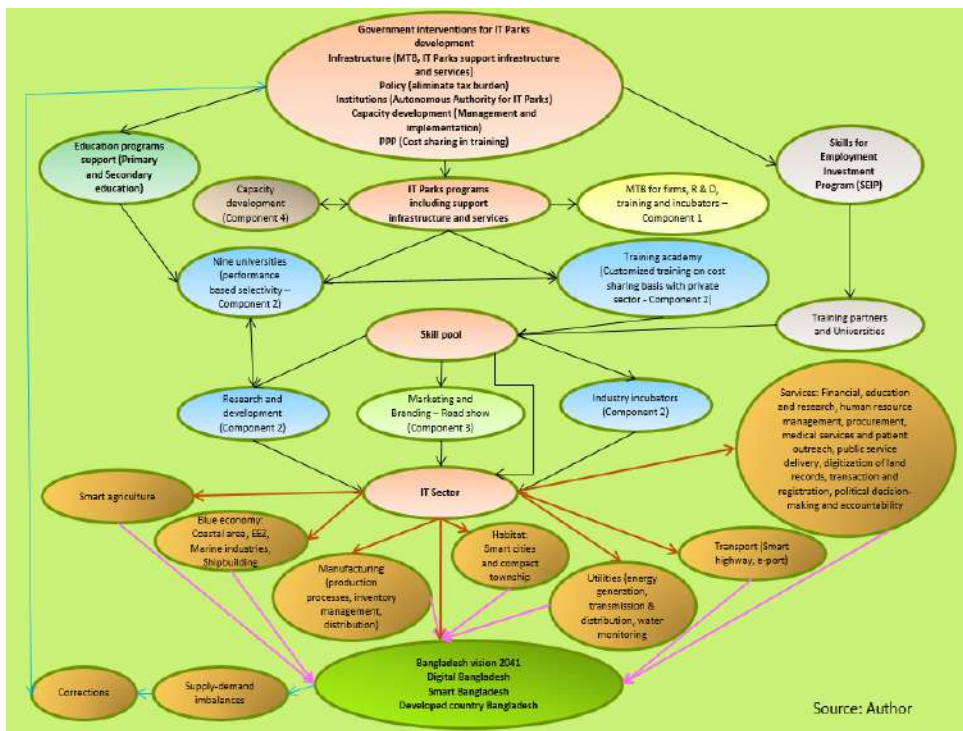
#### **Planning horizon and linkages**

- Longer term (20 – 25 years) and mega project perspective
- Highlighting link to development strategy: Integrated into five-year development plan, medium-term expenditure framework and annual budget cycle as well as longer term perspective plan
- Support for strengthening forward and backward linkages

## Drivers of change

- IT development as driver of inclusive growth, poverty reduction and gender parity
- IT development as growth driver of IT industry as well other sectors using IT applications
- Strategic public sector intervention in support of private sector participation
- Mapping out infrastructure interventions horizontally and vertically for optimal land use
- IT development to meet growing demand in the domestic market for IT services and products as well as exploring potential for exports regionally and internationally
- Maximizing synergy with other linked ADB interventions (education and skill) Development vision
- A new IT Parks and Bangladesh development vision 2041 till the country reaches developed country status (Figure 46)

Figure 46: IT Parks Development and Vision 2041



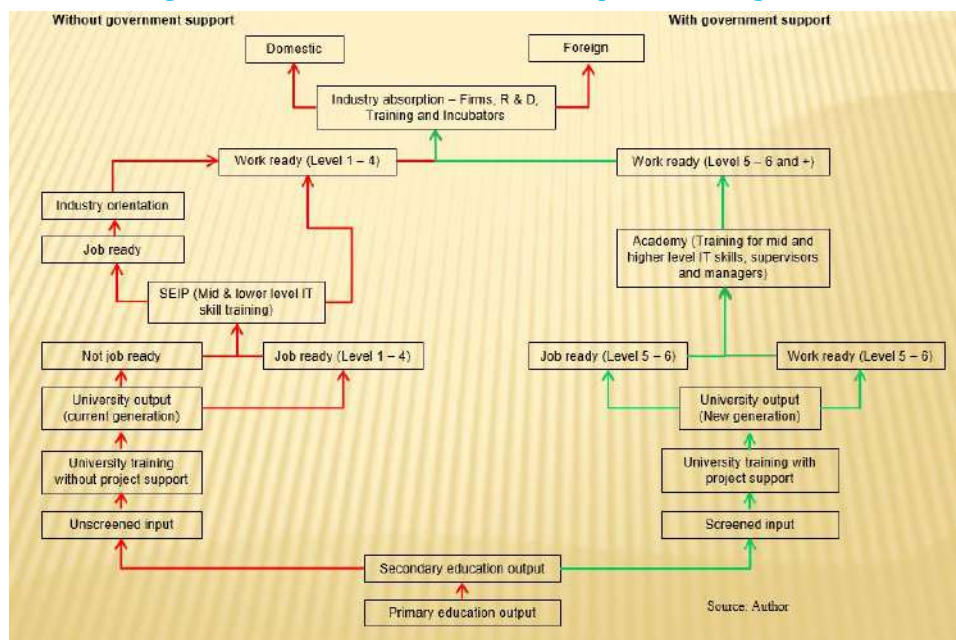
- A dynamic facilitation program for placement of university/academy trained IT skills in industry, R & D, teaching and incubators at home as well as abroad
- A new structure for IT education and skill development in Bangladesh (Figure 47)



## Market entry

- Clear Guideline for market entry should be in place
- Appropriate legal and regulatory measures and policy should be in place encourage market entry and secure business of the new entrants.
- Lack of transparency in license renewal process
- A transparent, rational, and market oriented license renewal process needs to be ensured
- Monopolistic trend in mobile financial services market

**Figure 47: IT Education and skill development in Bangladesh**



## Competitive tariff

- Internationally competitive tax system on IT sector (export, import, general service tax)
- Broadband service quality is poor and tariff for access high (one of the highest in the region) as there is no tariff regulation. For the broadband sector, price ceilings/floors should be set, based on long-run-incremental-cost of an efficient operator or on any regional best practice
- Tariff adjustment procedure and equipment imports time consuming
- Interconnection prices are arbitrary and not based on cost base

## Connectivity

- Internet connection, speed, reliability and cost - bandwidth fee
- Investment in last mile connectivity
- Reliable infrastructure – consisting of power, high-speed, internet connection and appropriate equipment (reliable electricity supply)

## Legal and regulatory framework

- Highly complex regulatory environment
- A comprehensive set of legal and regulatory instruments should have been put in place
- Appropriate law and rules for curbing anti-competitive practices and market failures
- Active implementation of the infrastructure sharing guidelines to prevent non-tariff barriers for the market entrants in voice, internet, and value added service (VAS) sectors
- BTRC Officials are now very slow in taking decisions
- Transparency: Litmus test

## Enabling Environment

- Continued Political support at the top level
- Cash subsidy, tax burden and supporting infrastructure investments (road, rail, airport and social services) to make IT Parks attractive destination for investors
- Tax incentive for start up
- Intellectual property rights under academic – industry collaboration
- Smooth transition from incubation to IT parks
- Land concessions
- Rent subsidy
- Security
- Transport
- Networking (infra, hardware and software)
- Joint R & D in priority areas
- Shared lab
- Joint data center
- Patent rights
- Dispute resolution and legal protection
- Promotion, marketing and branding
- Tech conference
- Tech fair
- Road show
- Enabling framework for foreign private investment
- Government grant and procurement
- Good governance - A must at all levels of development and operation
- Financing equipment like computers, printers, multimedia projectors, scanners, etc and reducing tariff burden on these

## Commitment to market

- Market expansion and deepening
- Road show to selected international destinations (Silicon Valley) to attract participation by some well-known brand names



## F. Institutions and Economic Development and Prosperity

### Primacy of Institutions

This section will provide a brief review (history and cross-country evidence) of how institutions of governance and economic management relate to and have fostered economic development around the globe....how differences in prosperity may be explained by differences in economic institutions. Selected countries have been grouped into four categories on the basis of World Bank indicator for governance effectiveness: very weak (effectiveness indicator  $<-1$ ), weak (effectiveness indicator 0.00 to  $-1$ ), moderate (effectiveness indicator 0.00 to 1.50), good (effectiveness indicator 1.50 to 2) and very good (effectiveness indicator  $>2$ ).

An initial examination of data suggests that prosperity is correlated with governance effectiveness (Table 8). Causality is more complex and difficult to establish. Cross country regression may say something about causality but there are inherent analytical and statistical problems associated with cross country regression work. Besides, this section will touch upon both the institutions of governance as well as those of economic management. Institutions of governance and economic management are many including government, market, corporation, judiciary, executive, legislature, public administration, planning, budget, finance, banking, and regulatory regime for the private sector, management of the land market, financial stability, financial inclusion, capital market, micro financial institutions, financial governance, urban governance, law and order, political governance. It will be quite a task to fit these variables in a multivariate single equation model especially when many are correlated giving rise to multicollinearity problem. Besides, the choice of dependent variable is also clouded by alternatives that may appear equally meaningful but may convey different messages. We need a prosperity variable that is credible and meaningful and completely independent explanatory institutional variables pertaining to governance and economic management for a statistical regression to work even though it is mired in measurement problem with many being nothing more than perception indicators.

**Table 8: Governance Effectiveness, Economic Management and Economic Prosperity 2015**

Country Name	Governance effectiveness 2015	Annual % growth rate 2015 (YR2015)	GDP per capita 2015 (US\$)	GDP 2015 (Current \$ billion)	Gross fixed capital formation 2015 (Current \$ billion)	Gross fixed capital formation 2015 (% of GDP)	Merchandise exports 2015 (Current \$ billion)	Merchandise imports 2015 (Current \$ billion)	Total trade 2015 (Current \$ billion)	Total trade 2015 (% of GDP)
<b>A. Very weak (-1)</b>										
Afghanistan	-1.34	0.84	594	19.33	3.82	19.78	0.45	5.57	6.02	31.15
Angola	-1.01	3.01	4101	102.63	9.39	9.15	34.15	21.70	55.85	54.42
Burundi	-1.15	-3.80	277	3.10	0.52	16.89	0.11	0.75	0.87	27.95
Chad	-1.45	1.80	952	10.89	3.04	27.96	2.90	2.20	5.10	46.89
Central African Rep.	-1.79	4.80	323	1.58	0.22	13.92	0.09	0.35	0.44	27.62
Comoros	-1.52	1.02	717	0.57	0.13	22.47	0.02	0.23	0.26	45.17
Congo, Dem. Rep.	-1.43	6.92	456	35.24	6.69	16.15	5.90	12.00	12.00	52.00
Congo, Rep.	-1.02	2.65	1851	8.55	3.50	40.87	4.65	7.75	12.40	144.94
Guinea	-1.14	0.10	531	6.70	0.88	13.21	2.07	1.97	4.04	60.33
Guinea-Bissau	-1.62	4.80	373	1.06	0.12	11.75	0.26	0.43	0.49	46.11
Haiti	-2.00	1.19	818	8.77	2.83	32.27	0.99	3.40	4.39	50.08
Eritrea	-1.80	0.30	480	6.10	0.88	13.21	2.07	1.97	4.04	60.33
Liberia	-1.37	0.30	457	2.05	0.41	19.97	0.50	1.05	1.55	25.45
Madagascar	-1.29	3.05	402	9.74	1.61	16.53	2.26	3.17	5.43	55.76
Mauritania	-1.03	3.38	1371	5.44	2.34	42.93	1.50	2.05	3.55	65.31
Myanmar	-1.24	7.29	1161	62.60	5.88	27.75	0.72	6.38	7.10	33.60
Nepal	-1.04	2.73	743	21.19	0.65	15.48	0.73	1.48	2.20	52.28
Sierra Leone	-1.26	-20.60	653	4.21	0.65	15.48	0.73	1.48	2.20	52.28
Solomon Islands	-1.03	3.03	1935	5.44	0.12	11.75	0.26	0.43	0.49	46.11
Sudan	-1.48	4.91	2415	97.16	15.17	15.61	2.99	8.58	11.57	11.91
Timor-Leste	-1.05	4.30	1217	1.44	0.53	37.09	0.02	0.85	0.87	60.00
Togo	-1.18	5.37	560	4.08	0.94	25.84	1.23	2.13	3.35	82.04
Yemen, Rep.	-1.64	-28.10	1406	37.73	0.65	1.73	1.00	12.90	13.90	36.84
Zimbabwe	-1.15	0.47	924	14.42	2.00	13.84	2.72	4.00	6.72	46.57
<b>B. Weak (-0.00 to -1)</b>										
Algeria	-0.51	3.76	4784	164.8	71.10	43.14	37.79	51.50	89.29	54.18
Argentina	-0.09	2.65	13467	584.71	92.62	15.84	56.75	59.79	116.54	19.93
Armenia	-0.14	3.00	3489	10.53	2.19	20.77	1.49	3.25	4.74	45.03
Azerbaijan	1.10	5.49	5497	53.05	15.17	28.60	14.50	23.99	45.35	24.50
Bangladesh	-0.73	6.55	1212	195.08	50.35	28.89	32.38	39.46	71.84	36.83
Belize	-0.70	1.04	4879	1.75	0.34	19.68	0.55	0.98	1.52	86.72
Benin	-0.62	2.09	782	8.20	2.19	26.36	2.03	3.03	5.06	61.73
Bolivia	-0.66	4.85	3077	33.00	7.04	38.00	8.26	17.86	25.91	44.08
Bosnia and Herzeg	-0.54	3.03	4249	16.19	3.50	21.62	5.00	9.00	14.10	87.08
Burkina Faso	-0.62	4.02	690	3.38	3.38	31.65	2.13	2.65	4.78	44.78
Cambodia	-0.69	7.04	1021	18.65	3.87	43.33	11.96	14.40	26.38	146.04
Cameroon	-0.76	5.77	1217	28.42	5.90	20.77	3.76	6.66	10.42	36.67
Cote d'Ivoire	0.05	-1.19	1399	31.76	6.39	20.82	11.16	20.12	28.67	65.35
Djibouti	-0.96	6.50	1945	1.73	0.00	0.13	0.13	0.89	1.02	59.17
Ecuador	-0.44	0.16	6205	100.18	26.36	26.31	18.33	21.52	39.85	39.78
Egypt	-0.70	4.20	3615	330.78	45.43	13.73	19.05	34.55	54.35	29.89
Ethiopia	-0.64	9.61	619	61.54	24.18	39.29	3.82	19.06	22.89	37.19
Gambia, The	-0.89	4.72	472	0.94	0.20	20.94	0.11	0.41	0.52	55.21
Ghana	-0.73	3.25	1370	37.04	3.84	23.94	2.54	4.22	6.89	48.27
Grenada	-0.20	6.23	9212	0.98	0.18	17.97	0.03	0.36	0.39	39.12
Guatemala	-0.71	4.15	3903	63.79	8.44	13.24	10.75	17.64	28.39	44.50
Guyana	-0.39	3.41	4127	6.39	0.80	29.40	1.10	2.60	3.70	77.54
Honduras	-0.82	3.64	2529	20.42	4.85	23.76	7.81	11.18	18.99	92.99
Kenya	-0.29	5.65	1377	63.40	13.64	21.52	5.91	16.09	22.00	34.70
Kosovo	0.16	3.18	3552	3.08	3.59	6.40	24.85	2.61	27.52	80.00
Kyrgyz Rep.	-0.90	3.47	1103	6.57	2.25	34.24	1.88	4.07	5.75	87.43
Lao PDR	-0.50	7.35	1818	12.37	4.05	32.77	2.34	3.86	6.20	50.12
Lesotho	-0.67	1.01	1067	0.28	0.22	0.28	0.77	0.72	1.02	87.20
Malawi	-0.67	2.83	372	6.40	0.72	11.28	0.27	2.93	4.31	67.25
Mali	-0.91	5.96	724	12.75	2.19	17.15	2.53	3.17	5.70	44.72
Moldova	-0.63	6.15	1848	25.57	1.97	25.59	1.37	5.95	5.95	54.21
Mongolia	-0.40	2.36	3968	11.74	2.35	20.00	4.67	3.80	8.47	72.11
Mozambique	-0.74	6.61	529	14.81	4.57	30.88	4.19	8.29	12.49	84.99
Nicaragua	-0.70	4.20	2087	6.69	3.84	30.26	4.84	7.09	11.70	93.34
Niger	-0.61	3.61	359	7.14	2.77	36.76	3.05	3.19	3.04	42.56
Nigeria	-0.95	2.65	2672	486.79	72.18	14.83	48.40	48.00	96.40	19.80
Pakistan	-0.48	4.18	1435	271.05	37.62	13.88	22.19	44.22	63.95	69.55
Papua New Guinea	-0.62	9.90	2268	16.93	0.00	0.00	5.52	3.40	8.92	52.69
Paraguay	-0.95	2.96	4081	27.09	4.47	16.51	8.36	10.29	18.65	68.84
Rwanda	-0.04	6.90	697	8.10	2.08	25.70	0.66	2.57	3.23	39.88
Senegal	-0.44	6.49	900	13.61	3.51	25.82	2.93	6.68	8.21	60.30
Sao Tome and Prir	-0.76	3.97	1669	0.32	0.00	0.00	0.02	0.15	0.16	51.87
Tajikistan	-0.82	6.00	926	7.85	0.72	11.28	0.27	3.40	4.30	54.75
Tanzania	-0.59	4.17	879	46.78	15.74	34.90	0.92	3.40	3.40	45.00
Turkmenistan	-0.87	6.50	6672	35.85	6.58	23.90	14.00	7.80	21.80	60.80
Uganda	-0.48	5.14	705	27.53	6.58	23.90	2.24	5.76	8.02	29.16
Uzbekistan	0.00	8.00	2132	66.73	15.86	23.77	13.06	27.10	31.60	26.15
Zambia	-0.55	2.92	1305	21.15	8.13	38.44	6.96	8.45	15.41	72.86
<b>C. Moderate (0.00 to 1.50)</b>										
Albania	0.03	2.80	3945	11.40	3.00	26.35	1.93	4.32	6.25	54.81
Barbados	1.00	0.88	15429	4.39	0.60	13.79	0.48	1.62	2.10	47.90
Bhutan	0.41	1.50	40454	455.09	1.12	26.26	0.00	1.76	1.76	55.23
Cape Verde	0.15	1.45	3080	1.60	0.00	0.00	0.06	0.56	0.62	38.72
Dominica	0.11	-1.76	7116	0.52	0.06	12.21	0.04	0.22	0.26	49.69
Georgia	0.40	2.77	3757	13.97	0.88	26.50	2.20	7.72	9.93	71.09
India	0.10	7.93	1593	2088.84	609.33	29.17	267.15	391.98	659.12	31.55
Samoa	0.49	1.63	3939	0.76	0.00	0.00	0.05	0.33	0.39	50.81
Sri Lanka	0.71	4.79	3926	82.32	21.83	24.52	10.47	14.57	18.50	44.38
Vietnam	0.08	6.68	2111	193.60	47.78	24.68	162.11	166.10	328.21	169.53
<b>D. Good (1.50 to 2)</b>										
Australia	1.56	2.24	56291	1339.14	355.19	26.52	188.45	208.42	396.86	29.64
Austria	1.47	0.96	43637	376.95	85.22	22.61	152.34	155.24	307.57	81.59
Belgium	1.44	1.50	40454	455.09	104.64	22.99	199.16	375.27	773.43	169.95
Canada	1.77	0.94	43316	1552.81	367.86	32.69	408.47	436.37	844.85	54.41
Denmark	1.85	1.61	53015	301.31	57.96	19.23	95.29	85.52	180.81	60.01
Finland	1.82	0.80	42403	232.35	47.54	20.46	111.71	60.09	19.53	51.45
France	1.44	1.27	36352	2418.84	520.32	21.51	505.90	572.66	1078.56	44.59
Germany	1.74	1.72	41178	3363.45	669.65	19.91	1329.47	1050.02	2379.49	70.75
Iceland	1.59	4.17	50722	16.78	3.18	16.97	5.25	6.25	10.76	55.23
Ireland	1.54	26.28	61094	283.70	60.15	21.20	120.44	71.34	191.78	67.60
Japan	1.79	1.22	34524	4383.08	1026.95	23.43	624.94	648.49	1273.43	29.05
Luxembourg	1.72	1.51	99718	56.80	3.98	18.98	17.36	40.73	40.73	71.77
New Zealand	1.89	3.39	37808	173.75	44.87	25.83	34.36	36.56	70.92	40.82
Netherlands	1.84	1.95	44291	750.28	145.76	19.43	567.22	505.81	1073.02	143.02
Norway	1.85	1.71	74482	336.58	92.47	23.40	105.37	76.25	181.60	45.98
Sweden	1.81	4.08	50585	495.69	117.22	23.65	139.89	137.62	277.51	55.98
United Kingdom	1.74	2.19	43930	2861.09	484.39	16.93	460.45	625.81	1086.25	37.97
United States	1.46	2.60	56116	18036.65	3576.63					

framework analyses presented in Section II. Prosperity will be variously defined recognizing that it is not a single element, it is a vector. Three variables are chosen to represent country prosperity, namely, GDP per capita, gross fixed capital formation and total trade.

Institutions are important from both short and longer-term perspective. Institutional integrity, institutional reforms and institutional transformation over development epochs of any country including Bangladesh are processes to be harnessed in logical sequence as a continuum and not as discrete interventions. Longer term institution-building have to be synchronized with short term actions and interventions. Short-term actions must be anchored in longer-term development perspective. What is good for short-term, has to be good for the longer-term too. In the same vein longer-term institution building has to work for short-term.

In a recent policy dialogue with the Government of Bangladesh, the International Monetary Fund has identified seven challenges that might slow down the economy and recommended some solutions which are in some sense truncated in the sense that for Bangladesh to sustain the current growth momentum, accelerate it and transform the economy into a developed country mode, solutions to all challenges must have longer-term underpinning (Table 9).

One point is important to note. The society itself is an example of dynamic institution, supporting progress, defending freedom, protecting against natural and man-made aggression, establishing norms and rules of behavior and monitoring their implementation and adherence. This image of society is natural evolution from the origin of human existence. In the measure of time capsule some societies are inherently strong and structured, easily amenable to discipline which is easier if the society is relatively homogenous and accommodating as is the case of Bangladesh. In such setting institutions are automatic transmitters of transformation with significant developmental impact.

**Table 9: IMF Defined Risks and Longer-term Institutional Implication for Bangladesh**

Risks	Longer-term institutional implication
Return of political turmoil	Pluralistic democracy Decentralization
Slowdown in key export markets	Policy reform for improved competitiveness and diversification (commodities and destination) Skill development Technology and ICT push (IT Parks development) EPZ and EZ development
Weakening of remittances	Skill development for exports of qualified manpower Reducing transaction cost (No/low cost migration) Exchange rate management for stability including maintaining safe foreign exchange reserve
Security and extremism	Law and order Political participation and accommodation For a for discussion, dialogue and debate
The projected rise in global commodity prices	Banking reform, conservative monetary policy and curb on credit expansion
Impact of Brexit on exports	Export competitiveness with skill development, technological progress and innovation and quality improvement
Development in the banking especially in state owned banks	Banking reform (recapitalization tied to reforms) Privatization of state-owned banks

**Source:** IMF identifies future risks for Bangladesh, suggests actions from policymakers to keep economy stable. Longer term implications are those of author's

## Economic Prosperity and Governance – Broad Overview

Natural homogeneity of the Bangladesh society suggests that there is much dividend to be gained from institutional transformation. One has to figure out the right kind of transformation. Cross-country data can be analyzed to find pointers where it might pay to introduce and/or support the process of transformation. Two approaches have been combined into one. First, correlation analysis is used for a broad overview of the relationship between prosperity and institutions. Second, each institutional variable is followed up to examine country or country-group specific behavior. Prosperity variables are as said before, GDP per capita 2015, gross fixed capital formation 2015 and total trade (exports plus imports) 2015. All data were extracted from the World bank database and other sources cited in note to Table 10.

### Eleven Institutional Variables are Considered.

Governance effectiveness 2015- Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance). Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

CPIA economic management cluster average 2015 - The economic management cluster includes macroeconomic management, fiscal policy, and debt policy. Measured as (1=low to 6=high).

Index of economic freedom 2017 – Measured on a scale of 0 to 100. Index of economic freedom is measured on the basis of 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom:

1. Rule of Law (property rights, government integrity, judicial effectiveness)
2. Government Size (government spending, tax burden, fiscal health)
3. Regulatory Efficiency (business freedom, labor freedom, monetary freedom)
4. Open Markets (trade freedom, investment freedom, financial freedom)

Each of the twelve economic freedoms within these categories is graded on a scale of to 100.

A country's overall score is derived by averaging these twelve economic freedoms, with equal weight being given to each.

Cut off points are free 100-80, mostly free 79.9-70, moderately free 69.9-60, mostly unfree 59.9-50 and repressed 49.9-0.

Corruption Perceptions Index 2016 – Measured as 100 is very clean and 0 is highly corrupt. Transparency International (TI) has published the Corruption Perceptions Index (CPI) since 1996, annually ranking countries “by their perceived levels of corruption, as determined by expert assessments and opinion surveys.”[1] The CPI generally defines corruption as “the misuse of public power for private benefit.” The CPI currently ranks 168 countries “on a scale from 100 (very clean) to 0 (highly corrupt).”

Global competitiveness score 2016 – Score range is (1-7). The GCI combines 114 indicators that capture concepts that matter for productivity and long-term prosperity. These indicators are grouped into twelve pillars producing three sub-indexes which are combined with various weights to generate the overall index. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. The three sub-indexes are: basic requirements, efficiency enhancers, and innovation and sophistication factors.

Democracy index 2016 – Democracy level is given by scores 0 to 10;  $8 \leq s \leq 10$  is full democracy;  $6 \leq s < 8$  is flawed democracy;  $4 \leq s < 6$  is hybrid regimes; and  $0 \leq s < 4$  is authoritarian regimes.

The Democracy Index is an index compiled by the UK-based Economist Intelligence Unit that measures the state of democracy in 167 countries. The index is based on 60 indicators grouped in five different categories measuring pluralism, civil liberties, and political culture. In addition to a numeric score and a ranking, the index categorizes countries as one of four regime types: full democracies, flawed democracies, hybrid regimes and authoritarian regimes.

Full democracies are nations where civil liberties and basic political freedoms are not only respected, but also reinforced by a political culture conducive to the thriving of democratic principles. These nations have a valid system of governmental checks and balances, independent judiciary whose decisions are enforced, governments which function adequately, and media which is diverse and independent. These nations have only limited problems in democratic functioning.

Flawed democracies are nations where elections are fair and free and basic civil liberties are honored but may have issues (e.g. media freedom infringement). Nonetheless, these nations have significant faults in other democratic aspects, including underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.

Hybrid regimes are nations where consequential irregularities exist in elections regularly preventing them from being fair and free. These nations commonly have governments which apply pressure on political opponents, non-independent judiciaries, widespread corruption, harassment and pressure placed on the media, anemic rule of law, and more pronounced faults than flawed democracies in the realms of underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance. Bangladesh belongs to this group.

Authoritarian regimes are nations where political pluralism has vanished or is extremely limited. These nations are often absolute dictatorships, may have some conventional institutions of democracy- but with meager significance, infringements and abuses of civil liberties are commonplace, elections- if they take place- are not fair and free, the media is often state-owned or controlled by groups associated with the ruling regime, the judiciary is not independent, and the presence of omnipresent censorship and suppression of governmental criticism.

Global peace index 2017 - Score on a scale of 1-5 (out of 163 countries). The Global Peace Index (GPI) of the Institute of Economics and Peace is an attempt to measure the relative position of nations' and regions' peacefulness. The index gauges global peace using three broad themes: the level of safety and security in society, the extent of domestic and international conflict and the degree of militarization. Factors are both internal such as levels of violence and crime within the country and external such as military expenditure. The 2017 GPI indicates Iceland, New Zealand, Portugal, Austria, and Denmark to be the most peaceful countries and Syria, Afghanistan, Iraq, South Sudan, and Yemen to be the least peaceful.

World Bank ease of doing business ranks (out of 190 countries) 2017 - Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2016.

Social institutions and gender index (SiGi) score 2014 - OECD SIGI (Social Institutions and Gender Index) classification: The SIGI scores 108 countries according to their level of discrimination in social institutions. It classifies them into five groups, from very low levels of discrimination in social institutions (15% of the countries, with a SIGI average of 0.02) to very high levels (16% of the countries).

### Composition of the SIGI

Discriminatory family code: Legal age of marriage, Early marriage, Parental authority and Inheritance

Restricted physical integrity: Violence against women, Female genital mutilation, Reproductive autonomy

Son bias: Missing women, Fertility preferences

Restricted resources and assets: Secure access to land, Secure access to non-land assets, Access to financial services

Restricted civil liberties: Access to public space, political voice

Global Freedom score 2017 - Freedom in the World 2017 evaluates the state of freedom in 195 countries and 14 territories during calendar year 2016. Each country and territory is assigned between 0 and 4 points on a series of 25 indicators, for an aggregate score of up to 100. These scores are used to determine two numerical ratings, political rights and civil liberties, with a rating of 1 representing the most free conditions and 7 least free. A country or territory's political rights and civil liberties ratings then determine whether it has an overall status of Free, Partly Free or not Free. A larger aggregate score indicates a greater level of freedom.

Institutions matter in a countries growth. All prosperity variables are correlated with institutional variables, GDP per capita more closely than others Appendix 1 and Table 11).

Insignificant correlation of economic management variable with prosperity is unexpected. Clearly there is a need to study the development path of each country separately and in-depth to see if good economic management produces good prosperity outcome. As for other correlates of GDP per capita, all produce correlation coefficients that are highly significant (at 1% level). If one were to be bold and draw attention to the size of coefficient as indicator of relative closeness of relation, the order in the first cluster is governance effectiveness, global competitiveness, corruption perception index, and ease of doing business which is not surprising. It is confirmation of popular belief. In the second cluster important institutional variables in order are index of economic freedom, democracy and global rights and global freedom. Again no surprise. What the results so far say is that efficient economic environment backed up by freedom and mobility will be associated with high economic achievement as given by GDP per capita. Relatively low standing in terms of the size of correlation coefficient of peace index and gender discrimination index is understandable. It may not be desirable otherwise, but Angola had low peace until recently but enjoyed high GDP per capita and also high rate of growth. On the other hand, Bangladesh with very high gender discrimination performed well in GDP growth and on per capita income basis moved into the lower middle income category. From this though one need not conclude that gender discrimination and peace do not matter for growth. On the contrary, these countries would have done better with greater peace and reduced gender discrimination.

Going across to other prosperity indicators, gross fixed capital formation and total trade it is clear institutional variables have significant correlation in many cases but the magnitude is lower. For gross fixed capital formation governance effectiveness and global competitiveness are important, while for total trade governance effectiveness, global competitiveness, economic freedom, corruption perception, democracy and ease of doing business are important. On the whole the close relationship between institutional variables and prosperity indicators suggest countries with better institutions will fare better than others. It follows from association and not necessarily causality.

**Table 10: Economic prosperity and governance - correlation matrix**

Indicators	GDP per capita 2015	Gross fixed capital formation 2015	Total trade 2015
1. Governance effectiveness 2015	0.87**	0.34**	0.52**
2. CPIA economic management cluster average (1=low to 6=high) 2015	0.12	0.15	0.18
3. Index of economic freedom (on a scale of 0 to 100 free 100-80, mostly free 79.9-70, moderately free 69.9-60, mostly unfree 59.9-50, repressed 49.9-0) 2017	0.78**	0.28**	0.44**
4. Corruption Perceptions Index (100 is very clean and 0 is highly corrupt) 2016	0.86**	0.32**	0.49**
5. Global competitiveness score (1-7) 2016	0.86**	0.40**	0.58**
6. Democracy index (Scores 0 to 10; 8 ≤ s ≤ 10 is full democracy; 6 ≤ s < 8 is flawed democracy; 4 ≤ s < 6 is hybrid regimes; and 0 ≤ s < 4 is authoritarian regimes) 2016	0.75**	0.29**	0.41**
7. Global peace index score on a scale of 1-5 (out of 163 countries) 2017	-0.59**	-0.07	-0.22*
8. World Bank ease of doing business ranks (out of 190 countries) 2017	-0.81**	-0.34**	-0.47**
9. Social institutions and gender index (SiGi) score 2014	-0.37**	-0.15	-0.26*
10. Global Freedom score 2017	0.67**	0.27*	0.38**

\*significant at 5% level      \*\*significant at 1% level

Source: World Bank database.

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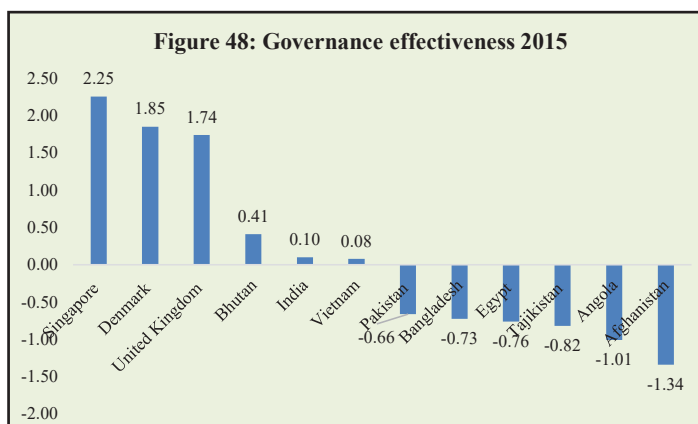
World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO

## Governance Effectiveness

The concept Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies (Annex 1).



Cross-country evidence suggests that institutions of governance and economic management relate to and have fostered economic development around the globe. Differences in prosperity may be explained by differences in economic institutions. Cross-country analysis of 100 countries suggest a strong statistically significant positive correlation between governance effectiveness and GDP per capita, gross fixed capital formation and total trade all for 2015. The same is true for economic freedom, corruption, global competitiveness, ease of doing business and global peace, democracy and freedom and gender (gender with GDP per capita and total trade but not with capital formation). Five-year compound GDP growth rate is significantly correlated with governance effectiveness. The robustness of these relationships clearly indicate that the Bangladesh Vision 2041 has to be anchored in good governance. Bangladesh is now placed behind Singapore, Denmark, United Kingdom, Bhutan, India and Vietnam and Pakistan and is ahead only of countries like Egypt, Tajikistan, Angola and Afghanistan (Figure 48). Target for 2041 is Bangladesh striving and progressing on the measuring scales for governance effectiveness, economic freedom, corruption, competitiveness, ease of doing business, peace, democracy, freedom and gender commensurate with a developed country.



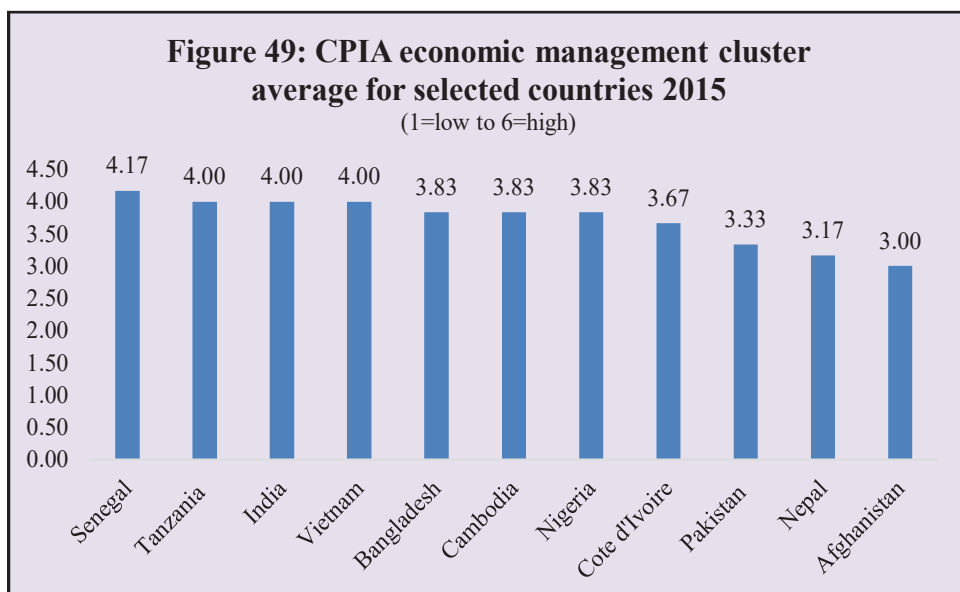
Source: Annex 2

Afghanistan is an extreme example of poor governance and poor economic outcome despite considerable effort at building a nation state. Yet the country cannot be called a failed state as successive governments have held on to power keeping the country together and making valiant efforts to establish and make institutions of governance operational with strong support from the international community. Resource rich Angola is a case of governance through absolute power with implications for participation, democracy, decentralization, transparency, accountability, transparency, consensus building, human rights, corruption, gender equality and equity and resource management. Tajikistan is a case of breaking the bondage of centralized governance to a more liberal state but still dogged by governance issues which is the reason for the country growing rapidly with high poverty and drug problem. Egypt has had problem with its human rights and press freedom record. Military has been a dominant force throughout much of its modern history. The protection of property rights has improved but the rule of law is unstable as the judicial system is highly politicized. Corruption is pervasive and continues because anti-corruption measures are weak. The socio-political climate remains tense. The price paid is slow growth (2.5%

compound rate over five years). Bangladesh is a well-known example of a country growing rapidly with poor governance, credit to sound economic management and a vibrant civil society. One perhaps not so desirable lesson is that poor governance may to a certain extent be neutralized by good economic management producing satisfactory economic outcome in terms of growth. Pakistan is a borderline case of nearly failed state but for a very strong military yet corruption, drug, terrorism and other governance issues remain overwhelming completely negating any prospect for sustained growth (five-year compound growth is 3.9%). Vietnam with relatively few governance issues has been one of the fastest growing countries despite one party rule which though constraining in other ways was credited with bold opening up of the economy in 1984. Indian has governance issues political stability, democratic institutions, economic liberalism, vibrant private sector, independent judiciary and tolerance of opposition has created a sustainable platform for growth which is unlikely to be dismantled any time soon. Other examples of reasonable growth performance due to moderate governance effectiveness include Albania, Barbados, Bhutan, Cape Verde, Dominica, Georgia, Samoa and Sri Lanka (Annexes 2 and 3).

### Economic Management

Growth linkage with economic management is weak when data for all countries are analyzed together. But examination of individual countries in selected group (Figure 49) reveals a pattern. On the basis of 2015 annual GDP growth, Senegal (6.49%), Tanzania (6.96%), India (7.93%), Vietnam (6.68), Bangladesh (6.55%) and Cambodia (7.04%), Cote d'Ivoire (9.16%) are high growth (>5% annual) countries with relatively good economic management while Pakistan (4.71%), Nepal (2.73) and Afghanistan (0.84%) are low growth countries with relatively poor economic management. Nigeria falls through the crack with good economic management but poor growth in 2015 (2.65%). Growth figures are in Table 8.



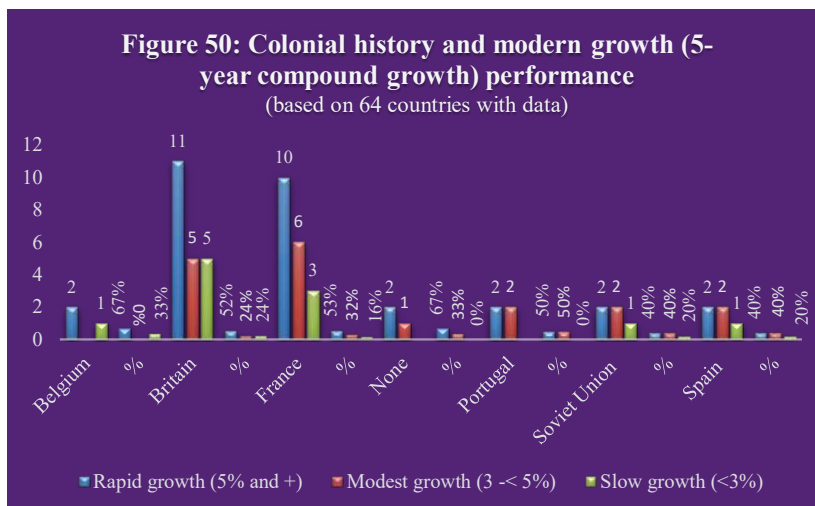
Source: Annex 2

Looking at five-year compound annual growth rate and economic management, Bangladesh, Benin, Bolivia, Burkina Faso, Cambodia, Cameroon, Ghana, Kenya, Mongolia, Mozambique, Myanmar, Paraguay, Rwanda, Sri Lanka, Tajikistan, Togo, Vietnam and Zambia appear to be growing rapidly due to good economic management (Annexes 2 and 3).

### History of Colonial Past and Civil War

Colonial history has had a role to play in a country’s modern era status. This is a complex relationship, emotions and grievances apart. To get a simpler perspective one needs to look at two forces at work. First, wealth extraction by the colonial power cause retarded, truncated or at least delayed growth in the post-colonial societies. Second, colonial powers introduced institutions, legal, economic, administrative and others partly to facilitate wealth extraction, partly to administer and control and partly for security. British and French were good at it and left colonies with mature institutions though in the colonial mode that had to be transformed over time. Both had large number of colonies, the British much more than the French. Majority of these countries are experiencing rapid growth in recent years (Figure 50), some after long lapse of time. Former British colonies growing rapidly include Ghana, Myanmar, Tanzania, India, Zimbabwe, Bangladesh, Sri Lanka, Kenya, Zambia, Solomon Islands and Sierra Leone. Similarly placed French former colonies are Lao PDR, Cambodia, Cote d’Ivoire, Djibouti, Vietnam, Burkina Faso, Togo, Benin, Cameroon and Mauritania.

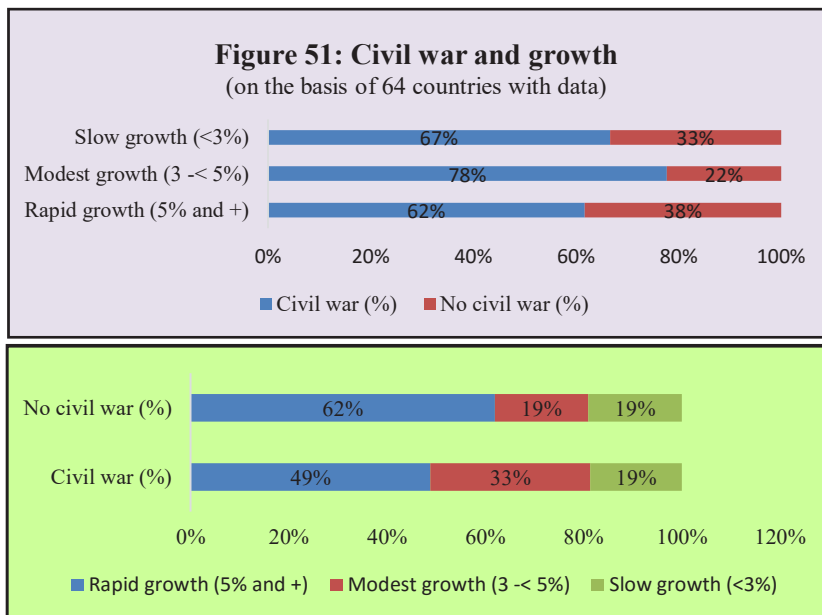
Bangladesh in particular had to suffer through double doses of colonialism, British and Pakistani both were ruthless in wealth extraction and suppression but Bangladesh could build on colonial institutions and evolve sound economic management that has resulted in rapid growth of the recent decade.



Source: Annex 3

In the same vein, Spanish, Belgian and Portuguese colonies had to suffer through outright plunders with very little institution building except in Spanish South America. Their social

contradictions persist, many having gone through prolonged civil war but neither colonial domination nor ensuing civil war could hold back the indomitable spirit and aspiration of the people to unite and fight for prosperity. Clearly no-civil war is better than civil war, yet growth has occurred in both as in Ghana and India with no civil war and Cambodia and Mozambique with civil war (Figure 51 and Annex 3).



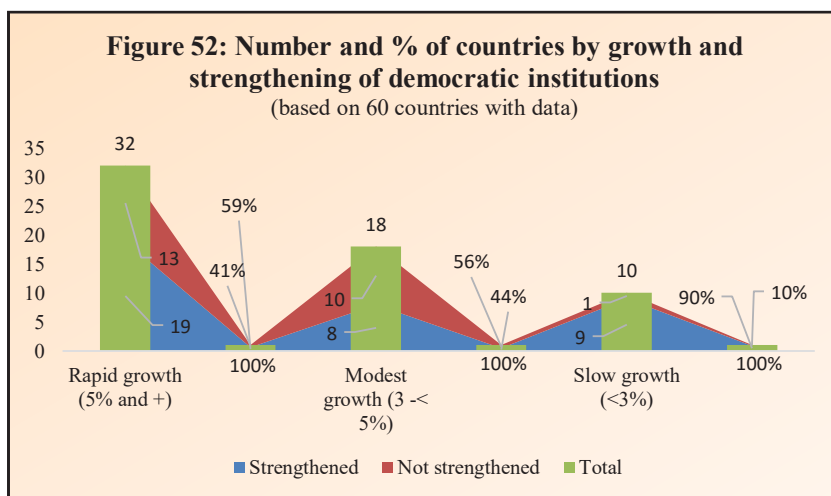
Source: Annex 3.

Mongolia, Ghana, Tanzania, India, Burkina Faso, Togo, Zambia, Paraguay are examples of rapidly growing country without any history of civil war. Ethiopia, Congo Dem Republic, Lao PDR, Myanmar, Cambodia, Mozambique, Sri Lanka and Eritrea have been growing rapidly despite history of civil war.

### Growth and Democracy, Global Rights and Freedom

Democracy, rights and freedom are fundamental institutions for human existence and advancement. This is both philosophical and practical. In a transformational society like that of Bangladesh these three elements will provide the impetus for new ideas to come forward and challenge the traditional for opening the door for accelerated growth and structural change. Across the world the perception seems to be different. Autocrats feel they are messiah for development and should have the monopoly of decision-making marking every opposing view as enemy of the state. Even in so called democratic framework chosen leaders act as autocrats and refuse to cede power as required by Law. Some of these countries do well by economic criteria but not by aspiration of the people for inclusive decision making. Zimbabwe, Rwanda and Cambodia fall into this category. It is ironical that all swear by democratic principles including Russia, China, North Korea but do everything to sabotage it. This is why today question is raised is Bangladesh democratic enough? Debate continues but democratic institutions are in place and functioning as

well as one could ask for with some reservations. Bangladesh is not alone in this state of hibernation. Across the globe only 60% of the 60 countries with data seem to have strengthened democratic institutions (Figure 52). Among rapidly growing 32 countries 59% strengthened democratic institutions.

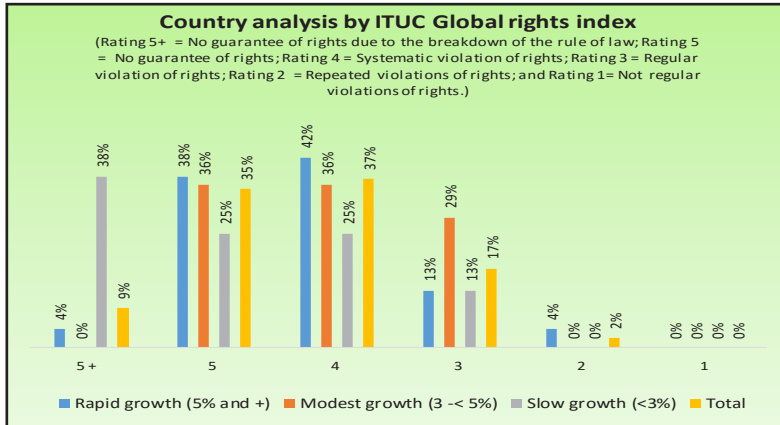


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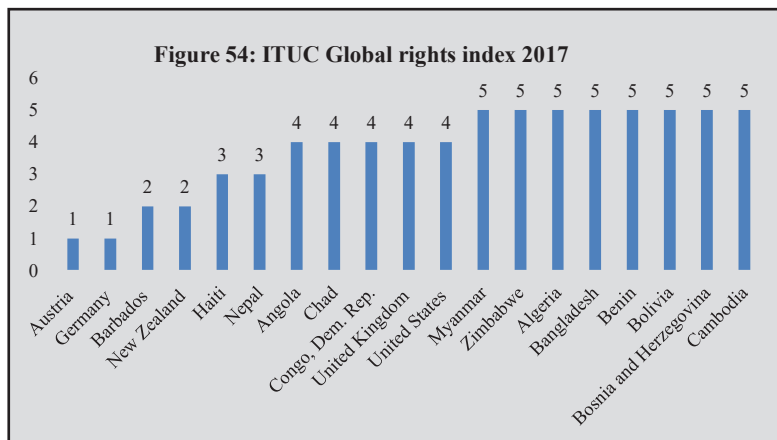
Looking at it differently, among 36 countries that strengthened democratic institutions, 53% had rapid growth. The figure is almost identical (54%) for 24 countries that have not strengthened democratic institutions. The finding is consistent with Table 11 with the additional observation that development orientation of the leadership may compensate for gap in democratic values although one must remember that growth with democracy is more desirable than growth with non-democracy. Examples of strong democracy and rapid growth are Myanmar, Benin, Bolivia, Ghana, India, Sri Lanka and Paraguay. On the other hand, Burundi, Argentina, Bosnia and Herzegovina are slow growing countries with good democracy (Annexes 2 and 3).

Similarly, slow growing countries have mostly very poor (5+) or poor rating (4 or 5) in global rights (workers) index, rapidly and modestly growing countries have poor rating (Figure 53) implying that global rights rating does not impact on growth that much. Bangladesh is growing rapidly; this despite its poor record in global rights (Figure 54), global freedom score (Figure 55) and economic freedom (Figures 56 and 57). Countries in similar situation as Bangladesh are, Myanmar, Zimbabwe, Algeria, Benin, Bolivia, Bosnia Herzegovina, Cambodia, Vietnam, India, Sri Lanka and Bhutan (Annexes 2 and 3). Again, one is tempted to draw the lesson that global rights, global freedom and economic freedom are important in their own right but growth can occur even if there are some shortfalls.

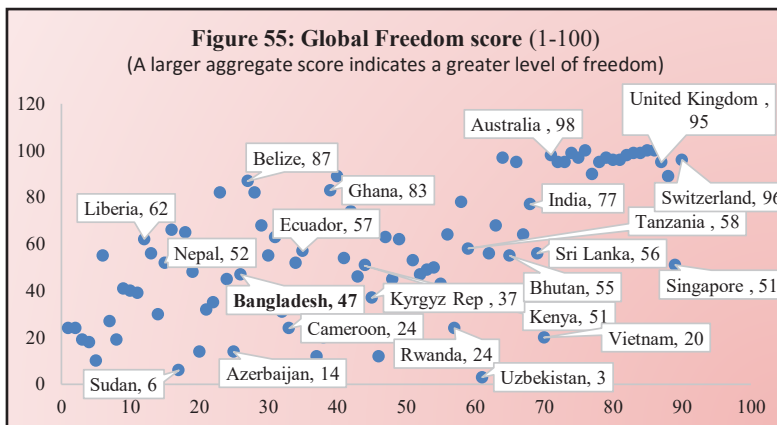
**Figure 53: Country Analysis by Growth and Global Rights Index**



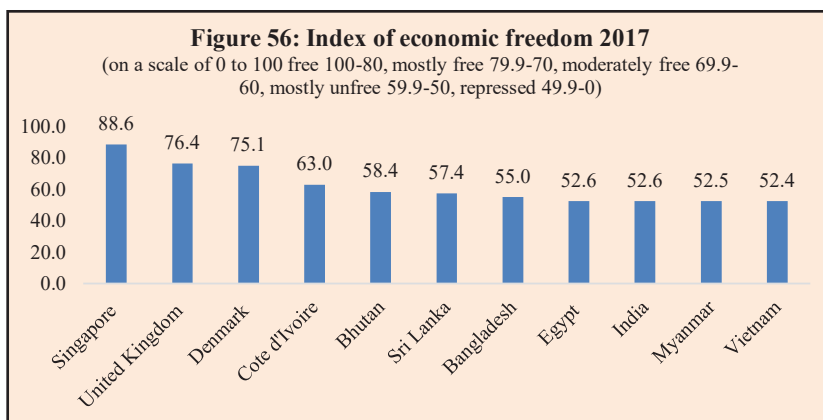
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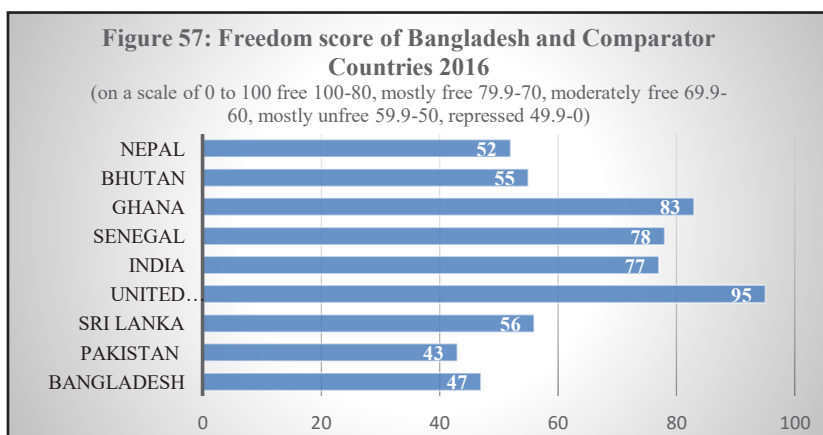
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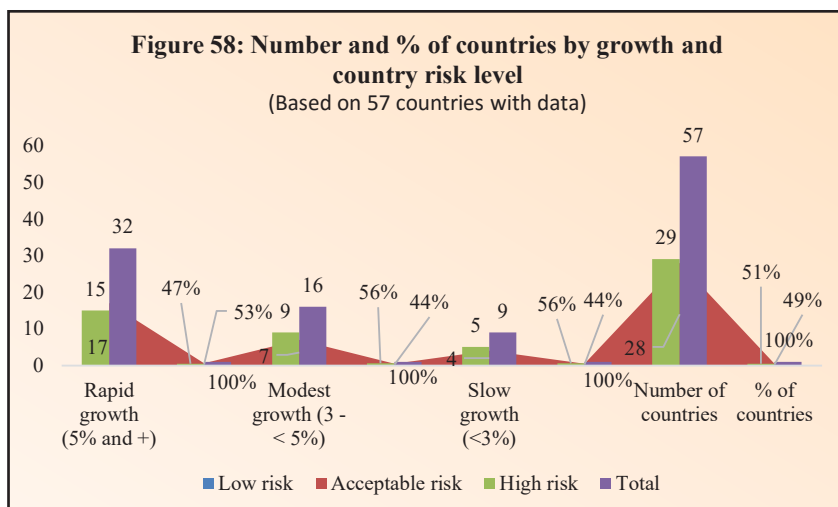


Source: Annex 2

## Growth, Country Risks, Reforms, Aspiration and Investor Environment

Foreign investors look at country risks before deciding to invest in the country. Domestic investors live with country risk, hold back investment or send money abroad legally or illegally. Country risks are assessed on the basis of economic and non-economic factors. A double digit growth is a distinct possibility for Bangladesh; but then country risks will have to be tackled. Bangladesh is an acceptable risk country. Of the 28 countries in this category, 61% are growing rapidly implying had these been low risk, growth rates would have been higher. It is clear risks are unavoidable; the 57 countries with data are equally divided between acceptable risk and high risk (Figure 58). It is clear country risks can be reduced by strong institutions underpinning good governance and sound economic management.

