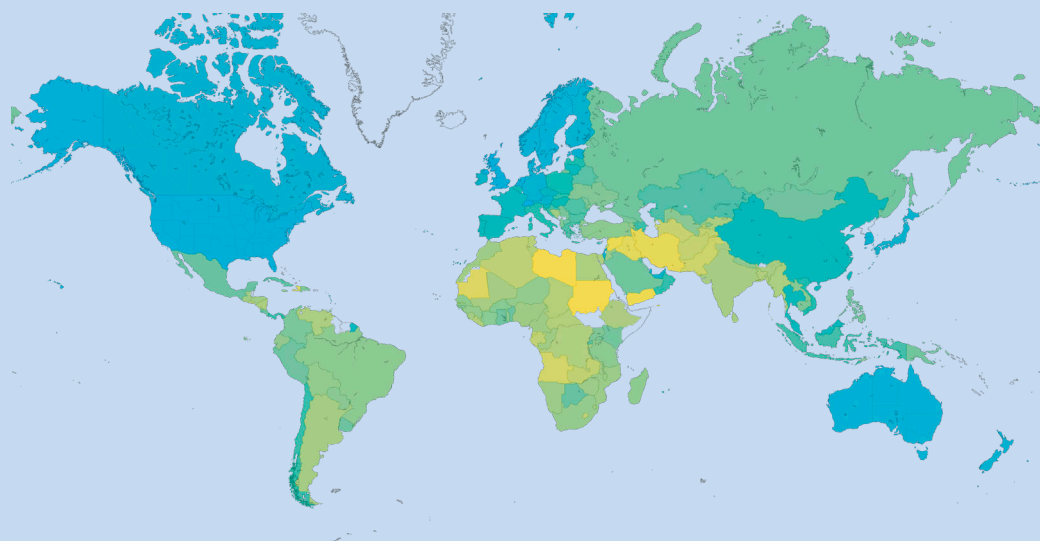


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ELITE QUALITY REPORT 2021

Bangladesh: Poised to emerge if elite quality improves

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Bangladesh: Poised to emerge if Elite Quality improves

After 50 years of economic growth and social development, Bangladesh, which achieved independence in 1971, has transformed itself from one of the most destitute spots on earth (The Economist, 2021) to a thriving emerging market in South Asia with a population of nearly 170 million people. By 1991, political institutions had become robust enough to usher in multi-party state elections that, on the other hand, facilitated State Capture (i.1, rank # 121). Today, three-quarters of the parliament is composed of self-declared businessmen and women (Rehman, 2021), which has led to considerable *Political corruption* (COR, i.1, rank # 131) putting Bangladesh at the bottom of the global spectrum. Aware of the problem, an Anti-Corruption Commission was established aiming to curb this problem. However, lack of separation between legislative, executive and judiciary powers has left the Anti-Corruption Commission toothless (Ilfekharuzzaman, 2014). This is attributable to the high degree of Political Power (i) enjoyed by business elites. On the bright side, gender equality in Bangladesh is high as seen in the *Women's Power Index* (WPI, i.1, rank # 54), owing to efforts by both government and non-government organizations in areas such as decreasing the maternal mortality rate, and boosting school enrollment and workplace engagement, particularly in the textile industry (Haque, 2021). Despite this, significant structural gender parity obstacles for women are yet to be overcome and have become more visible during the ongoing pandemic.

Industry dominance is high in Bangladesh (ii.4, rank # 123) due to the 'narrow' dependence of the economy on textile manufacture and foreign overseas remittances (Kabir, 2020). Other sectors have been earmarked for development, such as services, pharmaceuticals and processed food but face significant barriers as they require high investment levels. The Firm Dominance Pillar (ii.5, rank # 31) provides Bangladesh with its highest ranking in the EQx, but seems as if it might not fully reflect the current situation. For instance, Bangladesh has witnessed very fast growth in high-net-worth individuals (Ahmed, 2020). Also, while individual firms do not dominate particular industries, the Bangladeshi market is plagued by the existence of industrial 'syndicates'. This form of collusion between businesses allows elites to amass high levels of Economic Power (ii). Microfinancing has been a positive driver of Creative Destruction (ii.6, rank # 151) in Bangladesh, enabling small firms (SME, ii.5, rank # 23) and empowering women entrepreneurs (IWE, ii.6, rank # 54). Still, in general, innovation has been limited due to the high economic costs facing entrepreneurs, while elites have continued to have privileged access to the administrative and regulatory functions of the state.

