

Bangladesh 2016

**Politics, Governance and
Middle Income Aspirations
Realities and Challenges**

An Empirical Study

POWER AND PARTICIPATION
RESEARCH CENTRE



With support from



Contents

Preface	4
1 Introduction	5
2 Bangladesh 2016: Three Questions	5
3 The PPRC/UNDP Study	5
4 Bangladesh: A Long View: 1971-2015	7
4.1 A difficult starting-line	7
4.2 Achievements not foretold	7
4.3 Five drivers of change	8
5 Bangladesh: A Near-Term View: 2005-15	9
5.1 A 3-layered growth story	9
5.2 Economic performance of Bangladesh vis-à-vis comparators	10
6 Politics, Governance and Economic performance	13
6.1 How meaningful is the ‘progress despite governance problems’ thesis for middle income aspirations?	13
6.2 The interface of politics and development	14
7 <i>Unpacking the Present: Household Economic Realities, 2015</i>	16
7.1 Income Realities, 2015	16
7.1.1 Income levels, 2015	16
7.1.2 Income trends, 2012-15	17
7.1.3 Income disparities, 2015	17
7.2 Expenditure Realities, 2015	20
7.3 Assets and Debts	21
7.3.1 Household asset-ownership	21
7.3.2 Household indebtedness	22
8 <i>Unpacking the Present: Quality of Life, 2015</i>	24
8.1 Dietary adequacy	24
8.2 Access to transportation	24
8.3 Ease of movement: Quality of road infrastructure	25
8.4 Housing realities	26
8.5 Service satisfaction	26
9 <i>Unpacking the Present: Governance Experiences, 2015</i>	28

9.1	Security	28
9.2	Bribe	30
9.3	Trust	30
9.4	Participation.....	32
10	<i>Unpacking the Present: Mind of the Electorate</i>	34
10.1	Citizen perceptions on change.....	34
10.2	Citizen expectations.....	35
10.3	Optimism.....	36
11	Way Ahead	38
11.1	Three puzzles	38
11.2	The cost of under-performance.....	38
11.2	Meso insights: A ‘New Normal’ of political governance.....	39
11.3	Political and economic consequences of “New Normal’	41
11.4	The elitism of the current ‘Middle Income’ discourse.....	41
12	Engagement Opportunities	43
12.1	Democratizing the aspirational discourse: Voice mobilization on ‘middle income’ agenda.....	43
12.2	Credible metrics initiative to bridge the disconnect between economic ground realities and the complacency narrative in vogue.....	43
12.3	Promoting ‘Contingent Coalitions’ on high governance/growth potential sectoral agendas....	43
12.4	Out-of-the-Box governance priorities.....	43

Preface

This has been an extremely complex and challenging exercise. I want to thank UNDP, in particular Pauline Tamesis, the Country Director and her able team of colleagues for first of all making us interested in this challenging task and subsequently for their unstinted support to ensure a worthwhile and credible output. Dr. Zahid Hossain, formerly of the Asian Development Bank, and Ambassador Liaquat Ali Chaudhury, my colleague at PPRC, for their very useful inputs and series of conversations that helped to sharpen the ideas in the report. PPRC field research teams undertook the onerous task of the field-work without which the richness of the analysis would have been substantially missing. Shanker Saha, programmer, provided the required data analysis and deserves appreciation. Subodh Chandra Sarkar, Data Manager at PPRC, also deserves appreciation for his support. My daughters Kaneta Zillur and Umama Zillur helped with the graphical presentation. Kaneta Zillur also participated in the analytical discussion to frame the issue of cost of under-performance.

I hope the report will of use to those grappling to engage on the complex issues growth, governance and political development.

HOSSAIN ZILLUR RAHMAN
Power and Participation Research Centre
Dhaka, Bangladesh

25 May, 2016

1 Introduction

Notwithstanding the relative political calm and stable macro-economic fundamentals that followed the heightened bouts of political violence and conflicts in 2013 and 2015, Bangladesh continues to find it challenging to overcome an entrenched sense of political uncertainty¹ that is also impacting on the quality and pace of its economic performance. At independence, the dominant concern was about the economic future of the country.² Over the course of forty-five years, this concern was significantly mitigated as a poverty-stricken, disaster-prone vulnerable economy has confounded observers at home and abroad alike in scripting a remarkable story of economic transformation and resilience. The achievements came neither overnight nor by the efforts of any single quarter. But the change has been real and the country today has legitimately embraced a higher-level aspiration of middle income status within the coming decade.³ Progress in economic development, however, was not mirrored in progress in political development.⁴ At independence, politics had seemed to many as the lesser challenge. In a twist of irony, it is deficits in political development today that appear to stand in the way of an accelerated realization of its true economic potential and the foundational dream of an inclusive, humane society.

2 Bangladesh 2016: Three Questions

What are the perceptions at micro, meso and macro levels about the state of politics and governance and its consequences on economic realities and outcomes? Is the national aspiration for middle income status being framed too narrowly in the growth discourse to the detriment of a larger discourse reflective of citizen concerns on equitable growth, quality employment, economic vulnerabilities, growing insecurities and endemic corruption? How adequately are economic statistics being examined to bring out the lived realities of the larger citizenry and the likely growth trajectory?

As Bangladesh transits from the MDG phase to the more complex SDG phase and as the ‘middle income’ dream holds ever-greater sway over the policy vision, three paradigmatic questions confronts the nation:

- How important is ‘political development’ in the ‘middle income’ dream?
- How prepared is the policy mind-set, rooted in realizing economic resilience, for the SDG-phase challenges of growth acceleration and quality in services?
- Are deficits in political governance becoming a binding constraint on growth acceleration?

3 The PPRC/UNDP Study

To address the above questions, UNDP has supported think-tank organization Power and Participation Research Centre (PPRC) to undertake a multi-component empirical study that was carried out in late 2015 and early 2016. The components included i) a national household survey ii) district-level consultations with

¹ International Crisis Group, 2016, *Political Conflict, Extremism, and Criminal Justice in Bangladesh*, Asia Report No. 277, Belgium

² Faaland J.& J.R. Parkinson, 1976, *Bangladesh: The Test Case for Development*, C Hurst & Co Publishers Ltd

³ General Economics Division, 2015, *7th Five year Plan*, Planning Commission, Government of Bangladesh

⁴ Rahman, Hossain Zillur , 2013, ‘Progressive Economics, Flawed Politics’ in Abdul Bayes (ed) *Bangladesh at 40*, Academic Publishers

key stakeholders in 4 districts across the country: Rajshahi, Manikganj, Comilla, and Barisal, and iii) review of macro trends.

The national household survey was carried out over September-December, 2015 and examined i) economic and quality of life realities at household level ii) perceptions on socio-political environment iii) assessment of progress/regress over the recent past and iv) aspirations and optimism. The Dhaka survey was undertaken in September, 2015 and the Other Urban and Rural surveys during November-December, 2015. Total number of households surveyed was 1500.

The country was stratified into three segments: a) Dhaka city (considering its national importance), b) Other urban (17 selected municipalities covering all administrative divisions) and c) Rural (33 villages in 33 districts covering all administrative divisions). In each of these segments, households were selected on a two-stage principle of clusters and random selection within clusters. Economic profile of surveyed households is described in Table 2.

Table 2
Household economic profile: Major source of income

<i>Major source of income</i>	<i>Dhaka city</i>	<i>Other urban</i>	<i>Rural</i>
	<i>% of households</i>		
Agriculture	0.2	3.8	30.9
Labor	16.8	28.2	23.9
Business	20.5	37.6	25.9
Service	33.6	18.2	12.1
Professionals	2.0	0.3	1.1
Remittance	3.4	9.4	4.4
Rental/Non-earner	12.7	2.4	1.7
Other	7.4	-	-
<i>All</i>	<i>100</i>	<i>99.9</i>	<i>100</i>

4 Bangladesh: A Long View: 1971-2015

4.1 A difficult starting-line

It is easy to forget the difficulties and the strengths with which Bangladesh started its journey as an independent country. At its birth, Bangladesh was not only an extremely impoverished country but it was also an over-crowded impoverished land. Any planning, any strategy had to factor in millions rather than thousands. Not surprisingly, ground realities frequently trumped paper planning rendering experimentation the better norm and flexibility a policy virtue. A second foundational burden was eco-vulnerability. Floods and cyclones were not mere localized catastrophes but loomed large on the national stage and that too with distressing frequency. Looking beyond the next disaster required fortitude and fatalism was the accepted mind-set. However, if these were the defining burdens, Bangladeshi society was also characterized by an ingrained redistributive ethos. Alleviating the misery of the poor and the disadvantaged thus has less been a mere policy choice and more a moral imperative and a political compulsion making social safety nets, for example, a continuous policy thread across regimes and decades.

4.2 Achievements not foretold

The by-now commonplace statistics of Bangladesh's social and economic success do not do justice to the quality and depth of Bangladesh's transformation thus far. Six stand out as system-defining achievements that were all the more impressive for far from being foretold.

The first has to do with how the country has re-defined its relationship with disaster. A country defined by its eco-vulnerability and hence its entrenched status as a disaster *victim* has gone on to win global recognition and respect as a disaster *manager*. The transition has been multi-dimensional: early warning has been institutionalized, post-disaster epidemics have been virtually wiped off, and, a credible menu of instruments such as VGF developed that can fast-track post-disaster assistance.

The second has to do with the existential issue of food security. Even as the population doubled since independence, food production has more than tripled on a shrinking land area.⁵ A largely illiterate peasantry embraced the promise of technology while heavy-handed bureaucratic oversight incrementally retreated to allow for the dynamism of the market process to come into play. A food deficit country of 70 million people transformed itself over four decades into a nearly self-sufficient country of 160 million people.

The third transformational achievement has been in the country's integration with the global economy. At independence the 'abroad' had little economic resonance. Four decades later, both entrepreneurs and workers have transformed the 'abroad' into a key economic destination turning exports, that too manufacturing exports, and remittances into the two most important growth drivers of the economy.⁶

The fourth has been in banishing the curse of remoteness and transforming a largely rural country of isolated villages into a connected national economy where rural-urban divide has given way to a rural-urban continuum. An early prioritization of feeder roads' catalyzed this transformation whose notable consequence has been in vastly expanding the opportunity horizon of most citizens.⁷

⁵ Ahmed, Raisuddin et al, 2000, *Out of the Shadow of Famine*, John Hopkins University Press in co-operation with IFPRI

⁶ Rahman, Hossain Zillur, 2010, *Bangladesh: Strategy for Accelerating Inclusive Growth*, Keynote presentation at DCCI Conference on Bangladesh at 2030: Strategy for Growth, PPRC/DCCI

⁷ General Economics Division, 2005, *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction*, Bangladesh Planning Commission

The fifth transformational achievement has been in the emergence of women as social and economic actors.⁸ Female gains in primary and secondary education, access to birth control measures, access to microcredit, and changes in social attitudes looking positively on women's economic participation have made such a wide-ranging transformation possible. While deeper empowerment battles are yet to be won, the footprints already established mark women as a central protagonist in determining the nation's destiny.

The sixth is fertility decline which, contrary to the usual demographer's prognosis, was achieved despite the country being at high poverty levels.⁹ Research shows that between 1980 and 2010, one-third of the rise in per capita income was due to the fertility decline.¹⁰

4.3 Five drivers of change

Bangladesh's achievements since independence have been well documented. Less so has been the explanation of how these achievements came about. Bringing out the deeper socio-political and socio-economic factors that underpinned the achievements noted earlier requires going beyond conventional economic narrative of growth drivers or self-promoting narratives of political regimes. Five drivers of change merit attention.

The least examined driver of change has been the fundamental change engendered by the war of liberation in 1971 and subsequent attainment of independence on the psyche of the common citizen. An eco-vulnerable and impoverished population steeped in fatalism and espousing a dependent mind-set underwent a paradigm shift in their psyche experiencing something of a personality revolution, more assertive, pro-active towards opportunities, clearer on life-goals. Fatalism was replaced by aspirations. This fundamental attitudinal shift saw an illiterate peasantry embrace the promise of technology, saw rural youth exploring the opportunities of the global labour market, saw poor women responding to the call of economic participation and saw former employees daring to become new entrepreneurs. Any explanation of Bangladesh's transformation to-date is significantly deficient without acknowledging this aspirational revolution at the level of individuals.

