ECONOMIC & DEVELOPMENT INSTITUTIONS

BANGLADESH INSTITUTIONAL DIAGNOSTIC WP20/BDID[04]

CHAPTER 4: THE COUNTRY INSTITUTIONAL SURVEY – EXPERTS' OPINIONS ON INSTITUTIONS IN BANGLADESH



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Table of contents

List of tables and figures iii

1 Introduction 1

2 The CIS in Bangladesh 2

2.1 The survey: design of the questionnaire 2

2.2 Execution of the survey 4

3 Critical institutional areas for Bangladesh's development 8

4 The perceived functioning of institutions in Bangladesh 12

4.1 Distribution of questions by average score for each institutional area 14

4.2 Distribution of average score by cluster 45

4.3 Identification of the major areas of institutional weaknesses 46

4.4 Perceptions of institutions from a gender perspective 47

4.5 Perceptions of institutions based on political affinity 48

5 Open-ended interviews with top decision makers and policymakers 51

6 Discussion and conclusion 53

Annex A 'Political institutions: executive' – Questions associated with the clusters and sub-clusters 55

Annex B 'Political institutions: system' – questions associated with the clusters and sub-clusters 59

Annex C 'Justice and regulations' – questions associated with the clusters and sub-clusters 61

Annex D 'Business environment' – questions associated with the clusters and sub-clusters 63

Annex E 'Civil service' – questions associated with the clusters and sub-clusters 68

Annex F 'Land' – Questions associated with the clusters and sub-clusters 71

Annex G 'People' – Questions associated with the clusters and sub-clusters 74

Annex H Average scores of sub-clusters 77

Annex I Average scores of sub-clusters for males and females 80

Annex J Average scores of sub-clusters for ruling party affiliation, opposition party affiliation, and no affiliation 83

List of tables and figures

Table 1: Institutional areas and description 3
Table 2: Stratification of the sample 5
Table 3: Composition of the sample 6
Table 4: Clusters and sub-clusters of 'Political institutions: executive' 16
Table 5: Clusters and sub-clusters of 'Political institutions: system' 21
Table 6: Clusters and sub-clusters of 'Justice and regulations' 25
Table 7: Clusters and sub-clusters of 'Business environment' 30
Table 8: Cluster and sub-cluster of 'Civil service' 34
Table 9: Clusters and sub-clusters of 'Land' 39
Table 10: Clusters and sub-clusters of 'People' 43

Figure 1: Geographical location of the respondents 7
Figure 2: Choice of institutional areas 8
Figure 3: Choice of institutional area by sector of affiliation 9
Figure 4: Choice of institutional area by gender 10
Figure 5: Choice of institutional area by political affinity 10
Figure 6: Choice of institutional area by business sector 11
Figure 7: Distribution of questions by average score – all questions 12
Figure 8: All questions – analysis by sector of affiliation 13
Figure 9: Distribution of questions by average score – 'Political institutions: executive' . 14
Figure 10: 'Political institutions: executive' – analysis by sector of affiliation 15
Figure 11: 'Political institutions: executive' – cluster analysis 16
Figure 12: 'Political institutions: executive' – sub-cluster analysis 18
Figure 13: Distribution of questions by average score – 'Political institutions: system' 19
Figure 14: 'Political institutions: system' – analysis by sector of affiliation 20
Figure 15: Political institutions: system – cluster analysis 21
Figure 16: 'Political institutions: system' – sub-cluster analysis 22
Figure 17: Distribution of questions by average score – 'Justice and regulations' 23
Figure 18: 'Justice and regulations' – analysis by sector of affiliation 24
Figure 19: 'Justice and regulations' – cluster analysis 25
Figure 20: 'Justice and regulations' – sub-cluster analysis 27
Figure 21: Distribution of questions by average score – 'Business environment' 28
Figure 22: 'Business environment' – analysis by sector of affiliation 28
Figure 23: 'Business environment' – cluster analysis 30
Figure 24: 'Business environment' – sub-cluster analysis 32
Figure 25: Distribution of questions by average score – 'Civil service' 33
Figure 26: 'Civil service' – analysis by sector of affiliation 33
Figure 27: 'Civil service' – cluster analysis 35
Figure 28: 'Civil service' – sub-cluster analysis 36
Figure 29: Distribution of questions by average score – 'Land' 37
Figure 30: 'Land' – analysis by sector of affiliation 38
Figure 31: 'Land' – cluster analysis 39
Figure 32: 'Land' – sub-cluster analysis 40
Figure 33: Distribution of questions by average score – 'People' 41
Figure 34: 'People' – analysis by sector of affiliation 42
Figure 35: 'People' – cluster analysis 43
Figure 36: 'People' – sub-cluster analysis 45
Figure 37: Percentage distribution of scores by theme 46
Figure 38: Major areas of institutional weaknesses 47
Figure 39: Percentage difference (absolute) in responses by gender 48

Figure 40: Percentage difference (absolute) in responses by political affinity 49

1 Introduction

Although many thinkers throughout history have thought of societies as organisms with some similarity to the human body, simple diagnostic tools of the kind that are available to detect human diseases do not exist for societies and the institutions that govern them, even when the investigation is restricted to what may weaken their economic development. Economic development per se, and its relationship with institutions, are such complex topics that only in-depth analyses can possibly shed some light on them. Even the 'growth diagnostic' tool proposed by Hausmann *et al*. (2008)[1] identifies 'binding constraints' on growth that are contingent upon the 'economic and institutional environment' of a country, and does not say much about the institutional roots of these constraints. This was very much the approach followed in Chapter 2. Yet the complexity of the relationship between institutions and development should not prevent an analysis from relying on simple diagnostic tools, provided that the limitations of these tools is kept well in mind when trying to go deeper in an institutional diagnostic exercise. Simple tools can help us find the way to search for the bigger picture. This was done in the preceding chapter by trying to extract information from existing cross-country indicators of the quality of governance and institutions. Another simple tool is reported on in the present chapter: the survey responses of decision makers of various types who were asked about the institutional features that hinder Bangladesh's development.

Two approaches were followed in this survey. The first was a questionnaire survey that was administered among a selected sample of people who regularly confront Bangladesh's institutional context in their activities. This survey was copied from the Country Institutional Survey (CIS), which has been used in other countries[2]. The second approach consisted of conducting open-ended interviews with a few key informants in political, business, social, and academic circles.

The chapter is organised as follows. The methodology and procedure of the CIS survey are discussed in the next section. Section 3 is devoted to the analysis of the respondents' ranking of the most constraining institutions, grouped under a few headings. Section 4 discusses the perceived functioning of the institutions by the people surveyed, under each heading. Section 5 summarises the lessons from the open-ended interviews with top decision makers and policymakers. The final section then gathers together the conclusions to be drawn from these two exercises.

[1] Hausmann, R., Rodrik, D. and Velasco, A. (2008) 'Growth diagnostics', in *The Washington Consensus Reconsidered: Towards a New Global Governance*, pp. 324–355.

[2] CIS was borrowed from a survey taken regularly among French diplomatic personnel to analyse institutional changes taking place in developing countries – see 'Institutional Profile Database' at www.cepii.fr/institutions/FR/ipd.asp. The questionnaire has been modified to better fit the institutional diagnostic objective of the present research programme. The first editions were run in Tanzania and Benin. As in the preceding editions, the questionnaire used in Bangladesh was designed to fit the local context as closely as possible.

2 The CIS in Bangladesh

The CIS is a sample survey tool developed as part of the institutional diagnostic activity of the Economic Development and Institutions (EDI) programme. Its aim is to identify institutional challenges as they are perceived by the people in a country who are most likely to confront them on a regular basis. These challenges are then made the subject of deeper scholarly analysis. Being based on a broad sample of respondents, the CIS intends to yield a more diverse view of the country than the numerous institutional indicators that rely most often on the opinion of a few experts.

At the beginning a pilot for the CIS in Bangladesh was held in late 2018. Those who took part in the pilot occupied top decision-making positions at this time. The reason for choosing respondents from top decision-making positions was to get a lucid idea of the institutions in Bangladesh, since such respondents either interact with the institutions on a regular basis or they work as an active part of the institutions. As decision makers, they have in-depth knowledge of institutions and their weaknesses. Of course, these opinions are quite different than the opinions of the general mass of the people, as they are based on direct experiences with the institutions and/or rigorous analysis of the institutions from their vantage point. The insights gathered from the pilot helped conducting the Bangladesh CIS between December 2018 and February 2019. The remainder of this section will discuss the design of the questionnaire and the execution of the survey, respectively.

2.1 The survey: design of the questionnaire

The questionnaire had three primary components: a section on the personal characteristics of the respondent; another on the institutional areas seen as most constraining by the respondent; and, the last one, a long section on the respondent's perceptions of the institutions and the functioning of institutions in Bangladesh.

The first section was split into two parts. The first part initiated the discussion and asked general questions such as the respondent's name, gender, and sector of affiliation, including political affinity and sub-sectors that the respondent was associated with. The other part compiled more sensitive information on the past and present occupation of the respondent, the location of their work, their family size, and their religion.

Table 1: Institutional areas and description

No	Institutional area	Description
1	Political institutions: executive	Effective concentration and use of power; type of governance; relationship with parliament, judiciary, local governments, media, and civil society
2	Political institutions: system	Functioning of elections; voice of opposition parties, civil society, and media; checks and balances on the executive
3	Justice and regulations	Fairness, independence, and effectiveness of the judicial system; regulation of public and private monopolies
4	Business environment	Relationship between the private sector and public administration; protection of property rights and labour contracts; business registration and licensing; taxation; availability of infrastructure
5	Civil service	Efficiency, fairness, effectiveness, and transparency in the management of social and economic policy, including customs, taxation, education, health, etc.
6	Land	Provision of ownership, protection of tenants and small holdings, promotion of commercial ventures
7	People	Sense of solidarity, discrimination practices, security, trade unions

Source: CIS, Bangladesh

The second section of the questionnaire was composed in such a way as to gather information about the most constraining institutional areas in Bangladesh. In this part of the questionnaire, the respondents were provided with the details of institutional areas that we had focused on for the survey. This comprised seven broad institutional areas: 'Political institutions – executive'; 'Political institutions – system'; 'Justice and regulations'; 'Business environment'; 'Civil service'; 'Land'; and 'People' (Table 1). Respondents then had to select two institutional areas that, according to them, most constrain development in Bangladesh. The chosen areas were not only important for the analysis but were also important for the subsequent part of the survey since they determined the set of questions presented to the respondent in the third section of the survey.

The core section of the CIS survey comprised 415 unique questions on the perception of institutions in Bangladesh. The collection of information relied on a Likert scale, ranging from 'not at all' and 'little' to 'moderately so', 'much', and 'very much'. Responses were then converted into discrete numbers, ranging from one to five, for the analysis. The CIS questionnaire was unique in several dimensions, mostly with the aim of making it as close as possible to the specific context of Bangladesh.

There are particular challenges that come with surveying top-tier executives, not only with access but also because their time may be limited. Our survey had a high volume of questions and sought to gather information on a broad spectrum of institutional issues. If we had asked every respondent every question, the survey would be far too long to be of practical use. Keeping these constraints in mind, the survey was conducted in a dynamic way. As mentioned earlier, in the second section of the questionnaire, respondents were asked to identify the most constraining institutional areas according to them, from the list of seven broad institutional areas. Then they were first asked to answer both the primary and

secondary questions related to the two institutional areas they had selected, as well as only primary questions related to the other five institutional areas that they did not choose. Notice also that, given the overlap between institutional areas, respondents had to answer about 70–80% of the full set of questions on average.

Changes in institutions are infrequent and most happen over the course of time rather than suddenly and abruptly. Even though there are a few examples of institutional changes which have happened overnight, most institutions persist. At the same time, human psychology works in such a way that people tend to react to the most recent events associated with a certain entity. For that reason, it is quite possible that the perceptions of the respondents were biased towards the present. However, the current *de jure* institutional authority in Bangladesh has not changed much over the last decade and so it was expected that perceptions about the overall context would be reflected in their responses. In addition, in-depth discussions with top decision makers on the institutional constraints shed light on the changes over time. Second, the enumeration took place right around the time when a general election was taking place in Bangladesh. The election thus had impacts at several levels, in terms of survey responses that commented specifically on recent institutional characteristics. Last but not least, very recent changes in institutions do not explain the past economic trajectory, so the questions about the more stable aspects of institutions were relevant.

The survey covered the views of people who were either affiliated with institutions or in close contact with them. The survey also aimed to capture the view from the top down, where decisions are made or where policies are generated. To do this, it was very important to select respondents from the first- or second-tier position of any institution. These decision makers had experienced the impacts of changes in certain institutions first-hand and were concerned about the functioning of the country's institutions. As a consequence, a pure random sampling in the overall population was not an option. The selection of respondents had to be based on an arbitrary stratification of groups of expert respondents, to make sure various sectors, occupations, and individual profiles would be present in the sample. This implies a strong selection bias with respect to the Bangladesh population, but, of course, this was deliberate.

2.2 Execution of the survey

The Bangladesh CIS was conducted between December 2018 and February 2019 in a collaborative effort between EDI researchers, Oxford Policy Management (OPM), and South Asian Network on Economic Modeling (SANEM), a think-tank from Bangladesh. A total of 355 individuals were sampled in a purposively stratified sample. The selection process followed two steps. First, researchers listed strata in terms of occupation, position level, geographical constraints, and tentative gender balance. Samples were surveyed in major cities in the country, like Dhaka, Gazipur, Chattogram, Sylhet, Rajshahi, Bogra, Rangpur, Barisal, and Khulna.

SANEM, in cooperation with OPM, determined a list of target respondents who satisfied the occupational, geographical, and gender considerations. Next, these probable respondents were contacted, and if they gave their consent they were interviewed. Table 2 reports the current occupation of the targeted respondents. The sample is divided into five sectors:

politicians, bureaucrats, business executives, academics, and civil society members. Responses of a total of 48 politicians, 51 bureaucrats, 131 business executives, 76 academics, and 49 civil society members were collected.

Table 2: Stratification of the sample

Sector of affiliation	Occupation type/status	Number of respondents
Politicians	Ruling party	23
	Opposition	25
Bureaucrats	Current	33
	Ex	18
Business executives	Agriculture, fishing, livestock	13
	Manufacturing	62
	Construction	10
	Information and communication	12
	Wholesale and retail	16
	Health	2
	Transport	7
	Bank	9
Academics	Teaching	66
	Research	10
Civil society	Non-governmental organisation (NGO)	39
	Diplomat	1
	Other	9
Total		355

Source: CIS, Bangladesh

Table 3 provides details regarding the characteristics of the survey respondents. It is most unfortunate that, though the initial target was for at least 31% of the sample to be female, the enumerators struggled to contact or arrange interviews with female respondents. This may be linked to the fact that in Bangladesh only a few of the top-tier positions are held by women. This in fact was observed to be the case when conducting the survey and can be considered a finding of the study. Thus, only 14% of the respondents were female.

The main goal of the CIS in Bangladesh was to capture an amalgamation of viewpoints about the institutions in the country. As mentioned earlier, the survey targeted respondents from the top tier; thus, the mean level of education for these respondents was well above the national average. As we can see in Table 3, about 90% of the respondents had a university degree or above. The same argument regarding choosing respondents from the top tier applies to the age distribution of the respondents. Since it takes years of experience to reach a top-tier position, respondents tended to come from older age brackets. The average years of experience of the respondents explains the spectrum of their experiences with institutions in the country, and it also indicates the way in which the survey captures the respondents' perceptions of institutions in a dynamic way: as most of them had worked under varied circumstances, each of them had a unique experience with the institutions in Bangladesh which the survey intends to capture.

Table 3: Composition of the sample

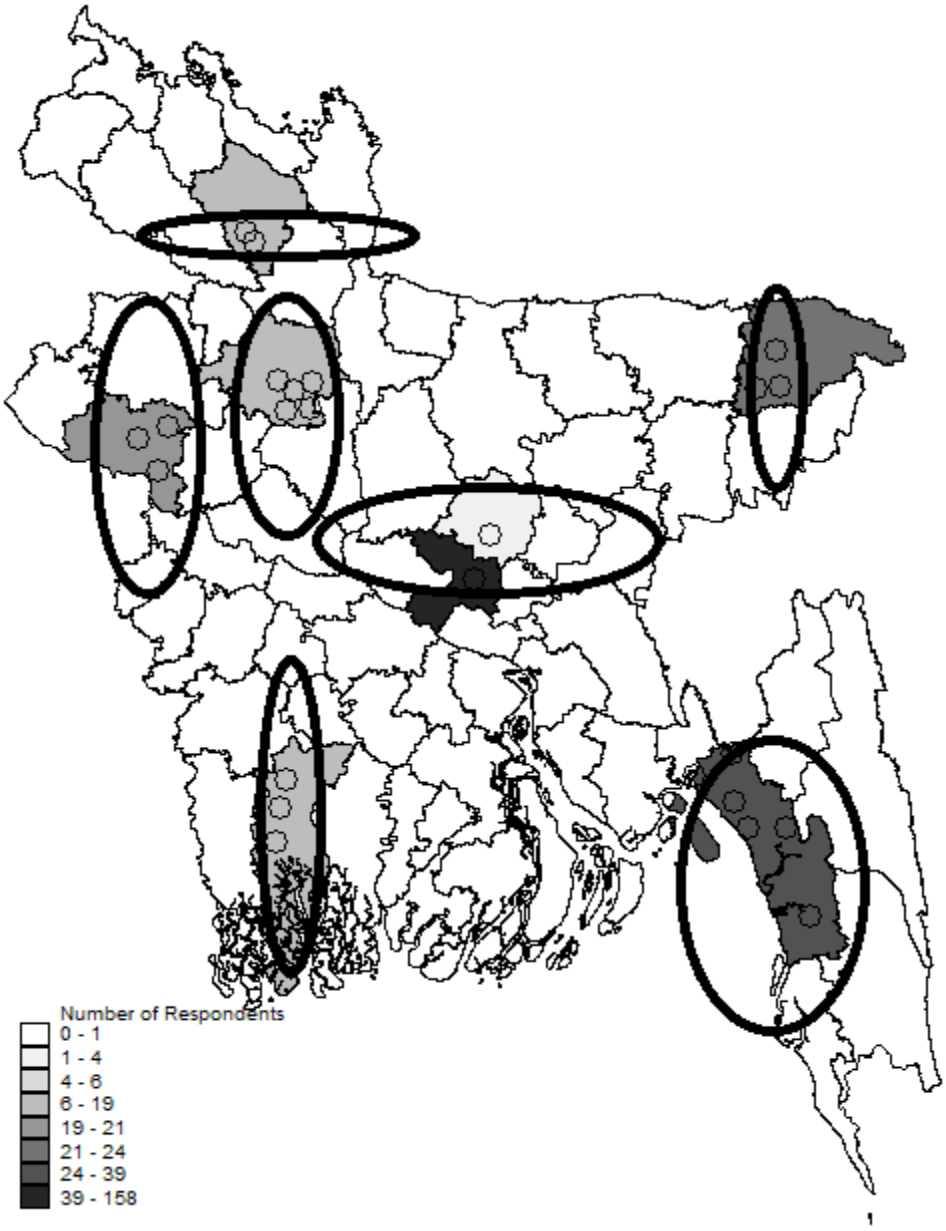
Respondent's main characteristics		Occupation history (number of respondents)	
Number of female respondents	50	Politician	48
Number of respondents: Married	324	Bureaucrat	51
Average family size	4.15	Business executive	131
Average age in years	47	Academic	76
Average education: university degree or above	318	Civil society	49
Average years of experience	21	Total number of respondents	355
Average years of experience at the current institution	15		

Source: CIS, Bangladesh

It is also important to point out that 23 respondents declared a political affinity with the ruling party and 25 with the opposition, and the rest of the respondents declared no political affinity. This enables us to compare the responses of respondents with ruling party or opposition affiliation with respondents without any declared political affinity, to assess whether party affiliation had any bearing on the responses given. In terms of geographical diversity, most respondents lived in an urban area.

It is in fact not surprising to see that most of the respondents resided in urban centres, as the survey targeted the elite in the country, who tend to live in or close to the cities. Since most head offices or main branches of public and private organisations in Bangladesh are located in Dhaka, the region around the capital is overrepresented. (Figure 1)

Figure 1: Geographical location of the respondents



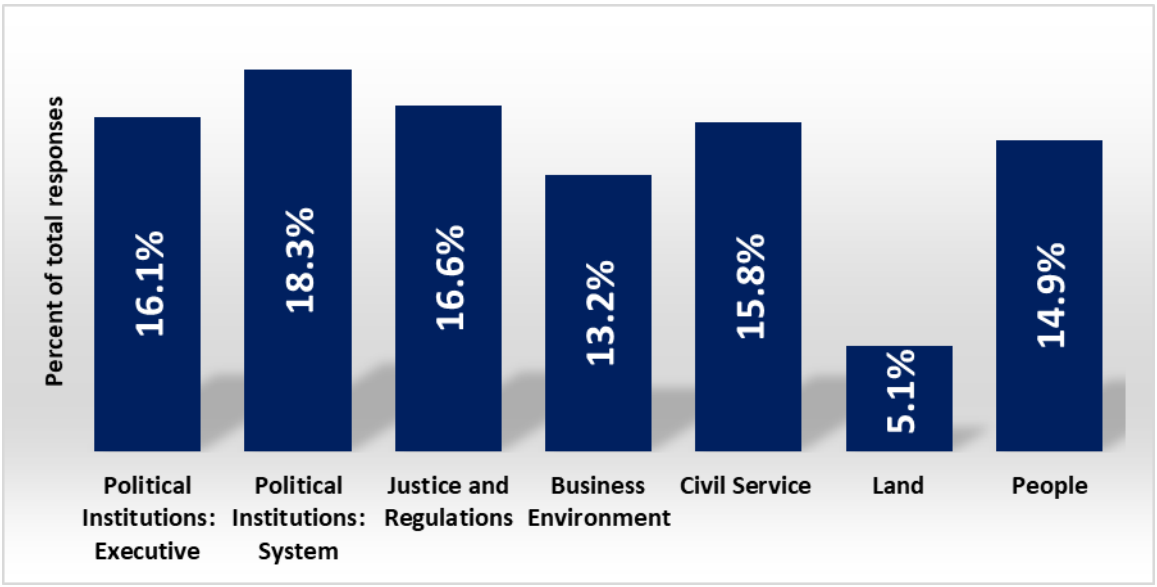
Source: CIS, Bangladesh

3 Critical institutional areas for Bangladesh's development

According to the respondents, the major constraining institutional areas for the development of Bangladesh are the political institutions and public administration. The ranking of these two areas depends on the measure chosen to aggregate individual opinions. However, it can be seen in Figure 2 that they are very close to each other in number of occurrences chosen by respondents. Notice also that, conditionally on being chosen, political institutions were selected by the respondents. Justice- and regulation-related institutions come in third position in the ranking of the most critical institutional areas for development in Bangladesh. On the other side of the spectrum, only 5.1% respondents chose land as one of the two most constraining institutional hurdles in Bangladesh's development, possibly because the respondent assumed that this area needs specific knowledge of land administration. However, due to the design of the questionnaire, most of the respondents had to answer questions related to land, and it has one of the lowest average score. This will be discussed later in detail.

The probability of framing bias must be considered, with the first areas in the list appearing more frequently than the other choices of respondents. It is possible that the respondents intentionally chose the areas with which they were affiliated as most constraining for Bangladesh's development. However, since all respondents answered most of the questions (through primary and secondary questions), survey responses should be independent of biases and should have provided a robust idea about each of the constraints being discussed.

Figure 2: Choice of institutional areas



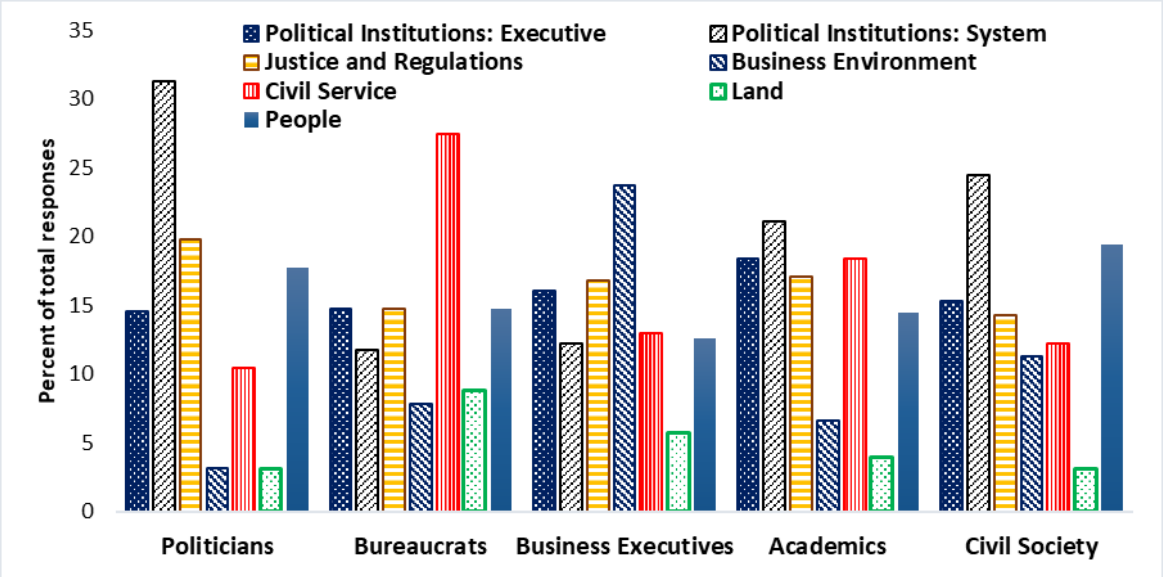
Note: For a description of the institutional areas see Table 1.

