



Atlantic Council

FREEDOM AND
PROSPERITY CENTER

Freedom and Prosperity in Bangladesh

Nina Dannaoui, Annie Lee,
and Joseph Lemoine



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EXECUTIVE SUMMARY

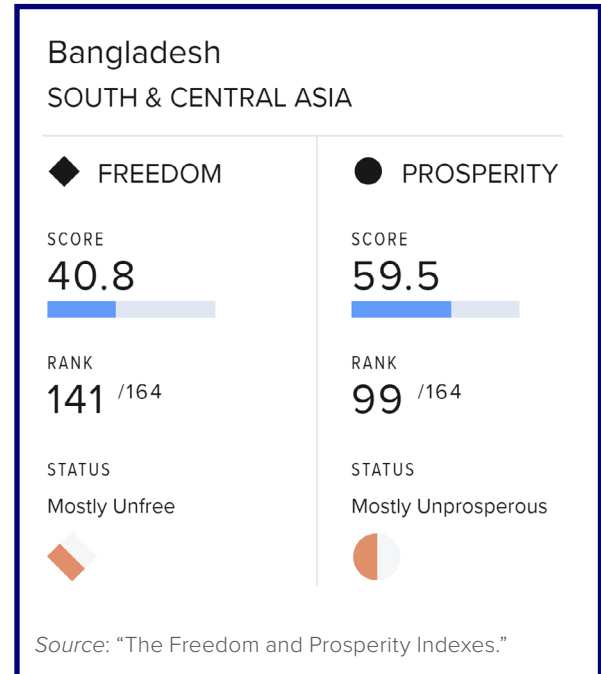
Bangladesh, a nation born from a fight for democracy, has set its sights firmly on the future. Its ambitious Vision 2041 agenda outlines a strategic course toward a developed and prosperous Bangladesh by the year 2041. This plan, which emphasizes economic growth alongside social progress, underscores the nation's commitment to empowering its citizens and solidifying its democratic foundation.

Bangladesh's pursuit of a prosperous future is undeniably intertwined with the level of its freedoms. However, recent events paint a complex picture. The January parliamentary elections solidified a shift toward a "dominant-party" system. The Awami League capitalized on an opposition boycott to extend its fifteen-year rule, with Prime Minister Sheikh Hasina poised to become the world's longest-serving female head of government. While this signifies stability, dominant-party systems often face challenges that can undermine good governance. Ensuring healthy competition across politics, government, and the economy is crucial to mitigate these risks.

It is within this context that we must examine the current state of freedom and prosperity in Bangladesh: a nation striving for a bright future, yet facing potential hurdles associated with its evolving political landscape.

The Atlantic Council's Freedom and Prosperity Indexes rank 164 countries around the world according to their levels of freedom and prosperity. These two separate indexes were created to move past heated arguments about freedom and democracy by focusing on facts. Which type of government system yields the best results for its people?

Not only do free countries tend to be wealthier and healthier places to live, but data indicates that freedom tends to lead to prosperity. Countries that granted their citizens more freedoms between 1995 and 2022 also saw significant increases in prosperity. Conversely, nations like Venezuela, Nicaragua, Belarus, Turkey, Russia, and Yemen all experienced significant drops in freedom followed by economic decline. This two-way street highlights that while freedom fosters prosperity, prosperity itself can be fragile without the protections offered by a free society.



While the Freedom and Prosperity Indexes show a link between freedom and prosperity, there is often a delay. This lag time depends on a variety of factors unique to each country, as well as the overall health of the global economy. Foreign investment can be a powerful tool to bridge this gap and accelerate prosperity.

The data show that, over the past thirty years, free countries received significantly more foreign direct investment (FDI) per person than those with less freedom. This suggests that political and economic freedoms, along with strong legal systems, create a more welcoming environment for foreign investors. The analysis even shows a clear link between specific freedoms and the amount of FDI a country receives as a percentage of its gross domestic product (GDP). Overall, the Freedom Index suggests that a strong commitment to freedom is key to attracting foreign investment.

Today, Bangladesh finds itself positioned 141st out of 164 countries on the Freedom Index, placing it within the "mostly unfree" category. This index comprehensively assesses both economic and political freedoms, along with adherence to the rule of law. The Political Subindex reflects a country's institutional framework for the selection of those holding executive political power, and the limits and