A second driver of change has been a grass-root culture of solution-centric innovations. To an important extent, the war of liberation espoused the character of a 'peoples' war' and consequently the task of 'nation-building' after independence did not remain narrowly an elite pre-occupation but spilled over into the popular domain. When a famine occurred three years after independence leading to a massive crisis of legitimacy for the state, society's response was to look inward and seek its welfare and development solutions from initiatives within its own ranks. This is the period when NGOs got born in Bangladesh but the quest for innovations was not limited to the NGO sector alone but eventually graduated to a multi-sectoral pre-occupation. Micro-credit, feeder roads, drug policy, social forestry, conditional cash transfers, new crop varieties, use of solar – the series of innovations have been both consequential and continuous.

The lesser-told story of drivers of change also includes three others. Bangladesh is distinguished by the consequential role of a reality-grounded development discourse that served to spur action on key challenges such as extreme poverty, social protection and agricultural modernization. The relevance of this

⁸ World Bank, 2008, *Whispers to Voices: Gender and Social Transformation in Bangladesh*, Bangladesh Development Series, Paper No. 22

⁹ UNFPA/EU, 2015, *The Impact of the Demographic Transition on Socioeconomic Development in Bangladesh: Future Prospects and Implications for Public Policy*, United Nations Population Fund, Bangladesh

¹⁰ Rahman, Hossain Zillur, 2010, *ibid*

driver for emerging challenges such as sustainable urbanization, quality education, universal health-care etc. bears attention.

The other two drivers of change pertain to the world of politics. Though marred by violence and ruptures at several points in its history, contested politics at both local and national levels has ensured a degree of political renewal that arguably has been the primary source of accountability in a system where formal accountability processes are yet to prove their worth. Prospect of political renewal has thus served to ensure a degree of autonomy to the social space wherein ideas and initiatives have prospered and in turn contributed to the transformation of the country. It was really the return of contested politics due to a successful political challenge by political and civil forces to the military rule of the 1980s that served as the backdrop to the process of growth acceleration that began from the early 1990s. At the local level, there was a greater continuity of political contestations centred around local government elections despite the many ruptures in the political system at the national level.

The last of the drivers of change has been about policy entrepreneurship. While the state in Bangladesh has a large institutional presence, mainly a legacy of colonial rule, the coming of independence has not translated into system-wide strengths of accountable governance and policy and implementation leadership. Within such a deficient politico-institutional milieu, Bangladesh has been surprisingly successful in driving policy reforms in certain critical sectoral areas that went on to have larger system-wide impacts. Examples include MDG successes in poverty, health and education, banking sector reforms in early 1990s and telecommunication sector reforms in late 1990s, policy impetus to private-sector media in the 1990s. Such reform successes were neither linear nor narrowly attributable to any one policy elite. Rather they were due to a certain type of coming together of policy entrepreneurship, a 'contingent coalition'¹¹ of policy entrepreneurs, social entrepreneurs and political entrepreneurs that coalesced around a clearly focused policy goal. Such 'contingent coalitions' have been a key, if little-studied, driver of change in the transformation of Bangladesh to-date are potentially so in the future too.

5 Bangladesh: A Near-Term View: 2005-15

5.1 A 3-layered growth story

A near-term view of Bangladesh (2005-2015) reveals a three-layered growth story. The first layer of the story is a continuation of the story of growth resilience that marked preceding decades. GDP growth rate averaged 6.19% per annum over this near-term.¹² The resilience is all the more remarkable given that this near-term saw several political transitions, two major natural catastrophes, a global food price hike and a global economic slowdown.¹³ Poverty too saw a continuing downward trend though estimates differ on the remaining scale of poverty depending on the use of national poverty line which uses a lower threshold (31.5% in 2010) or the internationally comparable poverty line that uses a higher, and perhaps more meaningful, threshold of \$1.90 per day (43.7% in 2010).¹⁴

¹¹ Term coined by Hossain Zillur Rahmanm PPRC

¹² General Economics Division, *7th Five-Year Plan*, ibid

¹³ Rahman, Hossain Z. & Liaquat A. Choudhury, 2010, *Food Price Inflation: Impact and Response: lessons from recent Experiences*, Policy Paper produced for Concern Worldwide and Overseas Development Institute, London, PPRC, Dhaka; Rahman, Hossain Z. & Salehuddin Ahmed, 2010, *Resilience Amidst Uncertainty*, PPRC, Dhaka

¹⁴ Sabina Alkire, 2016, *Measuring Multidimensional Poverty for Policy*, OPHI/University of Oxford (presented at CPD-BIGD seminar in Dhaka, May 19, 2016)

As distinct from the resilience success, the second layer of the growth story was the failure to achieve credible growth acceleration over the near-term. For example, the 6th Five-Year Plan had projected growth rate to accelerate to 8% by the terminal year of 2015.¹⁵ In the event, actual growth rate remained 2% lower. The long view on Bangladesh's economic performance underscores the fact that role of higher investment has been critical in raising the GDP growth rate, although labor force growth, and more recently, a rise in the female labor force participation rate also contributed. Thus, it comes as little surprise that weakness in growth acceleration has primarily been due to the persisting stagnation in private investment which since 2006-07 has hovered between 21-22%. Recent attempts to boost public investment notwithstanding, it is widely recognized that public investment can hardly substitute such stagnation in private investment to accelerate growth given that Bangladesh realities are marked by abysmally low tax/GDP ratio and system-wide implementation weaknesses.

The third layer of the near-term growth story is the less-than-rosy employment sub-story. While open unemployment has never been a meaningful indicator of the employment story in Bangladesh, disguised unemployment whether in traditional sectors such as agriculture or modern sectors such as educated youth has been the more realistic indicator of the employment conundrum. Both the Economic Census report of 2013 and the Quarterly Labour Force Survey of 2015¹⁶ indicate much of the employment growth has been in the informal sector. Index of informalization of employment (ratio of informal employment to total employment) in fact rose from 78.5% in 2005 to 84.7% in 2015.¹⁷ Per unit employment size too has hardly risen on average. With 1.8 million to 2 million new entrants into the labour force every year, the productive employment crisis is truly the untold story of the near-term growth narrative. External employment has been an important safety valve in this regard providing on average half-a-million jobs abroad¹⁸ but this window too has shown distinct signs of contraction in past few years. A further twist to the employment crisis has been in the fact that an important segment of formal sector skilled/industrial jobs are being availed by expatriates (around USD 4 billion remitted to India alone) rather than locals whose low quality skill levels are acting as a deterrent in the eyes of employers.

The near-term growth story above carries uneasy lessons for the middle income aspirations of Bangladesh. While the strength demonstrated in resilience ensures no easy reversals in current economic fortunes, the fragility revealed in growth acceleration and productive employment brings out an out-of-focus story of below-potential economic performance that casts a shadow over the realization of Bangladesh's middle income aspirations within the coming decade. Such uneasy lessons are put in sharp relief when we juxtapose Bangladesh's record against its comparators.

5.2 Economic performance of Bangladesh vis-à-vis comparators

When Goldman Sachs included Bangladesh in its tally of Next 11 in 2005,¹⁹ Bangladesh justly felt vindicated in the global recognition of its potentials. But how well have those potentials been realized since then? Graph 1 describes the progress each of the N-11 countries have made over the preceding decade (2006-2014) with the Y axis showing GDP per capita in current US Dollars. While each of the listed countries has seen a rise in their GDP per capita levels, the key difference has been in the pace of this rise. Bangladesh too has seen a rise in its GDP per capita but in comparative terms, the extent of the rise has been the lowest for Bangladesh except for Pakistan.

¹⁵ General Economics Division, 2010, *6th Five-Year Plan*, Bangladesh Planning Commission

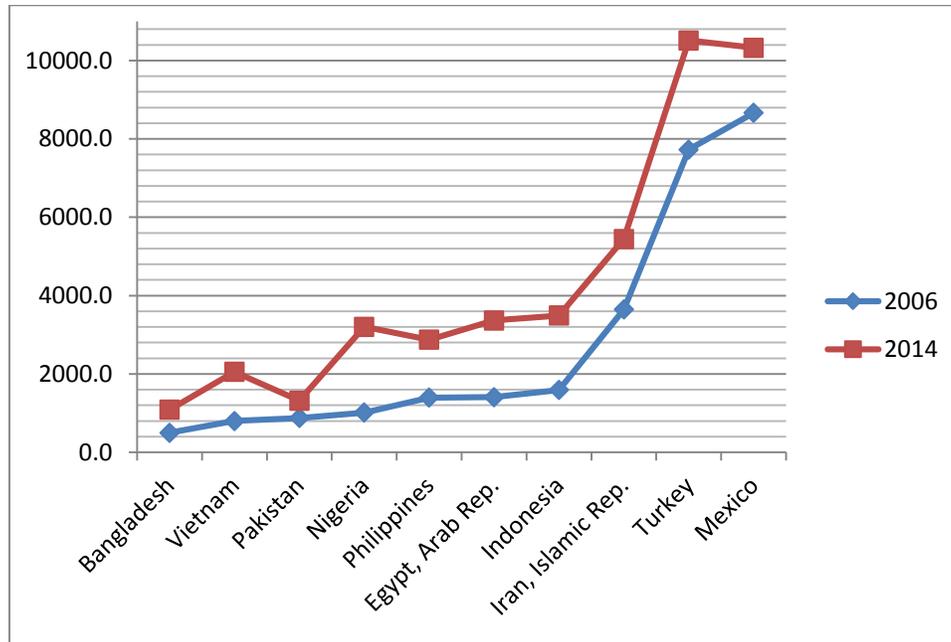
¹⁶ Bangladesh Bureau of Statistics, 2015, *Economic Census 2013*, Statistics and Information Division, Ministry of Planning; Bangladesh Bureau of Statistics, 2016, *Report of Quarterly Labour Force Survey (QLFS)*, Statistics and Information Division, Ministry of Planning

¹⁷ Bangladesh Bureau of Statistics, 2016, *QLFS*, ibid

¹⁸ Rahman, Hossain Z. & Salehuddin Ahmed, ibid

¹⁹ Goldman Sachs, 2007, *N-11: More than Acronym*, Global Economics paper No. 153

Graph 1
GDP Per Capita (nominal) Trajectory of N-11 Countries (2006-2011)
 (Current US\$)

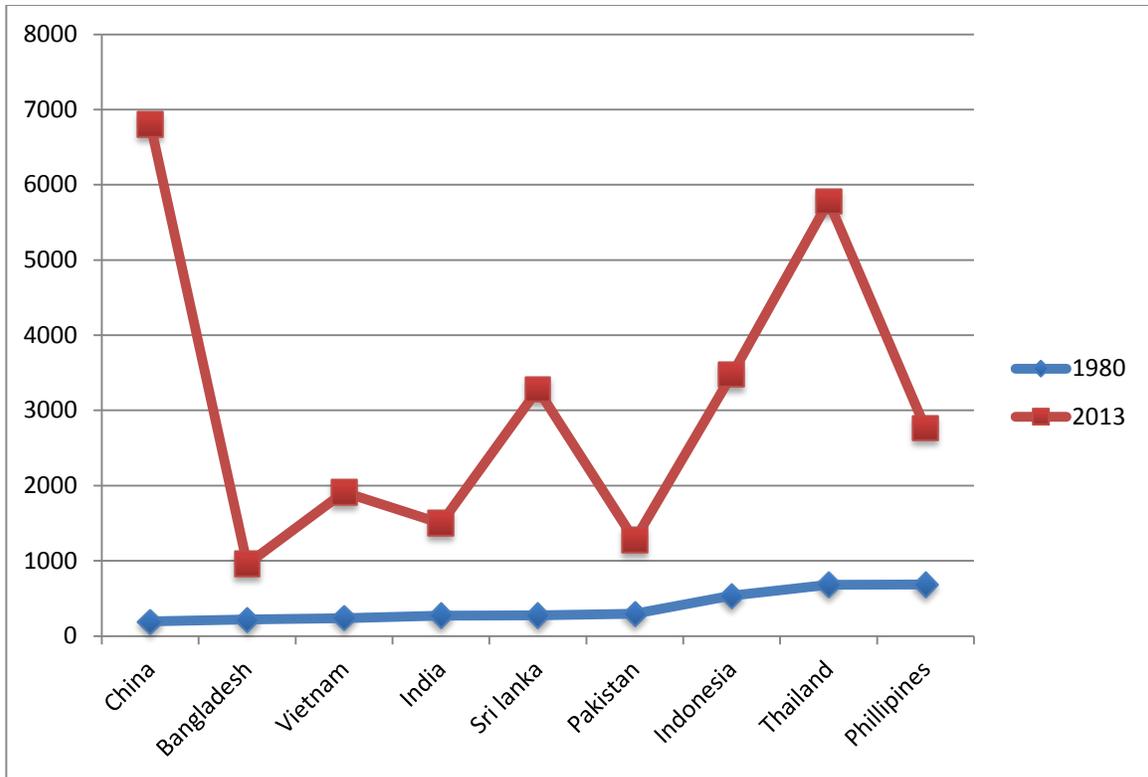


Source: World Bank, World Development Indicators, Database;
 Graph prepared for this report by Kaneta Zillur

The picture of below-potential performance is reinforced when we compare Bangladesh with its Asian comparators (Graph 2) taking the longer time-frame of 1980-2013. The Y axis shows GDP per capita (current US dollars). South Korea has been omitted from the graph because the extent of its being the outlier but included in the Table below the graph (Table 1). All of the listed countries have seen a rise in their GDP per capita but in terms of the rate of rise, Bangladesh has the lowest rate along with Pakistan and Philippines. In absolute terms, Bangladesh sits at the bottom of the list of countries in terms of GDP per capita in both the base and terminal years.