Efforts have been made in regard to *Regional redistribution* (REG, iii.7, rank # 25) but preliminary studies show that investment remains significantly higher in the capital, Dhaka, and the port city of Chittagong (Mahmoud, Wadood & Ahmed, 2008). This disparity is further highlighted by poor school infrastructure (EDU, iii.7, rank # 74) and food security issues (FSQ, iii.7, rank # 96) in rural areas, mainly due to a centralized government structure focused on the development of its capital. Bangladeshi elites in both government and non-governmental institutions have made commendable efforts towards improving public health, achieving one of the highest levels of life expectancy in the South Asian region. However, this report has not incorporated these developments into the EQx results due to data poverty in Bangladesh, making a fair comparative assessment of Political Value (iii) difficult. The Bangladeshi response to COVID-19 (COF, iii.7, rank # 45) should be praised, but came at a significant cost to growth (CGD, iii.7, rank # 140), precisely when the country is at a critical juncture in the process of graduating from the United Nations' 'least developed country' category. Bangladesh has enjoyed relative peace, ranking at the top of the EQx in *Battle-related deaths* (BRD, iii.8, rank # 1), though domestic crime remains a reality for the population (CRI, iii.9, rank # 91).

As the EQx illustrates, Producer rent (iv.10, rank # 132) is very high in Bangladesh, due to the collusion issues mentioned above. For instance, major suppliers create artificial shortages to put upward pressure on prices during peak demand seasons; prices nearly tripled during this year's month of Ramadan. While trade is generally liberalized under Bangladeshi law (IPM, iv.10, rank # 1), the reality is a closed economy with low *Trade freedom* (TRF, iv.10, rank # 127), which results in poor foreign direct investment inflow (FDI, iv.10, rank # 122). This is mainly due to the protectionist efforts of underdeveloped industries, including the financial sector (FMI, iv.11, rank # 64). Such policies adopted by the elites to protect their business models hinder the diversification of Bangladesh's economy. Capital rents (iv.11, rank # 86) are high, as resources are transferred from the state sector to a select class of individuals—the elites. Despite official figures showing a lower *Unemployment rate* (UEM, iv.12, rank # 40) in Bangladesh compared to its geographic and economic neighbors, labor rents (iv.12, rank # 92) are high as is reflected in low participation rates in the labor market and high gender disparities. Policy reforms and the transformation of the elite business model found in some of the areas discussed have the potential to result in quick wins for the nation.

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Bangladesh

EQx2021 Country Scorecard

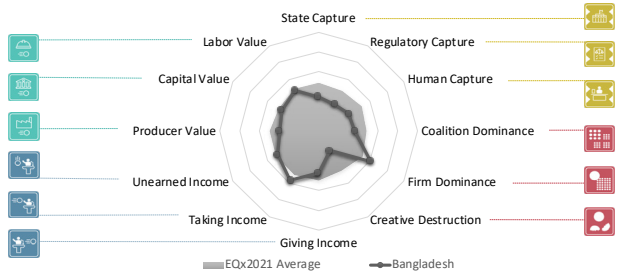
Population **163 million**
 GDP (nominal) **303 billion USD**
 GDP per capita **1'856 USD**



Level 1 - Index	EQx Rank / 151 126	EQx Score 41.7	Lagging Elites
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	139	34.1	106	45.5	125	33.9	148	34.1	80	49.2	113	43.7

Level 3 - Pillars		Rank / 151	Score
Political Power (i)	State Capture	121	35.0
	Regulatory Capture	115	32.0
	Human Capture	131	35.2
Economic Power (ii)	Coalition Dominance	123	36.4
	Firm Dominance	31	60.9
	Creative Destruction	151	22.3
Political Value (iii)	Giving Income	121	42.1
	Taking Income	40	57.2
	Unearned Income	77	47.8
Economic Value (iv)	Producer Value	132	39.2
	Capital Value	86	43.2
	Labor Value	96	47.7