Table 1. South and Central Asia: Regional Ranking

	Freedom				Prosperity			
	Rank	Score	Status		Rank	Score	Status	
Bhutan	61	69.3	◀	Mostly Free	111	55.9	◐	Mostly Unprosperous
Nepal	86	62.3	◀	Mostly Free	131	51.4	◐	Mostly Unprosperous
Sri Lanka	97	58.9	◀	Mostly Free	72	65.5	◑	Mostly Prosperous
Kyrgyzstan	103	56.3	◀	Mostly Free	86	62.6	◐	Mostly Unprosperous
India	104	56.3	◀	Mostly Free	146	48.8	◑	Unprosperous
Kazakhstan	112	52.8	◐	Mostly Unfree	56	68.4	◑	Mostly Prosperous
Pakistan	113	52.3	◐	Mostly Unfree	150	48.0	◑	Unprosperous
Bangladesh	141	40.8	◐	Mostly Unfree	99	59.5	◐	Mostly Unprosperous
Uzbekistan	143	40.3	◐	Mostly Unfree	100	59.2	◐	Mostly Unprosperous
Tajikistan	146	38.2	◐	Mostly Unfree	118	53.7	◐	Mostly Unprosperous
Turkmenistan	161	20.7	◑	Unfree	112	55.1	◐	Mostly Unprosperous
Afghanistan	164	14.4	◑	Unfree	163	39.0	◑	Unprosperous

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

Source: "The Freedom and Prosperity Indexes."

controls imposed on those in power. The Economic Subindex measures whether the bulk of economic activity in a country is guided by the principles of free and competitive markets. The Legal Subindex measures the degree to which a country abides by the rule of law. Countries demonstrating strength across all three subindexes tend to experience higher levels of prosperity.

On the Prosperity Index, Bangladesh stands at 99th out of 164, which categorizes it as "mostly unprosperous." The Prosperity Index takes a similarly broad view, going beyond the measurement of pure material well-being to also evaluate several other social factors necessary for a prosperous society.

The Prosperity Index has six indicators: income, health, education, environment, minority rights, and inequality.

This report delves into Bangladesh's performance and trends observed across the nineteen components measured by "The Freedom and Prosperity Indexes." Despite an overall decline in freedom, Bangladesh has demonstrated resilience in terms of prosperity. However, these declines in freedom have certainly impeded its progress. Drawing from our data, we can pinpoint opportunities for the government of Bangladesh to enact critical reforms aimed at supporting long-term prosperity.

Box 1. About the Freedom and Prosperity Indexes¹

The Atlantic Council's Freedom and Prosperity Indexes are two separate indexes that rank 164 countries around the world according to their levels of freedom and prosperity. All index measurements are weighted equally, and the score for each index is simply the average of its component parts. Scores range between zero and one hundred, with higher values indicating more freedom or prosperity. The indexes are constructed using publicly available datasets produced by other prominent organizations and international institutions.

The guiding principles for the construction of the Freedom and Prosperity Indexes are transparency, simplicity, and consistency in the methodology. We started by selecting empirical indicators that had ample coverage across time and space and maximal identification with the theoretical concepts, and that were published by rigorous and well-established institutions. The result is a total of thirty-four variables that combine to form nineteen indicators, which are used to build "The Freedom and Prosperity Indexes."

We use original data from eleven institutions including the World Bank, the Varieties of Democracy (V-Dem) Project, the United Nations, and the Fraser Institute—all data are publicly available and widely used in academic and policy research. Other than the necessary scaling so that all components lie in the same range (zero to one hundred), we do not make any additional transformations except for GDP per capita, which is linearized before scaling by taking the natural logarithm. For the few cases for which we do not have data for a variable from a preferred source, we use alternative sources of data. If a country-year observation is missing for a given variable, we use the value of the closest precedent year.

The aggregation method is simple and also transparent. When more than one variable is used to obtain a component, these are averaged with equal weights. The Legal, Economic, and Political Subindexes are calculated as the equal weighted average of their respective components, and the overall Freedom Index is the unweighted average of the three subindexes. The Prosperity Index is the equal weighted average of its six components.

The complete dataset of components, subindexes, and indexes for the period 1995 to 2022 is available on our website, as is a detailed discussion of our methodology.² Therefore, researchers can use the indexes to further explore particular questions about the mechanisms and linkages between freedom and prosperity, as well as to generate alternative measures based on different conceptualizations, aggregation methods, and so on. The full disclosure of the dataset will also enable policymakers to identify specific areas of reform, compare their country's performance with that of neighboring nations, and assess the effects of different policies.