Graph 2

Economic performance of Bangladesh vis-à-vis its Asian comparators



Source: World Bank Country Program Framework, 2016 (p.8) drawing on World Development Indicators, Database;
Graph prepared for this report by Kaneta Zillur

Table 1

Economic performance (changes in GDP per capita: current US dollars) of Asian countries: 1980-2013

	China	Bangladesh	Vietnam	India	Sri Lanka	Pakistan	Indonesia	Thailand	Philippines	South Korea
1980	193	220	239	271	273	296	536	683	685	1778
2013	6807	958	1911	1499	3280	1275	3475	5779	2765	25977
Rate of rise	34.3	3.4	7.0	4.5	11.0	3.3	5.5	7.5	3.0	13.6

6 Politics, Governance and Economic performance

6.1 How meaningful is the 'progress despite governance problems' thesis for middle income aspirations?

What can explain the below-potential economic performance of Bangladesh despite its unmistakable success in growth resilience? This way of posing the challenge facing Bangladesh is a relatively novel one. The analytical approach which has rather been in vogue in recent times is to argue that Bangladesh has progressed despite poor governance and political conflicts, with some projecting this as a Bangladesh 'paradox'. Such a reading has two critical deficiencies of particular relevance to Bangladesh's scaled-up ambitions for 'middle income' country as well as the qualitatively more complex challenges of the SDGs.

The first has to do with a fuller reading of Bangladesh's economic and social performance over the near-term i.e. the preceding decade. The prognosis of 'progress despite conflicts and mis-governance' takes into cognizance in only the resilience part of the growth story as well as MDG successes but not the below-potential part of the story brought out in the preceding section. There also appears to be a markedly inadequate appreciation in such a prognosis of the complexity of the SDGs challenge vis-à-vis MDGs as for example achieving quality goals in health and education compared to the challenge of access goals during the MDG phase. Attaining several key SDG goals e.g. ensuring affordable and clean energy (goal 7), providing basic infrastructure (goal 9), reducing inequalities (goal 11), developing sustainable cities and communities (goal 11), undertaking appropriate climate actions (goal 13), and ensuring peace, justice and strong institutions (goal 16), will require qualitatively stronger policy and governance initiatives and significant resources, mostly from domestic sources.

A second and more serious deficiency of the 'progress despite conflicts and mis-governance' prognosis is with reference to the framing of the governance issue vis-à-vis economic performance. The rise to prominence of governance analysis within the context of economic performance in Bangladesh stems from the 1990s when the period of growth acceleration had set in. What is often overlooked is that this discourse was less about how governance was impacting on growth and social development and more about assessing governance against a normative yardstick of 'good governance'. It is worth bearing in mind that the 'good governance' agenda emerged from within the discourse of development aid circles who were introspecting on the African development crisis of the 1980s and their realization that market mechanisms would not produce desired development outcomes if they were not grounded in an effective system of property rights and a regulatory regime conducive to competitiveness and efficiency.²⁰

The 'good governance' framing of the issue, while certainly useful for an elaboration of a normative goal, is noticeably deficient, however, in bringing into cognizance both long-term drivers of change as analyzed earlier in Section 4 as well as the specific ways in which governance approaches and structures impacts on social and economic outcomes. Institutional economists in particular have brought into sharper focus the functionality of governance vis-à-vis development outcomes rather than the degree of realization of the normative goal of 'good governance'.²¹

²⁰ P. Landell-Mills & I. Serageldin (1992), *Governance and the External Factor*, Proceedings of the 1991 World Bank Annual Conference on Development Economics

²¹ Khan, Mushtaq, 2013, 'Bangladesh: Economic Growth in a Vulnerable Limited Access Order.' In: North, Douglass and Wallis, John and Webb, Steven and Weingast, Barry, (eds.), *In the Shadow of Violence: Politics, Economics and the Problems of Development*, Cambridge University Press, pp. 24-69; Hasan, Mirza, 2014, *Political Settlement Dynamics in A Limited Access Order: The Case of Bangladesh*, Working Paper No. 20, May 2014, BRAC Institute of Governance and Development

6.2 The interface of politics and development

An important lacuna in the 'progress despite governance problems' thesis is with regard to how politics has been accommodated within the governance analysis. The 'good governance' indicators include a politics variable - 'political instability and violence'.²² Inclusion of such an indicator certainly captures one facet of politics impacting on development outcomes. However, left out of focus are equally compelling alternative political realities with consequences for development outcomes. One of them is 'political settlements' among elite groups aimed at targeted growth and social development objectives but not necessarily 'good governance' objectives.²³ The vulnerability or breakdown of such 'political settlements' then becomes a more meaningful area of enquiry to assess future development trajectories and governance outcomes. An alternative political reality, reflective of Bangladesh in 2016 for example, is where there is both relative political calm and pronounced uncertainty about the future - a case of 'uncertainty despite stability'. What are the likely development trajectory and governance realities flowing from such a political reality? The analysis of violence too in the governance discourse merits deeper analytical attention than allowed for in the current discourse. Violence as an element of political competition, violence for enforcing political exclusion, violence as terrorism – each of these manifestations carry differing consequences for economic and social outcomes and have to be analyzed and taken into cognizance as such.²⁴

In many ways, the coming to prominence of the 'good governance' paradigm in 1990s obscured a deeper discourse on the interface of politics and development that has run since post-colonial developing countries grappled with the issue of simultaneously modernizing their economies and polities in the new world order following the Second World War. This discourse certainly did not progress linearly as conflicting real-life influences and differing analytical perspectives competed to shape the ideas and prognosis. Initially dominated by over-optimistic modernization theories,²⁵ by the 1960s the complexities and uncertainties of political transition in developing countries became the dominant focus of the discourse.²⁶ In particular, the possibilities of political decay as much as political development came to be recognized as legitimate areas of enquiry in the process of social and economic change.²⁷

Real world processes of globalization, emergence of multi-polar power centres, the technological and migration revolution, the fierce and often unequal competition for natural resources particularly oil and gas, deepening inequalities within and between countries, religious radicalization and growing extremism impacting on policy responses and democratic discourses all have compounded the complexities of political transition in developing countries and rendered the task of prognosis even more challenging. Analysts and academics have had to cross the traditional boundaries of political science to grapple with such complexities in the process bringing to prominence newer disciplines such as political sociology, institutional economics and culture studies.²⁸ A critical insight emerging from such analysis is that it is less the form of government and more the degree and quality of politics and governance i.e. legitimacy, opportunities for contestations, rationalization of authority, state capacity, robust spaces for public discourse, minimizing system disruptions

²² Kaufmann, Daniel, Aart Kraay and Pablo Zoido-Lobaton (1999). "Aggregating Governance Indicators." *World Bank Policy Research Working Paper* No. 2195 & "Governance Matters." *World Bank Policy Research Working Paper* No. 2196.

²³ Khan, Mushtaq, 2013 & Hasan, Mirza, 2014, *ibid*

²⁴ Rahman, Hossain Z., 1990, "The Landscape of Violence: Local Elections and Political culture in Bangladesh", *Economic and Political Weekly*, November, 24.

²⁵ W.W. Rostow, 1960, *The Stages of Economic Growth*, Cambridge University Press, New York

²⁶ Samuel P. Huntington, 1968, *Political Order in Changing Societies*, Yale University Press

²⁷ *ibid*

²⁸ Kate Nash & Alan Scott, 2001, *The Blackwell Companion to Political Sociology*, Blackwell Publishing; Douglas North, 1990, *Institutions, Institutional Change and Economic Performance*, Cambridge University Press

around transitions in power that distinguish politically developed societies from politically decaying ones.²⁹ Clearly, politics and development are closely inter-twined processes that have no easy or predictable answers on cause and effect.

While country contexts obviously matter, an analytical cul-de-sac to avoid is to axiomatically link regime types to economic performance. Experience shows that there are both well-performing and poorly-performing democracies just as there are well-performing and poorly-performing authoritarian states. The goal to stress thus is not regime type per se or a normative set of 'good governance' indicators but rather the constellation of system and process features that generate a 'political governance' capable of nurturing inclusive and sustainable economic outcomes. Political governance here can encompass not only 'political settlements'³⁰ among elite groups but also institutional and interface qualities of the state as well as civic quality of the society.³¹

²⁹ Huntington, *ibid*; Weber, Max, 2002, *Protestant Ethics and the Spirit of Capitalism*, Penguin Books; Tilly C., 1975, *The Formation of Nation States in Western Europe*, Princeton University Press; Habermas J., 1989, *The structural Transformation of the Public Sphere*, MIT Press; Luhmann N., 'A Political Sociology for Complex Societies' in Kate Nash & Alan Scott, 2001, *ibid*; Jean L. Cohen & Andrew Arato, 1995, *Civil Society and Political Theory*, MIT Press

³⁰ Khan, Mushtaq, 2013 & Hasan, Mirza, 2014, *ibid*

³¹ Rahman, Hossain Zillur, 2007, 'Unbundling governance: Towards a relevant agenda' in *Unbundling Governance: Bangladesh Governance Report: Indices, Institutions, Process, Solutions*, Power and Participation Research Centre (PPRC), Dhaka

7 Unpacking the Present: Household Economic Realities, 2015

7.1 Income Realities, 2015

7.1.1 Income levels, 2015

Survey data showed average reported monthly household income in 2015 to be Taka 31,883. This translates into an annual per capita income of US dollars 1073. There is however considerable variation across the three survey segments (Table 3). Dhaka city has the highest average monthly income at Taka 55,086 per month (annual per capita of USD 2117) compared to Taka 18,349 for rural areas (annual per capita of USD 580) and Taka 24,031 for other urban (annual per capita of USD 769).

Table 3
Income Levels, 2015

Survey segment	Average monthly household income (Taka)	Average income per capita per annum (US Dollars)
Dhaka city	55,086	2,117
Other Urban	24,031	769
Rural	18,349	580
All Bangladesh	31,883	1073

Source: PPRC Governance and Economy Survey, 2015

Income data also shows considerable variation across major occupational groups (Table 4). Highest income groups in urban areas are business, professional and non-earners (rental, remittance, savings) and in rural areas it is business and non-earners. The poorest groups are labour and petty/small business. All income groups have experienced a rise in their nominal income over the recent past (2012-15) though there is some variation in the rate of change amongst the groups.

Table 4
Income Variation across Occupational Groups, 2015

Major income source	Dhaka City			Other Urban			Rural		
	% of sample	average nominal monthly income (Taka)	% change in nominal income	% of sample	average nominal monthly income (Taka)	% change in nominal income	% of sample	average nominal monthly income (Taka)	% change in nominal income
Business	24.8	121,902	6.2	3.2	97,363	32.9	1.2	60,375	n.a.
Petty/small business	1.8	19,556	20.6	34.4	20,637	8.9	24.7	22,774	28.9
Labour	15.6	18,024	32.7	28.2	16,499	37.7	23.9	10,992	31.3
Service	42.4	35,799	35.7	18.2	23,130	22.8	12.1	21,179	42.4
Professional	2	109,150	34.3	0.3	80,000	33.3	1.1	16,000	30.2
Agriculture	5.4	22,470	35.3	3.8	13,692	8.9	30.9	15,311	24.5
Non-earner (Rental, Remittance, Savings)	6	42,322	12.7	10.0	38,264	31.9	4.8	35,156	28.4
Others	2	28,825	17.2	1.8	18,000	50.0	0.9	16,167	29.3
All	100.0	55,086	16.4	100.0	24,031	23.4	100.0	18,349	10.3

Source: PPRC Governance and Economy Survey, 2015

7.1.2 Income trends, 2012-15

Households were asked about changes in the income levels over the three preceding years. Reported nominal income increased for all segments (Table 5). However, when the rise in nominal income is adjusted for inflation, income levels were essentially static over the recent past (2012-15).