Level 4 - EQx Indicators		Rank / 151	Score
State Capture (i.1)	COR Political corruption	131	20.2
	MOB Social mobility	116	4.6
	PDE Political decentralization	120	14.7
	ADE Administrative decentralization	64	46.7
	PGL Political globalization	73	51.3
	WPI Women's Power Index	54	54.3
	RTC Government's responsiveness to change	57	53.5
	EPR E-Participation Index	87	45.9
	PFD Press freedom	125	26.2
	COC Control of corruption	122	29.0
Regulatory Capture (i.2)	DBI Institutional quality	131	14.9
	CRO Crony capitalism		
	PMI Protecting minority investors	67	57.1
	ECR Ease of challenging regulations	72	38.7
	EDB Digital institutional quality		
	PRI Property rights	116	29.5
	GSI Global Slavery Index	69	58.1
	WBL Women, business and the law	129	13.8
	LIN LGBT+ Inclusiveness	129	14.3
	GRI Religion - Government Restriction Index	103	39.2
Human Capture (i.3)	SHI Religion - Social Hostilities Index	140	5.8
	WSB Women self made billionaires		
	HRI Human Rights Index	95	35.5
	FDP Forcibly displaced population as % of population	79	56.0
	AFI Academic Freedom Index	123	18.8
	IEE Top 3 industries exports as % of GDP		
	ECI Economic Complexity Index	124	5.8
	IVA Top 3 industries as % of VA		
	CON Construction as % of GDP (dev. fm optimum)		
	MIL Military expenses as % of GDP (dev. fm optimum)	37	67.1
Coalition Dominance (ii.4)	UNI Unionization rate (dev. fm optimum)		
	CBC Collective bargaining coverage		
	BSN Barriers in service & network sectors		
	PRO Top 10 firms profitability	37	57.4
	SME SMEs per 1,000 people	23	50.9
	BIW Billionaires' wealth as % of GDP	1	62.2
	FKG Top 10 firms market cap as % of GDP	11	65.5
	FRG Top 3 firms revenues as % of GDP	4	60.0
	FRR Top 30 firms revenues as % of GDP	1	69.9
	TUL Listed firms turnover, long run 15 years		
Firm Dominance (ii.5)	TUS Listed firms turnover, short run 3 years		
	ENT Entrepreneurship	119	21.2
	VCK Venture capital finance	63	41.1
	RND R&D as a % of GDP		
	ENR Firm entry ratio	118	0.0
	EXR Firm exit ratio		
	BCD Billionaire's creative destruction		
	IWE Index of Women Entrepreneurs	54	0.0
	VCA Venture capital availability	101	33.5
	GSE Governmental support to entrepreneurship		
Creative Destruction (ii.6)			

		Rank / 151	Score
Giving Income (iii.7)	SNT Subsidies and transfers as % of expenses		
	REG Regional redistribution as % of government budget	25	74.1
	EDU School life expectancy	74	30.9
	GPS Expenditure on general public services as % of GDP (dev. f		
	INT Internet access	134	12.5
	NRI Network Readiness Index	98	30.8
	LEW Life expectancy women		
	LEM Life expectancy men		
	FSQ Global Food Security Index - availability, quality and safet	96	18.6
	COV COVID-19 excess deaths, age-adjusted		
Taking Income (iii.8)	COF COVID-19 fatality rate, age-adjusted	84	54.2
	CGD COVID-19 growth differential	9	54.3
	COM COVID-19 mortality rate, age-adjusted	45	60.8
	CLS COVID-19 lost schooldays	137	14.3
	OSI Online Service Index	80	50.7
	DCT Corporate tax rate (dev. fm optimum)	5	76.9
	HOM Homicide rate	55	51.4
	INE Top 10% share of pre-tax national income	58	57.6
	FDE Fiscal decentralization		
	DTR Tax revenue as % of GDP (dev. fm optimum)		
Unearned Income (iii.9)	BRD Battle-related deaths per 100,000 people	1	53.8
	GCI Global Cybersecurity Index	77	51.7
	SUI Suicide rate per 100,000 people	46	65.8
	SUB Death rates from substance use disorders per 100,000 pe	53	60.8
	OCR Organized crime	91	37.7
	DUT Dutch disease propensity	33	63.0
	EPI Environmental Performance Index	133	21.5
	DBT Government debt as % of GDP	23	69.4
	TRF Trade freedom	127	23.3
	FDI FDI net inflows as % of GDP	122	39.6
Producer Value (iv.10)	BTF Barriers to FDI		
	EGL Economic globalization	122	24.3
	HEI Health Efficiency Index		
	OFB Open for business		
	ESG ESG company scores		
	RDR R&D as % of revenue Top 10 firms	44	41.3
	FSA Global Food Security Index - affordability	77	38.4
	PAT Number of patent applications per 100,000 people	94	40.6
	IPM Share of imports targeted by protectionist measures	1	60.7
	DGI Share of discriminatory government interventions as % of	64	44.1
Capital Value (iv.11)	DNI Neutral interest rate (dev. fm optimum)		
	DOI Inflation (dev. fm optimum)	111	45.7
	GOL Gold demand as % of GDP		
	DMA M&A as % of investment - 3 yrs. rolling average (dev. fm. c		
	DKI Delta capital gains tax vs income tax		
	UNC Unicorns per 1 million people	28	42.8
	BSG Billionaires self-made number per 1 million people		
	BSM Billionaires self-made as % of total billionaires		
	FMI Financial Markets Index	64	41.9
	UEM Unemployment rate	40	56.3
Labor Value (iv.12)	LFP Labor force participation rate	97	41.9
	WLP Delta real wage vs labor productivity increases		
	LDR Labor dependency ratio	88	53.2
	YUN Youth unemployment rate	70	58.4
	GWG Gender wage gap	98	32.0
	BRN Net brain drain	40	54.5
	LFR Labor force participation ratio - male vs female	135	15.9

The Elite Quality Report 2021 (EQx2021) provides Country Scores and Global Rankings for 151 countries
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