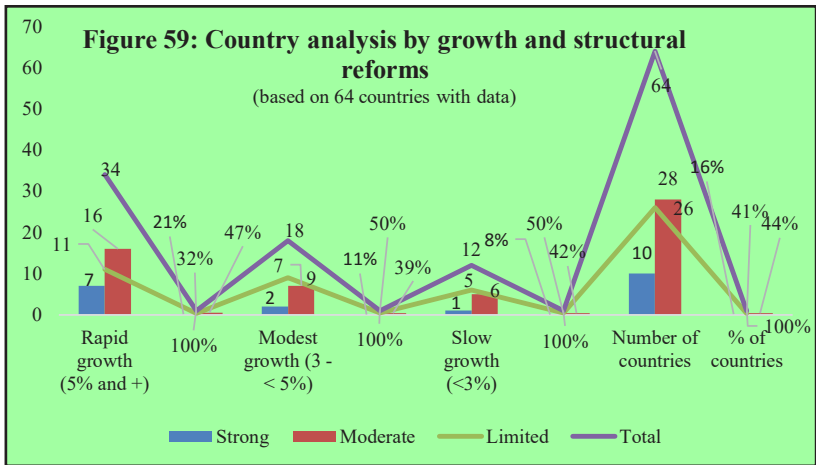




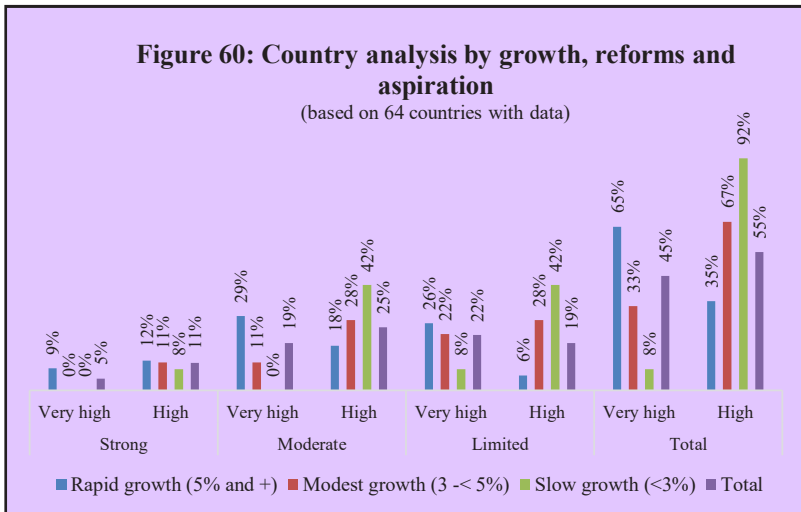
Source: Annex 2

Sound economic management involves among others structural reforms, both policy reforms as well as institutional reform. From Afghanistan to Angola, this has been the battle cry for Bretton Woods institutions. Countries that reformed early reaped the benefit in terms of rapid growth early. Otherwise, the process has been slower. By and large countries have been cautious in adopting reform stance in its entirety because of potential undue hardship on the vulnerable population. Furthermore, governments have been pampering various interest groups with transfer payments and subsidies which are difficult to rid of once introduced. It is not surprising that of the 64 countries analyzed, only 16% adopted strong structural reforms, the balance moderate or limited reforms (Figure 59). However, this did not hold back the slow reformers to attain rapid or modest growth driven by other triggers.

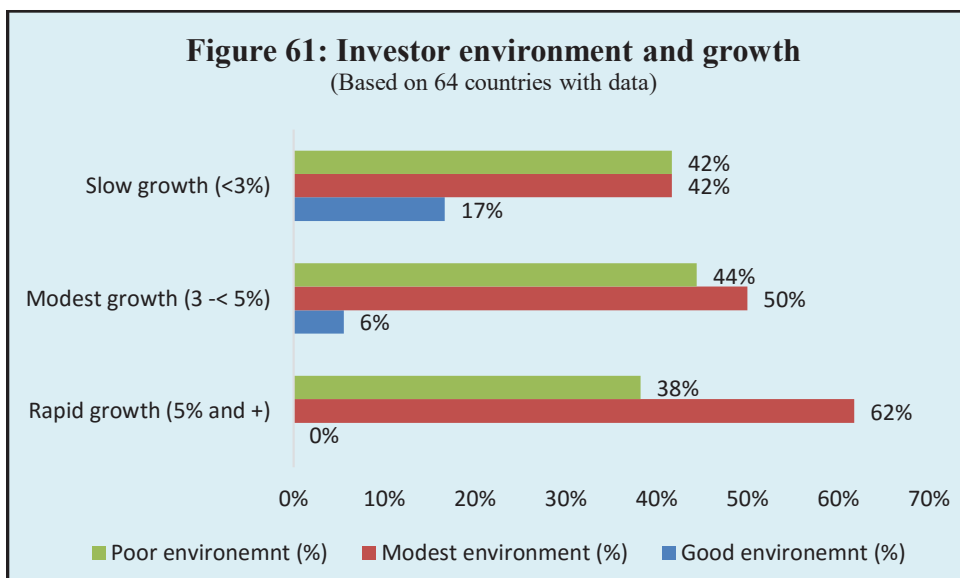
One trigger is aspiration. People's aspiration to grow is hard to resist. Countries are moved by people's aspiration. Even if the country is lacking in some respect people's determination and combined collaborative effort will help mobilize resources including productive labor that would not have been otherwise mobilized and add to growth momentum. Perception indicators suggest that 65% of rapidly growing countries could be characterized as having very high aspirational quotient (Figure 60). A second trigger is investor environment. Ideal investor environment is mostly lacking. In most developing countries investor environment is either poor or modest. Modest environment wins over poor in both rapid and modest growth countries. There is no difference in slow growing countries (Figure 61)



Source: Annex 3



Source: Annex 3



Source: Annex 3

### Growth and selected indicators

There are a wide range of institutional variables influencing economic environment that is transmitted to growth. The 64 countries with data on institutional indicators (Annex 3) and growth have been analyzed to discern any systematic pattern of influence on growth. The methodology of analysis is simple percentage distribution of countries in a bivariate table showing indicator level and growth performance (Table 11). In contrast to the previous analysis, the groupings are discrete and not continuous as with scores or index. This should be borne in mind while reflecting on the following paragraphs.

Financial sector development and access to credit. Slow growth is associated with poor financial sector management and inadequate access to credit (Madagascar, Gambia, The, Sudan and Yemen Rep) (Annex 3). On the other hand, rapid and moderate growth is associated with moderate and limited financial sector development (Lao PDR, Ghana, Myanmar, Cambodia, Rwanda, Tanzania and India) given that very few countries score good on financial sector development (Table 11). No surprises. Bangladesh has problem with both although microcredit has opened credit to the poor and women. Improvement in financial governance is a must for next level of growth acceleration beyond current 7%. Countries with poor financial sector development and slow growth include

State-owned enterprises distorting the economy. State-owned enterprises distort the economy in all countries in the sample. To what extent these are a drag on growth depends on their size relative to the economy. A relatively larger share of SoEs in the economy will translate into slow and moderate growth (Burundi, Argentina, Madagascar, Belize, Egypt, Azerbaijan, Guinea and Sudan) (Annex 3); otherwise, growth could be rapid (Bangladesh, Ethiopia, Ghana, India and Bolivia).

**Table 11: Country (64) Analysis of Growth and Selected Indicators**

Indicator	Rapid growth (5% and +)		Modest growth (3 -< 5%)		Slow growth (<3%)		Total	
	Countries	%	Countries	%	Countries	%	Countries	%
<b>Financial sector development and access to credit</b>								
Good	0	0%	1	6%	1	8%	2	3%
Moderate	21	62%	12	67%	5	42%	38	59%
limited	2	6%	3	17%	2	17%	7	11%
Poor	11	32%	2	11%	4	33%	17	27%
Total	34	100%	18	100%	12	100%	64	100%
<b>State-owned enterprises distort the economy</b>								
yes	34	100%	18	100%	12	100%	64	100%
no	0	0%	0	0%	0	0%	0	0%
Total	34	100%	18	100%	12	100%	64	100%
<b>Judicial gridlock, inefficiency, corruption and political influence</b>								
yes	34	100%	18	100%	12	100%	64	100%
no	0	0%	0	0%	0	0%	0	0%
Total	34	100%	18	100%	12	100%	64	100%
<b>Political and security situation</b>								
Stable	17	50%	9	50%	5	42%	31	48%
Moderate	12	35%	4	22%	3	25%	19	30%
Unstable	5	15%	5	28%	4	33%	14	22%
Total	34	100%	18	100%	12	100%	64	100%
<b>Policies are pro poor and sustainable</b>								
yes	7	21%	4	22%	4	33%	15	23%
Moderate	7	21%	1	6%	2	17%	10	16%
Partially	6	18%	2	11%	0	0%	8	13%
Limited	3	9%	2	11%	2	17%	7	11%
No	11	32%	9	50%	4	33%	24	38%
Total	34	100%	18	100%	12	100%	64	100%
<b>Inclusive growth is accelerated</b>								
Yes	10	29%	2	11%	2	17%	14	22%
Partially	6	18%	2	11%	0	0%	8	13%
No	18	53%	14	78%	10	83%	42	66%
Total	34	100%	18	100%	12	100%	64	100%
<b>Fiscal, administrative and economic management authority is effectively decentralized</b>								
Yes	0	0%	0	0%	1	8%	1	2%
Partially	3	9%	3	17%	1	8%	7	11%
No	31	91%	15	83%	10	83%	56	88%
Total	34	100%	18	100%	12	100%	64	100%
<b>Human rights are respected</b>								
Yes	0	0%	0	0%	0	0%	0	0%
Partially	13	38%	9	50%	6	50%	28	44%
No	21	62%	9	50%	6	50%	36	56%
Total	34	100%	18	100%	12	100%	64	100%

Indicator	Rapid growth (5% and +)		Modest growth (3 -< 5%)		Slow growth (<3%)		Total	
	Countries	%	Countries	%	Countries	%	Countries	%
<b>Democracy and democratic institutions are strengthened</b>								
No	14	41%	10	56%	2	17%	26	41%
One party dominance	5	15%	1	6%	3	25%	9	14%
Partially	8	24%	2	11%	3	25%	13	20%
Yes	7	21%	5	28%	4	33%	16	25%
Total	34	100%	18	100%	12	100%	64	100%
<b>Rule of law prevails</b>								
Yes	1	3%	2	11%	2	17%	5	8%
Partially	13	38%	4	22%	3	25%	20	31%
No	20	59%	12	67%	7	58%	39	61%
Total	34	100%	18	100%	12	100%	64	100%
<b>State works effectively and transparently</b>								
Yes	0	0%	0	0%	0	0%	0	0%
Partially	20	59%	7	39%	8	67%	35	55%
No	14	41%	11	61%	4	33%	29	45%
Total	34	100%	18	100%	12	100%	64	100%
<b>Labor rights are protected</b>								
Yes	1	3%	0	0%	0	0%	1	2%
Partially	12	35%	3	17%	3	43%	18	31%
No	21	62%	15	83%	4	57%	40	68%
Total	34	100%	18	100%	7	100%	59	100%
<b>Gender discrimination</b>								
Very high	13	38%	7	39%	3	25%	23	36%
High	10	29%	2	11%	2	17%	14	22%
Medium	6	18%	6	33%	3	23%	15	23%
Low	4	12%	2	11%	1	8%	7	11%
Very low	0	0%	0	0%	2	17%	2	3%
No	1	3%	1	6%	1	8%	3	5%
Total	34	100%	18	100%	12	100%	64	100%
<b>Religious freedom is guaranteed</b>								
Yes	16	47%	7	39%	5	42%	28	44%
Partially	2	6%	1	6%	0	0%	3	5%
No	16	47%	10	56%	7	58%	33	52%
Total	34	100%	18	100%	12	100%	64	100%
<b>Minority interest is protected</b>								
Yes	10	29%	3	17%	5	42%	18	28%
Partially	4	12%	2	11%	0	0%	6	9%
No	20	59%	13	72%	7	58%	40	63%
Total	34	100%	18	100%	12	100%	64	100%
<b>Land and property rights are upheld</b>								
Yes	4	12%	1	6%	3	25%	8	13%
Partially	5	15%	2	11%	0	0%	7	11%
No	25	74%	15	83%	9	75%	49	77%
Total	34	100%	18	100%	12	100%	64	100%
<b>Targets and milestones are achieved</b>								
Yes	0	0%	0	0%	0	0%	0	0%
Partially	24	71%	13	72%	8	67%	45	70%
No	10	29%	5	28%	4	33%	19	30%
Total	34	100%	18	100%	12	100%	64	100%

Source: Annex 3

**Judicial Gridlock, Inefficiency, Corruption and Political Influences.** Unlike SoEs, judicial gridlock result (Table 11) should be interpreted as evidence of marginal influence on growth although it can be added that in the absence of judicial gridlock growth rate would be higher as foreign investors will feel more secure to invest in the economy concerned. The judicial and regulatory systems impede foreign investment. In Afghanistan collapse of the judiciary has worked against FDI flow. So is the case in Angola in which even the local capital taken abroad is hesitating to come back in, Burundi where like others judiciary

is still entrenched in ethnic tension, Guinea Bissau, Eritrea, Nepal where law provides for an independent judiciary, but courts remain vulnerable to political pressure, bribery, and intimidation, Yemen, and Azerbaijan where the corrupt and inefficient judiciary is largely subservient to the president and ruling party with outcomes frequently predetermined. On the other hand, less encumbered judiciary in China, Vietnam, India, Zimbabwe where judiciary has shown increasing independence has aided FDI flow that contributed to rapid growth (Annex 3).

**Political and security situation.** Bangladesh is stable which helped it to gain economically. The country noticed that with each political upheaval wealth was destroyed and growth suffered setback. Fortunately, unlike many other countries political turmoil never lasted long. Comparable cases like Bangladesh include Mongolia, Lao PDR, Ghana, Tanzania, Uzbekistan, Cote d'Ivoire, Sri Lanka, Djibouti, Vietnam, Bolivia, Kenya and many others. On the other hand, slow growth of Angola, Chad, Nepal, Haiti, Guinea-Bissau, Madagascar, Sudan, Central African Republic and Yemen Republic was associated with political instability and insecurity (Annex 3). On the whole, political stability contributes to growth in different groups of countries (Table 11).

**Sustainable pro-poor policies.** The poor are a strong productive force. Sustainable pro-poor policies promote both equity as well as efficiency. Pro-poor policies are associated with growth but absence of such policies is not necessarily anti-growth (Table 11). Individual country experiences bring out the relationship more clearly. In Ghana, Bangladesh, Vietnam, Bolivia, Burkina Faso, Benin and Rwanda pro-poor policies have resulted in rapid growth while lack of such policies resulted in slow growth in Madagascar, Sudan, Central African Republic and Yemen, Republic. Afghanistan will have act decisively to making policies pro-poor to provide additional growth impetus. The same is true of Angola if it were to make full utilization of vast natural resources it has. Burundi needs pro-poor policies to make the poor more productive. This will have large impact on growth because the poor are the majority. In Chad, pro-poor policies are absolutely essential to bring the poor into the mainstream of production and growth. Presently, the poor are delinked from the mainstream economy. In Pakistan, growth though unstable was pro-poor over past decade. Significant decline in poverty is attributed to growth, remittances, social assistance programs and urbanization promoting informal sector development. The important point here is the recognition of the productive potential of the poor. The poor do not need charity or social safety net as such, what they need more is production support to bring out their latent potential.

**Inclusive growth is accelerated.** Evidence on inclusive growth confirms observations on pro-poor policies. Inclusive growth accelerates growth; non-inclusive growth leads to slow growth (Table 11). Many countries have grown rapidly even without inclusive growth policies though the quality of growth remains inequitable (Afghanistan, Mongolia, Ethiopia, Myanmar, Mozambique, Zimbabwe, Kenya Cameroon and Liberia). On the other hand, inclusive growth has underpinned rapid growth in Ghana, Cambodia, Cote d'Ivoire, Bangladesh, Vietnam, Bolivia, Benin, Rwanda and Paraguay. Finally, there are countries (Burundi, Argentina, Madagascar, Belize, Egypt, Azerbaijan, Guinea, Central African Republic, Yemen Republic and Bosnia and Herzegovina) in which non-inclusive growth has resulted in slow growth underscoring the importance of the productive potential of the poor (Annex 3).

**Fiscal, administrative and economic management authority is effectively decentralized.**

Among 64 countries with data, 88% have not decentralized (Table 11). Bangladesh is in this group. The operative word is effectively which means some degree of decentralization has taken place in most countries and impact on growth has shown up in accordance with the degree of decentralization. Pakistan for example has benefited from provincial decentralization. Burundi has promoted communal level decentralization although impact on growth is indifferent.

**Human rights are respected.** Human right is a value. Both moral and economic and of course political. Moral value strengthens inner self and gives confidence to take up challenges. Economic value impacts on productivity while political value strengthens institutions through multiplicity of choices and discussion and debate. More than one half of the countries do not respect human rights. Implication for growth is mixed. Individual country experiences suggest when a country is growing rapidly, upholding human values will reduce tension and open up possibilities for further growth. This is the case of Bangladesh, Myanmar, Cambodia, India, Vietnam and Ecuador.

**Democracy and democratic institutions are strengthened.** Forty-one percent of the 64 countries with data 41% have not taken any step to strengthen democracy or democratic institutions. Fourteen percent have one party democracy, while the balance is almost equally divided between partial strengthening and full strengthening (Table 11). One is referring to traditional democracy and not pluralistic democracy highlighted in this paper. Growth implication is interesting. The growth oriented one party dominance in Bangladesh has produced encouraging growth outcome. Similar is the case for Rwanda, Uzbekistan and Vietnam. On the other hand, one party dominance has produced slow growth in Egypt, Belize and Azerbaijan. Truncated democracy (weak democracy and democratic institutions) has produced both rapid ((Mongolia, Ethiopia, Congo Dem Rep, Lao PDR, Cambodia, Mozambique, Zimbabwe, Kenya, Cameroon and Mauritania) and modest ((Kyrgyz Rep, Ecuador, Malawi, Congo Rep, Lesotho, Mali, Honduras, Haiti, Algeria and Guinea-Bissau) growth. Democracy matters but there is more to the story.

**Rule of law prevails.** Among 64 countries, the rule of law prevails in true sense in only 8% of countries, it does not prevail in 61% of countries (Table 11). The other are partial compliance. Growth implication depends on country situation. Without full adherence to the rule of law Mongolia and Ethiopia are growing rapidly given the strong growth orientation in policies pursued by the political leadership. On the other hand, rule of law prevails in Argentina and Azerbaijan but these countries are growing slowly due inadequate/inappropriate policies (Annex 3). Bangladesh is growing rapidly with partial adherence to rule of law. Ironically institutions responsible for protecting rule of law in Bangladesh are development oriented because government often uses these institutions for disaster response, security of private business, working of vital institutions during periods of civil disturbances and the like.

**State works effectively and transparently.** Virtually, the state in no country works effectively and transparently (Table 11). In Bangladesh, state works only partially in terms of effectiveness and transparency. This has not impeded rapid growth driven by people's aspiration and leadership's strong growth orientation. Bangladesh is in company



of Ethiopia, Ghana, Cambodia, Tanzania, Uzbekistan India, Sri Lanka, Vietnam, Bolivia and Benin (Annex 3). Actually it looks as though the state in a country must work at least partially effectively and transparently in order to be able to grow rapidly or modestly (Table 11).

**Labor rights are protected.** Economic development and growth within the context of capitalist or quasi-capitalist framework generates inevitable tension between capital and labor for the appropriate share of the total pie. Capitalists use marginal propensity to save and invest criteria to claim as large a share of output as possible. Labor on the other hand points towards marginal productivity to be compensated fairly. Development/growth oriented leadership tend to buy in capitalists' argument and aid it to suppress labor directly or indirectly. It uses compensatory measures through laws and regulations to contain labor and give a sense of fairness in the process of collective bargaining. The result is in 68% of 59 countries with data labor rights are not protected (Table 11). There are many examples of countries growing rapidly (Annex 3) even though labor rights are not protected (Mongolia, Ethiopia, Congo, Dem. Rep., Lao PDR, Myanmar, Cambodia, Mozambique, Zimbabwe, Cote d'Ivoire, Djibouti, Eritrea, Timor-Leste, Kenya, Solomon Islands, Cameroon, Mauritania, Liberia, Sierra Leone and Paraguay). The list says the story, which side of the battle for a piece of cake the government is. In Bangladesh, under intense pressure from foreign buyers, international and national civic and labor bodies and worker groups Bangladesh government has made important moves to protect labor rights and welfare especially in the garment industry which was under virtual seize for violation of labor rights and physical damage to labor.

**Gender discrimination.** In male dominated societies, gender discrimination is inevitable unless countervailing measures are adopted and implemented. Gender discrimination is as old as human society although occasional exceptions are noted. OECD (2014) has carefully studied gender discrimination in 160 countries around the world. In the 64 countries included here 81% of countries have medium to very high levels of gender discrimination. In the face of it data suggest gender discrimination has marginal influence on growth (Table 11). This appears contradictory given women's rising labor force participation and growing productivity. Again, individual or country group situations are more revealing. Bangladesh is growing with high level of gender discrimination. Discrimination shows up more in terms of wages and benefits rather than labor force participation. Garment industry favors female labor paying them close to famine wage which has marginally improved recently under international pressure. The Bangladesh situation is repeated in Ethiopia, Ghana, Myanmar, Tanzania, Cote d'Ivoire, Benin, Burkina Faso and Cameroon (Annex 3). Contribution of female labor to growth is measurable and substantial but they are netted under discriminatory trap.

**Religious freedom is guaranteed.** One half of the countries do not protect religious freedom. The other half protect it partially or fully (Table 11). Growth is rapid or modest in one half of the latter group. Many countries grow rapidly but do not protect religious freedom. While historically, certain religions or religious affiliation has been credited with greater business enterprise than others, this distinction appears to be increasingly blurred even in countries like India in which religious tension appears high. Nonetheless, there are indications that economic growth and religious freedom are correlated working through economic freedom, global competitiveness, innovation and experimentation and

good governance. Chiswick (2016) argues that “Economic freedom and religious freedom are thus mutually complementary, suggesting that countries with religious freedom have a comparative advantage for adapting to new economic opportunities. Entrepreneurial initiatives are more likely to be successful in a society where people learn to make choices, and the allocative skill associated with religious freedom has a higher market value in a free economy.” On the other hand, Sunde (2014) says, “Brian Grim of Georgetown University and Greg Clark and Robert Edward Snyder of Brigham Young University conducted an extensive study, “Is Religious Freedom Good for Business?,” which concludes that “religious freedom contributes to better economic and business outcomes.””

**Minority interest is protected.** In only 37% of 64 countries minority interest is protected. In the balance interest is not protected. Minorities are often enterprising, innovating and risk taking communities. Therefore, protecting their interest would have had positive impact on growth though many countries seem to have done alright (Table 11). The conclusion to be drawn seems to be that with minority interest protected rapidly growing countries would have grown more rapidly and modestly growing countries would have grown rapidly. From Afghanistan, to Bangladesh to India to Myanmar, to Nepal, Sri Lanka, to Rwanda to Burundi to Fiji to Solomon Islands, one sees examples of potential growth not being realized due to suppression of minority rights.

### **G. An Inquiry into Critical Developmental Institutions – Catalyzer for Transformation?**

An inquiry into critical developmental institutions as catalyzer for transformation suggests that some critical developmental institutions will play catalytic role in transforming the Bangladesh economy by unleashing all its latent potential (e.g. how land management, labor laws, marketing regulations, and property rights affect economic performance). This section will present an analysis highlighting the importance of some critical developmental institutions that will play catalytic role in transforming the Bangladesh economy by unleashing all its latent potential. The analysis for specifics will look into how land management, labor laws, marketing regulations, and property rights affect economic performance. The study focuses on the legal and regulatory framework for each and highlight required adjustments to sustain longer-term growth and structural transformation.

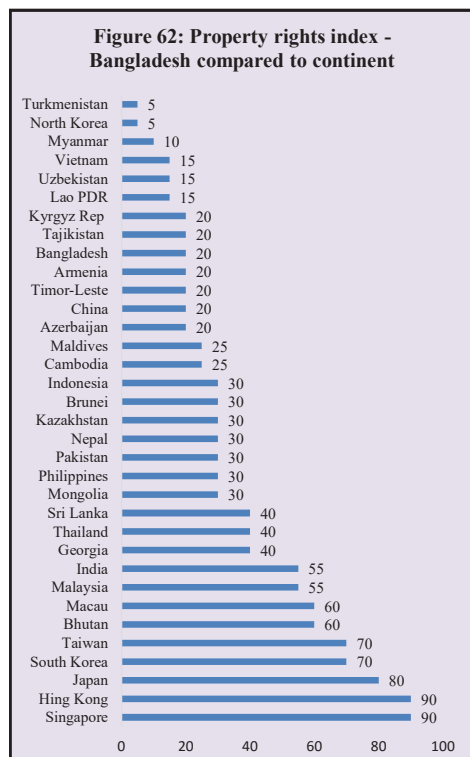
An efficient land market with effective property rights are important for longer-term development. Property rights are most relevant for land, business and intellectual property. The property rights of women are particularly sensitive. The state of these rights, gaps and the desired evolution for the future will be discussed.

In majority of countries land and property rights are not upheld (Table 11). This is confirmed by the property rights index. A subcomponent of the Index of Economic Freedom, the property rights index measures the degree to which a country’s laws protect private property rights, and the degree to which its government enforces those laws. Scores are from 0 to 100, higher scores implying greater protection. The index also assesses the likelihood that private property will be expropriated and analyzes the independence of and corruption within the judiciary, the rigor with which contracts are enforced. The world has lived through this given the contentious nature of the issue. Countries have grown rapidly and modestly without firmly held land and property rights (Table 11). Logic dictates without land and secure property rights investments in general will be held back, foreign

investment will be discouraged and investments in land and property improvement will not be undertaken, all with implication for growth. This line of argument suggest secure rights would encourage investment and raise growth rates especially in countries in which other conditions (policies and institutions) are present for realizing good return on investment.

Bangladesh has sound macroeconomic policies but needs to improve land and land utilization policy and secure property rights along with improved dispute resolution mechanism to accelerate growth further. Bangladesh ranks low among comparator countries (Figure 62). In theory land and property right are secure with registered deeds and title. In practice one can never be sure. The result is land dispute (Rahman and Chowdhury 2016). Land disputes can mostly be traced to unregistered land. Benin and Rwanda like Bangladesh grew rapidly with secure rights but could do better with improvement of law and its execution. Secure rights are necessary but not sufficient as data for Argentina, Belize and Azerbaijan suggest (Annex 3).

Land management holds great promise for future development of Bangladesh. Land is a scarce resource for Bangladesh. It is under threat for unruly urbanization, unplanned industrialization, environmental degradation, natural calamities and climate change.



Right policies and institutions related to land management have to be put in place to make efficient and effective use of scarce land. Land governance is the priority. According to Transparency International Bangladesh (TIB), "... service recipients encounter inconvenience, corruption or harassment while seeking services. Major constraints included, among others, the lack of co-ordination among land authority and management, deficit of skill and experience of Assistant Commissioners (Land), additional duties of AC (Land) other than land management, lack of regular inspection in local land offices, absence of field level monitoring of reports, inadequate budget and skilled human resource, dearth of training, deficit of logistics and infrastructure and the manual record keeping system."<sup>8</sup> Bangladesh must move from the current chaotic state of land administration to an upgraded legal and regulatory framework well before 2041 consistent with sound and equitable land use planning for rational urban and industrial expansion while meeting competing demand for land minimizing litigation and conflict.

Bangladesh can attain developed country status by 2041 as promised by the Prime Minister. This will require double digit growth and efficient and equitable use of scarce land with

<sup>8</sup> <https://www.ti-bangladesh.org/beta3/index.php/en/activities/4908-land-governance-challenges-under-scaner-a-host-of-recommendation-tabled>

a synchronized approach to the following elements: national land-use planning policy; comprehensive land zoning policy; broad-based land capability analysis; mechanisms for land dispute resolution; land administration; environmental protection plan; special economic zone (SEZ) including EPZ development; SME cluster development; economic corridor development; seamless multimodal transport development; streamlined cohesive urban planning along with compact township development (the latter contributing to food security, land conservation, rice exports and growth of rural industries – Salim Rashid); macroeconomic and financial stability and financial inclusion; well-functioning rural land market (Mujeri 2016); and decentralization of political, administrative and revenue collection authority and of socioeconomic services down to local governments.

Zoning is the process of dividing land into alternative permissible uses. Comprehensive land zoning policy would divide the entire country into rural-urban and agriculture-non-agriculture areas. In both rural and urban areas, zoning would define conditional use of land. Land use zoning as a tool of urban planning would specify residential, commercial, industrial, entertainment, parks and rest areas. Simply stated, comprehensive land zoning policy would tell what can be done where avoiding incompatibility. Increasingly, environmental and climate change considerations are dictating land zoning. Historically, forest, grazing, agricultural, water body and mining areas were recognized as such by community consensus before the state moved in to codify and legalize zoning. Zoning includes regulation of acceptable activities on specific plots from open space to residential, agricultural, commercial or industrial use. Modern urban zones fall into residential, mixed residential-commercial, commercial, industrial and spatial categories. Now in most countries a comprehensive land zoning plan is put under a policy as well as a law of the land. It is a legal instrument which is binding. Zoning and urban planning in France and Germany are regulated by national or federal codes. In Bangladesh, comprehensive land zoning policy encompasses special economic zone (SEZ) including EPZ development, SME cluster development and economic corridor development

In today's context of Bangladesh, land-use planning is about allocation of land as a primary resource to alternative uses balancing equity and efficiency thereby maximizing contribution to sustainable and inclusive growth and socioeconomic development minimizing conflicts that tend to destroy social and political fabric at its root and undermine the quality of life by failing to safeguard natural resources, environment as exemplified by many instances of unwarranted mineral exploitation and intrusion into protected habitat driven by greed and short term economic gains. Implicit in this definition is the potential role of optimal land-use planning in long term sustainable growth which requires, among others, land and tenancy reforms and their effective implementation.

Key issues in land-use planning in Bangladesh are (i) land-use and management - land conversion; sustainable land management; land Information system; Khas land management; and economic zones; (ii) land administration; and (iii) regulations on land-use, transfers, acquisitions and resettlement - National Land-use Policy (NLUP) 2001; Revision of NLUP 2001; Khas land management policy; Land acquisition policy; and Economic Zoning Policy.

Given scarcity of land in Bangladesh, it is desirable to develop a land capability system to help determine appropriate uses and management of available land. Land capability analysis aids in how land can be used to produce food, fiber and other products, which land need to be protected from degradation and erosion, which new land could be brought under cultivation, what changes (in production and/or conservation) need to be introduced to the current use of land, and how to determine non-agricultural use of land. In the United States, “The current LCC includes eight classes of land designated by Roman numerals I thru VIII. The first four classes are arable land--suitable for cropland--in which the limitations on their use and necessity of conservation measures and careful management increase from I thru IV. The criteria for placing a given area in a particular class involve the landscape location, slope of the field, depth, texture, and reaction of the soil. The remaining four classes, V thru VIII, are not to be used for cropland, but may have uses for pasture, range, woodland, grazing, wildlife, recreation, and esthetic purposes. Within the broad classes are subclasses which signify special limitations such as (e) erosion, (w) excess wetness, (s) problems in the rooting zone, and (c) climatic limitations. Within the subclasses are the capability units which give some prediction of expected agricultural yields and indicate treatment needs. The capability units are groupings of soils that have common responses to pasture and crop plants under similar systems of farming.”<sup>9</sup>

Land administration is very weak in Bangladesh. An efficient system of land administration and management is imperative for overall development of Bangladesh given its scarce land resource and rapid population growth. Land administration with its three core functions record keeping, registration and settlement are vested in The Directorate of Land Records and Surveys (DLRS), the Land Reform Board (LRB) in MOL and The Land Appeal Board (LAB) in the Ministry of Land (MoL) and the Department of Land Registration (DLR) in the Ministry of Law, Justice and Parliamentary Affairs (MLJP). Land administration is inadequate and inefficient riddled with corruption resulting in loss of Khas land, numerous land conflicts and prolonged litigations, dysfunctional land market accentuated by land speculation and lack of digitization of land records and registration. Khas land is no longer khas, ‘Gone with the Wind’ as they say due to illegal encroachment and/or simple grabbing leaving behind a host of issues that can barely be touched by the land administration authority notwithstanding policy which is no match for political and social influence. Given proliferation of land disputes, alternative mechanisms must be developed for rapid resolution of land disputes.

This study makes some specific recommendations for the future indicated below:

- Formulate a balanced Land-use Planning Policy
  - Study India, Korea, Thailand and Indonesia
- Prepare land-use plan/spatial plan
  - Spatial plan at three levels: national, regional and rural
  - City spatial plans should be treated separately
  - Rural spatial plans have to be sensitive to food security concerns (Compact township – Salim Rashid)
  - All spatial plans should be interlinked as land-use decisions cannot be taken in isolation
- Pay special attention to land administration

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<sup>9</sup> Helms 1992.

- Land Records Management
- Digitized Land Information System
- Alternative Dispute Resolution (ADR) Mechanism
- Land governance including land registration (“Economic historians argue that societies that were able to offer sound property rights created the early conditions for economic development (North, 1981; DeLong and Shleifer, 1992; Acemoglu and Robinson, 2012.”...”)...being registered reduces the likelihood of dispute on a particular land...” – Ashikur 2016).
- Revision of the National Land-use policy

The targets for 2041 are: (i) effective land governance and administration, (ii) effective implementation of the 2010 Labor Law with 2013 amendments, (iii) securing property rights including intellectual property, and (iv) marketing regulations ensuring operation of the free market principles with appropriate checks and balances removing all barriers to entry,

#### H. Decentralization and Deconcentration – Search for a Balance

Several authors (Salmon 2012) have suggested that both cross-country as well as individual country data do not show robust and statistically significant relation between decentralization and economic growth. This finding is also borne out by 64 country analysis in this paper showing that without any form of decentralization 50% of countries achieved rapid growth (5% and +) and 25% of countries achieved modest growth (3 -< 5%). On the other hand, Treisman (2002) showed statistically significant correlations between the log of 1995 per capita GNP, in purchasing power parity terms and various indicators of decentralization, negative for vertical decentralization but positive for decision-making decentralization, electoral decentralization, fiscal decentralization and personnel decentralization. That is good news for Bangladesh in which fiscal, administrative and economic management authority has not been effectively decentralized but transition to democracy resulted in accelerated rapid economic growth and rapid reduction in poverty. With evidence on both sides, one can only safely say that the power of decentralization is exerted through democratic good governance. Cross-country analysis shows significant correlation between decentralization and democracy. The latter has brought accelerated growth in Bangladesh implying that decentralization may contribute to growth by strengthening democracy. In other words, decentralization may contribute to growth by strengthening democracy.

Decentralization unleashes people’s power so crucial to win victory against all odds as noted by the Supreme Court in connection with its ruling on the 16th amendment. The SC took a very strong position in favor of people’s power. In the following quotes retrieved from the Daily Star August 03, 2017.

“We fought a ferocious military force equipped with all modern weaponry and trained personnel -- we fought against them with courage and valour -- what really gave us the advantage over them? Were it arms and weapon only? The answer is No,” observed the apex court.

“We fought a ferocious military force equipped with all modern weaponry and trained personnel -- we fought against them with courage and valour -- what really gave us the advantage over them? Were it arms and weapon only? The answer is No,” observed the apex court.



“It was the stupendous courage of ‘We the people’ of this land. It was the readiness for supreme sacrifice if necessary and unsurmountable feeling of commonness for fellow people of this land that made us unconquerable by the Pakistani military power,” said the SC.

It said the founding fathers of Bangladesh, keeping in mind the struggle against the tyrannical rulers, gave all powers of the republic to the people under article 7. “Thus, if we carefully look into the philosophy of our political existence, we unfailingly see that the citizens of our country are woven by a common thread called ‘we the people’.

“Now that we are living in a free, independent and sovereign country, however, we are indulging in arrogance and ignorance which threaten the very precious tie and thread of ‘we’.

Decentralization has implication for political rights and civil liberties that constitute freedom. Global Freedom score data for 90 countries (Freedom House 2017) was found to be significantly correlated with indicators of prosperity like GDP per capita, gross fixed capital formation and total trade.

This study deals on the ideal balance between decentralization and deconcentration of power in handling regulations to stimulate growth and poverty reduction, with in-depth focus on devolution of fiscal and economic management authority (taxing and spending) drawing on the framework for decentralization presented in Figure 5. Local government function and effectiveness have been handicapped by delayed decentralization and empowerment. The absence of fiscal decentralization means local governments are dependent on the national budget for resources. This in turn requires them to tow the party line of the government in power for survival. Since independence of Bangladesh, all governments have talked about decentralization and devolution of power which has not happened in effect. Recent amendment to Local Government Act giving upper hand to local MPs is resented by many. This study examines how lack of focused attention as well as a strong political commitment to boldly proceed with the long awaited decentralization and devolution of government powers to local levels has impacted on growth and poverty reduction in Bangladesh. It is argued that for structural transformation towards a developed society by 2041, measures are needed to revitalize and strengthen the existing local government institutions especially the union Parishad, the Upazilla Parishad and the Zilla Parishad. Decentralization of governmental powers at union, upazilla and zilla levels of the local governments has been attempted by successive regimes since the colonial period without meaningful transfer of power or functions. History shows, whatever measures have been taken to further decentralize the government, have only resulted in still greater centralization and concentration of powers. According to Khalid Shams (2015), “If democratization is to strike roots, that will allow people, in particular women who make up half of the population, to effectively participate in decision making, existing local government institutions need to be revived. There is no other way to break the current logjam, but to generate necessary political will and create a broad consensus to achieve this goal.” Is working through provinces an answer to devolution as in Cambodia, the Philippines, Sri Lanka and Thailand?

While the absence of an effective local government system adversely affects the performance of public administration in general, this gap is felt most acutely in urban governance and quality of city life. As Bangladesh is making progress its economic structure is changing with rapid decline in agriculture and expansion of manufacturing and



services. This change economic structure has major spatial dimensions reflected in rising concentration of activities in urban centres and concomitant intensity of urbanization. This growing urbanization is a natural factor of development progress and cannot be stopped. The challenge for policy is how best to manage this. Choices involve: (1) heavy concentration of urbanization in a few city centers; (2) spreading urbanization to a larger number of city centers; (3) slowing the pace of city concentration by building connectivity of rural economies to city economies (the sub-urban development concept); and (4) some combination of these.

The failure of urban governance is fast becoming a major constraint to growth and poverty reduction. The severe traffic congestion is taking a huge toll in eating up valuable time of senior business executives, thereby lowering their productivity and increasing cost. There is a similar loss of productivity for staff and employees of public and private sectors, including those involved with policy making and implementation. On the human front, the health hazards of water and air pollution owing to environmental degradation from poor solid waste management, poor sanitation and poor drainage is enormous. On the poverty front, the heavy concentration of slums with zero or negligible access to basic public services is causing the urban poor to live in sub-human conditions with little recourse to public support.

Among Asian countries Cambodia has pursued D & D policy aggressively through a series of laws and sub-decrees gradually transferring power and resources to provinces, districts, municipalities, Commune/Sangkat. The Commune/Sangkat government is the lowest tier of Cambodian government. At each level there is a development fund with transfers from the annual national revenue to finance development and investment plans at each level under autonomous guidance of the local government. Laws and policies are in place to transfer resources and power to SNA promoting their autonomy to develop plans, manage their own resources and better coordinate planning with other tiers of administration. Line Ministries are assessing which functions to transfer to Sub-National Administrations, either permanently or on a pilot basis. The process has been under way since 2001. Given the complexity and inherent tension among actors the progress is likely to be slow. Cambodia is seeking the right balance between Decentralization and Deconcentration.

The World Bank has a major supporter of the Cambodian D & D program. In a recent report, the Bank has outlined some of the difficulties.

”Some ministries have completed their functional mapping exercises and are making decisions about which functions to transfer to Sub-National Administrations, either permanently or on a pilot basis. For examples, the Ministry of Environment transferred functions and resources on waste management and rubbish collections to SNAs while the Ministry of Education Youth and Sport has planned to transfer functions on community kindergarten and community students. Whereas the Commune Councils have limited responsibilities and resources, the complexities of coordinating and transferring authorities from central line ministries to sub-national bodies requires a careful and phased approach.” (World Bank 2015)

A 2011 evaluation by the Asian Development Bank (Niazi 2011) highlights complexities of the Cambodian D & D reforms. The Bank elaborates on the large cast of complex, and sometimes competing, institutions and the challenges of setting up an equitable and

transparent intergovernmental financing system. The study suggests some critical steps for successful implementation of the reforms, including the need to develop a clear reform policy framework, obtain better coordination among government agencies and between the government and development partners, clarify uncertainties in the assignment of functions between tiers of government, design a robust system on intergovernmental financing, and develop capacities to implement the reforms. ADB and World Bank observations on D & D reforms are very pertinent for Bangladesh.

Some of the other country examples of D & D are provided by the World Bank (Table 12).<sup>10</sup> World Bank Country Brief on India (2015) states the following

“The 73<sup>rd</sup> and 74<sup>th</sup> Amendments formally introduced a basic framework for a minimum level of decentralization and democratic local governance in rural and urban areas across all states in India. After ratification by more than half of the State Assemblies, the Constitution (73<sup>rd</sup> Amendment) Act of 1992 (73<sup>rd</sup> Amendment), Constitution (74<sup>th</sup> Amendment) Act of 1992 (74<sup>th</sup> Amendment) established mandatory provisions for decentralization of local governments in India. While the 73<sup>rd</sup> Amendment provides provisions for rural local bodies, the 74<sup>th</sup> Amendment deals with primarily urban local bodies.

Key mandatory provisions of the 73<sup>rd</sup> Amendments include: 1) the creation of a three-tier local government structure, Panchayat Raj Institution (PRI); 2) regular PRI elections with seat reservation for Scheduled Castes/Tribes and women; 3) establishment of Gram Sabha (village assembly) to exert control over local government; and 4) periodic auditing of local governments’ accounts. Similarly, the 74<sup>th</sup> Amendment also provides for a three tier municipal system in the urban centers and requires the establishment of Ward Committees in municipalities.

For the Adivasi (tribal people) and Scheduled Areas that were not covered in the 73<sup>rd</sup> or 74<sup>th</sup> Amendments, the Panchayats (Extension to the Scheduled Areas) Act of 1996 (PESA) was enacted in December 1996 to provide the extension of the provisions of Part IX of the Constitution relating to the Panchayats. The Amendments give PRIs an important role in shaping local development with the goal of integrating the poorest and most marginalized into the mainstream decision-making process. These Amendments require having a quota of panchayat members and chairperson positions for Scheduled Castes/Tribes and women (no less than one-third of the total number of seats). This enables the marginalized individuals and groups to voice their problems and join in decision-making on matters affecting their lives.

The three-tier rural local government structure consists of Gram Panchayat (village council), Panchayat Samiti (intermediary or block), and Zilla Parishad (district council) while three categories of urban local bodies include Nagar Panchayat (area council, city council), Nagar Palika (municipality), and Mahanagar Nigam (municipal corporation). Each tier prepares plans for its areas of responsibility as defined through Activity Mapping. These plans along with plans of municipalities are consolidated by the District Planning Committees (DPC) as mandated in the Constitution.

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<sup>10</sup> [http://siteresources.worldbank.org/EXTCDD/Resources/430160-1435154813801/Website\\_CDD\\_Institutionalization\\_Study\\_Table\\_Final.pdf](http://siteresources.worldbank.org/EXTCDD/Resources/430160-1435154813801/Website_CDD_Institutionalization_Study_Table_Final.pdf)

The 73<sup>rd</sup> and 74<sup>th</sup> Amendments left issues of design and implementation of sectoral, administrative and fiscal devolutions to the States. Many state governments have proceeded incrementally to strengthen the PRI system set out in the Amendments. We describe three illustrative cases below where states are working on strengthening their PRI systems.”

According to the World Bank, Kerala has devolved more responsibilities and resources to local governments than any other states in India. More particularly, in addition to their responsibilities for typical local services such as water, roads and sanitation, local governments in Kerala have been given (limited) functions in respect to health and education which are found in few other states. There is much Bangladesh can take from Cambodian and Indian experience with D & D reforms.

**Table 12: The overview of the country case studies on Decentralization and Deconcentration (D & D)**

Country	Topic areas	Laws/Policies/Regulations Manuals/Guidelines
Afghanistan	Institutionalization of Community Development Councils, created under NSP	Community Development Council ByLaw (November 2006) Sub-national Governance Policy (2010) Policy for Improving Governance and Development in Districts and Villages (December 2013)
Benin	Transfer of public funds to communities; community-managed procurement; participatory planning	The Law 2005-07 amending the Law 2001-07 on Public Works (Loi 2005-07 modifiant et complétant la Loi 2001-07 portant maîtrise d’ouvrage public) (April 2005) – Available in French (April 2005) Manual of Procedures of the Commune Development Support Fund (Manuel Fonds d’Appui au Développement des Communes) (November 2008) – Available in French National Procurement Code (Code des marchés publics) (August 2009) – Available in French National Guidelines on Local Development Plan (Guide d’Elaboration du Plan de Développement Communal) (October 2009) – Available in French National Poverty Reduction Strategy for 2011-2015 (Stratégie de Croissance pour la Réduction de la Pauvreté: SCRP3) (December 2010) – Available in French and English

Country	Topic areas	Laws/Policies/Regulations Manuals/Guidelines
Cambodia	Transfer of powers, functions and resources to subnational government; community-managed funds; social accountability; citizen engagement; CSO/NGO partnership	<p>Law on Administration Management of Commune/Sangkat (March 2001)</p> <p>Law on the Election of the Commune/Sangkat Council (March 2001)</p> <p>Sub-decree on the Establishment of the “Communes/Sagkats Fund” (February 2002)</p> <p>Sub-decree on Decentralization of Powers, Roles and Duties to Commune/Sangkat Councils (April 2002)</p> <p>Strategic Framework for Decentralization and Deconcentration Reforms (June 2005)</p> <p>Law on Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans (May 2008)</p> <p>Law on the Election of the Capital, Provinces, Municipalities, Districts and Khans (May 2008)</p> <p>National Program for Sub-National Democratic Development (NP-SNDD): 2010-2019 (May 2010)</p> <p>First Three Years Implementation Plan (2011-2013) of NP-SNDD (IP3) (November 2010)</p> <p>Law on Financial Regime and Property Management of Sub-National Administrations (May 2011)</p> <p>Strategic Plan for Social Accountability in Sub-National Democratic Development (July 2013)</p> <p>Implementation Plan for Social Accountability Framework (April 2014)</p> <p>Operational Guideline for NGO Partners: Implementation of the Social Accountability Framework</p> <p>Three Year Implementation Plan, Phase II (2015-2017) of NP-SNDD (IP3-II) (December 2014)</p>
Ghana	Transfer of power, functions and resources to district level governments; community participation; intergovernmental fiscal framework	<p>The 1992 Fourth Republican Constitution (January 1993)</p> <p>Local Government Act, 1993 (Act 462) (December 1993)</p> <p>District Assemblies Common Fund Act, 1993 (Act 455) (July 1993)</p> <p>National Development Planning (System) Act, 1994 (Act 480) (August 1994)</p> <p>Local Government (Urban, Zonal and Town Councils and Unit Committees) Establishment Instrument, 1994 (Legislative Instrument 1589) (1994) – Not available online.</p> <p>Local Government Service Act, 2003 (Act 656) (December 2003)</p> <p>Local Government Instrument, 2009 (Legislative Instrument 1961) (February 2010)</p> <p>Decentralization Policy Framework: Accelerating Decentralization and Local Governance for National Development (April 2010)</p> <p>Ghana National Decentralization Action Plan: Accelerating Decentralization and Local Governance for National Development (June 2010)</p> <p>Intergovernmental Fiscal Framework (February 2014) – Not available online.</p> <p>Intergovernmental Fiscal Framework Action Plan (February 2014)</p>
India	Creation of a three tier local government structure; transfer of functions and resources to local governments; establishment of Gram Sabha (village assembly); community participation	<p>The Constitution (73rd amendment) Act, 1992 (April 1993)</p> <p>The Constitution (74th Amendment) Act, 1992 (June 1993)</p> <p>Panchayat Raj (Extension to Scheduled Areas) Act of 1996 (December 1996)</p> <p>Kerala Panchayat Raj Act, 1994 (April 1994)</p> <p>Kerala Municipality Act, 1994 (May 1994)</p> <p>West Bengal Panchayati Raj Act, 1973 (1973)</p> <p>Karnataka Panchayat Raj Act, 1993 (May 1993)</p>

Country	Topic areas	Laws/Policies/Regulations Manuals/Guidelines
Indonesia	Provision of the legal status to villages; transfer of funds to village-managed accounts; participatory village planning; social accountability	Law No. 32 of 2004 on Regional Autonomy (October 2004) The Village Law – Law No.6/2014 (January 2014) Government Regulation No. 43/2014 on the Implementation of the Village Law (June 2014) Government Regulation No. 60/2014 on Village Grants (July 2014) – Amended by Government Regulation No. 22/2015 (May 2015)
Kenya	Creation of subnational government system (county governments); devolved government; community participation; grievance redress mechanisms; local government-managed funds	The Constitution of Kenya, 2010 (August 2010) Urban Areas and Cities Act (August 2011) Transition to Devolved Government Act (March 2012) County Governments Act (July 2012) Public Finance Management Act (July 2012)
Philippines	Establishment of local government system (Local Government Units: LGUs); transfer of powers, functions and resources to LGUs; establishment of local development councils	Local Government Code of 1991/Republic Act No. 7160 (October 1991)
Senegal	Establishment of the rural communities as local authorities; transfer of powers and resources to communities; community participation	Law 72-25 on the establishment of the rural communities as local authorities (April 1972) Local Government Code (Loi n° 96-06 du 22 mars 1996 portant Code des Collectivités locales) (March 1996) Law 96-07 on the transfer of powers to the regions, communes, and rural communities (Loi n° 96-07) (March 1996) 2001 Constitution (January 2001) National Local Development Program (Programme National de Développement Local: PNDL) (September 2006) Act III of the Decentralization (Acte III de la décentralization) (December 2013) General Code of Local Government (Code Général des Collectivités Locales) (December 2013)
Timor-Leste	Establishment of suco (village) councils; participatory local planning	Constitution of the republic Republic of Timor-Leste (March 2002) Decree Law No. 2/2004 on the Election of Suco Chiefs and Suco Councils (February 2002) – Revoked by Decree Law No. 3/2009 Decree Law No. 5/2004 on Community Authorities (April 2004) Decree Law No. 3/2009 on Community Leadership and Their Election (July 2009) Decree Law No. 4/2012 on the Integrated District Development Planning (February 2012) Decree Law No. 8/2013 on the set up of PNDS (June 2013) Decree Law No. 4/2014 on the PreDeconcentration Structure (January 2014)

Source: World Bank. [http://siteresources.worldbank.org/EXTCDD/Resources/430160-1435154813801/Website\\_CDD\\_Institutionalization\\_Study\\_Table\\_Final.pdf](http://siteresources.worldbank.org/EXTCDD/Resources/430160-1435154813801/Website_CDD_Institutionalization_Study_Table_Final.pdf)

## I. Other Issues and Challenges

There are other institutional issues relevant for sustainable, inclusive and accelerated development of Bangladesh. These include strengthening economic institutions focused on budget management; public resource mobilization; fiscal decentralization. Deepening of financial inclusion and financial governance are critical concerns given banking scandals of monumental proportion. The question is how one can bolster ethics in banking. Clearly laid out principles for civil service reforms; establishing strong and accountable local governments; and strengthening the Anti-Corruption Commission (ACC) will foster growth and make SPPB targets more attainable. There are three other critical areas of action under SPPB: (i) effective system of checks and balances between the executive, legislative and the judiciary, (ii) strengthening of the election commission, and (iii) strengthening of the civil society institutions to play their proper development role in the context of a sound enabling environment. The 2041 targets are: (i) fiscally empowered local government, (ii) reforming the Planning Commission to focus on strategies and policies rather than projects, (iii) tax policy reform and strengthening of tax administration for revenue mobilization, (iv) trade policy reform for competitiveness and export promotion, (v) clean banking, (vi) strong and independent EC and ACC and (vii) a strong civil society.

Among other issues particular attention should be given to capacity building drawing on the framework in Figure 6. More specifically this study will reflect on the issues highlighted by Ahmed, Alamgir and Mujeri (2016):

- Strengthening economic institutions focused on budget management; public resource mobilization; fiscal decentralization. The starting point could be principles developed by Ahmed (2016) for fiscal policy for middle-income Bangladesh.
- Strengthening financial institutions with priority given to greater independence to the Bangladesh Bank; reforming public banks; strengthening supervision and portfolio of private banks; addressing the issue of non-repayment of loans by influential borrowers; strengthening the SEC; developing the capital markets; and further deepening financial inclusion (MFS and MFIs). The starting point could be recent contributions by Alamgir (2015b) and Rahman (2015 and 2016).
- Strengthening the public administration capacity through civil service reforms; establishing strong and accountable local governments; and strengthening the ACC. The starting point could be the analysis and recommendations in Shams (2015).
- Strengthening political institutions with priority given to establishing a more accountable governance system through the proper separation of power where there is an effective system of checks and balances between the operations of the three tiers of the government: executive, legislative and the judiciary; strengthening the election commission to enable a truly pluralistic parliamentary democracy; developing an enabling environment for opposition parties to fully participate in parliamentary proceedings; establishing the rule of law for all; strengthening law enforcement agencies; and creating a strong and independent judiciary to arbitrate on all legal and constitutional issues irrespective of interest group pressures and lobbies. The starting point could be the analysis and recommendations in Ahmed, Alamgir and Mujeri (2016).

- Strengthening civil society institutions to play their proper development role in the context of a sound enabling environment that is truly enabling rather than control oriented but also provides for transparent and accountable rules of financing and engagement. The starting point could be the analysis and recommendations in Ahmed, Alamgir and Mujeri (2016).

## **J. Second Perspective Plan (2021-2041) Vision and Targets for Institutional Development**

The 2041 vision, benchmarks, milestones and targets are laid out in Table 13 and discussed briefly below.

### **Vision**

- Bangladesh will be a developed country by 2041 with per capita income of \$12,500 in today's prices
- There will be no hungry stomach ever in Sonar Bangla

The vision statement tries to capture aspiration of the people of Bangladesh which is good and improving life, freedom from hunger and peace.

### **Targets**

**Planning.** Plans are paper products with realization lagging far behind targets. This is projected to change over SPPB. The indicator used is plan target achievement. From the current indifferent achievement at 50-60% realization of projects and programs, achievement will move up to 70% by 2021, 80-90% by 2030 and 90-100% by 2041.

**Governance.** Challenges to address are lacking strength, competency, effectiveness, transparency and accountability and struggling with the serious consequences of corruption. Indicator used is World Bank governance effectiveness score 2015. The framework for good governance which all stakeholders should be adhering to (Figure 4) will help identify policies and strategies to raise Bangladesh's governance score from the range of -0.47 to -0.94 to 1.3 and above (today's Malaysia). The framework should help analyze current situations, identify potential areas of improvement, assess feasibility and steps needed. The civil society can help holding government responsible for its use of public resources.

The governance target for 2041 is aggregate as well as component scores at the level of today's developed countries. In terms of governance effectiveness, this will mean moving from current score of -0.73 to 1.5 or above by 2041 which is in the range of today's developed countries. Strategies to achieve target include (i) adhering to seven key principles of governance applied to 8 institutions of governance (Figure 4), (ii) reforming civil service and public financial management, and (iii) strengthening and empowering the EC and the ACC as both suffer from credibility crisis.

**Finance.** Domestic resource mobilization inadequate to meet financing needs of a growing economy; financial governance is weak; sub-optimal resource allocation; Foreign Direct Investment (FDI) is anemic; the financial sector is fragmented; and inadequate synergy between monetary and fiscal policy.



Three indicators are used to set targets. These are CPIA economic management cluster average (1=low to 6=high) 2015, Tax/GDP ratio and FDI (US\$ million).

In terms of World Bank CPIA economic management cluster average, Bangladesh should be moving from the current score of 3.83 to 5 or above by 2041 on a scale of 1 to 6.