Table 5
Income Dynamics, 2012-15

Survey segment	% rise in average monthly household income over 2012-15	% rise in average monthly household income over 2012-15 adjusted for inflation
	%	
Dhaka city	16.4	- 4.8
Other Urban	23.4	0.9
Rural	10.3	-9.73
<i>All Bangladesh</i>	<i>15.9</i>	<i>-5.2</i>

Source: PPRC Governance and Economy Survey, 2015

7.1.3 Income disparities, 2015

Average income masks significant disparities in the income distribution. Table 6 describes average income for income deciles separately for the three survey segments of Dhaka City, Other Urban and Rural.

Table 6
Income Disparities

Income deciles	Dhaka city	Other Urban	Rural
	<i>Average monthly household income (Taka)</i>		
Decile 1 (lowest)	9781	5570	5851
Decile 2	14277	8485	8368
Decile 3	16384	9976	9948
Decile 4	19220	11900	11826
Decile 5	21940	14415	14357
Decile 6	25380	16357	16293
Decile 7	35410	19287	19287
Decile 8	47381	23900	23353
Decile 9	64083	30770	31314
Decile 10	311190	75040	68391
All	55086 (N=500)	24031 (N=340)	18349 (N=660)

Source: PPRC Governance and Economy Survey, 2015

All income deciles have comparatively higher average income in Dhaka City compared to both 'Other Urban' and Rural. However, disparity within each survey segment, and hence for the country as a whole, is striking. The stark nature of such disparities is brought out further in Table 7 which groups the sample into 'Bottom 40%', 'Middle 50%' and 'Top 10%'. Disparities in income is pronounced for all survey segments but particularly so for Dhaka City.

Table 7
Income Shares and Average Income of Income Groups, 2015

Income group	Variable	Dhaka City	Other Urban	Rural	All Bangladesh
Bottom 40%	Average monthly income (Taka)	14,421	9,615	8,342	10,657
	Annual Income per capita (USD)	555	308	264	359
	% of share of total income	10.5	16.0	18.2	13.4
Middle 50%	Average monthly income (Taka)	37,323	23,047	18,404	25,763
	Annual income per capita (USD)	1436	737	581	867
	% of share of total income	33.9	48.0	50.1	40.4
Top 10%	Average monthly income (Taka)	306,567	86,612	58,106	147,388
	Annual income per capita (USD)	11,791	2,770	1,836	4,962
	% of share of total income	55.7	36.0	31.7	46.2
All		N=500	N=340	N=660	N=1500

Source: PPRC Governance and Economy Survey, 2015

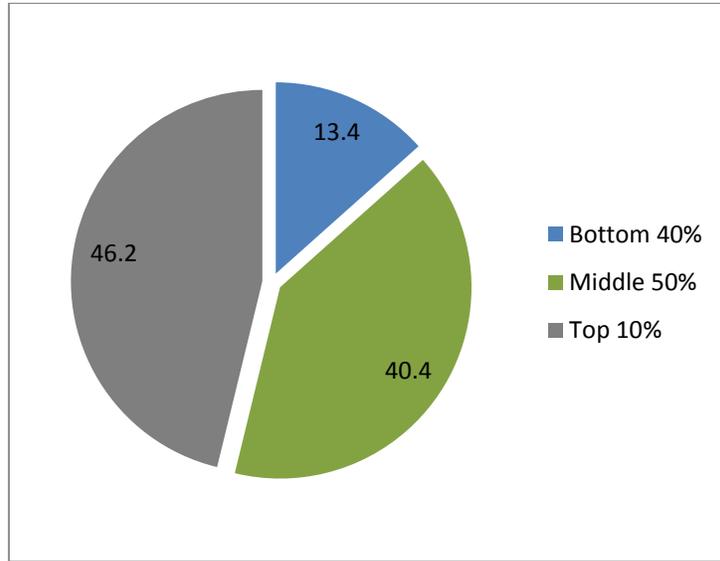
Disparities in income is pronounced for all survey segments but particularly so for Dhaka City. Top 10% of Dhaka City households enjoy a per capita annual income of USD 11,791. In contrast, the Bottom 40% enjoys a per capita annual income of only 555 USD. The difference is less stark for 'Other Urban' and Rural but still quite pronounced: per capita annual income of USD 2770 and USD 1836 respectively for the Top 10% compared to USD 308 and USD 264 for the Bottom 40%.

For Bangladesh as a whole, Bottom 40% had a per capita annual income of only 359 USD in 2015 while the Middle 50% and the Top 10% had per capita annual income of USD 867 and USD 4962 respectively.

Another way to understand prevailing income disparities is to look at the percentage share of total income accruing to each income group. Graphs 3 to 6 describe the respective income shares of each of the income groups for Bangladesh as a whole and for each of the individual survey segments.

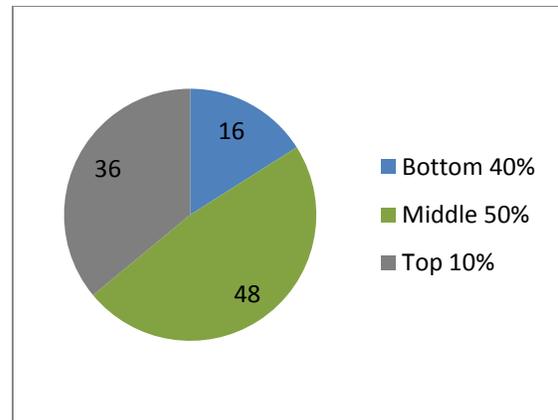
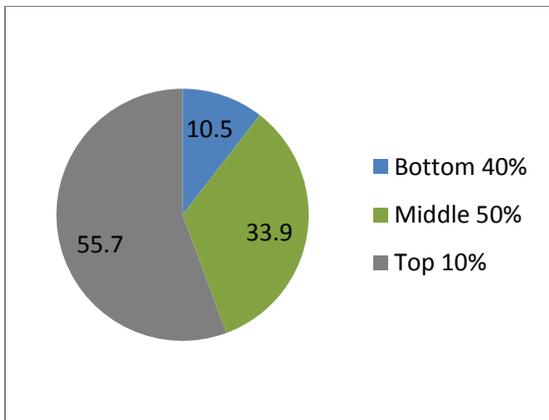
For Bangladesh as a whole, the Top 10% control 46.2% of total income while the Bottom 40% controls only 13.4%. The extent of disparity in income shares is severest in Dhaka City where the Top 10% controls 55.7% of total income while the Bottom 40% controls only 10.5%

Graph 3
% of Income Shares: **All Bangladesh**

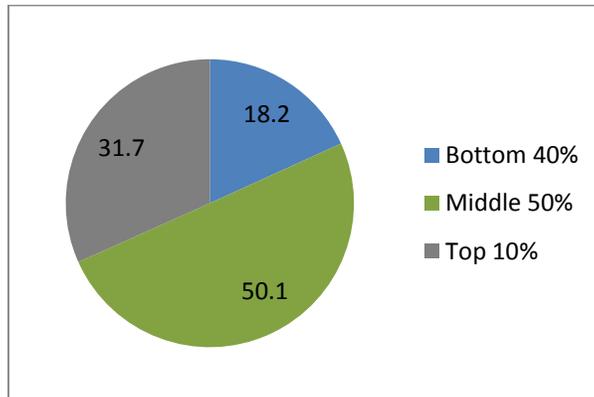


Graph 4
% of Income Shares: **Dhaka City**

Graph 5
% Income Shares: **Other Urban**



Graph 5
% Income Shares: **Rural**



7.2 Expenditure Realities, 2015

What insights do household expenditure patterns hold for understanding the lived realities household welfare the process of socio-economic changes in a country? Table 8 examines how much and on what items urban and rural households have been spending in the survey period of late 2015.

Table 8
Household Expenditure: On what, How Much

Expenditure category	Dhaka City			Other Urban			Rural		
	% of hh making this exp.	% of total exp.	Average monthly exp. (Taka)	% of hh making this exp.	% of total exp.	Average monthly exp. (Taka)	% of hh making this exp.	% of total exp.	Average monthly exp. (Taka)
Food	100	20.1	11,066	100	41.0	9,690	100.0	40.7	7,634
Fuel (wood, kerosene, cylinder gas)	25.6	1.9	1,048	80.3	2.8	656	82.1	3.0	561
Utilities (water, electricity, gas)	64.8	3.8	2,109	92.9	3.1	735	78.3	2.1	401
Transportation	89.2	4.4	2,438	82.4	3.5	819	86.1	4.7	879
Rent	74.4	11.7	6,445	13.2	1.9	450	3.3	0.5	89
Education	69.2	8.1	4,432	69.7	7.0	1,659	76.2	6.8	1,285
Medicine	92.4	2.2	1,214	93.2	4.5	1,050	94.4	4.8	892
Major health treatment	31.2	6.9	3,803	39.4	5.1	1,208	37.6	5.2	969
Telephone/mobile/dish /newspaper	96.8	2.3	1,268	93.8	3.3	769	94.8	2.7	508
Toiletries/cosmetics	93	1.5	813	92.4	1.8	434	92.4	2.0	373
Salaries of maid/driver/guard	25.6	9.8	5,388	7.6	0.6	149	2.0	0.2	40
Garbage disposal	70.6	0.2	89	13.8	-	8	-	-	-
Money remitted to kin	26.4	5.3	2,890	4.1	0.4	98	3.2	0.6	112
Clothing	100	2.0	1,081	98.8	3.8	883	99.4	3.8	710
Furniture	48.4	2.1	1,160	42.9	1.6	379	47.7	2.0	378
Electronics	48.4	1.2	674	51.5	0.9	200	50.3	0.8	155
Recreation	67.2	1.8	984	44.7	0.7	135	58.6	0.6	120
Gift/festival	94.2	2.1	1,133	92.9	4.8	1,137	95.9	5.6	1,051
House repair	15.6	7.2	3,936	40.0	12.4	2,923	43.9	13.4	2,518
Police/court	5.0	2.4	1,294	7.1	0.7	170	5.2	0.4	82
Tax	17.4	3.2	1,770	61.2	0.1	33	33.8	-	10
<i>Total</i>		<i>100.0</i>	<i>55,035</i>		<i>100.0</i>	<i>23,585</i>		<i>100.0</i>	<i>18,767</i>

Source: PPRC Governance and Economy Survey, 2015

The data is presented through three variables for each expenditure item: i) percentage of households making the expenditure ii) average monthly expenditure and iii) percentage of total expenditure. The picture provided, however, is an average one for all households considered together. Disaggregation by income groups is likely to reveal variation across such groups as for example in the relative share of food in the expenditure basket.

Several features stand out, some relatively novel ones:

- There are four dominant expenditure items for both urban and rural households: food, housing, life-style (includes clothing, cosmetics, furniture, electronics, mobile, cable TV, newspapers, recreation) and healthcare.
- Interestingly, life-style expenditures have become as important for rural households as for urban ones accounting for 11-12% of total household expenditure.
- Expenditure on housing (includes both rent and repair) is around a fifth of total expenditures for urban households and slightly less (14%) for rural households.
- Healthcare expenditures – both regular expenditures on medicine and lumpy expenditures on major health treatments – average around 10% of total expenditures and exceeds expenditures on education in all three survey segments i.e. Dhaka city, Other Urban and Rural.
- In Dhaka city, a hitherto unanalyzed expenditure item – salaries for house help (maids, drivers, security guard) – has shot up in prominence accounting for 9.8% of total household expenditure. Table 8 reveals that nearly a quarter of Dhaka's population (25.6%) is incurring this monthly expenditure.
- Another revealing statistic is the appearance of 'money remitted to kin' as a regular monthly expenditure incurred by households in Dhaka city. 26.4% of households in Dhaka city undertake this expenditure and it constitutes 5.2% of total expenditure.
- 5% to 7% of surveyed households in both urban and rural localities also have to bear expenditures incurred with relation to police and legal matters. The quantitative burden, however, is more significant for residents in Dhaka city compared to the other two survey segments.