Source: CIS, Bangladesh

The choice of the top two constraints to development, according to respondents' opinions, is a piece of information in itself, but it also determined the number of questions asked of each

respondent. Given the explicit choices made during the selection of institutional field, the fact that respondents faced detailed questions about their top two choices, and not about other areas, raises a concern. As Figure 3 shows choices of institutional areas by sector of affiliation, it is possible that choices might be biased towards the sector of affiliation of the respondents. Additionally, it is quite possible that some less important areas are left out because there is no information about them. Alternatively, some institutional areas might be left out because of a perception that they were working well.,. Or they could work poorly but be considered unimportant for economic development. For these two reasons, it was important to gather information about all areas. It was thus decided to ask all primary questions in relation to all areas. For this, even the less critical institutional fields were covered by all respondents.

Figure 3: Choice of institutional area by sector of affiliation

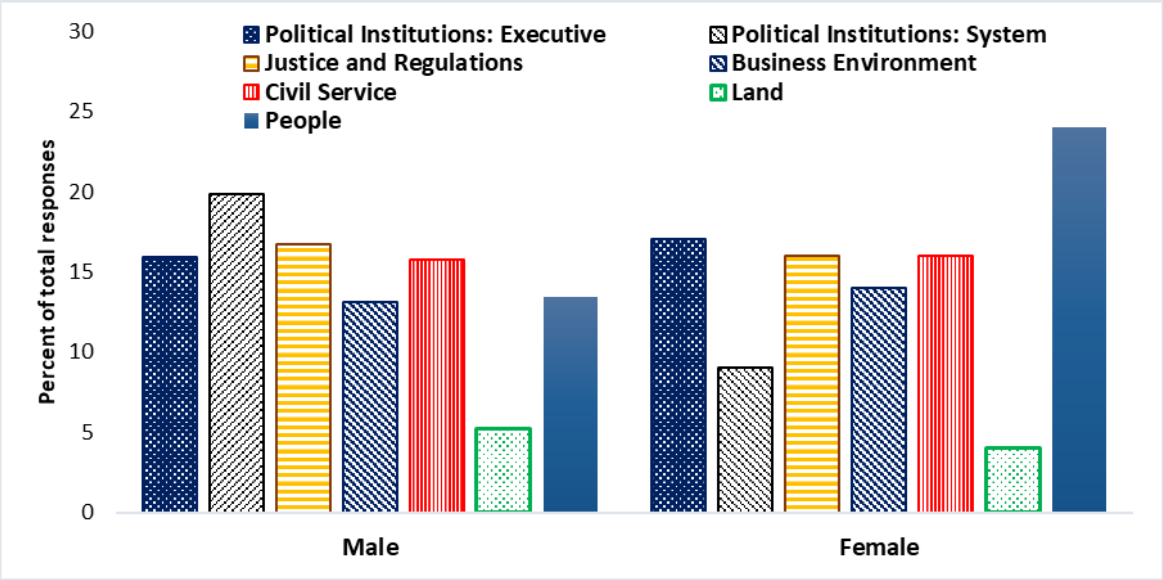


Note: For a description of the institutional areas see Table 1.

Source: CIS, Bangladesh

Choices of institutional areas were somewhat different for male and female respondents. Figure 4 shows that the top choice of male respondents was political institutions, whereas for female respondents it was mainly public services. This is in line with general norms since women mostly experience discrimination at the service level. The rest of the institutional areas received an almost equal degree of preference, as Figure 4 shows.

Figure 4: Choice of institutional area by gender

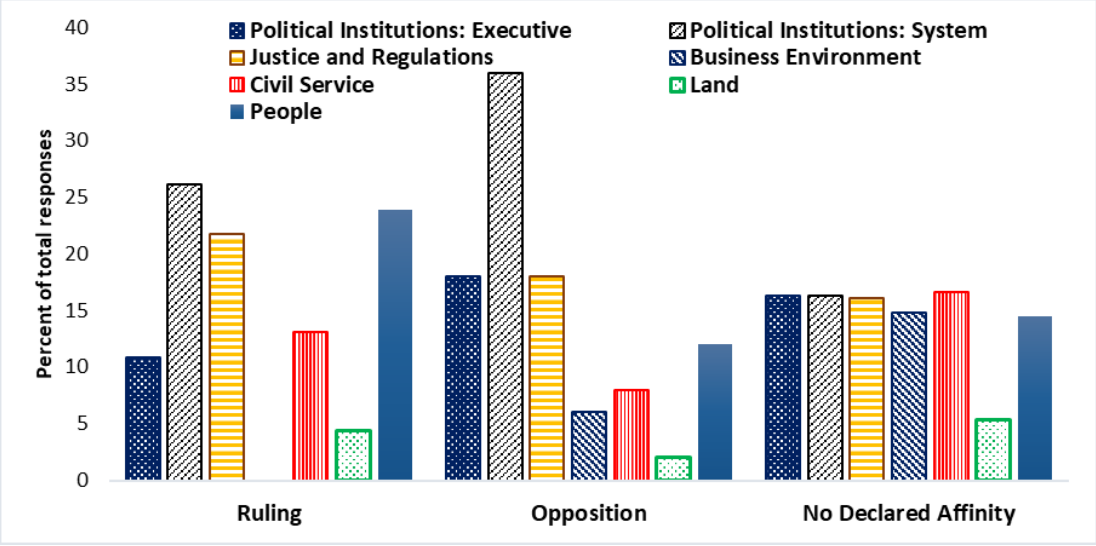


Note: For a description of the institutional areas see Table 1.

Source: CIS, Bangladesh

Another interesting observation from the CIS survey results relates to the choices of institutional areas by political affinity (Figure 5). The choices of institutional area of respondents from both the ruling and opposition parties are skewed towards political institutions. Politicians from the ruling party did not consider the business environment as involving any institutional constraints. On the other hand, given the current context and circumstances, it is really surprising to see that supporters of the ruling party considered public services as one of the constraints, as shown in Figure 5. The institutional choices of respondents with no political affinity are almost equally distributed across institutional areas.

Figure 5: Choice of institutional area by political affinity

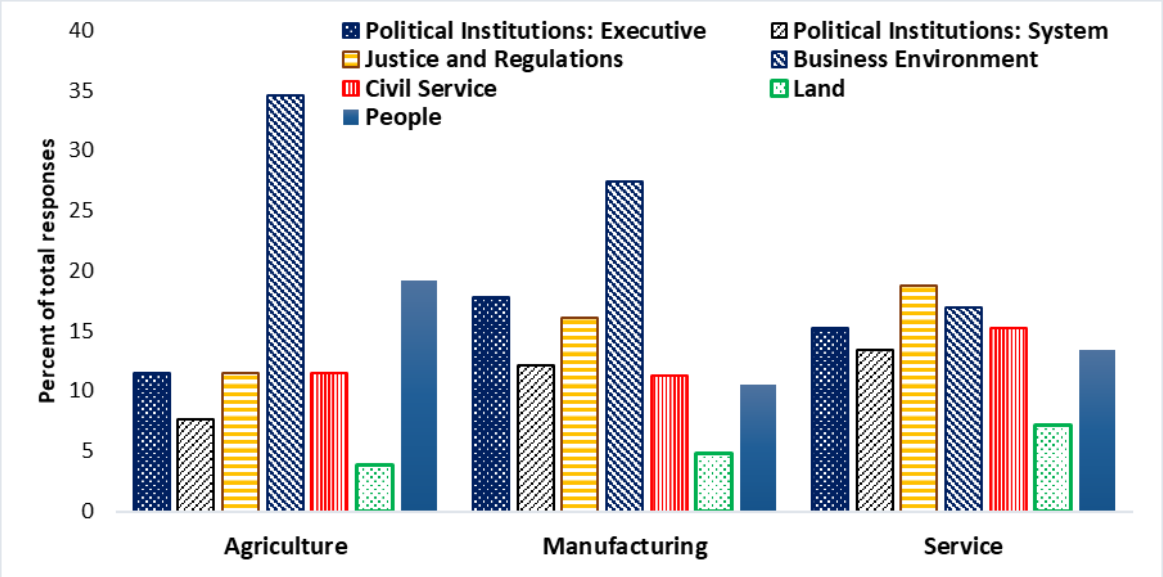


Note: For a description of the institutional areas see Table 1.

Source: CIS, Bangladesh

The choices of institutional areas made by respondents from the business sector differed depending on the specific sector they were affiliated with. For respondents affiliated with agriculture and manufacturing, the top choice was 'Business environment'. However, for those affiliated with the service sector, it was 'Justice and regulations' (Figure 6). It is very interesting to see that the choice of 'Land' as an institutional area was more common for respondents from the service sector than for those from the other two sectors. Respondents affiliated with agriculture chose 'Public services' as a constraint more frequently than respondents affiliated with manufacturing or the service sector.

Figure 6: Choice of institutional area by business sector



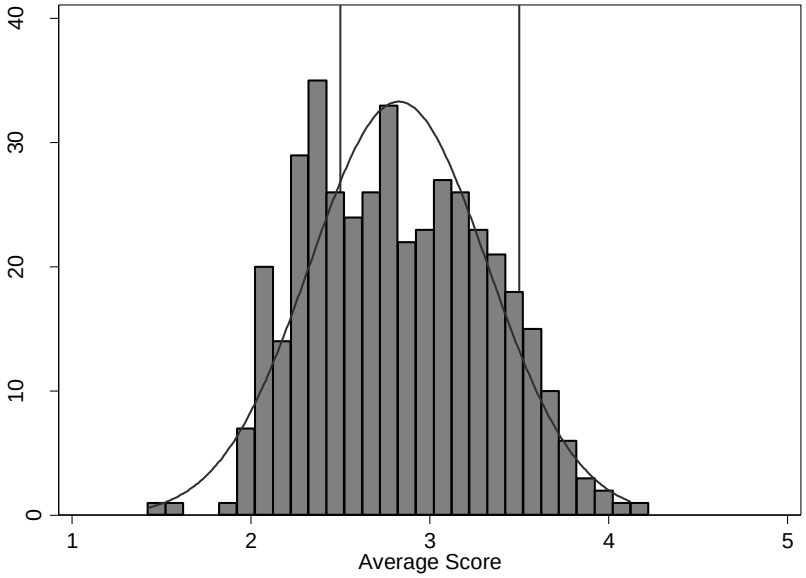
Note: For a description of the institutional areas see Table 1.

Source: CIS, Bangladesh

4 The perceived functioning of institutions in Bangladesh

Within and across areas, the CIS survey aimed to identify, as precisely as possible, which specific institutions were perceived as constraining by respondents. The subsequent analysis evaluates questions by their mean response on a scale ranging from 1, 'very negative', to 5, 'very positive'. For questions asked in a negative way, the Likert scale is inverted to make sure that a higher value always means a better perception. Questions are then divided into clusters and sub-clusters to closely identify the core problems of the institutions in Bangladesh. This section first discusses the state of institutional areas captured by the CIS, and what are the underlying state of each of the institutional areas. Then the underlying problems of the institutions in Bangladesh are discussed. Finally, the choice of institutional constraints is discussed from the perspective of respondents' gender and political affiliation, to identify any differences correlated with respondents' characteristics.

Figure 7: Distribution of questions by average score – all questions



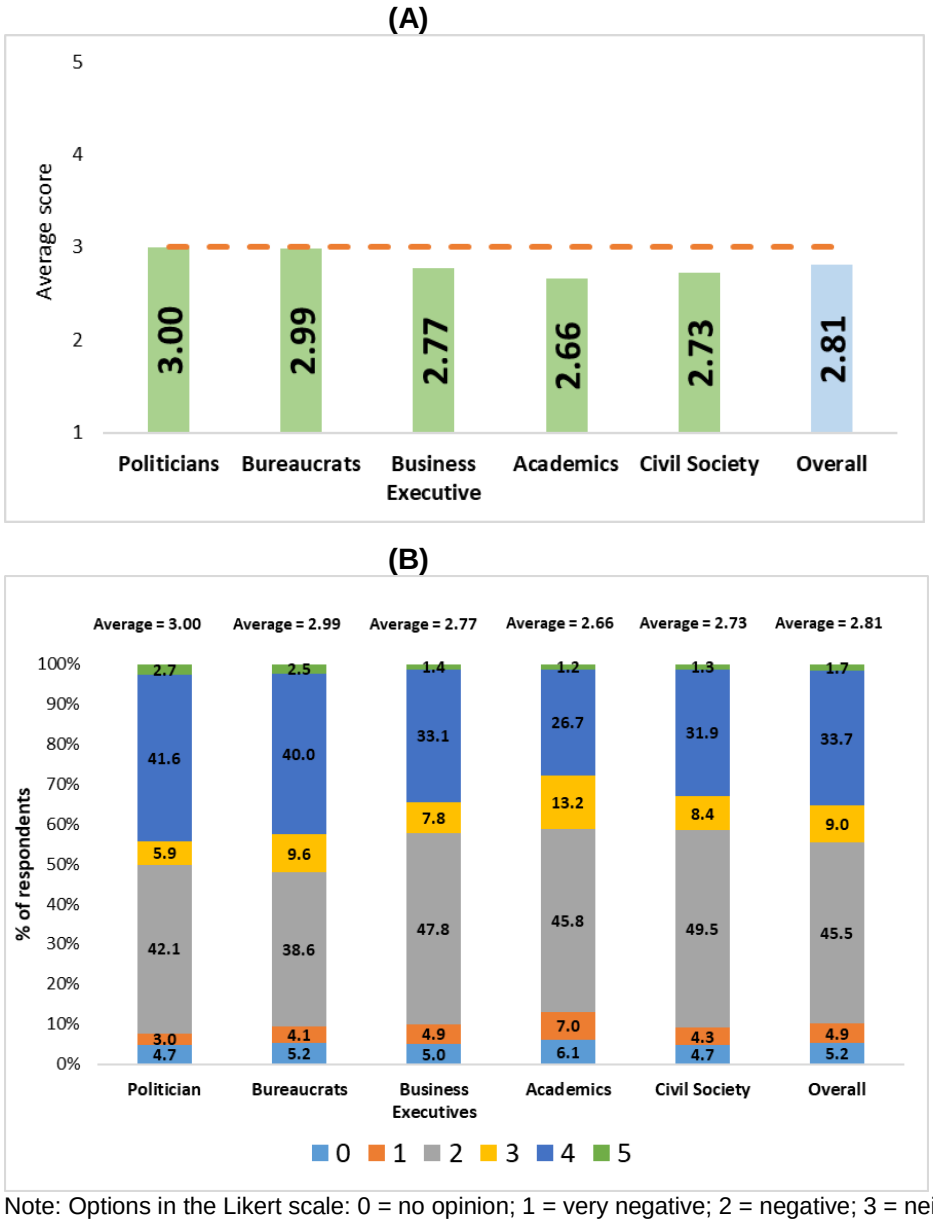
Note: Total number of questions: 415. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

The negative perception of institutions in Bangladesh can be observed if we consider the distribution of the average scores of each of the questions. The mean score is 2.81, slightly below the mid-point of the Likert scale, lying at 3. This is not unusual in opinion surveys and may simply reflect the ways in which respondents answer questions. It is therefore more interesting to look at the tails of the distribution: namely, questions with clearly positive or negative answers. Figure 7 plots the distribution of questions by average score. It shows that the left tail (negative perception) is fatter than the right one (positive perception). A total of 131 questions have an average score below 2.5, while only 39 score above 3.5.

Looking at the perception of the institutions by sector of affiliation we can see that the average score for each of the sector is either 3.00 or below (Figure 8-A) the threshold level. It is not very surprising to see that politicians and bureaucrats consider institutional quality to be slightly better than do academics and civil society members. Business executives on average gave a score of 2.77 for institutional quality in Bangladesh, a relatively low result. Figure 8-B suggests that, in general, the no response rate was between 4.7% and 6.1%. While, on average, only 35.4% of respondents expressed positive views (4 and above) about the functioning of the institutions, leaving aside politicians and bureaucrats, all other three categories of respondents held much lower opinions. The dominance of 'negative' views (1 and 2 together) is the highest and is almost the same for business executives (52.7%) and academics (52.8%).

Figure 8: All questions – analysis by sector of affiliation



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

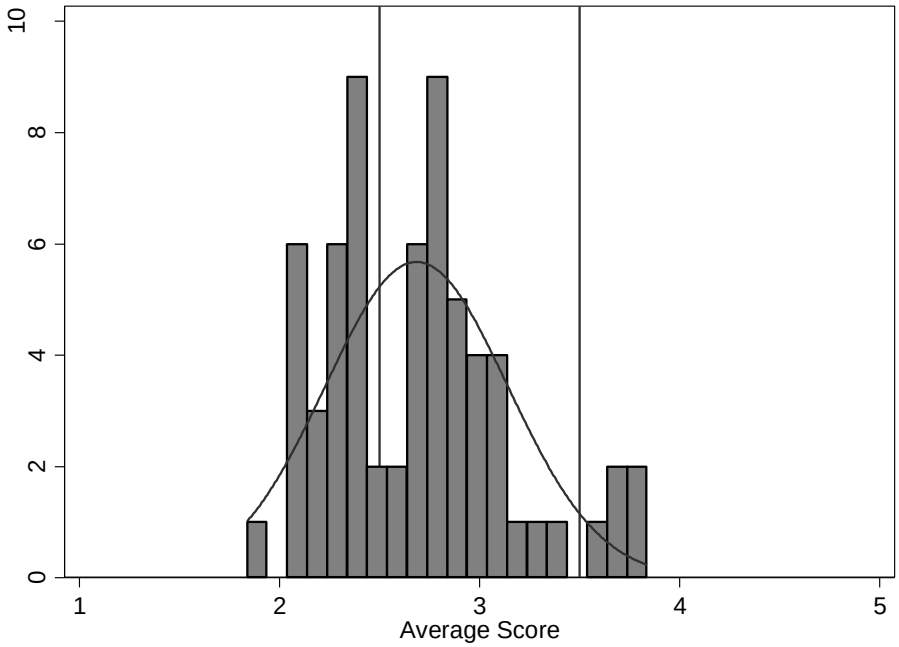
4.1 Distribution of questions by average score for each institutional area

In this subsection, institutional quality by each of the institutional area is discussed in detail, to identify the underlying constraining factors of each institutional area. A discussion on different clusters of the institutions can help to identify specific problems associated with each of the institutions,.

4.1.1 Political institutions: executive

The mean score for 'Political institutions: executive' is 2.69. The distribution of the mean score shown in Figure 9 shows a concentration of scores towards the left tail compared to the right, suggesting that most of questions have an average score well below the mean for the institutional area. A further investigation of questions below the threshold of 3 shows a total of 45 questions received a mean score less than 3, which strongly suggests the low institutional quality of this institutional area.

Figure 9: Distribution of questions by average score – 'Political institutions: executive'



Note: Total number of questions: 65. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive

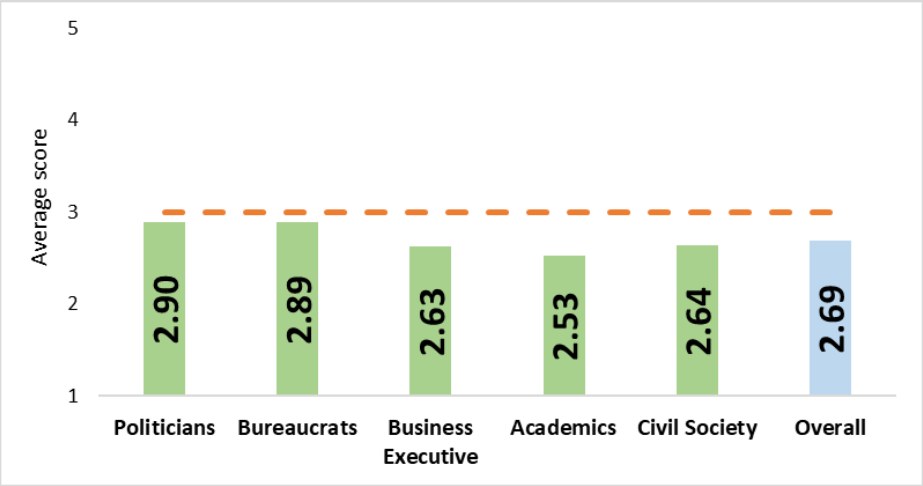
Source: CIS, Bangladesh

Looking at the institutional area by sector of affiliation shows that politicians and bureaucrats considered this institutional area to be slightly better than the others. On the other hand, the average score given by academics to this institutional area was 2.53, which is the lowest among all the respondents to this section. These scores are depicted in Figure 10-A. Figure 10-B suggests that, on average, only around 31% of the respondents held positive views

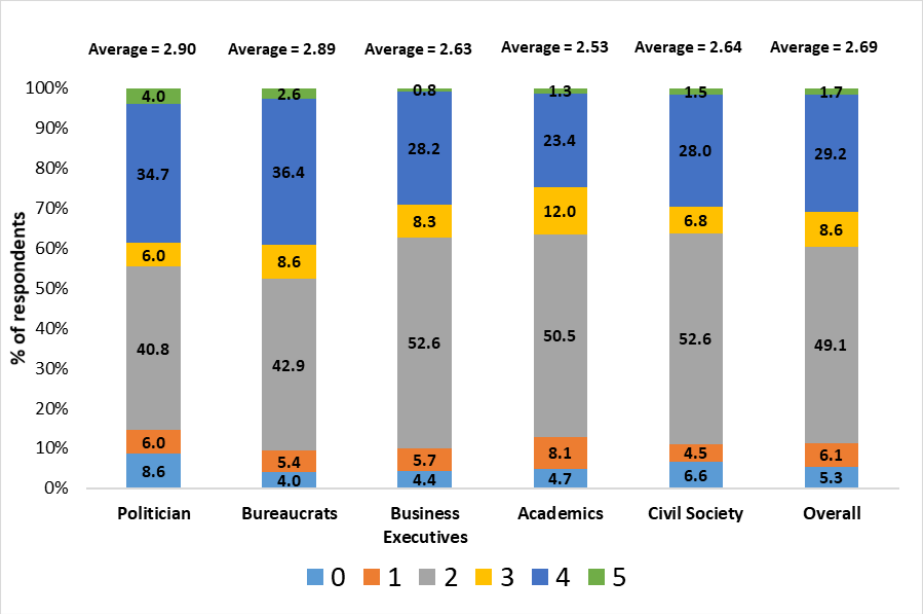
about the political institutions related to executives. The high dominance of negative views (1 and 2 together) is common for business executives, academics, and civil society.

Figure 10: 'Political institutions: executive' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

To have a better understanding of the anomalies for this institutional area, as mentioned before we have divided the responses among clusters and sub-clusters. Table 4 presents the clusters and sub-clusters of 'Political institutions (executive)'. Annex A presents the questions associated with the cluster and sub-clusters.

Scores for each cluster and sub-cluster for political institutions related to the executive are depicted in Figure 11 and Figure 12 respectively. As shown in Figure 11-A, while the overall score is 2.69, the 'quality of governance' received the lowest score of 2.41 among all the clusters in the institutional area. Figure 11-B presents the decomposition of responses on the clusters as per the Likert scale. Both the 'quality of governance' and 'control of executive over policies' clusters received the highest magnitude of negative views (1 and 2 together).