Tax/GDP ratio is low for Bangladesh compared with similarly placed or more developed countries. Bangladesh is behind Jamaica, Georgia, Belize, Mozambique, Bosnia and Herzegovina, Vietnam, Uruguay, Turkey, Chile, Thailand, Angola, Kenya, Malaysia, Nepal, Honduras, Bhutan, Korea, Egypt, Philippines, Cambodia, Pakistan, India and Sri Lanka <sup>11</sup>. Given the imperative of resource mobilization, Tax/GDP ratio has to rise from the current 9% to 12% by 2021, 15% 2030 and 30% by 2041 in line with developed country status.

Following the same line of argument, FDI/GDP ratio need to go up from the current 1.7% to 5% by 2021, 15% by 2030 and 25% by 2041. In 2041, Bangladesh will be in line with today's Malta, Mozambique and Singapore.<sup>12</sup>

Bangladesh performs poorly in NPL falling behind South Asia average, Bhutan, Kenya, Rwanda, India, Uganda, Nigeria, Ecuador, Sri Lanka, Thailand, Indonesia, Vietnam, Philippines, China, Cambodia, Benin, Ethiopia and many others in 2015<sup>13</sup>. Following the global cross-country trend, NPL in Bangladesh should go down from the current high of 10.5% to 8% by 2021, 5% by 2030 and 1.5% by 2041. Given the dynamics of financial governance in Bangladesh and the role politics play in banking these targets are challenging but options are few. Sound banking is essence of growth.

**Table 13. Development indicators, benchmark, milestones and 2041 targets**

Indicator	Benchmark 2017	Milestones		Targets
		2021	2030	2041
Vision				
Bangladesh a developed country by 2041 with per capita income of \$12,500 in today's prices	There will be no hungry stomach ever in Sonar Bangla			
Planning				
Plan target achievement (%)	Indifferent – 50 to 60 % realization	70%	80%-90%	90%-100%
Governance				
World Bank governance effectiveness score 2015	-0.73	-0.50	1.00	1.50 (among developed country group)
Finance				

11 World Bank database, <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS>

12 World Bank database, <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

13 World Bank database, <https://data.worldbank.org/indicator/FB.AST.NPER.ZS>

Indicator	Benchmark 2017	Milestones		Targets
		2021	2030	2041
CPIA economic management cluster average (1=low to 6=high) 2015	3.83	4.00	4.50	5.00
Tax/GDP ratio	9.0	12.0	15.0	30.0
FDI/GDP (net inflow)	1.7	5.0	15.0	25.0
NPL	10.5	8.0	5.0	1.5
Democracy				
The Economist Democracy Index Score (0 – 10 scale)	5.73	6.5	7.5	8.5 (among developed country group)
Election (A – Periodic and timely election at all levels including political party; B – Periodic and timely election at national level but indifferent at other levels; C – Periodic and/or interrupted or controversial national election and indifferent at other levels)	C	B	A	A
Freedom (political and civil) score				
Economic and social rights (Is right to education and property protected?)	Partially	Partially+	Fully	Fully
Civil and political participation (Is there equal freedom of assembly and participation in political life?)	Partially	Partially+	Fully	Fully
Political parties (Are all political parties allowed to form and participate in electoral process)	Partially	Partially+	Fully	Fully
Decentralization				

Indicator	Benchmark 2017	Milestones		Targets
		2021	2030	2041
Vertical (law and order) decentralization	Partial	Partial	High	High
Political decentralization	Very limited	Limited	Partial	High
Fiscal and planning decentralization	Very limited	Limited	Partial	High
Administrative decentralization	Limited	Partial	High	High
Judicial decentralization	Limited	Limited	Partial	High
Electoral decentralization	Limited	Limited	Partial	High
<b>Capacity Building</b>				
<b>Gender empowerment</b>				
Gender sensitive budget	Partially	Partially+	Fully	Fully
SiGi score	0.39	0.32 (Nepal)	0.19 (Vietnam)	0.10 (Madagascar)
<b>Legislature</b>				
Functional capacity to lead in legislation, budget formulation and dealing with national crises and emergencies	Non-functioning legislature dominated by one party	Improved-functioning legislature not dominated by one party focusing on the national target of developed Bangladesh by 2041 ruled by law, peaceful and tolerant and free of abusive corruption	Well-functioning legislature with diversity of interests represented paving the way for achieving the national target of developed Bangladesh by 2041 ruled by law, peaceful and tolerant and free of abusive corruption	Well-functioning legislature with diversity of interests represented achieving the national target of developed Bangladesh ruled by law, peaceful and tolerant and free of abusive corruption
<b>Judiciary</b>				
Judicial quality	Weak judiciary susceptible to political influence and corruption	Improved judiciary but susceptible to political influence and corruption	Strong judiciary still lacking in some of the desired attributes	Strong, independent, separate, effective, efficient, just, impartial, incorruptible, a political and victim-friendly judiciary
<b>Executive, the bureaucracy and the rule of law</b>				

Indicator	Benchmark 2017	Milestones		Targets
		2021	2030	2041
The quality of the bureaucracy and law and order agencies	As individuals intelligent and better educated and more sensitive to people than before but as group lacks focus, elitist, ineffective, highly politicized and prone to influence and corruption	Slow but sure emergence of a reform minded bureaucracy and law enforcement operatives open to change including being focused on socioeconomic development	Reformed bureaucracy and law enforcement agencies with less elitist trait, more effective, less politicized and less prone to influence and corruption and willing to be the champion of Bangladesh Vision 2041 of a developed nation	A strong, independent, reformed bureaucracy and law enforcement agencies far less prone to influence and corruption and fully committed to and proud of achieving Bangladesh Vision 2041 and go beyond
<b>Political institution</b>				
Party conventions Election for party office bearers	Irregular (party conventions and election for party office bearer are seldom organized) Political institutions are at infancy	Intermittent (party conventions and election for party office bearer are held once in a while) Political institutions are coming out of infancy	Periodic (party conventions and election for party office bearer are held periodically, say every 2 or 3 years) Political institutions are gaining experience	Annual or Bi-annual (party conventions and election for party office bearer are held annually or bi-annually) Political institutions are mature
<b>Social institutions</b>				
Stage of development of CSOs (conception, organization, low-level/quality operation, fully-fledged operation, mature high quality broad-based operation)	A combination of low-level/quality operation and fully-fledged operation with some as international best practice	All fully-fledged operation with some as international best practice and many institutionalized under normal regulatory and business practices	All mature high quality broad-based operation with some as international best practice and many institutionalized under normal regulatory and business practices	All mature high quality broad-based operation with some as international best practice and all institutionalized under normal regulatory and business practices
<b>Land</b>				
Land management quality	Chaotic with numerous litigation	Improved with cases reduced by 10%	Improved with cases reduced by 30%	Improved with cases reduced by 50%+
<b>Basic education</b>				
Primary dropout rate	21%	18%	10%	5%
Secondary dropout rate	50%	40%	10%	5%
<b>Skill</b>				
Skill training target	5 million (actual much lower less than a million)	6.5 million	9 million	14 million
<b>Technology</b>				

Indicator	Benchmark 2017	Milestones		Targets
		2021	2030	2041
Functioning technology platform with public sector support and private sector leadership	None (technology development, adoption and adaptation ad hoc with very limited public sector support and private sector leadership and participation)	Technology platform established initiating systematic flow of technologies with strong public sector support and emerging private sector leadership and participation	Technology platform fully operational with free flow of technologies at par with international experiences and partnership with reduced public sector support and strong private sector leadership and participation	Technology platform operating at very advanced level comparable with other developed countries entirely under private sector leadership and full participation
Operational advanced universities for science and technology		Supporting Technology and Innovation in Universities		
Centers of excellence (CoE)	None	ICT University	Establishing/ strengthening 5 advanced universities specialized in i) IT, ii) high tech agriculture, iii) marine, iv) textile and v) leather	Establishment of institutions of higher learning and research in the mold of IIT in India in all divisions
IT Parks	None	Six CoEs in priority sectors operational		
IT education at universities	Kaliakoir and Jessore under construction	Kaliakoir and Jessore operational and work under way at five other locations all public-private partnership	20 CoEs in priority sectors operational	30 CoEs in priority sectors operational
National Institute for Information and Communication Technology	Poor quality IT education in most of the 92 universities under UGC		All IT Parks are fully operational and new ones are planned in accordance with demand	IT Parks are functioning and expanding as appropriate and three IT cities are in place in Dhaka, Chittagong and Khulna
ICT service exports	No plan < \$1 billion (\$881 million in 2015)	Upgrading of IT education under way at nine selected universities in consultation and cooperation with UGC	Upgrading of IT education expanded to more selected universities in consultation and cooperation with UGC	High quality IT education under way in all universities in consultation and co-operation with UGC
		National Institute for Information and communication established and functional	National Institute for Information and communication operating with few satellites in selected locations	National Institute for Information and communication operating with satellites across the country
		\$5 billion	National Institute for Information and communication operating with few satellites in selected locations	\$125 billion (slightly over India today)
			\$30 billion (50% more than Korea today)	

Indicator	Benchmark 2017	Milestones		Targets
		2021	2030	2041
Market integration through investments in nine proposed economic corridors incorporating also the Southern Economic Corridor (Alamgir 2017) See note below	All nine corridors under developed	Dhaka-Chittagong section of Corridor 1 and Dhaka-Banepole section of Corridor 2 fully developed	Corridors 1 and 2 and Southern Economic Corridor fully developed and work on other corridors under way	Work on all nine corridors completed

**Note:** Corridor 1, Northwest-Southeast (NW-SE) is a 982-kilometer-long road link extending from Teknaf in Myanmar border to Banglabandha on the Indian border.

Corridor 2, Southwest-Northeast (SW-NE) is a 504-kilometer-long road link extending from the Benapole border with India to the Tamabil/Karimganj border also with India.

Corridor 3, North-South (West) (NS-W) is a 661-kilometer-long road link connecting Banglabandha on the Indian border with the Mongla Sea Port on the South.

Corridor 4, North-South (Central) (NS-C) is a 338-kilometer-long road link connecting Mymensingh an important administrative and business center in the north central part of Bangladesh with Barisal and Patuakhali two important river ports in the South central part of the country. Corridor 4 is the central artery of Bangladesh dividing the country into East and West.

Corridor 5, North-South (East) (NS-E) is a 668-kilometer-long road link connecting Tamabil/Karimganj on the Indian border with Teknaf on the Myanmar border passing through mineral (gas) and industrial belts and also linking with the Chittagong port

Corridor 6, Northwest-Northeast (NW-NE) is an 805-kilometer-long road link connecting Banglabandha on the Indian border with the Tamabil/Karimganj border also with India.

Corridor 7, Southwest-Southeast (SW-SE) is 776-kilometer-long road/rail link connecting Darsana on the Indian border with Teknaf on the Myanmar border via Chittagong where the rail link ends and road interchange begins.

Corridor 8, East-West (EW) is a 746-kilometer-long road link connecting Benapole on the Indian border with Teknaf on the Myanmar border via Chittagong. It is part of SASEC Corridor 3 and Asian Highway 41 (AH - 41).

Corridor 9, Inland Water Route (IWR) is a 670-kilometer-long inland water link connecting Kolkata in India with Assam in India via Angtiharra- Khulna-Barisal-Up Meghna. It is part of SASEC Corridor 4.

The nine-corridor CIMECON for Bangladesh can be reduced to a module of the London Tube. The nine corridors of CIMECON satisfy market integration and link criteria. This within-country integrated economic corridor development is open to improved regional connectivity, transit and integration as facilitation measures are built up and put in place.

**Democracy.** Democracy is measured by various indicators, quantitative and qualitative. These are The Economist Democracy Index Score (0 – 10 scale); Election (A –Periodic and timely election at all levels including political party; B – Periodic and timely

election at national level but indifferent at other levels; C – Periodic and/or interrupted or controversial national election and indifferent at other levels); Freedom (political and civil) score; Economic and social rights (Is right to education and property protected?); Civil and political participation (Is there equal freedom of assembly and participation in political life?), and Political parties (Are all political parties allowed to form and participate in electoral process).

Target for 2041 is to move from the current hybrid quasi democracy with an index score of 5.73 into the range for full democracy ( $8 \leq s \leq 10$ ) plus guaranteed democratic processes leading towards full pluralistic democracy.

In terms of global freedom score, Bangladesh is desired to move from the current 47 to 55 by 2021, 65 by 2030 and 80 by 2041. Currently Bangladesh is behind Sweden, Ireland, Germany, India, Paraguay, Madagascar, Sri Lanka and Nepal in freedom score. The projected path will take it to the today's level of developed countries. The SPPB paths for other qualitative democracy indicators have also been traced (Table 13).

**Decentralization.** From the current state of virtual absence of decentralization, the proposed target for 2041 is to take Bangladesh to 'High' level of decentralization under the six concepts outlined above (Table 13).

The framework for decentralization (Figure 6) suggests target of completing the process of Deconcentration and decentralization by 2041 under six concepts: (i) fiscal and planning decentralization, (ii) political and decision-making decentralization, (iii) vertical and judicial decentralization, (iv) administrative and personnel decentralization, (v) electoral decentralization. Consideration may have to be given to converting present administrative divisions into provinces as some have suggested (Wahab, undated). This will have implication for urban and land use planning and shifting power away from Dhaka in favor of other nodes.

**Capacity building.** Capacity building has many dimensions including gender empowerment, legislature, judiciary, executive, the bureaucracy and the rule of law, political institutions, social institutions, land, basic education, skill, technology and markets.

### **Gender empowerment**

Gender empowerment is measured by preparation and implementation of gender-sensitive budget and SiGi score. Gender-sensitive budget is only partially implemented in Bangladesh. The expectation is this will change and at each milestone gender sensitiveness of budget will improve ultimately budget being fully gender sensitive by 2030 onwards. As for SiGi score, Bangladesh is classified as very high gender discrimination with a score of 0.39. It is expected that Bangladesh will move up from very high gender discrimination (0.39) to high (0.32 – Nepal) by 2021, medium (0.19 – Vietnam) by 2030 and low discrimination (0.10 – Mozambique) by 2041.

### **Legislature**

Progress is measured by a perception indicators defined as 'functional capacity to lead in legislation, budget formulation and dealing with national crises and emergencies'. The benchmark is 'Non-functioning legislature dominated by one party'. Milestones are



gradual improvements until the 2041 target of ‘well-functioning legislature with diversity of interests represented achieving the national goal of developed Bangladesh ruled by law, peaceful and tolerant and free of abusive corruption is achieved’.

### **Judiciary**

The perception indicator is ‘judicial quality’. Benchmark is ‘weak judiciary susceptible to political influence and corruption’. The 2041 target, ‘Strong, independent, separate, effective, efficient, just, impartial, incorruptible, a political and victim-friendly judiciary’ while milestones are given by gradual improvements.

### **Executive, the bureaucracy and the rule of law**

The perception indicator is ‘the quality of the bureaucracy and law and order agencies’. Benchmark is ‘As individuals intelligent and better educated and more sensitive to people than before but as group lacks focus, elitist, ineffective, highly politicized and prone to influence and corruption’. The 2041 target, ‘A strong, independent, reformed bureaucracy and law enforcement agencies far less prone to influence and corruption and fully committed to and proud of achieving Bangladesh Vision 2041 and go beyond’ while milestones are given by gradual improvements.

### **Political institution**

Two perception indicators combined in one is suggested, ‘party conventions’ and ‘election for party office bearers’. Benchmark is ‘Irregular party conventions and election for party office bearer are seldom organized and political institutions are at infancy’. The 2041 target, ‘Annual or Bi-annual party conventions and election for party office bearer are held annually or bi-annually and political institutions are mature’ while milestones are given by gradual improvements.

### **Social institutions**

The perception indicator is ‘Stage of development of CSOs (conception, organization, low-level/quality operation, fully-fledged operation, mature high quality broad-based operation)’. Benchmark is ‘A combination of low-level/quality operation and fully-fledged operation with

some as international best practice’. The 2041 target, ‘All CSOs are mature high quality broad-based operation with some as international best practice and all institutionalized under normal regulatory and business practices’ while milestones are given by gradual improvements.

### **Land**

The perception indicator is ‘the quality of land management’. Benchmark is ‘Chaotic with numerous litigation’. The 2041 target, ‘Improved with cases reduced by 50%+’ while milestones are given by gradual improvements.

## Basic education

Progress is measured by reduction in dropout rates at primary and secondary levels. Benchmarks are 21% and 50% respectively for primary and secondary education. The 2041 target, '5% dropout rate for both primary as well as secondary level' while milestones are given by gradual improvements.

## Skill

The focus is on skill training. Benchmark is training of less than 1 million workers. Milestones and 2041 target are built around Government's SEIP program. The 2041 target is training of 14 million workers. Milestones are 6.5 million by 2021 and 9 million by 2030.

## Technology

This is quite involved and complex taking Bangladesh beyond currently envisaged 'Digital Bangladesh' program in terms of time horizon and scope of operation. Several indicators need to be used to measure progress towards Vision 2041, namely, 'Functioning technology platform with public sector support and private sector leadership', 'Operational advanced universities for science and technology', 'Centers of excellence (CoE)', 'IT Parks', 'IT education at universities', 'National Institute for Information and Communication Technology', and 'ICT service exports'. Targets for each are discussed below.

'Functioning technology platform with public sector support and private sector leadership'. Benchmark is, technology development, adoption and adaptation ad hoc with very limited public sector support and private sector leadership and participation. The 2041 target, 'Technology platform operating at very advanced level comparable with other developed countries entirely under private sector leadership and full participation' while milestones are given by gradual improvements.

'Operational advanced universities for science and technology'. Benchmark is 'None'. It is anticipated that by 2021 there will be improved technology education and innovation in Universities and a new ICT University. The country will establish/strengthen 5 advanced universities specialized in i) IT, ii) high tech agriculture, iii) marine, iv) textile and v) leather by 2030. The 2041 target, 'Establishment of institutions of higher learning and research in the mold of IIT in India in all divisions'.

'Centers of excellence (CoE)'. Indicator is number of CoEs. Benchmark is 'Few, none up to par'. The 2041 target, '30 CoEs in priority sectors operational' with milestones of six and 20 CoEs by 2021 and 2030 respectively.

'IT Parks'. Benchmark is 'Kaliakoir and Jessore under construction'. The 2041 target, 'IT Parks are functioning and expanding as appropriate and three IT cities are in place in Dhaka, Chittagong and Khulna'. The 2021 milestone is 'Kaliakoir and Jessore operational and work under way at five other locations all public-private partnership' and 2030 milestone is more ambitious envisaging 'All IT Parks are fully operational and new ones are planned in accordance with demand'.

'IT education at universities'. Benchmark is 'Poor quality IT education in most of the universities under UGC. The 2021 milestone is 'Upgrading of IT education under way at nine selected universities in consultation and cooperation with UGC' and 2030 milestone 'Upgrading of IT education expanded to more selected universities in consultation and

cooperation with UGC’. The target for 2041 is ‘High quality IT education under way in all universities in consultation and cooperation with UGC’.

‘National Institute for Information and Communication Technology’. This is a proposal to convert IT graduates into job ready and work ready personnel. The benchmark is ‘none’. The 2021 milestone is ‘National Institute for Information and communication established and functional’. The 2030 milestone is ‘National Institute for Information and communication operating with few satellites in selected locations’. The 2041 target, ‘National Institute for Information and communication operating with satellites across the country’.

‘ICT service exports’. Bangladesh wants to be a global player which would mean moving up the ladder from current exports of \$881 million in 2015 to a very ambitious \$125 billion (slightly over India today) in 2041 with milestones of \$5 billion in 2021 as set by the Government and \$30 billion (50% more than Korea today) by 2030.

## Market

The concern is market integration through investments in economic corridors to reduce transaction and transfer costs. An ADB study has identified none economic corridors incorporating also the Southern Economic Corridor’. These need to be pursued to promote market integration within Bangladesh and also to take steps to strengthen regional market links. Therefore, the indicator is ‘progress of economic corridor development’. Benchmark is ‘No economic corridor has been developed’. The 2021 milestone is ‘Dhaka-Chittagong section of Corridor 1 and Dhaka-Beanpole section of Corridor 2 (part of Southern Economic Corridor) fully developed’. The 2030 milestone is ‘Corridors 1 and 2 and Southern Economic Corridor fully developed and work on other corridors under way’. The 2041 target, ‘Work on all corridors completed’.

## K. Second Perspective Plan (2021-2041) Strategies for Institutional Development

The strategic thrust of the SPPB should be strengthening institutions. Broadly speaking, major focus should be on (i) planning institutions, (ii) governance institutions, (iii) financial institutions, (iv) democratic institutions - institutions to promote pluralistic democracy, (v) decentralization institutions, and (vi) capacity building institutions. The latter has sub-classification including (a) gender empowerment institutions, (b) legislative institutions, (c) judicial institutions, (d) public administration capacity - Executive, the bureaucracy and the rule of law, (e) political institutions, (f) social institutions, (g) institutions for land management, (h) institutions for human capital development – basic education and skill, (i) institutions for technology, and (j) market institutions (Attachment).

## Planning

Plans are paper products with realization lagging far behind targets. Two major challenges are synchronization with the medium-term expenditure framework and the annual budget, especially in fiscal projection and project/program implementation capacity. Planning capacity is overtaxed between tasks of strategy formulation and policy development and detailed project review for approval.

**Short to medium-term up to 2030:** Five-year plans should be abandoned in favor of three-year rolling plan fully synchronized with Government’s Medium-Term Budget Framework (MTBF) taking cue from the Republic of Korea (Figure 9).

**Longer-term beyond 2030:** The Planning Commission should consider focusing exclusively on vision, strategies and policies of both perspective and respective five year plans, a path being followed by Niti Aayug (National Institution for Transforming India)

## Governance

Constraints to address are lacking strength, competency, effectiveness, transparency and accountability and struggling with the serious consequences of corruption.

Bangladesh needs to deepen effort to improve anticorruption measures through the Anticorruption Commission (ACC). Other areas are public procurement, financial management, fiscal reporting, and watchdog institutions<sup>14</sup>. Emphasis has to be on strengthening core governance institutions like Comptroller and Auditor General, Public Accounts Committee, Bangladesh Bank, Public Service Commission, Securities and Exchange Commission, courts, local government bodies. Transparency can be increased through implementation of the 2009 Right to Information Act (RTI) by enhancing institutional capacity to comply with the Act. In order to attract private investment including foreign private investment required to reach the bold 2041 income target, particular attention has to be paid to financial governance, fiscal governance, land governance, urban governance, corporate governance and the court system to enforce contracts and adjudicate disputes. Going forward towards 2041 land and urban governance is the priority for up to 2030 while the others will have to be continued up to 2041 and beyond. There is no scope for slackening effort.

**Short to medium-term up to 2030:** Initiating governance reform for improvement of effectiveness through administrative reform as a continuing and gradual process based on both objective need and subjective public demand, productivity, transparency and accountability and reduction of corruption and abuse of power and enforcing the rule of law; encouraging female participation and representation in legislative bodies, judiciary and administration and all policy making bodies; strengthening Anti-Corruption Commission along with expediting the judicial process; and allocating resources for the development and application of e-governance.

**Longer-term beyond 2030:** Continuation of the strategy of effective government and enforcement of the rule of law with complete transparency and accountability within the framework of pluralistic democracy and further emphasis on e-governance.

To reach 2041 target adopt the following measures:

1. Adhere to seven key principles of governance applied to 8 institutions of governance (Figure 4)
2. Civil service reform for effective administration
3. Public financial management reform for accountability by strengthening core governance institutions
4. Implementation of Right to Information Act for transparency
5. For anti-corruption measures strengthen ACC

## Finance: Accountability, Transparency, Incorruptibility and Resource Use Efficiency

Domestic resource mobilization inadequate to meet financing needs of a growing economy; financial governance is weak; sub-optimal resource allocation; Foreign Direct Investment

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<sup>14</sup> <http://www.worldbank.org/en/country/bangladesh/brief/bangladesh-governance>

(FDI) is anemic; the financial sector is fragmented; and inadequate synergy between monetary and fiscal policy.

MTBF process should be strengthened through the preparation of medium-term strategic business plans (MTSBPs)

Regulatory regime has to improve to make gain in GCI, doing business and private investment

**Short to medium-term up to 2030:** Improving financial governance and access to finance especially for SMEs; improving tax base and tax administration for domestic resource mobilization (establishment of an efficient, equitable and productive tax system with full implementation of the VAT Law required for raising tax/GDP ratio), providing incentives for FDI especially tax incentives for non-resident Bangladeshi (NRB) investments; making microfinance financially competitive and adherent to prudential norms as directed by the Microfinance Regulatory Authority (MRA) and the BB; and pursuing financial inclusion and stability for inclusive sustainable green growth and policy shift towards instilling in the financial sector the ethos of socially responsible financing focused towards supporting environmentally sustainable output activities and away from financing of speculative profit seeking or wasteful ostentation, taking measures to sustain inflation and interest rate at the level of comparator countries and reduce interest spread, keeping public domestic borrowing under control (Sadiq 2016), reforming public enterprises and eliminating loss making units, pay attention to the quality of people in banking in order to improve ethics in banking in Bangladesh and enhancing independence and strengthen three institutions to deal with efficiency and corruption in banking in Bangladesh: The Bangladesh Bank, the Anti- Corruption Commission and the Office of the Comptroller and Auditor General . Mobilization of public and private resources including PPP for e-finance will improve the delivery of finance.

**Longer-term beyond 2030:** Continuation of the above strategy with ten pillars: (i) financial market integration, (ii) microfinance for the extreme vulnerable groups, (iii) meso-finance for graduate clients of the microfinance including SMEs, (iv) capital market development with built in regulation and stabilizers, (v) greater harmony between fiscal and monetary policy, (vi) complete independence of the Bangladesh Bank in the conduct of monetary policy, (vii) capital account convertibility with oversight on satisfaction of pre-conditions, (viii) continuous strengthening of the banking supervision capacity of the Bangladesh Bank as all financial institutions are brought under its direct supervision and control, (ix) privatization of all state owned banks except one for payment purposes; (x) eliminating political patronage; and (xi) continuing investments in e-finance.

## **Democracy**

The democratization process is a continuum, Policies and strategies cannot be time-bound as these must play out conflicting forces jockeying for supremacy. The challenge how to move from hybrid democracy to pluralistic full democracy. This study outlines a framework for pluralistic democracy. Implicit in the framework is the suggested path towards Vision 2041. The path towards full pluralistic democracy by 2041 has to be founded on a strong and fair election commission (EC), credible election, effective parliament, periodic election with participation of all and consensus on broad outline of economic, political and social agenda so that continuity is assured and a turnover of power would not lead to dead halt of existing programs and starting from scratch. That will be waste of time and resources that Bangladesh ill affords. Pluralistic democracy is achievable with adherence to a ‘respect matrix’ (respect for inclusion of all in the democratic process, respect for rule of law and

the like). In short, the 2041 target is pluralistic democracy and policies and strategies are embedded in ‘respect for’ critical values (Figure 5). This concept of pluralistic democracy is mirrored in a statement of the Supreme Court (SC) in connection with its verdict on the 16th amendment, “It is expected in a country run by constitutional democracy that the following indispensable constituents would exist: (a) purity of election, (b) probity in governance, (c) sanctity of individual dignity, (d) sacrosanctity of rule of law, (e) independence of judiciary, (f) efficiency and acceptability of bureaucracy, (g) credibility of institutions like judiciary, bureaucracy, Election Commission, Parliament, (h) integrity and respectability of those who run those institutions.”

Strategies to attain target are (i) strengthening and empowering EC to act independently as in India, (ii) ensuring independence of judiciary and separation of power of Executive, Legislature and Judiciary, (iii) reviewing and strengthening the legal and regulatory framework for election, and (iv) providing constitutional and legal guarantee for avoiding/eliminating possibility of non-democratic extra-constitutional usurpation of power by any force/group including the armed forces.

Institutionally, the EC will have to be empowered to hold free and fair parliamentary elections. This is the point underscored by the SC in connection with its verdict on the 13th and 16th amendments declaring in no uncertain terms that “...the apex court said the EC should be made more empowered and institutionalised so that the parliamentary elections could always be held fairly without the non-partisan caretaker government system” (The Daily Star August 03, 2017. The SC went on to say “Unless the national parliamentary election is held impartially and independently free from any interference, democracy cannot flourish. In the absence of credible election, a credible parliament cannot be established”.

## Decentralization

The principal challenge to decentralization is how to introduce effective administrative, financial/fiscal, electoral, judicial, political and appointments decentralization.

There are many specific challenges to decentralization in Bangladesh:

- Strong unitary character
- Highly centralization of government and administration in Dhaka, the capital city
- Major political and administrative decisions are taken in Dhaka
- Capacity constraint
- Legal and regulatory framework is still weak
- Local governments have little fiscal and administrative autonomy
- Political conflict weakened institutional capacity
- Continuing resistance to decentralization efforts by the bureaucracy and lower-level government officials
- Political interference
- Non-adherence to the participatory planning process
- Ineffective coordination

Policies and strategies to deal with these challenges will have to be carefully designed and implemented. First capacity building at all levels is to be given top priority. Second, political support will have to be mobilized to neutralize vested interests, especially bureaucracy, in status quo and introduce structural changes in the unitary character of the government and the centralization of government and administration in Dhaka where major political and administrative decisions are taken. Third, major investments will have

to be made to strengthen institutions of decentralized government and administration from the top down to the grassroots. Fourth, act on the important recommendation made in 2016 by an international seminar in Dhaka calling for a legal framework that will provide clear guideline for the local government machineries about its function, jurisdiction, taxation, finance, budget account, electoral process, and central-local and local-local relationship (bdnews24.com).

Strategies to attain targets overcoming challenges of decentralization are: (i) shifting the center of gravity of the central power from Dhaka to the Faridpur region, (ii) converting the present six administrative divisions into six provinces, (iii) securing four tiers of local government - Gram (Village) Sarkar, Union Parishad, Thana and Zila Parishad - for rural areas and two tiers - City Corporations and Paurashavas - for urban areas, (iii) Promoting fiscal decentralization to facilitate emergence of autonomous and accountable local governments (Sadiq 2016), (iv) keeping local governments totally independent of the influence of local political leadership and civil bureaucrats, (v) entrusting local governments with planning and implementation of local development projects irrespective of sources of fund, (vi) legislating a comprehensive Law clarifying powers and functions of local bodies at all levels. This Law will replace 130 laws and over 100 sub-laws and rules covering local bodies.

## Capacity Building

### Gender empowerment

Bangladesh belongs to the group of countries with very high gender discrimination despite the fact that its progress with female, literacy, health, family welfare and access to credit and industrial labor force participation and political leadership has been appreciated worldwide. Gender relations are cultural, historical, political, social racial, ethnic, religious and administrative values and biases and prejudices. Longer term mitigation must be set in motion to undo these noting that social progress takes time even after needed legislations have been enacted.

Strategies for gender empowerment will include, among others, the following:

1. Make planning and budget process gender sensitive at all levels
2. Promote female participation in the electoral process
3. Strengthening gender-sensitive legislative, regulatory and institutional framework
4. Mainstreaming women in social and political institutions
5. Increasing and including women's voice at all public for a
6. Securing women's land and property rights
7. Training and skill development

### Legislature

The challenge is to change the culture of chaos in the name of parliamentary proceedings. Over past decade, the parliament as a decision-making body has become almost dysfunctional with a culture of boycott dominating the landscape since 1991. The parliament is often completely dominated by one major political party or the other with one sided legislation and amendments to the constitution being the order of the day while the rather ineffective opposition makes it more ineffective by boycotting parliamentary proceedings.



**Short to medium-term up to 2030:** Establishing Well-functioning legislature with diversity of interests represented paving the way for achieving the national target of developed Bangladesh by 2041 ruled by law, peaceful and tolerant and free of abusive corruption through (i) establishment of bicameral legislature at the center, (ii) development of political consensus on the functioning of the legislature, (iii) strengthening of legislature through finance, infrastructure, technology, human resources including upgrading of skills of legislators and research and monitoring, (iv) establishment of strategic, organizational & operational planning and accountability system and outcome measurement, and (v) establishment of a system for internal operations and management (administrative, financial and human resources, facility, quality assurance, technology and risks).

**Longer-term up to 2041:** Continuation of the above.

### **The Judiciary**

There is an eternal search for independent, separate, effective, efficient, just, impartial, corruption-free, a political and victim-friendly judiciary all over the world Bangladesh included. This is Bangladesh's perspective for 2041. Challenges are case overload, quality of people, poor incentive, litigating public, political influence, corruption, poor legal education and capacity.

**Short to medium-term up to 2030:** An independent commission may review the macro environment of the judicial system and its operation in Bangladesh with a view to providing a road map for promoting its independence, integrity, efficiency and accountability and ensuring complete separation of power of the judiciary and the executive so that the pluralistic democracy can function and thrive in Bangladesh upholding democratic principles no matter what. In the meanwhile, note should be taken of and followed what the Constitution of Bangladesh provides for independence of judiciary under Articles 7, 35(3) and 116A of Part VI that deals with judiciary and for the separation of judiciary in Articles 22, 95 (1), 107, 113, 115 and 116. The action taken by the caretaker government to institutionalize separation of power in 2007 has to be upheld. All governments of Bangladesh must do away with their ambivalent attitude towards independence of judiciary trying to muzzle it by constitutional amendments (the much discussed 16th amendment giving the Parliament power to dismiss judges under certain conditions). There has to be a strategic shift in this regard recognizing that true independence of the judiciary and separation of judiciary hinge on the government's willingness to accommodate changes as many in the government see it as curtailment of their own power, hence the reluctance to reform and temptation to interfere. On the side of institutional development, in order for the judiciary to function as independent, separate, effective, efficient, just, impartial and corruption-free, the judicial institution has to be strengthened through finance, infrastructure, technology, manpower and research and monitoring.

**Longer-term up to 2041:** The judicial reform is a long process. The strategies recommended above has to be continued up to 2041 and beyond with periodic review of progress and adjustments in strategies as required.

### **Bureaucracy**

The challenge of bureaucracy in Bangladesh can be found in this, "The structure and working patterns of bureaucracy in Bangladesh are a legacy of British colonial rule, which

impeded reform efforts after Independence and caused politicization of the administration and governance. Civil-military elitisms reduced accountability of the administration, resulting in a dominating bureaucratic structure with corruption.” (Mollah 2011)<sup>15</sup>

The bureaucracy has to come out of its shell and open up to reform.

As for rule of law the twin challenges are corruption and institutional subversion of the rule of law.

In order to establish a strong, reformed and independent bureaucracy a number of strategies will have to be pursued:

1. A Commission to look into civil service reform taking account of previous attempts
2. A periodic Pay and Services Commission to keep the incentive framework up to date
3. Politicians “Hands off bureaucracy”
4. Strengthen the civil service institution through finance, infrastructure, technology, manpower and research and monitoring
5. Strengthen law enforcement agencies, implement skill development and training program with emphasis on attitudinal approach to maintenance of law and order and enhance manpower

### **Political institutions**

The challenge is to strengthen political institutions to steer the country along stable and inclusive development path in a sustainable way. The related challenge is to prod political parties to adhere to the principles of pluralistic democracy.

Political parties have their own dynamics and they operate accordingly. Therefore, the felt need for reform and the content of reform has to come from within. It is difficult to dictate anything from outside except highlighting issues and engaging in constructive dialogue. Two simple recommendations are made here: (i) review and revise party constitution as appropriate; (ii) establish consultative bodies to seek members’ views on important issues. The point is pluralistic democracy cannot be pursued in good faith, without true democracy within political parties.

### **Social institutions**

Focus here is on civil society organizations (CSOs). Challenges facing civil society organizations are: (i) mutually suspicious and divisive relationship with the government; (ii) attempted excessive control by the government; (iii) political, administrative and financial repression; (iv) lack of financial independence, (v) foreign aid dependence; (vi) degeneration into contractor status; (vii) limited or no innovation; (viii) poor governance with lack of transparency, accountability and corruption; (ix) internal conflict and tension; (x) autocracy of the top; (xi) mixed quality of staff and personnel; (xii) fraud and lack of professionalism; (xiv) lack of matching skill; (xv) waning idealism; (xvi) unproductive competition and rivalry undermining the quality of services provided; (xvii) slow death of early optimism of alternative to public sector service delivery; and (xviii) personality cult.

Vision 2041 seeks to create an environment so that all CSOs in Bangladesh emerge as mature high quality broad-based operations with some as international best practice and all institutionalized under normal regulatory and business practices. To achieve this the

<sup>15</sup> As quoted in Ahmed, Alamgir and Mujeri (2016).

following strategies are recommended:

1. Recognize freedom of association and operation
2. Provide legal and regulatory framework
3. Organize external monitoring and evaluation on selected basis using agreed criteria
4. Provide, financial, moral, administrative and political support as appropriate
5. No witch hunting under any pretext
6. All CSOs should be operating under a social compact draw up for all organizations
7. Implement government and independent audit
8. Deal with the challenges outlined here in a strategic way

### **Land; Rational land-use planning**

Resources are on the decline both quality and quantity wise; declining trend in the availability of arable land; land productivity under threat; land use intensity, degradation, and poor management are undermining sustainability; inadequate investment in land conservation, reclamation and development; lack of cadastral survey; backlog of land titling and registration; inadequate protection of tenants; and land speculation distorting resource allocation and reducing growth potential.

**Short to medium-term up to 2030:** Considering the prospect of a highly urbanized Bangladesh by 2030, formulating a forward looking urban development strategy around sound spatial planning, land zoning and mass transit; pursuing an urbanization policy for improved management of the accelerated urbanization process already under way in a somewhat chaotic manner; increasing investment in research, training and technological innovation including integrated farm practices for increasing rice and diversified food production; increasing investment in land rehabilitation, development and protection; increasing budget allocation for development; implementing legislation enacted for ownership and tenurial rights; proceeding cautiously with digitization of land records in Bangladesh.

#### **More specific recommendation should deal with the following:**

1. Formulate a balanced Land-use Planning Policy following examples of India, Korea, Indonesia and Thailand
2. Prepare land-use plan/spatial plan at national, regional, urban and rural levels with special consideration for compact townships in rural areas (Salim Rashid)
3. Formulate a forward looking urban development strategy around sound spatial planning, land zoning and mass transit
4. Pursue an urbanization policy for improved management of the accelerated urbanization process already under way in a somewhat chaotic manner
5. Increase investment in land rehabilitation, development and protection
6. Implement legislation enacted for ownership and tenurial rights
7. Pay special attention to land administration; digitize land records but proceed cautiously;
8. Formulate Alternative Dispute Resolution (ADR) Mechanism to expedite disposal of cases

**Longer-term beyond 2030:** Continuation of the above strategy and elaboration of a revised Land Policy backed up by a revised Land Law aimed at promoting land saving and efficient land use and a more aggressive push to digitization of land records and transfer.

## Basic education: Quality over quantity

Bangladesh has performed well in terms of basic education indicators (primary school enrolment and female enrolment for example) but is haunted by poor quality and dropout problems. Inadequate preparation for participation in a tech savvy, multilingual, multi-skilled and multi-tasked world is the issue.

**Short to medium-term up to 2030:** Raising public spending on education as % of GDP gradually to 5% and above. Decentralizing educational governance. Raising teacher quantity and quality with upgraded teacher education which suffer from serious gap. Providing support to pre-primary education. Bringing Primary and secondary education under one administrative jurisdiction. Promoting skill development anchored in a drive for universal English and computer literacy from an early stage of schooling and competency in at least one additional foreign language and skill for all higher secondary certificate (HSC) graduates; harnessing mathematical skills; helping students from an early stage to overcome the so called fear of math; Taking steps to contextualize and operationalize the thrust for education for all; tackling the two challenges of basic education that is meaningful quality and system dropouts through six strategic actions: (i) teacher quality, (ii) curriculum, (iii) teaching materials and physical facilities, and (iv) educational support both at school and at home for those vulnerable to falling through cracks; (v) developing open school platforms (TV, net, mobile applications) with specific ICT support. (Like India did in some areas, distribute \$20 Tablet PC to all HSC students for about only \$50 million); and (vi) developing vocational experts: programmers, gardeners, welders, cooks and drivers (for export as migrant workers).

**Longer-term beyond 2030:** Continuation of the above policy and strategy with educational flexibility, namely, (i) allowing people to change courses at any point in time, (ii) allowing people to enter the educational system at any level at any time on the basis of proficiency tests, (iii) introducing international best practices and content into the basic education system as much as practicable to make students at par with those in other countries, (iv) making basic education increasingly ICT based which is more than just knowing how to use the computer, (v) introducing additional emphasis on language proficiency, (vi) orienting basic education to build the base for the development of high level scientific skills in which Bangladesh has been lagging behind, (vii) putting greater emphasis on the development of original thinking and management of day to day problems and issues, and (viii) making the educational system in tune with environmental and climate change issues.

## Skill: Upgrading low skill-low productivity to high skill-high productivity of labor

The challenge is annual addition of 2 million plus labor is difficult to absorb in the absence of appropriate training and skill development; low skill pervades the entire labor force causing low productivity; training and skill development facilities are inadequate and poorly equipped; competency based training is missing; and skill mix of overseas workers is unfavorable to raising average earnings/remittances to the level of other Asian countries like India, Pakistan and Sri Lanka.

**Short to medium-term up to 2030:** Articulating a skill development policy and strategy in response to structural changes in the economy and global opportunities abroad; following up the policy and strategy with larger investments in skill development; synchronizing skill development with the exploitation of the demographic dividend on the one hand and

growth and structural change based on productivity growth on the other; reorienting skill development towards export-led growth which is critical for Bangladesh to work its way out of the impending middle income trap and jobless growth; transforming the skill mix and productivity of overseas employment to achieve greater employment openings and higher return in terms of average remittances; developing specific policies and incentives to attract non-resident Bangladeshis to actively engage in skills transfer and investment in Bangladesh; increasing public investments and mobilizing private resources including PPP for the development of ICT and related skills; and making additional investments in female literacy, greater participation of women in skill development programs, increased female labor force participation in formal sector employment and creating greater opportunities for women in business.

**Longer-term beyond 2030:** Continuation of the above strategy with added emphasis on reducing supply-demand mismatch and unemployment and under-employment at all levels and among all groups; adapting skill composition to changes in technology; ensuring that training and skill development is mostly private sector based as skill development develops and matures as a market based activity; facilitating selected import of skilled labor to fill gaps; and continuing manpower exports for overseas employment; and making the development of ICT and related skills an integral part of strategies for longer term skill development.

## Technology

Technology has five components: technology platform, advanced universities for science and technology, Centers of excellence (CoE). IT Parks, IT education in universities, National Institute for Information and Communication Technology and ICT service exports. This is an ambitious program but achievable given that Bangladesh has achieved much under its Digital Bangladesh Program. To make this feasible, the following strategic thrust has to be pursued:

1. Infrastructure support – enabling infrastructure
2. Manpower support – training and skill development to develop talent supply pipeline
3. Budget allocation for upgraded IT education at universities, CoEs and the National Institute for Information and Communication Technology
4. Develop joint education and skill development program with foreign universities
5. Policy support
6. Establishment of public-private forum involving the Ministry of Science and Technology, other relevant agencies and the private sector
7. Industry-university collaboration
8. Long-term marketing and promotions planning
9. Identity and brand management
10. Periodic review and revision of the incentive structure for the IT/ITeS sector
11. UGC strengthened
12. Serious capacity building at the relevant ministry and agencies undertaken
13. Partnership and cooperation arrangements with recognized and reputed foreign businesses, industries, universities, think tanks and research institutions

### **Markets: Size, structure and functioning of the domestic market**

Small size of the domestic market; fragmented market; lack of infrastructure for smooth market operation; monopolistic and monopsonistic market control by few; barriers to competition; barriers to entry; the lack of finance; lack of application of modern technology especially ICT, and the lack of policy continuity.

**Short to medium-term up to 2030:** Removing barriers to entry; eliminating cost of intermediation; reducing transaction costs by improving regulation, infrastructure (transport, storage and processing), and ICT; eliminating information asymmetry; stimulating demand and supply in response to income and price changes and technological progress, regional and international cooperation and climate change; formulating pricing policy with the objective of avoiding prolonged excess supply or demand and achieving other social and economic objectives; formulating policies and strategies to eliminate market fragmentation; implementing export promotion policies in line with comparative and competitive advantage; developing market institutions and pricing instruments to promote quality, cope with seasonality and changing food habit; and rationalizing the functioning of the produce, input, land, labor, capital and entrepreneur market

**Longer-term beyond 2030:** Continuation of the above policy and strategy with a view to achieving complete market integration and liberalization with full application of ICT.

On important strategic approach to market development is integration that cuts across short, medium and longer term. The target as explained earlier is to improve connectivity within Bangladesh through investments in nine proposed economic corridors incorporating also the Southern Economic Corridor. This is costly and complex but returns are high as analysis shows. This program has to be pursued within a strategic framework containing the following:

1. Adopt the strategic approach to establish Comprehensive Integrated Multimodal Economic Corridor Network (CIMECON) for Bangladesh which is a precondition for sustained robust economic growth over the longer run
2. Invest in the nine corridors of CIMECON satisfying market integration and link criteria
3. Invest in manpower development to support CIMECON
4. Establish a CIMECON Management Authority
5. Harness private-public resources to construct and maintain economic corridors and related facilities
6. Develop a policy framework to facilitate Bangladesh's integration into regional value chain
7. Promote public-private participation in investments for infrastructure supporting environmentally sustainable and climate resilient integrated agricultural value chain supplying safe and quality products to the rapidly rising urban population and also rural residents whose income will also be rising as growth accelerates during SPPB
8. Promote the development of economic zones along economic corridors on a priority basis

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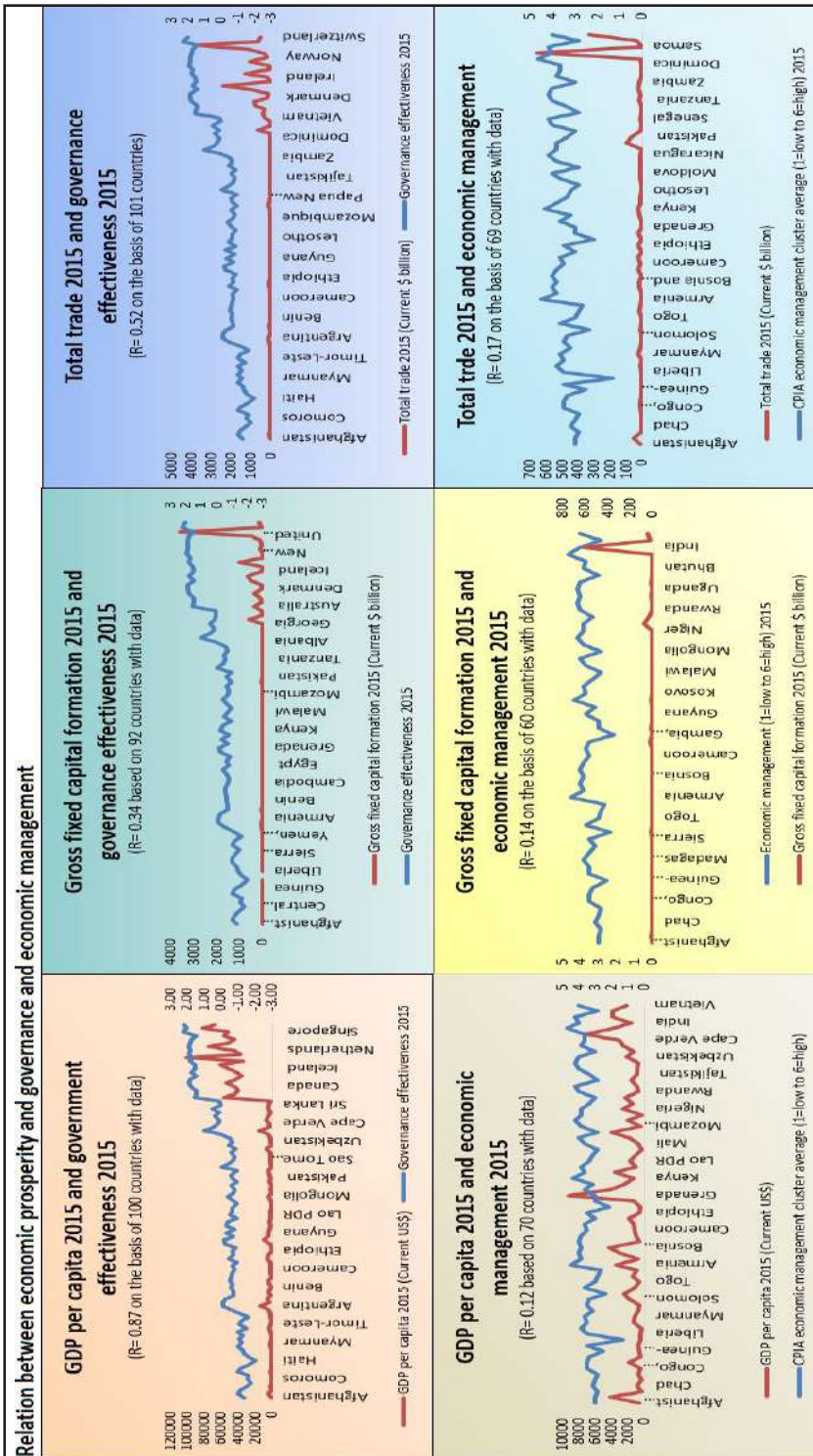
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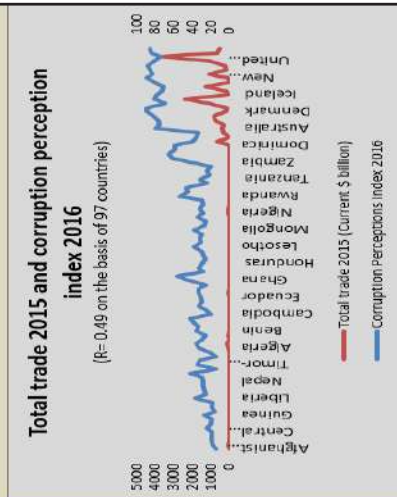
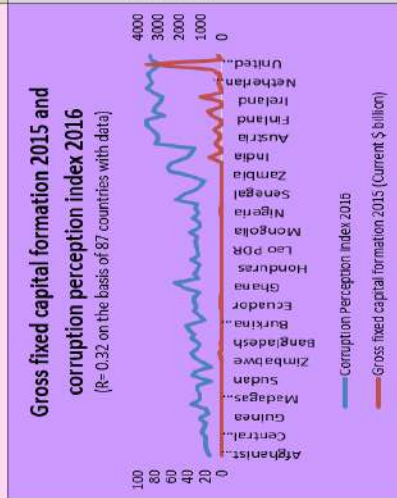
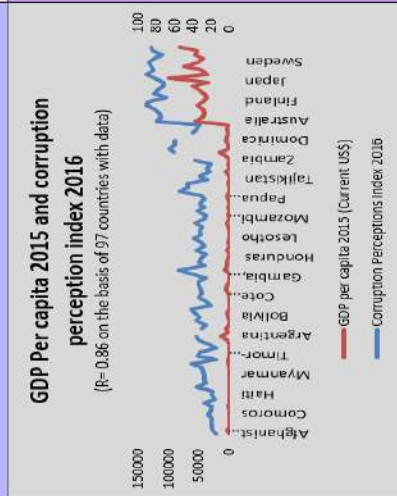
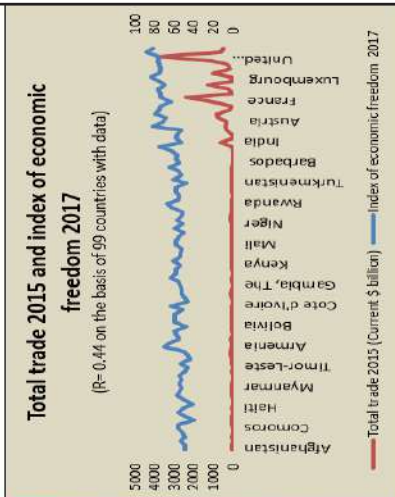
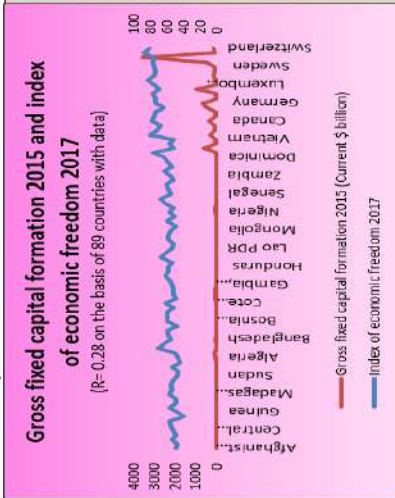
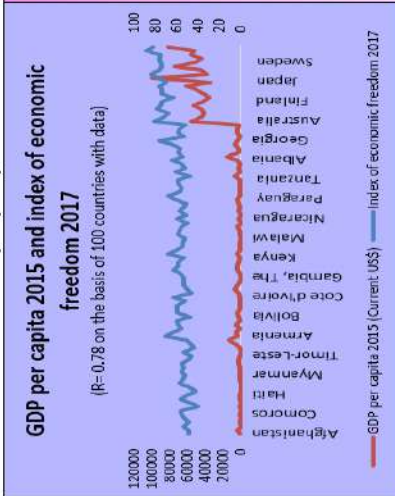
## Appendixes

### 1. Economic Prosperity and Governance in Figures



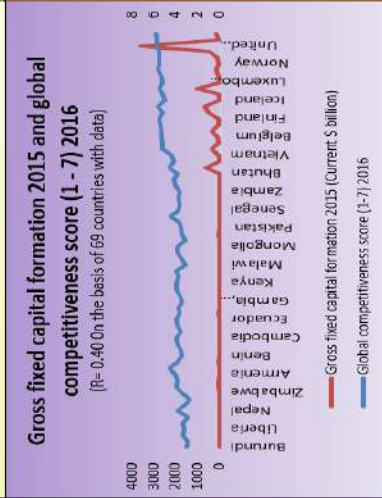
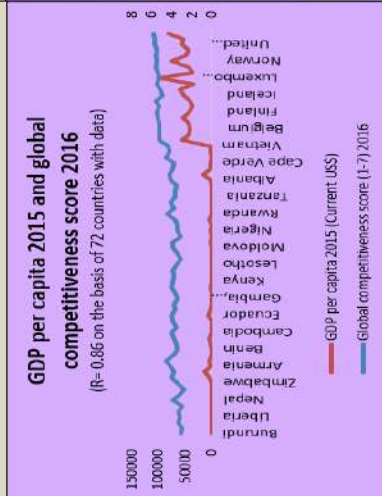
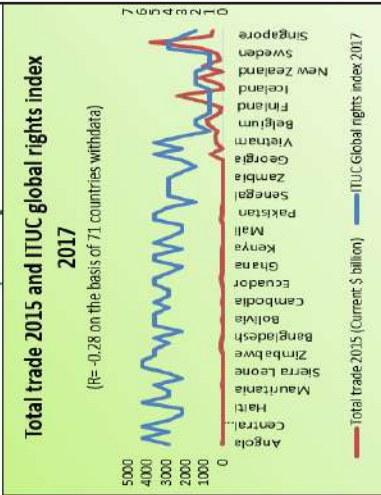
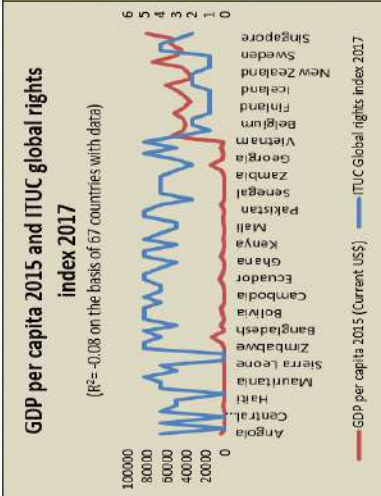