7.3 Assets and Debts

7.3.1 Household asset-ownership

An important glimpse into household economic realities is their asset and debt status. Table 9 describes the economic status of households in terms of their ownership of non-land assets.

Only a quarter (26.2%) of surveyed households in Dhaka City own housing. Ownership of consumer durables however is near universal including in Other Urban and Rural households. The other noteworthy statistic from Table 8 is with relation to ownership of transports. Personal ownership of transports of Dhaka City households is below 5 percent for all the listed transport categories indicating a serious dependence on availability of public transportation.

The economic dominance of Dhaka city is again brought out in the average total approximate value of assets owned. On average, households in Dhaka City own assets worth Taka 2.8 million. This, however, is the average. Data not presented show significant disparities on this indicator too when dis-aggregated by income groups. Average value of assets owned is significantly lower in Other Urban and Rural – Taka 0.85 million and 0.5 million respectively

Table 9
Asset Status: Non-Land Assets

Non-land asset category		Dhaka City	Other Urban	Rural
		% owning		
Flat/House		26.2	92.1	96.0
Shop		9.4	37.9	22.7
Factory		2.2	0.6	3.0
Consumer durables	Furniture	96.6	96.5	96.2
	TV/Fridge/Electronics	92.2	79.7	63.3
Transport	Car	3.8	1.2	0.6
	Motorbike	2.6	10.6	8.5
	Bicycle	5.4	25.9	39.2
	Rickshaw	2.0	4.4	3.3
	Auto-rickshaw	0.8	3.2	5.3
Financial assets		33.6	50.6	45.3
Gold/Jewelry		82.8	83.5	83.5
Agricultural equipments		n/a	9.1	36.2
Livestock/poultry		n/a	33.8	74.7
Average total approximate value of assets owned		2,848,102	850,118	502,950

Source: PPRC Governance and Economy Survey, 2015

7.3.2 Household indebtedness

Table 10 describes debt status of surveyed households. A proportionately higher percentage of the surveyed households are indebted in Other Urban and Rural areas compared to Dhaka city. 43.8 percent of the surveyed households are currently indebted compared to around 60% in both Other Urban and Rural. However, average size of debt is significantly higher in Dhaka city at Taka 179,128 compared to Takas 101,763 and 52,900 in Other Urban and Rural respectively.

Table 10
Household Debts: Level, Source, Purpose

Survey Segment	% of sample having debt	Average outstanding debt in 2015 (Taka)	Sources of debt (multiple responses)		Purposes of debt (multiple responses) %of respondents	
Dhaka City	43.8	179,278	Relatives/friends/neighbors	41.1%	Business investment	34.2
			NGO	22.8	Consumption	16.9
			Bank	16.9	Housing	16.0
			Own office	11.0	Health-care	13.2
			Money-lender	9.1	Land purchase/lease	9.1
			Association/Co-operative	6.8	To send abroad	2.3
Other Urban	58.5	101,763	Relatives/friends/neighbors	11.5	Business investment	25.0
			NGO	40.9	Consumption	8.5
			Bank	8.2	Housing	13.5
			Own office	1.2	Health-care	11.2
			Money-lender	2.1	Education	3.8
				Land purchase/lease	6.8	

					Transport purchase	3.5
					Agri-equipment purchase/lease	2.1
			Association/Co-operative	2.4	To send abroad	2.6
					Marriage/Dowry	2.6
Rural	59.5	52,900	Relatives/friends/neighbors	15.0	Business investment	19.5
			NGO	37.9	Consumption	9.7
			Bank	10.0	Housing	9.5
			Own office	0.5	Health-care	7.3
					Education	3.3
			Money-lender	5.1	Land purchase/lease	8.0
					Transport purchase	3.6
					Agri-equipment purchase/lease	8.8
			Association/Co-operative	2.1	To send abroad	4.1
					Marriage/Dowry	7.6

Dhaka City and the other two survey segments also differ in terms of how loans are sourced. Contrary to expectation, friends and relatives are the dominant source for loans in Dhaka city while it is NGOs in Other Urban and Rural. Again, contrary to expectations, dependence on money-lenders, though low in relation to other sources, is comparatively higher in Dhaka city than in rural areas.

Loans are incurred for a variety of purposes. Some purposes indicate household's economic strength eg. financing business, acquiring assets or financing external employment. Some purposes, however, are indicative of the household's distress eg. supporting consumption, health-care and education. Table 9 indicates both trends in play. Table 9 provides the aggregate picture. If the data is disaggregated by income groups, the relative role of distress debts and economically-empowering debts may be worse. One statistic which stands out in this context is that in 16.9 percent of cases of incurring debt in Dhaka city, the purpose was to support consumption. This may be indicative of a hidden problem of economic distress for poorer households in Dhaka city.

8 Unpacking the Present: Quality of Life, 2015

How do growth statistics translate into quality of life at the household level? This is an important and legitimate issue to highlight if the development discourse is not to descend into a sterile and misleading pre-occupation with narrow growth statistics. The PPRC national household survey collected data on a number of variables that shed light on the quality of life urban and rural households have access to under current economic realities.

8.1 Dietary adequacy

A key indicator of quality of life is dietary adequacy, in particular nutrition adequacy. The PPRC survey sought to capture this aspect by collecting data on food intake behavior i.e. the intervals at which selected food items were consumed in the households. Dis-aggregation across income groups has not been carried out for the current analysis but the average picture captured in Table 11 provides sufficient indications on how households are faring on the nutritional frontier. Following findings merit highlighting:

Table 11
Dietary Adequacy: Food Intake Behavior

Food item	Dhaka city		Other Urban		Rural	
	% of households able to have daily	% of households able to have weekly	% of households able to have daily	% of households able to have weekly	% of households able to have daily	% of households able to have weekly
Fish	21.2	78.8	28.0	70.8	27.3	70.9
Meat	5.6	69.4	2.7	56.5	2.3	47.4
Egg	21.8	73.0	23.4	70.7	14.4	77.1
Milk	19.0	32.6	29.8	31.2	27.5	27.2
Fruits	9.2	50.6	6.5	46.9	4.6	37.9

Source: PPRC Governance and Economy Survey, 2015

- Both rural and urban households have reasonable access to fish in their diets if consumption at daily and weekly intervals are considered together. In comparison, consumption of meat is a less regular occurrence, more so for rural and Other Urban households. Across all survey segments, meat constitutes an item in the daily diet of less than 5% of households.
- Daily intake of eggs occurs in less than a quarter of households across the three survey segments. However, there has been progress on this item if consumption at weekly intervals is considered.
- Dietary inadequacy in terms of milk consumption is quite pronounced. Considering consumption at daily and weekly intervals together, nearly half of Dhaka city households are not consuming milk. In the case of rural and Other Urban households too, 40-45% of households are not consuming milk regularly. This clearly has implications for child nutrition.

8.2 Access to transportation

With the rapid transformation of the work-place, transportation to work is a key aspect of quality of life. The PPRC survey collected data on the regular modes of transport used by households for their daily journey to work. To examine the process of change, respondents were asked to report on their regular mode of

transport during the time of survey (2015) and the situation three years ago (2012). The findings are presented in Table 12.

Table 12
Access to Transportation

Principal mode of transport to work	Dhaka city		Other Urban		Rural	
	2015	2012	2015	2012	2015	2012
	% of households					
On foot	40.6	11.4	43.2	47.2	56.5	59.5
Bus	26.4	39.9	3.3	3.7	5.1	6.3
Rickshaw	16.5	41.1	12.2	20.9	1.2	5.7
3-Wheelers	6.3	3.3	22.2	13.2	17.1	12.2
Car	4.5	1.9	0.7	0.7	-	0.1
Bicycle	1.9	0.6	8.4	9.1	10.3	10.1
Motor-cycle	1.2	0.3	6.9	4.9	4.6	4.0
Boat	0.1	-	0.2	0.2	1.2	1.3
Train	-	-	-	-	0.2	-

Source: PPRC Governance and Economy Survey, 2015

Several features stand out:

- The transportation burden appears to have dramatically increased for Dhaka city residents. In 2012, 39.9% of households availed bus services for their regular journey to work and another 41.1% availed services of rickshaws. Three years later in 2015, both of these percentages had noticeably fallen – by 14% in the case of bus services and by 25% in the case of rickshaw services. While the percentage of households availing 3-wheelers, car, bicycle and motor-cycle all rose during this three-year period, such opportunities in total accounted for only for 7.8% of the transport-requiring households. The consequence is quite dramatic: the percentage of households forced to commute to work on foot has dramatically increased from 11.4% in 2012 to 40.6% in 2015.
- A generally disturbing trend evident in Table 12 is the declining availability of bus services across urban and rural spectrum. There appears to be an implicit substitution taking place whereby bus and rickshaw services are losing ground to 3-Wheelers. This has major implications for transport efficiency as well as cost burdens on the average commuter.
- Incidence of use of car for commuting to work has increased from 1.9% in 2012 to 4.5% in 2015. To an important extent this is also a response to the crisis of public transportation with middle class households having to prioritize car ownership as essential to viable daily movements.

8.3 Ease of movement: Quality of road infrastructure

Ease of movement is an important aspect of quality of life. The quality of road infrastructure available to citizens has critical bearing on ease of movement. The PPRC survey identified two types of road infrastructures – neighbourhood, inner roads and main roads in the locality – to assess how well households were placed with regard to their ease of movement. Table 13 describes the findings which are available only for Other Urban and Rural samples.

Table 13
Infrastructure Access for ease of movement

Quality index	Other Urban		Rural	
	Neighbourhood roads	Main roads in locality	Neighbourhood roads	Main roads in locality
	% of responses			
Good condition	18.5	37.1	13.6	31.8
Serviceable but not good condition	59.7	53.8	50.0	53.9
Damaged	15.3	9.1	27.3	11.4
Not usable for a long time	6.5	-	9.1	2.9

Source: PPRC Governance and Economy Survey, 2015

Bangladesh has witnessed a significant expansion of its road infrastructure over the preceding decades. However, what Table 13 highlights is serious gaps in the quality of such infrastructures, particularly at the local level. Only 18.5% and 13.6% respondents reported 'good condition' neighbourhood roads in Other Urban and Rural areas respectively. The percentages are somewhat better in the case of the main roads in the locality – 37.1% in Other Urban and 31.8% in Rural. The dominant quality category is "serviceable but not in good condition"

8.4 Housing realities

Housing is a very important aspect of quality of life. Table 14 describes the quality of housing enjoyed by surveyed households in 2015. Key findings are:

- In Dhaka city, the dominant housing category for the surveyed households is 'tin-shed/semi pucca (40.8%)'. A sizeable percentage (29.2%) live in flats and apartments.
- In the Other Urban and Rural samples, thatched housing remains important, much more so in the villages. Flats and apartment type of housing are beginning to emerge in "other Urban" but is still at a nascent stage (6.8%).

Table 14
Housing Type

Housing Type	Dhaka City	Other Urban	Rural
	% of sample		
Jhupri (cardboard)	-	1.8	2.3
Thatched	0.2	38.8	56.1
Tin-shed/Semi-Pucca	40.8	37.6	28.8
Pucca	29.8	15.0	11.4
Flat/Apartment	29.2	6.8	1.5

8.5 Service satisfaction

Access to services and satisfaction on their quality is a key dimension of the quality of life. The PPRC survey grouped the services accessed by surveyed households into three categories: public services, private services and financial services. Level of satisfaction on each of these services is described in Table 15 which provides data for Dhaka city.