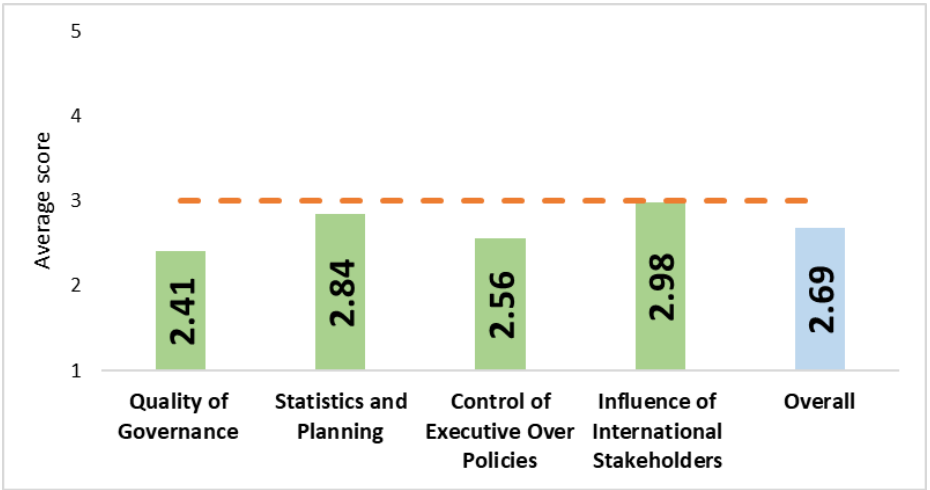
Table 4: Clusters and sub-clusters of 'Political institutions: executive'

Cluster	Sub-cluster
Quality of governance	Democracy
	Freedom of information
	Control of political authorities over legal bodies
	Autonomy of sub-national authorities
Statistics and planning	State accounts and key statistics
	Long-term planning
Control of executive over policies	Coordination and efficiency of public offices
	Central bank independence
	Priority given to, and influence exerted by, the elite in relation to development
Influence of international stakeholders	Neighbouring countries
	Donors

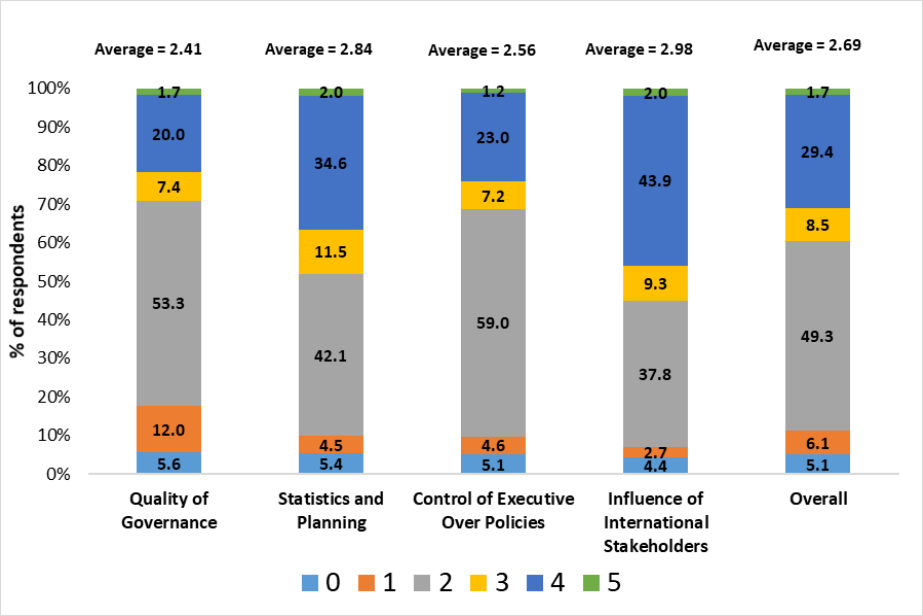
Source: CIS, Bangladesh

Figure 11: 'Political institutions: executive' – cluster analysis

(A)



(B)

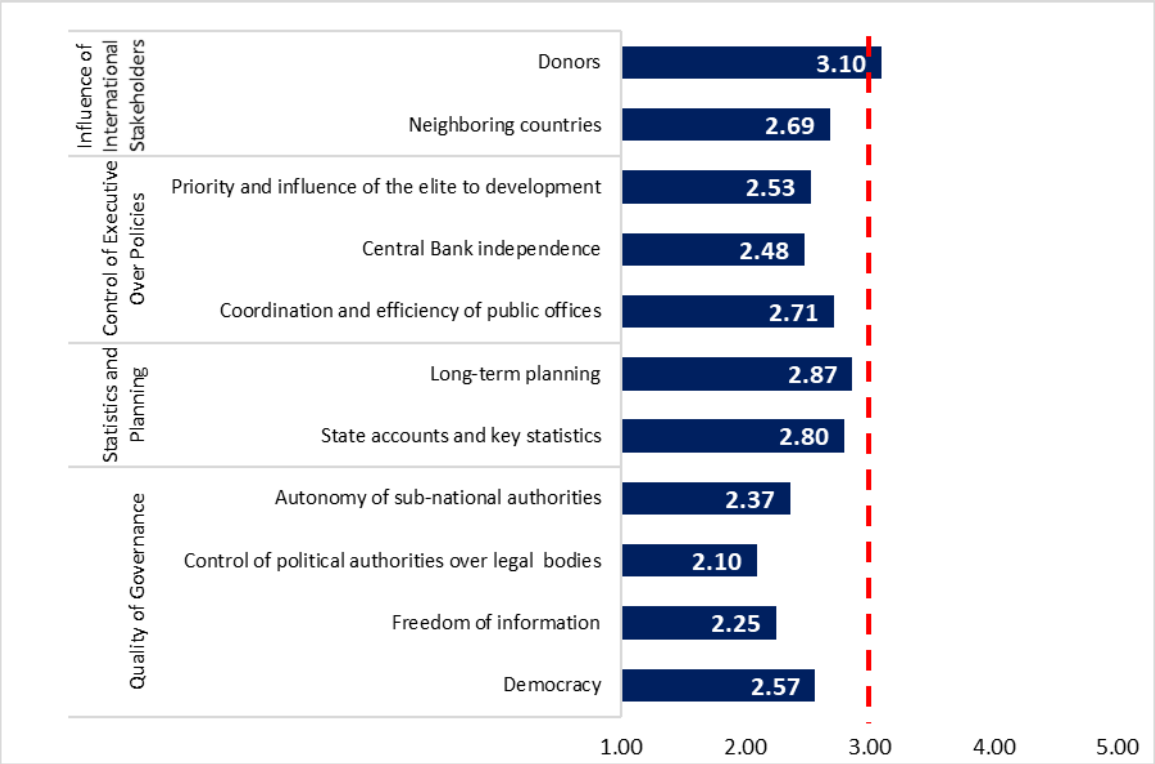


Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

A closer look at the sub-clusters of this cluster shows that the 'control of political authorities over legal bodies' is impeding the 'quality of governance' in Bangladesh (Figure 12). In addition, 'lack of autonomy of sub-national authorities', 'lack of freedom of information', and 'low state of democracy' are the underlying reasons for a low score for 'quality of governance' in Bangladesh. 'Statistics and planning' received a relatively better score than other clusters for this institutional area. Better 'long-term planning' and timely 'publication and discussion on key statistics' are the reasons for this score. Nevertheless, the score is still less than the threshold level of 3, which puts it in the region of concern.

Figure 12: 'Political institutions: executive' – sub-cluster analysis



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

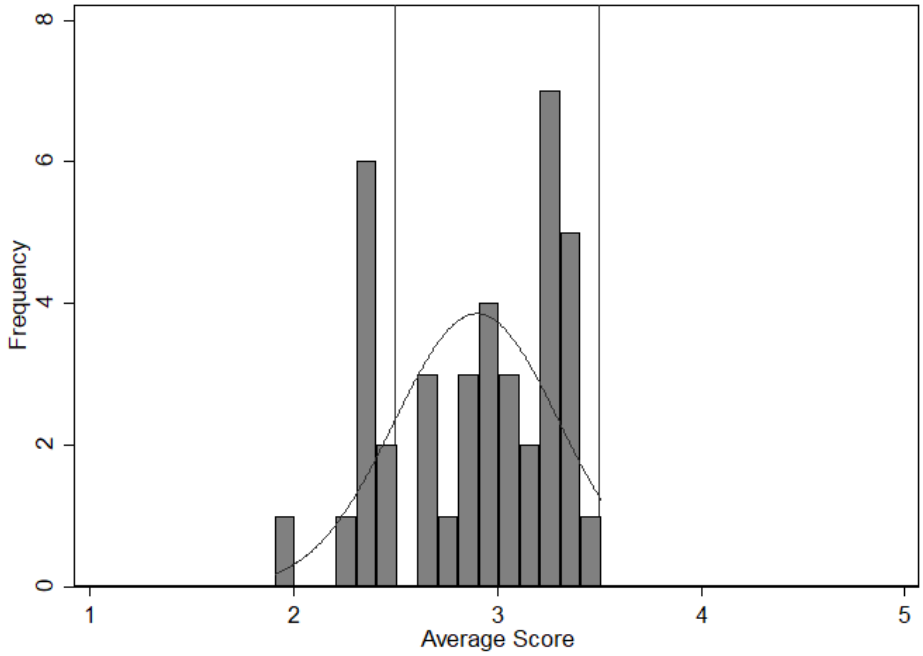
Source: CIS, Bangladesh

Figure 12 also suggests that 'control of the executive over policies' received a score of 2.56, which is mostly due to the 'lack of independence of the central bank', the 'low priority given by the elite to development', and the 'lack of coordination and efficiency of the public offices'. Finally, the positive influence of donors and the tactical influence of neighbouring countries, as judged by the respondents, meant a relatively better score was given to the influence of international stakeholders in relation to the executive.

4.1.2 'Political institutions: system'

Compared to the score received by the 'Political institutions: executive', 'Political institutions: system' received a better average score: 2.9. As shown in Figure 13, most of the questions in these institutional areas received scores which cluster around 2.5 to 3.5, with a fatter left tail. About 21 questions received a score less than 3, out of the 39 questions for 'Political institutions: system'.

Figure 13: Distribution of questions by average score – 'Political institutions: system'



Note: The total number of question: 39. 3 = Not good nor bad. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

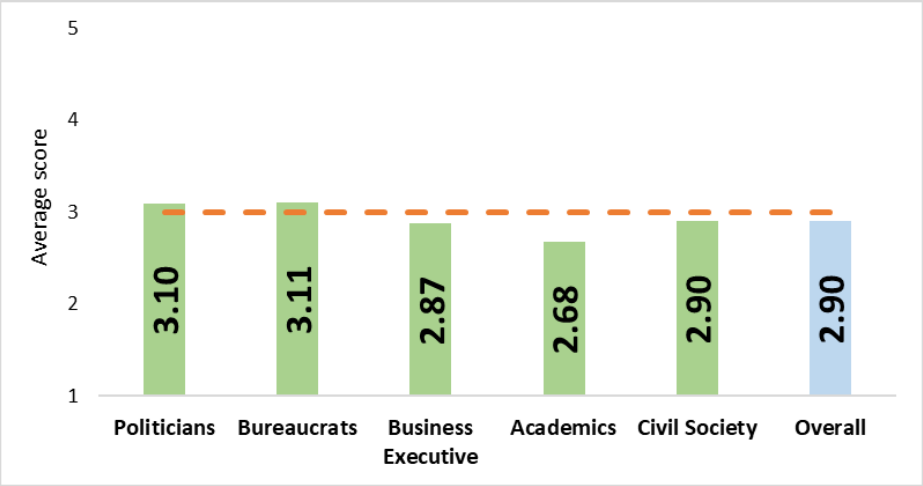
Source: CIS, Bangladesh

An analysis by sector of affiliation shows that politicians and bureaucrats expressed a relatively more positive feeling about this institutional area compared to the rest of the respondents (Figure 14-A). Meanwhile, the lowest score was given by the academics (2.68). Nevertheless, none of the categories of respondent gave it a high score, which indicates respondents' concern about the low institutional quality of this institutional area. Figure 14-B indicates that among both academics and business executives, negative views (1 and 2 together) were prominent.

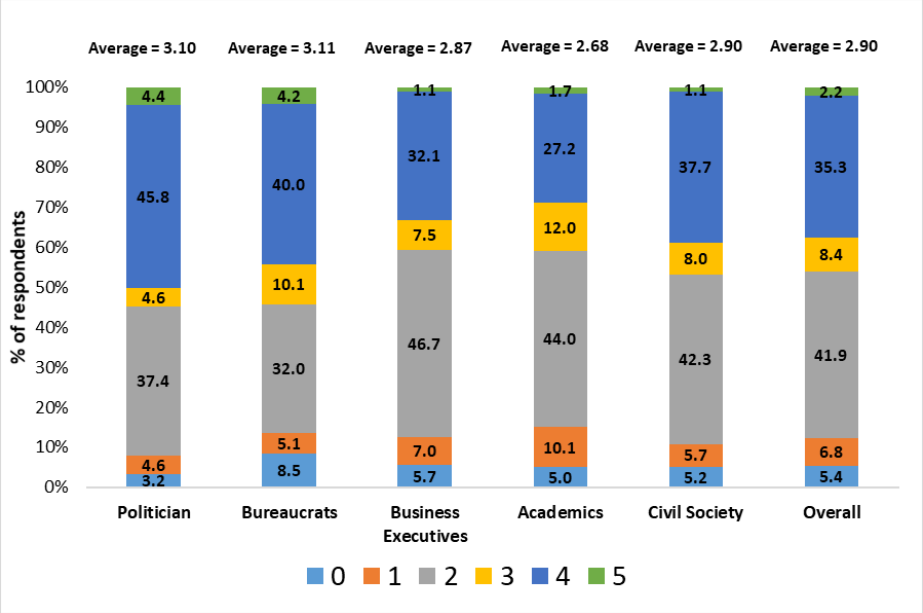
Table 5 presents the clusters and sub-clusters of 'Political institutions (system)'. Annex B presents the questions associated with the clusters and sub-clusters. When looking at the clusters and sub-clusters for this area we can see that the influence of politics in the system received the worst score among all of the clusters, as depicted in Figure 15-A. Figure 15-B presents the decomposition of responses on the clusters as per the Likert scale. While 'no opinion' is as high as 10.6% for the 'politics in system' cluster, this cluster also has the highest dominance of negative views (1 and 2 together), with the very negative view, category 1, dominating (more than 10%).

Figure 14: 'Political institutions: system' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Table 5: Clusters and sub-clusters of 'Political institutions: system'

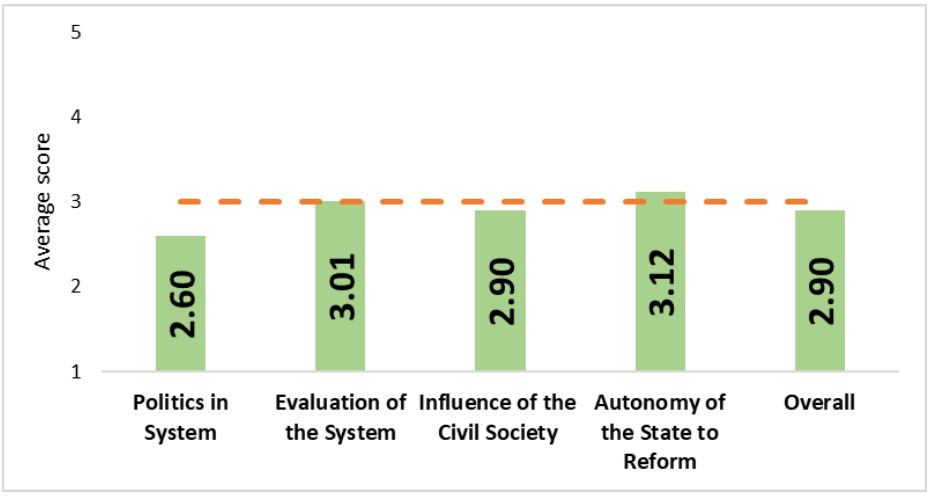
Cluster	Sub-cluster
Politics in system	Influence of political stakeholders
	Nepotism
	Corruption in electoral process
Evaluation of the system	Evaluation based on statistics and state accounts
	Evaluation of policies
Influence of the civil society	Participation of the population
	Civil liberties
Autonomy of the state in relation to reform	Autonomy of the state in relation to reform

Source: CIS, Bangladesh

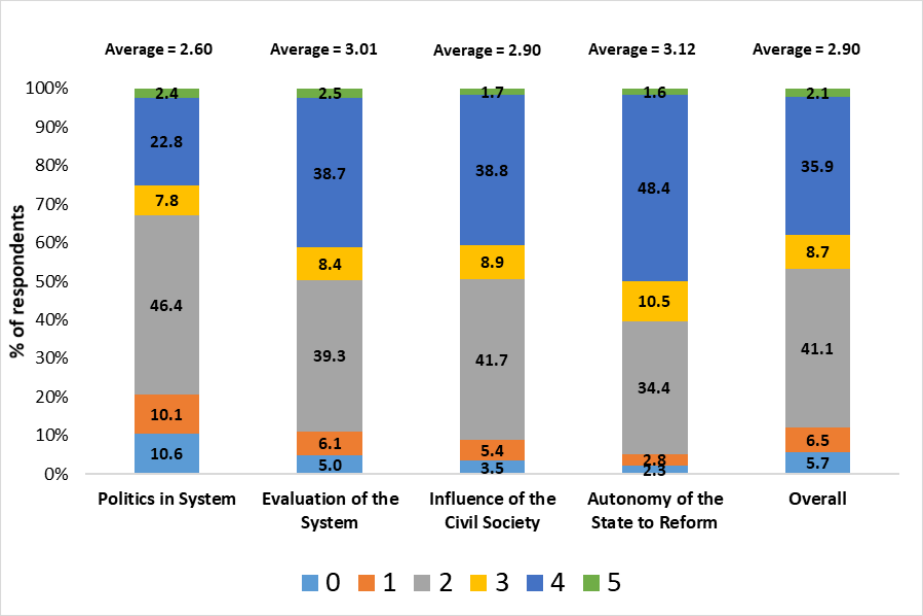
Figure 16 suggests that one of the main reasons for the very low score of 'politics in system' is a perception of widespread nepotism in the system both in the selection of both political leaders and the appointment of senior government officials. Evaluation of the system received a relatively better score (3.01), which is above 'Not good nor bad'; this is due to proper evaluation of policies and evaluating the system based on statistics and state accounts. Looking closely at the influence of the civil society cluster, we can see a lower state of civil liberties in Bangladesh due to discrimination and segregation by the state in several aspects of service delivery. Regarding the autonomy of the state in relation to reform, respondents gave a higher score here, which shows the capability of the state to engage in reform. The much talked about corruption in the electoral process (Figure 16) was considered by the respondents to be a major impediment to the institutional quality for 'Political institutions: system'.

Figure 15: Political institutions: system – cluster analysis

(A)



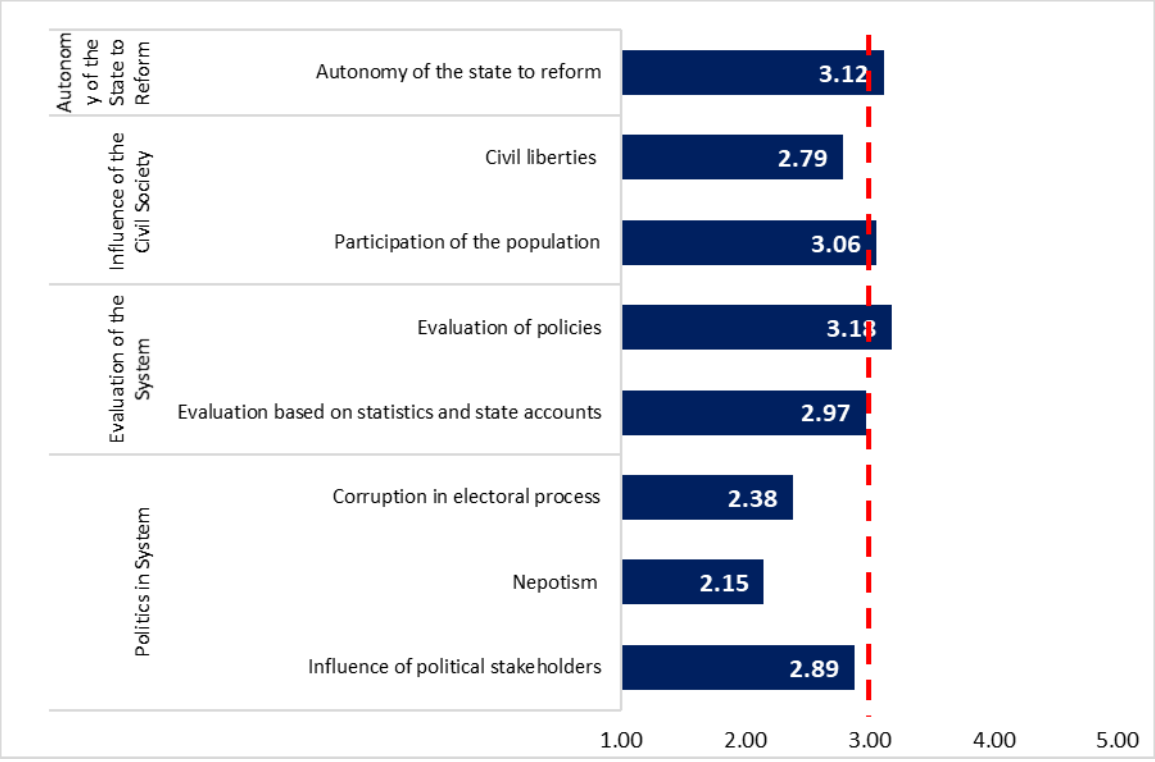
(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Figure 16: 'Political institutions: system' – sub-cluster analysis



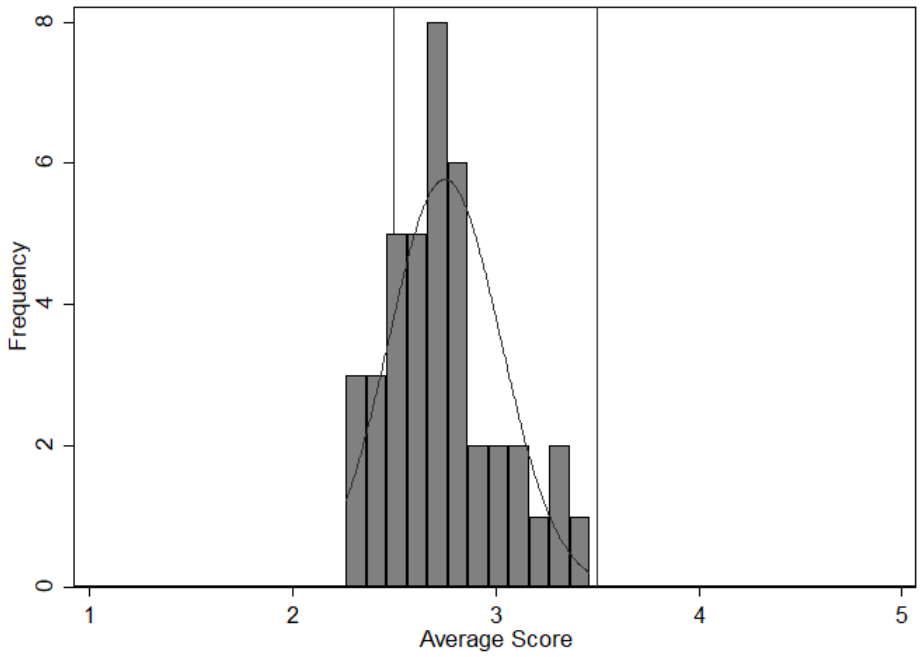
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive

Source: CIS, Bangladesh

4.1.3 'Justice and regulations'

Figure 17 shows the distribution of questions by average scores for 'Justice and regulations'. The average score received by this institutional area was 2.75. As Figure 17 shows, most scores are clustered around the left tail and none of the questions received a score of more than 3.5. Out of 40 questions, 32 received a score of less than 3, which indicates the low perceived institutional quality in 'Justice and regulations' in Bangladesh.