**Relation between economic prosperity and economic freedom and corruption**

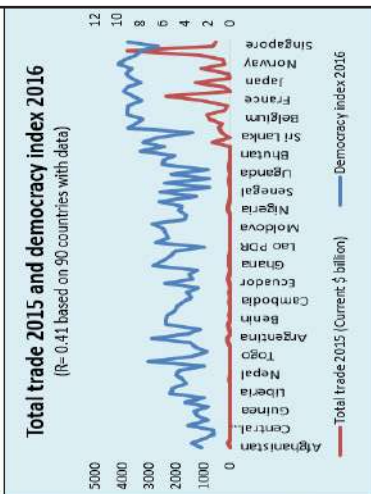
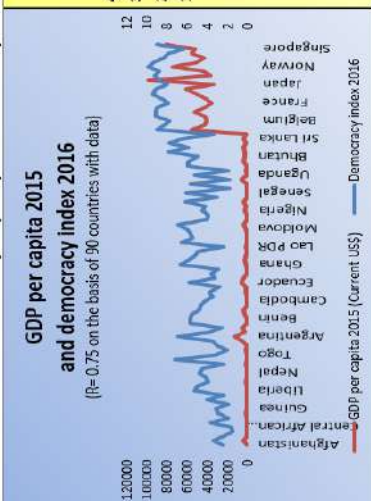




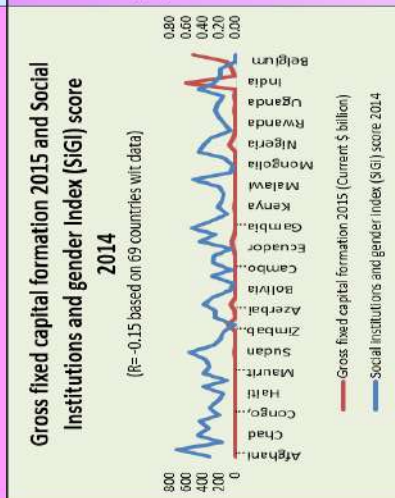
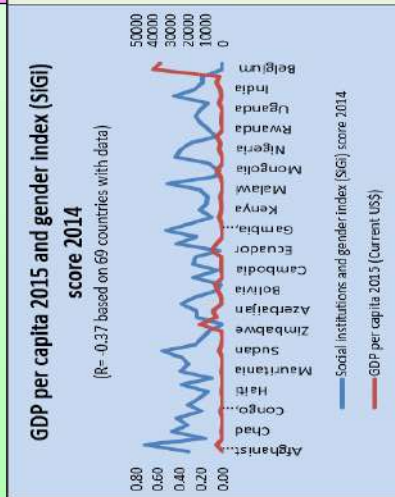
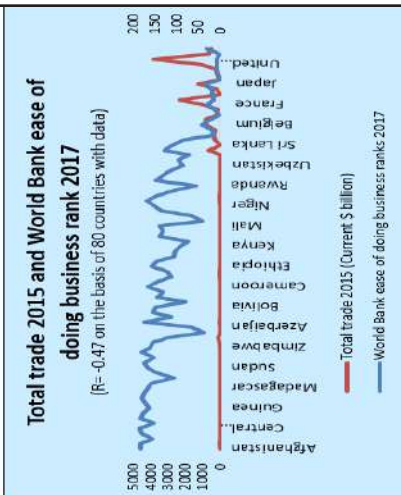
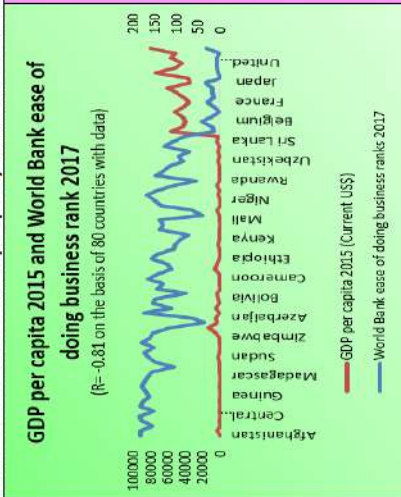
Relation between economic prosperity and worker rights and competitiveness



**Relation between economic prosperity and democracy and peace**

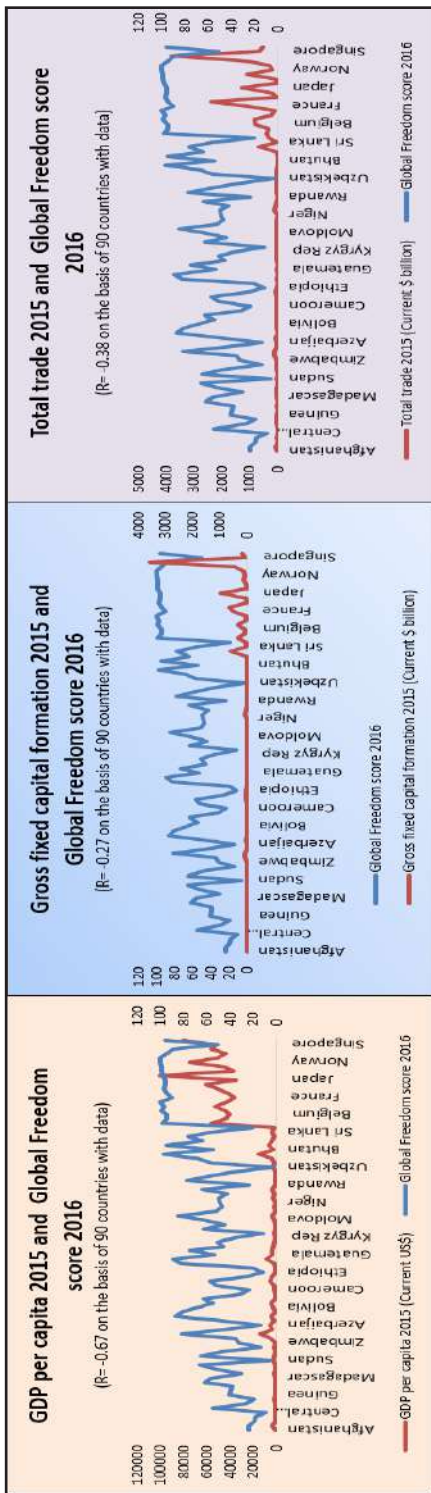


**Relation between economic prosperity and business environment and gender discrimination**

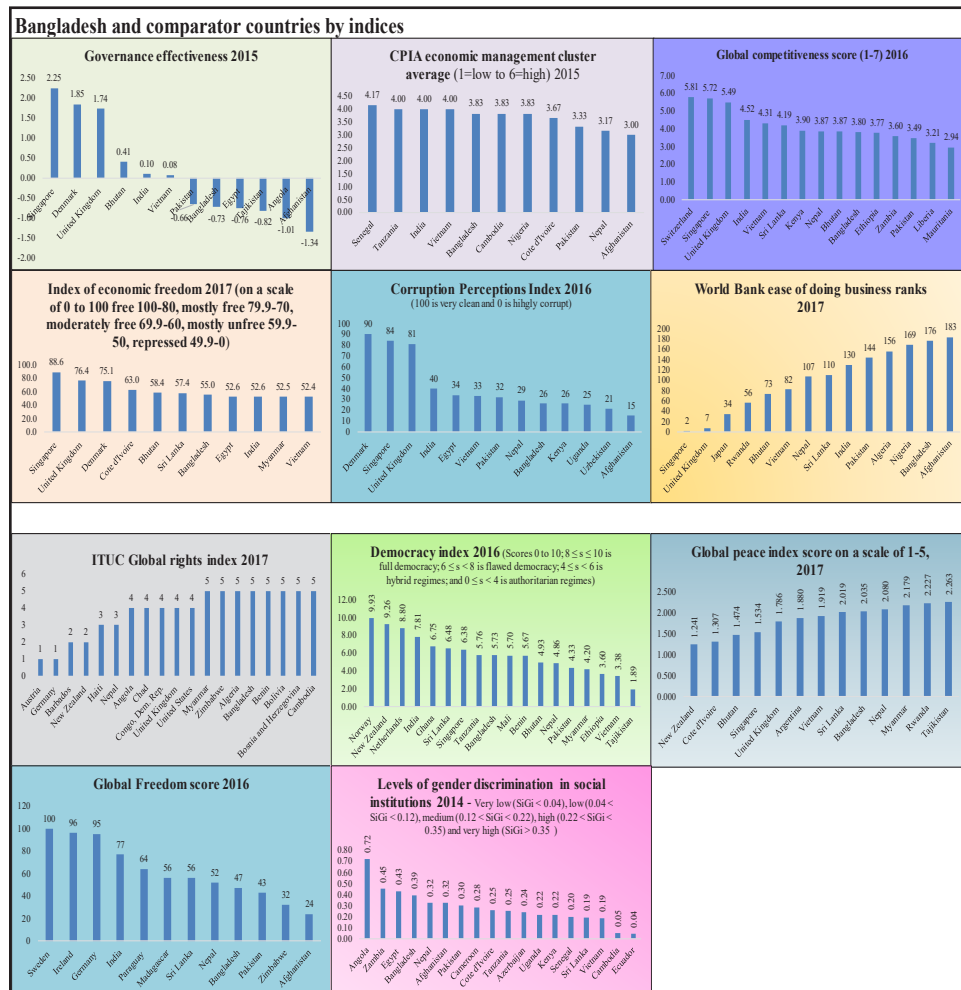




## Relation between economic prosperity and Freedom score



## 2. Bangladesh and Comparator Countries by Indices



## Annexes

### 1. Definition of Indicators

Indicator	Definition
<b>Government effectiveness</b>	Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. <a href="http://info.worldbank.org/governance/wgi/#home">http://info.worldbank.org/governance/wgi/#home</a>
<b>CPIA economic management cluster average (1=low to 6=high)</b>	The economic management cluster includes macroeconomic management, fiscal policy, and debt policy. . <a href="http://data.worldbank.org/data-catalog/CPIA">http://data.worldbank.org/data-catalog/CPIA</a>
<b>Index of economic freedom</b>	Index of economic freedom is measured on the basis of 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom: <ol style="list-style-type: none"> <li>1. Rule of Law (property rights, government integrity, judicial effectiveness)</li> <li>2. Government Size (government spending, tax burden, fiscal health)</li> <li>3. Regulatory Efficiency (business freedom, labor freedom, monetary freedom)</li> <li>4. Open Markets (trade freedom, investment freedom, financial freedom)</li> </ol> Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100. A country's overall score is derived by averaging these twelve economic freedoms, with equal weight being given to each. Cut off points are free 100-80, mostly free 79.9-70, moderately free 69.9-60, mostly unfree 59.9-50 and repressed 49.9-0. <a href="http://www.heritage.org/index/download">http://www.heritage.org/index/download</a>
<b>Country risk assessment</b>	Country risk assessment is based on credit risk looking at political, economic and security risks and potential.  With Coface's expertise in country evaluations, 160 country assessments are available using a spectrum of indicators incorporating geopolitical or governance risks, economic vulnerability, the risk of foreign currency liquidity crisis, the severity of external indebtedness and the financial vulnerability of the banking system. Regularly updated, they provide an estimate of the average credit risk on a country's businesses. This is an invaluable tool, giving an indication of a country's potential influence on businesses' financial commitments. Coface analyses use a eight-level ranking. In ascending order of risk, these are: A1, A2, A3, A4, B, C, D and E with A1, A2 and A3 as high risk, A4, B and C as acceptable risk and D and E as high risk.  <a href="http://www.coface.com/Economic-Studies-and-Country-Risks">http://www.coface.com/Economic-Studies-and-Country-Risks</a>

Indicator	Definition
<b>Social Institutions and Gender Index</b>	<p>OECD SIGI (Social Institutions and Gender Index) classification: The SIGI scores 108 countries according to their level of discrimination in social institutions. It classifies them into five groups, from very low levels of discrimination in social institutions (15% of the countries, with a SIGI average of 0.02) to very high levels (16% of the countries).</p> <p><a href="http://www.genderindex.org/sites/default/files/docs/BrochureSIGI2015.pdf">http://www.genderindex.org/sites/default/files/docs/BrochureSIGI2015.pdf</a></p> <p>Composition of the SIGI</p> <p>Discriminatory family code: Legal age of marriage, Early marriage, Parental authority and Inheritance</p> <p>Restricted physical integrity: Violence against women, Female genital mutilation, Reproductive autonomy</p> <p>Son bias: Missing women, Fertility preferences</p> <p>Restricted resources and assets: Secure access to land, Secure access to non-land assets, Access to financial services</p> <p>Restricted civil liberties: Access to public space, political voice</p>
<b>Corruption Perceptions Index (CPI)</b>	<p>Transparency International (TI) has published the Corruption Perceptions Index (CPI) since 1996, annually ranking countries “by their perceived levels of corruption, as determined by expert assessments and opinion surveys.”[1] The CPI generally defines corruption as “the misuse of public power for private benefit.” The CPI currently ranks 168 countries “on a scale from 100 (very clean) to 0 (highly corrupt).”</p> <p><a href="https://en.wikipedia.org/wiki/Corruption_Perceptions_Index">https://en.wikipedia.org/wiki/Corruption_Perceptions_Index</a></p>
<b>ITUC Global Rights Index</b>	<p>The ITUC Global Rights Index depicts the world’s worst countries for workers by rating 139 countries on a scale from 1-5 based on the degree of respect for workers’ rights. Ratings are described below</p> <p>Rating 5+ = No guarantee of rights due to the breakdown of the rule of law</p> <p>Rating 5 = No guarantee of rights</p> <p>Rating 4 = Systematic violation of rights</p> <p>Rating 3 = Regular violation of rights</p> <p>Rating 2 = Repeated violations of rights</p> <p>Rating 1 = Not regular violations of rights</p> <p><a href="http://www.ituc-csi.org/ituc-global-rights-index-2017">http://www.ituc-csi.org/ituc-global-rights-index-2017</a></p>



Indicator	Definition
<b>The Global Competitiveness Index (GCI)</b>	<p>The GCI combines 114 indicators that capture concepts that matter for productivity and long-term prosperity. These indicators are grouped into twelve pillars producing three sub-indexes which are combined with various weights to generate the overall index. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. The three sub-indexes are: basic requirements, efficiency enhancers, and innovation and sophistication factors.</p> <p>2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf</p>
<b>Democracy index</b>	<p>The Democracy Index is an index compiled by the UK-based Economist Intelligence Unit that measures the state of democracy in 167 countries. The index is based on 60 indicators grouped in five different categories measuring pluralism, civil liberties, and political culture. In addition to a numeric score and a ranking, the index categorizes countries as one of four regime types: full democracies, flawed democracies, hybrid regimes and authoritarian regimes.</p> <p><a href="https://en.wikipedia.org/wiki/Democracy_Index">https://en.wikipedia.org/wiki/Democracy_Index</a></p>
	<p>Scores 0 to 10; <math>8 \leq s \leq 10</math> is full democracy; <math>6 \leq s &lt; 8</math> is flawed democracy; <math>4 \leq s &lt; 6</math> is hybrid regimes; and <math>0 \leq s &lt; 4</math> is authoritarian regimes</p>
	<p>Full democracies are nations where civil liberties and basic political freedoms are not only respected, but also reinforced by a political culture conducive to the thriving of democratic principles. These nations have a valid system of governmental checks and balances, independent judiciary whose decisions are enforced, governments which function adequately, and media which is diverse and independent. These nations have only limited problems in democratic functioning.</p>
	<p>Flawed democracies are nations where elections are fair and free and basic civil liberties are honored but may have issues (e.g. media freedom infringement). Nonetheless, these nations have significant faults in other democratic aspects, including underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.</p>
	<p>Hybrid regimes are nations where consequential irregularities exist in elections regularly preventing them from being fair and free. These nations commonly have governments which apply pressure on political opponents, non independent judiciaries, widespread corruption, harassment and pressure placed on the media, anemic rule of law, and more pronounced faults than flawed democracies in the realms of underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.</p>

Indicator	Definition
	<p>Authoritarian regimes are nations where political pluralism has vanished or is extremely limited. These nations are often absolute dictatorships, may have some conventional institutions of democracy- but with meager significance, infringements and abuses of civil liberties are commonplace, elections- if they take place- are not fair and free, the media is often state-owned or controlled by groups associated with the ruling regime, the judiciary is not independent, and the presence of omnipresent censorship and suppression of governmental criticism.</p>
<b>The Global Peace Index</b>	<p>The Global Peace Index (GPI) of the Institute of Economics and Peace is an attempt to measure the relative position of nations' and regions' peacefulness. The index gauges global peace using three broad themes: the level of safety and security in society, the extent of domestic and international conflict and the degree of militarization. Factors are both internal such as levels of violence and crime within the country and external such as military expenditure. The 2017 GPI indicates Iceland, New Zealand, Portugal, Austria, and Denmark to be the most peaceful countries and Syria, Afghanistan, Iraq, South Sudan, and Yemen to be the least peaceful.</p> <p><a href="https://en.wikipedia.org/wiki/Global_Peace_Index">https://en.wikipedia.org/wiki/Global_Peace_Index</a>  <a href="http://visionofhumanity.org/app/uploads/2017/06/GPI-2017-Report-1.pdf">http://visionofhumanity.org/app/uploads/2017/06/GPI-2017-Report-1.pdf</a></p>
<b>Ease of doing business</b>	<p>Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2016. Read the methodology, explaining how the ease of doing business rankings and the distance to frontier measure are calculated (PDF).</p> <p>World Bank. 2017. Doing Business 2017: Equal Opportunity for All. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO. <a href="http://creativecommons.org/licenses/by/3.0/igo">http://creativecommons.org/licenses/by/3.0/igo</a></p>
<b>Freedom in the world</b>	<p>Freedom in the World 2017 evaluates the state of freedom in 195 countries and 14 territories during calendar year 2016. Each country and territory is assigned between 0 and 4 points on a series of 25 indicators, for an aggregate score of up to 100. These scores are used to determine two numerical ratings, political rights and civil liberties, with a rating of 1 representing the most free conditions and 7 least free. A country or territory's political rights and civil liberties ratings then determine whether it has an overall status of Free, Partly Free or not Free. A larger aggregate score indicates a greater level of freedom</p>

## 2. DATA BASE – Governance Effectiveness, Economic Management and Economic Prosperity 2015

Country name and effectiveness status	2015	CFIA economic margin average	Governance effectiveness (2015)	Control risk assessment (2015)	Index of economic freedom (2015)	Levels of gender discrimination in social institutions (2015)	TIC Global rights index (2015)	Global competitiveness index (2015)	Global freedom index (2015)	Global press freedom index (2015)	Global rule of law index (2015)	Global economic freedom index (2015)	Global innovation index (2015)	Global competitiveness index (2015)	Global press freedom index (2015)	Global rule of law index (2015)	Global economic freedom index (2015)	Global innovation index (2015)	Annual % growth rate (2015)	GDP per capita (2015)	GDP formation (2015)	Gross fixed capital formation (2015)	Gross fixed capital formation (2015)	Exports (2015)	Imports (2015)	Trade balance (2015)	Total current account (2015)	Total current account (2015)	Total current account (2015)				
																														CFIA economic margin average (2015)	Governance effectiveness (2015)	Control risk assessment (2015)	Index of economic freedom (2015)
Algeria	-1.24	2.00	E	46.9	0.22	High	16	3.57	62	24	24	24	196	16	16	16	16	0.84	584	3.82	18.78	3.45	5.57	6.02	316								
Angola	-1.15	2.83	D	48.5	0.72	Medium	18	2.96	21	21	21	21	21	18	18	18	18	0.91	407	10.63	9.30	9.15	21.70	55.65	54.42								
Burundi	-1.45	3.17	D	49.0	0.47	Very High	20	2.45	18	18	18	18	18	18	18	18	18	0.93	277	3.00	0.72	16.89	0.11	0.75	0.87	27.93							
Chad	-1.73	3.00	E	518	0.33	High	20	3.20	18	18	18	18	18	18	18	18	18	0.84	180	0.83	3.04	27.36	2.59	2.20	5.10	46.94							
Central African Republic	-1.52	2.83	E	55.8			24	3.71	18	18	18	18	18	18	18	18	18	0.84	102	0.57	0.18	22.47	0.02	0.23	0.28	45.17							
Comoros	-1.63	3.90	E	55.4	0.43	Very High	21	3.61	18	18	18	18	18	18	18	18	18	0.84	455	35.24	5.83	16.15	5.80	6.20	12.00	34.05							
Congo Dem. Rep.	-1.02	3.90	C	40.0	0.20	Medium	20	2.91	14	14	14	14	14	14	14	14	14	0.84	215	0.85	3.50	40.07	4.85	7.76	12.46	11.94							
Congo Rep.	-1.14	3.33	D	47.6	0.32	High	27	2.69	12	12	12	12	12	12	12	12	12	0.84	570	0.88	13.31	2.02	1.97	4.04	80.32								
Guinea	-1.62	3.90	D	51.1	0.21	Medium	16	4.02	20.65	16	16	16	16	16	16	16	16	0.84	480	0.77	2.80	32.27	0.99	3.40	4.38	50.06							
Guinea-Bissau	-2.00	3.90	D	42.2	0.16	Medium	16	2.37	2.95	16	16	16	16	16	16	16	16	0.30	400	6.00	0.00	0.00	0.59	1.00	1.58	25.45							
Haiti	-3.37	3.90	D	49.1	0.38	Very High	37	5.31	2.03	44	44	44	44	44	44	44	44	0.30	455	2.06	0.91	18.57	0.26	2.24	2.90	121.6							
Liberia	-2.25	3.83	D	57.4	0.10	Low	35	5.07	1.97	44	44	44	44	44	44	44	44	0.30	402	3.74	1.51	15.53	2.76	3.17	5.43	95.75							
Madagascar	-1.03	3.90	D	54.4	0.40	Very High	27	3.95	2.55	18	18	18	18	18	18	18	18	0.84	338	1.01	5.44	2.34	0.00	5.85	15.92	29.87	34.96						
Malawi	-1.24	3.17	D	52.5	0.29	High	28	2.78	18	18	18	18	18	18	18	18	18	0.84	273	761	62.80	5.38	20.75	0.72	1.38	7.10	25.23						
Mali	-1.01	3.17	D	55.1	0.32	High	30	3.87	9.10	4.85	20.80	32	32	32	32	32	32	0.84	350	0.60	0.85	15.48	0.71	1.48	2.20	82.28							
Morocco	-1.35	3.90	D	52.6	0.37	Very High	41	4.55	1.90	38	38	38	38	38	38	38	38	0.84	353	4.71	0.85	15.48	0.71	1.48	2.20	82.28							
Senegal	-1.00	3.33	D	55.0	0.37	High	41	4.55	1.90	38	38	38	38	38	38	38	38	0.84	353	4.71	0.85	15.48	0.71	1.48	2.20	82.28							
Somali	-1.46	3.33	E	48.8	0.65	Very High	11	2.37	3.70	68	68	68	68	68	68	68	68	0.84	481	0.85	15.48	0.71	1.48	2.20	82.28								
Tanzania	-1.06	3.33	E	45.3	0.26	High	32	7.24	1.88	61	61	61	61	61	61	61	61	0.84	430	1.44	0.30	37.09	0.02	0.82	0.87	80.00							
Togo	-1.19	3.00	E	55.2	0.19	Medium	32	3.52	1.88	61	61	61	61	61	61	61	61	0.84	507	4.08	1.12	25.34	1.23	1.23	3.38	38.94							
Tunisia	-1.84	3.33	E	52.2	0.19	Medium	32	3.52	1.88	61	61	61	61	61	61	61	61	0.84	468	3.73	0.80	17.3	0.00	12.38	13.00	38.94							
Uganda	-1.15	2.61	E	44.0	0.14	Medium	22	3.41	1.88	61	61	61	61	61	61	61	61	0.84	361	3.62	2.00	18.94	2.72	4.00	5.12	46.5							
Algeria	-0.51	4.65	C	45.5			34	3.58	2.20	108	108	108	108	108	108	108	108	0.84	634	34.68	7.10	42.14	37.79	59.60	63.28	54.18							
Argentina	-0.05	3.44	B	30.4	0.01	Very Low	36	6.58	1.88	52	52	52	52	52	52	52	52	0.84	369	5.62	5.62	36.74	36.74	56.75	59.73	16.54							
Austria	-0.11	4.60	D	70.3	0.24	High	40	3.89	2.20	102	102	102	102	102	102	102	102	0.84	369	3.89	2.18	20.77	1.49	3.25	4.41	46.03							
Bahrain	-0.22	6.05	B	6.05	0.24	High	40	2.55	2.45	102	102	102	102	102	102	102	102	0.84	549	50.06	6.07	28.00	48.90	34.00	42.90	46.03							
Bangladesh	-0.73	3.00	C	50.0	0.09	Very High	25	5.73	2.05	64	64	64	64	64	64	64	64	0.84	122	159.00	56.36	28.00	32.00	39.46	7.04	36.33							
Belize	-1.70	3.85	C	38.5			33	6.52	1.88	61	61	61	61	61	61	61	61	0.84	493	1.75	0.34	18.89	0.55	0.88	1.52	86.72							
Benin	-1.62	3.85	B	52.2	0.28	High	38	3.47	2.04	79	79	79	79	79	79	79	79	0.84	762	1.29	2.18	28.36	2.03	3.00	3.08	9.03							
Bhutan	-1.65	4.00	C	47.7	0.05	Low	33	3.54	2.95	88	88	88	88	88	88	88	88	0.84	307	38.00	7.05	21.00	6.25	8.88	9.68	17.88							





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2017 (Rating 0+ = No guarantee of rights due to the breakdown of the rule of law; Rating 3+ = No guarantee of rights; Rating 4+ = Significant; Rating 5+ = Excellent)

Levels of gender discrimination in social institutions (0=0, 100=100) (0=0, 100=100)

Country risk assessment (1-4) (1=Low, 2=Medium, 3=High, 4=Very High)

Index of economic freedom (1-100) (1=Low, 100=High)

World Bank Country Overview (http://www.worldbank.org/en/country/overview)

Heritage Foundation (2017) Index of Economic Freedom (http://www.heritage.org/index/download)

OECD Development Center (2014) Social Institutions and Gender Index (http://www.genderindex.org/sites/default/files/docs/BrochureSIGI2015.pdf)

Global Edge (https://globaledge.msu.edu/countries/chart/government/)

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### 3. DATA BASE - Country Analysis of Growth Performance and Socio-Economic and Political Factors

Country Name/ Governance effectiveness category	Colonial history	Year of independ ence	5-year compound growth annual rate (%)	Real effective exchange rate (1992-2016)	Structural reforms	Business environment	Financial sector and access to credit	State- owned enterprise	Judicial efficiency and political influence	Political and Security situation	Policies are pro poor and sustainable	Inclusive growth	Financial inclusion of poor	Human rights valued	Strong democratic institutions	Rule of law prevails	State effective and transparent	Completion (minimize)	Labor rights protection	Gender discrim ination	Religious freedom guaranteed	Minority interest are protected	Land and property rights upheld	Targets met
<b>A. Very weak (-1)</b>																								
Algerian	None	1975	Rapid	5.40	Increasing	Strong	Poor	Limited	yes	Unstable	Limited	Partially	No	No	Partially	No	No	No	No	High	No	No	No	No
Angola	Portugal	1975	Yes	Rapid	5.40	Increasing	Moderate	Poor	yes	Unstable	Limited	Partially	No	No	Partially	No	No	No	No	High	No	No	No	No
Burundi	Belgium	1962	Yes	Slow	4.70	Decreasing	Poor	Moderate	yes	Stable	Limited	No	No	No	Yes	No	No	No	Medium	No	No	No	No	No
Chad	France	1960	Yes	Moderate	4.70	Increasing	Poor	Limited	yes	Unstable	Limited	No	No	No	Partially	No	No	No	Medium	No	No	No	No	No
Central AF Republic	France	1961	Yes	Negative	-4.70	Decreasing	Poor	Limited	yes	Unstable	No	No	No	No	Partially	Partially	Partially	No	Very High	No	No	No	Partially	Partially
Congo Dem. Rep.	Belgium	1960	Yes	Rapid	7.90	Decreasing	Poor	Limited	yes	Unstable	No	No	No	No	No	No	No	No	Very High	No	No	No	No	Partially
Congo. Rep.	France	1960	Yes	Moderate	4.00	Decreasing	Poor	Limited	yes	Stable	No	No	No	No	No	Partially	Partially	No	Medium	No	No	No	No	Partially
Guinea	France	1958	Yes	Slow	2.20	Decreasing	Moderate	Limited	yes	Stable	Limited	No	No	No	Partially	No	No	No	Medium	No	No	No	No	Partially
Guinea-Bissau	Portugal	1974	Yes	Moderate	3.10	Increasing	Poor	Limited	yes	Unstable	No	No	No	No	Partially	No	No	No	Medium	No	No	No	No	Partially
Haiti	France	1804	Yes	Moderate	3.30	Increasing	Poor	Poor	yes	Unstable	No	No	No	No	No	No	No	No	Medium	No	No	No	No	No
Enirea	France	1993	Yes	Rapid	6.70	Increasing	Poor	Poor	yes	Unstable	No	No	No	No	No	No	No	No	Medium	No	No	No	No	No
Azerbaijan	US	1847	Yes	Rapid	6.00	Increasing	Poor	Poor	yes	Unstable	Limited	No	No	No	Partially	No	No	No	Medium	No	No	No	No	No
Liberia	France	1960	Yes	Slow	2.60	Increasing	Poor	Poor	yes	Unstable	No	No	No	No	Partially	No	No	No	Very High	No	No	No	No	No
Madagascar	France	1960	Yes	Slow	2.60	Increasing	Poor	Poor	yes	Unstable	No	No	No	No	Partially	No	No	No	Low	No	No	No	No	No
Mauritania	France	1960	Yes	Rapid	6.10	Decreasing	Poor	Poor	yes	Unstable	No	No	No	No	No	No	No	No	Very High	No	No	No	No	No
Myanmar	Britain	1948	Yes	Rapid	7.40	Increasing	Moderate	Moderate	yes	Moderate	Limited	No	No	No	Yes	No	No	No	High	No	No	No	No	No
Sierra Leone	None	1961	Yes	Moderate	4.20	Increasing	Moderate	Moderate	yes	Unstable	Limited	No	No	No	Yes	No	No	No	High	No	No	No	No	No
Nepal	Britain	1951	Yes	Rapid	5.00	Increasing	Moderate	Moderate	yes	Moderate	Limited	No	No	No	Yes	No	No	No	High	No	No	No	No	No
Azerbaijan	Britain	1955	Yes	Slow	1.20	Increasing	Poor	Poor	yes	Moderate	No	No	No	No	Partially	No	No	No	High	No	No	No	No	No
Sudan	France	1960	No	Rapid	6.40	Increasing	Moderate	Moderate	yes	Stable	No	No	No	No	No	No	No	No	Very High	No	No	No	No	No
Topo	France	1960	Yes	Rapid	6.50	Increasing	Moderate	Moderate	yes	Stable	No	No	No	No	No	No	No	No	Medium	No	No	No	No	No
Zimbabwe	Britain	1980	Yes	Rapid	6.50	Increasing	Poor	Poor	yes	Moderate	No	No	No	No	No	No	No	No	Medium	No	No	No	No	No
<b>B. Weak (4.00 to +1)</b>																								
Algeria	France	1962	Yes	Moderate	3.30	Increasing	Moderate	Poor	yes	Moderate	Yes	No	No	No	No	Yes	No	No	No	No	Yes	No	No	No
Argentina	Spain	1816	No	Slow	2.70	Decreasing	Moderate	Good	yes	Stable	Yes	No	Yes	No	Yes	Partially	Partially	No	Very Low	Yes	Yes	Yes	Partly	Partly
Armenia	Soviet Union	1991	No	Moderate	4.30	Increasing	Strong	Good	yes	Stable	Yes	No	No	No	Yes	Partially	Partially	No	High	Yes	Yes	Yes	Partly	Partly
Azerbaijan	Soviet Union	1991	No	Slow	2.40	Increasing	Moderate	Moderate	yes	Stable	Yes	No	No	No	One party	Yes	Partially	No	High	Yes	Yes	Yes	Partly	Partly
Bangladesh	Britain	1971	Yes	Rapid	6.20	Decreasing	Moderate	Moderate	yes	Stable	Yes	No	No	Partially	One party	Partially	Partially	No	Very High	Partly	Yes	Yes	Partly	Partly
Beize	Britain	1981	No	Slow	2.50	Decreasing	Moderate	Moderate	yes	Stable	Yes	No	No	Partially	One party	Partially	Partially	No	High	Yes	Yes	Yes	Partly	Partly
Benin	France	1960	No	Rapid	6.20	Increasing	Moderate	Moderate	yes	Stable	Yes	No	No	Partially	Yes	Partially	Partially	No	High	Yes	Yes	Yes	Partly	Partly
Bolivia	Spain	1825	Yes	Rapid	6.50	Increasing	Moderate	Moderate	yes	Stable	Yes	No	No	Partially	Yes	Partially	Partially	No	High	Yes	Yes	Yes	No	Partly
Bosnia and Herzag	Yugoslavia	1992	Yes	Slow	1.30	Increasing	Moderate	Moderate	yes	Moderate	Yes	No	Yes	No	Yes	Partly	Partly	No	Very Low	Yes	Yes	Yes	No	Partly
Burkina Faso	France	1960	No	Rapid	6.50	Stable	Moderate	Moderate	yes	Stable	Yes	No	No	No	Partly	No	No	No	High	Yes	Yes	Yes	No	Partly
Camboia	France	1953	Yes	Rapid	7.20	Increasing	Moderate	Moderate	yes	Moderate	Moderate	Yes	No	No	No	No	Partially	No	Low	Yes	Yes	Yes	No	Partly



Country/Name/ Governance effectiveness category	Colonial history	Year of independ ence	5-year compound perform ance growth (%)	Real effective exchange rate (1992-2016)	Structural reforms	Business environment	Financial sector access to credit	State- owned enterprises and political influence	Judicial efficiency, corruption and political influence	Political and Security situation	Polices poor and sustainable	Include growth	Financial inclusion of power	Human rights valued	Strong democracy and democratic institutions	Rule of law and small democratic institutions	State effective and transparent	Corruption minimized	Labor rights protected	Gender discrim ination	Religious freedom is guaranteed	Minority interest are protected	Land and property rights upheld
<b>B. Weak (4.00 to 1)</b>																							
Cameroon		1960	Rapid 6.20	Stable	Moderate	Modest	Moderate	yes	yes	Stable	Moderate	No	No	No	No	No	Partially	No	High	Yes	No	No	Partially
Cote d'Ivoire		1960	Rapid 6.30	Increasing	Strong	Modest	Moderate	yes	yes	Stable	Moderate	Yes	No	No	Partially	No	Partially	No	High	Yes	Yes	No	Partially
Djibouti		1977	Rapid 6.90	Increasing	Limited	Modest	Moderate	yes	yes	Stable	No	No	No	No	No	Partly	Partially	No	No	Yes	Yes	No	Partially
Ecuador		1922	Modest 4.40	Increasing	Limited	Modest	Moderate	yes	yes	Stable	Yes	Yes	No	No	No	Partly	Partially	No	No	Yes	Yes	No	Partially
Egypt		1922	Slow 2.50	Increasing	Moderate	Modest	Moderate	yes	yes	Moderate	Moderate	No	No	No	No	No	Partially	No	No	Very high	No	No	Partially
Ghana		1947	Rapid 10.10	Decreasing	Limited	Poor	Moderate	yes	yes	Moderate	Moderate	Yes	No	No	No	No	Partially	No	High	Yes	Yes	No	Partially
Honduras		1961	Slow 2.10	Decreasing	Limited	Poor	Moderate	yes	yes	Moderate	Moderate	Yes	No	No	No	No	Partially	No	High	Yes	Yes	No	Partially
Kenya		1963	Modest 3.50	Increasing	Limited	Modest	Moderate	yes	yes	Stable	No	No	No	No	No	No	Partially	No	Low	Yes	No	No	Partially
Kyrgyz Rep		1991	Modest 4.50	Increasing	Moderate	Modest	Moderate	yes	yes	Stable	Moderate	No	No	No	No	No	Partially	No	Medium	Yes	No	No	Partially
Lesotho		1966	Modest 3.90	Decreasing	Limited	Poor	Moderate	yes	yes	Stable	No	No	No	No	No	No	No	No	Low	Yes	No	No	Partially
Madagascar		1960	Modest 3.70	Decreasing	Moderate	Modest	Moderate	yes	yes	Moderate	Moderate	No	No	No	No	No	No	No	Medium	No	No	No	Partially
Mali		1960	Modest 3.70	Decreasing	Moderate	Modest	Poor	yes	yes	Moderate	Moderate	No	No	No	No	No	No	No	Very high	Yes	No	No	Partially
Mozambique		1975	Rapid 7.00	Increasing	Moderate	Poor	Moderate	yes	yes	Stable	No	No	No	No	No	No	No	No	Medium	No	No	No	Partially
Nigeria		1960	Modest 4.70	Decreasing	Moderate	Modest	Moderate	yes	yes	Moderate	Moderate	No	No	No	No	No	No	No	Medium	No	No	No	Partially
Pakistan		1947	Modest 3.90	Decreasing	Moderate	Modest	Moderate	yes	yes	Moderate	Yes	Yes	No	No	No	Partly	Partially	No	No	Very high	No	No	Partially
Paraguay		1811	Rapid 5.00	Decreasing	Moderate	Modest	Moderate	yes	yes	Moderate	Moderate	Yes	No	No	No	Partly	Partially	No	No	Very high	Yes	No	Partially
Rwanda		1962	Rapid 7.00	Decreasing	Strong	Modest	Moderate	yes	yes	Moderate	Yes	Yes	No	No	No	Partly	Partially	Yes	Yes	Medium	Yes	Delicate	Yes
Senegal		1960	Modest 4.20	Increasing	Strong	Modest	Moderate	yes	yes	Stable	Partially	Partially	No	No	Yes	Partially	Partially	No	Very high	Yes	Yes	No	Partially
Tajikistan		1991	Rapid 6.50	Decreasing	Moderate	Poor	Moderate	yes	yes	Moderate	Partially	Partially	No	No	No	Partially	Partially	No	Partially	Very high	Yes	No	Partially
Tanzania		1961	Rapid 6.80	Decreasing	Moderate	Modest	Moderate	yes	yes	Stable	Partially	Partially	No	No	No	Partially	Partially	No	Partially	High	Partially	Yes	Partially
Uganda		1962	Modest 4.70	Decreasing	Moderate	Modest	Moderate	yes	yes	Stable	Partially	Partially	No	No	No	Partially	Partially	No	Very high	Partially	Partially	Partially	Partially
Uzbekistan		1991	Rapid 6.80	Decreasing	Limited	Poor	Moderate	yes	yes	Stable	Partially	Partially	No	No	No	Partially	Partially	No	Medium	Yes	Yes	Yes	Partially
Zambia		1964	Rapid 5.40	Increasing	Moderate	Modest	Moderate	yes	yes	Stable	Partially	Partially	No	No	Partially	Partially	Partially	No	Partially	Very high	Yes	Partially	Partially
<b>C. Moderate (0.00 to 1.50)</b>																							
India		1947	Rapid 6.70	Increasing	Strong	Modest	Moderate	yes	yes	Moderate	Partially	Partially	Partially	No	Yes	Partially	Partially	No	Partially	Very high	No	No	Partially
Sri Lanka		1948	Yes	Rapid 6.0	Moderate	Modest	Moderate	yes	yes	Stable	Partially	Partially	No	No	Yes	Partially	Partially	No	Very high	No	No	Partially	
Vietnam		1954	No	Rapid 5.90	Strong	Modest	Moderate	yes	yes	Stable	Yes	Yes	Partially	No	One party	Partially	Partially	No	Very high	Yes	Partially	Partially	

**Source:** World Bank database. <http://info.worldbank.org/governance/wgi/#home>  
<http://data.worldbank.org/data-catalog/CPIA>  
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[https://en.wikipedia.org/wiki/Global\\_Peace\\_Index](https://en.wikipedia.org/wiki/Global_Peace_Index)

#### 4. Database – Governance indicators

Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/Terrorism 2015
AFGHANISTAN	-1.34	-1.59	-1.34	-1.15	-2.50
ALBANIA	0.03	-0.36	-0.44	0.16	0.36
ALGERIA	-0.51	-0.83	-0.68	-0.85	-1.05
AMERICAN SAMOA	0.47	1.36	1.25	#N/A	1.21
ANDORRA	1.75	1.59	1.25	1.21	1.44
ANGOLA	-1.01	-1.07	-1.40	-1.19	-0.59
ANGUILLA	0.98	-0.02	1.25	#N/A	1.32
ANTIGUA AND BARBUD	0.21	0.21	0.67	0.69	1.07
ARGENTINA	-0.09	-0.80	-0.59	0.33	-0.07
ARMENIA	-0.14	-0.34	-0.45	-0.54	-0.29
ARUBA	0.86	1.29	1.31	1.23	1.26
AUSTRALIA	1.56	1.82	1.91	1.36	0.90
AUSTRIA	1.47	1.85	1.49	1.40	1.19
AZERBAIJAN	-0.23	-0.60	-0.82	-1.51	-0.69
BAHAMAS, THE	0.71	0.56	1.29	1.08	0.96
BAHRAIN	0.57	0.46	0.17	-1.32	-1.08
<b>BANGLADESH</b>	<b>-0.73</b>	<b>-0.70</b>	<b>-0.88</b>	<b>-0.49</b>	<b>-1.15</b>
BARBADOS	1.00	1.05	1.79	1.24	1.32
BELARUS	-0.48	-0.79	-0.37	-1.46	0.00
BELGIUM	1.44	1.42	1.58	1.39	0.60
BELIZE	-0.70	-0.74	-0.21	0.56	0.04
BENIN	-0.62	-0.58	-0.61	0.28	0.00
BERMUDA	0.98	0.90	1.25	#N/A	1.01
BHUTAN	0.41	0.51	0.98	-0.06	1.10
BOLIVIA	-0.66	-1.15	-0.68	-0.06	-0.28
BOSNIA AND HERZEGOV	-0.54	-0.29	-0.37	-0.11	-0.45
BOTSWANA	0.51	0.63	0.84	0.43	1.03
BRAZIL	-0.19	-0.19	-0.43	0.38	-0.38
BRUNEI DARUSSALAM	1.05	0.44	0.64	-0.79	1.21

Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/ Terrorism 2015
BULGARIA	0.22	-0.12	-0.31	0.39	0.02
BURKINA FASO	-0.59	-0.53	-0.34	-0.19	-0.65
BURUNDI	-1.15	-1.12	-1.17	-1.27	-1.73
CAMBODIA	-0.69	-0.92	-1.04	-1.09	-0.10
CAMEROON	-0.76	-0.96	-1.03	-0.96	-0.99
CANADA	1.77	1.84	1.85	1.44	1.24
CAPE VERDE	0.15	0.55	0.91	0.95	0.80
CAYMAN ISLANDS	1.15	0.82	1.03	0.43	1.19
CENTRAL AFRICAN REP.	-1.79	-1.72	-1.31	-1.32	-2.09
CHAD	-1.45	-1.16	-1.29	-1.35	-0.99
CHILE	1.08	1.33	1.26	0.99	0.40
CHINA	0.42	-0.34	-0.27	-1.58	-0.56
COLOMBIA	-0.03	-0.31	-0.29	-0.07	-1.06
COMOROS	-1.52	-0.84	-0.64	-0.30	-0.11
CONGO, DEM. REP.	-1.63	-1.55	-1.25	-1.31	-2.17
CONGO, REP.	-1.02	-1.04	-1.22	-0.98	-0.51
COOK ISLANDS	#N/A	#N/A	#N/A	#N/A	#N/A
COSTA RICA	0.38	0.48	0.71	1.14	0.58
CÔTE D'IVOIRE	-0.65	-0.62	-0.42	-0.44	-0.86
CROATIA	0.51	0.20	0.20	0.50	0.58
CUBA	0.01	-0.62	0.07	-1.53	0.58
CYPRUS	1.04	1.01	0.98	1.04	0.54
CZECH REPUBLIC	1.05	1.12	0.39	1.02	0.96
DENMARK	1.85	2.04	2.23	1.57	0.89
DJIBOUTI	-0.96	-0.90	-0.58	-1.40	-0.45
DOMINICA	0.11	0.64	0.62	1.11	1.19
DOMINICAN REPUBLIC	-0.34	-0.46	-0.77	0.13	0.17
ECUADOR	-0.44	-1.03	-0.65	-0.26	-0.10
EGYPT, ARAB REP.	-0.76	-0.50	-0.56	-1.10	-1.34
EL SALVADOR	-0.24	-0.59	-0.43	0.13	-0.05
EQUATORIAL GUINEA	-1.42	-1.40	-1.83	-2.00	-0.19

Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/Terrorism 2015
ERITREA	-1.60	-1.41	-1.34	-2.04	-0.87
ESTONIA	1.09	1.33	1.25	1.17	0.62
ETHIOPIA	-0.64	-0.44	-0.41	-1.26	-1.48
FIJI	-0.29	-0.43	-0.06	0.06	0.58
FINLAND	1.82	2.07	2.28	1.56	1.04
FRANCE	1.44	1.41	1.28	1.18	0.27
FRENCH GUJANA	1.09	1.32	1.03	1.23	0.54
GABON	-0.73	-0.54	-0.67	-0.95	0.03
GAMBIA, THE	-0.89	-0.66	-0.77	-1.48	0.01
GEORGIA	0.40	0.30	0.64	0.22	-0.40
GERMANY	1.74	1.78	1.82	1.43	0.72
GHANA	-0.26	0.12	-0.18	0.51	0.03
GREECE	0.25	0.24	-0.13	0.59	-0.23
GREENLAND	0.85	1.74	1.19	1.23	1.92
GRENADA	-0.20	-0.20	0.31	0.94	0.81
GUAM	0.47	1.36	1.25	#N/A	0.84
GUATEMALA	-0.71	-0.99	-0.71	-0.42	-0.65
GUINEA	-1.14	-1.17	-0.97	-0.89	-0.45
GUINEA-BISSAU	-1.62	-1.30	-1.43	-0.81	-0.44
GUYANA	-0.34	-0.50	-0.77	0.22	-0.18
HAITI	-2.00	-1.17	-1.26	-0.84	-0.73
HONDURAS	-0.82	-0.95	-0.57	-0.45	-0.51
HONG KONG SAR, CHINA	1.93	1.83	1.67	0.48	0.99
HUNGARY	0.49	0.40	0.10	0.52	0.73
ICELAND	1.50	1.67	1.95	1.40	1.27
INDIA	0.10	-0.06	-0.38	0.39	-0.92
INDONESIA	-0.22	-0.41	-0.45	0.14	-0.60
IRAN, ISLAMIC REP.	-0.20	-0.95	-0.61	-1.54	-0.91
IRAQ	-1.27	-1.46	-1.37	-1.19	-2.29
IRELAND	1.54	1.79	1.64	1.35	0.93

Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/Terrorism 2015
ITALY	0.45	0.25	-0.05	1.01	0.34
JAMAICA	0.25	-0.23	-0.33	0.55	0.09
JAPAN	1.79	1.51	1.61	1.02	0.98
JERSEY, CHANNEL ISLAND	1.28	1.74	1.19	1.23	1.51
JORDAN	0.14	0.46	0.26	-0.78	-0.58
KAZAKHSTAN	-0.05	-0.37	-0.76	-1.15	-0.10
KENYA	-0.29	-0.49	-1.01	-0.18	-1.29
KIRIBATI	-0.50	-0.16	0.25	1.02	0.90
KOREA, DEM. REP.	-1.63	-1.57	-1.29	-2.15	-1.22
KOREA, REP.	1.03	0.95	0.49	0.67	0.10
KOSOVO	-0.42	-0.47	-0.52	-0.18	-0.33
KUWAIT	-0.02	0.03	-0.22	-0.65	-0.11
KYRGYZ REPUBLIC	-0.90	-1.00	-1.08	-0.47	-0.87
LAO PDR	-0.50	-0.75	-0.84	-1.67	0.48
LATVIA	1.10	0.79	0.40	0.82	0.45
LEBANON	-0.47	-0.79	-0.88	-0.48	-1.72
LESOTHO	-0.67	-0.17	0.07	0.08	-0.10
LIBERIA	-1.37	-0.87	-0.61	-0.26	-0.74
LIBYA	-1.70	-1.69	-1.69	-1.37	-2.20
LIECHTENSTEIN	1.67	1.71	2.07	1.36	1.46
LITHUANIA	1.20	0.98	0.56	0.97	0.70
LUXEMBOURG	1.72	1.86	2.12	1.52	1.41
MACAO SAR, CHINA	1.43	0.91	0.62	-0.10	1.16
MACEDONIA, FYR	0.13	-0.17	-0.13	-0.18	-0.20
MADAGASCAR	-1.29	-0.69	-0.76	-0.42	-0.40
MALAWI	-0.67	-0.33	-0.76	-0.01	-0.07
MALAYSIA	0.96	0.57	0.28	-0.35	0.19
MALDIVES	-0.38	-0.52	-0.27	-0.50	0.48
MALI	-0.91	-0.76	-0.65	-0.24	-1.66
MALTA	0.85	1.15	0.92	1.18	1.04

Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/Terrorism 2015
MARTINIQUE	0.72	-0.02	1.25	#N/A	1.01
MAURITANIA	-1.03	-0.82	-0.91	-0.91	-0.66
MAURITIUS	1.04	0.85	0.40	0.81	0.95
MEXICO	0.21	-0.47	-0.74	-0.13	-0.87
MICRONESIA, FED. STS.	-0.42	-0.31	0.72	1.16	1.07
MOLDOVA	-0.63	-0.40	-0.88	-0.03	-0.39
MONACO	#N/A	#N/A	#N/A	1.05	1.02
MONGOLIA	-0.40	-0.39	-0.47	0.24	0.65
MONTENEGRO	0.16	0.03	-0.09	0.15	0.13
MOROCCO	-0.06	-0.08	-0.25	-0.66	-0.34
MOZAMBIQUE	-0.74	-0.87	-0.79	-0.28	-0.58
MYANMAR	-1.24	-1.22	-0.89	-1.30	-1.17
NAMIBIA	0.26	0.19	0.28	0.56	0.65
NAURU	-0.57	-1.16	-0.48	0.58	0.61
NEPAL	-1.04	-0.70	-0.55	-0.43	-0.93
NETHERLANDS	1.84	1.93	1.89	1.57	0.93
NETHERLANDS ANTILLES	#N/A	#N/A	#N/A	#N/A	#N/A
NEW ZEALAND	1.89	2.02	2.29	1.57	1.49
NICARAGUA	-0.80	-0.70	-0.87	-0.39	-0.03
NIGER	-0.61	-0.61	-0.58	-0.25	-0.98
NIGERIA	-0.95	-1.04	-1.10	-0.44	-2.07
NIUE	#N/A	#N/A	#N/A	#N/A	#N/A
NORWAY	1.86	2.02	2.26	1.70	1.15
OMAN	0.09	0.46	0.20	-1.03	0.69
PAKISTAN	-0.66	-0.79	-0.76	-0.76	-2.54
PALAU	-0.57	0.22	-0.48	1.23	1.00
PANAMA	0.30	-0.12	-0.34	0.50	0.41
PAPUA NEW GUINEA	-0.62	-0.89	-0.99	0.06	-0.60
PARAGUAY	-0.95	-0.69	-0.94	-0.12	-0.02
PERU	-0.28	-0.53	-0.60	0.16	-0.51



Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/Terrorism 2015
POLAND	0.80	0.80	0.58	1.04	0.87
PORTUGAL	1.23	1.14	0.92	1.12	0.87
PUERTO RICO	0.37	0.78	0.13	0.36	0.84
QATAR	1.00	0.88	0.98	-1.01	0.98
RÉUNION	0.98	1.13	0.67	#N/A	0.32
ROMANIA	-0.04	0.15	-0.05	0.43	0.20
RUSSIAN FEDERATION	-0.18	-0.72	-0.86	-1.07	-1.05
RWANDA	-0.04	0.07	0.67	-1.13	-0.08
SAMOA	0.49	0.67	0.31	0.74	1.20
SAN MARINO	#N/A	#N/A	#N/A	1.22	1.00
SÃO TOMÉ AND PRINCÍPE	-0.76	-0.81	-0.20	0.27	0.18
SAUDI ARABIA	0.21	0.25	0.06	-1.76	-0.54
SENEGAL	-0.44	-0.15	0.03	0.25	-0.17
SERBIA	0.11	-0.09	-0.24	0.23	0.23
SEYCHELLES	0.43	0.19	0.89	0.06	0.69
SIERRA LEONE	-1.26	-0.90	-0.78	-0.30	-0.10
SINGAPORE	2.25	1.88	2.13	-0.14	1.24
SLOVAK REPUBLIC	0.84	0.48	0.15	0.97	0.96
SLOVENIA	0.97	0.95	0.73	0.95	0.92
SOLOMON ISLANDS	-1.03	-0.54	-0.35	0.31	0.74
SOMALIA	-2.22	-2.34	-1.62	-2.01	-2.47
SOUTH AFRICA	0.27	0.06	-0.04	0.63	-0.18
SOUTH SUDAN	-2.17	-1.83	-1.71	-1.53	-2.36
SPAIN	1.18	0.90	0.49	1.02	0.29
SRI LANKA	0.01	0.07	-0.37	-0.37	-0.03
ST. KITTS AND NEVIS	0.11	0.35	0.27	0.99	0.67
ST. LUCIA	-0.08	0.62	0.45	1.20	0.86
ST. VINCENT AND THE G	0.02	0.59	0.62	1.21	0.86
SUDAN	-1.48	-1.18	-1.50	-1.82	-2.17
SURINAME	-0.36	-0.25	-0.57	0.45	0.21

Country/Territory	Government Effectiveness 2015	Rule of Law 2015	Control of Corruption	Voice and Accountability 2015	Political Stability and Absence of Violence/Terrorism 2015
SWEDEN	1.81	2.04	2.25	1.60	0.97
SWITZERLAND	2.01	1.97	2.17	1.58	1.31
SYRIAN ARAB REPUBLIC	-1.63	-1.43	-1.53	-1.85	-2.94
TAIWAN, CHINA	1.41	1.17	0.80	0.89	0.84
TAJKISTAN	-0.82	-1.01	-1.00	-1.51	-0.87
TANZANIA	-0.60	-0.43	-0.72	-0.21	-0.45
THAILAND	0.36	-0.11	-0.40	-0.90	-0.96
TIMOR-LESTE	-1.05	-1.18	-0.69	0.15	-0.22
TOGO	-1.18	-0.80	-0.71	-0.75	-0.17
TONGA	-0.33	-0.20	-0.45	0.68	0.93
TRINIDAD AND TOBAGO	0.24	-0.14	-0.54	0.49	0.27
TUNISIA	-0.10	-0.05	-0.11	0.19	-0.87
TURKEY	0.23	-0.06	-0.11	-0.37	-1.28
TURKMENISTAN	-0.87	-1.39	-1.26	-2.20	-0.11
TUVALU	-0.97	0.34	-0.01	1.10	1.41
UGANDA	-0.48	-0.34	-1.05	-0.59	-0.86
UKRAINE	-0.51	-0.80	-0.98	-0.03	-1.93
UNITED ARAB EMIRATE	1.54	0.71	1.12	-1.07	0.76
UNITED KINGDOM	1.74	1.81	1.87	1.27	0.56
UNITED STATES	1.46	1.60	1.38	1.08	0.70
URUGUAY	0.54	0.68	1.30	1.12	0.99
UZBEKISTAN	-0.68	-1.07	-1.16	-1.90	-0.42
VANUATU	-0.79	0.03	-0.18	0.72	0.57
VENEZUELA, RB	-1.22	-1.99	-1.33	-1.12	-1.01
VIETNAM	0.08	-0.27	-0.45	-1.33	0.01
VIRGIN ISLANDS (U.S.)	1.24	0.90	0.67	#N/A	1.32
WEST BANK AND GAZA	-0.50	-0.56	-0.70	-0.94	-2.13
YEMEN, REP.	-1.64	-1.24	-1.45	-1.49	-2.63
ZAMBIA	-0.55	-0.25	-0.41	-0.11	0.09
ZIMBABWE	-1.15	-1.35	-1.29	-1.19	-0.58