Table 15

Service Satisfaction: Dhaka City

<i>Category</i>	<i>Service</i>	<i>% satisfied</i>
Public	Education	51.6
	Health	40.2
	Electricity	64.0
	Water supply	60.0
	Gas supply	61.5
	Garbage disposal	28.9
	Sewage	20.9
	Justice	10.1
	Thana Police	8.1
	Traffic police	13.4
	BRTC	34.3
	Trains	32.7
	Inland water transportation	25.9
	Roads	32.2
	Parks	32.2
Private	Private education	39.4
	Private hospital/clinic	44.4
	Private doctor	50.2
	Diagnostic centre	44.0
	Private bus	45.0
	Launch/Steamer	35.0
	Bazar	47.6
	Shopping mall/market centre	62.8
	Mobile service	72.6
	Courier service	51.2
	Housing	23.6
	Eating places	30.8
Recreation centres	42.4	
Financial	Public bank	29.4
	Private bank	68.8
	Mobile banking	77.2

Several features stand out on the data described above:

- There is an interesting reversal with regard to satisfaction on education and health services. Satisfaction is higher for education vis-à-vis health services in case of public sector services but in case of private sector services, satisfaction on health services is higher than on education.
- Within public services, it is the institutional services – justice, police, traffic – which registers the lowest level of satisfaction. Police scores the lowest (8.1%) followed by justice (10.1%) and traffic (13.4%).
- Among utility services, electricity scores the highest satisfaction (64%) while sewage and garbage disposal scores the lowest – 20.9% and 28.9% respectively.
- Amongst private services, highest satisfaction accrues to mobile service (72.6%) and shopping malls/market centres (62.8%). For the other private services, satisfaction level ranges from a low of 23.6% for housing to 50.2% for private doctors.
- In the case of financial services, satisfaction with private banks (68.8%) easily outweighs satisfaction with public banks (29.4%). Satisfaction with mobile banking appears to have taken off with 77.2% expressing satisfaction.

9 Unpacking the Present: Governance Experiences, 2015

9.1 Security

A crucial 'quality of life' concern is security. From an experiential standpoint, security encompasses three dimensions: sense of security, incidence of crime and robustness of grievance redressal institutions and processes. For incidence of crime, official police statistics were collected to establish crime trends over recent past (2011-14). Not all crime incidences find their way into official statistics but for a macro picture of crime trends, this is the only available source. This trend is described in Table 16.

Table 16
Crime Trends 2011-2014

Crime category (official list of categories)	Official record of registered incidents			
	2011	2012	2013	2014
Crimes against property	15,737	15,094	14,291	14,289
Murder	3,966	4,114	4,393	4,514
Violence against women	19,683	19,298	18,091	19,613
Repression of children	1,706	1,689	1,510	1,678
Kidnapping for Ransom and trafficking	792	850	879	920
Recovery-related cases (drug/weapons)	38,886	45,642	44,793	51,832
Unlawful assembly with riot	109	94	172	79
Police assault	581	659	1,257	702
Others	88,355	96,112	93,930	90,400
Cases under Speedy Trial Act*	1,863	1,907	1,896	1,716

*This category was not there before 2011. Cases related to political violence, agitation and hartal are being registered by police under this Act.

Source: Police Administration Records

Official crime statistics reveal the following trends:

- Murder incidence has risen by 14% between 2011 and 2014.
- Incidence of violence against women and crimes against property are high but do not show a rising trend. However, official statistics may be at odds here with realities on the ground given extensive media reporting of such incidences.
- The one crime category which has seen a major increase is recovery-related cases involving drug, weapons and smuggled-goods seizures. Incidence of such cases has seen a 33% increase over 2011-14.
- Since 2011, a whole new official crime category of has entered the statistics, namely cases under Speedy Trial Act which are essentially categorized as political crimes of violence, agitation and hartals. Since this category was officially introduced in 2011, just under 2000 cases per annum has been registered. Beyond the official narrative, introduction of such a category and institution of such cases face a great deal of criticism in the popular discourse since such cases are often seen as harassment of political opposition.

Official crime statistics certainly tells only partial story on the security situation. Indeed, incidence of crime itself may not be fully indicative of the sense of security with which citizens go about their lives. Thus an atmosphere of fear and intimidation may prevail even if actual incidence of crime is small but grievance

redressal is ineffective due to corruption and culture of impunity. It is this sense of security which was explored in the PPRC Survey. Six experiential domains were distinguished and the respondent's sense of security assessed for each domain. Key findings as revealed in Table 17 include:

- In comparative terms, the least secure domains were assessed to be business arena and women's safety. This was true for both urban and rural areas. Conversely security at residence and in educational institutions was assessed relatively higher.
- In Dhaka city, respondents expressing 'high sense of security' ranged from a low of 37.8% in the area women's security to a comparative high of 56% related to security at residence. In the case of Other Urban, the range was from a low of 38.5% in area of 'business arena' to a high of 65.9% in the area of security at educational institutions. Sense of security was reported comparatively lower for rural areas where the percentage expressing of 'high sense of security' ranged from 30.2% with regard to 'business arena' to 51.7% in the area of educational institutions.

Table 17
Sense of Security

Domain	Dhaka City	Other Urban	Rural
	% of households expressing high sense of security		
Residence/Home	56.0	62.6	47.0
Education institutions	52.2	65.9	51.7
Working place	49.5	52.0	33.5
Business arena	39.3	38.5	30.2
Women's security	37.8	47.1	35.2
Daily movement/Roads	47.5	53.1	39.7

Source: PPRC Governance and Economy Survey, 2015

Table 17 underscores a considerable problem of sense of insecurity in the various existential domains of the citizens. Table 18 ranks respondent's reasoning on such insecurities. Highest ranked reason for insecurity is 'increasing tendency to crime/corruption by party men' with roughly half the respondents espousing such a view. The second highest-ranked reason is the lack of punishment to criminals which effectively strengthens a culture of immunity. Political conflicts are seen as source of insecurity by 21.8% while the spread of drugs was highlighted by 21.8% of respondents.³² Political patronization of criminals were assessed as the cause of feeling insecurity by 18.2% while 14.4% cited involvement of law enforcing agencies in crime and corruption as the source of insecurity.

Table 18
Reasons for insecurity

Reason	Ranking (% of responses: multiple responses)
• Increasing tendency to crime/corruption by party men	49.2
• No punishment for criminals	42.7
• Political conflicts	21.8
• Spread of drugs	21.7
• Political patronization of criminals	18.2
• Involvement of law enforcing personnel in crime/corruption	14.4

Source: PPRC Governance and Economy Survey, 2015

³² Also see Hasan, Manzoor et al, 2015, *The Real Politics of Bangladesh: The Inside Story of Local Power-brokers*, Embassy of Switzerland, Dhaka for an analysis crime and politics at local level.

9.2 Bribe

Some governance issues are experienced but rarely reported. One such issue is bribes which is one, but certainly not the only, manifestation of corruption. Even knowing the difficulties of researching this specific issue, the PPRC survey sought information on whether household had paid bribes in last three years. Findings are obviously an under-estimate but some interesting dynamics can be gleaned from even this limited information (Table 19).

Table 19
Bribe Realities

Variable		Dhaka City	Other Urban	Rural	All
		% of responses			
% admitting having paid a bribe last 3 years		15.8	13.0	14.2	14.5
Of those paying a bribe,	% paying large bribe	30.4	n.a	n.a	n.a
	% paying to protect from harassment	64.9	36.2	58.5	56.0
	% paying to earn extra benefit	36.1	63.8	41.5	44.0

Source: PPRC Governance and Economy Survey, 2015

- About 15% of surveyed households admitted paying a bribe within the last three years. This holds true as much for Dhaka city as for Other Urban and Rural households.
- Interestingly, of the 15.8% of Dhaka city households who admitted paying a bribe, 30% admitted paying a large bribe. The ubiquity of petty bribe is well-known but it is the instances of large bribes which are likely to be more consequential for governance and development outcomes.
- A striking finding is about the purposes of bribe. Two broad purposes have been noted: bribes to obtain a benefit or privileges and bribes to protect from predatory power-holders. Table 19 brings out a noteworthy finding, namely that bribes to protect from harassment is more important within recent governance experiences than bribes to obtain extra benefits. In the case of Dhaka city, of those paying bribes, 64.9% do so to protect themselves from predation and harassment compared to 36.1% who pay bribes to obtain benefit. A similar picture holds for the rural sample too. Only in the case of Other Urban, the percentages are reverse: percentage paying bribe to obtain benefits is significantly higher than those seeking to protect themselves.

9.3 Trust

Institutional actors are central to governance and the quality of their interface with citizens lies at the heart of the governance process. A crucial indicator of this interface is the trust in which institutional actors are held by citizens. The relevant dimensions of trust here are both trust in a general sense and trust with respect to the specific responsibilities that a particular institutional actor is expected to play.

Tables 20 provides the level of trust in which key institutions of governance are held by the surveyed households. Table 21 summarizes these findings and ranks the selected institutions into low, medium and high trust categories.

Table 20
Trust index

<i>Institution</i>	<i>Dhaka City</i>	<i>Other Urban</i>	<i>Rural</i>
	<i>% expressing strong trust</i>		
Education system	54.0	59.4	60.6
Administration	14.8	18.5	15.3
Police	14.2	20.0	13.2
Rule of law	16.2	27.4	17.6
Courts	18.4	29.4	19.1
Parliament	n.a.	19.7	16.4
Local governments	19.8	26.2	22.7
Army	60.2	75.0	63.2
Election Commission	8.6	12.4	12.1
Anti-corruption activities	11.8	7.6	10.0
Share Market	4.6	1.5	0.9
Youth	26.4	29.4	22.6
Political leadership/Political parties	11.0	14.1	11.7
Civil society/Intellectuals	15.0	27.9	20.5
Print media	42.6	31.8	29.2
Electronic media	46.8	40.0	31.8

Source: PPRC Governance and Economy Survey, 2015

Table 21
Institutions grouped by trust level

<i>Trust level</i>	<i>Dhaka City</i>	<i>Other Urban</i>	<i>Rural</i>
Strong trust	<ul style="list-style-type: none"> • Education system • Army • Electronic media • Print media 	<ul style="list-style-type: none"> • Education system • Army • Electronic media • Print media 	<ul style="list-style-type: none"> • Education system • Army • Electronic media • Print media
Moderate trust	<ul style="list-style-type: none"> • Youth • Courts • Local government • Law and order 	<ul style="list-style-type: none"> • Youth • Courts • Local government • Civil society/Intellectuals • Administration • Law and order • Police 	<ul style="list-style-type: none"> • Youth • Local government • Civil society/Intellectuals • Law and order • Courts
Low trust	<ul style="list-style-type: none"> • Share market • Election Commission • Political leadership/parties • Police • Anti-corruption activities • Administration • Civil society/intellectuals 	<ul style="list-style-type: none"> • Share market • Election Commission • Political leadership/Parties • Parliament • Anti-corruption activities 	<ul style="list-style-type: none"> • Share market • Election Commission • Political leadership/Parties • Police • Parliament • Administration • Anti-corruption activities

Source: PPRC Governance and Economy Survey, 2015

Highlights of Tables 20 and 21 are summarized below:

- Four institutions are held in high trust across the urban-rural spectrum. These are i) education system ii) army iii) electronic media and iv) print media.
- Key institutions of governance are held in low trust indicating a serious problem of legitimacy. These include Election Commission, Share market, police, political parties, administration, anti-corruption activities and parliament. In the case of Dhaka city, this list also includes civil society/intellectuals.
- Lowest ranked on trust level are the share market ((0.9 – 4.6%), election commission (8.6-12.4%) and anti-corruption activities (7.6-11.8%).
- Traditionally, civil society/intellectuals have been held in high trust. The drop in trust level for this category In the case of Dhaka city may be indicative of a disturbing trend of political partisanship infecting hitherto trustworthy spaces.

9.4 Participation

Citizen participation in political and institutional processes is essential to a viable governance process. The PPRC survey collected data on the electoral participation of the surveyed households in the two national elections of 2008 and 2014. The findings are described in Table 22.

Table 22
Electoral Participation

<i>Survey segment</i>	<i>2008 National Election</i>	<i>2014 National Election</i>
	<i>% of eligible voters voting</i>	
Dhaka City	73.8	0.9
Other Urban	90.7	34.9
Rural	92.3	23.1
All	88.8	23.3

Source: PPRC Governance and Economy Survey, 2015

For the country as a whole, rate of voting participation by the surveyed households in the 2008 national election was 88.8%. This drastically dropped to 23.3% in the controversial election of January, 2014 which was boycotted by the Opposition and in which more than half the parliamentary seats did not see any election due to 'unopposed' candidates. In Dhaka city in 2014, voting participation was a negligible 0.9%.

Participation in election is not the only mechanism by which citizens engage with the political process. Table 23 presents the findings on the institutional participation of surveyed households. Five categories of institutional participation is examined: social organization, religious groups, business associations, professional associations and political parties. Individuals can and do participate in more than one domains. Some of the key findings are highlighted below:

- 37.2% of the households in Dhaka city have some sort of institutional participation compared to 21% for both Other Urban and Rural households.
- The most prominent form of institutional participation in Dhaka city is in social organizations (25.8%) followed by participation in business associations (8%).