Figure 17: Distribution of questions by average score – 'Justice and regulations'



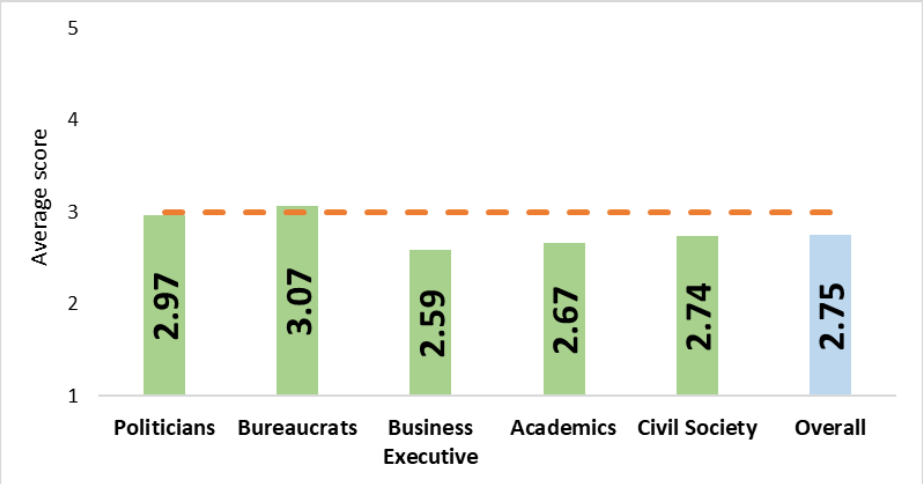
Note: Total number of questions: 40. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive

Source: CIS, Bangladesh

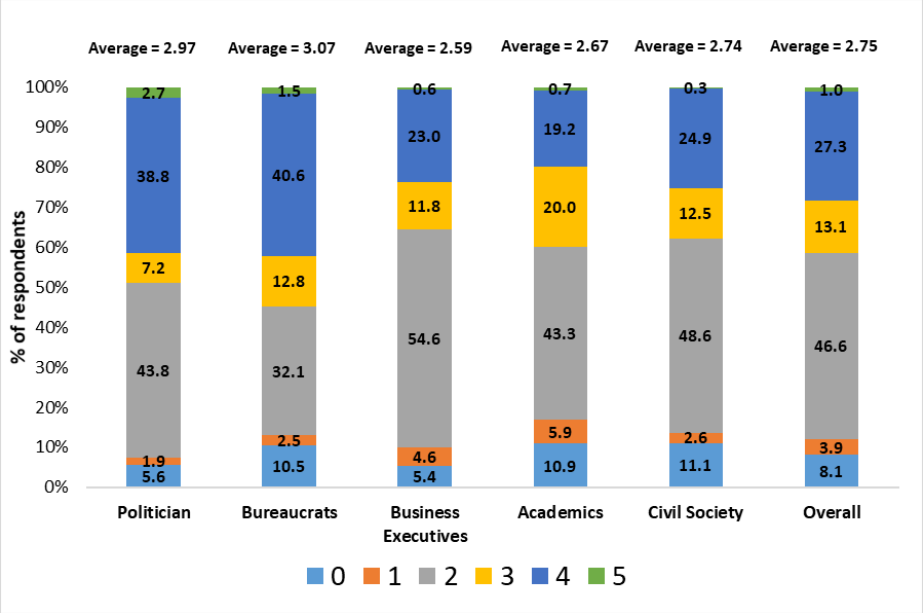
Figure 18-A depicts the perception by sector of affiliation for this institutional area. It is most interesting to see that the lowest scores for this area came from business executives. Like before, politicians and bureaucrats gave this institutional area a slightly better score. However, none of the respondents gave this institutional area an average score of more than 3, except bureaucrats. Figure 18-B presents the decomposition of responses of the sector of affiliation as per the Likert scale.

Figure 18: 'Justice and regulations' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive

Source: CIS, Bangladesh

Table 6 presents the clusters and sub-clusters of 'Justice and regulations'. Annex C presents the questions associated with the clusters and sub-clusters. None of the clusters for this institutional area received an average score of more than 3 (Figure 19-A). 'Functioning of the justice system' received the lowest score (2.6). Figure 19-B presents the decomposition of responses on the clusters as per the Likert scale. An analysis of the questions related to the functioning of the judiciary provides an explanation for this low score (Figure 20). Questions in this cluster were associated with the 'independence of the judiciary', the 'enforcement of judicial decisions', the 'timeliness of judicial decisions', and 'equal treatment by the judiciary'.

A low score therefore confirms that the institutions related to 'Justice and regulations' are perceived to be dysfunctional and the judicial system is seen as relatively biased.

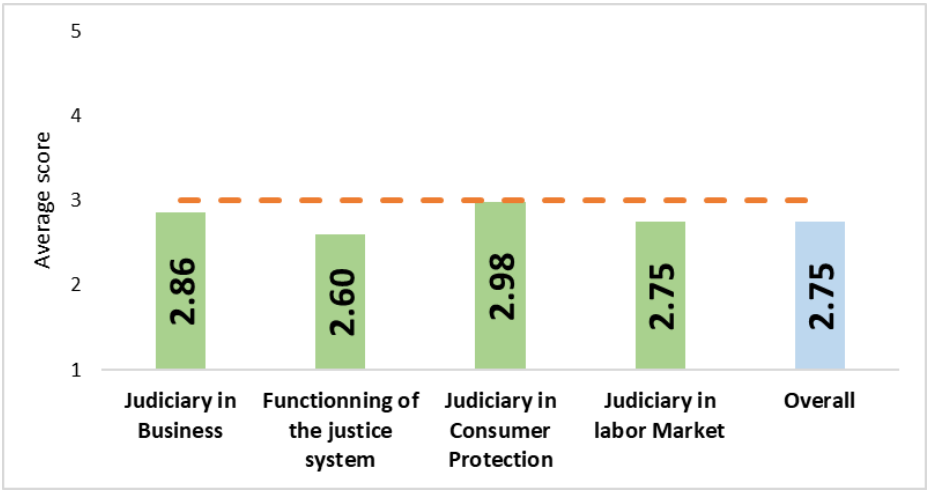
Table 6: Clusters and sub-clusters of 'Justice and regulations'

Cluster	Sub-cluster
Judiciary in business	Business law
	Litigation procedures
	Control and regulation of policies
Functioning of the justice system	Functioning of the justice system
Judiciary in consumer protection	Prioritising consumer rights
Judiciary in labour market	Labour law in practice
	Efficiency of the workplace inspectorate and system of industrial tribunals

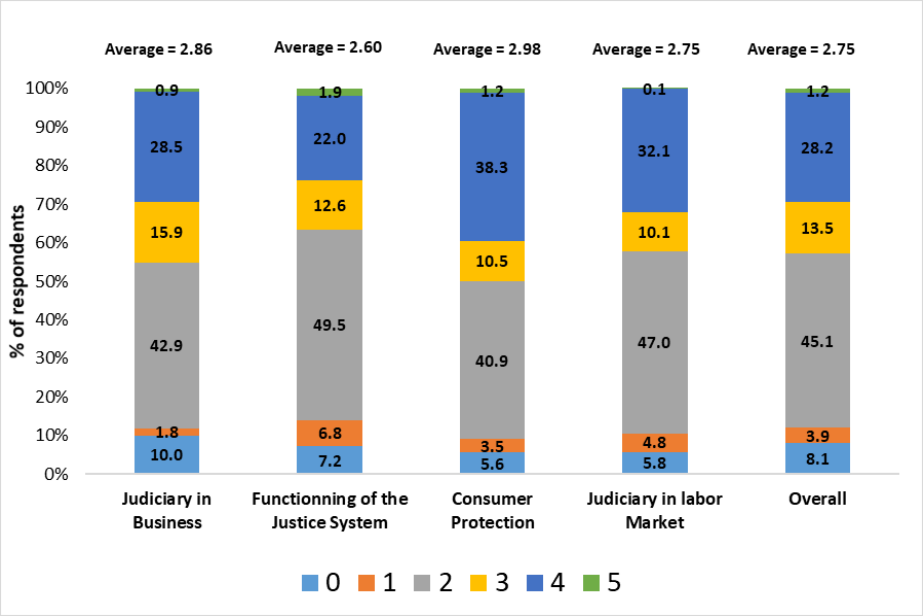
Source: CIS, Bangladesh

Figure 19: 'Justice and regulations' – cluster analysis

(A)



(B)

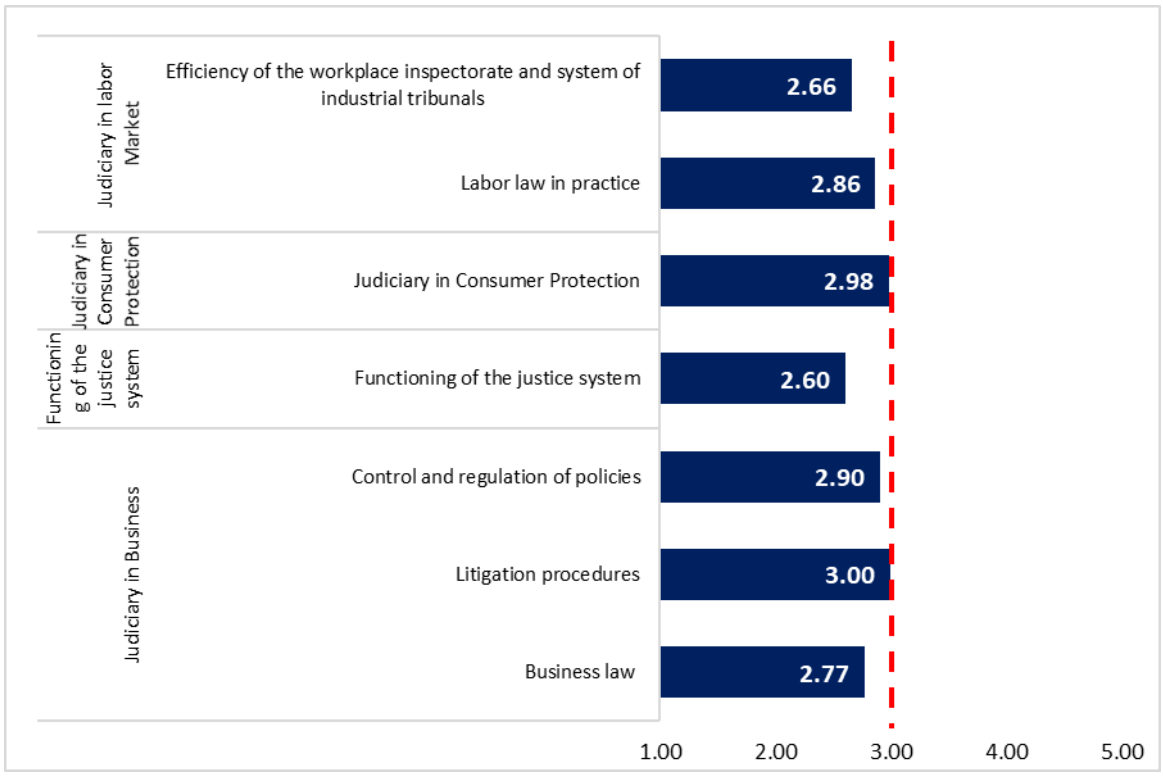


Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Figure 20 also shows that 'Judiciary in business' received a low score due to delays in judicial decisions associated with commercial matters, slow litigation procedures, and a lack of control and regulations over policies related to commercial matters. 'Judiciary in consumer protection' received a relatively better score (2.98). However, this score is lower than the threshold of 3, due to the lack of regulations in favour of consumers, the lack of price monitoring, and the lack of protection against fraudulent activities. It is interesting to see that efficiency of the workplace inspectorate and the system of industrial tribunals received a low score (2.66), which is a major reason for 'Judiciary in labour market' getting a low score. This confirms the informal arrangements prevalent in the labour market to control the labour force, especially in the manufacturing sector. The other sub-cluster of this cluster is 'Labour law in practice', which also received a relatively low score of 2.86.

Figure 20: 'Justice and regulations' – sub-cluster analysis



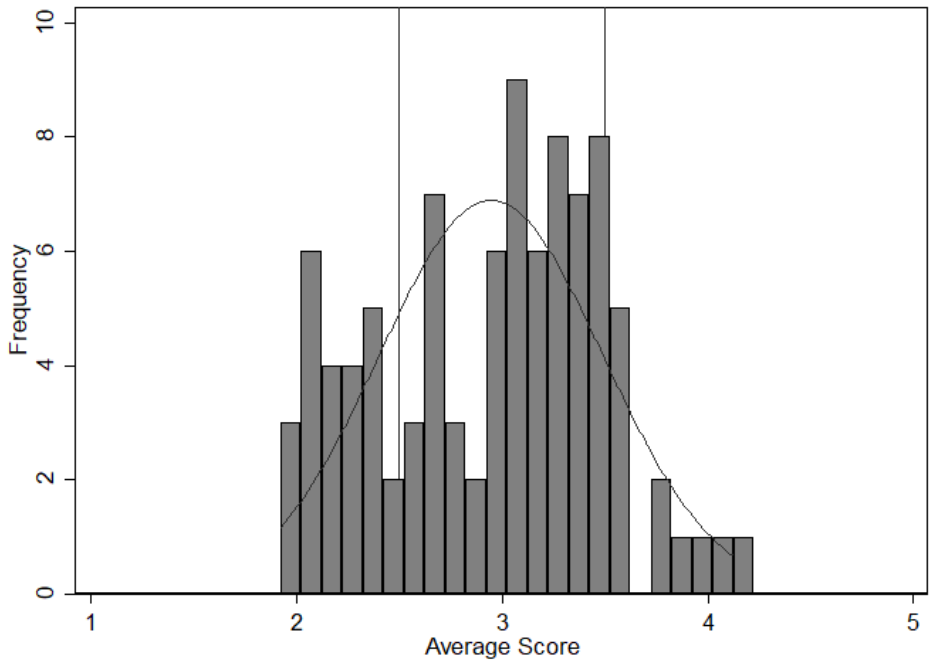
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

4.1.4 'Business environment'

The average score for 'Business environment' is 3.03, which is relatively better than the other institutional areas. Figure 21 shows the distribution of questions by average score for 'Business environment'. Visual inspection of Figure 21 shows that most of the questions received an average score below 3.5. Out of all the questions for this institutional area 35 received scores below 3, 40 received scores between 3 and 3.5, and only 16 received scores above 3.5.

Figure 21: Distribution of questions by average score – 'Business environment'



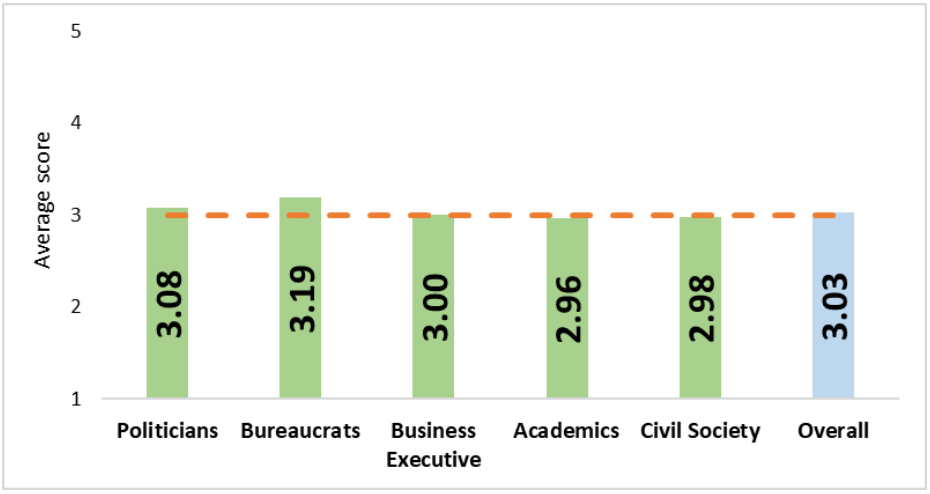
Note: Total number of questions: 94. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

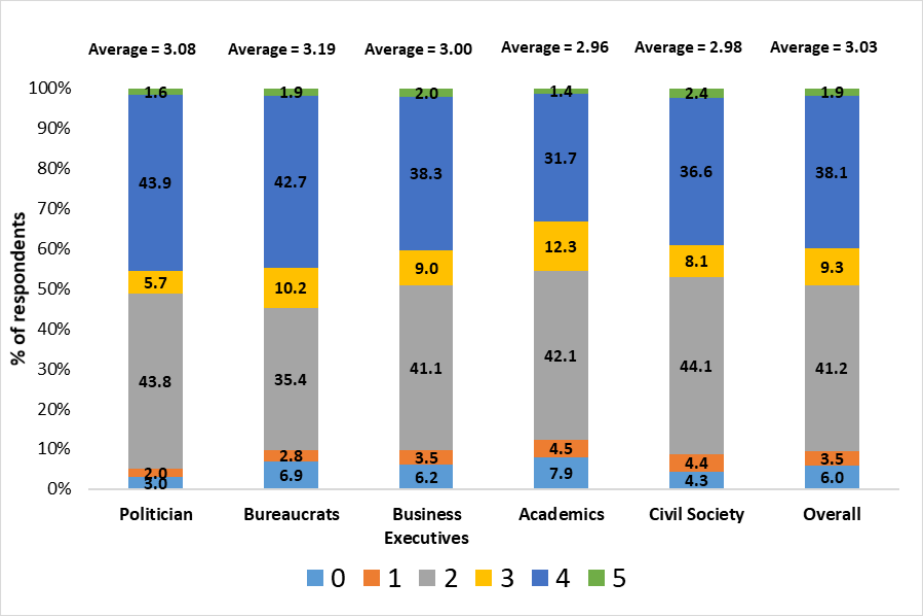
Though the average score given by business executives was 3 (Figure 22-A), there are nevertheless major underlying problems in this institutional area which can be seen only in a cluster and sub-cluster analysis. The average score given by politicians, bureaucrats, academics, and civil society members for this institutional area was also close to 3. Figure 22-B suggests that, on average, only 40% of respondents had positive views (4 and 5 together) about the business environment in Bangladesh.

Figure 22: 'Business environment' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Table 7 presents the clusters and sub-clusters of 'Business environment'. Annex D presents the questions associated with the clusters and sub-clusters. As Figure 23-A shows, the higher score for the institutional area is due to the scores related to the 'Efficiency of informal arrangements in business' cluster (3.52). Questions in this cluster mainly focused on understanding whether the informal arrangements work when formal channels do not. Figure 23-B shows that, while there is a very high degree of corruption in business, the respondents held a high degree of positive views about the functioning of the informal arrangements.

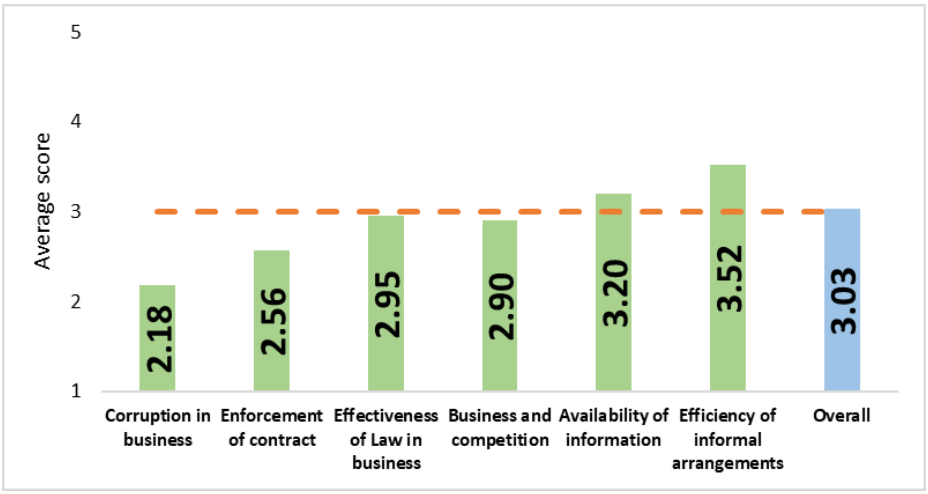
Table 7: Clusters and sub-clusters of 'Business environment'

Cluster	Sub-cluster
Corruption in business	Corruption in business
Enforcement of contracts	Enforcement of contracts
Effectiveness of law in business	Insolvency law
	Security of property rights
Business and competition	Starting a business
	Competition and privatisation
	Efficiency of financial system
	Trade openness
Availability of information	Information on firms
	Accounting information on banks
Efficiency of informal arrangements	Informal arrangements to secure contracts and property rights
	Informal arrangements with administration

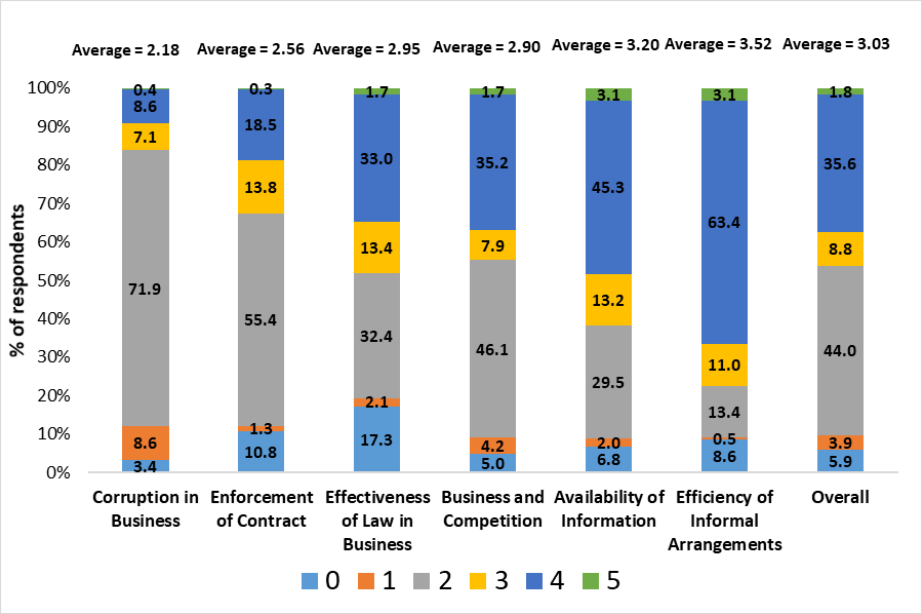
Source: CIS, Bangladesh

Figure 23: 'Business environment' – cluster analysis

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive

Source: CIS, Bangladesh

'Effectiveness of informal arrangements with administration' received an average score of 3.44, and 'Informal arrangements to secure contracts and property rights' received an average score of 3.61 (Figure 24). This confirms the prevalence and functioning of informal arrangements. 'Corruption in business' received the lowest score (2.18) among all the clusters in this institutional area. This confirms the prevalence of corruption in business and is the underlying reason for the success of informal arrangements. 'Enforcement of contracts' received a score of 2.56 due to the prevalence of breaches of contract between businesses. This also incentivises stakeholders to solve breaches of contract via informal arrangements and may lead to corruption at the same time. 'Effectiveness of law in business' received a relatively high score (2.95) but was still seen as being constrained by the low level of security of property rights. 'Business and competition' received a moderate score (2.9) due to the adverse impacts of international competition and constraints in starting a business. However, 'Availability of information' received a decent score of 3.2.

Figure 24: 'Business environment' – sub-cluster analysis



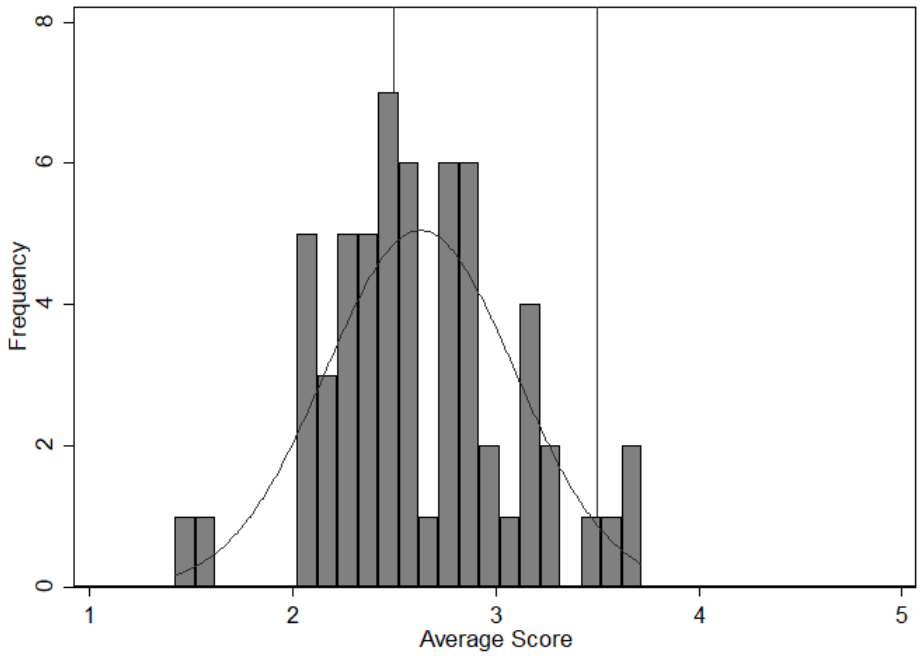
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

4.1.5 'Civil service'

'Civil service' received a poor average score of 2.63. Figure 25 plots all distribution of questions by average score. A visual inspection of the figure shows that most of the scores are inclined towards the left tail, which indicates the poor quality of institutions in this institutional area. Out of 59 questions in this institutional area, 48 received a mean score of less than 3. 20 of these 48 received a score of less than 2.5.