Source: <http://info.worldbank.org/governance/wgi/#home>

5. Database - Economic management indicators																			
Country/ Territory	CPIA building human resources rating (1=low to 6=high)	CPIA business regulatory environment rating (1=low to 6=high)	CPIA economic management policy cluster average rating (1=low to 6=high)	CPIA efficiency of revenue mobilization rating (1=low to 6=high)	CPIA equity of public resource use rating (1=low to 6=high)	CPIA financial sector rating (1=low to 6=high)	CPIA fiscal policy rating (1=low to 6=high)	CPIA gender equality rating (1=low to 6=high)	CPIA macroeco mic management rating (1=low to 6=high)	CPIA policies for social inclusion/ equity cluster average rating (1=low to 6=high)	CPIA policy and institutions environmental sustainability rating (1=low to 6=high)	CPIA property rights and rule-based governance rating (1=low to 6=high)	CPIA public sector management and institutions cluster average rating (1=low to 6=high)	CPIA quality of budgetary and financial management rating (1=low to 6=high)	CPIA quality of public administra tion rating (1=low to 6=high)	CPIA social protection cluster average rating (1=low to 6=high)	CPIA structural policies trade rating (1=low to 6=high)	CPIA transparency, accountability, and competition in the public sector rating (1=low to 6=high)	
Alghanistan	3.50	2.50	3.00	3.00	3.00	2.00	2.50	1.50	3.50	2.60	2.50	2.50	1.50	2.50	2.50	2.50	2.67	3.50	2.00
Angola	3.00	2.00	3.00	3.00	2.50	2.50	3.00	3.00	3.00	3.00	2.50	2.00	2.00	2.50	2.00	2.50	2.67	3.50	2.50
Armenia	4.00	4.50	4.00	4.50	4.00	4.00	5.00	4.50	4.50	4.00	3.00	3.50	3.70	4.50	3.50	4.00	4.33	4.50	3.50
Bangladesh	4.00	3.00	4.00	3.83	3.00	3.50	2.50	3.50	4.00	3.50	3.00	3.00	3.00	2.90	3.00	3.00	3.00	3.50	2.50
Bahrain	3.50	3.50	4.00	3.83	3.50	3.50	3.00	3.50	4.00	4.00	3.40	4.00	3.30	3.30	3.00	3.00	3.50	4.00	3.50
Bhutan	4.50	3.50	4.00	3.83	3.50	4.50	3.00	3.50	4.00	4.00	4.00	4.00	3.50	3.80	4.00	3.00	3.17	3.00	4.50
Bolivia	3.50	2.50	4.50	3.67	4.00	4.00	3.00	3.50	3.00	3.70	3.50	2.50	3.10	3.00	3.00	3.50	3.33	4.50	3.00
Bosnia and Herz	3.50	3.50	4.00	3.83	4.00	3.50	3.50	4.00	4.00	3.60	3.50	3.00	3.30	3.50	3.00	3.50	3.67	4.00	3.00
Burkina Faso	3.50	3.50	4.00	3.83	3.50	4.00	3.00	3.50	4.00	3.60	4.00	3.00	3.50	4.00	3.50	3.00	3.50	4.00	3.50
Burundi	4.00	3.00	2.50	2.83	3.00	4.00	3.00	3.00	4.00	3.60	3.00	2.00	2.50	3.00	2.50	3.00	3.33	4.00	2.00
Cabo Verde	4.50	3.50	3.50	3.67	4.00	3.50	3.50	4.00	4.00	3.80	3.00	4.00	4.00	4.00	4.00	4.00	3.83	4.50	4.50
Cameroon	4.00	3.00	4.50	4.00	3.50	3.50	3.00	3.50	4.00	3.40	3.00	2.50	2.50	3.00	2.50	2.50	3.50	4.50	2.00
Central African R	2.50	2.00	3.00	3.00	2.50	2.00	2.50	3.00	3.00	3.00	3.00	2.50	1.50	2.20	2.50	2.00	2.33	2.50	2.50
Chad	2.50	2.50	3.50	3.17	3.00	2.50	2.50	3.00	3.00	2.60	2.50	2.50	2.50	2.70	3.00	3.00	2.67	3.00	2.50
Comoros	3.50	3.00	3.00	2.83	2.50	2.50	2.50	3.00	3.00	2.90	3.00	3.00	3.00	2.60	2.50	2.50	3.00	3.50	2.50
Dem. Rep. Congo	3.50	3.00	3.50	3.50	3.00	3.50	2.50	3.50	3.50	3.00	3.00	3.00	2.00	2.50	3.00	2.50	3.00	3.50	2.00
Congo	3.50	2.50	3.50	3.50	3.00	3.00	3.00	3.50	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	3.00	3.50	2.00
Cote d'Ivoire	3.50	3.00	3.50	3.67	3.50	3.00	3.00	3.50	4.00	3.00	3.00	3.00	3.00	3.10	3.00	2.50	3.33	4.00	3.00
Djibouti	3.50	2.50	2.50	3.00	3.50	3.00	3.00	3.00	3.50	3.00	2.50	2.50	2.70	2.50	2.50	3.00	3.17	4.00	2.50
Domica	4.50	4.00	3.00	3.67	4.00	3.00	3.50	4.00	3.00	3.40	3.50	4.00	3.80	3.30	3.50	3.00	3.83	4.00	4.00
Entrea	3.50	1.50	1.00	1.33	3.50	2.50	1.00	1.50	3.00	1.50	2.60	2.00	2.50	2.00	2.50	2.00	1.33	1.50	2.00
Ethiopia	4.50	3.50	4.00	3.50	4.00	4.00	3.00	3.00	3.50	3.80	4.00	4.00	3.00	3.50	4.00	3.50	3.17	3.00	3.00
Macronesia	3.00	2.00	2.50	2.67	3.00	3.00	2.50	2.50	3.00	2.70	3.00	3.00	2.90	2.50	2.50	2.00	2.83	4.00	3.50
Georgia																			
Ghana	4.00	4.00	3.00	3.00	4.00	3.50	3.00	4.00	3.00	3.90	4.00	4.00	3.70	3.50	3.50	4.00	3.67	4.00	3.50
Guinea	3.50	3.00	3.00	3.33	3.00	2.50	3.00	3.50	3.50	3.20	3.50	2.50	2.80	3.00	3.00	3.00	3.00	3.50	2.50
The Gambia	4.00	3.50	2.50	2.17	3.50	3.00	2.50	2.00	3.50	3.30	3.50	3.00	2.90	3.00	3.00	2.50	3.33	4.00	2.00
Guinea-Bissau	2.50	2.50	2.50	2.50	2.50	2.00	2.50	2.00	2.50	2.20	2.00	2.00	2.20	2.00	2.50	2.00	3.00	4.00	2.00
Grenada	4.50	4.00	2.50	3.00	3.50	3.50	3.00	3.50	3.50	3.80	4.00	3.50	3.50	3.00	3.50	3.50	3.83	4.00	4.00
Guyana	4.00	3.00	4.00	3.67	3.50	3.00	3.50	3.50	3.50	3.20	2.50	2.50	3.00	3.10	3.50	2.50	3.00	3.50	3.00
Honduras	4.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.70	3.50	2.50	3.10	3.00	3.00	3.00	3.67	4.50	3.00
Haiti	3.00	2.00	3.00	3.50	2.50	3.00	3.50	3.00	4.00	2.70	3.50	2.00	2.40	2.50	2.50	2.00	3.00	4.00	2.50

Country/ Territory	CPIA building human resources rating (1=low to 6=high)	CPIA business regulatory environment rating (1=low to 6=high)	CPIA economic management cluster average rating (1=low to 6=high)	CPIA efficiency of revenue mobilization rating (1=low to 6=high)	CPIA equity of public resource use rating (1=low to 6=high)	CPIA financial sector rating (1=low to 6=high)	CPIA fiscal policy rating (1=low to 6=high)	CPIA gender equality rating (1=low to 6=high)	CPIA macro management rating (1=low to 6=high)	CPIA policies for social inclusion average rating (1=low to 6=high)	CPIA policies and sustainability rating (1=low to 6=high)	CPIA policy for rights and rule-based governance rating (1=low to 6=high)	CPIA public sector management cluster average rating (1=low to 6=high)	CPIA quality of budgetary and financial management rating (1=low to 6=high)	CPIA quality of public administration rating (1=low to 6=high)	CPIA social protection cluster average rating (1=low to 6=high)	CPIA structural policies cluster average rating (1=low to 6=high)	CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high)	
India	4.00	3.00	4.00	4.00	4.00	4.00	3.50	3.00	4.50	3.70	4.00	3.50	3.60	3.50	3.50	3.50	3.50	4.00	3.50
Kenya	4.00	3.50	4.50	4.33	4.00	4.00	4.00	4.00	4.50	3.70	3.50	3.00	3.40	3.50	3.50	3.50	3.83	4.00	3.00
Kyrgyz Republic	4.00	4.00	4.00	3.83	3.50	4.00	3.00	3.50	4.50	4.00	3.70	2.50	3.00	3.50	3.00	3.50	3.83	4.50	3.00
Kambati	3.00	2.50	2.00	2.67	3.50	3.50	3.00	2.50	3.00	3.10	3.00	3.00	3.20	2.50	3.00	3.50	2.83	3.50	3.50
Kosovo	3.50	3.50	4.50	3.67	3.50	3.00	3.50	3.00	3.50	3.30	3.00	3.00	3.30	4.00	3.00	3.50	3.83	4.50	3.00
Laos PDR	3.50	3.50	3.00	3.33	3.50	3.50	2.00	3.50	4.00	3.50	3.40	3.50	3.10	3.50	3.00	2.50	3.33	4.50	2.50
Lesotho	3.50	3.00	3.50	3.17	4.00	3.00	3.00	2.50	4.00	3.50	3.40	3.50	3.30	3.00	3.00	3.00	3.33	4.00	3.00
Lithuania	3.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.00	3.50	3.00	3.00	2.90	3.00	2.50	2.50	3.00	3.50	3.00
St. Lucia	4.00	4.50	2.50	3.00	4.00	4.00	3.00	3.00	3.50	3.70	3.50	4.00	3.70	2.50	3.50	3.50	3.83	4.00	4.50
St. Vincent and the Grenadines	4.50	4.00	3.50	2.83	3.50	3.50	3.50	2.50	4.00	2.50	3.60	2.50	3.40	4.00	3.00	3.50	3.67	3.50	3.00
Maldives	4.00	3.50	2.50	2.33	4.00	3.00	3.00	1.50	4.00	3.00	2.60	3.00	3.10	2.50	3.00	3.50	3.50	4.00	3.00
Madagascar	3.50	2.50	4.50	3.67	3.50	3.00	2.50	3.00	4.00	3.50	3.20	3.00	2.70	2.50	2.50	2.50	3.00	4.00	2.50
Malawi	4.00	3.50	2.50	2.33	4.00	3.00	3.00	1.50	4.00	3.00	2.60	3.00	3.10	2.50	3.00	3.50	3.50	4.00	3.00
Maldives	3.00	2.50	2.00	2.33	2.50	2.00	2.00	3.00	3.00	3.60	3.00	3.50	2.80	2.50	2.00	2.00	2.67	3.50	3.50
Marshall Islands	3.00	3.50	4.00	3.83	3.50	3.50	3.00	3.50	4.00	3.20	4.00	4.00	3.00	3.50	2.50	3.00	3.50	4.00	3.00
Mali	3.50	2.50	4.00	3.67	3.50	2.50	2.50	3.00	3.50	3.30	2.80	2.50	3.00	3.50	2.50	2.50	3.00	3.50	3.00
Myanmar	3.50	2.50	4.00	3.67	3.50	2.50	2.50	3.00	3.50	3.30	3.00	3.50	3.00	3.50	2.50	2.50	2.83	3.50	3.00
Mongolia	4.00	3.50	3.00	2.83	3.50	3.50	2.50	2.50	4.00	3.00	3.70	3.50	3.40	3.50	3.50	3.50	3.17	3.50	3.50
Mozambique	4.00	3.00	3.50	3.83	4.00	3.00	3.50	4.00	4.00	3.40	3.40	3.50	3.20	4.00	3.00	3.00	3.50	4.00	2.50
Mauritania	3.50	3.00	3.00	3.50	4.00	4.00	2.50	3.50	4.00	3.40	3.00	3.00	3.20	3.00	3.00	3.00	3.17	4.00	3.00
Malawi	3.50	3.00	3.00	2.83	4.00	3.50	3.00	2.50	3.00	3.50	3.50	3.50	3.10	3.00	2.50	3.50	3.17	3.50	2.50
Niger	3.50	3.50	4.00	3.83	3.50	4.00	3.00	3.50	4.00	3.30	3.50	3.50	3.20	3.50	3.00	3.00	3.50	4.00	3.00
Nigeria	3.50	3.50	4.50	3.83	3.00	3.50	3.50	3.00	3.50	3.50	3.50	2.50	2.80	3.00	2.50	4.00	3.50	3.00	3.00
Nicaragua	3.50	3.50	4.50	4.17	4.00	4.00	3.00	4.00	4.00	3.70	3.50	3.50	3.30	3.50	3.00	3.50	3.67	4.50	3.00
Nepal	4.50	3.50	3.50	3.17	3.50	4.00	3.50	3.00	4.00	3.80	3.50	3.50	3.10	3.00	3.00	3.00	3.50	3.50	3.00
Nepal	3.00	3.00	3.50	3.33	3.00	3.50	3.00	3.00	3.50	3.10	3.00	3.00	3.10	3.50	3.50	3.50	3.33	3.50	3.00
Pakistan	2.50	3.00	3.50	3.00	3.50	3.50	3.50	2.50	3.00	2.60	2.00	2.00	2.90	3.00	3.00	2.50	3.50	4.00	3.00
Papua New Guinea	4.50	4.50	4.00	4.00	4.00	4.50	4.00	4.50	4.00	4.30	4.00	4.00	3.70	4.00	3.50	4.00	4.17	4.50	3.50
Rwanda	3.00	3.00	1.50	2.33	3.00	2.50	2.50	2.50	3.00	2.50	2.00	2.00	2.20	2.00	2.50	2.00	2.50	2.50	1.50
Sudan	4.00	4.00	4.50	4.17	4.00	3.50	4.00	3.50	4.00	3.50	3.50	3.50	3.60	3.50	3.50	3.00	4.00	4.50	3.50
Senegal	3.00	3.00	3.50	3.33	3.00	2.50	3.00	3.00	3.00	2.70	2.50	2.50	2.70	2.50	3.00	3.17	3.50	3.00	3.00
Solomon Islands	3.00	3.00	3.50	3.00	3.50	3.00	3.00	3.00	3.50	3.00	3.00	3.00	3.10	3.50	3.00	3.00	3.17	3.50	3.00
Sierra Leone	3.00	3.00	3.50	3.50	3.00	3.00	3.00	3.00	4.00	3.30	2.50	3.00	3.10	3.50	3.00	3.50	3.17	3.50	3.00
South Sudan	2.50	2.00	1.50	1.50	2.00	2.00	2.50	1.50	1.50	2.10	2.00	2.00	1.70	1.50	2.00	1.50	2.17	2.00	1.50
St. Vincent and the Grenadines	3.50	3.00	2.50	2.83	3.50	3.00	2.50	3.00	3.00	3.10	3.50	3.50	3.10	3.00	3.00	2.80	3.17	4.00	3.50

Country/ Territory	CPIA building resources rating (1=low to 6=high)	CPIA business regulatory environment rating (1=low to 6=high)	CPIA economic management cluster average (1=low to 6=high)	CPIA efficiency of revenue mobilization rating (1=low to 6=high)	CPIA equity of public resource use rating (1=low to 6=high)	CPIA financial sector rating (1=low to 6=high)	CPIA fiscal policy rating (1=low to 6=high)	CPIA gender equality rating (1=low to 6=high)	CPIA macroeconomic management rating (1=low to 6=high)	CPIA policies for social inclusion and equity cluster average (1=low to 6=high)	CPIA policies and institutions for environmental sustainability rating (1=low to 6=high)	CPIA policy property rights and rule-based governance rating (1=low to 6=high)	CPIA public sector management and institutions cluster average (1=low to 6=high)	CPIA quality of budgetary and financial management rating (1=low to 6=high)	CPIA quality of public administration rating (1=low to 6=high)	CPIA social protection rating (1=low to 6=high)	CPIA structural policies cluster average (1=low to 6=high)	CPIA trade rating (1=low to 6=high)	CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high)
Togo	3.50	3.00	2.85	3.00	3.50	3.50	2.50	3.00	4.00	3.30	3.50	3.50	2.60	2.50	2.50	3.00	3.17	4.00	2.50
Tajikistan	3.50	3.00	3.35	3.00	3.50	1.50	3.50	4.00	3.00	3.40	3.00	3.00	2.90	3.50	3.00	3.00	2.83	4.00	2.50
Tanzania	4.00	3.00	3.67	3.00	3.50	3.50	3.00	3.50	3.50	2.90	3.00	2.90	2.50	3.00	2.00	2.50	3.00	4.50	2.50
Turkey	4.00	3.00	3.50	4.00	4.00	3.00	3.50	3.00	3.50	3.30	3.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Turkmenistan	4.00	3.50	2.50	3.00	3.00	2.50	2.50	3.00	3.00	2.90	3.00	3.50	3.20	3.50	3.50	2.50	2.83	3.50	3.50
Turkmenistan	4.00	4.00	4.00	4.00	4.00	3.50	3.50	4.50	4.50	3.70	3.00	3.50	3.10	3.50	3.00	4.00	3.67	4.00	3.00
Uganda	4.00	4.00	4.17	3.50	4.00	3.50	4.00	3.50	4.00	3.70	3.50	3.50	3.00	3.50	3.00	3.50	4.00	4.50	2.00
Uzbekistan	4.00	3.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00	3.70	3.50	3.50	3.20	4.00	3.00	3.50	2.83	2.50	2.00
St. Vincent and the Grenadines	4.50	4.00	3.33	4.00	3.00	3.50	3.00	3.50	4.00	3.60	3.50	4.00	3.70	3.00	3.50	3.50	3.83	4.00	4.00
Vietnam	4.00	3.50	3.67	4.00	4.50	3.00	3.50	4.50	4.00	4.10	4.00	3.50	3.50	3.50	3.50	3.50	3.50	4.00	3.00
Vanuatu	3.00	3.00	3.67	3.50	3.50	3.00	3.00	3.50	3.50	3.20	3.50	3.50	3.50	3.50	3.00	2.50	3.33	4.00	3.00
Samoa	4.00	3.50	3.50	4.50	4.50	3.50	4.50	4.50	4.50	3.80	3.50	4.00	4.10	4.00	4.00	3.50	3.83	4.50	4.00
Timor-Leste	3.00	2.50	2.83	3.00	3.00	2.50	2.50	1.50	3.00	2.70	3.00	2.00	2.40	3.00	2.50	3.00	2.50	3.00	1.50
Tanzania	4.00	3.50	3.00	3.50	3.50	3.50	2.50	3.00	3.00	3.30	3.50	3.00	3.20	3.50	3.00	2.50	3.67	4.00	3.00
Zimbabwe	3.50	2.00	2.67	4.00	3.00	3.00	3.00	4.00	3.00	3.30	3.50	3.50	2.80	3.50	2.50	2.50	2.67	3.00	2.00

Source: <http://data.worldbank.org/data-catalog/CPIA>

## 6. DATA BASE – GDP per capita, human capital and technology

Country	ICT service exports (BoP, current US\$)	CPIA building human resources rating (1=low to 6=high)	Mobile cellular subscriptions (per 100 people)	Individuals using the Internet (% of population)	Educational attainment, at least completed upper secondary, population 25+, total (%) (cumulative)	Educational attainment, at least Bachelor's or equivalent, population 25+, total (%) (cumulative)	Rule of law (1 to 6)	GDP per capita (current US\$)
Alghanistan	203443300		61.58	8.26	..	..	-1.59	584
Albania	226651280	..	106.38	63.25	..	..	-0.36	3954
Algeria	1750509837	..	106.38	38.20	..	..	-0.83	4133
Angola	50413351	..	60.84	12.40	..	..	-1.07	3696
Antigua and Barbuda	..	..	137.22	65.20	..	..	0.21	13567
Argentina	6282246712	..	146.70	69.40	..	..	-0.80	13467
Armenia	173123400	..	115.89	58.25	..	27.31	-0.34	3610
Australia	9396260200	..	132.80	84.56	..	29.78	1.82	56554
Azerbaijan	474620000	..	111.28	77.00	..	15.69	-0.60	5500
Bahamas, The	204380579	..	80.29	78.00	..	..	0.56	22888
Bangladesh	881738934	4.00	81.90	14.40	..	..	-0.70	1210
Barbados	..	..	116.46	76.11	..	..	1.05	15558
Belarus	1569100000	..	123.64	62.23	..	..	-0.79	5949
Belgium	52128469580	..	115.69	85.05	..	66.21	1.42	40357
Belze	67428702	..	60.97	41.59	..	..	-0.74	4850
Benin	32612032	..	85.64	6.79	..	..	-0.58	784
Bhutan	408074	..	87.03	39.80	..	..	0.51	2614
Bolivia	102974390	..	92.18	45.10	..	..	-1.15	3077
Bosnia and Herzegovina	135476773	..	90.15	65.07	..	60.83	-0.29	4574
Botswana	154438018	..	169.00	27.50	..	..	0.63	6532
Brazil	1906178754	..	126.59	59.08	..	..	-0.19	8757
Bulgaria	1985980000	..	129.27	56.66	..	74.91	-0.12	6993
Burkina Faso	57941209	..	71.73	9.40	..	2.81	-0.53	705
Burundi	11458375	..	46.22	4.87	..	..	-1.12	304
Cabo Verde	38476284	..	118.58	43.02	..	20.04	0.55	2954
Cambodia	30111411	..	132.73	14.00	..	..	-0.92	1099
Cameroon	359117722	..	71.85	20.68	..	..	-0.96	1244
Canada	32624568777	..	82.98	88.47	..	..	1.84	43316
Central African Republic	..	..	25.87	4.56	..	..	-1.72	348
Chad	..	..	40.17	2.70	..	..	-1.16	777
Chile	2939265325	..	129.47	64.29	..	..	1.33	13653
China	82951802004	..	92.18	50.30	..	..	-0.34	8069

Country	ICT service exports (BoP, current US\$)	CPIA building human resources rating (1=low to 6=high)	Mobile cellular subscriptions (per 100 people)	Individuals using the Internet (% of population)	Educational attainment,		Rule of law (1 to 6)	GDP per capita (current US\$)
					at least completed upper secondary, population 25+, total (%)	Educational attainment, at least Bachelor's or equivalent, population 25+, total (%)		
Colombia	1229631755	..	115.74	55.90	45.40	10.30	-0.31	6045
Comoros	..	3.50	55.16	7.46	..	..	-0.84	728
Congo, Dem. Rep.	17363717	3.50	52.99	3.80	..	..	-1.55	475
Congo, Rep.	..	3.50	111.66	7.62	..	..	-1.04	1712
Costa Rica	3463422038	..	150.66	59.76	37.99	21.30	0.48	11406
Cote d'Ivoire	..	3.50	119.31	21.00	..	..	-0.62	1421
Croatia	1624647979	..	103.77	69.80	..	..	0.20	11580
Czech Republic	7275590419	..	123.16	81.30	89.77	19.34	1.12	17557
Denmark	10984697486	..	128.34	96.33	77.75	30.38	2.04	53015
Djibouti	31572136	..	34.94	11.92	..	..	-0.90	1862
Dominica	..	3.50	106.29	67.60	..	..	0.64	7070
Dominican Republic	441300000	..	82.59	54.22	34.87	..	-0.46	6468
Ecuador	88382004	..	79.77	48.94	42.26	12.08	-1.03	6205
Egypt, Arab Rep.	1282300000	..	110.99	37.82	..	..	-0.50	3548
El Salvador	249449484	..	145.26	26.92	..	..	-0.59	4127
Equatorial Guinea	..	..	66.72	21.32	..	..	-1.40	10347
Estonia	1514607656	..	148.69	88.41	89.69	..	1.33	17075
Ethiopia	..	4.50	42.76	11.60	..	..	-0.44	645
Finland	13094366011	..	135.45	92.65	..	..	2.07	42405
France	98132695632	..	102.61	84.69	69.44	17.66	1.41	36527
Gabon	..	..	161.12	23.50	..	..	-0.54	7389
Gambia, The	..	4.00	137.85	17.12	..	..	-0.66	475
Georgia	103462337	..	128.95	47.57	..	..	0.30	3765
Germany	108336720381	..	116.71	87.59	83.08	24.74	1.78	41177
Ghana	..	4.00	129.74	23.48	..	..	0.12	1361
Greece	2516528296	..	112.95	66.84	57.93	22.93	0.24	18008
Greenland	..	..	106.50	67.60	39.63	10.57	1.74	39569
Grenada	..	4.50	112.25	53.81	..	..	-0.20	9212
Guatemala	647356750	..	111.48	27.10	..	..	1.36	3924
Guinea	..	3.50	87.17	4.70	..	..	-1.17	554
Guinea-Bissau	..	2.50	69.27	3.54	..	..	-1.30	597
Guyana	3353701	..	67.19	38.20	..	..	-0.50	4137
Haiti	27000000	..	68.84	12.20	..	..	-1.17	815



Country	ICT service exports (BoP, current US\$)	CPIA building human resources rating (1=low to 6=high)	Mobile cellular subscriptions (per 100 people)	Individuals using the Internet (% of population)	Educational attainment,		Rule of law (1 to 6)	GDP per capita (current US\$)
					at least completed upper secondary, population 25+, total (%)	Educational attainment, at least Bachelor's or equivalent, population 25+, total (%)		
Honduras	304196560	4.00	95.54	20.36 ..	..	..	-0.95	2326
Hong Kong SAR, China	16422990254 ..	..	228.68	84.95	62.16 ..	..	1.83	42351
Hungary	6466030180 ..	..	118.91	72.83	75.10	20.67	0.40	12366
Iceland	546376208 ..	..	114.01	98.20 ..	..	..	1.67	50734
India	105143142166 ..	..	78.06	26.00 ..	..	..	-0.06	1613
Indonesia	5888510319 ..	..	132.35	21.98	32.26	8.48	-0.41	3336
Iran, Islamic Rep.	..	..	93.38	45.33 ..	..	..	-0.95	4958
Ireland	88685700546 ..	..	103.71	80.12 ..	..	..	1.79	60664
Italy	30249583506 ..	..	142.12	65.57	49.15	..	0.25	30049
Jamaica	319711603 ..	..	111.51	42.22 ..	..	..	-0.23	4966
Japan	37340975726 ..	..	126.54	91.06 ..	..	..	1.51	34474
Jordan	350878565 ..	..	179.43	53.40 ..	..	..	0.46	4096
Kazakhstan	566480327 ..	..	156.88	70.83 ..	..	..	-0.37	10510
Kenya	651163455	4.00	73.84	43.40 ..	..	..	-0.49	1335
Korea, Rep.	22561400000 ..	..	118.46	89.65 ..	..	..	0.95	27105
Kosovo	128370676	3.50 ..	..	..	..	..	-0.47	3574
Kyrgyz Republic	123802367	4.00	132.80	30.25 ..	..	..	-1.00	1121
Lao PDR	34299292	3.50	53.10	18.20 ..	..	..	-0.75	2159
Latvia	1089216387 ..	..	127.50	79.20	88.60	27.79	0.79	13667
Lebanon	3671123698 ..	..	92.16	74.00 ..	..	..	-0.79	8047
Lesotho	..	3.50	100.94	16.07 ..	..	..	-0.17	1074
Liberia	7045552	3.00	81.09	5.90 ..	..	..	-0.87	452
Luxembourg	19972171853 ..	..	148.51	97.33 ..	..	..	1.86	101910
Madagascar	..	3.50	44.12	4.17 ..	..	..	-0.69	402
Malawi	33224919	3.50	37.94	9.30 ..	..	..	-0.33	363
Malaysia	8230192552 ..	..	143.89	71.06 ..	..	..	0.57	9644
Maldives	..	4.00	206.66	54.46 ..	..	..	-0.52	8396
Mali	180926971	3.00	149.07	7.00 ..	..	..	-0.76	826
Marshall Islands	..	3.00	29.25	19.28 ..	..	..	-0.20	3386
Mauritania	139955741	3.50	89.32	15.20 ..	..	..	-0.82	1158
Mauritius	856510023 ..	..	140.58	50.14 ..	..	..	0.85	9252
Mexico	159473943 ..	..	85.99	57.43	33.35	14.78	-0.47	9143
Moldova	249190000	4.00	108.04	49.84	74.73	19.37	-0.40	1832

Country	ICT service exports (BoP, current US\$)	CPIA building human resources rating (1=low to 6=high)	Mobile cellular subscriptions (per 100 people)	Individuals using the Internet (% of population)	Educational attainment,		Rule of law (1 to 6)	GDP per capita (current US\$)
					at least completed upper secondary, population 25+, total (%)	at least Bachelor's or equivalent, population 25+, total (%)		
Mongolia	151466748	4.00	104.96	21.44 ..	..	-0.39	3944	
Montenegro	122303505 ..		162.16	68.12 ..	..	0.03	6461	
Morocco	282252164 ..		126.87	57.08 ..	..	-0.08	2847	
Mozambique	45332779	4.00	74.24	9.00 ..	..	-0.87	528	
Myanmar	777226699	3.50	75.68	21.80 ..	..	-1.22	1195	
Namibia	441047611 ..		106.58	22.31 ..	..	0.19	4738	
Nepal	527309091	4.50	96.75	17.58 ..	..	-0.70	744	
Netherlands	50070019525 ..		123.54	93.10	69.57	1.93	44293	
New Zealand	1871762850 ..		121.83	88.22	69.54	2.02	38202	
Nicaragua	166400000	3.50	116.11	19.70 ..	..	-0.70	2096	
Niger	..	3.50	46.50	2.22 ..	..	-0.61	359	
Norway	13249184418 ..		82.19	47.44 ..	..	-1.04	2655	
Nigeria	168176966		111.12	96.81	77.49	2.02	74505	
Oman	644914962 ..		159.86	74.17	50.37	0.46	16627	
Pakistan	1696000000	3.00	66.92	18.00 ..	..	-0.79	1431	
Panama	856400000 ..		174.19	51.21 ..	..	-0.12	13134	
Paraguay	18100000 ..		105.39	48.44	38.10	-0.89	4109	
Peru	624162309 ..		109.87	40.90	56.02 ..	-0.69	6030	
Philippines	21011451874 ..		115.75	40.70 ..	..	-0.53	2878	
Poland	14485000000 ..		142.69	68.00 ..	..	-0.35	12566	
Portugal	6522156615 ..		110.41	68.63	35.43	0.80	19220	
Romania	6815421909 ..		107.14	55.76	64.66 ..	1.14	8959	
Russian Federation	16581520000 ..		159.95	70.10 ..	..	-0.72	9329	
Rwanda	22812010	4.50	70.48	18.00 ..	..	0.07	710	
Samoa	20517544	4.00	62.37	25.41 ..	..	0.67	4149	
Sao Tome and Principe	13237254	3.50	65.09	25.82 ..	..	-0.81	1625	
Senegal	484453997	4.00	98.84	17.70 ..	..	-0.15	1052	
Serbia	1739363207 ..		120.52	65.32	70.90	-0.09	5237	
Seychelles	237946253 ..		158.12	58.12 ..	..	0.19	15390	
Sierra Leone	122964263	3.00	76.66	2.10 ..	..	-0.90	708	
Singapore	43654792428 ..		146.53	82.10	70.92	1.88	53630	
Slovak Republic	2393981220 ..		122.31	77.63	86.69	18.92	16090	
Slovenia	1487644917 ..		113.22	73.10	81.50	18.82	20730	

Country	ICT service exports (BoP, current US\$)	CPIA building human resources rating (1=low to 6=high)	Mobile cellular subscriptions (per 100 people)	Individuals using the Internet (% of population)	Educational attainment,		Rule of law (1 to 6)	GDP per capita (current US\$)
					at least completed upper secondary, population 25+, total (%)	Educational attainment, at least Bachelor's or equivalent, population 25+, total (%)		
Solomon Islands	19193317	3.00	72.66	10.00 ..	..	..	-0.54	1922
Somalia	..	..	52.47	1.76 ..	..	..	-2.34	426
South Africa	2543759114	..	164.51	51.92	64.62	6.07	0.06	5770
South Sudan	7290146	2.50	24.50	15.90 ..	..	..	-1.83	1152
Spain	31930854302	..	108.20	78.69	47.86 ..	..	0.90	25684
Sri Lanka	847176002	4.50	110.59	29.99 ..	..	..	0.07	3845
St. Kitts and Nevis	..	..	131.84	75.70 ..	..	..	0.35	16145
St. Lucia	..	4.00	101.52	52.35 ..	..	..	0.62	8076
St. Vincent and the Grenadines	..	4.50	103.65	51.77 ..	..	..	0.59	6740
Sudan	100396951	3.00	70.53	26.61 ..	..	..	-1.18	2514
Suriname	43512764	..	136.83	42.76 ..	..	..	-0.25	8819
Swaziland	126818725	..	73.20	30.38 ..	..	..	-0.27	3137
Sweden	33178891831	..	130.38	90.61	75.03	23.00	2.04	50585
Switzerland	33199499872	..	136.47	87.48	85.19	36.95	1.97	80990
Tajikistan	15035602	3.50	98.59	18.98 ..	..	..	-1.01	919
Tanzania	385286149	4.00	75.86	5.36 ..	..	..	-0.43	872
Thailand	9415340000	..	152.73	39.32 ..	..	..	-0.11	5815
Timor-Leste	4466100	3.00	117.40	13.40 ..	..	..	-1.18	1162
Togo	119162328	3.50	67.71	7.12 ..	..	..	-0.80	551
Tonga	..	4.00	69.09	45.00 ..	..	..	-0.20	4094
Trinidad and Tobago	14388455	..	157.67	69.20 ..	..	..	-0.14	17322
Tunisia	400943096	..	129.91	48.52 ..	..	..	-0.05	3828
Turkey	460000000	..	96.02	53.74	37.07	..	-0.06	10980
Turkmenistan	..	..	145.94	15.00 ..	..	..	-1.39	6433
Tuvalu	..	3.00	40.34	42.70 ..	..	..	0.34	2970
Uganda	399425395	4.00	50.37	19.22 ..	..	..	-0.34	694
Ukraine	3912000000	..	144.02	48.88 ..	..	..	-0.80	2125
United Kingdom	125270869356	..	124.13	92.00 ..	..	..	1.81	43930
United States	170543000000	..	117.59	74.45	88.41	32.50	1.60	56207
Uruguay	737529945	..	160.21	64.60	28.75	10.50	0.68	15525
Uzbekistan	..	4.00	73.32	42.80	92.08	15.80	-1.07	2138
Vanuatu	10518603	3.00	66.25	22.35 ..	..	..	0.03	2806
Vietnam	0	4.00	130.64	52.72 ..	..	..	-0.27	2107

Country	ICT service exports (BoP, current US\$)	CPIA building human resources rating (1=low to 6=high)	Mobile cellular subscriptions (per 100 people)	Individuals using the Internet (% of population)	Educational attainment, at least completed upper secondary, population 25+, total (%) (cumulative)	Educational attainment, at least Bachelor's or equivalent, population 25+, total (%) (cumulative)	Rule of law (1 to 6)	GDP per capita (current US\$)
West Bank and Gaza	237867385 ..	..	77.62	57.42	39.02	17.12	-0.56	2866
Yemen, Rep.	75877274	3.00	67.98	25.10 ..	..	..	-1.24	1402
Zambia	38158416	4.00	74.47	21.00 ..	..	..	-0.25	1314
Zimbabwe	74207108	3.50	84.79	16.36 ..	..	..	-1.35	1019

Source: Data from database: World Development Indicators. World Bank, WDI. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>

## Abbreviations

ADB	Asian Development Bank
GDP	Gross Domestic Product
BB	Bangladesh Bank
IMF	International Monetary Fund
D & D	Decentralization and Deconcentration
FDI	Foreign Direct Investment
CPIA	Country Policy and Institutional Assessment
SPPB	Second Perspective Plan of Bangladesh
EC	Election Commission
MTBF	Medium Term Budget Framework
OECD	Organization for Economic Cooperation and Development
NGO	Non-Governmental Organization
CSO	Civil Society Organization
EDP	Executive Development Program
CoE	Center of Excellence
IT	Information Technology
SEIP	Skills for Employment Investment Program

## Attachment

### Development Indicators, Benchmark, Milestones and 2041 Targets and Strategies

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030	2041	
<b>Vision</b>		Bangladesh a developed country by 2014 with per capita income of \$12,500 in today's prices There will be no hungry stomach ever in Sonar Bangla				
<b>Planning -</b> Plans are paper products with realization lagging far behind targets. Two major challenges are synchronization with the medium-term expenditure framework and the annual budget, especially in fiscal projection and project/program implementation capacity. Planning capacity is overtaxed between tasks of strategy formulation and policy development and detailed project review for approval.	Plan target achievement (%)	Indifferent – 50 to 60 % realization	70%	80%-90%	90%- 100%	1. Improve coordination with the Ministry of Finance 2. Focus primarily on medium to longer-term strategy formulation

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<b>Governance -</b> Challenges to address (Alamgir 2015) are lacking strength, competency, effectiveness, transparency and accountability and struggling with the serious consequences of corruption	World Bank governance effectiveness score 2015	-0.73	-0.50	1.00	1.50 (among developed country group)	1. Adhere to seven key principles of governance applied to 8 institutions of governance (Figure 4) 2. Undertake civil service reform for effective administration 3. Implement public financial management reform for accountability by strengthening core governance institutions 4. Implement the Right to Information Act for transparency 5. Strengthen ACC For anti-corruption measures
<b>Finance –</b> Domestic resource mobilization inadequate to meet financing needs of a growing economy; financial governance is weak; sub-optimal resource allocation; Foreign Direct Investment (FDI) is anemic; the financial sector is fragmented; and inadequate synergy between monetary and fiscal policy	CPIA economic management cluster average (1=low to 6=high) 2015  Tax/GDP ratio  FDI/GDP	3.83	4.00	4.50	5.00	1. Harmonize fiscal and monetary policy 2. Make budget growth oriented (Sadiq 2016) 3. Take measures to sustain inflation and interest rate at the level of comparator countries and reduce interest spread 4. Improve access to finance for productive investments by small, medium and large borrowers 5. Improve tax base and tax administration for domestic resource mobilization (establishment of an efficient, equitable and productive tax system with full implementation of the VAT Law required raising tax/GDP ratio) 6. Implement measures for financial market integration 7. Improving financial governance and access to finance especially for SMEs 8. Provide incentives for FDI especially tax incentives for non-resident Bangladeshi (NRB) investments 9. Take steps for capital market development with built in regulation and stabilizers including streamlined corporate governance



Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
						<p>10. Keep public domestic borrowing under control (Sadiq 2016)</p> <p>11. Reform public enterprises and eliminate loss making units</p> <p>12. Make microfinance financially competitive and adherent to prudential norms as directed by the Microfinance Regulatory Authority (MRA)</p> <p>13. Pursue financial inclusion and stability</p> <p>14. Continue investments in e-finance</p> <p>15. Minimize political interference in banking operations</p> <p>16. Pay attention to the quality of people in banking</p> <p>17. Reduce the number of public banks</p> <p>18. Set up a finance and banking reforms commission to determine a roadmap for reforms in financial and banking management</p> <p>19. Enhance Bangladesh Bank's capacity for bank supervision and keep it under continuous review</p> <p>20. Enhance independence and strengthen three institutions to deal with efficiency and corruption in banking in Bangladesh: The Bangladesh Bank, the Anti-Corruption Commission and the Office of the Comptroller and Auditor General</p>

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets		Strategies
			2021	2030	2041		
<b>Democratization</b> – The challenge how to move from hybrid democracy to pluralistic full democracy	The Economist Democracy Index Score (0 – 10 scale)	5.73	6.5	7.5	8.5 (among developed country group)		1. Strengthen and empower EC to act independently as in India 2. Sustain economic, political and social consensus on the ‘respect matrix’ (Figure 5) 3. Ensure independence of judiciary and separation of power of Executive, Legislature and Judiciary 4. Review and strengthen the legal and regulatory framework for election 5. Provide constitutional and legal guarantee for avoiding/eliminating possibility of non-democratic extra-constitutional usurpation of power by any force/group including the armed forces
	Election (A – Periodic and timely election at all levels including political party;	C	B	A	A		
	B – Periodic and timely election at national level but indifferent at other levels;	47	55	65	80		
	C – Periodic and/ or interrupted or controversial national election and indifferent at other level(s)	Partially	Partially+	Fully	Fully		
	Freedom (political and civil) score	Partially	Partially+	Fully	Fully		
Economic and social rights (Is right to education and property protected?)	Partially	Partially+	Fully	Fully			

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
	Civil and political participation (Is there equal freedom of assembly and participation in political life?)  Political parties (Are all political parties allowed to form and participate in electoral process)					
<b>Decentralization</b> – The challenge is how to introduce effective administrative, financial/ fiscal, electoral, judicial, political and appointments decentralization (order of level of decentralization is very limited, limited, partial and high)	Vertical (law and order) decentralization  Political decentralization  Fiscal and planning decentralization  Administrative decentralization  Judicial decentralization  Electoral decentralization	Partial  Very limited  Very limited  Limited  Limited  Limited	Partial  Limited  Limited  Partial  Partial  Partial	High  Partial  Partial  High  Partial  Partial	High  High  High  High  High  High	1. Legislating a comprehensive Law clarifying powers and functions of local bodies at all levels. This Law will replace 130 laws and over 100 sub-laws and rules covering local bodies 2. Establish six provinces replacing current divisions 3. Secure four tiers of local government - Gram (Village) Sarkar, Union Parishad, Thana and Zila Parishad - for rural areas and two tiers - City Corporations and Paurashavas - for urban areas, 4. Promote fiscal decentralization to facilitate emergence of autonomous and accountable local governments (Sadiq 2016) including shifting the center of gravity of the central power from Dhaka to the Faridpur region, 5. Keep local governments totally independent of the influence of local political leadership and civil bureaucrats, 6. Entrust local governments with planning and implementation of local development projects irrespective of sources of fund

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<b>Capacity building</b>						
<b>Gender empowerment</b>	Gender sensitive budget	Partially	Partially+	Fully	Fully	<p>8. Make planning and budget process gender sensitive at all levels</p> <p>9. Promote female participation in the electoral process</p> <p>10. Strengthening gender-sensitive legislative, regulatory and institutional framework</p> <p>11. Mainstreaming women in social and political institutions</p> <p>12. Increasing and including women's voice at all public for a</p> <p>13. Securing women's land and property rights</p> <p>14. Training and skill development</p>
Legislature Over past decade, the parliament as a decision-making body has become almost dysfunctional with a culture of boycott dominating the landscape since 1991. The parliament is often completely dominated by one major political party with one-sided legislation and constitutional amendment	Functional capacity to lead in legislation, budget formulation and dealing with national crises and emergencies	Non-functioning legislature dominated by one party	Improved-functioning legislature not dominated by one party focusing on the national target of developed Bangladesh by 2041 ruled by law, peaceful and tolerant of abusive corruption	Well-functioning legislature with diversity of interests represented paving the way for achieving the national target of developed Bangladesh ruled by law, peaceful and tolerant and free of abusive corruption	Well-functioning legislature with diversity of interests represented achieving the national target of developed Bangladesh ruled by law, peaceful and tolerant and free of abusive corruption	<p>1. Establish bicameral legislature at the center of the legislature</p> <p>2. Develop political consensus on the functioning of the legislature</p> <p>3. Strengthen legislature through finance, infrastructure, technology, human resources including legislators and research and monitoring</p> <p>4. Establish strategic, organizational &amp; operational planning and accountability system and outcome measurement</p> <p>5. Establish a system for internal operations and management (administrative, financial and human resources, facility, quality assurance, technology and risks)</p>

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<p><b>Judiciary</b> Challenges are case overload, quality of people, poor incentive, litigating public, political influence, corruption, poor legal education and capacity</p>	Judicial quality	Weak judiciary susceptible to political influence and corruption	Improved judiciary but susceptible to political influence and corruption	Strong judiciary still lacking in some of the desired attributes	<p>2041</p> <p>Strong, independent, separate, effective, efficient, just, impartial, incorruptible, a political and victim-friendly judiciary</p>	<p>1. An independent commission may review the macro environment of the judicial system and its operation</p> <p>2. Uphold the action taken by the caretaker government to institutionalize separation of power in 2007</p> <p>3. Recognize that true independence of the judiciary and separation of judiciary depends squarely on the Government's willingness to accommodate changes</p> <p>4. Strengthen the judicial institution through finance, infrastructure, technology, manpower and research and monitoring</p>
<p><b>Executive, the bureaucracy and the rule of law</b> The challenge is embedded in this quote "The structure and working patterns of bureaucracy in Bangladesh are a legacy of British colonial rule, which impeded reform efforts after Independence and caused politicisation of the administration and governance. Civil-military elitisms reduced accountability of the administration, resulting in a dominating bureaucratic structure with corruption." (Mollah 2011) from Ahmed, Alamgir and Mujeri (2016)</p> <p>As for rule of law the twin challenges are corruption and institutional subversion of the rule of law.</p>	The quality of the bureaucracy and law and order agencies	As individuals intelligent and better educated and more sensitive to people than before but as group lacks focus, elitist, ineffective, highly politicized and prone to influence and corruption	Slow but sure emergence of a reform minded bureaucracy and law enforcement operatives open to change including being focused on socioeconomic development	Reformed bureaucracy and law enforcement agencies with less elitist trait, more effective, less politicized and less prone to influence and corruption and fully committed to and proud of achieving Bangladesh Vision 2041 and go beyond	<p>6. A Commission to look into civil service reform taking account of previous attempts</p> <p>7. A periodic Pay and Services Commission to keep the incentive framework up to date</p> <p>8. Politicians "Hands off bureaucracy"</p> <p>9. Strengthen the civil service institution through finance, infrastructure, technology, manpower and research and monitoring</p> <p>10. Strengthen law enforcement agencies, implement skill development and training program with emphasis on attitudinal approach to maintenance of law and order and enhance manpower</p>	

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<p><b>Political institutions</b> The challenge is to strengthen political institutions to steer the country along stable and inclusive development path in a sustainable way. The related challenge is to prod political parties to adhere to the principles of pluralistic democracy,</p>	<p>Party conventions Election for party office bearers</p>	<p>Irregular (party conventions and election for party office bearer are seldom organized) Political institutions are at infancy</p>	<p>Intermittent (party conventions and election for party office bearer are held once in a while) Political institutions are coming out of infancy</p>	<p>Periodic (party conventions and election for party office bearer are held periodically, say every 2 or 3 years) Political institutions are gaining experience</p>	<p>Annual or Bi-annual (party conventions and election for party office bearer are held annually or bi-annually) Political institutions are mature</p>	<p>1. Review and revise party constitution 2. Establish consultative bodies to seek members' views on important issues</p>
<p>Social institutions Civil society organizations (CSO)  Challenges facing civil society organizations are: (i) mutually suspicious and divisive relationship with the government; (ii) attempted excessive control by the government; (iii) political, administrative and financial repression; (iv) lack of financial independence, (v) foreign aid dependence; (vi) degeneration into contractor status; (vii) limited or no innovation;</p>	<p>Stage of development of CSOs (conception, organization, low-level/ quality operation, fully-fledged operation, mature high quality broad-based operation</p>	<p>A combination of low-level/ quality operation and fully-fledged operation with some as international best practice</p>	<p>All fully-fledged operation with some as international best practice and many under normal regulatory and business practices</p>	<p>All mature high quality broad-based operation with some as international best practice and many under normal regulatory and business practices</p>	<p>All mature high quality broad-based operation with some as international best practice and all institutionalized under normal regulatory and business practices</p>	<p>9. Recognize freedom of association and operation 10. Provide legal and regulatory framework 11. Organize external monitoring and evaluation on selected basis using agreed criteria 12. Provide, financial, moral, administrative and political support as appropriate 13. No witch hunting under any pretext 14. All CSOs should be operating under a social compact draw up for all organizations 15. Implement government and independent audit 16. Deal with the challenges outlined here in a strategic way</p>

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets		Strategies
			2021	2030	2041		
(viii) poor governance with lack of transparency, accountability and corruption; (ix) internal conflict and tension; (x) autocracy of the top; (xi) mixed quality of staff and personnel; (xii) fraud and lack of professionalism; (xiv) lack of matching skill; (xv) waning idealism; (xvi) unproductive competition and rivalry undermining the quality of services provided; (xvii) slow death of early optimism of alternative to public sector service delivery; (xix) no clear succession plan by the founder philosopher be it Yunus or Abed or Dr. Zafrullah Chowdhury or any other; (xx) personality cult							
<b>Land</b> Resources are on the decline both quality and quantity wise; declining trend in the availability of arable land; land productivity	Land management quality	Chaotic with numerous litigation	Improved with cases reduced by 10%	Improved with cases reduced by 30%	Improved with cases reduced by 50%+	9. Formulate a balanced Land-use Planning Policy following examples of India, Korea, Indonesia and Thailand 10. Prepare land-use plan/spatial plan at national, regional, urban and rural levels with special consideration for compact townships in rural areas (Salim Rashid)	



Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
under threat; land use intensity, degradation, and poor management are undermining sustainability; inadequate investment in land conservation, reclamation and development; lack of cadastral survey; backlog of land titling and registration; inadequate protection of tenants; and land speculation distorting resource allocation and reducing growth potential						<p>11. Formulate a forward looking urban development strategy around sound spatial planning, land zoning and mass transit</p> <p>12. Pursue an urbanization policy for improved management of the accelerated urbanization process already under way in a somewhat chaotic manner</p> <p>13. Increase investment in land rehabilitation, development and protection</p> <p>14. Implement legislation enacted for ownership and tenurial rights</p> <p>15. Pay special attention to land administration; digitize land records but proceed cautiously;</p> <p>16. Formulate Alternative Dispute Resolution (ADR) Mechanism to expedite disposal of cases</p>
<p><b>Basic education</b> – Bangladesh has performed well in terms of basic education indicators (primary school enrolment and female enrolment for example) but is haunted by poor quality and dropout problems. Inadequate preparation for participation in a tech-savvy, multilingual, multi-skilled and multi-tasked world is the issue</p>	Primary dropout rate	21%	18%	5%	5%	<p>1. Raise public spending on education as % of GDP gradually to 5% and above</p> <p>2. Decentralize educational governance</p> <p>3. Raise teacher quantity and quality with upgraded teacher education which suffer from serious gap</p> <p>4. Provide support to pre-primary education</p> <p>5. Primary and secondary education should be brought under one administrative jurisdiction</p> <p>6. Promote skill development anchored in a drive for universal English and computer literacy from an early stage of schooling and competency in at least one additional foreign language and skill for all higher secondary certificate (HSC) graduates</p> <p>7. Tackle the two challenges of basic education that is meaningful quality and system dropouts through six strategic actions:</p>
	Secondary dropout rate	50%	40%	40%	5%	

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<p><b>Skill –</b> The challenge is annual addition of 2 million plus labor is difficult to absorb in the absence of appropriate training and skill development; low skill pervades the entire labor force causing low productivity; training and skill development facilities are inadequate and poorly equipped; competency based training is missing; and skill mix of overseas workers is unfavorable to raising average earnings/remittances to the level of other Asian countries like India, Pakistan and Sri Lanka</p>	Skill training target	5 million (actual much lower less than a million)	6.5 million	9 million	14 million	<p>(i) teacher quality, (ii) curriculum, (iii) teaching materials and physical facilities, and (iv) educational support both at school and at home for those vulnerable to falling through cracks; (v) developing open school platforms (TV, net, mobile applications) with specific ICT support. (Like India did in some areas, distribute \$20 Tablet PC to all HSC students for about only \$50 million); and (vi) developing vocational experts for export as migrant workers</p> <p>1. Strengthen TVET education through finance, infrastructure, manpower and research and monitoring 2. Introduce skill orientation in school, college, university education with all secondary graduates being equipped with at least one vocational skill and one foreign language 3. Make MOF's Skill for Employment Investment Program (SEIP) a national platform for skill development through public-private partnership fostered by operationalization of the newly established the National Skill Development Authority (NSDA) and the National Human Resources Development Fund (NHRDF) to support market responsive inclusive skills training by public and private training institutions' programs to meet projected skills gap in the future years 4. Executive development Program 5. Policy analysis training</p>

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<p><b>Technology</b> Technology platform: The challenge is how to create an environment from free flow of technologies through development adoption and adaptation</p> <p>Advanced Universities for science and technology: The challenge is how to avoid the current of university expansions without resources and quality</p> <p>IT - Core of IT Parks Project: challenges are infrastructure (Lack of established IT parks and Class A office spaces), manpower (right talent pool not available currently) and policies; public-private partnership; weak private sector; limited domestic market; FDI; attracting reputed foreign companies, limited access to finance; taking advantage of the fact that intelligent enterprises have increased use of automation, robotics, artificial intelligence &amp; cognitive computing across industries Tholon 2016)</p>	<p>Functioning technology platform with public sector support and private sector leadership</p> <p>Operational advanced universities for science and technology</p> <p>Centers of excellence (CoE)</p> <p>IT Parks</p> <p>IT education at universities</p> <p>National Institute for Information and Communication Technology</p> <p>ICT service exports</p>	<p>None (technology development, adoption and adaptation ad hoc with very limited public sector support and private sector leadership and participation)</p> <p>None</p> <p>None</p> <p>Kaliakoir and Jessore under construction</p> <p>Poor quality IT education in most of the 92 universities under UGC</p> <p>No plan</p> <p>&lt;\$1 billion (\$881 million in 2015</p>	<p>2021</p> <p>Technology platform established initiating systematic flow of technologies with strong public sector support and emerging private sector leadership and participation</p> <p>Supporting Technology and Innovation in Universities</p> <p>Six CoEs in operational</p> <p>Kaliakoir and Jessore operational under way at five other locations all public-private partnership</p>	<p>2030</p> <p>Technology platform fully operational with free flow of technologies at par with international experiences and partnership with reduced public sector support and strong private sector leadership and participation</p> <p>Establishing/strengthening 5 advanced universities specialized in</p> <p>i) IT, ii) high tech agriculture, iii) marine, iv) textile and v) leather</p> <p>20 CoEs in priority sectors operational</p>	<p>2041</p> <p>Technology platform operating at very advanced level comparable with other developed countries entirely under private sector leadership and full participation</p> <p>Establishment of institutions of higher learning and research in the mold of IIT in India in all divisions</p> <p>30 CoEs in priority sectors operational</p> <p>IT Parks are functioning and expanding as appropriate and three IT cities are in place in Dhaka,</p>	

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
			<p>Upgrading of IT education under way at nine selected universities in consultation and cooperation with UGC</p> <p>National Institute for Information and communication established and functional</p> <p>\$5 billion</p>	<p>All IT Parks are fully operational and new ones are planned in accordance with demand</p> <p>Upgrading of IT education expanded to more selected universities in consultation and cooperation with UGC</p> <p>National Institute for Information and communication operating with few satellites in selected locations</p> <p>\$30 billion (50% more than Korea today)</p>	<p>Chittagong and Khulna</p> <p>High quality IT education under way in all universities in consultation and cooperation with UGC</p> <p>National Institute for Information and communication operating with satellites across the country</p> <p>\$125 billion (slightly over India today)</p>	<p>14. Infrastructure support – develop enabling infrastructure</p> <p>15. Manpower support – training and skill development to develop talent supply pipeline</p> <p>16. Policy support</p> <p>17. Establishment of public-private forum involving the Ministry of Science and Technology, other relevant agencies and the private sector</p> <p>18. Industry-university collaboration</p> <p>19. Long-term marketing and promotions planning</p> <p>20. Identity and brand management</p> <p>21. Periodic review and revision of the incentive structure for the IT/ITeS sector</p> <p>22. UGC strengthened</p> <p>23. Serious capacity building at the relevant ministry and agencies undertaken</p> <p>24. Partnership and cooperation arrangements with recognized and reputed foreign businesses, industries, universities, think tanks and research institutions</p>

Topic/challenges	Indicator	Benchmark 2017	Milestones		Targets	Strategies
			2021	2030		
<p><b>Markets –</b> Small size of the domestic market; fragmented market; lack of infrastructure for smooth market operation; monopolistic and monopsonistic market control by few; barriers to competition; barriers to entry; the lack of finance; lack of application of modern technology especially ICT, and the lack of policy continuity</p>	<p>Market integration through investments in nine proposed economic corridors incorporating also the Southern Economic Corridor (Alamgir 2017) See note below</p>	<p>All nine corridors under developed</p>	<p>Dhaka-Chittagong section of Corridor 1 and Dhaka-Beanpole section of Corridor 2 fully developed</p>	<p>Corridors 1 and 2 and Southern Economic Corridor fully developed and work on other corridors under way</p>	<p>Work on all nine corridors completed</p>	<p>9. Adopt the strategic approach to establish Comprehensive Integrated Multimodal Economic Corridor Network (CIMECON) for Bangladesh which is a precondition for sustained robust economic growth over the longer run 10. Invest in the nine corridors of CIMECON satisfying market integration and link criteria 11. Invest in manpower development to support CIMECON 12. Establish a CIMECON Management Authority 13. Harness private-public resources to construct and maintain economic corridors and related facilities 14. Develop a policy framework to facilitate Bangladesh's integration into regional value chain 15. Promote public-private participation in investments for infrastructure supporting environmentally sustainable and climate resilient integrated agricultural value chain supplying safe and quality products to the rapidly rising urban population and also rural residents whose income will also be rising as growth accelerates during SPPB 16. Promote the development of economic zones along economic corridors on a priority basis</p>

**Note:** Corridor 1, Northwest-Southeast (NW-SE) is a 982-kilometer-long road link extending from Teknaf in Myanmar border to Banglabandha on the Indian border.  
Corridor 2, Southwest-Northeast (SW-NE) is a 504-kilometer-long road link extending from the Benapole border with India to the Tamabil/Karinganj border also with India.  
Corridor 3, North-South (West) (NS-W) is a 661-kilometer-long road link connecting Banglabandha on the Indian border with the Mongla Sea Port on the South.  
Corridor 4, North-South (Central) (NS-C) is a 338-kilometer-long road link connecting Mymensingh an important administrative and business center in the

north central part of Bangladesh with Barisal and Patuakhali two important river ports in the South central part of the country. Corridor 4 is the central artery of Bangladesh dividing the country into East and West.