- In the case of households in Other Urban and Rural, dominant highest incidence of participation is in political party (10.9% - 13.9%) followed by participation in religious groups.

Table 23
Institutional Participation

<i>Institutional participation</i>	<i>Dhaka City</i>	<i>Other Urban</i>	<i>Rural</i>
	<i>% of households having one or more member participating</i>		
Social organization	25.8	6.2	4.7
Religious group	7.6	9.4	8.8
Business association	8.0	7.1	5.3
Professional association	5.8	3.8	1.2
Political party	4.8	10.9.	13.9.
<i>All</i>	<i>37.2</i>	<i>21.0</i>	<i>21.2</i>

Source: PPRC Governance and Economy Survey, 2015

10 Unpacking the Present: Mind of the Electorate

10.1 Citizen perceptions on change

An important focus of the PPRC Survey was to arrive at a balance-sheet of changes in economic, political, social and environmental domains as perceived by citizens. Respondents were asked to prioritize from the exhaustive list of options what in their view were the positive and negative changes in each of the selected domains. This balance-sheet is summarized in Table 24. Since rural-urban differences were minimal, Table 24 summarizes perceptions of the entire sample.

Table 24
A Change Balance-Sheet: Citizen Perceptions
(Rural-Urban combined)

Domain	Perceptions on positive changes		Perceptions on negative changes	
	% assessing some positive changes	Types of positive changes (in order of importance)	% assessing some negative changes	Types of negative changes (in order of importance)
Economy	86.7	<ul style="list-style-type: none"> • Salary/wage increase • Improved electricity service • Spread of technology 	97.1	<ul style="list-style-type: none"> • Price hike of essentials • Job/employment crisis • Increase in utility prices
Politics	63.0	<ul style="list-style-type: none"> • Containment of early 2015 violence • Relative political calm • Improved relations with neighbour 	93.8	<ul style="list-style-type: none"> • Absence of fair election • Increased intolerance by ruling party • Increased harassment and tyranny of miscreants
Social environment	82.0	<ul style="list-style-type: none"> • Progress in education • Social support programs for marginal groups 	93.5	<ul style="list-style-type: none"> • Increased murder/kidnapping/violence • Spread of drugs/narcotics • Absence of fair justice • Moral degradation
Environment	77.6	<ul style="list-style-type: none"> • Increased environmental awareness • Open defecation stopped 	76.5	<ul style="list-style-type: none"> • Indiscriminate throwing of garbage • Forcible occupation of water-bodies • Footpath occupied by hawkers

Source: PPRC Governance and Economy Survey, 2015

The following features stand out:

- Surveyed households identified both positive and negative changes. However, in the areas of political and social environment, percentages assessing negative changes were higher. Particularly with regard to politics, 93.8% assessed negative changes while 63% identified positive changes.
- Three positive changes were assessed in the economic arena: i) salary/wage increase ii) improved electricity service and iii) spread of technology. As against this, a larger percentage assessed three

negative changes: i) price hike of essentials ii) employment crisis and iii) increased utility prices. The employment crisis, as has been analyzed in earlier chapters, looms the largest as the most substantive popular concern on the economy.

- Assessment on changes in the political arena showed both the complexity of the ground realities and the nuanced priorities of the electorate. Three positive features were noted: i) containment of the violence in early 2015 ii) prevalence of relative political calm and iii) improved relations with neighbor. However, a much larger percentage identified some major negative trends: i) absence of fair election ii) increased intolerance of ruling party and iii) increased harassment and tyranny of miscreants. Such negative assessments on the political trends are to an extent echoed in the negative assessments on the social domain which included i) increased murder/kidnapping ii) drug epidemic iii) absence of fair justice and iv) moral degradation.
- Certain positive changes in the social and environmental domains were noted: i) spread of education ii) increased social support programs for marginal groups iii) increased environmental awareness.
- Negative assessments on the environmental domain mostly were related to unplanned urbanization with particular concerns on garbage disposal and land-grabbing whether related to foot-paths or waterbodies.

10.2 Citizen expectations

Following on the citizen assessment of changes, the PPRC Survey also explored citizen expectations with regard to politics and the economy. Five top expectations were identified which are described in Table 25.

Table 25
Economic and Political Expectations

Priority rank	Household expectations	
	Economic expectations	Political expectations
1	Jobs/Employment	Honest and reformed politics
2	Price control	Fair and peaceful elections
3	Better facilities	Political compromise
4	Better economic governance	No political violence
5	Salary increase	Strengthen grass-root oriented politics

Source: PPRC Governance and Economy Survey, 2015

In many ways the expectations noted above flow logically from the earlier assessment of changes and the challenges indicated by such change assessments. The official discourse on growth statistics is broken down into its key substantive agendas by the citizen discourse. While the top two expectations around jobs and price control are no surprise, what is noteworthy is the prioritization of 'better economic governance' as the fourth priority. In the light of the plethora of news on bank scandals, cost over-runs, inflated project costs and implementation delays, no better priority could be argued.

The political expectations too reveal a mature reading of the ground realities. The quality of politics clearly looms large within the electorate as a key concern. However, the imperative of fair and peaceful elections to overcome mandate deficits fuelling an implicit legitimacy crisis and a consequent new paradox of "uncertainty despite stability" has rightly been prioritized near the top.

Contrary to some characterization of the Bangladeshi electorate as heavily polarized and partisan, the political expectations revealed in Table 25 clearly indicate the opposite. The surveyed households who constitute a reasonable cross-section of the electorate have put compromise and no to violence in their list of top political priorities. The last priority on strengthening grass-root oriented politics also merits a separate mention. Recent political dynamics reveal a trend of 'double marginalization'³³ wherein not only the political opposition is being systematically marginalized but also the grass-root within the ruling party itself is also facing marginalization. The nomination process in the ongoing Union Parishad elections, which have been marred by reporting of widespread violence and irregularities have seen grass-root support being systematically devalued in favour of top-down patron-client relationships. Not surprisingly, much of the reported violence has occurred within the ruling party personnel. So the survey respondents were quite perceptive to have included strengthening grass-root oriented politics as one of their preferred priorities.

10.3 Optimism

The final query in the survey was about optimism of the respondents on a selected list of goals. Table 26 has been prepared on the basis of those who expressed 'strong optimism'.

Table 26
High Optimism

Issue	Dhaka City	Other Urban	Rural	All Bangladesh
	% of households strongly optimistic			
Personal future	44.8	48.2	30.3	39.5
Country's future	31.0	31.5	25.6	28.7
Youth future	28.0	26.2	21.5	24.7
Children's education	54.2	61.5	47.0	52.7
Economic development of country	29.8	21.8	19.2	23.3
Improvement of political situation	11.4	10.0	9.1	10.1
Fair justice	6.6	17.6	10.9	11.0
Law and order	12.0	17.4	11.5	13.0
Status of women	41.8	30.6	19.2	29.3
Liveable cities	17.2	27.4	14.2	18.2

Source: PPRC Governance and Economy Survey, 2015

Key messages emerging from the above include the following:

- In the country as a whole as well as in the urban and rural segments, households appear to be strongly optimistic more on their personal future than on the country's future. In Dhaka city, the proportion strongly optimistic on the country's future was 31% but on personal future it was 44.8%. The difference is even more pronounced in the case of households in Other Urban though much less so for rural households. For Bangladesh as a whole, 28.7% are strongly optimistic on the country's future but 39.5% are so on their personal future.
- Optimism is markedly weak on four goals: improvement in the political situation, fair justice, law and order, and, liveable cities.
- Highest optimism is about children's education – 52.7% strongly optimistic in the case of all Bangladesh.

³³ Term coined by Hossain Zillur Rahman

- Optimism about status of women is markedly higher in Dhaka city compared to Other Urban and Rural.
- Only a quarter of the surveyed households are strongly optimistic on 'youth future'. This may be a cause for concern given that reaping the so-called 'demographic dividend' has been projected as critical to realizing the goals of growth acceleration and middle income status.

On the basis of the above analysis, the optimism picture can now be summarized into three groups:

Table 27
Areas of Strong, Moderate and Weak Optimism

<i>Optimism level</i>	<i>Issues</i>
Strongly optimistic	<ul style="list-style-type: none"> • Children's future • Personal future • Women's status
Moderately optimistic	<ul style="list-style-type: none"> • Country's future • Economic development of the country • Youth future
Strongly pessimistic	<ul style="list-style-type: none"> • Improved political situation • Fair justice • Law and order • Liveable cities

11 Way Ahead

11.1 Three puzzles

The foregoing analysis brings out three puzzles on which it is worthwhile to ponder if Bangladesh is to realize its dreams of middle income status and an inclusive, humane society within the coming decade.

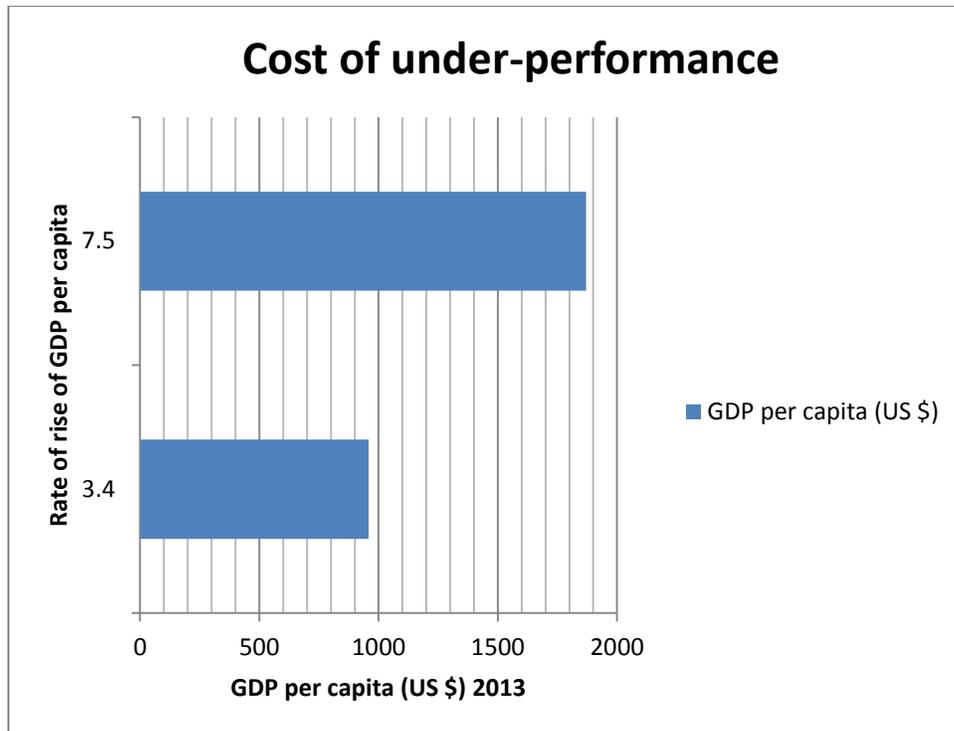
- Why is political uncertainty with its severely dampening impact on private investment and by extension on growth acceleration persisting despite apparent political calm and stability? Is the nature of political governance through which the calm and stability is being ensured itself a factor fueling such uncertainty?
- Why is there such a disconnect between economic ground realities and an apparent complacency narrative within policy and even academic circles regarding likely development trajectory? Both the PPRC national household survey of 2015 as well as various macro data have underscored severe challenges if Bangladesh is to credibly accelerate its growth process which all agree is critical to the realization of middle income status within the coming decade. Is the official and academic discourse ignoring the cost of under-performance at its own peril?
- Is 'Middle Income' mutating from a mobilizational to a de-mobilizational agenda? An aspirational agenda that captured the imagination of the nation when first articulated is in danger of becoming merely a legitimizing argument for political dominance rather than a spur to more effective policy and action.

11.2 The cost of under-performance

Bangladesh has proved that it is a country on the move. Increasingly, however, Bangladesh's progress has to be measured not against its own impoverished past but against its contemporary comparators. The analysis in Chapter 5 clearly put into focus Bangladesh's comparative economic under-performance vis-à-vis its comparators even while recognizing the striking strides the country has made vis-à-vis its own impoverished past. With the embracing of new aspirational goal such as middle income status and growing examples of erstwhile countries on the move such as Brazil, South Africa, Philippines or even Malaysia sliding into reduced economic horizons, the cost of under-performance emerges as a legitimate and very relevant concern. Bangladesh's concern is not about any immediate reversal of fortune but about achievements foregone and possible accumulation of delays in the realization of its new aspirational goal.