Figure 25: Distribution of questions by average score – 'Civil service'



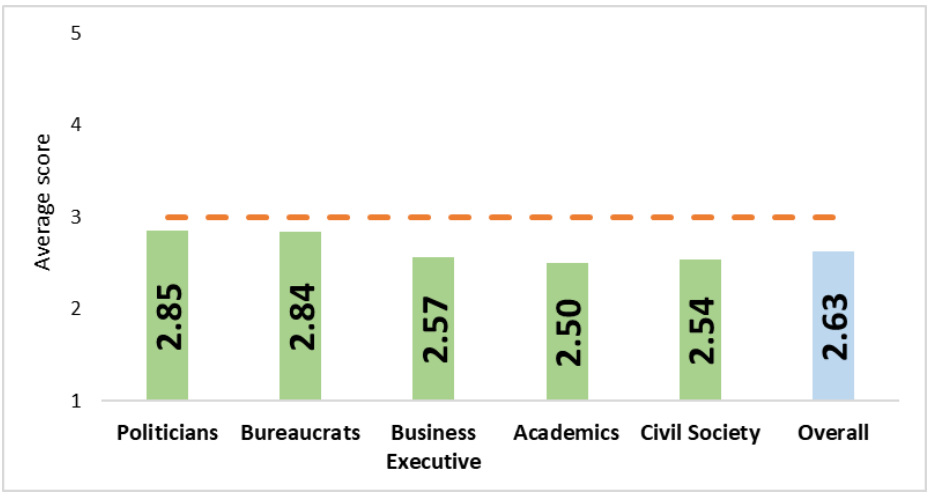
Note: Total number of questions: 59. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

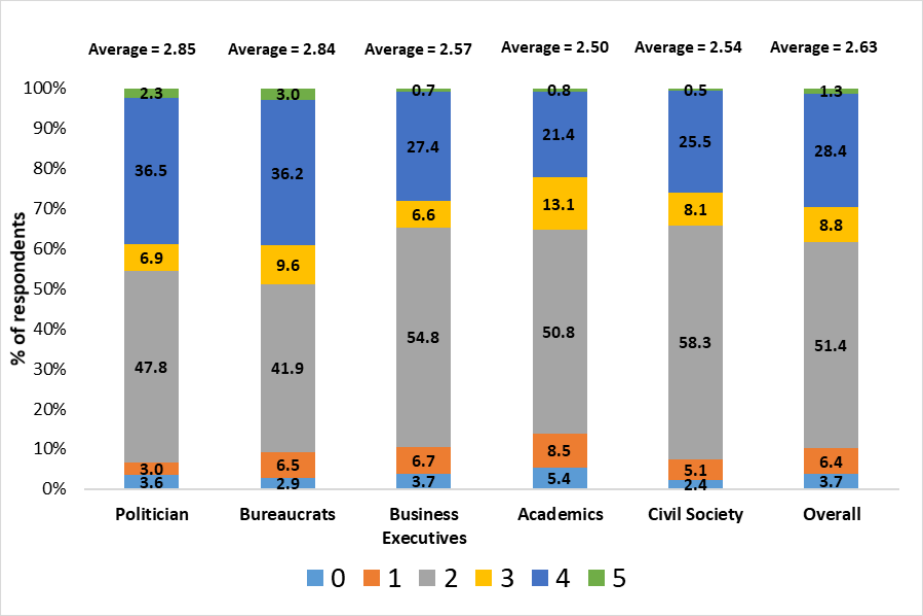
As Figure 26-A shows, the average scores given by business executives, academics, and civil society members were close to 2.5. Although politicians and bureaucrats gave this institutional area a slightly higher score, they remain less than the threshold level of 3. Figure 26-B shows the decomposition of responses by the sector of affiliation as per the Likert scale: the negative views of business executives, academics and civil society members are very prominent.

Figure 26: 'Civil service' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Table 8 presents the clusters and sub-clusters of 'Civil service'. Annex E presents the questions associated with the clusters and sub-clusters. It is surprising to see from Figure 27-A that, regardless of their affiliations, respondents gave 'Public security' a very low score (2.15). Figure 27-B presents the decomposition of responses on the clusters as per the Likert scale. The very low score of 'Public security' is due to the low level of security of goods, people and territory, according to the respondents. 'Efficiency of civil services' received a relatively better score (2.64), but this was still far below the threshold of 'neither negative nor positive'. Poor coverage of public services and inefficiency of public companies and procurement are reasons for this low score. However, respondents assigned higher scores to 'Public policy making' and 'Tax administration' (Figure 27). 'Public service recruitment' received a relatively better score for this institutional area, which confirms the relative absence of bias in public service recruitment (Figure 28).

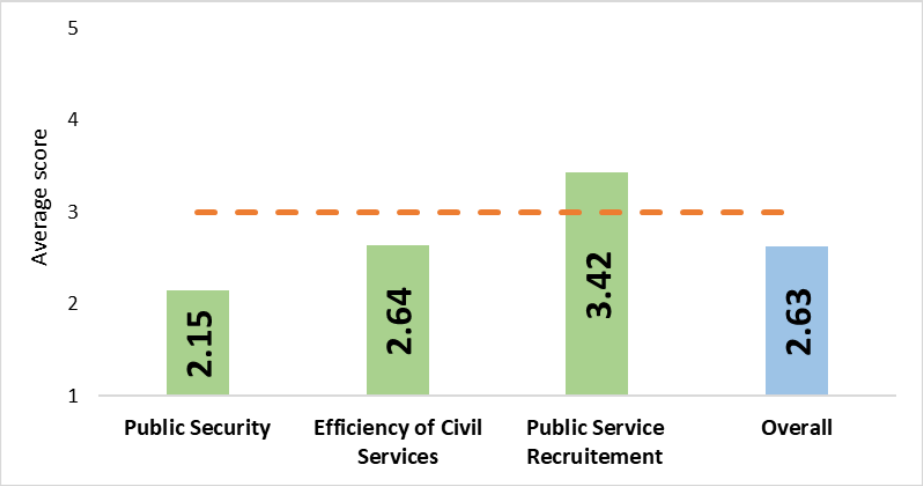
Table 8: Cluster and sub-cluster of 'Civil service'

Cluster	Sub-cluster
Public security	Public security
Efficiency of civil services	Efficiency of public companies and procurement
	Quality of public policymaking
	Coverage of public services
	Efficiency of tax administration
Public service recruitment	Public service recruitment

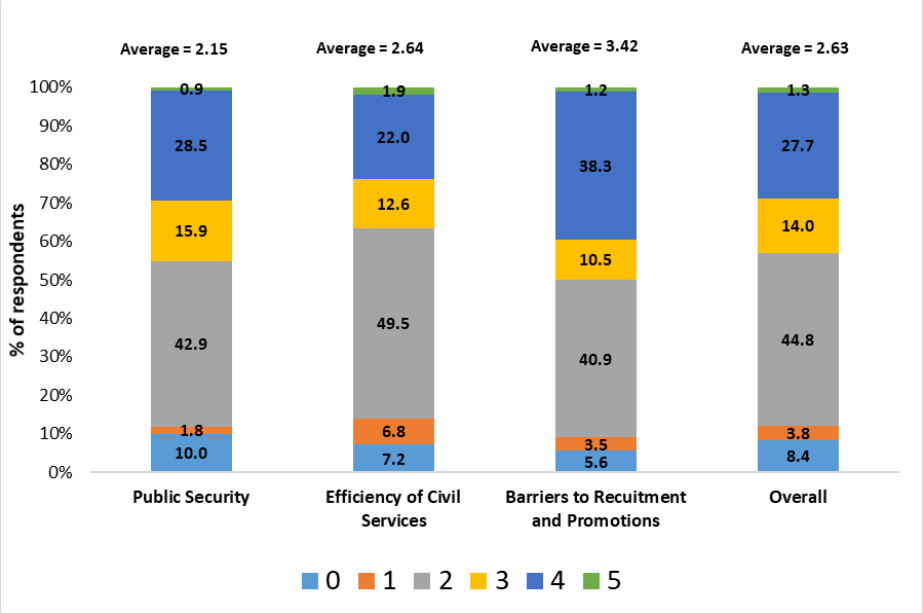
Source: CIS, Bangladesh

Figure 27: 'Civil service' – cluster analysis

(A)



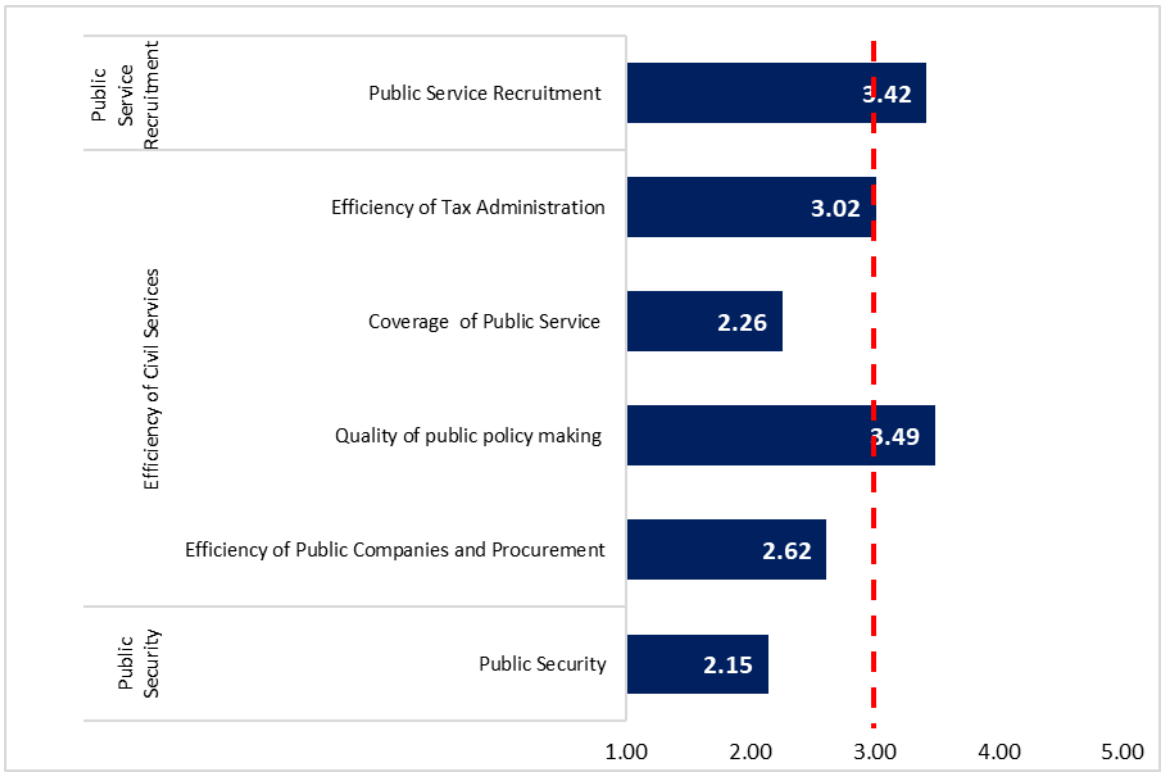
(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Figure 28: 'Civil service' – sub-cluster analysis



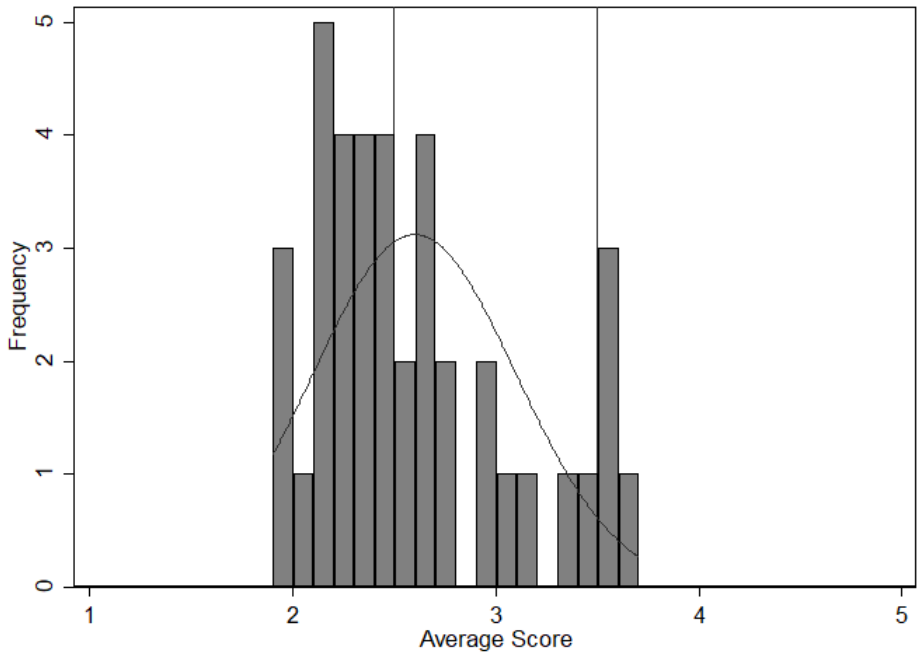
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

4.1.6 'Land'

It is very interesting to see that although 'Land' was not chosen as the most constraining institutional area for Bangladesh, it received the lowest score (2.6) among all the institutional areas discussed. Perhaps this is one of the advantages of the way the survey was conducted: it rigorously captured the institutional constraints in Bangladesh. As Figure 29 shows, most of the questions in this institutional area received scores below 3. In fact, a total of 21 questions out of the 39 received a score below 2.5. Only eight questions received an average score above 3.

Figure 29: Distribution of questions by average score – 'Land'



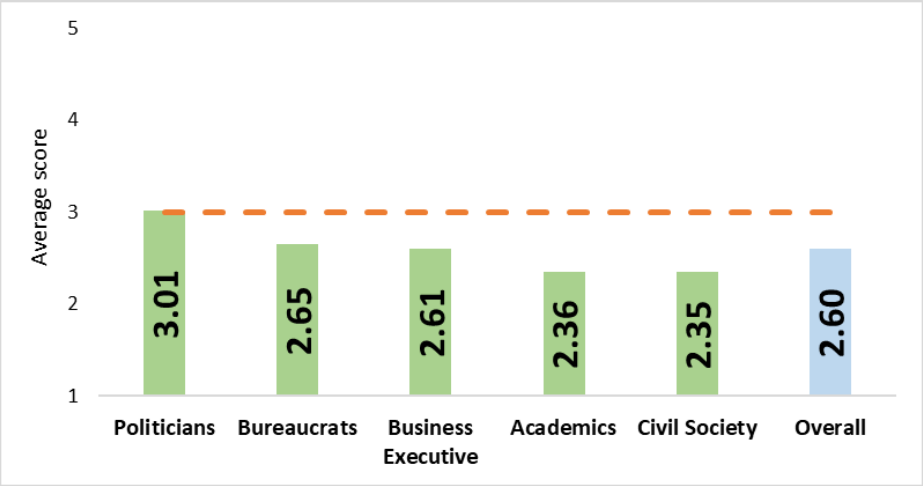
Note: Total number of questions: 39. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

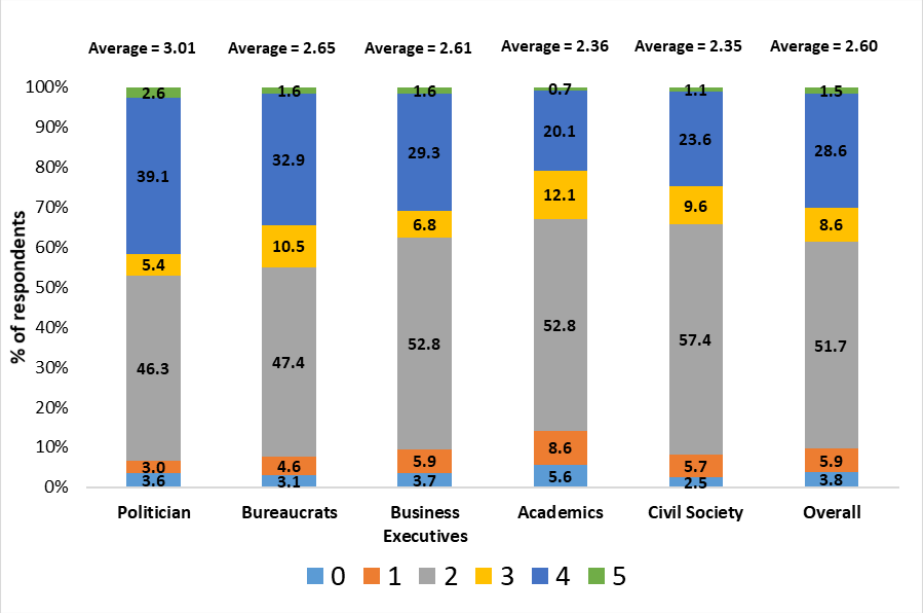
Except for politicians, the average score received from most of the respondents was well below the threshold level of 3. The most extreme scores were from academics (2.36) and civil society members (2.35), as depicted in Figure 30-A. Figure 30-B presents the decomposition of responses by the sector of affiliation as per the Likert scale. It is important to note the high degree of negative views from business executives about the institutional qualities related to 'Land' as 'Land' is the scarcest factor of production in Bangladesh.

Figure 30: 'Land' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Table 9 presents the clusters and sub-clusters of 'Land'. Annex F presents the questions associated with the clusters and sub-clusters. A closer analysis of the clusters and sub-clusters of this institutional area explains the underlying reason behind this low score (Figure 31 and Figure 32). Both the 'Legal system in land' and 'Land development' received very low scores. The low score for the 'Legal system in land' is due to the poor implementation of land law, poor management of conflicts related to land by the institutions, and the ineffectiveness of the judiciary in litigating land-related issues. 'Land development' received a low score (2.42), as depicted in Figure 31, due to the inadequacy of services related to land

development and the lack of incentives to invest in land development. Although 'Land protection and management' received a relatively better score (2.86) in this institutional area, it was nevertheless well below the threshold level. The reason for this score is the poor management of internal conflicts by the institutions and the low quality of institutions' services at the local community level.

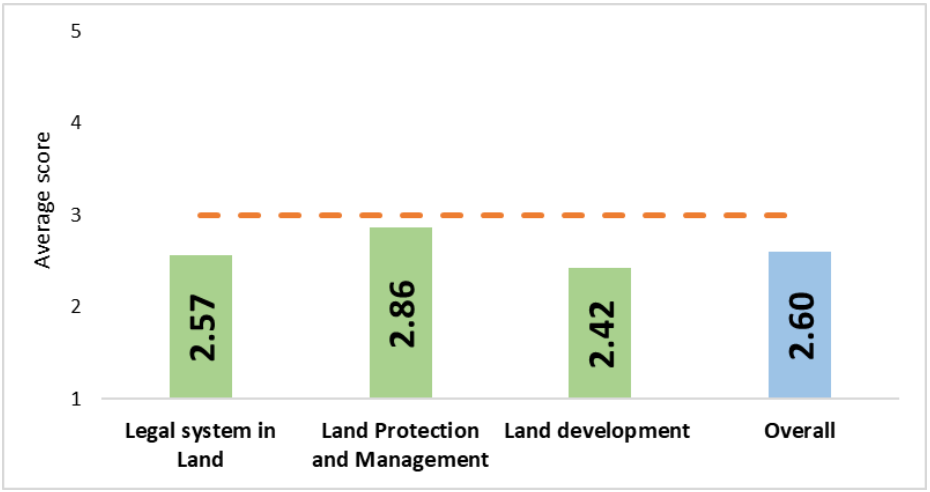
Table 9: Clusters and sub-clusters of 'Land'

Cluster	Sub-cluster
Legal system in land	Legal system in land
Land protection and management	Local communities
	Internal conflicts
	Land tenure security
Land development	Land development

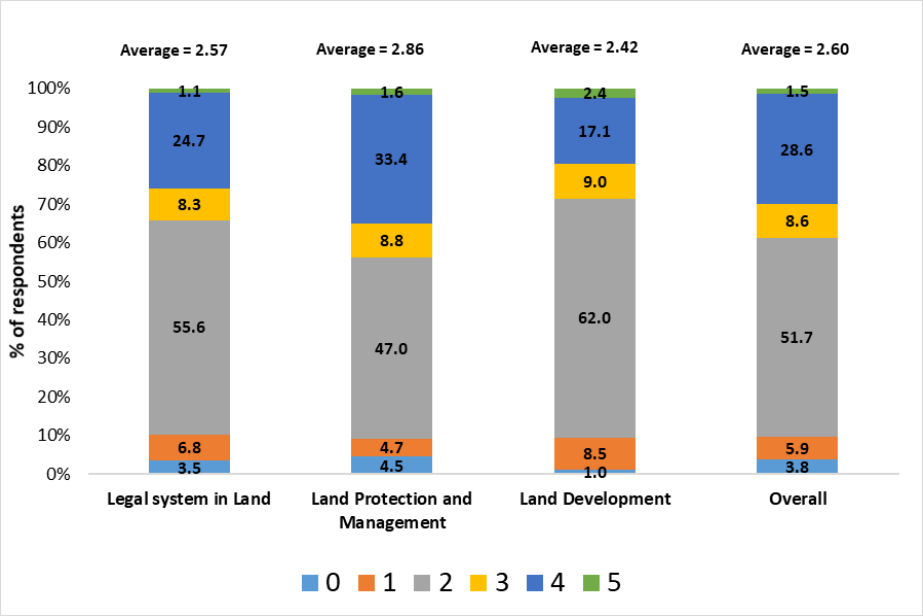
Source: CIS, Bangladesh

Figure 31: 'Land' – cluster analysis

(A)



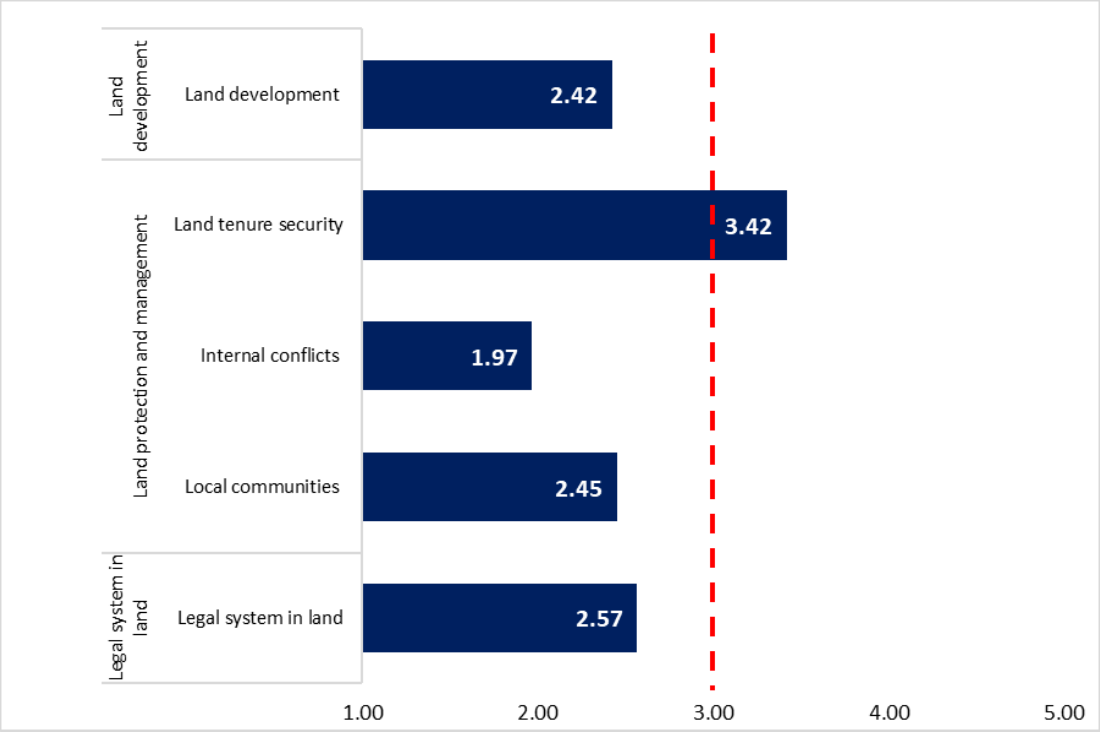
(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Figure 32: 'Land' – sub-cluster analysis



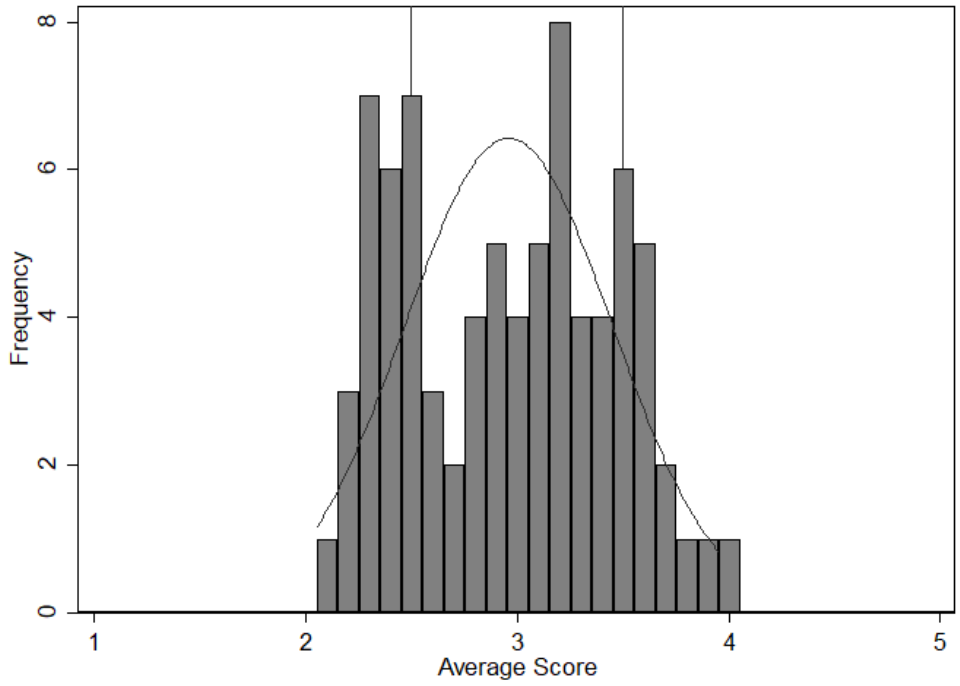
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

4.1.7 'People'

Although this institutional area had a higher frequency of choices as regards the most constraining institutional area for Bangladesh, the average score for this area was relatively high (2.96). As depicted in Figure 33, scores are to some extant normally distributed around 3. A total of 41 questions received a score of less than 3, and 38 questions received a score of greater than 3.