Corridor 5, North-South (East) (NS-E) is a 668-kilometer-long road link connecting Tamabil/Karimganj on the Indian border with Teknaf on the Myanmar border passing through mineral (gas) and industrial belts and also linking with the Chittagong port

Corridor 6, Northwest-Northeast (NW-NE) is an 805-kilometer-long road link connecting Banglabandha on the Indian border with the Tamabil/Karimganj border also with India.

Corridor 7, Southwest-Southeast (SW-SE) is 776-kilometer-long road/rail link connecting Darsana on the Indian border with Teknaf on the Myanmar border via Chittagong where the rail link ends and road interchange begins.

Corridor 8, East-West (EW) is a 746-kilometer-long road link connecting Benapole on the Indian border with Teknaf on the Myanmar border via Chittagong. It is part of SASEC Corridor 3 and Asian Highway 41 (AH - 41).

Corridor 9, Inland Water Route (IWR) is a 670-kilometer-long inland water link connecting Kolkata in India with Assam in India via Angthihara- Khulna-Barisal-Up Meghna. It is part of SASEC Corridor 4.

The nine-corridor CIMECON for Bangladesh can be reduced to a module of the London Tube. The nine corridors of CIMECON satisfy market integration and link criteria. This within-country integrated economic corridor development is open to improved regional connectivity, transit and integration as facilitation measures are built up and put in place.

## Definition of indicators

Indicator	Definition
Government effectiveness	<p>Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.</p> <p><a href="http://info.worldbank.org/governance/wgi/#home">http://info.worldbank.org/governance/wgi/#home</a></p>
<b>CPIA economic management cluster average</b> (1=low to 6=high)	<p>The economic management cluster includes macroeconomic management, fiscal policy, and debt policy.</p> <p>. <a href="http://data.worldbank.org/data-catalog/CPIA">http://data.worldbank.org/data-catalog/CPIA</a></p>
<b>Index of economic freedom</b>	<p>Index of economic freedom is measured on the basis of 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom:</p> <ol style="list-style-type: none"> <li>1. Rule of Law (property rights, government integrity, judicial effectiveness)</li> <li>2. Government Size (government spending, tax burden, fiscal health)</li> <li>3. Regulatory Efficiency (business freedom, labor freedom, monetary freedom)</li> <li>4. Open Markets (trade freedom, investment freedom, financial freedom)</li> </ol> <p>Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100.</p> <p>A country's overall score is derived by averaging these twelve economic freedoms, with equal weight being given to each.</p> <p>Cut off points are free 100-80, mostly free 79.9-70, moderately free 69.9-60, mostly unfree 59.9-50 and repressed 49.9-0.</p> <p><a href="http://www.heritage.org/index/download">http://www.heritage.org/index/download</a></p>
<b>Country risk assessment</b>	<p>Country risk assessment is based on credit risk looking at political, economic and security risks and potential.</p> <p>With Coface's expertise in country evaluations, 160 country assessments are available using a spectrum of indicators incorporating geopolitical or governance risks, economic vulnerability, the risk of foreign currency liquidity crisis, the severity of external indebtedness and the financial vulnerability of the banking system. Regularly updated, they provide an estimate of the average credit risk on a country's businesses. This is an invaluable tool, giving an indication of a country's potential influence on businesses' financial commitments. Coface analyses use a eight-level ranking. In ascending order of risk, these are: A1, A2, A3, A4, B, C, D and E with A1, A2 and A3 as high risk, A4, B and C as acceptable risk and D and E as high risk.</p> <p><a href="http://www.coface.com/Economic-Studies-and-Country-Risks">http://www.coface.com/Economic-Studies-and-Country-Risks</a></p>



Indicator	Definition
<b>Social Institutions and Gender Index</b>	<p>OECD SIGI (Social Institutions and Gender Index) classification: The SIGI scores 108 countries according to their level of discrimination in social institutions. It classifies them into five groups, from very low levels of discrimination in social institutions (15% of the countries, with a SIGI average of 0.02) to very high levels (16% of the countries).</p> <p><a href="http://www.genderindex.org/sites/default/files/docs/BrochureSIGI2015.pdf">http://www.genderindex.org/sites/default/files/docs/BrochureSIGI2015.pdf</a></p> <p>Composition of the SIGI</p> <p>Discriminatory family code: Legal age of marriage, Early marriage, Parental authority and Inheritance</p> <p>Restricted physical integrity: Violence against women, Female genital mutilation, Reproductive autonomy</p> <p>Son bias: Missing women, Fertility preferences</p> <p>Restricted resources and assets: Secure access to land, Secure access to non-land assets, Access to financial services</p> <p>Restricted civil liberties: Access to public space, political voice</p>
	<p>Levels of gender discrimination in social institutions - Very low (SiGi &lt; 0.04), low (0.04 &lt; SiGi &lt; 0.12), medium (0.12 &lt; SiGi &lt; 0.22), high (0.22 &lt; SiGi &lt; 0.35) and very high (SiGi &gt; 0.35 )</p>
<b>Corruption Perceptions Index (CPI)</b>	<p>Transparency International (TI) has published the Corruption Perceptions Index (CPI) since 1996, annually ranking countries "by their perceived levels of corruption, as determined by expert assessments and opinion surveys." [1] The CPI generally defines corruption as "the misuse of public power for private benefit." The CPI currently ranks 168 countries "on a scale from 100 (very clean) to 0 (highly corrupt)."</p> <p><a href="https://en.wikipedia.org/wiki/Corruption_Perceptions_Index">https://en.wikipedia.org/wiki/Corruption_Perceptions_Index</a></p>
<b>ITUC Global Rights Index</b>	<p>The ITUC Global Rights Index depicts the world's worst countries for workers by rating 139 countries on a scale from 1-5 based on the degree of respect for workers' rights. Ratings are described below</p> <p>Rating 5+ = No guarantee of rights due to the breakdown of the rule of law</p> <p>Rating 5 = No guarantee of rights</p> <p>Rating 4 = Systematic violation of rights</p> <p>Rating 3 = Regular violation of rights</p> <p>Rating 2 = Repeated violations of rights</p> <p>Rating 1 = Not regular violations of rights</p> <p><a href="http://www.ituc-csi.org/ituc-global-rights-index-2017">http://www.ituc-csi.org/ituc-global-rights-index-2017</a></p>

Indicator	Definition
<b>The Global Competitiveness Index (GCI)</b>	<p>The GCI combines 114 indicators that capture concepts that matter for productivity and long-term prosperity. These indicators are grouped into twelve pillars producing three sub-indexes which are combined with various weights to generate the overall index. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. The three sub-indexes are: basic requirements, efficiency enhancers, and innovation and sophistication factors.</p> <p>2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf</p>
<b>Democracy index</b>	<p>The Democracy Index is an index compiled by the UK-based Economist Intelligence Unit that measures the state of democracy in 167 countries. The index is based on 60 indicators grouped in five different categories measuring pluralism, civil liberties, and political culture. In addition to a numeric score and a ranking, the index categorizes countries as one of four regime types: full democracies, flawed democracies, hybrid regimes and authoritarian regimes.</p> <p><a href="https://en.wikipedia.org/wiki/Democracy_Index">https://en.wikipedia.org/wiki/Democracy_Index</a></p>
	<p>Scores 0 to 10; <math>8 \leq s \leq 10</math> is full democracy; <math>6 \leq s &lt; 8</math> is flawed democracy; <math>4 \leq s &lt; 6</math> is hybrid regimes; and <math>0 \leq s &lt; 4</math> is authoritarian regimes</p>
	<p>Full democracies are nations where civil liberties and basic political freedoms are not only respected, but also reinforced by a political culture conducive to the thriving of democratic principles. These nations have a valid system of governmental checks and balances, independent judiciary whose decisions are enforced, governments which function adequately, and media which is diverse and independent. These nations have only limited problems in democratic functioning.</p>
	<p>Flawed democracies are nations where elections are fair and free and basic civil liberties are honored but may have issues (e.g. media freedom infringement). Nonetheless, these nations have significant faults in other democratic aspects, including underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.</p>
	<p>Hybrid regimes are nations where consequential irregularities exist in elections regularly preventing them from being fair and free. These nations commonly have governments which apply pressure on political opponents, non-independent judiciaries, widespread corruption, harassment and pressure placed on the media, anemic rule of law, and more pronounced faults than flawed democracies in the realms of underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance.</p>

Indicator	Definition
	<p>Authoritarian regimes are nations where political pluralism has vanished or is extremely limited. These nations are often absolute dictatorships, may have some conventional institutions of democracy- but with meager significance, infringements and abuses of civil liberties are commonplace, elections- if they take place- are not fair and free, the media is often state-owned or controlled by groups associated with the ruling regime, the judiciary is not independent, and the presence of omnipresent censorship and suppression of governmental criticism.</p>
The Global Peace Index	<p>The Global Peace Index (GPI) of the Institute of Economics and Peace is an attempt to measure the relative position of nations' and regions' peacefulness. The index gauges global peace using three broad themes: the level of safety and security in society, the extent of domestic and international conflict and the degree of militarization. Factors are both internal such as levels of violence and crime within the country and external such as military expenditure. The 2017 GPI indicates Iceland, New Zealand, Portugal, Austria, and Denmark to be the most peaceful countries and Syria, Afghanistan, Iraq, South Sudan, and Yemen to be the least peaceful.</p> <p><a href="https://en.wikipedia.org/wiki/Global_Peace_Index">https://en.wikipedia.org/wiki/Global_Peace_Index</a>  <a href="http://visionofhumanity.org/app/uploads/2017/06/GPI-2017-Report-1.pdf">http://visionofhumanity.org/app/uploads/2017/06/GPI-2017-Report-1.pdf</a></p>
Ease of doing business	<p>Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2016. Read the methodology, explaining how the ease of doing business rankings and the distance to frontier measure are calculated (PDF).</p> <p>World Bank. 2017. Doing Business 2017: Equal Opportunity for All. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO. <a href="http://creativecommons.org/licenses/by/3.0/igo">http://creativecommons.org/licenses/by/3.0/igo</a></p>
Freedom in the world	<p>Freedom in the World 2017 evaluates the state of freedom in 195 countries and 14 territories during calendar year 2016. Each country and territory is assigned between 0 and 4 points on a series of 25 indicators, for an aggregate score of up to 100. These scores are used to determine two numerical ratings, political rights and civil liberties, with a rating of 1 representing the most free conditions and 7 least free. A country or territory's political rights and civil liberties ratings then determine whether it has an overall status of Free, Partly Free or not Free. A larger aggregate score indicates a greater level of freedom</p>



## **Part-2**



# **Eradicating Poverty and Minimizing Inequality for Ensuring Shared Prosperity in Bangladesh**

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# **Eradicating Poverty and Minimizing Inequality for Ensuring Shared Prosperity in Bangladesh**

## **I. Introduction**

The proposed new twenty-year Second Perspective Plan (2021-2041) of Bangladesh envisions that the country will achieve the status of an Upper-Middle-Income country by 2030 and, more ambitiously, of a High-Income country by 2041. As befitting such high ambitions, the Plan also proposes to make Bangladesh a practically poverty-free country by the end of the plan period. It is envisioned that extreme poverty will be completely eliminated by 2030 and moderate poverty would come down to the negligible level of no more than 5 percent by 2041.

The overall goal of the Plan is to achieve shared prosperity for all. It is recognised that in order to achieve this goal, actions will have to be taken to step up the rate of growth on the one hand, and to ensure on the other that the benefits of growth reach the poorer part of the society to a sufficient degree so that the vision of a poverty-free society can be realised within the proposed time frame. To ensure that a large part of the benefit of growth reaches the poor is an immensely challenging task, however, as the normal state of affairs in the course of development is that it is the richer segments of the population that are better placed to appropriate most of the benefits. In order to offset this normal tendency, strategic actions will have to be taken on multiple fronts – to make sure that the growth process brings about pro-poor structural transformations, to render the distribution of income more equal, and to provide an adequate system of social protection for the most vulnerable segment of the population. This paper discusses the challenges that would be involved in all these fronts and suggest some broad strategic actions that would help meet these challenges successfully.

Section II undertakes an analytical review of past experience, especially experience of the most recent past, in the arenas of poverty, inequality and social protection. Building on the insights offered by this analysis, section III then discusses the challenges for the future and offers suggestions as to how to meet those challenges. The major policy conclusions are then summarised in section IV.

## **II. Analysis of Recent Experience: Poverty, Inequality and Social Protection**

In this section, we present an in-depth analysis of past experience in three inter-related dimensions – poverty, inequality, and social protection. While looking at the past experience, the analysis focuses especially on very recent experience by drawing upon, among other sources, the unpublished data of the recently concluded Household Income and Expenditure Survey of 2016.

## II.1 Poverty

### Progress in Poverty Reduction

Bangladesh has made great strides in reducing the level of poverty over the last three decades, and especially since the turn of the present century. During the 1990s, the rate of poverty had declined relatively slowly – from 56.7 percent in 1991/92 to 48.9 percent in 2000. The following decade witnessed a sharp acceleration in the pace of poverty reduction when national poverty declined more than twice as fast as in the 1990s – falling to 31.5 percent by 2010. It has continued to fall since then – reaching 24.2 percent by 2016, but the pace of reduction has slowed somewhat (Table 1). Whereas the decade of the 2000s witnessed a reduction of 1.7 percentage points per year, in the subsequent six years the rate of decline was down to 1.2 percentage points per year.

**Table 1**  
**Trend of Poverty: 1991-92 to 2016**  
(Head-count ratio; percentage)

	1991-92	1995-96	2000	2005	2010	2016
<b>Overall Poverty</b>						
National	56.7	50.1	48.9	40.0	31.5	24.2
Urban	42.8	27.8	35.2	28.4	21.3	18.6
Rural	58.8	54.5	52.3	43.8	35.2	26.4
<b>Extreme Poverty</b>						
National	41.1	35.2	34.3	25.1	17.6	12.8
Urban	24.0	13.7	19.9	14.6	7.7	7.4
Rural	43.8	39.5	37.9	28.6	21.1	14.8

**Notes and Sources:** The figures from 1991-92 to 2010 are from BBS, Household Income and Expenditure Survey (HIES), 2010, Table 6.1. The figures for 2016 were calculated by the author from raw data of HIES, 2016.

The pattern is quite similar for extreme poverty. After falling at a relatively slow rate in the 1990s, it fell sharply in the decade of the 2000s, when it was almost halved – from 34.3 percent in 2000 to 17.6 percent in 2010. Since then, the pace of reduction has slowed, and by 2016 extreme poverty stood at 12.8 percent (Table 1).

The slowdown in the pace of poverty reduction appears to have affected urban areas much more than rural areas. Urban poverty declined by only 2.7 percentage points during the period 2010-2016, whereas rural poverty declined by 8.8 percentage points. The case of extreme poverty is even more startling – it was almost at a standstill in urban Bangladesh during 2010-2016 at around 7.5 percent, while rural Bangladesh saw it decline from 21.1 percent to 14.8 percent during the same period (Table 1).

Two sets of issues need to be addressed in this context: (a) what are the main reasons for the recent slowdown in the rate of poverty reduction, and (b) what factors have mainly contributed to continued progress in poverty reduction in recent years, albeit at a slower rate than before? These questions are taken up below, followed by a discussion of the regional pattern of poverty in Bangladesh. All three of these issues have implications for the prospects and challenges for the pace of further reduction of poverty in the coming decades (which are discussed in section III).

## Explaining the Slowdown in Poverty Reduction

To some extent, the slowdown in the pace of poverty reduction could merely be a consequence of the fact that when poverty comes down to relatively low levels, it becomes increasingly more difficult to reduce it further. That there is some merit in this argument can be seen by looking at the trend of extreme poverty, whose level in 2000 (34.3 percent) was comparable to the level of overall poverty in 2010 (31.5 percent). Between 2000 and 2005, extreme poverty declined by 1.8 percentage points per year; but in the next five years, it fell more slowly – by 1.5 percentage points per year; and in the next six years, it fell even more slowly – by 0.8 percentage point per year. It should not be altogether surprising, therefore, that the pace of reduction in overall poverty has begun to slow down since 2010; evidently, what was already happening to extreme poverty since 2000, has begun to happen to overall poverty as well since 2010 as the latter has come down to relatively low levels.

It is, however, worth investigating whether there are other – structural – forces at work, which might also be contributing to the recent slowdown in poverty reduction because, if this were so, it could have significant implications for what can or should be done at the policy level to strengthen the pace of poverty reduction in the coming decades.

It is noteworthy that the pace of poverty reduction has slowed down after 2010 even as the growth of GDP has accelerated – the annual average growth rate has gone up from 5.6 percent during 2000-2010 to 6.4 percent during 2011-2016. Setting aside the possibility of irreconcilable imperfections in data, this disjunction between the pace of poverty reduction and the pace of GDP growth may in principle be explained in a couple of mutually non-exclusive ways. The first one has to do with the growth of consumption. Since poverty is measured with reference to consumption rather than income, what matters for the pace of poverty reduction is the growth of consumption and not the growth of income per se. Although the growth paths of income and consumption are closely related, a divergence between the two can occur due to change in the savings behaviour of the population. If the propensity to save goes up sharply, then it's possible that even when GDP growth accelerates the growth of consumption may not, and may even decelerate, in which case the pace of poverty reduction may well decline. As it happens, the savings rate has indeed risen to some extent – from around 27 percent of GDP during the decade of the 2000s to about 30 percent during 2010-2016. By this rise was by no means enough to prevent a slight acceleration in the growth of consumption following the acceleration in the growth of GDP.<sup>1</sup> Therefore, rising propensity to save cannot by itself explain the slowing rate of poverty reduction.

A second possible line of enquiry is the link between inequality and poverty. Even when growth accelerates, poverty reduction can slow down if distribution becomes more unequal. As we shall discuss below, income inequality has indeed been on a rising trend. However, since poverty is measured in terms of consumption rather than income, the relevant inequality here is consumption inequality, which, as we shall see below, has remained remarkably constant over time, at least as measured by the standard index of Gini coefficient. A simple inequality-based explanation does not, therefore, work.

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<sup>1</sup> According to BBS statistics, the average annual growth rate of consumption was 4.9 percent during the 2000s and 5.3 percent during 2010-2016 (BBS, 2014, 2016).

This does not mean that distributional changes have no explanatory power at all; it's just that we must look beyond simple aggregative measures of inequality, and investigate the structure of inequality more closely. What matters for poverty reduction is what happens to the bottom end of the distribution; if an inequality-increasing change at the bottom end is combined with an inequality-reducing change elsewhere in the distribution, the aggregate index of inequality may well remain unchanged even though the poor might be adversely affected. It is, therefore, necessary to examine structural changes in the economy that might have consequences for distribution at the bottom end of the scale. Pursuing this line of enquiry, we offer below a couple of inter-related explanations – the first in terms of rural-to-urban migration and the other in terms of real wages of unskilled workers.

To begin with, the explanation based on rural-to-urban migration, we may start by noting a couple of apparently paradoxical sets of statistics. First, recent years have witnessed a rather disconcerting slowdown in agricultural growth. During the decade of the 2000s, agriculture grew at an annual average rate of about 4 percent; in the second half of the decade growth was even faster – nearly 5 percent. But during the period 2010-2016, the growth rate slowed down to just 2.6 percent per year, which was almost half of what was achieved in the preceding five years (Appendix Table A.1). Second, the recent slowdown in the pace of poverty reduction is much more of an urban phenomenon than a rural one. In the case of rural poverty, the slowdown was marginal; during 2010-2016, rural poverty declined by 1.5 percentage points per year, which was only slightly less than the 1.7 percentage point reduction per year achieved in the preceding decade. By contrast, urban poverty declined by a paltry 0.45 percentage point per year during 2010-2016, which was way below the 1.4 percentage point reduction per year experienced in the preceding decade (Table 1).

We thus have the apparently paradoxical phenomenon that while agricultural growth has suffered a serious setback in the period since 2010 compared to the preceding decade, it is urban rather than rural poverty that has borne the brunt of slowdown in the pace of poverty reduction. Since agricultural performance affects the rural people most directly, one should have expected the opposite to have happened. We shall argue that rural-to-urban migration is the key to resolving this paradox. To put it simply, massive outmigration of rural poor to the urban centres is responsible for the fact that slowdown in the pace of poverty reduction is evident much more in urban areas than in rural areas.

Although reliable figures on the rate of migration are hard to come by, the employment data given by the Labour Force Surveys clearly indicate that a massive upturn in the rate of migration must have occurred around 2010. Table 2 provides a breakdown of total employment into rural and urban employment for a number of years since 1999-00. It may be seen that after growing relatively rapidly up to 2010, rural employment growth has slowed down drastically since then. In the five-year period from 2010 to 2015, rural employment grew by only 1.3 million, in comparison with 5.5 million in the preceding 5-year period (2005-2010) and 5.9 million in the five-year period before that (1999/00-2005). By contrast, the trend of urban employment is entirely the opposite. After growing relatively slowly up to 2010, urban employment has suddenly exploded since then. During 2010-2015, urban employment grew by 4.2 million, as against only 1.2 million during 2005-2010 and 2.5 million during 1999/00-2005. Another way of looking at this contrast is to note that whereas 75 percent of the increase in employment during 1999/00-2010

occurred in rural areas, the picture was completely reversed in the post-2010 period when 76 percent of the incremental employment occurred in urban areas. These figures clearly suggest the occurrence of a significant structural break at the beginning of the present decade, which opened the floodgate of rural-to-urban migration on a massive scale.

**Table 2**  
**Trend of Employment: 1999-00 to 2015**  
(million)

	1999-00	2005	2010	2015
National	39.0	47.4	54.1	59.5
Rural	30.3	36.2	41.7	43.0
Urban	8.7	11.2	12.4	16.6

Source: BBS, Labour Force Survey (LFS), various years.

The Labour Force Surveys do not tell us which segment of the rural population mostly took part in this mass exodus, but data from successive Household Income and Household Surveys (HIES) confirm what common sense suggests – that the migrants belonged mostly to the bottom rung of the population. Using HIES data, Table 3 presents the distribution of rural population in various size-groups of land ownership – from 2000 to 2016. The most remarkable statistics in this table is the trend in the share of landless people in rural population: after hovering between 46 and 51 percent from 2000 to 2010, their share in total population suddenly plummeted to 32.3 percent in 2016. Obviously, a huge chunk of the landless people has simply disappeared from the rural scene since 2010. And, as can be seen from Appendix Table A.2, it is this segment of population that has historically experienced the highest incidence of poverty in rural Bangladesh. Clearly, it is the poorest among the rural people who have mostly joined the mass exodus that has been going on from rural to urban areas since around 2010.

**Table 3**  
**Distribution of Population by Land Ownership: 2000-2016**  
(percent)

Land ownership category	2000	2005	2010	2016
Landless (<0.05 acre)	48.0	45.8	50.9	32.3
Functionally landless (0.05-0.5 acre)	13.0	15.9	15.9	42.1
Marginal (0.5-1.5 acre)	17.5	18.8	18.0	16.4
Small (1.5-2.5 acre)	9.2	8.8	6.8	4.9
Large/medium (> 2.5 ac)	12.4	10.7	8.4	4.2
All	100.0	100.0	100.0	100.0

Notes and Sources: The figures from 2000 to 2010 are from World Bank (2013a), Table 2.2. The figures for 2016 were calculated by the author from raw data of HIES, 2016.

This exodus of rural poor into urban centres has implications for the pace of poverty reduction, which can be best understood in terms of the well-known Harris-Todaro effect. The essence of the argument is that because of various push and pull factors rural poor may be tempted to migrate to urban areas attracted by better prospects of earning a livelihood there, but when too many of them do so, a large number of them will fail to improve their condition, resulting in an outcome where the average condition may not improve and may

even deteriorate. Another way of making the point is that a better ex ante probability of earning a livelihood in urban areas may result in a worse ex post prospect of doing so, if migration occurs on a massive scale. What is essentially at work here is the fallacy of composition – what is good for an individual may not be good for a collection of individuals, especially if the collection happens to be very large.

In the present context, both push and pull factors would seem to have been at work. The precipitous slowdown in the rate of agricultural growth would have exerted a strong push effect, forcing the rural poor to seek their livelihood elsewhere. At the same time, the perceived probability of doing better in urban areas may also have acted as a pull factor. The perception would have been based on historical experience – the fact that not only was urban poverty considerably lower than rural poverty over the years, it also declined slightly faster than rural poverty until 2010.<sup>2</sup> However, once migration started on a massive scale, the perception based on historical trend did not translate into reality for many a migrant – they unwittingly fell victim to the fallacy of composition.

As a result, when the rural poor migrated to urban areas, many of them simply swelled the ranks of the urban poor. The problem was aggravated by the fact that urban poverty lines are considerably higher than rural poverty lines due to higher cost of living. HIES 2016 shows that on the average urban poverty lines are about 21 percent higher than rural poverty lines. Therefore, unless money income increased by at least 21 percent, a poor migrant would remain poor, and even someone who was marginally non-poor in rural areas could become an urban poor upon migration. This explains why urban poverty has fallen so slowly after 2010. In fact, as noted earlier, extreme poverty has not fallen at all in urban areas – it remained stuck at around 7.5 percent.

A second, related, factor contributing to the recent slowdown in the pace of poverty reduction is the behaviour of real wages of unskilled workers. The trend of real wages appears to have undergone a startling reversal since around 2010. Throughout the decade of the 2000s, the trend of real wages was mostly upward; but after about 2010 it began to fall; by 2015-16, it had gone back to the levels of the mid-2000s (Figure 1).<sup>3</sup>

The reason for this reversal of real wage growth may lie at least partly in the sharp upturn in the rate of rural-to-urban migration discussed earlier. As the urban labour force was swelled by an unprecedented proportion due to massive migration that has been occurring since

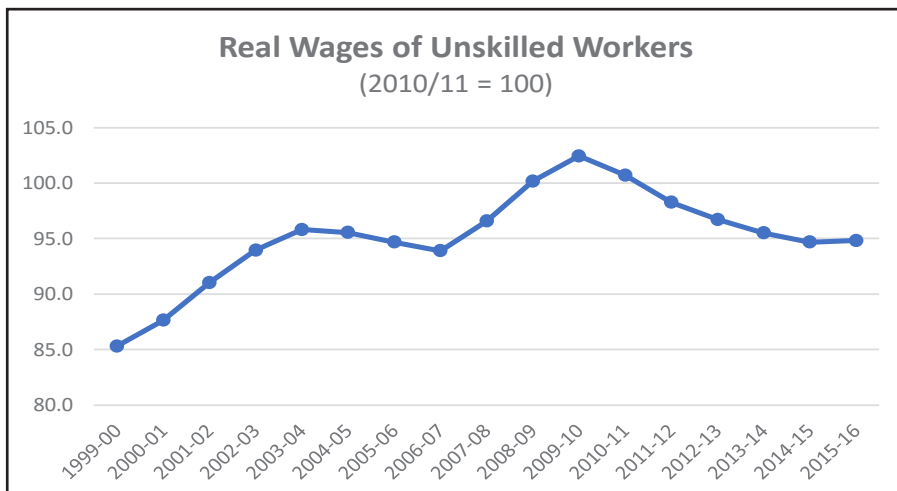
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2 In the two decades from 1991/92 to 2010, urban poverty was nearly halved whereas rural poverty fell by about 40 percent (Table 1).

3 For the time series on nominal wages, CPI and real wages, see Appendix Table A.3. A couple of remarks are in order on the data on wages used in this paper. First, BBS has been issuing a new series of nominal wages since 2010-11 after a complete overhaul of its database, which was designed to improve the coverage of wages in various occupations (BBS 2015a). Figure 1 uses the new series for the period since 2010-11 and combines it with the old series for the preceding years, while recognizing that the two series are not fully compatible. Some publications of BBS continue to update the old series beyond 2010-11, and it should be noted that if one were to use this updated series one would not find any fall in real wages. However, since the new series is based on a much superior database and is recognized by BBS as its official series on money wages, we have chosen the new series rather than the updated old series for the period since 2010-11; for the earlier years there is no choice but to use the old series. Second, real wages have been derived by deflating money wages with the national CPI. This is not ideal; a more relevant deflator would be the cost of living index for workers, but no such index exists for recent years. As an alternative, one could use the food portion of the CPI, which might be a closer approximation of the workers' cost of living index than the overall CPI, but we have checked that the use of food CPI does not alter the major conclusions, including that of the decline of real wages since 2010-11.

around 2010, the supply of unskilled urban workers has increased at a much faster rate than ever before, outstripping any increase in the demand for labour, and thereby depressing urban real wages. And as urban wages have fallen, it might have had a depressing effect on rural wages as well through the migration linkage, thus leading to the decline in real wages of unskilled workers at the national level. Under the circumstances, a slowdown in the pace of poverty reduction was inevitable.

**Figure 1**



Source: Appendix Table A.3

### Factors Contributing to Poverty Reduction since 2010

It has been argued above that a large number of rural poor are simply shifting their residence to urban areas without ceasing to be poor, and that the real wage of poor unskilled workers has been falling at the national level since around 2010. This begs the question of exactly how is it then that poverty has gone down significantly since 2010, albeit more slowly than before? The short answer to this question is structural change. Significant structural changes have been occurring in production and occupation, and people have been moving from less remunerative occupations to more remunerative ones. This structural shift has been the chief driver of poverty reduction since 2010, but, as we shall see, education is also playing an important role here.

Let us begin by noting the incidence of poverty by occupational pattern of workers. Table 4 shows the incidence of poverty in 2016 among four broad occupational groups – day labourers, self-employed workers, salaried workers and employers; and each of these categories is further divided into two broad sectors of activity – agriculture and non-agriculture. As expected, day labourers have the highest level of poverty (34.1 percent); in fact, they are the only ones whose poverty rate is above average (23.4 percent), and that too by a considerable margin. Self-employed and salaried workers have much lower poverty rates of 18.8 percent and 15.2 percent respectively.



**Table 4**  
**Poverty of Workers by Occupation and Sector: 2016**  
(percent)

Occupation	Poverty Rate		
	Overall	Agriculture	Non-Agriculture
Day labourer	34.1	38.7	30.2
Self-employed	18.8	20.4	17.1
Salaried workers	15.2	25.8	14.9
Employers	8.5	11.0	6.0
All	23.4	29.7	20.2

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

There is a clear divide between agriculture and non-agriculture as well. Taking all the occupation categories together, the rate of poverty was 29.7 percent among agricultural workforce in 2016, and 20.2 percent among non-agricultural workforce. Indeed, for each category of occupation, poverty was lower in non-agriculture than in agriculture. Thus, considering the combined occupation-cum-sector categories, the two categories of workers who enjoyed the lowest levels of poverty in 2016 (leaving aside the employers) were non-agricultural self-employed workers (17.1 percent) and salaried workers (15.2 percent).

As it happens, these are also the two categories of workers that enjoyed the fastest rates of poverty reduction during 2010-2016 among all the groups. Indeed, as can be seen from Table 5, the slowdown in the rate of poverty reduction that we noted earlier does not apply to these two groups at all. The slowdown happened entirely on account of self-employed workers in agriculture and day labourers (in both sectors). By contrast, the salaried workers and self-employed workers in non-agriculture, who had experienced very slow rate of poverty reduction during 2005-2010, saw their poverty falling much faster during 2010-2016. Between 2005 and 2010, poverty among both these groups had fallen by only 2 percentage points, whereas between 2010 and 2016 it declined by as much as 7 percentage points.

These figures suggest that a structural shift in occupational pattern can have important implications for poverty reduction. In particular, a shift from day labour (and to lesser extent, from self-employment in agriculture) to either non-agricultural self-employment or salaried work should result in a reduction of overall poverty. Such a shift has indeed happened since 2010, as many self-employed workers in agriculture as well as day labourers in both sectors have moved increasingly into either self-employment or salaried work in the non-agricultural sector – i.e., into occupations that not only have the lowest levels of poverty but have also enjoyed the fastest rates of poverty reduction. This occupational shift has been the most important proximate reason behind poverty reduction since 2010.



**Table 5**  
**Trend of Poverty of Workers by Occupational Status: 2000-2016**  
(percent)

Occupation	2000	2005	2010	2016
Self-employed in agriculture	45.0	36.0	23.0	20.4
Self-employed in non-agriculture	37.0	26.0	24.0	17.1
Day labourer	67.0	57.0	39.0	34.1
Salaried worker	27.0	24.0	22.0	15.2
All	48.9	40	31.5	23.4

**Notes and Sources:** The figures from 2000 to 2010 are from World Bank (2013a), Figure 2.19. The figures for 2016 were calculated by the author from raw data of HIES, 2016.

The occupational shift has itself resulted from significant changes in the structure of production in the national economy. The slight acceleration in GDP growth that has occurred after 2010 has been driven by the non-agricultural sectors – industry, construction and services – nullifying the effect of deceleration in agricultural growth (Appendix Table A.1). The most striking has been the acceleration in industrial production; the average annual growth of industrial production has jumped from 6.9 percent in the decade of the 2000s to 9.0 percent during 2010-2016. Faster growth in the non-agricultural sector has opened up many new opportunities for both salaried work and self-employment, thereby enabling the shift in occupational pattern noted above, and helping to bring poverty down.

In conjunction with structural change, the spread of education has also played an important role. While structural change in production has contributed to poverty reduction by creating opportunities for more remunerative employment, the spread of education in the last few decades has also helped by enabling the workforce to take advantage of those opportunities. Education has contributed to poverty reduction in two complementary ways – by enabling workers to move from less remunerative occupations to more remunerative ones (the between-group effect), and by enabling them to earn more within each occupational group (the within group effect).

The evidence for the between-group effect can be seen from Table 6, which shows how workers with different levels of education are distributed among broad occupation groups. For relatively less remunerative occupations such as day labour and self-employment in agriculture, the proportion of workforce with different educational achievements is seen to fall systematically with the level of education. For example, among workers with no education 54 percent work as day labour, but among those with primary education 42 percent do so, and if they have secondary education the figure drops to as low as 25 percent. By contrast, for the highly remunerative occupation of salaried work, the opposite pattern prevails – the proportion of workforce rises systematically with the level of education. Thus, among workers with no education only 15 percent get salaried work, with primary education the proportion rises to 25 percent, with secondary education it rises further to 39 percent. In the case of the other remunerative occupation – non-agricultural self-employment – the relationship is an inverted U-shaped one, the proportion initially rises with higher level of education and then falls (presumably because those with the highest levels of education prefer to go for salaried work). These figures suggest that more education increases the probability that a worker would be able to join more remunerative occupations and thus to reduce the level of poverty.

**Table 6**  
**Occupational Distribution of Workers at Different Levels of Education: 2016**  
(percent)

Education	Occupation					
	Day labour	Self-employed agriculture	Self-employed non-agric	Salaried worker	Employer	All
No Education	53.9	17.7	12.2	15.0	1.0	100.0
Primary	42.1	16.3	14.9	25.4	1.0	100.0
Secondary	25.3	14.7	19.4	38.6	1.2	100.0
Higher Secondary	7.0	11.2	16.3	63.4	1.5	100.0
Graduate and above	1.7	5.1	12.3	78.4	2.1	100.0
All	38.3	15.6	15.1	29.5	1.2	100.0

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

The existence of within-group effect can be seen from Table 7. Within each occupational group, better education is found to be associated with lower poverty, and this is true even of the relatively low-remunerative occupations such as day labour and self-employment in agriculture. For example, among workers who work as day labour, those with no education has a poverty rate of 37 percent, while those with higher secondary education have a poverty rate of only 22 percent.

Thus, the spread of education has helped reduce poverty not only by facilitating the occupational shift from less remunerative occupations to more remunerative ones, but also by reducing the probability of being poor within each occupational group.

### Regional Dimension of Poverty

Historically, the western region of Bangladesh has lagged behind the eastern region in terms of economic development, as reflected, for example, in consistently higher levels of poverty in the western divisions. The latest evidence shows that the divide still exists and indeed remains quite stark. The rate of poverty in the western region was as high as 34.6 percent in 2016, as compared with 20.5 percent in the East. The contrast in the incidence of extreme poverty is even more severe – the West had almost twice the proportion of extreme poor than the East (Table 8).

**Table 7**  
**Poverty Rates of Workers by Occupation at Different Levels of Education: 2016**  
(headcount index; percent)

Education	Occupation					
	Day labour	Self-employed agriculture	Self-employed non-agric	Salaried worker	Employer	All
No Education	53.9	17.7	12.2	15.0	1.0	100.0
Primary	42.1	16.3	14.9	25.4	1.0	100.0
Secondary	25.3	14.7	19.4	38.6	1.2	100.0
Higher Secondary	7.0	11.2	16.3	63.4	1.5	100.0
Graduate and above	1.7	5.1	12.3	78.4	2.1	100.0
All	38.3	15.6	15.1	29.5	1.2	100.0

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

**Table 8**  
**Regional Dimension of Poverty: 2016**  
(headcount index; percent)

Division	Poor	Extreme Poor
<b>West</b>	<b>34.6</b>	<b>19.1</b>
Barisal	26.4	14.4
Khulna	27.5	12.4
Rajshahi (old)	37.5	21.9
Rajshahi (new)	28.9	14.2
Rangpur	47.3	30.6
<b>East</b>	<b>20.5</b>	<b>10.4</b>
Chittagong	18.3	8.6
Dhaka	19.6	9.4
Sylhet	16.2	11.5
<b>All</b>	<b>24.2</b>	<b>12.8</b>

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

In the past, the West not only had higher levels of poverty but also experienced slower rates of poverty reduction, which led to widening of the East-West divide over the years. The historical pattern seemed to have begun to change, however, towards the second half of last decade, with poverty coming down faster in the West compared to the East during the period from 2005 to 2010. This had generated a lot of optimism all around that perhaps the age-old East-West divide was finally going to close. Many analysts attributed this shift at least in part to the longer-term impact of Bangabandhu Bridge that had revolutionised the West's communication with the major urban conurbations and industrial centres in Dhaka and Chittagong in the eastern region of the country (World Bank, 2013a).

More recent evidence suggests, however, that optimism on this score may have been premature. The trend seems to have reversed and reverted back to the older pattern. During the period from 2010 to 2016, the pace of poverty reduction was slower in the West compared to the East, thus accentuating rather than closing the East-West divide (Table 9).

**Table 9**  
**Trend of Regional of Poverty: 2000-2016**  
(headcount index; percent)

Division	2000	2005	2010	2016
<b>West</b>				
Barisal	53.1	52.0	39.4	26.4
Khulna	45.1	45.7	32.1	27.5
Rajshahi (old)	56.7	51.2	35.7	37.5
Rajshahi (new)	n.a.	n.a.	29.8	28.9
Rangpur	n.a.	n.a.	42.3	47.3
<b>East</b>				
Chittagong	45.7	34.0	26.2	18.3
Dhaka	46.7	32.0	30.5	19.6
Sylhet	42.4	33.8	28.1	16.2
All	48.9	40.0	31.5	24.2

**Notes and Sources:** The figures from 2000 to 2010 are from World Bank (2013), Figure 20.2. The figures for 2016 were calculated by the author from raw data of HIES, 2016.

The situation in Rangpur, the division with the highest rate of poverty in the country, has in fact become worse, with the rate of poverty going up from 42.3 percent in 2010 to 47.3 percent in 2016. Rangpur had historically been not only the poorest part of Bangladesh, but had also suffered from much higher levels of seasonal poverty (during lean agricultural season) than any other part of the country. There is some evidence from other sources that the extent of seasonal poverty has gone down significantly in Rangpur in recent years (e.g., Khandker and Mahmud, 2012). However, the evidence presented in Table 9 shows that there has been no such improvement in the level of endemic poverty; on the contrary, Rangpur now holds the dubious distinction of being the only division in the country not to have shared the recent trend of poverty reduction.

The situation in Rajshahi is not much better – the level of poverty has remained virtually unchanged there (at around 29-30 percent). Khulna has been able to enjoy some reduction in poverty, but at a slower rate than any of the eastern divisions. The only bright spot in the West is Barisal, which has in fact outperformed all the divisions, including those in the East. The annual rate of poverty reduction during 2010-2016 was 2.2 percentage points in Barisal, the next best being 2.0 percentage points in Sylhet, followed by 1.8 percentage points in Dhaka.<sup>4</sup>

The exceptional nature of Barisal's performance notwithstanding, the fact remains that the relative deprivation of the West as a whole has become endemic. The problem, to a large extent, is structural – in the sense that the West suffers from relative dearth of opportunities for gainful employment stemming from the structure of production prevailing there and its workforce is also less capable of taking advantage of the opportunities that do exist. This is reflected in the contrast between the East and the West in the occupational structure of their respective workforce. As can be seen from Table 10, day labourers figure much more prominently in the workforce of the western divisions as compared to the East. Thus, in

<sup>4</sup> Possible reasons for the exceptional performance of Barisal are discussed below.

2016, as many as 46 percent of the workforce of the western divisions were day labourers as against 32 percent in the East. By contrast, the proportion of salaried workers in the West (19 percent) was almost half of that of the East (37 percent).

**Table 10**  
**Occupational Pattern Across Regions: 2016**  
(percentage of workers)

Division	Day labour	Self-employed	Salaried worker	Employer	All
<b>West</b>	45.9	34.2	19.3	0.6	100.0
Barisal	34.3	33.5	30.7	1.6	100.0
Khulna	46.0	37.8	15.6	0.6	100.0
Rajshahi (old)	50.4	32.4	16.8	0.5	100.0
Rajshahi (new)	49.4	32.6	17.5	0.5	100.0
Rangpur	51.6	32.1	16.0	0.4	100.0
<b>East</b>	32.0	30.0	37.0	1.0	100.0
Chittagong	35.3	28.4	35.4	0.8	100.0
Dhaka	27.4	26.6	44.9	1.1	100.0
Sylhet	44.4	35.5	19.1	1.0	100.0
All	38.3	30.6	30.2	0.9	100.0

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

As we have noted earlier, such differences in occupational pattern can have important implications for the level of poverty. Day labourers were seen to have not only the highest level of poverty but also the slowest rate of poverty reduction during the period 2010-2016 (owing largely to a fall in real wages), while salaried workers had the lowest rate of poverty as well as the fastest rate of poverty reduction during the same period (Table 5). Not surprisingly, the western region, with its preponderance of day labour and relative scarcity of salaried workers, experienced much slower rate of poverty reduction than the East. It is noteworthy that the two eastern divisions, Rangpur and Rajshahi, which had the highest proportion of day labourers in the country (around 50 percent) and the lowest proportion of salaried workers (around 16-17 percent) were also the worst performing divisions in the country in terms of poverty reduction during 2010-2016. In fact, neither of them saw any reduction in poverty at all, and Rangpur actually saw an increase. By contrast, Barisal, which had the lowest proportion of day labourer and the highest proportion of salaried workers in the West – almost comparable to the average levels in the East – enjoyed the fastest rate of poverty reduction.

To some extent, the difference in occupational pattern owes itself to differential levels of educational achievement in the two regions; this should not be surprising in view of the close link between education and occupation we noted earlier. Among all the divisions, Rangpur and Rajshahi had the highest proportion of workers with ‘no education’ – about 43 percent (Appendix Table A.4); it is no coincidence that these two divisions also had the highest proportion of day labourers, highest level of poverty, and the slowest rate of poverty reduction in the country in recent years. In contrast, in Barisal the proportion of

workers with ‘no education’ was even lower than in the eastern divisions; and its proportion of day labourers and performance in terms of poverty reduction were also comparable to that of the East.

It is thus clear that the divergent nature of poverty reduction across regions can be explained to a large extent by two inter-related factors: (a) disparate nature of the existing structures of production – which create opportunities of more remunerative occupations differentially between different regions, and (b) unequal levels of educational achievement which create differential ability of the workforce of different regions to take advantage of the opportunities for more gainful employment that are created.

Closer inspection reveals, however, that even after the allowing for the differences in employment opportunities and educational achievement, there remains something adverse about the environment in which the workforce of the western region works. This is evident from the fact that for each broad occupational group, all the eastern divisions (including Barisal) have higher level of poverty compared to the western divisions (Appendix Table A.5). Clearly, the problem with the West lies not just in the occupational pattern. Education could be partly responsible for this, because, as we have seen earlier, within each occupational group education has a close negative correlation with poverty (Table 7), and the West does have a worse educational achievement (with the exception of Barisal). But even the combination of occupation and education does not constitute the whole story, because even within the same occupation-cum-educational group, the West fares worse than the East (Table 11). There are clearly some other disadvantages – whether geographical, institutional, demographic, or policy-induced – which the western region suffers from, aggravating its poverty beyond what can be explained in terms of employment opportunities and educational achievement.

**Table 11**  
**Poverty Rates of Workers by Occupation and Education across Regions: 2016**  
(headcount index; percent)

Division	No education	Primary	SSC	HSC plus
<b><i>Day Labourer</i></b>	<b>37.4</b>	<b>33.5</b>	<b>26.3</b>	<b>19.7</b>
West	44.4	40.4	34.8	16.2
East	30.4	26.3	15.9	24.2
<b><i>Self-employed</i></b>	<b>25.8</b>	<b>19.6</b>	<b>12.2</b>	<b>7.6</b>
West	29.7	24.6	16.4	8.2
East	22.6	15.5	8.4	6.9
<b><i>Salaried worker</i></b>	<b>25.4</b>	<b>20.5</b>	<b>12.3</b>	<b>5.5</b>
West	39.5	35.8	25.7	8.4
East	21.9	16.6	8.3	3.8

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

## Determinants of Poverty: A Multi-Variate Analysis

The preceding analysis suggests that the dynamics of poverty in the recent past has been influenced by a number of social-economic and structural factors – such as occupation, education, residence (urban or rural) and region (east or west). Since many of these variables are inter-related, however, and may in turn depend on various household characteristics such as assets, demographics, etc., it is necessary to carry out a multi-variate analysis of poverty in order to identify the significant causal factors. The results of such an exercise are reported in Table 12.

A poverty regression was undertaken at the individual worker level – for all workers in the sample, by using a probit equation. The explanatory variables included a number of individual-level, household-level, and locational variables. The individual-level variables were occupation and education of workers and the broad sector in which they work. The occupation variable was defined as an ordinal variable with four values – 1 for day labour, 2 for self-employed, 3 for salaried worker and 4 for employer. The ordering was based on the results reported earlier on the poverty ranking of various occupations – going up from poorer occupations to better off ones. We would thus expect a negative coefficient of the occupation variable, signifying that poverty should fall as one moves up the ladder from day labour to self-employed to salaried work and to employer. The education variable is also an ordinal variable, with five values – 1 for no education, 2 for primary level, 3 for secondary level, 4 for secondary level and 5 for above secondary. Again, we should expect a negative coefficient of this variable, with higher levels of education entailing lower levels of poverty. The third individual-level variable was the broad sector of work, represented by a dummy variable with value 0 for agriculture and 1 for non-agriculture. From our preceding discussion, we should expect a negative coefficient for this variable as well, signifying lower poverty status of workers engaged in the non-agricultural sector.

The household-level variables are (1) age of the household head (as well as age-squared, which is meant to capture possible non-linearities due to life-cycle effect), (2) per capita land owned (taken as a proxy for asset ownership), (3) dependency ratio (number of dependants as a ratio of labour force available in the household), and (4) gender of the household head (with value 1 for households headed by single females, 0 otherwise). A couple of locational variables were also included – a residence dummy (0 for rural and 1 for urban) and a regional dummy (0 for East and 1 for West).

**Table 12**  
**Determinants of Poverty at the Level of Workers: 2016**

Explanatory variables	Coefficient	z-value
Education (code)	-0.23671	-17.61
Occupation (code)	-0.14430	-8.78
Age of household head (yrs)	-0.02527	-5.11
Age of household head squared (yrs)	0.00023	4.41
Per capita land ownership (acre)	-0.00293	-3.34
Household dependency ratio	0.14152	13.61
Gender of household head dummy	0.30771	4.57
Regional dummy	0.43636	11.29
Sector dummy	-0.04869	-1.78
Residence dummy	-0.02128	-0.43

**Notes and Sources:**

(2) Estimated by the author from raw data of the Household Income and Expenditure Survey 2016.

(1) Probit regression was used to estimate the coefficients. Standard errors were corrected for clustered sampling.

(2) Education is an ordinal variable with the following values: 1 for no education, 2 for primary, 3 for secondary, 4 for higher secondary and 5 for above higher secondary.

(3) Occupation is an ordinal variable with the following values: 1 for day labour, 2 for self-employed, 3 for salaried worker, and 4 for employer.

(4) The dummy for the gender of the household head has value 0 for male or married female and 1 for widow or divorced or separated female.

(5) Regional dummy has value 0 for East and 1 for West.

(6) Sector dummy has value 0 for agriculture and 1 for non-agriculture.

(7) Residence dummy has value 0 for rural and 1 for urban.

As can be seen from Table 12, all the explanatory variables, except the residence dummy, are statistically significant and have the expected signs. Thus, even though many of these variables are inter-related to each other, each of them has an independent effect on poverty, after controlling for the effects of other variables. Focussing on the policy-relevant variables, it might be noted that (a) occupation and educational level of workers have a highly significant effect on their poverty, (b) households with more assets have lower levels of poverty, (c) households living in the western region of Bangladesh are significantly poorer than those of the east, even after controlling for all individual-level and household-level differences, and (d) working in the non-agriculture sector entails less poverty as compared to working in agriculture (although the coefficient of this variable is more weakly significant than the rest.)



**Table 13**  
**Marginal Probabilities of Being Poor: 2016**

Explanatory variables	Probability (%)	z-value
<b><i>Education</i></b>		
No education	29.8	33.3
Primary	22.4	37.7
Secondary	16.1	30.4
Higher secondary	11.1	19.6
Above higher secondary	7.3	12.9
<b><i>Occupation</i></b>		
Day labour	25.4	34.4
Self-employed	21.1	37.0
Salaried work	17.3	24.5
Employer	13.9	15.5
<b><i>Region</i></b>		
West	28.8	32.7
East	16.0	22.0
<b><i>Sector</i></b>		
Agriculture	22.3	27.9
Non-agriculture	20.9	34.2
<b><i>Gender of household head</i></b>		
Widow/divorced/separated female	30.6	13.0
Male or married female	21.0	37.1

**Notes and Sources:**

(1) The reported probabilities represent marginal effects of the respective variables after controlling for the effects of all other variables.

(2) Estimated from the probit regression, whose results are reported in Table 12.

In order to give a quantitative feel of how much difference the explanatory variables make to the probability of being poor, we have reported in Table 13 the marginal effects of some of the important variables; they show the probability of being poor at different values of a particular explanatory variable after adjusting for the effects of all other variables.<sup>5</sup>

The level of schooling is found to have a very strong effect on poverty. The probability of being poor is only 16 percent for a person with secondary education as compared with almost 30 percent for someone with no education; thus, completion of a full cycle of school education is capable of cutting the probability of being poor by almost half. Occupation has a very strong effect too. An average day labourer has 25 percent probability of being poor, after controlling for the effects of all other variables, but someone with self-employment has a probability of 21 percent and someone with a salaried job has a probability of just 17 percent.

<sup>5</sup> As the adjoining z-values show, all the reported probabilities are highly statistically significant.

Similarly, the probability of being poor is also affected very strongly by the region in which one lives; after adjusting for all other effects, the mere fact of living in the eastern region of the country nearly doubles the probability of being poor (29 percent) compared to living in the West (16 percent). Once the effects of occupation, education, etc. have been allowed for, the sector of work does not seem to make a huge difference, however, as the probability of being poor is only 1.4 percentage point higher in non-agriculture compared to agriculture. This fact does not, however, detract from the importance of developing the non-agricultural sector from the point of view of poverty reduction, because non-agriculture is capable of creating opportunities for more remunerative self-employment as well as salaried work, which, as we have seen, have very strong potential to reduce poverty. At the level of household characteristics, the gender of the household head makes enormous difference to the probability of being poor. Living in a household headed by a single female (either widowed, or divorced or separated) increases the probability of being poor by almost 50 percent compared to living in a household headed by either a male or a married female, even after controlling for the effects of assets, education, occupation, location, etc.

## II.2 Inequality

### Inequality Matters for Poverty Reduction

While poverty reduction is a matter of overriding concern for any developing country, the concern with inequality cannot be ignored either. Inequality is of course a matter of interest in its own right, because it is intimately related to the issues of justice and fairness which any decent society must be concerned with. But even in the context of poverty reduction, policy-makers cannot afford to disregard inequality because of the important instrumental role that inequality can play in influencing the pace of poverty reduction. The essential point is that a high initial level of inequality is likely to reduce the rate at which poverty can be brought down in the subsequent period.

There are a number of distinct channels through which inequality can have this effect. The first channel operates by affecting the rate of economic growth. The argument is that higher initial inequality may entail a lower subsequent rate of growth in average income, and hence lower rate of progress in reducing poverty. There are two causal links in this argument – one runs from initial income distribution to growth, and the other from growth to poverty reduction. Both these links have been subject to intense scrutiny in the literature, at both theoretical and empirical levels. Despite many controversies along the way, a consensus is now beginning to emerge, which states that (a) an initially unequal distribution of income tends to reduce the pace of subsequent growth, especially in developing countries, and (b) sustained lower rate of growth tends to reduce the pace of poverty reduction.<sup>6</sup> The two links together entail that high initial inequality would tend to constrain the rate of progress in reducing poverty.

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<sup>6</sup> For an extensive review of the relevant theoretical and empirical arguments, see Osmani (2015a) and the literature cited therein.