To dramatize this concern, it may be useful to concretize the cost of under-performance by comparing its performance with those countries who had similar base year per capita GDP as Bangladesh and whose structure of the economy is also broadly similar to that of Bangladesh. This narrows the field of comparison to the three Asian comparator countries of India, Vietnam and Sri Lanka. If we take the average of the rates of rise of these three countries over the reference period of 1980-2013 as shown in Table 1 (Chapter 5, p.8) and apply this rate to estimate Bangladesh's GDP per capita in the terminal year (2013), we can visualize the extent of economic progress Bangladesh might have made if it had performed at par with its comparators. By the same token, the difference between this and Bangladesh's actual performance can be argued to be the cumulative cost of under-performance between the reference years. Graph 6 describes this cost of under-performance.

Graph 6



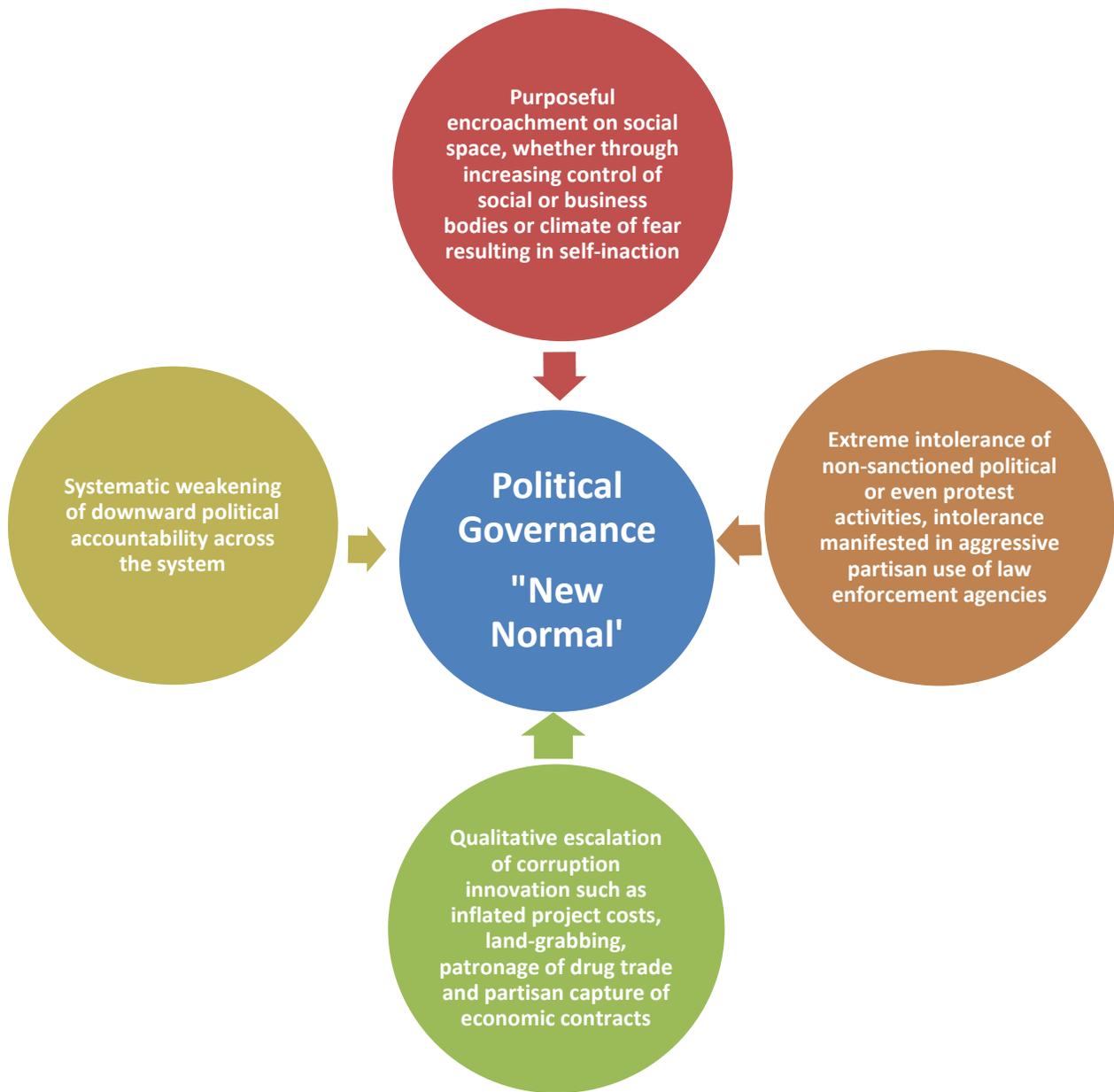
Note: Conceived and computed by Hossain Zillur Rahman & Kaneta Zillur from the data-base shown in Table 1:
 Bar below shows actual performance (GDP per capita (current US\$)) and on top potential performance if Bangladesh had performed at par with the average of its three competitors: India, Vietnam and Sri Lanka

Graph 6 indicates that compared to the actual GDP per capita (current US \$) of USD 958 reached in 2013, Bangladesh could have reached USD 1870 in 2013 if it had performed at par with its three comparators, a significant gain foregone of USD 912 per capita. Multiplied by the 2013 population of 150 million, **the cost of under-performance by Bangladesh can thus be argued to be a foregone GDP of USD 136.8 Billion.**

11.2 Meso insights: A 'New Normal' of political governance

The meso-level consultations undertaken in four districts as part of this study as well as the insights from the perception data of the PPRC 2015 Household Survey suggest political governance evolving into a 'new normal' constituted of four pillars: i) extreme intolerance of non-sanctioned political activities ii) marginalization of grass-root actors and corresponding weakening of downward accountability iii) purposeful encroachment on social space and iv) corruption innovations such as unjustified project cost escalation, partisan capture of economic contracts, land-grabbing and patronage of drug trade. The 'new normal' of political governance is graphically described in Figure 1.

Figure 1



Note: Figure conceived by Hossain Zillur Rahman and computed by Umama Zillur

11.3 Political and economic consequences of “New Normal”

Both the meso-consultations at the district level and the household perception data indicate that the ‘new normal’ of political governance described in the previous section is generating specific political and economic consequences that are problematic for Bangladesh’s middle income ambitions and the foundational goal of an inclusive and humane society. For much of the 1990s and the preceding decade political governance had also been problematic and it may be tempting to see the current ‘new normal’ as merely a part of that political cycle. This would be a mistake because one critical feature of the governance landscape then is currently missing, namely political contestation. The weakening of political contestation has not merely been a democratic loss but carries side-effects which have qualitatively transformed the nature and quality of political governance. The escalating marginalization of the grass-root, even within the ruling party, the dilution of accountability pressures to contain corruption leading to corruptions innovations such as extreme unjustified project cost escalation as evident for example in the per kilometer cost of road and railway construction, the relentless empowerment of the security establishment within the distribution of state-power are qualitatively new elements in the structuring of political governance. Meso-consultations revealed, for example, that instead of fueling contestation, discontent is mutating into a choice for ‘exit’ or ‘willed inaction’. This raises the question whether an incipient ‘brain gain’ may revert to ‘brain drain’.

The aspect of the ‘new normal’ which is most consequential for economic outcomes is that despite seeming calm and stability, the sense of uncertainty remains persistent. There are at least three drivers of this uncertainty. One is the political uncertainty regarding the sustainability of the ‘new normal’ since the political base retains its structural property of pluralism. The second is the insecurity fall-outs of the ‘new normal’ with arbitrariness and rentier demands being an integral aspect. The third is the uncertainty stemming from unaddressed reform needs. In the ‘new normal’, use of political capital is overwhelmingly geared towards sustaining the ‘new normal’ itself and hence such political capital is insufficiently available to drive required reform agendas. The ‘new normal’, however is not a closed system and there may be opportunities for ‘contingent coalitions’ to drive specific sectoral agendas while eschewing perceived challenges to the ‘new normal’.

11.4 The elitism of the current ‘Middle Income’ discourse

The analysis in the earlier chapters highlights a critical drawback in the way the ‘middle income’ aspiration is being framed in the policy discourse. While the global trend has been to expand the idea of development beyond narrow growth statistics – witness the move towards a multi-dimensional poverty index³⁴ – the Bangladesh ‘middle income’ discourse vies to become even more narrowly focused on GDP growth rates. Even in the economic domain itself, issues of income disparities, dietary inadequacies, crisis of productive employment, critical gaps in quality of life indicators – recall the earlier cited data on 40% of Dhaka households forced to commute to work on foot due to a crisis in availability of public transportation -, as well as the economic costs of under-performance hardly attracts the required attention.

An equally serious concern is the narrowly economic framing of the middle income aspiration that in effect obscures issues such as growth with security and life with dignity. A narrowly elitist framing of the ‘middle income’ aspiration is neither in keeping with the deeper goals of Bangladeshi society with its foundational insistence on inclusion and dignity nor is the elitist discourse particularly useful for the very growth objectives it loudly espouses. Basking in the achievements of growth resilience without the analysis and engagement on the under-performance on growth acceleration can only ensure the status quo. A look at

³⁴ Alkire, Sabina, *ibid*

Bangladesh's performance on the global competitiveness index is instructive here (Table 28). Out of 13 indicators, Bangladesh is well placed on only 3 – market size, macroeconomic environment and financial market development. Bangladesh is particularly weak in the areas of institutions, infrastructure, higher education and training, labour market efficiency, technological readiness and innovation. Each of these is central to the goal of growth acceleration without which neither the equity goals nor the sustainability goals are likely to be met.

Table 28
Bangladesh's Performance in the 2015-2016 Global Competitiveness Index

<i>Indicator</i>	<i>Bangladesh's Rank (out of 140)</i>
Overall	107
Institutions	132
Infrastructure	123
Macroeconomic Environment	49
Health and Primary Education	101
Higher Education and Training	122
Goods Market Efficiency	101
Labor Market Efficiency	121
Financial Market Development	90
Technological Readiness	127
Market Size	40
Business Sophistication	117
Innovation	127

Source: World Economic Forum, 2015

12 Engagement Opportunities

The longer-term story of Bangladesh is an inspirational one. The critical challenge in 2016 is to resist complacency and engage on the challenges at hand with the same degree of ingenuity, vigour and solution-centric mind-set that served Bangladesh so well in its confounding emergence from a vulnerable past. However, today's challenges are qualitatively different and complacent 'business-as-usual' mind-set may itself be the biggest obstacle towards Bangladesh realizing its legitimate new aspirations. Taking cognizance of ground realities of political governance, a four-pronged engagement strategy is suggested.

12.1 Democratizing the aspirational discourse: Voice mobilization on 'middle income' agenda

The elitist twist to the 'middle income' discourse is not only detracting from effective strategizing on growth, it is also obscuring critical issues such as the employment challenge and quality of life indicators as well as non-income aspirations. A well-crafted strategy on voice mobilization that can anchor the 'middle income' dream within the holistic aspirations of the people is likely to yield handsome dividends both for the growth and democracy agendas.

12.2 Credible metrics initiative to bridge the disconnect between economic ground realities and the complacency narrative in vogue

The potential of data as both an accountability and empowerment tool has been emphasized in earlier times but comes with renewed importance now. Credible metrics are a key weapon to promote inclusive growth as well as the type of political governance that can nurture such goals. Data initiatives have often floundered when the end-use issue has not been kept in focus and the opportunities for promising new approaches not considered. Given the complexity of today's challenges, credible metrics have to be credible, smart as well as cost-effective.

12.3 Promoting 'Contingent Coalitions' on high governance/growth potential sectoral agendas

Bangladesh has progressed through contingent multi-agent approaches. Within the constraints of a complex political environment, such an approach has renewed appeal for focusing on second-order sectoral agendas that do not require significant political capital as a prior requirement. Four sectoral issues hold particular promise with significant spill-over benefits for both the growth and the governance agendas. These are i) secondary education ii) urban iii) youth and iv) agriculture.

12.4 Out-of-the-Box governance priorities

Standard governance priorities are already being addressed in Bangladesh though the question of results remains an issue. The current policy window is better suited for some well-conceived out-of-the-box priorities. These may provisionally include i) conflicts of interest (economic governance issue), ii) grievance redressal (process governance) and iii) time-bound service delivery (outcome governance).