Figure 33: Distribution of questions by average score – 'People'



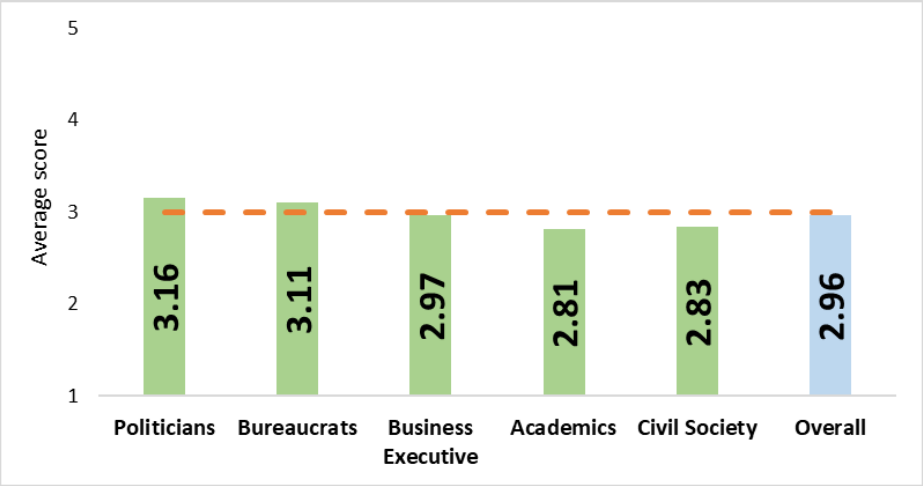
Note: Total number of questions: 79. Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

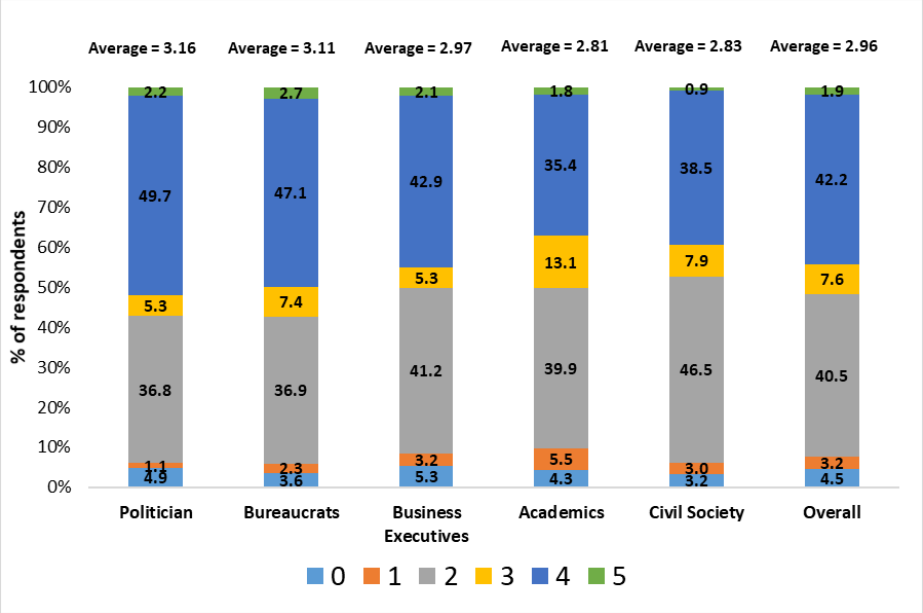
Figure 34-A depicts the scores for this institutional area by different sectors of affiliation. While politicians and bureaucrats gave a higher score to this institutional area, business executives, academics, and members of civil society gave average scores below the threshold level of 3. Figure 34-B presents the decomposition of responses by the sector of affiliation as per the Likert scale.

Figure 34: 'People' – analysis by sector of affiliation

(A)



(B)



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

Table 10 presents the clusters and sub-clusters of 'People'. Annex G presents the questions associated with the clusters and sub-clusters. As Figure 35 shows, 'Conflicts and violence in the society' received the lowest score in this institutional area. The underlying reason for this low score is the prevalence of violent organisations and violence in the society. The most interesting cluster, however, is 'Discrimination'. The score for this cluster was 2.67. This explains that, regardless of sector of affiliation or gender, respondents identified 'Discrimination' as a major institutional problem for Bangladesh. This is discussed in Section 4.4 in this chapter.

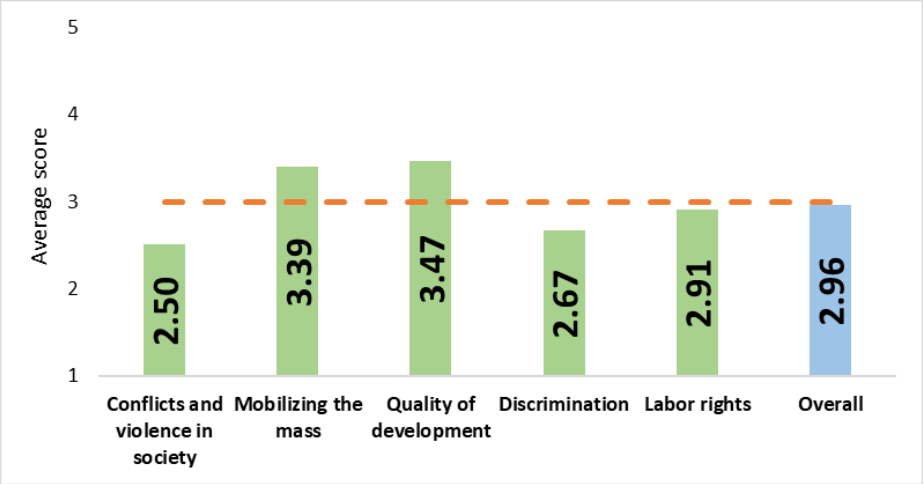
Table 10: Clusters and sub-clusters of 'People'

Cluster	Sub-cluster
Conflicts and violence in society	Internal conflicts
	Violent organisations
Mobilising the masses	National feeling
	Solidarity
Quality of development	Development of the middle class
	Significance of microfinance
Discrimination	Extent of discrimination
	Discrimination in the labour market
Labour rights	Effectiveness of trade unions
	Prevalence of child labour
	Biases in recruitment and promotion

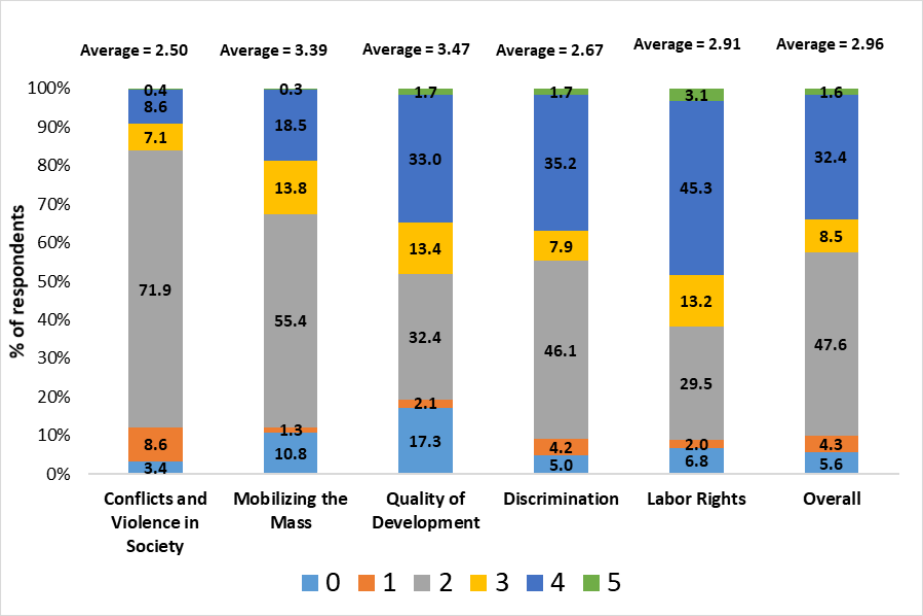
Source: CIS, Bangladesh

Figure 35: 'People' – cluster analysis

(A)



(B)

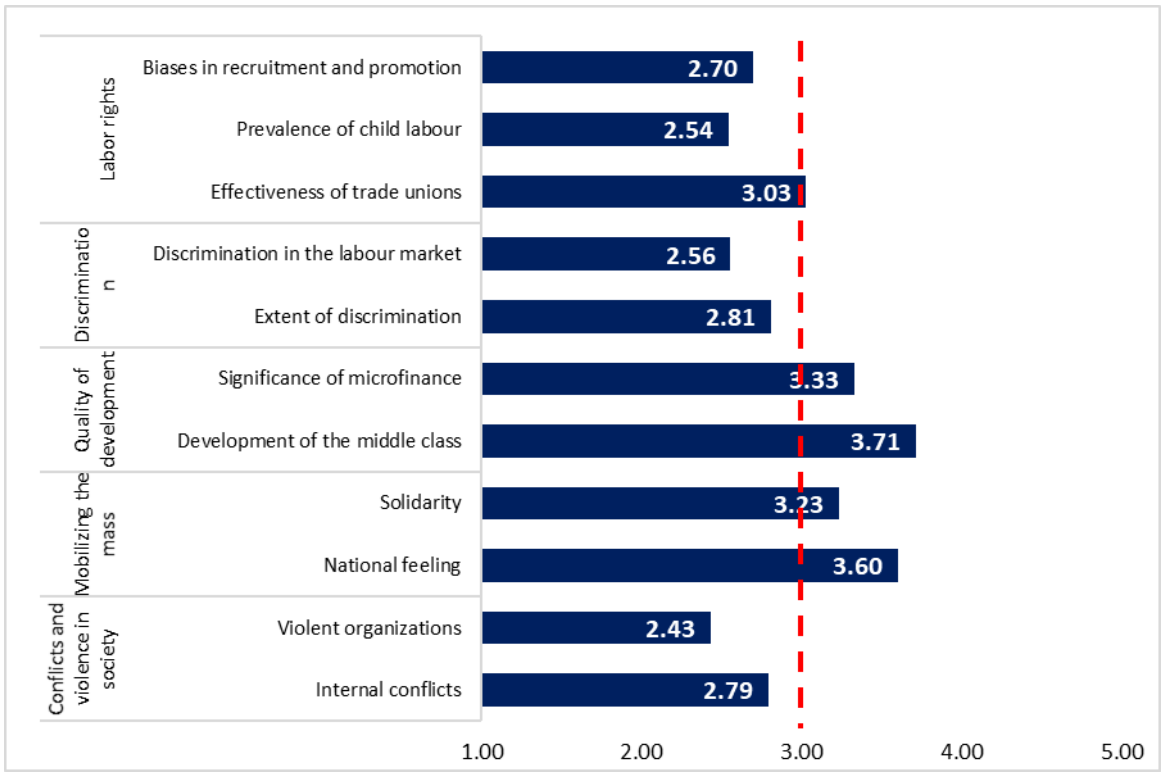


Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

'Mobilising the masses', in terms of solidarity and national feeling, and 'Quality of development' in terms of the development of the middle class and the significance of microfinance, have higher scores, far above the threshold. 'Labour rights' received a relatively lower score (2.91) compared to other clusters in this institutional area. This is due to ineffective labour unions, the prevalence of child labour, and biases and discrimination in recruitment (Figure 36).

Figure 36: 'People' – sub-cluster analysis



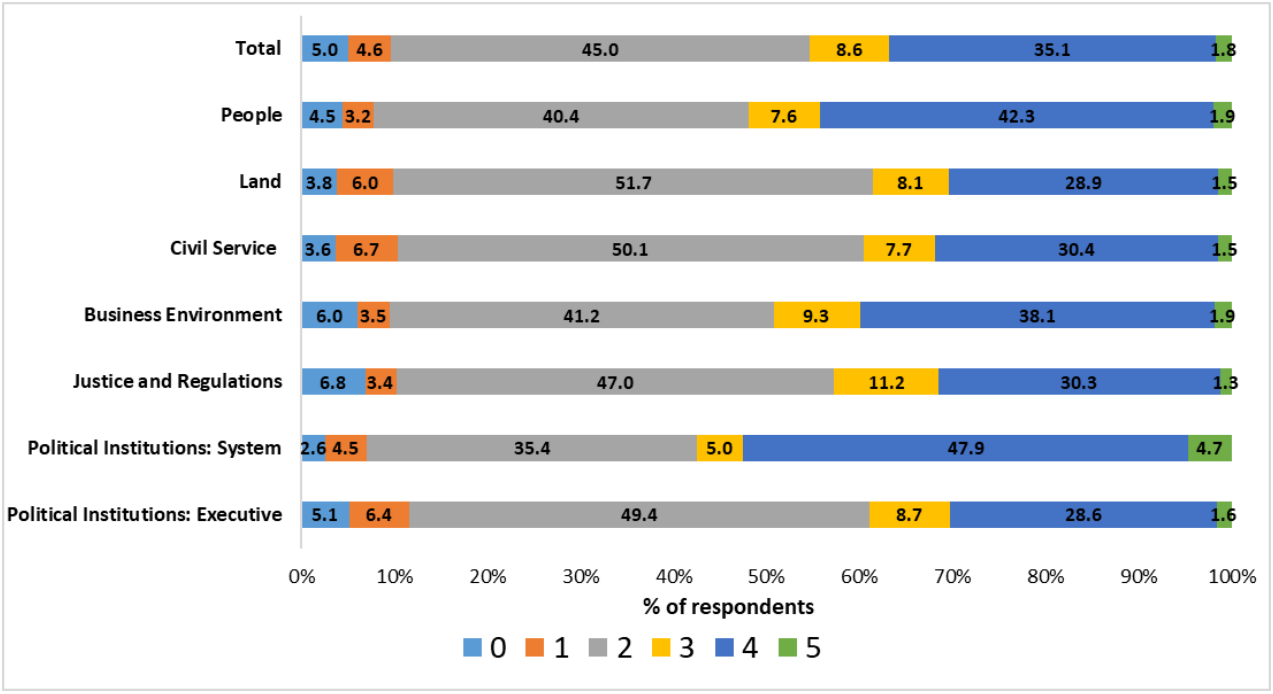
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive

Source: CIS, Bangladesh

4.2 Distribution of average score by cluster

We have discussed the average scores for each of the institutional areas; it is now necessary to discuss the distribution of scores by theme. Figure 37 depicts the percentage distribution of scores by each theme. As the figure shows, on average, the 'no opinion' view had a share of only 5%; the 'very negative' perception had a share of 4.6%; the 'negative' view had a share of 45%; the 'indifferent' view had a share of 8.6%; the 'positive' view had a share of 35.1%; and the 'very positive' view had a share of only 1.8%. The worst situation is observed in the case of the theme related to 'Land', where 57.7% of the responses were 'negative' (1 and 2), followed by 'Civil service' with 56.8%. The general picture drawn from these figures offers a pessimistic view of the institutions in Bangladesh. However, in the discussion of each institutional area by cluster and sub-cluster in the previous sub-sections, we identified specific problems associated with the institutions in Bangladesh. This is more useful than generalising perceptions of the institutions in Bangladesh based on these scores.

Figure 37: Percentage distribution of scores by theme



Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

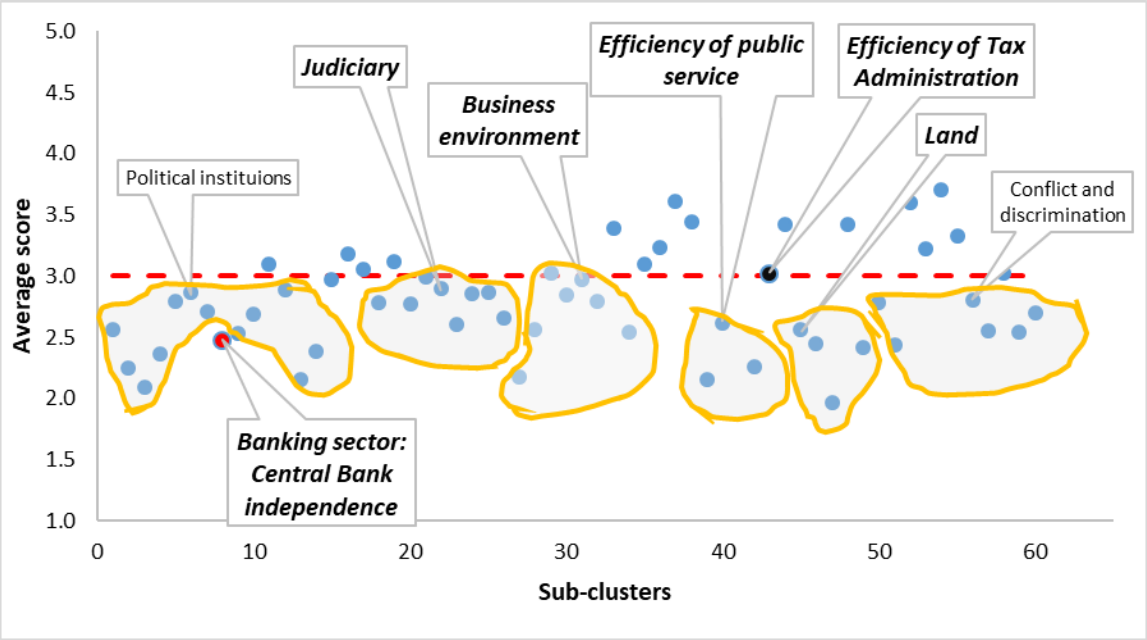
Source: CIS, Bangladesh

4.3 Identification of the major areas of institutional weaknesses

The previous section discussed the distribution of scores across institutional areas. We saw that, on average, the scores are well below 3. As mentioned in the previous section, generalising these scores can be misleading. In this section the scores for all the sub-clusters are plotted in Figure 38. Although we have previously discussed specific clusters and sub-clusters, a graph like this provides us with the broader viewpoint regarding the institutions in Bangladesh. Annex H presents the scores of all sub-clusters. This also gives us incentives to study further, and concentrate on, those thematic areas that we intend to study for the growth diagnostic for Bangladesh.

It is clear from the figure that institutional anomalies in Bangladesh are prevalent in relation to the judiciary, the business environment, the efficiency of public services, the efficiency of tax administration, and land. The discussion of each of these areas in the previous sub-sections illustrated that political institutions and conflict and discrimination are cross-cutting and are associated with these broader thematic areas, depending on the context of the discussion.

Figure 38: Major areas of institutional weaknesses



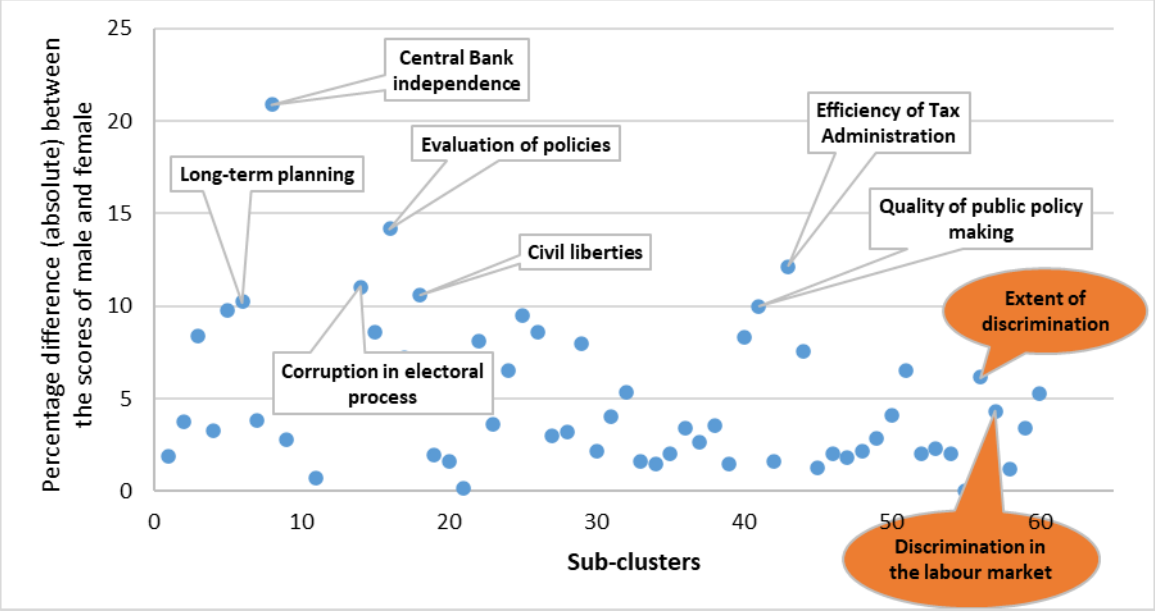
Note: Options in the Likert scale: 0 = no opinion; 1 = very negative; 2 = negative; 3 = neither negative nor positive; 4 = positive; 5 = very positive.

Source: CIS, Bangladesh

4.4 Perceptions of institutions from a gender perspective

An interesting insight of the analysis is that the survey asked some questions related to discrimination based on gender. The majority of the respondents, regardless of gender, agreed that discrimination on the basis of gender is prevalent in Bangladesh. As the responses to these questions show the extent of discrimination spans both public authorities, society, and the workplace. Annex I presents the average scores of all sub-clusters for males and females. Figure 39 reports the responses where the largest percentage difference in responses (in absolute term), related to the sub-clusters, were found between male and female respondents. The figure shows that the largest difference in opinion between male and female respondents was in terms of long-term planning, central bank independence, evaluation of policies, corruption in electoral process, civil liberties, and quality of public policymaking. For these sub-clusters, the percentage difference in opinion was at least 10%. However, it is interesting to see that, though there were vast differences in opinion in the context of so many sub-clusters, both males and females agreed on the fact that discrimination exists in the society, especially in the labour market, as differences in responses were very low for these sub-clusters.

Figure 39: Percentage difference (absolute) in responses by gender



Source: CIS, Bangladesh

4.5 Perceptions of institutions based on political affinity

The previous sub-sections have discussed in detail the institutional areas based on sector of affiliation. However, as the survey gathered information on the political affinity of the respondents, it is interesting to look at any differences in opinions based on such political affiliation. Annex J presents the scores of all sub-clusters for ruling party affiliation, opposition affiliation, and no affiliation.

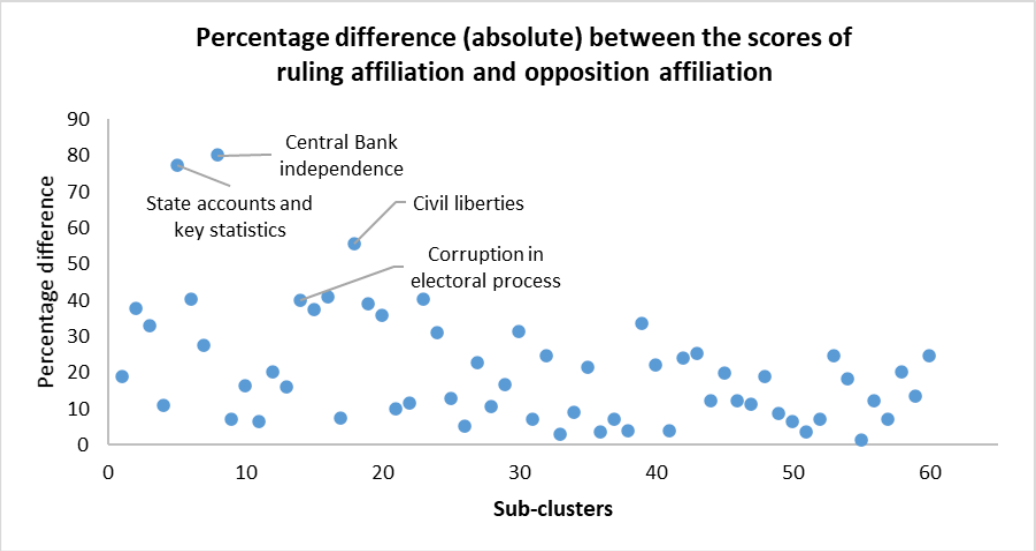
First, we plot the differences in opinions between the respondents who were affiliated with the ruling party and those affiliated with the opposition. This is depicted in Figure 40-A. The figure shows there was a vast difference of opinions between these two types of respondents. The average percentage of difference in responses lies around 20%.