A second channel links initial distribution to the rate of poverty reduction directly, without the intermediation of growth. The argument is that for any given rate of growth, a higher initial level of income inequality entails a lower rate of poverty reduction.<sup>7</sup> The logic behind this argument is explained by Ravallion (1997, p.52) as follows: “Assume a growth process in which all levels of income grow at roughly the same rate. Higher inequality will then entail that the poor gain less in absolute terms from growth; the poor will have a lower share of both total income and its increment through growth; thus the rate of poverty reduction (for a wide range of measures) must be lower.” This has been christened as the “growth-elasticity argument”, which states that for any given rate of growth higher initial inequality reduces the growth-elasticity of poverty reduction.

A third line of argument involves the relationship between relative and absolute deprivations. The essential point here is that persistent relative deprivations in some dimensions can result in absolute deprivation in other dimensions. For example, if inequalities in human capital such as education and health continue to persist among the poorer and richer segments of the population, then the poor may remain absolutely poor in terms of income even if they enjoy improvements in health and education in absolute terms. The reason is that when the poor and the rich compete in the labour market for limited employment opportunities, the poor are likely to lose out in the competition because of their relative disadvantage in human capital; as a result, even if their absolute level of human capital has increased over time it won't be translated into absolute increase in income. Thus, persistent inequality in non-income dimensions can lead to persistent poverty in income dimension, even if the poor happen to enjoy absolute improvement in non-income dimensions.

The upshot of all these arguments is that persistent inequality can have an adverse effect on the fight against poverty in a variety of ways. The theoretical underpinnings of these arguments have received ample empirical support from recent research. A wide-ranging review of the evidence from the developing world has summarised the findings as follows: “While in the majority of countries, growth was the major factor behind falling or increasing poverty, inequality, nevertheless, played the crucial role in poverty behavior in a large number of countries. And, even in those countries where growth has been the main driver of poverty-reduction, further progress could have occurred under relatively favorable income distribution.” (Fosu 2017, p.306) Thus, while rightly emphasizing the critical importance of sustaining high rates of growth for the sake of poverty reduction, the policy-makers of Bangladesh cannot afford to ignore the role of inequality, even if the primary concern is with poverty reduction rather than with inequality per se.

### **The Evolution of Inequality in Bangladesh: The Income Dimension**

According to official statistics, income inequality, as measured by the Gini coefficient, displays an upward long-term trend since the early 1990s (Table 14). Inequality increased from the 1990s to 2000s, and after remaining virtually unchanged throughout the 2000s, it has gone up again since then. At the national level, the Gini coefficient has increased from

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<sup>7</sup> This argument needs to be distinguished from the common observation that increasing inequality reduces the effectiveness of growth to reduce poverty. It is of course arithmetically inevitable that if growth is accompanied by worsening distribution, its poverty-reducing effect would be less than it would otherwise be. This is, however, a relationship between contemporaneous changes in inequality and poverty. In contrast, the focus in the present argument is on the effect of initial inequality on subsequent poverty, not on how a change in inequality within a given period affects the change in poverty in the same period.

0.46 in 2010 to 0.48 in 2016. Both rural and urban areas have witnessed rising inequality since 2010, but the increase has been particularly sharp in urban areas, where the Gini coefficient has gone up from 0.45 in 2010 to 0.50 in 2016.

**Table 14**  
**Trend of Income Inequality**  
(Gini coefficient)

Year	National	Rural	Urban
1991-92	0.388	0.364	0.398
1995-96	0.432	0.384	0.444
<b>2000</b>	<b>0.451</b>	<b>0.393</b>	<b>0.497</b>
2005	0.467	0.428	0.497
2010	0.458	0.431	0.452
2016	0.483	0.454	0.498

**Notes and Sources:** Reports of Household Income and Expenditure Surveys, various years. The figures for 2016, are from BBS (2017).

While income inequality has increased, consumption inequality has remained surprisingly stable (Table 15). The Gini coefficient of consumption distribution has hovered around 0.30-0.32 since the mid-1990s. Even as income inequality increased since 2010, consumption inequality remained virtually unchanged at the national level. The stability of consumption inequality in the face of long-term increase in income inequality may seem somewhat surprising. A plausible explanation of this apparent paradox was offered in Osmani et al. (2015) in terms of the effects of consumption smoothing over time that has been made possible by the rapid expansion of microfinance. This explanation implies, however, the existence of an underlying pressure towards growing inequality in consumption as well; it's just that the pressure has not yet translated into actual inequality thanks to the opportunity for consumption smoothing offered by microfinance. But as the expansion of microfinance slows down, this mechanism for maintaining stability in consumption distribution in the face of rising inequality of income is bound to become less effective. The trend of rising income inequality, therefore, remains a major concern from the perspective of poverty reduction.

**Table 15**  
**Trend of Consumption Inequality**  
(Gini coefficient)

Year	National	Rural	Urban
1991-92	0.259	0.243	0.307
1995-96	0.302	0.265	0.363
2000	0.307	0.271	0.368
2005	0.310	0.278	0.353
2010	0.320	0.275	0.338
2016	0.324	0.300	0.330

**Notes and Sources:** Reports of Household Income and Expenditure Surveys, various years. The figures for 2016, are from BBS (2017).

In order to investigate the forces behind rising inequality, it would be useful to look at it from a slightly different perspective from the one offered by the widely used Gini coefficient. It has been well-known for a long time that one of the limitations of the Gini coefficient is that by construction it attaches more weight to the middle of the distribution than to the tails. This would not be a problem for comparison between distributions if the middle of the distribution behaved in the same way as the tails – e.g., if any widening of the gap between the upper and lower tails was also accompanied by similar widening of the gap in the middle of the distribution. This is indeed the implicit assumption behind the widespread use of the Gini coefficient.

But the path-breaking recent work by Gabriel Palma has seriously questioned the empirical basis of this assumption. In an influential study on income distribution for a large number of countries around the globe, he has demonstrated that the middle of the distribution does not generally behave in the same way as the tails (Palma 2003, 2011). In fact, one of the stylized facts that emerges from his studies is that the middle class – representing 50 percent of the population belonging to the five deciles from the fifth to the ninth – manages to capture a fairly constant share of roughly 50 percent of national income in most countries most of the time. It is the changing division of the remaining 50 percent of national income between the bottom 40 percent of the population and the top 10 percent that drives the change in overall income distribution. Thus, when income distribution worsens it is usually because the share of the top 10 percent goes up at the expense of the bottom 40 percent, while the middle 50 percent of the population more or less hold on to their share. The changing pattern of income distribution thus essentially represents a struggle between the two tails of the distribution for sharing the half of national income that is not captured by the middle class.

This finding has a clear implication for how best to measure the degree of income inequality. What one should look for is not a measure of overall distribution, such as the Gini coefficient, because the middle of the distribution doesn't change much anyway, but simply a measure of the gap between the two tails of the distribution because that's where changes mainly occur. The simplest such measure is the ratio between the income shares of the top 40 percent and the bottom 10 percent of the population. Some researchers have christened this ratio as the Palma ratio and advocated its use in preference to the Gini coefficient (e.g., Cobham and Sumner 2013a, 2013b).

**Table 16**  
**An Alternative Measure of Income Inequality:**  
**The Palma Ratio**

	1985-86	1995-96	2005	2016
Income Share of Bottom 40%	18.17	15.54	14.36	13.01
Income Share of Middle 50%	50.37	49.78	48.00	48.83
Income Share of Top 10%	31.46	34.68	37.64	38.16
Total	100.00	100.00	100.00	100.00
Palma ratio	1.73	2.23	2.62	2.93

**Notes and Sources:**

- (1) Palma ratio is defined as the ratio of income shares of the top 10% and bottom 40% of the population in the income distribution.
- (2) Calculated by the author from the data on income distribution by income deciles given in the reports of Household Income and Expenditure Surveys, various years. The figures for 2016 are from the Preliminary Report of HIES 2016.

In Table 16, we have reported a time series of Palma ratio for Bangladesh, starting from 1985-86 and ending in 2016, with an interval of roughly a decade. It may be noted that exactly in line with the Palma hypothesis, the share of the middle 50 percent of the population has remained virtually unchanged – at close to 50 percent of national income. But the gap between the top and the bottom has widened. Palma ratio has gone up continuously – from 1.73 in 1985-86 to 2.23 in 1995-96 to 2.62 in 2005 and further to 2.93 in 2016. There is clearly a long-term trend of an increasingly unequal society. While the middle class has held its own, the bottom 40 percent of the population is continuously losing out to the top 10 percent in the perennial struggle over income distribution.

Since the struggle between the top and the bottom over the distribution of income is fundamentally a reflection of the tussle between labour and capital (defined broadly to include land and other assets), this way of looking at income inequality naturally focusses our attention on functional distribution of income i.e., the distribution of income among the owners of factors of production. Empirical estimation of functional distribution and linking it with personal income distribution is fraught with serious practical problems, however, as it hard to obtain data on the ownership of factors of production. An alternative approach is to use rough indicators of functional distribution.

An indicator that can be especially helpful in this regard is the share of labour in the growth of income. Since labour is the most important factor of production owned by the poor, evolution in the share of labour can reveal a great deal about the evolving share of the poor vis-à-vis the share of the rich in national income. The evolution in labour share can in turn be inferred by comparing the growth of real wage with the growth of labour productivity (as measured by GDP per worker). If real wage and productivity grow at the same rate, the relative shares of labour and non-labour inputs (such as land and capital, including human capital) in national income will remain constant, and since labour input comes mostly from the poor and non-labour inputs mostly from the rich the personal distribution of income will also remain relatively stable. If, however, real wage grows more slowly than productivity, this would lead to rising share of non-labour inputs, with the implication that the share of the rich is also perhaps rising i.e., personal income distribution is getting more unequal. The converse would be true if real wage grows faster than productivity.<sup>8</sup>

The relevant data in this regard are presented in Table 17. Here we compare the growth of labour productivity and real wages over three decadal periods – 1985/86-1995/96, 1995/96-2005/06 and 2005/06-2015/16, chosen in such a way that their terminal years coincide roughly with the years for which we reported Palma ratio in Table 16. The first two columns of this table report the annual rates of growth of GDP and employment respectively during each of the three periods. The difference between these two gives us the growth of labour productivity, which is shown in column 3, which is then compared with the growth of real wages reported in column 4.

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<sup>8</sup> It should be noted that even though real wage data relate directly only to those who are employed for wages, the comparison between the real wage and productivity growth is relevant for a wider set of workers, including the self-employed among the poor. Since the poor self-employed people would rely more on labour than on non-labour inputs in whatever enterprise they are engaged in, their fate will be inextricably linked to the fate of labour as a factor of production. Real wage can thus be seen as a proxy for the earnings for all those who rely mainly on the supply of labour for their livelihood, regardless of whether they are wage-employed or self-employed.

**Table 17**  
**Growth of GDP, Employment, Labour Productivity and Real Wage**  
 (Annual average growth rate; percent)

Period	GDP	Employment	Labour productivity	Real Wage
1985/86 - 1995/96	4.21	1.33	2.88	1.26
1995/96 - 2005/06	5.56	3.14	2.42	1.16
2005/06 - 2015/16	5.89	2.30	3.59	0.03

**Notes and Sources:**

(1) GDP growth rates are based on constant price GDP series obtained from BBS publications on national accounts. Employment data are from Labour Force Surveys of BBS.

(2) Growth of labour productivity is derived by subtracting employment growth from GDP growth.

(3) Real wage was calculated by deflating nominal wages by national CPI. The data on both nominal wages and CPI were taken from BBS, Consumer Price Index (CPI), Inflation Rate and Wage Rate Index (WRI) in Bangladesh, February, 2017, Dhaka. For nominal wages, the new series with base year 2010/11 was used for the period from 2010/11 to 2015/16.

A couple of features of these figures are worth noting. First, throughout the period under consideration growth of real wages has lagged behind the growth of labour productivity, indicating that the share of labour in national income has been falling consistently over the last three decades. This is at least partly, if not primarily, responsible for worsening income distribution as indicated by the rising Palma ratio. Second, the chasm between labour productivity and real wages has worsened in the recent years. From the mid-1980s to the mid-2000s, real wages grew at slightly less than half the rate at which labour productivity grew, but the gap between the two has widened sharply in the last decade. On the one hand, the growth of labour productivity has surged – from an average of around 2.6 percent per year prior to 2005/06 to 3.6 percent since then. On the other hand, the growth of real wages has slowed down from around 1.2 percent prior to 2005/06 to virtually zero (0.03%) in the decade ending 2015/16. The main setback in real wages has occurred since 2010, when wages actually declined in real terms, as we noted earlier (Figure 1). As a result, the distribution of income has worsened so much since 2010 that it has been captured not only by the Palma ratio, which is designed to capture such changes, but also by the less sensitive Gini coefficient for the first time since the early 1990s.<sup>9</sup>

**Inequality in Human Capital: Health and Education**

Bangladesh’s achievement on the health front has been widely acclaimed. As measured by the indicators of health outcomes such as life expectancy and child mortality as well as indicators of health services such as coverage of immunization, Bangladesh outperforms most other developing countries at similar or even higher levels of per capita income. In fact, a recent cross-country study by Headey (2013) has concluded that in the recent decades Bangladesh had recorded one of the fastest prolonged reductions in child underweight and stunting in recorded history, narrowly behind the more celebrated case of Thailand in the 1980s and just ahead of several success stories identified in the nutrition literature, such as Brazil, Mexico, and Honduras.

<sup>9</sup> Possible reasons for the decline in real wages since 2010 have been discussed in section II.1 – primarily in terms of the consequence of a massive rural-to-urban migration instigated by a combination of push and pull factors.



Despite these achievements, the challenges with regard to health status in general and nutritional status in particular still remain formidable. For instance, more than one-third (36 percent) of all under-five children still suffer from stunting, which means some 5.5 million children are suffering from chronic undernutrition. Furthermore, the prevalence of acute malnutrition, as reflected in wasting, remains alarmingly stubborn, afflicting more than 2 million children. Clearly, an enormous task lies ahead if the country is to rid itself of the scourge of undernutrition.

The task is made all the more difficult by the fact that, while the average health status has improved, inequality in the health status of the poor and the rich is not only high but has also been worsening over time. In this respect, Bangladesh's experience is in sharp contrast to that of most other developing countries. According to a recent cross-country study, Bangladesh is one of only 11 countries, out of 80 countries studied, in which inequality in child nutrition is increasing (Bredenkamp et al. 2104). As we shall see, the problem of rising inequality afflicts not only child nutrition but also maternal nutrition, which has important implications for inter-generational transmission of inequality.

Using data from the periodic Demographic and Health Surveys (DHS), the trends in inequality in infant mortality and child undernutrition are shown in Tables 18 and 19 respectively. In these tables, the health status is compared between children belonging to the poorest and richest quintiles of the population (as measured by an index of asset ownership). The ratio between the health status indicators of the poorest and richest quintiles is taken as the index of inequality. As can be seen from Table 18, even though infant mortality has fallen impressively over the last three decades for both the rich and the poor, the index of inequality shows no long-term improvement: the ratio between the bottom and top quintiles was 1.7 in 1996 and 1.8 in 2014.

The situation with child nutrition is even worse; as Table 19 reveals, inequality has actually been increasing over time in this arena. Two measures of nutritional status have been used – stunting, which reflects the effect of chronic nutritional stress, and underweight, which captures the combined effects of both chronic long-term deprivation and acute short-term stress. As in the case of infant mortality, so in the case of child nutrition there is no doubt that both the poor and the rich have made remarkable progress over the years, but the rich have made much faster progress than the poor, thus making for a widening gap between the two. The ratio of the rates of stunting (i.e., the percentage of stunted children) as between the poorest and richest quintiles was 1.7 in 1996; it went up to 2.2 by 2004 and further to 2.6 by 2014. The trend of increasing inequality is thus quite evident; and the picture is very similar when undernutrition is measured by the proportion of underweight children.

**Table 18**  
**Inequality in Infant Mortality Rate**

Wealth Quintile	1996	2004	2014
First Quintile (Q1)	96.5	89.8	52.0
Fifth Quintile (Q5)	56.6	64.8	29.0
Q1/Q5 ratio	1.70	1.39	1.79

**Notes and Sources:**

- (1) Infant mortality rate is defined as number of deaths within the first year of an infant's life per 1000 live births.
- (2) The figures are taken from the World Bank's WDI Health and Nutrition Equity Database. The original data source is various rounds of the Demographic and Health Survey (DHS) of Bangladesh.



**Table 19**  
**Inequality in Child Nutrition**  
(percent)

Wealth Quintile	1996	2004	2014
<b><i>Underweight</i></b>			
First Quintile (Q1)	65.2	55.6	45.1
Fifth Quintile (Q5)	37.6	25.9	17.4
Q1/Q5 ratio	1.73	2.15	2.59
<b><i>Stunting</i></b>			
First Quintile (Q1)	61.4	62.2	49.2
Fifth Quintile (Q5)	34.8	30.5	19.4
Q1/Q5 ratio	1.76	2.04	2.54

**Notes and Sources:**

- (1) Underweight means low weight for age, and stunting means low height for age; data refer to children under five years of age.
- (2) The figures are taken from the World Bank's WDI Health and Nutrition Equity Database. The original data source is various rounds of the Demographic and Health Survey (DHS) of Bangladesh.

The trend with maternal nutrition is equally worrying. Once again, it is clear that both poor and rich women have enjoyed improved nutritional status over time, as revealed by falling proportion of women with low bodymass index (BMI) among both groups (Table 20). But, once again, it is the richer segment of the population which is making faster progress, leading to a widening gap in nutritional outcomes. While the proportion of undernourished women has been just about halved among the poorest quintiles during the period from 1996 to 2014, for the richest quintile the proportion has fallen to one-fourth of its initial level. As a result, the ratio of undernourished women as between the poorest and richest quintiles has gone up quite alarmingly from 2.0 in 1996 to 4.6 in 2014. Since undernourished mothers are more likely to have undernourished children (principally, by giving birth to low birthweight babies), increasing inequality in maternal nutrition threatens inter-generational transmission of health inequality. The outcome would be perpetuation of the trend of rising inequality in child nutrition, leading eventually to increasing inequality in adult nutritional status as well – of both men and women.

**Table 20**  
**Inequality in Maternal Nutrition**  
(percentage of adult women undernourished)

Wealth Quintile	1996	2004	2014
First Quintile (Q1)	96.5	89.8	52.0
Fifth Quintile (Q5)	56.6	64.8	29.0
Q1/Q5 ratio	1.70	1.39	1.79

**Notes and Sources:**

- (1) Maternal undernutrition is defined as percentage of adult women whose bodymass index (BMI) is less than 18.5.
- (2) The figures are taken from the World Bank's WDI Health and Nutrition Equity Database. The original data source is various rounds of the Demographic and Health Survey (DHS) of Bangladesh.

On the educational front, good progress has been made in recent years in closing the gap between the rich and the poor in some areas, but there are some crucial areas in which the gap not only persists but is also increasing, with quite ominous implications for the evolution of inequality and poverty in the coming years.

Especially impressive gains have been made in ensuring more equitable access to schooling. As can be seen from Table 21, the differentials between the richest and the poorest quintiles (in terms of asset ownership) in the rate of school attendance has been narrowing at both primary and secondary levels. At the primary level, the narrowing of the gap started already in the 1990s, while at the secondary level it is more of a recent phenomenon, occurring mostly since the mid-2000s. By 2014, hardly any difference existed at the primary level, with the attendance rate being about 85 percent for both the poorest and the richest quintiles. At the secondary level, there was still a difference of about 20 percentage points, but this was less than half the difference that existed only a decade earlier. Greater equity in school attendance is reflected in narrowing of the gap in the completed years of schooling: the difference between the richest and poorest quintiles in the average years of schooling has come down from 4.8 in 1993 to 2.7 in 2014 (Table 22).

**Table 21**  
**Inequality in School Attendance Rates**  
(percent)

Wealth Quintile	1996	2004	2014
<b><i>Primary level net attendance rate</i></b>			
First Quintile (Q1)	56.7	73.8	84.1
Fifth Quintile (Q5)	82.4	87.5	85.2
Q5 – Q1	25.7	13.7	1.1
<b><i>Secondary level net attendance rate</i></b>			
First Quintile (Q1)	3.5	11.0	29.6
Fifth Quintile (Q5)	49.1	53.2	49.9
Q5 – Q1	45.6	42.2	20.3
<b>Post-secondary level gross attendance rate</b>			
First Quintile (Q1)	0.0	0.4	7.1
Fifth Quintile (Q5)	29.2	26.8	34.4
Q5 – Q1	29.2	26.4	27.3

**Notes and Sources:** The figures are taken from the World Bank's WDI Education Time Series Database. The original data source is various rounds of the Demographic and Health Survey (DHS) of Bangladesh.

**Table 22**  
**Inequality in Average Years of Schooling Among 15-19 Years Olds**  
(years)

Wealth Quintile	1996	2004	2014
First Quintile (Q1)	3.55	4.39	5.54
Fifth Quintile (Q5)	8.37	8.25	8.19
Q5 – Q1	4.82	3.86	2.66

**Notes and Sources:**

- (1) Maternal undernutrition is defined as percentage of adult women whose body mass index (BMI) is less than 18.5.  
 (2) The figures are taken from the World Bank's WDI Education Time Series Database. The original data source is various rounds of the Demographic and Health Survey (DHS) of Bangladesh.

There still remain some major concerns, though. First, there is clear evidence of growing differential in enrolment at the pre-primary level. For example, the percentage point difference between 'food surplus' and 'food deficit' households in enrolment at pre-primary level has widened from 8.2 in 1998 to 11.2 in 2005 and further to 16.2 in 2013 (Table 23). Second, disparity in access to education remains stubborn at the post-secondary level. The differential between the richest and the poorest quintiles in terms of attendance in post-secondary institutions had fallen slightly from 29.2 percentage points in 1993 to 26.4 percentage points 2004, but then it rose slowly again to 27.3 in 2014 (Table 21).

**Table 23**  
**Inequality in Enrolment for Pre-primary Education**  
(percent)

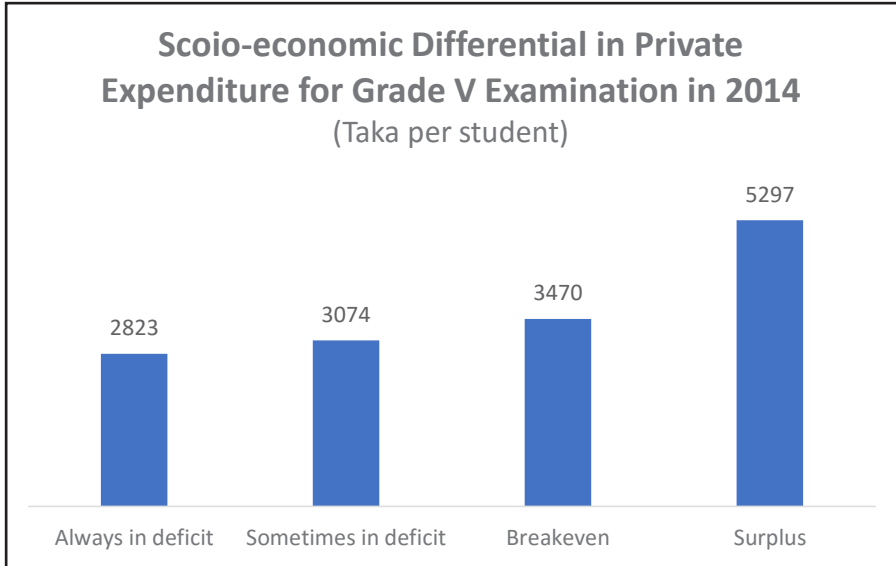
Food Security Status	1996	2004	2014
Always in deficit	6.9	7.3	31.9
Sometimes in deficit	9.2	12.2	34.3
Breakeven	10.0	14.2	37.5
Surplus	15.1	18.5	48.1
All	9.3	13.4	40.4
'Surplus' – 'Always deficit'	8.2	11.2	16.2

Source: CAMPE (2013)

The consequence of the first of these two phenomena is that children from richer households are getting a head-start over the poorer children right at the beginning of their educational journey, and the relative disadvantage of the poor in this regard is becoming more severe over time. Their disadvantage is further compounded later in life because of differential access to private tuition. The practice of supplementing school education with private tuition is becoming ever more widespread and increasingly more expensive. A recent study has found that the cost of private tuition per fifth grade student has increased nearly three-fold in real terms over the last decade and a half – rising from Tk. 2771 in 2000 to Tk. 8212 in 2014 (CAMPE, 2015). Naturally, children from richer families are able to access the increasingly more expensive private tuition disproportionately more. It has been estimated that in 2014 the level of expenditure incurred per student preparing for the fifth-grade final examination was almost twice as high for children from food surplus families compared to

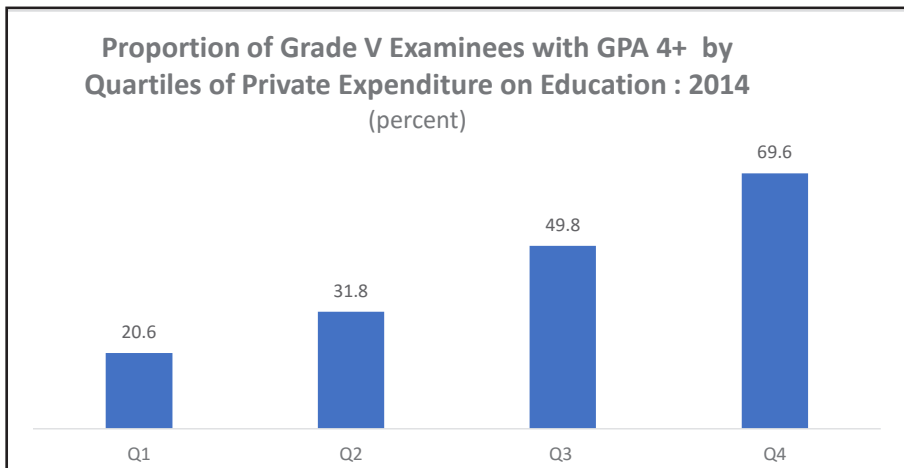
the children from food deficit families (Figure 2). At the same time, there is clear evidence that higher level of private expenditure on education leads on average to better performance in examination (Figure 3). As a result, the children from poorer families are bound to suffer in comparison with children from better-off families in terms of examination grades.

**Figure 2**



Source: CAMPE (2015)

**Figure 3**

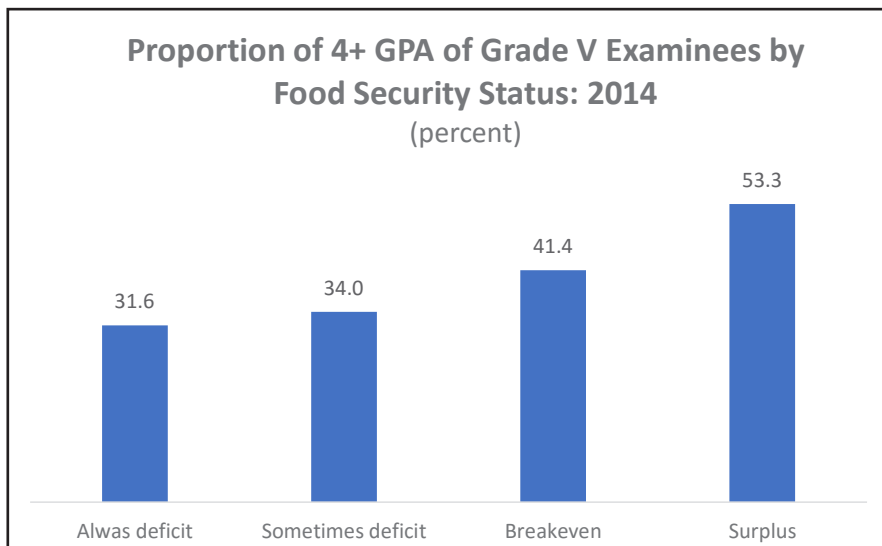


Source: CAMPE (2015)

The poorer children are thus disadvantaged on at least two counts while competing with children from better-off families. First, the better-off children enjoy a head-start early in life

through greater access to pre-primary education; and, secondly, their advantage is further accentuated in later life though greater access to private tuition. The net result is that, on the average, children from better off families are able to obtain much better examination results in comparison with children from worse-off families (Figure 4).

**Figure 4**



Source: CAMPE (2015)

All this has grave consequences for later life when the children grow up and enter the labour market. Lower levels of educational performance, coupled with lower levels of enrolment at the post-secondary level, entail that children from poorer backgrounds enter the labour market with a serious disadvantage in terms of both quality and quantity of education. Growing inequality in pre-primary and post-secondary education, combined with increasing inequality in the access to private tuition, will ensure that children from the poorer background will in future enter the labour market at an even greater disadvantage vis-à-vis children from well-off background than they do now. This disadvantage will be all the more serious as the economy moves on to a higher skill-base in the next phase of growth.

### II.3 The Social Safety Net

#### How Pro-Poor is the Safety Net System?

According to the Household Income and Expenditure Survey (HIES) of 2016, some 24.3 percent of households participated in the social safety net programme (Table 24). This represents a considerable slowdown in the expansion of the programme. Between 2005 and 2010, the proportion of households covered by the safety net increased from 13 percent to 24 percent (World Bank, 2013a, p.108). This means that there has hardly been any expansion in the extent of coverage between 2010 and 2016.

**Table 24**  
**Participation in Social Safety Net: 2016**  
(percent)

Residence	Proportion of participating households	Share of participating households
Rural	28.6	82.1
Urban	14.3	17.9
National	24.3	100.0

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

The programme has a distinctly rural orientation. An overwhelming 82 percent of the participating households reside in rural areas (Table 24). This is not just because rural areas happen to be more populous; the degree of participation is also higher there. The proportion of households participating in safety net in rural areas (29 percent) is more than twice the proportion in urban areas (14 percent).

Although there are over hundred programmes currently being operated by various ministries and departments, the majority of them have very little coverage. As can be seen from Table 25, there are only 12 programmes which account for 1 percent or more of the beneficiaries (in terms of individuals, not households). The rest of the programmes, which have been lumped together as ‘minor programmes’ in Table 25, account for less than 1 percent of the beneficiaries each. It is interesting to note, however, that while these minor programmes together account for just over 7 percent of the beneficiaries, as much as 30 percent of all the benefits of the entire safety net programme are disbursed through them. This means that even though only a small number of people have access to these programmes, those who do have access to them enjoy much higher level of benefit per capita compared to the beneficiaries of major programmes (in terms of coverage). As we shall presently see, this has important implications for the poverty orientation of the safety net.

By far the biggest programme in terms of coverage is Primary School Stipend, which accounts for 36.3 percent of all beneficiaries (Table 25). The next two big programmes are Old Age Allowance (13.9 percent) and Secondary School Stipend (10.8 percent). Thus, the two school stipend programmes together account for almost half of all the beneficiaries (47.1 percent). Other programmes with a sizeable coverage are: Vulnerable Group Feeding (7.8 percent), Gratuitous Relief (6.4 percent), School Feeding Programme (4.2 percent), Widow/Deserted/Destitute Women’s Programme (3.9 percent) and Test Relief (3 percent).

**Table 25**  
**Distribution of Safety Net Programmes by Shares of**  
**Beneficiaries and Benefits: 2016**  
 (percent)

Programme	Share of beneficiaries	Share of
Stipend for Primary Students	<b>36.3</b>	<b>14.3</b>
Old Age Allowance	13.9	22.3
Stipend for Secondary and higher student	10.8	6.8
Vulnerable Group Feeding (VGF)	7.8	2.5
Gratuitous Relief (GR)- Food/ Cash	6.4	1.5
School Feeding Program	4.2	3.4
Widow/Deserted/Destitute Women Allowance	3.9	6.8
Test Relief (TR) Food (cash)	3.0	4.8
Ananda School (ROSC) [Cash/kind]	2.2	0.9
Vulnerable Group Development (VGD)	1.9	3.3
Allowances for the Financially Insolvent	1.3	3.2
General Relief Activities	1.0	0.3
Minor programmes	7.3	29.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Notes and Sources:**

- (1) Minor programmes are those that account for less than 1 percent of beneficiaries each.
- (2) 'Beneficiaries' refer to individual participants rather than participating households.
- (3) 'Benefits' refer to the combined cash and value of kind benefit received, as reported by the participants.
- (4) Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

The whole purpose of operating a safety net programme is to support and protect the poor. By that criterion, the current safety net programme fails quite conspicuously. There is of course some degree of progressivity in the overall programme in the sense that the poor participate proportionately more than the non-poor, but it is the non-poor who enjoy the bulk of the benefit.

Progressivity in participation is evident from the fact that in 2016 the extent of participation was 33.7 percent among the extreme poor, 32.6 among all the poor and only 21.3 percent among the non-poor (Table 26). The regional distribution of safety net also displays an element of progressivity, in as much as the extent of participation in the poorer eastern region of the country is higher than in the better off western region. Thus, in the poorer East the rate of participation was 31.1 percent of all households in 2016 as against 17.4 percent in the better-off West (Table 27). Furthermore, the participation of poor households is also higher in the East, where 39.3 percent of poor households had access to safety net programme as against only 23 percent in the West. Barisal is the leading division in the East in this respect, with more than half of the poor households (56 percent) being covered by the safety net compared to the national average of only one-third. Rangpur, the poorest division of the country, comes next with a coverage of about 40 percent among poor households.

**Table 26 : Participation in Safety Net Programmes by Poverty Status of Households: 2016**

(percent)

Poverty Status	Proportion of participating households	Share of participating households	Share of
Extreme Poor	33.7	17.5	13.7
Poor	32.6	32.7	25.0
Non-poor	21.6	67.4	75.0
All	24.3	100.0	100.0

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

**Table 27 : Regional Pattern of Participation by Households In Safety Net Programme: 2016**

(percent)

Division	Proportion of participating households	Proportion of poor households participating
<b>East</b>	<b>17.4</b>	<b>23.0</b>
Chittagong	19.2	24.5
Dhaka	15.0	21.2
Sylhet	23.0	26.4
<b>West</b>	<b>31.1</b>	<b>39.3</b>
Barisal	39.2	56.4
Khulna	28.3	31.3
Rajshahi	27.3	36.6
Rangpur	32.4	39.5
<b>All</b>	<b>24.3</b>	<b>32.6</b>

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

While this element of progressivity in the rate of participation is a positive attribute of the safety net programme, its fundamental weakness is that most of the benefit of the programme does not go to the poor. About two-thirds of the beneficiaries belong to the non-poor households, and they capture three-fourths of the total benefits disbursed by the programme nation-wide (Table 26). The same pattern is observed across regions. In each of the divisions, the poor constitute a minority of participants (with the exception of Rangpur, where they count for half of the participants) and they receive a minority share of the benefit (Table 28). The relatively poor eastern region of the country fares somewhat better in this regard in that the shares of the poor both among the participants and in total benefit are higher in the East compared to the West, with Rangpur being the best among them. But even in this region, in each of the divisions it is the non-poor who claim greater share of benefits. For example, even in Rangpur, where the poor fare the best, the non-poor participants claim more than half of the benefits (56 percent). The situation in the relatively better off eastern region is especially dismal in this respect. Nearly 78 percent of the participants in this region are non-poor, and they capture as much as 80 percent of total benefits. Clearly, the safety net programme as it currently operates is highly regressive in the distribution of benefits.



**Table 28 : Pro-Poor Orientation of Safety Net Programmes  
Across Regions: 2016**  
(percent)

Division	Proportion of poor among participants	Share of benefits going to the poor
<b>East</b>	<b>27.50</b>	<b>19.75</b>
Chittagong	31.14	<b>28.08</b>
Dhaka	28.31	<b>16.14</b>
Sylhet	16.84	<b>16.71</b>
<b>West</b>	<b>38.79</b>	<b>27.72</b>
Barisal	41.14	<b>29.81</b>
Khulna	28.32	<b>19.45</b>
Rajshahi	35.96	<b>20.23</b>
Rangpur	50.04	<b>43.77</b>
<b>All</b>	<b>34.94</b>	<b>24.45</b>

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

While the distribution of benefits is decidedly regressive, the actual benefit received by the poor would depend not just on the distribution but also on the total amount of benefits disbursed by the safety net programme. Even when these two elements are combined, however, the overall effect is far from encouraging, as can be seen from Table 29, which reports the extent of benefits received by various groups of households in 2016 as a proportion of household income and consumption.

**Table 29 : Contribution of Safety Net to  
Household Income and Consumption: 2016**  
(percent)

Poverty Status	Proportion of income	Proportion of consumption
<b>All households</b>		
Extreme poor	0.68	0.98
Poor	0.57	0.79
Non-poor	0.36	0.34
All	0.40	0.40
<b>Only beneficiary households</b>		
Extreme poor	2.15	2.94
Poor	1.76	2.45
Non-poor	1.86	1.72
All	1.83	1.86

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

In order to gauge the overall contribution of the safety net programme to the economic welfare of the population as a whole, the first panel of Table 29 considers all households,

regardless of whether they are beneficiaries or not. The picture is pretty dismal. For the entire population, the contribution of safety net amounts to less than half of one percent (0.4 percent) of household income and consumption. The percentage contribution is slightly higher for the poorer households, if only because their income is lower, but even for the extreme poor the contribution does not exceed 1 percent (0.68 percent of income and 0.98 percent of consumption expenditure).

The figures are somewhat higher if one considers only the beneficiary households, but only marginally so. For all beneficiary households (rich or poor), total benefit received from safety net amounts to less than 2 percent of income and consumption. For the poor, the figures are naturally higher, but even for the extreme poor it is less than 3 percent.

With such paltry contribution towards household income and consumption, it is only to be expected that the poverty impact of the safety net programme will be trivial, and our estimates confirm that this is indeed so. The poverty impact was assessed by creating a counterfactual scenario of ‘without safety net’ in which the transfer amount received from safety net was deducted from household consumption and the poverty rate was recalculated. Comparison of this counterfactual poverty rate with the actual poverty rate provides an estimate of the poverty impact of safety net. This exercise was done separately for all households and only for the beneficiary households, and the results are reported in Table 30.

**Table 30 : Extent of Poverty with and without Social Safety Net Programme (SSNP): 2016**  
(percent)

Poverty Measure	All households		Beneficiary households	
	With SSNP	Without SSNP	With SSNP	Without SSNP
<b>Extreme Poor</b>				
Headcount Index	12.8	13.2	19.1	20.9
Poverty Gap Index	2.2	2.4	3.4	4.0
Squared Poverty Gap index	0.6	0.7	1.0	1.2
<b>Poor</b>				
Headcount Index	24.2	24.6	34.4	36.2
Poverty Gap Index	4.9	5.1	7.2	8.0
Squared Poverty Gap index	1.5	1.6	2.3	2.7

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

For the population as a whole, safety net has reduced the headcount index of poverty by a miniscule amount. Without the safety net, the rate of poverty would have been 24.6 percent in 2016 instead of 24.2 percent, and the rate of extreme poverty would have been 13.2 percent instead of 12.8 percent – in either case, safety net makes a difference of just 0.4 percentage point. These figures suggest that in the population as a whole, safety net has helped 1.6 percent of poor households to come out of poverty and 3 percent of extreme poor households to come out of extreme poverty.

It is arguable that the safety net programme is unlikely to have much impact on the headcount index anyway because this would require pulling the poor households above the poverty line, which is not an easy thing to do, except for those households who would have been just below the poverty line in the absence of safety net. Following this line of argument, the real impact of the safety net should be sought in what happens to the condition of the poor relative to the poverty line i.e., how close they can get to the poverty line. This is shown by the measures of poverty gap and squared poverty gap. By these measures, we do notice some improvement, but very marginal. For example, for the poor as a whole, safety net brings down the poverty gap from 6.1 to 5.9 percent in the case of overall poverty, and from 2.4 to 2.2 percent in the case of extreme poverty. Looking at the beneficiary households alone, the impact is slightly more visible, but not very much so.

To understand the reason for the minimalist nature of its poverty impact, we need to look a bit more closely at the structure of the current safety net programme. The problem of course lies partly in the total amount of resources that are devoted to the safety net programme as a whole, but partly the problem also lies in how the resources are allocated to various programmes within the safety net. Since all the programmes are not equally pro-poor, the poverty impact would depend on how the resources are distributed between more pro-poor and less pro-poor ones. As it happens, the current pattern of distribution is not particularly favourable to the more pro-poor programmes.

**Table 31 : Distribution of Safety Net Programmes by Poverty Orientation  
And Share of Benefits: 2016**  
(percent)

Programme	Proportion of poor beneficiaries	Share of <i>total benefits</i>
School Feeding Programme	51.5	3.3
Ananda School (ROSC)	49.0	0.9
Vulnerable Group Feeding (VGF)	41.6	2.5
Vulnerable Group Development (VGD)	39.7	3.3
Gratuitous Relief (GR)	36.4	1.5
Primary School Stipend	36.4	14.3
Insolvency Allowance	36.3	3.2
Widow Allowance	32.1	6.8
General Relief Activities	31.3	0.3
Minor Programmes	30.0	30.2
Old Age Allowance	29.4	22.2
Secondary School Stipend	27.2	6.8
Test Relief (TR)	19.7	4.7
All	34.6	100.0

**Notes and Sources:**

- (1) Minor programmes are those that account for less than 1 percent of beneficiaries each.
- (2) 'Beneficiaries' refer to individual participants rather than participating households.
- (3) 'Benefits' refer to the combined cash and value of kind benefit received, as reported by the participants.
- (4) Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

This can be seen from Table 31, which ranks the various programmes in the descending order of poverty orientation, as measured by the proportion of poor among the beneficiaries, and also reports the share of total benefits offered by each of them. As we have noted earlier, the poverty orientation of the overall programme is quite low, as only about one-third of participants come from poor households. Some of the specific programmes are, however, better than others. Even so, among the major programmes, there is only one in which poverty orientation is above 50 percent i.e., poor people participate more than the non-poor, albeit marginally: namely, School Feeding Programme (51.5 percent). The next most pro-poor programme is Ananda School, in which almost half the participants are poor (49 percent). Among the rest, there are just two other programmes in which pro-poor orientation is significantly above average (VGF 41.6 percent and VGD 39.7 percent). The least pro-poor programmes are: Test Relief (with a poverty orientation of 19.7 percent), Secondary School Stipend (27.2 percent), Old Age Allowance (29.4 percent) and the set of minor programmes (30 percent).

The second column of Table 31 reveals the disturbing fact that there is a clear inverse relationship between poverty orientation of programmes and the share of benefits allocated through them. Thus, School Feeding Programme, which is the most pro-poor programme of all, has a share of just 3.3 percent of total benefits. Ananda School, the next most pro-poor programme, has a meagre share of 0.9 percent; and the next two in order, namely VGF and VGD, have shares of 2.5 percent and 3.3 percent respectively. Altogether, about 10 percent of total benefits are channelled through these four most pro-poor programmes. By contrast, four least pro-poor programmes (Test Relief, Secondary School Stipend, Old Age Allowance and minor programmes) together account for almost two-thirds (63.9 percent) of total benefits.

Thus, not only do the poor participate proportionately less than the non-poor in the social safety net, the programmes in which they participate relatively more happen to receive relatively less funds. By contrast, the programmes in which the non-poor participate relatively more happen to be more generously funded. The poor are thus doubly disadvantaged. Clearly, the entire structure of the safety net programme needs to be overhauled if it is to serve the interests of the poor, which is its stated objective.

### III. Challenges for the Future

The analysis of past trends presented in section II suggests a number of challenges that the policymakers will have to deal with if the goal of poverty elimination in the coming decades is to be turned into reality. The foremost challenge is to sustain a healthy rate of overall economic growth. There is ample evidence from around the world that, even though growth alone is not sufficient to reduce poverty fast, sustained growth over a period of time is essential for sustained poverty reduction (Dollar and Kraay, 2002). It is no coincidence that in Bangladesh the pace of poverty reduction began to accelerate at about the same time that growth also started to accelerate – around the early 1990s. After remaining quite stubborn in the first two decades of Bangladesh’s existence as an independent nation, poverty went down impressively in the next two decades and a half – from 56.7 percent in 1991/92 to 24.2 percent in 2016; much of this decline owes itself to what happened to growth. In the first two decades, per capita GDP growth was a paltry 1.5 percent per annum

on the average; in the next two decades and a half, it rose sharply to 4.1 percent per annum, thanks partly to faster GDP growth and partly to slowing population growth. Without such improvement on the growth front, it would have been impossible to achieve success on the poverty front to the extent that it has been achieved. Therefore, if the current vision of eliminating poverty within the next 25 years is to be realized, sustaining a high rate of growth is of the first order of importance.

It needs to be emphasized, however, that to acknowledge the cardinal importance of growth for sustained poverty reduction is not to subscribe to the old-fashioned ‘trickle-down’ view of the linkage between growth and poverty. The ‘trickle-down’ view has never been given a proper analytical formulation, either by its proponents or its critics; however, its essential idea is that growth will initially benefit the rich but the actions taken by them will then set in motion a process whereby the poor may also benefit eventually – to some extent. The emphasis in this account is on ‘eventually’ and ‘to some extent’.

But the real significance of growth for poverty reduction (in particular, for income poverty) is different – what matters here is the transformation that growth brings about in the structures of production and employment. As Simon Kuznets pointed out in the middle of the last century, sustained growth over a long period of time has historically been accompanied by major structural changes, in which new activities have emerged that were characterised by higher levels of productivity compared to the traditional ones. These new and more productive activities are the main drivers of growth, but they are also at the same time the main drivers of poverty reduction as they enable the workforce to shift from low-productivity low-paying employment of the traditional types to higher-productivity higher-paying employment of the new varieties. Thus, the shift in the structure of production and the accompanying shift in the structure of occupation drive both growth and poverty reduction at the same time – it’s not a case of one following the other as in the ‘trickle-down’ view. In this account, growth and poverty reduction are concurrent phenomena, driven by a common cause – namely, structural transformation of the economy.

Our analysis of the evolution of poverty presented in Section II corroborates this ‘concurrent’ view, as distinct from the ‘trickle down’ view, of the linkage between growth and poverty. Major structural changes, accompanying growth, have opened up opportunities for new and more remunerative employment in the non-agricultural sector – for both self-employment and salaried work. Taking advantage of these new opportunities, large chunks of the workforce have shifted from low-paying employment as day labour or marginal self-employed farmers to the more remunerative occupations. This is what has helped to bring down poverty at a relatively rapid pace. Indeed, as we have seen, the fact that poverty declined during the period from 2000 to 2016 despite a decline in the real wage of unskilled workers was largely because of this shift from low-paying to better-paying occupations – a shift that in turn was made possible by growth-related structural change.

If the pace of poverty reduction is to be kept up, it would be essential to keep up the pace of structural transformation as well. The new activities that have emerged in manufacturing, construction and services must be expanded further, and conducive conditions must be created for the emergence of more new activities. Elaboration of the policy framework that would be needed for such structural transformations to occur at a rapid pace is beyond

the scope of this paper. But some of the essential ingredients of such a framework can be readily enumerated; these include massive investment to overcome infrastructural bottlenecks, maintaining a competitive environment especially by encouraging outward orientation of the economy, and a structure of governance that provides the right kind of incentive to the entrepreneurs – to invest in the economy rather than to either take their capital and enterprise out of the country or to waste them for unproductive purposes.

While sustained growth at a relatively high rate will no doubt help reduce poverty – through the channel of structural transformation described above – policymakers will have to move beyond their usual preoccupation with the rate of growth. To sustain a high rate of growth is certainly important, but equally important are several other considerations that have a bearing on how strongly poverty responds to a given rate of growth. In technical jargon, we need to pay attention also to the ‘growth elasticity of poverty’.<sup>10</sup> The reason this elasticity deserves attention is that, while sustained growth is usually poverty-reducing, there is no one-to-one relationship between the rate of growth and the rate of poverty reduction. The same rate of growth may be related to faster or slower rate of poverty reduction. And the relationship is not monotonic either; sometimes higher rate of growth can beget slower rate of poverty reduction, as demonstrated by Bangladesh’s experience during the 2010-2016 period as compared with the preceding decade. As such, how to increase the growth-elasticity of poverty in the coming decades should be at least as much of a concern as how to accelerate the rate of growth.

There are two aspects of the task of improving the growth elasticity of poverty. On the one hand, the pattern of growth must be such that it creates a lot of opportunities for the poor to engage in more remunerative employment than they currently have. On the other hand, the poor must be able to take advantage of the opportunities that are created by the growth process. The first aspect may be described as ‘creating opportunities for the poor’ and the second aspect as ‘enabling the poor to seize opportunities’. Both aspects are important for raising the growth elasticity of poverty. The first aspect is important because a given rate of growth may be achieved through many different patterns of growth, not all of which have the same impact on poverty. Some of these patterns will create more opportunities for the poor than the others, and the patterns that create more opportunities for the poor (relative to the non-poor) are likely to be the ones that make for a higher growth elasticity of poverty. The second aspect is important because even when opportunities are created, the poor may not be able to avail of them because of various constraints they face. Removing those constraints, and thereby enabling the poor to take advantage of the opportunities that are being created by the growth process, is also an integral part of improving the growth elasticity of poverty. High growth elasticity of poverty thus requires a combination of (a) a pattern of growth that creates a lot of opportunities for the poor and (b) actions that enhance the ability of the poor to seize those opportunities. Some of the strategic considerations that are relevant to these two aspects are discussed below. Finally, some observations are made regarding the implications of technological change in the medium term future for the evolution of inequality and poverty.

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<sup>10</sup> Higher value of the elasticity would imply greater ability of growth to reduce poverty, for any given rate of growth.

### III.1 Creating More Opportunities for the Poor

The list of actions that can be taken to make the growth process more conducive for creating opportunities for the poor is potentially quite long. We focus on a few of them below, the ones we consider to be especially relevant in the current state of the Bangladesh economy, in the light of the analysis of poverty presented in section II.

**(1) The Importance of Agriculture:** As always happens in the course of economic development, the share of agriculture in national income has come down over time in Bangladesh as well. In the 1980s, before the growth acceleration began, agriculture accounted for just over 30 percent of national income; that share has now been almost halved – coming down to about 16 percent in recent years. One could thus reasonably argue that the importance of agriculture for the overall growth performance of the country has diminished considerably.

It would, nevertheless, be a mistake to underestimate the importance of agriculture from the point of view of growth-induced poverty reduction. This is because nearly one-third of the national labour force (and some 45 percent of rural labour force) still work primarily in agriculture (Appendix Table A.6), and both day labourers and a large chunk of self-employed workers in agriculture are among the poorest groups of the country.<sup>11</sup> The disjunction between the relatively small share of agriculture in national output and the relatively large share of poor workers directly dependent on agriculture has the obvious implication that the number of poor people who are directly supported by a unit of output is far higher in agriculture than in any other sector. As such, a given rate of growth in agriculture should have a much higher impact on poverty compared to the same rate of growth in other sectors. In other words, the growth elasticity of poverty is likely to be much higher in agriculture than in any other sector. This is why, agriculture deserves special emphasis in the context of growth-induced poverty reduction despite its dwindling share in national income.

As our analysis in section II shows, however, the causal mechanisms that link agricultural growth with poverty reduction may be much subtler than one might think. If agricultural growth falters, one should expect a relatively large adverse effect on poverty *ex ante*, but looking at the rural scene *ex post* one might not observe that effect! This is precisely what happened between 2010 and 2016, when agriculture grew much more slowly compared to the preceding decade, but one did not observe any slowdown in the pace of reduction of rural poverty. The reason for this apparent paradox is that many of those who suffered from the consequences of slow agricultural growth simply disappeared from the rural scene, and sought their livelihood in new pastures – in urban areas. There are clear indications that a massive rural-to-urban migration has been occurring since 2010; and slowdown in agricultural growth must be at least partly responsible for this. But migration has not attenuated the adverse effect of slow agricultural growth on poverty; it has simply transferred the location of poverty from rural to urban areas. Those who migrated may

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<sup>11</sup> Poverty rate among day labourers in agriculture is 38.7 percent, the highest among all occupation groups (Table 4). Among the self-employed in agriculture, some 46 percent are either landless or functionally landless (owning less than half an acre of land), and their poverty rates are 26.2 and 23.1 percent respectively (Appendix Table A.7), which are well above the rates of poverty among either the richer landowners in agriculture, or the self-employed or salaried workers in non-agriculture (Table 2).



have made a perfectly rational decision from their individual perspective since ex ante probability of being poor has historically been lower in urban areas than in rural areas, but many of them have fallen unwitting victim to the fallacy of composition. Because of mass migration, ex post probability of being poor has turned out to be much higher than ex ante probability; as a result, migration has simply led to a swelling of the ranks of the urban poor. In other words, many of those who would have become rural poor (or poorer) as a consequence of slow agricultural growth now remain hidden as urban poor.

Swelling of the urban poor in turn has led to excess supply of unskilled workers in the urban labour market, resulting in a decline in real wages since 2010, which has had a depressive effect on rural wages as well. The fall in real wages marks a reversal of earlier trend and constitutes the proximate reason for the slowdown in poverty reduction since 2010. The underlying reason, however, is the slowdown in agricultural growth, which set in motion a series of responses – first in the form of an upsurge in rural-to-urban migration and then in the form of swelling the supply side of the urban labour market – that eventually led to the decline in real wages.

Slowdown in agricultural growth since 2010 is thus primarily responsible for the apparent anomaly that the pace of poverty reduction in the country as a whole slowed down during the period 2010-2016 despite a slight acceleration in overall GDP growth. On the growth front, faster growth of other sectors may have more than compensated for the slow the growth of agriculture, thus sustaining the overall rate of growth, but no such compensation was possible on the poverty front. Since agriculture has a much higher growth elasticity of poverty than other sectors, faster growth of other sectors could not offset the consequence of slower growth of agriculture for poverty. As a result, the ex post growth elasticity of poverty has declined for the economy as a whole.

The lesson for the future is thus clear: agriculture deserves special emphasis if the overall growth elasticity of poverty is to be improved. The recent trend in the slowdown of agricultural growth must be reversed if the poverty-reducing effect of economic growth is to be strengthened. Farmers, especially the poorer farmers, must be supported through continuous innovation in technology so that they can produce more on the shrinking amount of land available to them and through upgradation of the marketing framework so that producers can receive a better share of the value of what they produce.

**(2) Decentralized Urbanization:** The preceding discussion leads naturally to recognising the importance of managing the speed and process of urbanization. At independence, Bangladesh had the lowest level of urbanization in South Asia, but it has since been urbanizing at very rapid pace. Between 1980 and 2011, the country's annual rate of growth of urban population (4.2 percent per annum) was higher than that of India, Pakistan, Sri Lanka and Afghanistan. In 1974, only 9 percent (6.3 million) of the total population was living in the urban areas; in 2011, this figure stood at 23 percent (35.1 million). There is no up to date estimate of the size of urban population, but a variety of evidence presented in section II suggests that the pace of rural-to-urban migration, and hence the pace of urbanization, has accelerated since 2010. If this trend continues, Bangladesh's urban population will exceed its rural population by 2040.



The poverty implication of this process depends on the forces underlying the dynamics of urbanization. If urbanization grows in proportion to the demand for skilled and unskilled labour created by the expanding production base of urban centres, the overall impact on poverty will almost certainly be beneficial. However, the normal tendency is for the pace of urbanization to far exceed the growth of remunerative employment opportunities. The reason is that urbanization grows not just because of the pull forces generated by expanding employment opportunities but also because of the push forces operating in rural areas. And when the push forces become very strong, as they did because of the slowdown in agricultural growth after 2010, the spurt in migration that is induced may lead to a pace of urbanization that far exceeds what is warranted by expanding urban opportunities. The poverty effect of this kind of urbanization can be quite adverse, as was the case during the period from 2010 to 2016.

In an ideal world, without frictions and with perfect labour mobility, the adverse effect would be mitigated by a process of reverse migration. Those who fall victim to the fallacy of composition, and find that the ex post probability of escaping poverty has fallen well below ex ante probability owing to excessive migration, would then return home rather than suffer in urban slums, but in the real world it seldom happens. Quite apart from the fact that hope burns eternal, a practical reason is that there are huge fixed costs of both the initial migration and subsequent reverse migration, which deter any move back to rural areas. Most migrants, for a while at least, decide to tough it out, even if their living conditions in urban areas are no better than those they were used to back home.