Next, we plot the percentage difference between the scores of respondents with affiliation to the ruling party and respondents who did not express their affiliation to any political party (Figure 40-B). This is almost identical to the previous figure, with a low average percentage difference.

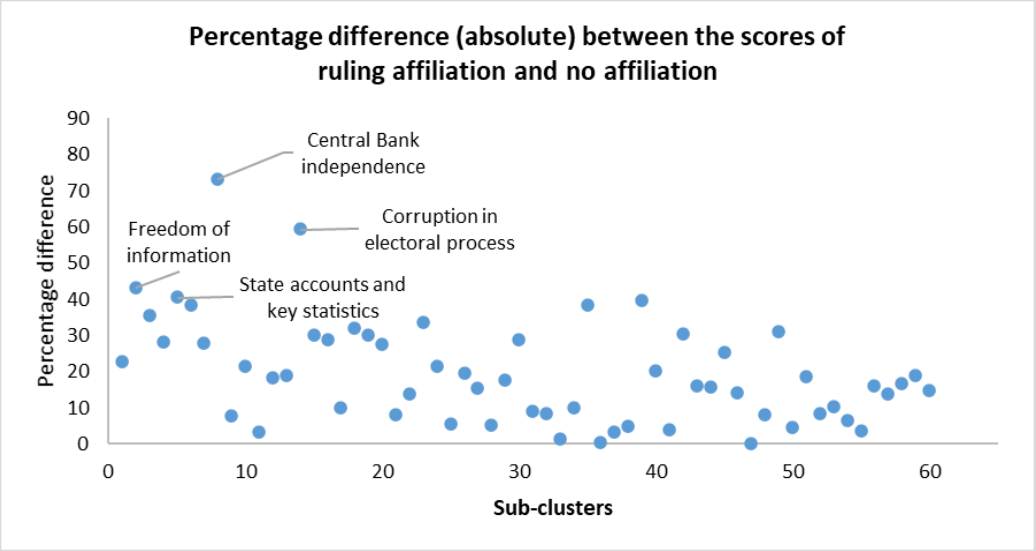
However, the most interesting point to note is that depicted in Figure 40-C, where we plot the differences in opinion between respondents with an affiliation to the opposition party and those without any political affiliation. This shows that the average percentage difference in opinions is very low – almost close to zero – showing the similarity between the opinions of affiliates of the opposition parties and the opinions of respondents with no revealed political bias, as regards the institutional areas. Those who stated they had 'No affiliation' are likely to often include opposition people who do not dare say so, or who do not want to be involved in politics.

Figure 40: Percentage difference (absolute) in responses by political affinity

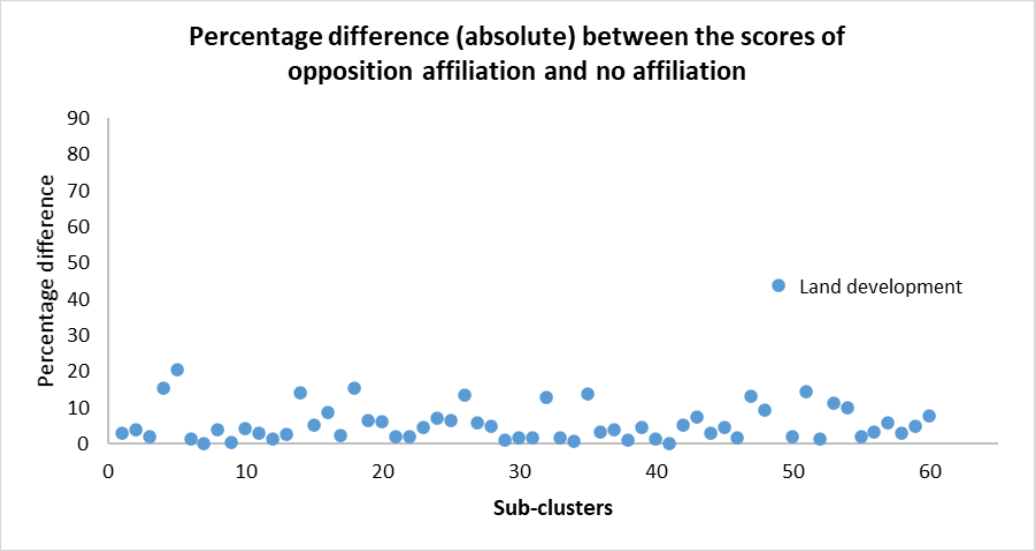
(A)



(B)



(C)



Source: CIS, Bangladesh

5 Open-ended interviews with top decision makers and policymakers

Parallel to the CIS survey we conducted several open-ended interviews with top decision makers and policymakers in Bangladesh. These decision makers naturally were not interviewed in the same way as the other respondents to the CIS. Nor were they selected based on a stratified sampling technique. These interviewees were chosen simply because they had been working with the institutions in Bangladesh and/or were closely affiliated to and associated with the functioning of the institutional areas under discussion. These stakeholders (politicians from the ruling and opposition parties, bureaucrats – current and retired, business executives from different sectors, academics – teaching and research, NGO members, and other activities) were carefully chosen to avoid any kind of bias. They were asked several questions about the institutions and institutional diagnostics for Bangladesh. In their responses they pointed to several sectors it may be useful to concentrate on in order to come up with diagnostic tools for Bangladesh. The anomalies in these sectors were then discussed in detail with these stakeholders. The main aspects of the institutional areas mentioned by these stakeholders are discussed below.

The failure of institutions to diversify markets and exports is causing Bangladesh to lose a huge sum of revenue. The major problems relating to market diversification include: a lack of comparative advantage; the inefficient use of available resources; poor capacity to ensure product diversification; high trade costs; poor physical connectivity; political patronage and bias; and the size of the importing country's economy etc. In Bangladesh there are still no proper studies that have been conducted to understand the institutional failures in relation to market diversification. To this end, it is important to understand the dynamics of the vast concentration exports around the RMG sector, and the neglect of other potential industries.

The key feature of the fiscal sector is the public revenue and expenditure management, with the aim of reducing infrastructure gaps, promoting private investment, generating employment opportunities, and ensuring the efficient redistribution of wealth through a pro-poor and inclusive fiscal policy. Data show that tax revenue is the major source of income or revenue for the Government of Bangladesh. Low administrative capacity and strong lobbying by businesses can be seen as the prime institutional failures as regards revenue generation for the Government. The Government should bring the target group under the tax net and make it mandatory to submit income tax returns, whether an entity is taxable or not. However, another important challenge to progress is mismanagement in expenditure in a weak institutional environment. Delayed funds disbursement, delay in land acquisition, and the lack of skilled project directors are also identified by the Implementation Monitoring and Evaluation Division (IMED) of the Ministry of Planning as important reasons behind mismanagement in expenditure.

With a continual wealth transfer from the general public to the corruption-ridden and seemingly incompetent state-owned banks (and ultimately to defaulters), the non-performing loan (NPL) situation has worsened. In Bangladesh the main source of total NPL is state-owned banks. The experts interviewed identified a few factors behind this situation. Of course, they mentioned systemic corruption, but they also went further and mentioned the appointment of corrupt officials to important positions at the state-owned banks as a fundamental reason for this. A few of the symptoms of political patronage in the sector are:

the Finance Ministry's overreach in licensing private banks while exercising political considerations; injecting incentives without the recommendation of the Bangladesh Bank; not complying with the suggestions of the central bank; and influencing the decisions of the autonomous central bank . Though it is an independent regulatory authority, the central bank cannot completely monitor these private banks as they are owned by politically influential people. Historically, there have been many regulations in the banking sector, especially relating to the entry/exit mechanism of banks and their governing bodies. The Bank Company Act, 1991, has been amended six times since its formation. Recent laws have sought to bolster political hold over the governance of these banks. These new laws have brought in changes in directorship positions, triggering a state of panic among depositors and other stakeholders. At the current point in time, from the discussion, we can see that the independence of the central bank is not producing its intended benefits, due to the presence of political pressure. Thus, the institutional efficiency of the banking sector hinges upon diversification of the sector, to control the ongoing political pressure place upon it.

Land litigation procedures and land management in Bangladesh are convoluted. With land being the most valuable asset in the country, the institutions associated with land management are susceptible to bribes. The influence of political patronage has made the transfer of land and land availability for businesses a complex issue. For better and more sustainable economic growth, the availability of land is crucial. However, the current situation in Bangladesh suggests that the problems associated with land are much politicised. Weaknesses in the institutions associated with land are related to the prolonged time required to obtain approval for transfer of land, politicisation in allocating land, and bribery in the transfer or approval of land use. As stakeholders mentioned, the convoluted nature of the problem and the failure of the judicial system to ensure justice in cases related to land may have a long-term impact on Bangladesh's economic system.

The judiciary in Bangladesh is faced with many problems: a low number of judges compared to the number of cases; an unregulated system and laws; and the questionable independence of the system. All of this calls for an elaborate study on the subject. Complex procedures, case backlogs, and a lack of effective case management are also key constraints to the court system in Bangladesh. An independent judiciary is the *sine qua non* of democracy and of good governance. However, though the Constitution requires the separation of the judiciary from the executive, no steps whatsoever have been taken by the legislative or executive branch of the government in this regard. The independence of the judiciary is a must for any democratic country but attempts to influence the judiciary and steer it for political benefit are prevalent in Bangladesh.

6 Discussion and conclusion

The CIS survey and the open-ended discussion with top decision makers and policymakers has provided some interesting insights about the institutional functioning and mechanisms in Bangladesh. Key findings regarding the institutional strengths and weaknesses, and the recommendations of the stakeholders in the open-ended discussions, are consistent, even though the latter were able to go into more detail than the CIS survey. The following paragraphs summarises the most salient points that have come out of this double exercise.

In the first place, it should be stressed that the CIS survey yielded a ranking of problematic institutional areas similar to the one derived from exploiting cross-country institutional indicator databases, as reported on in the preceding chapter. Namely, the two areas found to be the most favourable (or perhaps the least unfavourable) to Bangladesh's development are the business environment and the political system – an area that roughly fits the 'democracy' synthetic index in the preceding chapter. This convergence between insiders, i.e. local decision makers, and the experts behind the cross-country indicators, reinforces the view that other institutional areas than the preceding ones are problematic.

Second, it turns out that the general appraisal of institutional areas most likely to hinder development is not very informative, except perhaps in regard to the low weight put on land issues, something that is surprising given the emphasis of key informants on this aspect of Bangladeshi institutions. By contrast, in the CIS survey, the detailed evaluations were much more informative. They clearly put the civil service and land issues at the top of the list of poorly functioning institutional areas, closely followed by the state of political and administrative management exercised by the executive.

The sub-cluster analysis, within each institutional area, yielded still more interesting, because more precise, information. Of particular importance are the following weaknesses it pointed to:

- ubiquitous corruption (election, business, recruitment in civil service);
- executive control of legal bodies, media, judiciary, and the banking sector;
- inadequate coverage of public services;
- the number and intensity of land conflicts; and
- gender discrimination.

A few institutional aspects were also found to be rather satisfactory, though not always without some contradiction as regards other judgements. These include the general development of a middle class, the national feeling, and the quality of public policymaking. Of very special importance for the subsequent analysis in this volume is also the relative satisfaction regarding informal arrangements with the administration and as a way to secure contracts, as an efficient way of avoiding the ineffective formal channels. This may seem a bit paradoxical when evaluating institutions, but this opinion is quite revealing of what may be an important trait of the institutional context in Bangladesh.

Finally, the opinions expressed by the key informants generally confirmed the views of the CIS survey respondents: as, for instance, when they emphasised the low administrative capacity of the Bangladeshi state, corruption, or the ineffectiveness of the judiciary. But they

added to the survey by pointing to sectors of activity where those weaknesses may be more salient. Of special importance from that point of view is their emphasis on industrial policy and the lack of diversification away from the RMG sector, to which this lead, possibly because of the over-influence of the RMG entrepreneurial elite. Key informants' insistence on the severe failings in the regulation of the banking sector, the corruption behind the huge and increasing NPLs, and the lack of regulatory power on the part of the central bank are also deeply revealing of the way several institutional weaknesses generate deep inefficiency in a key sector of the economy.

Annex A 'Political institutions: executive' – Questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Quality of governance	Democracy	How strictly would you say representative political institutions (parliament, executive) operate in accordance with the formal rules in the Constitution?
		To what extent do you think that the political oversight institutions (e.g. Court of Appeal) effectively enforce compliance with the formal rules in the Constitution?
		Would you say the type of governance of the executive is authoritarian?
		Would you say the type of governance of the executive is consensual?
		Would you say the manner by which the executive governs is an impediment to development?
		To what extent would you say that heads of government have occasionally amended the rules in their favour?
		To what extent do you think that there is repression by the state in Bangladesh?
	Freedom of information	How free would you say the press, and the media at large, are from political influence ?
		How politically pluralist do you find the press and the media in general?
		To your knowledge, how frequent are cases of seizure in relation to, or censorship of, the national media?
	Control of political authorities over legal bodies	How strong is the control of the political authorities over the army?
		How strong is the control of the political authorities over the police?
		How strong is the control of the political authorities over the customs authorities?
		How strong is the control of the political authorities over the public bureaucracy?
	Autonomy of sub-national authorities	How autonomous are elected local governments with respect to the central authority in fiscal affairs?
		How autonomous are elected local governments with respect to the central authority in local affairs?
Statistics and planning	State accounts and key statistics	How reliable (in terms of realism, consistency, coverage, degree of detail) is the budget?
		How reliable are the state accounts?
		How reliable are the accounts of state-owned enterprises?

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		How reliable are the accounts of state-owned banks?
		What is your take on the accuracy of national accounts, price indices, and financial statistics?
		To what extent are statistics on poverty and inequality regularly produced?
	Long-term planning	To what extent is there a long-term strategic vision that guides most public policies?
		To what extent is that strategic vision shared by society as a whole?
		How analytically detailed is the public authorities' long-term strategic vision regarding the development of human capital (education, vocational training, health etc.)?
		How analytically detailed is the public authorities' long-term strategic vision regarding infrastructure development (transport, electricity, water, and telecommunication)?
		How analytically detailed is the public authorities' long-term strategic vision regarding territorial/urban planning?
		How analytically detailed is the public authorities' long-term strategic vision regarding environment protection?
		How analytically detailed is the public authorities' long-term strategic vision regarding trade and regional integration?
		How analytically detailed is the public authorities' long-term strategic vision regarding industrial policy?
		To what extent do major policy decisions and reforms rely on rigorous analysis of their economic and social impact?
Control of executive over policies	**Coordination and efficiency of public offices**	To what extent does the regulation of utilities contribute to the general interest?
		How frequent are coordination failures between ministries ?
		How frequent are coordination failures within ministries ?
		How frequent are coordination failures within ministries and the Prime Minister's office?
		How important are obstacles to the implementation of public policies and reforms originating from administrative divisions?
		How important are obstacles to the implementation of public policies and reforms originating from divisions within government?
		How important are obstacles to the implementation of public policies and reforms originating from pressure groups?
		How important are obstacles to the implementation of public policies and reforms originating from neighbouring countries?

		How important are obstacles to the implementation of public policies and reforms originating from external stakeholders (e.g. foreign organisations)?
	Central bank independence	In your opinion, how independent is the Central bank (Bangladesh Bank) from the government?
	Priority and influence of the elite in relation to development	To what extent can the state direct the credit flow towards specific sectors (transport, housing, energy etc.)?
		Beyond words, to what extent is poverty reduction the overarching priority for political authorities?
		How influential are major national economic stakeholders (big companies, including state-owned, interest groups, lobby groups, etc.) on tax policy?
		How influential are major national economic stakeholders (big companies, including state-owned, interest groups, lobby groups, etc.) on trade policy?
		How influential are major national economic stakeholders (big companies, including state-owned, interest groups, lobby groups, etc.) on regulation policy?
		How influential are major national economic stakeholders (big companies, including state-owned, interest groups, lobby groups, etc.) on infrastructure policy?
		How influential are major national economic stakeholders (big companies, including state-owned, interest groups, lobby groups, etc.) on labour policy?
		How influential are foreign investors on national economic policy?
		How influential are donors and international organisations on national economic policy?
Influence of international stakeholders	**Neighbouring countries**	What is the degree of collaboration with neighbouring countries?
		How severely would Bangladesh be affected if existing economic agreements with neighbouring countries were broken?
		In your opinion, to what extent has Bangladesh's economy been negatively affected by political events in neighbouring countries in the past?
		In your opinion, to what extent is Bangladesh's economy negatively affected by political events taking place in neighbouring countries today?
	Donors	To what extent do you share the view that aid is reducing the accountability of government?
		To what extent do you share the view that aid is increasing corruption?
		To what extent do you share the view that aid is providing funding for infrastructure development?
		To what extent do you share the view that aid is improving health and education?
		To what extent do you share the view that aid is improving the quality of economic policy?

		To what extent do you think the conditionality of aid is an impediment to development?
		In your opinion, how severe would the long-run consequences of a permanent slowing down of aid flows be?
		How easy do you think it would be to substitute foreign aid with domestic taxation?
		How easy do you think it would be to substitute foreign aid with foreign borrowing?
		In your view, what is the proportion of aid in the budget of Bangladesh?

Annex B 'Political institutions: system' – questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Politics in system	Influence of political stakeholders	Alongside the legal institutions, how influential are certain non-political organisations (e.g. religious, ethnic, trade unions, lobby groups) on government decisions?
		In your view, what is the degree of implicit involvement of the military in politics?
		In your view, to what extent is the opposition (political parties and civil society) to the ruling government able to influence political decisions?
		How frequent is the use of violence by political organisations?
	Nepotism	In your opinion, how important are networks (e.g. family, clan, social group) in determining the selection of senior politicians?
		In your opinion, how important are networks (e.g. family, clan, social group) in determining the selection of senior government officials?
	Corruption in electoral process	How large would you say is the degree of corruption in Bangladesh at the 'political' level (e.g. vote buying, illegal and hidden campaign financing, bribery etc.)?
Evaluation of the system	Evaluation based on statistics and state accounts	How seriously are state accounts and financial statements audited?
		Are voters free to vote for their candidate of choice in national elections without fear or intimidation?
		How detailed is the discussion in civil society about departures from the budget?
		To what extent do key statistics like GDP growth, current account deficit, debt, and inflation give rise to a debate in parliament, in the media, and in the civil society?
		To what extent are statistics on poverty and inequality regularly debated in parliament?
		To what extent are statistics on poverty and inequality regularly debated in civil society?
		To what extent are regular and occasional reports on Bangladesh emanating from international organisations (IMF, Chapter IV, OECD, World Bank) publicised?
		How seriously is the evaluation of the functioning of state-owned companies?
	Evaluation of policies	How truthfully and seriously is economic policy (e.g. fiscal policy, taxation, trade etc) debated within government and parliament?
		How truthfully and seriously is economic policy (e.g. fiscal policy, taxation, trade etc) debated within civil society?

Influence of civil society	**Participation of the population**	How strongly do you feel civil society (outside official party channels) participates in politics (as a member of official commissions, through opinion polls, public debates, op-eds) at the national level?
		How strongly do you feel civil society (outside official party channels) participates in politics (as a member of official commissions, through opinion polls, public debates, op-eds) at the local level?
	Civil liberties	How free do you think people actually are to form associations of various natures (religious, ethnic, occupational, political parties)?
		How free do you feel people actually are to get together to debate, demonstrate, or protest?
		According to you, how equal is the treatment citizens receive from the authorities (regardless of religion, ethnicity, gender, political opinion etc)?
Autonomy of the state in relation to reform		Given religious, traditional norms or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to constitutional matters?
		Given religious, traditional norms or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to civil and political rights?
		Given religious views, traditional norms, or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to justice?
		Given religious views, traditional norms, or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to economic rules, including taxation and regulation?
		Given religious, traditional norms, or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to economic rules, including taxation and regulation?
		Given religious views, traditional norms, or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to civil and political rights?
		Given religious views, traditional norms, or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to societal matters (family, religion, etc.)?
		Given religious views, traditional norms, or ethnic values, how much autonomy would you say the state has in deciding and actually implementing reforms with respect to environmental protection?

Annex C 'Justice and regulations' – questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Judiciary in business	Business law	How timely are judicial decisions in commercial matters?
		In your view, how impartial are judicial decisions in commercial matters involving the state and state-owned firms?
		In your view, how impartial are judicial decisions in commercial matters involving the state and private stakeholders?
		In your view, how impartial are judicial decisions in commercial matters involving only national private stakeholders?
		In your view, how impartial are judicial decisions in commercial matters involving state and foreign stakeholders?
		In your view, how impartial are judicial decisions in commercial matters involving both national and foreign private stakeholders?
	Litigation procedures	How frequently are loan repayment failures handled by commercial courts instead of by bank themselves?
		How high would you say is the share of the original loan recovered in loan litigation procedures handled by the bank?
		How high would you say is the share of the original loan recovered in loan litigation procedures handled by the courts?
	Control and regulation of policies	To what extent would you say the interest rates proposed by commercial banks are under the full control of the Bangladesh Bank?
		In your opinion, how effective is the Bangladesh Bank in implementing prudential regulations in agreement with international rules (e.g. capital/loan ratio)?
		How effective is the anti-trust regulation in the market sector (excluding the financial sector and public utilities)?
		In your view, how frequent are monopoly situations (outside the financial sector and utilities) in the market sector?
State and judiciary	Functioning of the justice system	How independent is the judiciary vis-à-vis the state?
		How effectively are judicial decisions enforced?

		How timely are judicial decisions that are taken at the lower courts level?
		How timely are judicial decisions that are taken at the high court level?
		In your view, how equal is the treatment of citizens before the law?
		How different is the treatment of foreign businesses before the law as compared to national businesses?
Judiciary in consumer protection	**Prioritising consumer rights**	How active is the state in trying to influence the prices set by the private sector?
		How active is the state in protecting consumers against fraudulent, unsafe, or unhealthy products?
		To what extent does the regulation of utilities contribute to the general interest?
		To what extent do you think that the Central Bank of Bangladesh prioritises price stability at the expense of economic growth?
		According to you, how effective is the control of capital movements with the rest of the world?
Judiciary in labour market	**Labour law in practice**	How frequently do labour disputes end in the labour courts/ lower courts?
		To what extent do formal firms respect the minimum wage laws?
		To what extent are dismissal procedures stipulated by law actually observed in the formal sector?
	Efficiency of the workplace inspectorate and system of industrial tribunals	How frequently do labour inspection services raise a case against employers who are at fault?
		How frequently are employment disputes (e.g. unfair dismissal) brought before the labour courts?
		How efficient are the labour courts in resolving employment disputes?
		How biased are the labour courts in favour of employees – vis-à-vis employers?

Annex D 'Business environment' – questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Corruption in business	**Level of corruption**	How large would you say is the degree of corruption in Bangladesh involving the administration and local businesses?
		Does corruption put barriers in the way of competitive entry for local businesses?
		How large would you say is the degree of corruption in Bangladesh involving the administration and foreign businesses?
		Does corruption put barriers in the way of competitive entry for foreign businesses?
Enforcement of contracts	**Security of private contracts**	How frequent are breaches of contract between national private firms (including banks)?
		How frequent are breaches of contract between foreign private firms (including banks)?
Effectiveness of law in business	**Insolvency law**	How constraining is the insolvency legislation for lenders?
		How constraining is the insolvency legislation for borrowers?
		How strong is the impact of insolvency legislation (liability) on risk-taking behaviour by lenders?
		How strong is the impact of insolvency legislation (liability) on risk-taking behaviour by borrowers?
	Security of property rights	In a situation of conflict between private stakeholders, how effective are the legal means to protect land rights?
		Do informal arrangements work to resolve conflicts between private stakeholders related to land rights when formal channels do not work?
		In a situation of conflict between private stakeholders, how effective are the legal means to protect land rights?
Business and competition	**Starting a business**	How time-consuming is it to start a business?
		How costly (official) is it to start a business?
		How costly (unofficial) is it to start a business?
		To what extent is setting up a subsidiary of a foreign firm more costly and time-consuming than setting up a national firm?
		To what extent is it easier to start a business if a firm has access to export processing zones?

		To what extent can it be easier to start a business if a firm has access to a special economic zone (SEZ)?
		Does the ease of starting a business depend on the sector?
		How efficient is the selection of firms into an export processing zone (EPZ) or SEZ?
		To what extent do local companies receive support from the state in terms of subsidies.?
		To what extent do local companies receive support from the state in terms of trade protection?
		To what extent do foreign companies receive support from the state in terms of trade protection?
		To what extent do local companies receive support from the state in terms of financial facilities?
		To what extent do foreign companies receive support from the state in terms of financial facilities?
		To what extent do local companies receive support from the state in terms of access to infrastructure?
		To what extent do foreign companies receive support from the state in terms of access to infrastructure?
		How selective is the granting of support, in terms of economic activity of firms?

		Does a firm receive support from the state based on its lobbying power?
	Competition and privatisation	In your opinion, how constraining are barriers to entry for new formal firms in markets for goods and services (excluding the financial sector) set by the administration?
		In your opinion, how constraining are barriers to entry for new formal firms in markets for goods and services (excluding the financial sector) set by incumbents (possibly through pressure on the administration)?
		How would you rate the transparency of privatisation procedures?
		How would you rate the correspondence between the transfer price and market price of the privatised firms?
		How would you rate the payment process?
		How would you rate efficiency gains?
		In your opinion, how competitive, as opposed to cartelised, is the banking sector and the financial system in general?
	Efficiency of financial system	In your opinion, how confident is the public in the banking system for deposits?
		In your opinion, how confident is the public in the banking system for savings?
		In your opinion, how confident is the public in the banking system for borrowings?
		To what extent are domestic banks free to open up their capital to foreign investments?
		To what extent are foreign banks (commercial banks and investment banks) free to establish subsidiaries in the country?
		How easy is it for foreign-funded firms to obtain loans from local banks?
		How easy is it for domestic banks to obtain access to international finance?
	Trade openness	In your opinion, how strongly is the economy exposed to foreign competition in manufacture and agricultural goods (except RMG) from neighbouring countries?
		In your opinion, how strongly is the economy exposed to foreign competition in manufacture and agricultural goods (except RMG) from other developing and emerging countries (excluding neighbours)?
		In your opinion, how strongly is the economy exposed to foreign competition in manufacture and agricultural goods (except RMG) from advanced economies?
		In your opinion, how strongly is the economy exposed to foreign competition in the RMG export market from neighbouring countries?
		In your opinion, how strongly is the economy exposed to foreign competition in the RMG export

		market from other developing and emerging countries (excluding neighbours) ?
		In your opinion, how strongly is the economy exposed to foreign competition in the RMG export market from advanced economies ?
		To what extent are trade policies in Bangladesh influenced by pressure and lobby groups?
		According to you, overall, how well positioned is the economy with respect to international markets for goods and services in natural resources?
		According to you, overall, how well positioned is the economy with respect to international markets for goods and services in agricultural products?
		According to you, overall, how well positioned is the economy with respect to international markets for goods and services in manufactured goods (excluding garments) and services?
		According to you, overall, how well positioned is the economy with respect to international markets for goods and services in garment manufacturing?
Availability of information	**Information on firms**	How transparent is the information on companies listed in the stock exchange?
		How easily available is the information on the structure of the ownership of large firms?
	Accounting information on banks	To your knowledge are banks' audited accounts, including balances, regularly published?
		How efficient and fluid is the system of bank guarantees (mortgages in housing loans, collateral for firms, etc…)?
		How frequently are loan repayment failures handled by commercial courts instead of banks themselves?
		How high would you say is the share of the original loan recovered in loan litigation procedures handled by the bank itself?
		How high would you say is the share of the original loan recovered in loan litigation procedures handled by the courts?
Efficiency of informal arrangements	**Security of contracts and property rights**	Does an informal arrangement work to resolve a breach between national private firms (including banks) when formal channels do not work?
		Does an informal arrangement work to resolve a breach between national and foreign private firms (including banks) when formal channels do not work?
		Do informal arrangements work to resolve conflicts between private stakeholders related to land rights when formal channels do not work?

		Do informal arrangements work to resolve conflicts between private stakeholders related to non-land assets when formal channels do not work?
	Informal arrangements with administration	Do informal arrangements speed up starting a business?
		How would you rate the outcomes of informal agreements between the administration and local business despite corruption?
		How would you rate the outcomes of informal agreements between the administration and foreign business despite corruption?
		Do informal arrangements work to bypass insolvency legislation for lenders when formal channels do not work?
		Do informal arrangements work to bypass insolvency legislation for borrowers when formal channels do not work?

Annex E 'Civil service' – questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Public security	**Domestic public security**	Given the action of the law enforcement agencies, how secure do you feel Bangladesh is for goods?
		Given the action of the law enforcement agencies, how secure do you feel Bangladesh is for people?
		In your view, how uniform is the degree of security across the national territory?
Efficiency of civil service	**Efficiency of public companies and procurement**	In your view, how fair are the public procurement operations?
		How efficient do you find state-owned companies to be?
		To what extent do the accounts of state-owned and partly state-owned firms reflect accurately their activity and contribution to the economy?
		How would you rate the economic performance of state-owned companies in banking?
		How would you rate the economic performance of state-owned companies in pension funds?
		How would you rate the economic performance of state-owned companies in water and sanitation?
		How would you rate the economic performance of state-owned companies in electricity?
		How would you rate the economic performance of state-owned companies in telecommunications.?
		How would you rate the economic performance of state-owned companies in public transport?
		How would you rate the economic performance of state-owned companies in higher education?
		How would you rate the economic performance of state-owned companies in healthcare.?
		Compared to state-owned companies, how better would a private company do in banking?
		Compared to state-owned companies, how better would a private company do in

		pension funds?
		Compared to state-owned companies, how better would a private company do in water and sanitation?
		Compared to state-owned companies, how better would a private company do in electricity?
		Compared to state-owned companies, how better would a private company do in telecommunications?
		Compared to state-owned companies, how better would a private company do in public transport?
		Compared to state-owned companies, how better would a private company do in higher education?
		Compared to state-owned companies, how better would a private company do in healthcare?
		How large would you say is the degree of corruption in Bangladesh involving citizens and the administration?
	Quality of public policymaking	How reactive is the public bureaucracy to changes in the economic and social context?
		How well do national public authorities involve decentralised actors (e.g. local governments, private actors, NGOs) in improving public goods delivery and coverage?
	Coverage of public services	How unequal is the territorial coverage of public services in public primary schools?
		How unequal is the territorial coverage of public services in basic healthcare?
		How unequal is the territorial coverage of public services in drinking water and sanitation?
		How unequal is the territorial coverage of public services in electricity supply?
		How unequal is the territorial coverage of public services in transport?
		How transparent is the state policy in setting the level for the administered prices of e.g. electricity, gas, water, public transport?
		In your opinion, to what extent is the slow development of utilities (electricity) due to an inefficient regulation of the sector that bars competition?
		In your opinion, to what extent is the slow development of utilities (electricity) due

		to an inefficient regulation of the sector that discourages public–private partnerships?
		In your opinion, to what extent is the slow development of utilities (electricity) due to an inefficient regulation of the sector that imposes unrealistic price caps?
	Efficiency of tax administration	In your view, how effective is the tax administration in relation to the collection of corporate income tax?
		In your view, how effective is the tax administration in relation to the collection of household income tax?
		In your view, how effective is the tax administration in relation to the collection of indirect taxes, such as customs tariffs or value-added tax?
		Does tax authority have administrative capacity to administer taxes?
		In administering taxes, is the authority free of bribery and corruption?
		How numerous are the tax exemptions officially granted to special sectors, firms, regions etc.?
Public service recruitment	**Barriers to recruitment and promotions**	How important are academic qualifications for getting positions in the high public administration or in formal firms' management ?
		In your opinion, how meritocratic are job promotions within public administration?

Annex F 'Land' – Questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Legal system in land	**Comprehensiveness and effectiveness of land law**	How exhaustive is the law in covering all potential conflictual situations on land rights?
		To what extent do land transactions abide by the law?
		How frequent are land-related conflicts?
		How effective is the law in governing transactions and actually resolving conflicts?
		How effective and transparent is the implementation of the Land Acts by the relevant bureaucracy ?
		How effective and transparent is the implementation of the Land Acts by the land appeal board/lower courts?
		In your view, how effective is the judicial system in litigating land conflicts in terms of delay?
		In your view, how effective is the judicial system in litigating land conflicts in terms of fairness (absence of bribes)?
		Overall, how constraining do you think issues regarding access to land are for economic development?
Land protection and management	**Local communities**	How well do you think local communities understand those aspects of the land law of concern to them?
		How capable are local communities and local bureaucracies to handle land operations with outside investors?
		In your opinion, how 'collective' and 'transparent' are local communities' decisions about land?
		To what extent do land operations involve corruption at the local community level?
		To what extent do land operations involve corruption in the relevant bureaucracy ?
		In your view, how frequently are land operations with local communities handled outside the legal system?

	Internal conflicts	To what extent do you feel that frequent land disputes might lead to open conflicts?
	Land tenure security	How secure do you think land rights are for small and medium-sized farmers?
		Overall, how secure do you think land rights are for domestic large farms?
		Overall, how secure do you think land rights are for foreign investors?
		Overall, how secure do you think land rights are for industrial companies in rural areas?
		Overall, how secure do you think land rights are for industrial companies in urban areas?
		Overall, how secure do you think land rights are for urban developers?
Land development	**Development of agriculture, livestock rearing, and fishing**	For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities are inadequately regulated prices?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is price volatility?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is access to technology?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is access to physical inputs?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is access to financial inputs?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is the difficulty of creating cooperatives?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is the weakness or instability of cooperatives?
		For small farmers, livestock rearers, and fishermen, how constraining for the development of their activities is rent extraction by intermediaries?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is the fractionalisation of land estates?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is price volatility?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is access to technology?

		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is access to physical inputs?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is access to financial inputs?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is the difficulty of creating cooperatives?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is the weakness or instability of cooperatives?
		For large farmers, livestock rearers, and fishermen, how constraining for the development of their activities is rent extraction by intermediaries?

Annex G 'People' – Questions associated with the clusters and sub-clusters

Cluster	Sub-cluster	Questions
Conflicts and violence in society	Internal conflicts	How strong do you think is the danger of internal conflicts of an ethnic, religious, or regional nature?
	Violent organisations	How frequent is the use of violence by criminal organisations (e.g. human trafficking, drug trafficking, arms trafficking)?
		How frequent is the use of violence related to access to natural resources (e.g. newly formed chars, Jolmohal, Chingrimohal etc.)?
		How frequent is the use of violence related to smuggling?
		How frequent is the use of violence related to infrastructure development (e.g. availing tenders or contracts, implementation at the local level)?
Mobilising the masses	National feeling	How strong is the sense of national identity in Bangladesh?
		In your opinion, is the political elite (party leaders and executive) able to mobilise society to take on development challenges by calling upon national pride?
		In your opinion, is the political elite (party leaders and executive) able to mobilise society to take on development challenges for the general interest and the public good?
		In your opinion, is the political elite (party leaders and executive) able to mobilise society to take on development challenges through the charisma of their leaders?
	Solidarity	How effective are traditional solidarity links (family, neighbours, associations, religious orders etc.) in providing support to those in need in urban and peri-urban areas?
		How effective are traditional solidarity links (family, neighbours, associations, religious orders etc.) in providing support to those in need in rural areas?
		How broad and effective is the coverage of social protection programmes in urban and peri-

		urban areas?
		How broad and effective is the coverage of social protection programmes in rural areas?
		To what extent do you think formal social protection weakens traditional solidarity ?
Quality of development	**Development of the middle class**	How big is the progress of the Bangladesh middle class in terms of size?
		How big is the progress of the Bangladesh middle class in terms of living standards and social status?
		How big is the progress of the Bangladesh middle class in terms of political and cultural influence?
	Significance of microfinance	How common are microfinance institutions provided by NGOs?
		How common are microfinance institutions provided by commercial banks?
		To what extent are informal financing institutions replaced by formal banking services?
		To what extent does improved access to formal banking modify social relationships in rural areas?
		To what extent does improved access to formal banking modify social relationships in urban areas?
Discrimination	**Extent of discrimination**	How strong would you say discrimination or segregation on the grounds of gender are in practice?
		How strong would you say discrimination or segregation on the grounds of ethnicity are in practice?
		How strong would you say discrimination or segregation on the grounds of religion are in practice?
		How strong would you say discrimination or segregation on the grounds of regional origin (within the country) are in practice?
		How strong would you say discrimination or segregation on the grounds of geographical origin (outside the country) are in practice?
	Discrimination in the labour market	In your view, how frequent are cases of discrimination in employment or in income based on geographical origin?
		In your view, how frequent are cases of discrimination in employment or in income based on ethnicity?
		In your view, how frequent are cases of discrimination in employment or in income based on religion?

		In your view, how frequent are cases of discrimination in employment or in income based on gender?
		In your view, how frequent are cases of discrimination in employment or in income based on physical condition (e.g. disability)?
		In your view, how frequent are cases of discrimination in employment or in income based on physical condition age?
Labour rights	**Effectiveness of trade unions**	To what extent do trade unions play a role in pushing up wages and employment at the firm level?
		To what extent do trade unions play a role in pushing up wages and employment at the sector level?
		To what extent do trade unions play a role in pushing up wages and employment at the national level?
		How frequent are strikes in the private sector?
		How frequent are strikes in the public sector?
		Is collective bargaining prevalent in Bangladesh?
		How effective is collective bargaining in buying social peace in firms?
		How effective is collective bargaining in buying social peace in sectors of activity?
		How effective is collective bargaining in buying social peace in public administration?
		To what extent do sectoral trade unions have some autonomy vis-à-vis the national trade unions in bargaining over wage and working conditions?
		To what extent are the national trade unions themselves autonomous vis-à-vis the ruling party?
		In your opinion, is it conceivable that other trade unions affiliated with opposition parties would be created?
	Prevalence of child labour	How frequent is the use of paid or unpaid child labour – below 14 years old – in urban areas?
		How frequent is the use of paid or unpaid child labour – below 14 years old – in rural areas?
	Biases in recruitment and promotion	In your opinion, how meritocratic are job promotions within the formal private sector?
		In your opinion, how important are networks (e.g. family, clan, social group) in determining the selection of business leaders?
		In your opinion, how important are networks (e.g. family, clan, social group) in the recruitment and promotion of employees within the formal private sector?

Annex H Average scores of sub-clusters

Theme no	Sub-cluster	Average score
1	Democracy	2.57
1	Freedom of information	2.25
1	Control of political authorities over legal bodies	2.10
1	Autonomy of sub-national authorities	2.37
1	State accounts and key statistics	2.80
1	Long-term planning	2.87
1	Coordination and efficiency of public offices	2.71
1	Central bank independence	2.48
1	Priority and influence of the elite in relation to development	2.53
1	Influence of neighbouring countries	2.69
1	Influence of donors	3.10
2	Influence of political stakeholders	2.89
2	Nepotism	2.15
2	Corruption in electoral process	2.38
2	Evaluation based on statistics and state accounts	2.97
2	Evaluation of policies	3.18
2	Participation of the population	3.06
2	Civil liberties	2.79
2	Autonomy of the state in relation to reform	3.12
3	Business law	2.77
3	Litigation procedures	3.00
3	Control and regulation of policies	2.90
3	Functioning of the justice system	2.60
3	Judiciary in consumer protection	2.85

3	Labour law in practice	2.86
3	Efficiency of the workplace inspectorate and system of industrial tribunals	2.66
4	Corruption in business	2.18
4	Enforcement of contracts	2.56
4	Insolvency law	3.03
4	Security of property rights	2.85
4	Starting a business	2.97
4	Competition and privatisation	2.80
4	Efficiency of financial system	3.39
4	Trade openness	2.54
4	Information on firms	3.10
4	Accounting information on banks	3.23
4	Informal arrangements to secure contracts and property rights	3.61
4	Informal arrangements with administration	3.44
5	Public security	2.15
5	Efficiency of public companies and procurement	2.62
5	Quality of public policymaking	3.49
5	Coverage of public services	2.26
5	Efficiency of tax administration	3.02
5	Public service recruitment	3.42
6	Legal system in land	2.57
6	Local communities	2.45
6	Internal conflicts	1.97
6	Land tenure security	3.42
6	Land development	2.42
7	Internal conflicts	2.79
7	Violent organisations	2.43
7	National feeling	3.60

7	Solidarity	3.23
7	Development of the middle class	3.71
7	Significance of microfinance	3.33
7	Extent of discrimination	2.81
7	Discrimination in the labour market	2.56
7	Effectiveness of trade unions	3.03
7	Prevalence of child labour	2.54
7	Biases in recruitment and promotion	2.70

Annex I Average scores of sub-clusters for males and females

Theme no	Sub-cluster	Average score	Average score (male)	Average score (female)	Percent difference
1	Democracy	2.57	2.56	2.61	1.88
1	Freedom of information	2.25	2.24	2.33	3.78
1	Control of political authorities over legal bodies	2.10	2.07	2.25	8.39
1	Autonomy of sub-national authorities	2.37	2.36	2.44	3.28
1	State accounts and key statistics	2.80	2.75	3.05	9.78
1	Long-term planning	2.87	2.81	3.13	10.25
1	Coordination and efficiency of public offices	2.71	2.70	2.81	3.85
1	Central bank independence	2.48	2.37	3.00	20.90
1	Priority and influence of the elite in relation to development	2.53	2.52	2.59	2.78
1	Influence of neighbouring countries	2.69	2.66	2.82	5.67
1	Influence of donors	3.10	3.09	3.11	0.71
2	Influence of political stakeholders	2.89	2.86	3.10	7.71
2	Nepotism	2.15	2.13	2.30	7.22
2	Corruption in electoral process	2.38	2.35	2.64	11.01
2	Evaluation based on statistics and state accounts	2.97	2.94	3.22	8.61
2	Evaluation of policies	3.18	3.13	3.64	14.16
2	Participation of the population	3.06	3.02	3.26	7.24
2	Civil liberties	2.79	2.74	3.07	10.63
2	Autonomy of the state in relation to reform	3.12	3.12	3.06	1.96
3	Business law	2.77	2.78	2.73	1.61
3	Litigation procedures	3.00	3.00	2.99	0.17
3	Control and regulation of policies	2.90	2.87	3.12	8.11
3	Functioning of the justice system	2.60	2.59	2.69	3.65

3	Judiciary in consumer protection	2.85	2.95	3.16	6.56
3	Labour law in practice	2.86	2.82	3.12	9.47
3	Efficiency of the workplace inspectorate and system of industrial tribunals	2.66	2.63	2.87	8.63
4	Corruption in business	2.18	2.19	2.12	3.02
4	Enforcement of contracts	2.56	2.58	2.50	3.21
4	Insolvency law	3.03	3.06	2.83	7.98
4	Security of property rights	2.85	2.85	2.91	2.20
4	Starting a business	2.97	2.95	3.08	4.03
4	Competition and privatisation	2.80	2.78	2.93	5.35
4	Efficiency of financial system	3.39	3.38	3.44	1.63
4	Trade openness	2.54	2.54	2.58	1.48
4	Information on firms	3.10	3.09	3.16	2.03
4	Accounting information on banks	3.23	3.22	3.33	3.39
4	Informal arrangements to secure contracts and property rights	3.61	3.59	3.69	2.63
4	Informal arrangements with administration	3.44	3.42	3.55	3.55
5	Public security	2.15	2.15	2.18	1.47
5	Efficiency of public companies and procurement	2.62	2.59	2.82	8.33
5	Quality of public policymaking	3.49	3.44	3.82	9.96
5	Coverage of public services	2.26	2.25	2.29	1.62
5	Efficiency of tax administration	3.02	2.96	3.37	12.13
5	Public service recruitment	3.42	3.38	3.66	7.57
6	Legal system in land	2.57	2.56	2.60	1.31
6	Local communities	2.45	2.44	2.49	2.04
6	Internal conflicts	1.97	1.97	1.94	1.81
6	Land tenure security	3.42	3.43	3.36	2.17
6	Land development	2.42	2.41	2.48	2.90

7	Internal conflicts	2.79	2.80	2.69	4.08
7	Violent organisations	2.43	2.47	2.32	6.52
7	National feeling	3.60	3.61	3.54	2.01
7	Solidarity	3.23	3.21	3.29	2.31
7	Development of the middle class	3.71	3.69	3.77	2.04
7	Significance of microfinance	3.33	3.33	3.33	0.00
7	Extent of discrimination	2.81	2.83	2.67	6.15
7	Discrimination in the labour market	2.56	2.57	2.46	4.34
7	Effectiveness of trade unions	3.03	3.02	3.06	1.24
7	Prevalence of child labour	2.54	2.55	2.47	3.40
7	Biases in recruitment and promotion	2.70	2.67	2.81	5.29

Annex J Average scores of sub-clusters for ruling party affiliation, opposition party affiliation, and no affiliation

Theme no	Sub-cluster	Average score	Average score (ruling party)	Average score (opposition)	Average score (no affiliation)
1	Democracy	2.57	3.10	2.60	2.52
1	Freedom of information	2.25	3.15	2.28	2.19
1	Control of political authorities over legal bodies	2.10	2.78	2.09	2.05
1	Autonomy of sub-national authorities	2.37	2.95	2.66	2.30
1	State accounts and key statistics	2.80	3.91	2.20	2.78
1	Long-term planning	2.87	3.89	2.77	2.81
1	Coordination and efficiency of public offices	2.71	3.42	2.68	2.67
1	Central bank independence	2.48	4.14	2.30	2.39
1	Priority and influence of the elite in relation to development	2.53	2.72	2.53	2.52
1	Influence of neighbouring countries	2.69	3.21	2.76	2.65
1	Influence of donors	3.10	3.20	3.00	3.10
2	Influence of political stakeholders	2.89	3.36	2.80	2.84
2	Nepotism	2.15	2.53	2.18	2.13
2	Corruption in electoral process	2.38	3.54	2.53	2.22
2	Evaluation based on statistics and state accounts	2.97	3.80	2.76	2.92
2	Evaluation of policies	3.18	4.04	2.86	3.13
2	Participation of the population	3.06	3.33	3.10	3.03
2	Civil liberties	2.79	3.64	2.34	2.76
2	Autonomy of the state in relation to reform	3.12	3.98	2.86	3.06
3	Business law	2.77	3.48	2.56	2.73
3	Litigation procedures	3.00	2.77	3.08	3.01
3	Control and regulation of policies	2.90	3.26	2.92	2.86

3	Functioning of the justice system	2.60	3.41	2.43	2.55
3	Judiciary in consumer protection	2.85	3.58	2.73	2.94
3	Labour law in practice	2.86	3.02	2.68	2.86
3	Efficiency of the workplace inspectorate and system of industrial tribunals	2.66	3.10	2.94	2.59
4	Corruption in business	2.18	2.50	2.04	2.16
4	Enforcement of contracts	2.56	2.70	2.44	2.57
4	Insolvency law	3.03	2.50	3.00	3.04
4	Security of property rights	2.85	3.67	2.79	2.85
4	Starting a business	2.97	3.21	3.00	2.95
4	Competition and privatisation	2.80	3.03	2.43	2.80
4	Efficiency of financial system	3.39	3.43	3.33	3.39
4	Trade openness	2.54	2.78	2.55	2.52
4	Information on firms	3.10	4.25	3.50	3.07
4	Accounting information on banks	3.23	3.25	3.13	3.24
4	Informal arrangements to secure contracts and property rights	3.61	3.49	3.76	3.62
4	Informal arrangements with administration	3.44	3.28	3.41	3.44
5	Public security	2.15	2.93	2.19	2.09
5	Efficiency of public companies and procurement	2.62	3.11	2.55	2.59
5	Quality of public policy making	3.49	3.36	3.50	3.50
5	Coverage of public services	2.26	2.90	2.33	2.22
5	Efficiency of tax administration	3.02	3.48	2.77	2.99
5	Public Service recruitment	3.42	3.93	3.50	3.39
6	Legal system in land	2.57	3.16	2.63	2.52
6	Local communities	2.45	2.77	2.47	2.43
6	Internal conflicts	1.97	1.96	2.21	1.95
6	Land tenure security	3.42	3.70	3.11	3.42

6	Land development	2.42	3.03	3.32	2.31
7	Internal conflicts	2.79	2.91	2.73	2.78
7	Violent organisations	2.43	2.81	2.71	2.37
7	National feeling	3.60	3.88	3.62	3.58
7	Solidarity	3.23	3.56	2.85	3.22
7	Development of the middle class	3.71	3.94	3.33	3.70
7	Significance of microfinance	3.33	3.43	3.38	3.31
7	Extent of discrimination	2.81	3.22	2.87	2.77
7	Discrimination in the labour market	2.56	2.87	2.67	2.52
7	Effectiveness of trade unions	3.03	3.51	2.91	3.00
7	Prevalence of child labour	2.54	2.98	2.63	2.50
7	Biases in recruitment and promotion	2.70	3.06	2.45	2.66