This has resulted in an explosion of urban slums in Bangladesh. According to one estimate, as of 2009, Bangladesh had the highest proportion of urban population living in slums (61.6 percent) among the South Asian countries (MHC, 2014, p.46). And there is ample evidence that living conditions in urban slums are often worse than those found in rural areas. For example, according to the Bangladesh Urban Health Survey of 2013, as many as 50 percent of the children of urban slums were found to be stunted (NIPORT, 2015a), in comparison with 33 percent to 38 percent found in rural areas, depending on the source. The extent of wasting is similarly found to be higher in urban slums than in rural areas.

To some extent the problem may be softened by trying to improve the condition of life in urban slums. Efforts in this direction have already been undertaken, a prime example being the Urban Partnership for Poverty Reduction (UPPR) project operating in 23 towns and cities from 2008 to 2015. Admirable as these initiatives are, one of the problems associated with them is that any success achieved by them is likely to induce further migration, thus creating a treadmill effect – to keep running simply to stay at the same place. A much better strategy, at least a complementary one, is to create conditions that would minimise the incentive for excessive migration in the first place. There should be two components of such a strategy. First, opportunities must be created for more remunerative employment in the rural area itself, encompassing both agriculture and non-agricultural activities. Second, urbanization must be made as decentralized as possible.

Decentralized urbanization would not only help avoid excessive pressure on one or two major urban centres, but would also help reduce the flow of migration itself, in a number of ways. First, people living in the periphery of small urban centres will be able to avail

of urban employment opportunities without leaving home. Second, proximity of the urban centres from rural areas will ensure that the decision on whether or not to migrate will be based on a much better informational foundation, which will help narrow the gap between ex ante and ex post probability of escaping poverty through migration. Third, proximity between urban centres and rural home will also enable the migrants who fall victim to the fallacy of composition, and find themselves caught in a worse living condition than what they left behind, to return home at minimal cost. The net effect of all these would be to avoid the adverse effect of excessive migration and thus to improve the growth elasticity of poverty reduction.

**(3) Addressing the Spatial Dimension of Poverty:** Closely related to the strategy for managing urbanization is the issue of spatial disparity in poverty. To the extent that the bottlenecks faced by the poorer regions are successfully addressed, the poverty-reducing effect of any given rate of growth will be magnified i.e., the growth elasticity of poverty will be improved.<sup>12</sup> Two aspects of spatial disparity need to be distinguished here – the macro aspect and the micro aspect. At the macro level, spatial disparity in Bangladesh refers to regional disparity between the Eastern and Western parts of the country, popularly known as the East-West divide, which we discussed in section II; and at the micro-level the focus is on pockets of extreme poverty, which actually straddle the East-West divide.

At the macro level, the most disconcerting fact is that the East-West divide, which showed a tendency to close during the second half of the 2000s, appears to be widening again (see, section II). The Western region of the country has historically been poorer, and generally less advanced, than the Eastern region. But during 2005-2010, things seemed to have taken a turn for the better as poverty declined faster in the West than in the East, raising hopes for a regional convergence in course of time. It is well-known from the literature on economic growth that convergence between less advanced and more advanced regions can be expected once the special obstacles impeding the growth of the laggard regions have been removed. The experience of the late 2000s had suggested that perhaps the binding constraints facing the West had indeed been removed at last. Most analysts identified lack of connectivity between the two regions as the principal bottleneck that prevented the West from benefitting from and integrating with the growth of industry and commerce which had traditionally been concentrated in the East, and construction of the Bangabandhu Bridge was believed to be the *deus ex machina* that had finally removed that bottleneck.

But the recent reversal of the trend towards convergence has thrown a spanner into that particular line of thinking. This is not to suggest that Bangabandhu Bridge did not have a beneficial effect. Micro-level evidence suggest that it did, and by extension one can also hope that the ongoing construction of the Padma bridge will have a similarly beneficial effect. What the reversal of convergence does suggest, however, is that some other constraints may have become binding now that the connectivity problem has begun to be addressed.

One possible explanation of the reversal of convergence lies in falling real wages. As we noted in section II, the West has a preponderance of daily labour in its occupational structure, much more than the East, and as such the recent fall in real wages may have

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<sup>12</sup> In addition, the rate of growth may itself may be boosted as the laggard regions are enabled to grow faster.

hurt the West more. But this cannot be the whole explanation, because as our multi-variate poverty analysis revealed, even after controlling for the effects of occupation, education and a host of other variables, the West seemed to suffer from a relative disadvantage vis-à-vis the East. Perhaps the problem is geographical and/or ecological. In any case, the problem needs to be investigated afresh and new solutions found.

That ecology can play a major role in causing spatial disparity in poverty can be seen from the studies on regional variation at micro-level. In one such study, Sen and Ali (2017) used a disaggregated poverty map focusing on the upazila level<sup>13</sup>, and using information on income-poverty, social deprivation index (a synthetic index summarizing nine non-income indicators), and vulnerability to natural disaster (measured by “susceptibility to floods, tidal surges, and major disaster events”). The study found that relatively high extreme poverty was spread in four distinct zones prone to adverse ecology, encompassing North-West and North-East, South-West and South-Central areas of Bangladesh. This includes (a) the river-erosion belts of Kurigram, Gaibandha and Jamalpur, (b) the haor areas of greater Mymensingh and Sylhet, (c) coastal areas of greater Khulna and Barisal divisions in the South prone to tidal surges and storms, and (d) pockets of ecological vulnerability in the South-Central region encompassing Shariatpur, Chandpur, upper Barisal and Lakshimpur i.e., areas in the eco-zone of Meghna Basin.

The study thus shows that poverty associated with ecological vulnerability cuts across the East-West divide. This is confirmed by other studies which investigated spatial variation in poverty at the as the district and sub-district level (e.g., Khondker and Mahzab, 2015; Alam and Iqbal, 2017). Taken together, these studies point to the important lesson that when considering strategies for reducing spatial disparity in poverty it won’t suffice to focus merely on the East-West divide. There are pockets in the East where not only is the level of poverty higher than in the West as a whole, but also where poverty has been falling much more slowly compared to some of the districts and upazilas in the West. The spatial strategy must therefore be devised at a much more disaggregated level.

The poverty map developed at the joint initiative of BBS, World Bank and WFP is a useful device for this purpose, but the map needs to be updated. The current map builds upon the information contained in the HIES of 2010, but a limitation of the map is that since the HIES of 2010 provides representative information only at the division level, the extrapolation from division to upazilas constitutes a huge jump, opening the door to large margins of error. In contrast, the just completed HIES of 2016 has been designed to be representative at the district level, which should make the transition to the upazila-level much less prone to error. Constructing an updated poverty map at the upazila level, using HIES 2016, should therefore be treated as a task of utmost priority.

### **III.2 Enabling the Poor to Seize Opportunities**

Growth may create opportunities for more remunerative employment, but how strongly this will make a dent into poverty depends in part on how well the poor are able to take advantage of those opportunities. Most of the poor people work very hard to make a better life for themselves and their families. The fact that they still remain poor is usually not because of lack of effort but because they face a multitude of constraints – some economic,

<sup>13</sup> The map was developed at the joint initiative of BBS, World Bank and the World Food Programme.

some social and some personal – that prevent them from seizing the opportunities that life may sometimes offer them. A vision for creating a poverty-free society in not too distant a future must involve actions that remove those constraints and enable the poor to seize the opportunities that are thrown up by the growth process. Drawing upon the analysis of poverty and inequality presented in earlier sections, we highlight a number of considerations that are especially relevant from the point of view of policy-making.

(1) Addressing Inequalities in Human Capital: As we saw in section II, moving from less remunerative to more remunerative employment is an important route for the poor to escape poverty. This is precisely the reason why we emphasized the importance of structural transformation that creates more remunerative employment opportunities – in the form of both self-employment and salaried work, mostly in the non-agricultural sectors. As we also noted, however, poor workers will not automatically be able to shift to better-paying employment just because the opportunities exist. There are obstacles along the way, and an important one is the lack of education. We presented evidence to the effect that more remunerative occupations also demand higher levels of education. In addition, education was also found to be important for better remuneration within occupations. Since occupation was defined broadly in our analysis, the within-occupation effect of education probably reflects the fact that within each broad occupation group education enables a worker to access more remunerative sub-occupations. Thus, generally speaking, better education can be said to be the key to seizing the opportunities for more remunerative employment opened up by structural transformation generated by the growth process. This statement can be generalised in terms of human capital broadly defined, to include both education and health, because like better education better health is also essential for engaging in more productive employment in a sustained manner.

The progress the country has made in recent decades on both education and health fronts have been of great help in this regard because the poor have also shared in the progress. School attendance and years of schooling have improved across the population, not just for the rich. Similarly, health indicators such as infant mortality rate and rate of undernutrition have improved for both the rich and the poor. The resulting improvement in human capital of the poorer segment of the population has no doubt played an important role in ensuring that growth acceleration since the early 1990s has also been accompanied by faster rate of poverty reduction compared to the past.

The emphasis on education and health sectors must be strengthened in the coming decades, not just because higher levels of education and health are intrinsically valuable capabilities in their own right, but also because they have valuable instrumental role to play in reducing poverty. Two types of instrumental role may be distinguished here – these might be described as the ‘growth-mediated’ and ‘elasticity-mediated’ instrumental roles. Better health and education should help to raise the rate of growth since a workforce with better human capital means a more productive workforce, and productivity is the key to growth; through higher growth, better human capital plays an instrumental role in reducing poverty. This is the growth-mediated instrumental role. In addition, broad-based improvement in human capital will also help reduce poverty by enabling the poor to seize the opportunities for remunerative employment opened up by growth. This is the elasticity-mediated instrumental role.

From the policy perspective, it is important to recognise, however, a fundamental way in which the elasticity-mediated instrumental role differs from both the growth-mediated instrumental role and the intrinsic value of human capital. The latter two aspects depend on the absolute levels of human capital; the higher the absolute levels, the stronger is the effect on growth and the higher is the intrinsic value. In contrast, the elasticity-mediated instrumental role is a function of both absolute and relative levels – relative, that is, between the poor and the non-poor. In order to seize the opportunities created by the growth process, the poor will have to compete with the non-poor in the labour market, and what will matter in that competition is not just the absolute levels of human capital they have but also how much they have relative to the non-poor. If absolute levels improve for both the poor and the non-poor but the poor lag behind the non-poor, it is very likely that most of the new opportunities thrown up by the growth process will be seized by the non-poor, leaving precious little for the poor. Poor worker will not then be able to escape poverty at a rapid rate despite enjoying higher absolute levels of human capital over time. Relative deprivation in human capital will thus be translated into absolute deprivation in terms of income poverty. This is a classic example of a seminal point made by Amartya Sen that relative deprivation in one space can lead to absolute deprivation in another (Sen, 1992).<sup>14</sup>

The upshot of this argument is that for human capital to play its elasticity-mediated instrumental role, inequality in human capital will also need to be addressed, in addition to improving its absolute level for the poor. This is where there remain reasons for serious concern. As we have noted in section II, inequality in health and education among the rich and poor is widening along many dimensions. In the case of education, while inequality has narrowed in some dimensions, for example, in terms of attendance at primary and secondary levels, it has widened in some other crucial dimensions, which has led to lower levels of educational performance and lower exposure to post-secondary education for the poor children compared to the rich. This has serious consequences for competition in the labour market.

Just how serious the disadvantage might be can be gauged from a recent study which examined the rewards to education and skills in the labour market of Bangladesh (World Bank 2013b, Part III). Several findings are of particular interest in the present context. First, workers with higher levels of education are found proportionately more in occupations that pay more. Second, workers with lower levels of education are found more in the informal sector, and for any given level of education, the reward in the informal sector is less than in the formal sector. Thus, the less educated workers are doubly penalized – once through lower return for lower education, and again through a further reduction in return because of working in the informal sector. Third, in addition to the years of schooling, the quality of education also matters in getting a good job in the labour market. There is a clear positive correlation between the grades achieved and remuneration of the jobs offered by employers. Finally, the quantity and quality of education also matters for self-employed workers. Those who are more successful (in terms of poverty status) were found to have both longer years of schooling and greater literacy skills.

These labour market characteristics imply that, even though poorer children are achieving

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<sup>14</sup> Interestingly, Sen's remark was made in the context of demonstrating that relative inequality in the space of incomes can yield absolute deprivation in the space of capabilities. What we are arguing here is that the converse is also true – relative inequality in capabilities can yield absolute deprivation in the space of income.

higher levels of education than before, this may not translate into a corresponding improvement in living standards for them in their adult life because they are likely to lose out in the competition in the labour market owing to the growing disadvantage they face relative to the workers from better-off families. Furthermore, since future children of these disadvantaged workers are likely to face similar inequality in human capital, this would constitute a mechanism for inter-generational transmission of inequality, making further reduction of poverty in future decades all the more difficult.

So far, the policy thrust in Bangladesh in the arena of human capital has been on improving its quantity. The fact that greater quantity, especially in the case of education, has not been accompanied by improvement in quality has been well recognised, even though this recognition has not led to much action as yet. What has not received much recognition at all is the implication of growing inequality in the space of human capital for absolute deprivation in the space of income and poverty. Policymakers will have to address these inequalities on a priority basis if the growth elasticity of poverty is to be improved.

On the education front, a major reason for growing inequality in the quality of achievement is the overwhelming influence of private expenditure on education. In any system, where the ability to incur private expenditure determines the outcome, inequality of outcome between the rich and the poor is bound to arise. In Bangladesh, private expenditure has taken a firm hold in the arena of education – in the form of access to expensive private schools providing high quality education as well as expensive private tuition that prepares the children for getting access to prestigious private schools. The relative disadvantage that children from poorer background face as a result is well understood, but not much has been done about it.

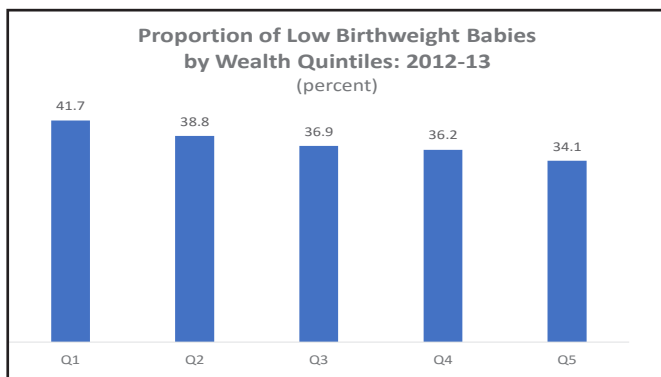
Occasionally, one hears about cosmetic measures such as banning commercialised private tuition; some even go as far as calling for a ban on private schools. But such measures will be futile. So long as there is a felt need for spending large amount of private resources for better education of their children, the well-to-do parents will always find a way of doing so and institutions will emerge that will enable them to do so. The solution lies in making private expenditure redundant, not in banning it. But private expenditure will only become redundant when publicly funded education provides the quantity and quality of education that parents justifiably want for their children. And therein lies the problem. It is well-known that the public education system in Bangladesh is in dire straits. It's a problem of both inadequate resources and poor governance – perhaps more of the latter. Improved governance, combined with infusion of more resources, should be at the top of the policy agenda in any plan for narrowing inequality and reducing poverty.

On the health front, the problems have something in common with the malaise in the education sector – namely, thoroughly inadequate state of the public healthcare system, which creates incentives for the well-to-do families to seek private healthcare, leaving the poorer segment of the population to bear the brunt of the inefficiencies and inadequacies of the public healthcare system. The result, inevitably, is gross inequities in health outcomes. The solution, as in the case of education, is to improve the resources and governance of the public healthcare system so that the private sector becomes redundant (or only a fall back option), at least for the basic healthcare needs.

There is, however, a different aspect of health inequities that call for some additional measures. One of the reasons why health inequities persist is that there exist mechanisms for inter-generation transmission of such inequities – i.e., inequities existing in one generation are transmitted to future generations. A prime example in the context of Bangladesh is the inter-generation transmission of inequities in nutritional status. Maternal nutrition and reproductive behaviour play a critical role here. Mothers who suffer from nutritional deprivation (throughout their life, not just during pregnancy) and mothers who marry and bear children before becoming fully adult women tend to give birth to low birthweight babies. And it is well-established that low birthweight babies tend to be more susceptible to being undernourished (stunted) in later life. Thus, if there are social differentials in maternal nutrition and reproductive behaviour, inequities in nutritional status will be transmitted to future generations.

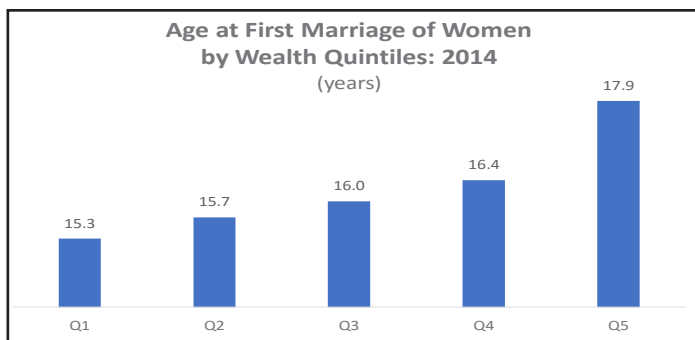
There is clear evidence that socio-economic differentials in the incidence of low birthweight babies exist in Bangladesh. A nation-wide survey carried out in 2012-13 showed that the incidence of low birthweight is systematically higher for the poorer segments of the population – for example, it was 41.7 percent for the poorest wealth quintile as compared with 34.1 percent for the richest quintile (Figure 5).

**Figure 5**



Source: Based on data from BBS (2015b).

**Figure 6**



Source: Based on data from BBS (2015b).



In sum, any strategy to tackle health and nutritional inequities must attempt seriously to reduce socio-economic differentials in the incidence of low birthweight, which in turn entails reducing socio-economic differentials in maternal nutrition and early childbirth. It needs to be borne in mind, however, that such a strategy cannot afford to target the poorer segments of the population alone, because both low birthweight and low age-at-first marriage characterise all socio-economic groups and not just the poor, even though it's a bigger problem for the poor. Because of the generic and endemic nature of the problem, the average level of low birthweight has remained high in Bangladesh over a long period of time. In 2003-04, a nationwide survey carried out by BBS found the prevalence of low birthweight to be 35.6 percent. About a decade later, in 2012-13, another survey found the proportion to be 37.7 percent (BBS, 2015b). Early childbirth is similarly endemic. Data from Demographic and Health Surveys show that the proportion of 15-19 year-old girls/women who had already started child-bearing has fallen only marginally in the last two decades – from 33 percent in 1993-94 to 30.8 percent in 2014.

The approach towards tackling these problems should, therefore, be broad-based in nature and should not focus only on the poor. If all segments of the society can be reached equally, the differentials between the rich and poor will also disappear as the overall level of the problem begins to diminish. Of the two major determinants of low birthweight, maternal undernutrition needs to be tackled by a properly funded and well-governed public-sector healthcare and nutrition surveillance system. However, for the other determinant – namely, early childbirth – a different, and complementary, approach will be needed. The main challenge here is to change social attitude towards early marriage. It is alarming to observe that when women were asked by the Demographic and Health Survey of 2014 to give their opinion on their age-at-first-marriage, half of the women who married before the age of 18 said either that they married at the right age or that they would have preferred to marry even earlier (NIPORT, 2015b). The Survey did not seek the opinion of parents on this matter, but it is safe to assume that for them the proportion of those who thought along the same lines would be even higher. Clearly, a massive social campaign needs to be launched to bring about a fundamental change in attitude. Bangladesh can boast of some outstanding success stories of mass campaign on a range of issues, including immunization, oral dehydration therapy, cleaner drinking water, and family planning. It is essential to harness the country's proven ability to conduct mass campaigns in order to eliminate the deeply ingrained cultural practice of early marriage.

(ii) **Overcoming Market Imperfections to Improve the Poor's Access to Assets:** When the process of economic growth opens up opportunities for more productive self-employment, only those will be able to seize the opportunities who have the necessary skills and assets. The poor will usually lose out in this competition, just as they are likely to lose out in the competition in the market for salaried work. Lack of skills, relative to the better-off people, is a common cause for the poor's disadvantage in both these competitions, but in the case of self-employment an additional reason is the lack of assets. For instance, without access to land, one cannot benefit from productivity-enhancing technological innovations in agriculture; and without some physical assets one cannot engage in gainful self-employment in either manufacturing, or in transport and communications, or in most types of services. But the income-poor are also typically asset-poor; indeed, it is the lack of assets that acts as the proximate cause of their income poverty. The problem of inadequate assets must, therefore, be addressed if the growth-elasticity of poverty is to be improved.



Since direct asset redistribution in any significant scale is not practically feasible in a non-revolutionary political environment, the only way to address the problem is to enable the poor to acquire assets through the market place. But market is not kind to the poor either. For the poor to be able to acquire assets through the market they must have access to credit in the first place; in the absence of accumulated savings, and barring direct transfer through charity or otherwise, the only way the poor can acquire assets is with the help of credit. But well-known imperfections in the credit market generate a kind of credit rationing in which the relatively better off people gain access to credit but the poor are left out. Addressing the problem of credit market imperfections is, therefore, an essential pre-requisite for enabling the poor to acquire assets.

A lot has been achieved in this regard in Bangladesh, mainly through non-government initiatives. In particular, emergence of the microcredit sector has gone a long way towards softening the credit constraint faced by the poor. Contrary to a common misperception popularised by some quarters, most the credit taken by the poor is not spent on either unproductive consumption or repayment of previous loans, but for productive purposes. Using the credit history of a large nationally representative panel survey of rural Bangladesh, it has been estimated that in recent years over 60 percent of the loan amount has been used for income-generating activities and asset augmentation, while 21 percent has been used for immediate consumption and 10 percent for loan repayment (Appendix table A.8).

One especially illuminating case of the impact of credit on asset market can be observed in the rural land market. While the amount of credit offered by the microfinance institutions (MFI) is seldom large enough to enable the borrowers to buy land, it is often large enough to acquire land from the land rental market. The consequence can be seen from certain significant changes in the tenancy structure that keen observers of the rural scene of Bangladesh have noticed for quite some time. It has been observed, in particular, that contrary to what many had predicted at the onset of the Green Revolution in agriculture, the share of land under tenancy has increased over time, and a pronounced shift has occurred from share-tenancy to fixed rent and leasehold tenancy (Hossain and Bayes, 2009).<sup>15</sup> For instance, the share of leased-in land in total operated land held by rural households increased impressively from 23 percent in 1988 to 40 percent in 2004. Secondly, the form of tenancy has also been changing, from inefficient and oppressive forms of share-cropping to cash-based fixed rental system. Thus, from a negligible proportion in the late 1980s, the share of fixed-rent land in total leased-in land had risen to about 40 percent by 2004. Finally, the landless/marginal farmers have been the major beneficiaries of these changes in the tenancy market. Even the landless group has benefited, as is evidenced by the fact that the share of landless tenants among all tenants went up from 34 percent in 1988 to 54 percent in 2004, giving rise to a growing phenomenon of ‘pure tenancy’. Much of this pro-poor transformation in the rural land market owes itself to the increasing flow of credit made available to the rural poor by the microfinance institutions.<sup>16</sup>

The impact of microcredit is of course most visible in the non-agricultural sector, where most of the productive use of microcredit has been concentrated. An econometric study of the rural labour market of Bangladesh has found that access to microcredit raises household employment by about 19 percent, most of which takes the form of self-employment in

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<sup>15</sup> For fuller discussion of these issues, see Hossain et al. (2013).

<sup>16</sup> Remittance income would have played a role as well.

rural non-agricultural activities (Osmani, 2015b). The net result has been significant increase in household income, faster accumulation of assets compared to non-borrowers, and substantial reduction of poverty (Osmani et al., 2015). Clearly, access to credit has enabled the rural poor to seize a share of the growing opportunities for more productive self-employment in the non-agricultural sector. Without this access, the same opportunities would have gone mostly to the non-poor; this is a clear illustration of how microcredit has had a positive impact on the growth elasticity of poverty.

Any future strategy for poverty elimination must, therefore, include a strong focus on further strengthening and expanding the microcredit sector. A move has already been made by the Government in that direction by acknowledging the importance of financial inclusion – a concept that subsumes the idea of expanding poor people’s access to credit, while going beyond it to include other financial services as well. A comprehensive strategy for financial inclusion must be included as part of a strategy for poverty elimination during the next Second Perspective Plan period.

At the same time, it needs to be acknowledged, however, that provision of microcredit alone, or even financial services in general, may not be enough to enable some of the poor people to sustainably engage in productive self-employment. This is especially true of the poorest of the poor, who are variously described as ultra-poor, hardcore poor, extreme poor, and so on. One can make a plausible case that these people are so seriously disadvantaged by multiple constraints on various fronts that they won’t be able to make good use of credit even if it was made available to them on reasonable terms; they are genuinely not creditworthy. Many of them will end up as day labourer, working for wages, but that will hardly be a route out of poverty. If they are to escape poverty by engaging in productive self-employment in a sustainable manner, they must be made creditworthy first.

Based on this recognition, a number of experimental approaches have been launched by various institutions, some with government support and some without it. The objective of these initiatives is to find ways of enabling the hardcore poor to graduate to a level from where access to credit, and a more substantial engagement with the market, can have a chance of providing them an escape route out of poverty. Some of the more successful of these experiments include Char Livelihoods Programme (CLP), Rural Employment Generation for Public Assets (REOPA), Strengthening Household Abilities for Responding to Development Opportunities (SHOUHARDO), Targeting the Ultra-Poor (TUP) Programme, Urban Partnerships for Poverty Reduction (UPPR), and Economic Empowerment of the Poorest (EEP/Shiree) programme. While these programmes vary from each other in many significant details, a common feature of all them is a multi-pronged approach towards supporting the vulnerable households, often with a component of asset transfer, and sometimes cash transfer as well. Evaluation of these programmes show that most of them have been successful in varying degrees in their objective of graduating their clients to a more sustainable level.<sup>17</sup> Their combined experience offers a pool of insights which the Government should be able to utilize for the purpose of scaling up initiatives for the hardcore poor.

(iii) Social Protection for the Poor: The structural transformations that accompany rapid economic growth create different types of vulnerabilities even as they ensure a higher

<sup>17</sup> See Sen and Ali (2017) for a summary assessment of these programmes.

living standard for the general population. When new economic activities emerge offering more remunerative employment opportunities, some traditional activities become less remunerative, and may even disappear altogether. Thus, in the short run at least there are both winners and losers from the growth process. This is especially true in the age of globalization, which can hasten the process of structural transformation. Protection for those segments of the society that may face adversities amidst prosperity thus naturally becomes a major concern. A system of adequate social protection can minimise transitory poverty by providing a safety net to those who are in danger of going down due to shocks emanating from structural changes; at the same time, it can also provide a lift to those who could fall into poverty or remain chronically mired in poverty due to various other kinds of vulnerabilities – personal and social. Either way, a well-designed safety net system can play an important role in improving the growth elasticity of poverty.

Our analysis in section II reveals, however, that in its current state the social safety net in Bangladesh is far from being an effective tool for protecting the poor. Using data from HIES 2016, it has been estimated that safety net has helped only about 1.6 percent of poor households to come out of poverty and 3 percent of extreme poor households to come out of extreme poverty. Apart from failing to make any significant dent into poverty, the safety net programme also fails in one of its most crucial functions, namely, to enable poor households to cope with shocks better. Using a nationally representative household survey carried out in late 2009, Santos et al. (2011) found that more than 50 percent of Bangladeshi households experienced one or more shocks over a one-year recall period but less than two percent of households reported the use of safety nets as one of the top four coping mechanisms against a shock. By contrast, use of savings was reported by 26 percent to 44 percent of households as the principal means of coping with shocks, and the use of loans was reported by 31 percent to 46 percent of households. A similar conclusion was reached by Osmani et al. (2015) using another nationally representative rural survey in 2010. Through careful econometric analysis, they identified a set of factors that helped rural households to cope better with shocks. Own savings and access to microcredit were found to be among the factors that helped, but access to the social safety net was of no help.

One of the reasons for the minimalist nature of the impact of the safety net is inadequate resources. As a percentage of GDP, total expenditure on all safety net programmes went up slowly from about 1.4 percent at the turn of the present century to 2.6 percent in 2010-11. But it is disconcerting to note that since 2010-11, expenditure on the safety net has been falling both as percentage of GDP and as share of total government budget (Appendix Table A.9). In recent years, safety net expenditure as percentage of GDP has hovered around the 2.0 mark, a significant fall from the peak of 2.6 percent achieved in 2010-11. Similarly, as share of total budget, safety net expenditure has fallen from a peak of about 16 percent in 2010-11 to around 12-13 percent in recent years. The absolute amount of expenditure has of course increased in recent years (in real terms), but the fact that its shares in total budget and GDP have been going down indicates that the government has not given safety net the high level of priority it deserves. This trend must be reversed.

Just as important is the need to rationalise the whole system so that the safety net becomes genuinely pro-poor, which it currently is not. As we have noted in section II, the poor participate proportionately less in the safety net and receive a lower share of the benefits

compared the non-poor. This perverse pattern is explained in part by the well-known misuses and leakages that have become endemic to the system. But misuse is by no means the whole story. As our analysis in section II shows, there are built-in structural biases in the system that go against the interests of the poor. The fundamental problem is that the funding pattern of various programmes is itself anti-poor, in the sense that the few programmes in which the poor participate relatively more happen to receive relatively less funds, whereas the programmes in which the non-poor participate relatively more happen to be more generously funded. With such a lopsided nature of the allocation of funds across the programmes, it is little wonder that the safety net as a whole fails to serve the poor.

The structure of safety net programmes, therefore, needs to be radically rationalised. Part of the problem is that the current structure of the safety net has emerged in a completely haphazard fashion over time, at the disjointed and un-coordinated initiatives of various ministries and departments, each pursuing its own agenda. A significant move has already been made towards rationalization through the formulation of the National Social Security Strategy (NSSS) of Bangladesh in 2015. Among other things, NSSS attempts to bring order into the chaos by classifying various programmes according to their objectives and by bringing in life-cycle considerations – i.e., to design programmes to suit people’s needs at different stages of their life cycle.

This is an admirable move, but it is necessary to go further. To begin with, the number of programmes must be reduced drastically. Currently, there are more than 100 programmes running, with the majority of them being very small in scope, but collectively these minor programmes (defined as those with less than 1 percent of total beneficiaries each) devour a large share of total resources and distribute them mainly to the non-poor (Table 31). If the majority of these programmes are terminated forthwith and their funds are diverted to the few pro-poor programmes that exist, the poverty impact of the safety net will rise appreciably even without the infusion of any additional resources.

The eventual aim should be the adoption of a Universal Social Protection Programme for the hardcore poor, supplemented by a few life-cycle programmes such as child benefit and old-age pension. The adoption of the Universal Protection Programme for the hardcore poor will be contingent on devising a reliable method of identifying the hardcore poor with as little errors of omission and leakage as possible. This may take some time because any such programme must be based on means testing, and developing a satisfactory method of means testing can be time-consuming. Meanwhile, it will be necessary to continue with the current practice of indirectly identifying the deserving persons with the help of observable correlates of deprivation such as landlessness, casual labour, widowhood, disability, etc. It would be essential, however, to keep the number of such programmes to a minimum, so that their pro-poor orientation can be ensured through strict monitoring and so that adequate resources can be made available to each of them, making them capable of having a meaningful impact.

### **III.3 Technological Change, Inequality and Poverty**

In the context of an analysis that tries to look as far ahead as 2041, it is pertinent to ponder over the implications of technological change on the growth elasticity of poverty. Considering the rapid pace at which the nature of technological innovation is changing in

the global scene, it is reasonable to assume that the technological landscape of Bangladesh is likely to change drastically in the next two to three decades. In particular, labour-displacing type of technology, driven by advances in digitalization, computer-controlled machines and artificial intelligence, is likely to become increasingly prevalent. In view of this highly likely emerging scenario, a concern naturally arises regarding the feasibility of sustaining a high growth elasticity of poverty. Since the poor are dependent mainly on the sale of labour power for their livelihood, won't the impending wave of labour-displacing technological change hit the poor especially hard even as growth is propelled to higher levels, thereby reducing the growth elasticity of poverty? And, if so, what can be done at the policy level to counter this effect?

These are legitimate questions, but before commenting on policy implications, it is necessary to be clear as to precisely how the emerging technological scenario is going to affect the poor. A popular perception – common in both developed and developing parts of the world – is that the impending surge of labour-displacing technology will make labour, especially unskilled labour, redundant, thus leading to large-scale technological unemployment. If that happens, the poor unskilled workers are likely to bear the brunt of the unemployment burden.

However, neither facts nor theory suggest that large-scale unemployment is an inevitable consequence of labour-displacing innovations. In the context of the second industrial revolution which the Western developed world experienced in the twentieth century, many eminent people, including eminent economists, did predict large-scale technological unemployment, but it never happened. Contemplating the future of the world economy driven by technological progress of unprecedented magnitude, Keynes correctly foresaw rapidly rising per capita income all over the world, but warned at the same time that “We are being afflicted with a new disease of which some readers may not have heard the name, but of which they will hear a great deal in the years to come—namely, technological unemployment” (Keynes, 1930). In the middle of the twentieth century, another great economist Wassily Leontief would similarly warn that “Labor will become less and less important. . . More and more workers will be replaced by machines. I do not see that new industries can employ everybody who wants a job” (Leontief, 1952). In a similar vein, the eminent economic historian Robert Heilbroner confidently stated in 1965 that “as machines continue to invade society, duplicating greater and greater numbers of social tasks, it is human labor itself – at least, as we now think of ‘labor – that is gradually rendered redundant” (quoted in Akst, 2014). These predictions have not yet come to pass: the world has not seen any secular increase in the rate of unemployment, nor the decline in the absolute living standards of the working class that was supposed to follow from it.

Despite the failure of past predictions, renewed fears about the redundancy of labour are being voided again in the wake of recent acceleration in the spread of labour-displacing technology (e.g., Brynjolfsson and McAfee, 2014; Ford, 2016). But there are good good theoretical reasons why similar predictions failed in the past and are likely to fail again in the future. There are at least two distinct mechanisms through which the onslaught of labour-displacing innovation itself generates countervailing forces that tend to absorb more labour. The first mechanism operates through productivity improvement. Higher productivity that usually comes in the wake of technological innovation leads to higher

per capita income, which in turn leads to enhanced and diversified demand for goods and services. As a result, new economic activities emerge on the economic scene that increases the demand for labour, thus helping to absorb the labour that has been displaced in older activities.

The second mechanism is slightly more subtle, and its significance has only just begun to be understood by economists. It hinges on the idea of complementarity between labour-saving and labour-absorbing innovations: i.e., the very process of labour-displacing innovation may generate incentives for creating other innovations that require intensive use of human labour.<sup>18</sup> Even as simple human tasks are replaced by machines and software programmes (known as apps in common parlance), the same process also creates new and more complex tasks that are needed in order to create and manage those machines and apps. Generally speaking, these new tasks are more complex in nature than the ones that have been displaced, and even though it is conceivable that these new tasks could also be automated, most often they are not as humans tend to have a comparative advantage in them. In fact, this comparative advantage is further accentuated by labour-displacing innovation itself, by reducing the price of labour and thereby making it worthwhile to involve labour rather than machines in the newfound complex tasks – economics trumps technology.<sup>19</sup>

Emergence of massive unemployment is, therefore, unlikely to be the route through which the impending change in the technological landscape of Bangladesh is going to harm the poor. As explained above, the general equilibrium effects of labour-saving innovations will ensure that displacement of labour in some areas will be offset by absorption of labour in other areas. There is, however, one scenario where the outcome might be prejudicial to labour – this would be the case if the ratio between real rental of capital and real wages falls sharply, thereby cheapening capital relative to labour and thus eroding the comparative advantage of labour in the newly created complex tasks. Fortunately, such a scenario is unlikely to come to pass in Bangladesh in the medium term future unless serious policy mistakes are made. The ongoing demographic transition in Bangladesh will ensure that the working age population will continue to grow at a rapid pace for the next couple of decades at least, in both absolute and relative terms. This will help maintain a downward pressure on the price of labour relative to the price of capital. The only way things could go wrong is if the government adopts policies that artificially cheapen capital – e.g., through fiscal concessions, capital-biased tariff structure, regulated credit policies, etc. So long as these wrong-headed policies are steadfastly avoided, the prospect of technological unemployment will remain at bay.

There is, however, a different route through which the poor could potentially be harmed, and for which well-considered policy interventions would be needed. This route involves inequality rather than unemployment. Both empirical evidence and theoretical logic suggest that, even though the new wave of technology may not create massive unemployment, it is

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<sup>18</sup> For theoretical and empirical elaboration of this line of argument, see especially Acemoglu and Restrepo (2017a, 2017b).

<sup>19</sup> Examples of jobs generated by these new tasks include a new class of engineers, machinists, repairmen, conductors, back-office workers, data analysts, and managers. It has been estimated that nearly half of the new jobs that have been created in the United States in the period from 1980 to 2007 are of this type (Acemoglu and Restrepo, 2017a).



very likely to aggravate the problem of inequality – by widening the earnings gap between skilled and unskilled workers. Many of the labour-intensive complex tasks that emerge as a spillover effect of labour-displacing innovations in some sectors of the economy require the use of skilled, sometimes highly skilled, workers. The relative demand for skilled workers would therefore rise rapidly, thus driving a widening wedge between the wages of skilled and unskilled workers.

The important question here is how this inequality is going to affect the poor. The answer will depend on what determines the access to skill acquisition. If the access depends purely on merit, the effect will be neutral as between workers from poorer and well-off backgrounds, assuming – not unrealistically – that intrinsic merit is distributed randomly between people of different socio-economic backgrounds. The problem, however, is that in the prevailing conditions of Bangladesh, intrinsic merit is unlikely to be the primary – let alone the sole – determinant of access to skills. In our discussion of inequality in section II, one of the central points was that the relative disadvantage of the poor in the acquisition of human capital is not only persistent but is also likely to increase over time, unless fundamental changes are made on the policy front. Therefore, in the status quo scenario (in terms of policies in education and health sectors), it is very likely that the technology-induced widening of inequality between skilled and unskilled workers will have a disproportionately adverse effect on the poor. This will have the effect of reducing the growth elasticity of poverty, rendering the task of poverty reduction that much harder.

The upshot of all this is that the emerging scenario of technological change in the medium term future does not pose any novel problem for the poor, but it does aggravate the adverse consequence of the relative disadvantage the poor currently face in the acquisition of human capital. Policy interventions would be needed in any case to remove this relative disadvantage even without any technological change; the fact that technology is going to change merely makes those interventions all the more urgent. The only additional policy implication that follows is that the government must refrain from making capital artificially cheap, so that market forces can operate efficiently to stave off any possibility of large-scale technological unemployment.

#### **IV. Summary of Policy Conclusions**

A number of policy conclusions emerge from the analysis presented in sections II and III. The most important ones among them are summarised below.

(1) Sustaining a healthy rate of overall economic growth is the first pre-requisite for maintaining a healthy rate of poverty reduction in the coming decades. Even though growth alone is not sufficient to reduce poverty fast, sustained poverty reduction is not possible without sustained growth over a period of time. Some of the essential ingredients of a policy framework for sustaining a rate of growth include: massive investment to overcome infrastructural bottlenecks, maintaining a competitive environment especially by encouraging outward orientation of the economy, and a structure of governance that provides the right kind of incentive to the entrepreneurs – to invest in the economy rather than to either take their capital and enterprise out of the country or to waste them for unproductive purposes.

(2) While sustained growth at a relatively high rate is essential for sustainable poverty reduction, policymakers will have to move beyond their usual preoccupation with the rate of growth. At least equally important is the ‘growth elasticity of poverty’, which indicates how strongly poverty reacts to any given rate of growth. A comprehensive strategy for poverty elimination must include a range of policies designed to ensure a high ‘growth elasticity of poverty’. These policies can be classified into two categories – (a) those that ensure that the process of economic growth creates a lot of opportunities for the poor to engage in more remunerative employment than they currently have and (b) those that enable the poor to take advantage of the opportunities that are created by the growth process. Some of the major policy imperatives of both types are summarised below.

(3) Special emphasis must be given to agricultural growth. Although the relative importance of agriculture in national income is coming down over time – as it inevitably will in the course of development – from the point of view of poverty reduction, agriculture still retains a special significance. A given rate of growth in agriculture should have a much higher impact on poverty compared to the same rate of growth in other sectors because the number of poor people who are directly supported by a unit of output is far higher in agriculture than elsewhere. In other words, the growth elasticity of poverty is likely to be much higher in agriculture than in any other sector. As such, efforts must be made to reverse the slowdown in agricultural growth that has been witnessed in the recent years.

(4) Managing rural-to-urban migration through decentralized urbanization should be treated as an essential component of any comprehensive strategy for rapid poverty reduction. Quite apart from creating a plethora of problems afflicting the urban life, excessive migration concentrated in a small number of urban centres goes against the interests of the poor, by excessively inflating the supply side of the labour market, and thereby exerting a downward pressure on the incomes of unskilled workers. Decentralized urbanization would not only help avoid excessive pressure on the major urban centres, but would also help reduce the flow of migration itself, in a number of ways. The net effect of all these would be to avoid the adverse effect of excessive migration and thus to improve the growth elasticity of poverty reduction.

(5) Closely related to the strategy for managing urbanization is the issue of spatial disparity in poverty. To the extent that the bottlenecks faced by the poorer regions are successfully addressed, the poverty-reducing effect of any given rate of growth will be magnified i.e., the growth elasticity of poverty will be improved. Two aspects of spatial disparity need to be distinguished here – the macro aspect and the micro aspect.

(6) At the macro level, the most disconcerting fact is that the East-West divide, which showed a tendency to close during the second half of the 2000s, appears to be widening again. It was once hoped that improved communication following the opening of the Bangabandhu Bridge would help to narrow the gap between the West and East, but this hope has been belied by the growing divergence witnessed in the recent years. Perhaps the fundamental problem is geographical and/or ecological. In any case, the problem needs to be investigated afresh and new solutions found.

(7) At the micro level, it has been found from recent research, based on disaggregated poverty map, that pockets of extreme poverty exist in all regions, cutting across the East-



West divide. In order to identify these pockets more accurately, and to gain an understanding of the specific problems faced by each of them, it is essential to constructing an updated poverty map at the upazila level, using HIES 2016.

(8) In order to ensure that the poor are better able to seize the opportunities opened up by the growth process, it is essential to improve their human capital – in the form of education and health – both in absolute and relative terms. The poor have enjoyed considerable improvement in the absolute levels of both education and health in the recent decades. But they still suffer from relative disadvantage vis-à-vis the better-off segments of the population, and this disadvantage is becoming more serious over time as inequalities in health and education are widening in many crucial dimensions. This is not only contributing to widening of income inequality but is also threatening to have an adverse effect on poverty. This is because if the poor lag behind the non-poor in the quantity and quality of human capital, they will lose out to the non-poor in the competition for more remunerative employment opportunities that are thrown up by the growth process. Poor workers will not then be able to escape poverty at a rapid rate despite enjoying higher absolute levels of human capital. Relative deprivation in human capital will thus be translated into absolute deprivation in terms of income poverty. This problem is likely to be aggravated in the future as the emerging pattern of technological change is inevitably going to create a bias in favour of skilled workers. It is, therefore, imperative that inequality in human capital is addressed, in addition to improving the absolute level of human capital of the poor.

(9) On the education front, the primary reason for growing inequality is the predominance of private expenditure as a determinant of the quantity and quality of educational outcomes. The predominance of private expenditure is in turn a consequence of the fact that the public education system in Bangladesh is in dire straits. The public education system suffers both inadequate resources and poor governance – perhaps more of the latter. Improved governance of the public education system, combined with infusion of more resources, should be at the top of the policy agenda in any plan for narrowing inequality and reducing poverty.

(10) The health sector shares with education the problem of an abysmal system of public provision. The dismal state of the public healthcare system creates incentives for the well-to-do families to seek private healthcare, leaving the poorer segment of the population to bear the brunt of the inefficiencies of the public healthcare system. The solution, as in the case of education, is to improve the resources and governance of the public healthcare system so that the private sector becomes redundant, at least for the basic healthcare needs.

(11) There is, however, an additional factor in the case of health inequalities that calls for some additional measures. To some extent, health inequalities are perpetuated through an inter-generational transmission mechanism, with undernourished mothers giving birth to low birthweight babies who in turn grow up to be undernourished adults. There exist socio-economic differentials in the incidence of low birthweight babies, with the poorer families having a higher incidence than the richer ones; and this is what contributes to the perpetuation of health inequalities. A two-pronged strategy needs to be adopted to deal with two major determinants of low birthweight – namely, maternal undernutrition and early childbirth by adolescent mothers. Inequalities in maternal undernutrition should be addressed through a well-funded and well-governed public healthcare and nutrition

services system. Early childbirth should be prevented by embarking on a massive public awareness-raising campaign against early marriage – with the same vigour and zest with which some other mass campaigns were launched successfully in the past, for example, in the fields of family planning, oral rehydration therapy and child immunization.

(12) In addition to human capital, the poor will also need access to physical assets if they are to seize the opportunities for more remunerative self-employment created by the process of economic growth. Since direct asset redistribution in any significant scale is not feasible in a non-revolutionary political environment, the only way to address the problem is to enable the poor to acquire assets through the market place. This in turn is only possible if the poor get access to credit, from which they have traditionally been deprived. The microcredit revolution has eased the problem to a significant extent; every effort must be made to strengthen and expand the role of microcredit, by embedding it in a broader programme of financial inclusion.

(13) It needs to be acknowledged, however, that provision of microcredit alone, or even financial services in general, may not be enough for the hardcore poor, as they typically are so seriously disadvantaged by multiple constraints on various fronts that they won't be able to make good use of credit even if it was made available to them on reasonable terms. Many of them will end up as day labourer, working for wages, but that will hardly be a route out of poverty. If they are to escape poverty by engaging in productive self-employment in a sustainable manner, they must be made creditworthy first. Based on this recognition, a number of experimental approaches have already been launched by various institutions. Their objective is to find ways of enabling the hardcore poor to graduate to a level from where access to credit, and a more substantial engagement with the market, can have a chance of providing them an escape route out of poverty. The more successful of those programmes should be scaled up and mainstreamed through the infusion of significant amount of resources.

(14) The safety net system is in need of a complete overhaul, as it does not serve the interest of the poor. The latest evidence shows that the safety net makes very little impact on poverty. One of the reasons for this failure is inadequate resources. Total expenditure on the safety net as a share of government budget and as the share of GDP have been declining since 2010-11. This trend must be reversed and much larger allocations should be made to what is a vital component of any strategy for poverty elimination.

(15) Equally important is the need to restructure the safety net programmes so as to improve its poverty orientation. The current structure is not pro-poor at all – it is, in fact, the non-poor who participate more in the programme and who claim the larger share of the benefit. The fundamental problem is that the funding pattern is anti-poor, in the sense that the few programmes in which the poor participate relatively more happen to receive relatively less funds, whereas the programmes in which the non-poor participate relatively more happen to be more generously funded. The system should be reformed by eliminating the programme that have a heavy bias against the poor; and this is true for the majority of programmes. Efforts and resources should be concentrated on a small number of programmes that have proven to be relatively pro-poor, with the eventual goal of moving towards a universal protection scheme for the hardcore poor.

(16) Considering that the emerging pattern of technological change is very likely to create a bias against labour – in particular, unskilled labour, and recognising that this bias can be offset to some extent by market forces through appropriate changes in relative prices between capital and labour, government policies must be framed so as to support rather than hinder the self-correcting ability of the market. This means specifically that the government must refrain from adopting policies that artificially cheapen capital – e.g., through fiscal concessions, capital-biased tariff-structure, regulated credit, etc.

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**Appendix Table A.1**  
**Sectoral GDP Growth Rates: 2000/01 – 2015/16**  
(percent per annum)

	Agriculture	Industry	Construction	Services	All
2000/01 – 2004/05	3.08	6.12	7.66	5.05	5.09
2005/06 – 2009/10	4.99	7.63	6.57	5.56	6.07
2010/11 – 2015/16	3.29	9.04	7.50	5.66	6.45

**Source:** BBS, Bangladesh National Accounts: Sources and Methods, 2014; BBS, National Accounts Statistics 2016, May 2016.

**Appendix Table A.2**  
**Rural Poverty by Land Ownership: 2000-2016**  
(headcount index; percent)

Land ownership category	2000	2005	2010	2016	All
Landless (<0.05 acre)	63.5	56.8	45.6	33.7	5.09
Functionally landless (0.05-0.5 acre)	59.7	48.8	45.6	26.8	6.07
Marginal (0.5-1.5 acre)	47.2	35.1	25.0	18.5	6.45
Small (1.5-2.5 acre)	35.4	23.7	16.8	13.9	
Large/medium (> 2.5 ac)	20.7	12.8	9.7	12.4	
All	52.3	43.8	35.2	26.4	

**Notes and Sources:** The figures from 2000 to 2010 are from World Bank (2013), Table 2.2. The figures for 2016 were calculated by the author from raw data of HIES, 2016.

**Appendix Table A.3**  
**Trend of Real Wages of Unskilled Workers**  
(2010-11=100)

Year	Nominal wage	CPI	Real wage
1999-00	41.2	48.2	85.3
2000-01	43.3	49.4	87.6
2001-02	46.4	50.9	91.0
2002-03	50.0	53.2	94.0
2003-04	53.8	56.1	95.8
2004-05	57.1	59.8	95.5
2005-06	61.0	64.4	94.7
2006-07	66.4	70.7	93.9
2007-08	75.1	77.6	96.6
2008-09	84.7	84.3	100.2
2009-10	93.7	91.5	102.4
2010-11	100.1	99.6	100.7
2011-12	106.3	108.2	98.3
2012-13	112.6	116.4	96.7
2013-14	118.7	124.4	95.5
2014-15	125.4	132.5	94.7
2015-16	133.2	140.4	94.8

**Notes and Sources:**

(1) The original time series data for CPI and nominal wages were obtained from BBS, Consumer Price Index (CPI), Inflation Rate and Wage Rate Index (WRI) in Bangladesh; August 2016.

(2) The original time series for CPI and nominal were composed of different segments corresponding to different base years. We transformed them into consolidated time series, by slicing them at the common base year 2010-11.

(3) Next, we constructed a consolidated time series of real wages by deflating nominal wages with the corresponding years' CPI.

(3) Finally, we took 3-yearly moving averages for all three time series – viz., CPI, nominal wage and real wage – so as to iron out random components of year-to-year fluctuations. It is these moving averages that are reported in this table.

**Appendix Table A.4**  
**Regional Pattern of Educational Achievement: 2016**  
 (percentage of workers)

Division	No education	Primary	Secondary	Higher Secondary	Graduate
<b>West</b>	<b>32.9</b>	<b>31.0</b>	<b>28.7</b>	<b>4.9</b>	<b>2.6</b>
Barisal	26.1	32.1	28.3	6.9	6.6
Khulna	32.6	29.1	29.9	4.4	4.0
Rajshahi (new)	42.7	26.1	21.8	5.1	4.3
Rangpur	42.7	25.0	23.6	4.6	4.1
<b>East</b>	<b>31.9</b>	<b>31.6</b>	<b>29.1</b>	<b>4.9</b>	<b>2.6</b>
Dhaka	35.4	25.7	27.9	5.4	5.6
Chittagong	32.9	28.6	28.9	5.0	4.7
Sylhet	39.4	35.1	19.5	3.2	2.8
<b>Total</b>	<b>36.2</b>	<b>27.6</b>	<b>26.4</b>	<b>5.0</b>	<b>4.8</b>

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

**Appendix Table A.5**  
**Poverty within Occupations Across Regions: 2016**  
 (headcount index; percent)

Division	Day labour	Self-employed	Salaried worker	Employer	All
<b>West</b>	<b>41.0</b>	<b>22.6</b>	<b>23.9</b>	<b>14.2</b>	<b>34.6</b>
Barisal	35.4	23.0	18.4	19.8	26.4
Khulna	31.6	19.2	20.0	2.2	27.5
Rajshahi (old)	45.8	24.3	27.7	17.7	37.5
Rajshahi (new)	37.0	17.9	19.7	14.0	28.9
Rangpur	55.6	32.0	37.8	23.5	47.3
<b>East</b>	<b>26.8</b>	<b>15.5</b>	<b>12.3</b>	<b>5.9</b>	<b>20.5</b>
Chittagong	26.3	16.0	14.3	6.1	18.3
Dhaka	29.6	16.6	11.1	7.0	19.6
Sylhet	19.9	10.6	15.2	0.0	16.2
<b>Total</b>	<b>34.1</b>	<b>18.8</b>	<b>15.2</b>	<b>8.5</b>	<b>24.2</b>

Source: Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

**Appendix Table A.6**  
**Structure of Occupation in 2016**  
(percent)

<i>Occupation</i>	<i>National</i>	<i>Rural</i>	<i>Urban</i>
<b><i>Agriculture</i></b>	<b>34.1</b>	<b>44.6</b>	<b>9.2</b>
Day labour	17.4	23.1	4.0
Self employed	15.6	20.3	4.3
Salaried worker	0.7	0.7	0.8
Employer	0.4	0.5	0.2
<b><i>Non-agriculture</i></b>	<b>65.9</b>	<b>55.4</b>	<b>90.8</b>
Day labour	20.8	20.5	21.6
Self employed	15.1	14.0	17.5
Salaried worker	29.5	20.6	50.9
Employer	0.4	0.3	0.8

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

**Appendix Table A.7**  
**Poverty of Self-employed Workers in Agriculture**  
**by Land Ownership: 2016**  
(percent)

Land ownership category	Share in self-employment in agriculture	Rate of Poverty
Landless (<0.05 acre)	13.9	26.2
Functionally landless (0.05-0.5 acre)	32.7	23.1
Marginal (0.5-1.5 acre)	30.8	18.8
Small (1.5-2.5 acre)	12.4	14.8
Large/medium (> 2.5 ac)	10.1	13.4
All	100.0	20.2

**Note:** Land ownership refers the land owned by the household in which a worker lives.

**Source:** Calculated by the author from raw data of BBS, Household Income and Expenditure Survey (HIES), 2016.

**Appendix Table A.8**  
**Uses of Microcredit by Rural Households in Bangladesh: 2007-2013**  
 (percent)

Use of microcredit	Share of loan amount
<b><i>Income-generating activities (IGA)</i></b>	<b>43.56</b>
Crop agriculture	13.59
Livestock, poultry, fishery	7.08
Non-farm activities	22.89
<b><i>Asset augmentation</i></b>	<b>17.13</b>
Physical capital	11.72
Human capital	5.41
<b><i>Consumption</i></b>	<b>20.77</b>
<b><i>Loan repayment</i></b>	<b>10.24</b>
MFI	2.44
Institutional (excluding MFI)	0.16
Informal lenders	7.64
<b><i>Others</i></b>	<b>8.30</b>
Of which, wedding/dowry	2.63
<b><i>Total</i></b>	<b>100.0</b>

**Notes and Sources:** (1) Loan-use data refer to actual uses as reported by households, not official uses as recorded by the MFIs. Furthermore, the figures are estimated by combining primary and secondary uses of loan, recognising that any single loan may be used for multiple purposes, and they represent average figures for the period 2007-2013.

(2) Estimated by the author from two rounds of a nationally representative panel survey carried out by the author in 2010 and 2013 for the project entitled Dynamics of Poverty in Rural Bangladesh under the auspices of the Institute of Microfinance, (now renamed as Institute of Inclusive Finance and Development), Dhaka.

**Appendix Table A.9**  
**Government Expenditure on**  
**Safety Net Programmes: 2008/09 – 2016/17**  
 (percent)

Year	Share of Budget	Share of GDP
2008-09	14.71	2.25
2009-10	15.12	2.42
2010-11	16.07	2.64
2011-12	13.63	2.40
2012-13	12.20	2.23
2013-14	12.33	2.26
2014-15	12.78	2.02
2015-16	13.60	2.08
2016-17	12.88	2.09

**Source:** Ministry of Finance, Government of Bangladesh,

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