THE FREEDOM INDEX

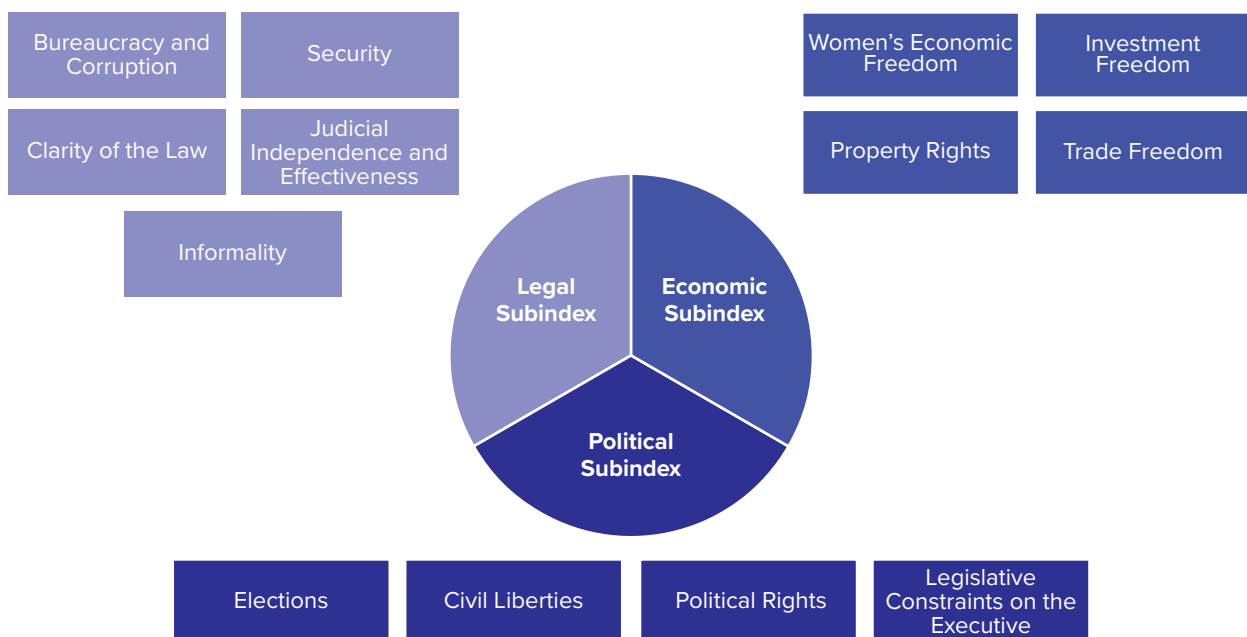
In free societies, various institutions work together to uphold freedom. We think of freedom in a comprehensive way, combining political freedom (practicing democracy and individual rights), legal freedom (following the rule of law), and economic freedom (having a market economy). That is why the Freedom Index combines three subindexes: the Legal, Economic, and Political Subindexes. Each of these subindexes covers several components. This section will explain how we measure each type of freedom and why we chose these specific components. We base our choices on well-established definitions from academic sources in law, political science, and economics.

The Legal Subindex measures the degree to which a country’s citizens and government officials follow and apply existing laws and regulations fairly. This measurement is closely associated with concepts of certainty, stability, and predictability. When a country, especially its government, generally upholds the rule of law, individuals can make informed decisions about various aspects of their lives, such as economic, family, or political matters, based on rational expectations of the future.

We put our chosen definition of legal freedom into practice through five key components.

- **Clarity of the law:** This checks if the legal system meets basic requirements. It looks at whether laws are general, clear, public, consistent, and enforced predictably.
- **Judicial independence and effectiveness:** This assesses how strong and fair a country’s judicial system is. It ensures that laws are upheld and violations are properly addressed.
- **Bureaucracy and corruption:** This evaluates how well government officials follow and abide by the law.
- **Security:** This assesses whether people generally follow the country’s laws and regulations, based on perception of potential political unrest or violence, such as terrorism.
- **Informality:** This tracks informal economic activity, measured as the percentage of GDP contributed by the informal economy.

Figure 1. Freedom Index Structure
(all components receive equal weight)



Source: “The Freedom and Prosperity Indexes.”

The Political Subindex looks at how a country's system selects its leaders and keeps their power in check. Essentially, it aligns with the principles of democracy and individual rights. The political freedom measurement has four key components.

- **Elections:** This checks if political leaders are chosen by the people in fair and open elections in which everyone has the chance to vote.
- **Political rights:** This focuses on individual rights that are closely tied to the democratic political process, like freedom of speech and association.
- **Civil liberties:** This assesses whether people have basic rights, like the right to a fair trial, freedom from torture, and the right to move freely.
- **Legislative constraints on the executive:** This tracks how much oversight and control elected lawmakers have over the government's use of power.

In summary, the Political Freedom Subindex is intended to measure how responsive governments and lawmakers are to citizen demands while respecting individual rights and liberties. A more inclusive political system, which allows citizens to challenge those in power, is expected to lead to policies that better reflect the preferences of the majority, fostering sustained and shared prosperity for all.

The Economic Subindex is designed to assess if most economic activity in a country follows the principles of free and competitive markets. It comprises four components.

- **Property rights:** This measures how well a country's laws protect property rights and ensure their enforcement.
- **Trade freedom:** This evaluates the level of trade restrictions a country imposes, including tariffs, quotas, and regulations on currency and capital movement.
- **Investment freedom:** This assesses the regulatory constraints on investments and the flow of investment capital, both domestically and internationally.
- **Women's economic opportunity:** This captures gender disparities in legislation impacting women's economic participation, from entering the workforce to retirement.

Each component is scaled to range from zero to one hundred. Each subindex (Legal, Political, and Economic Freedom) is calculated as the unweighted average of its components. The overall Freedom Index is also calculated as an unweighted average of its three subindexes. See Figure 1 for a visual representation of the complete structure of the Freedom Index.

Once we calculate the aggregate score for each country, ranging from zero to one hundred, we sort them into four groups: free, mostly free, mostly unfree, and unfree. To do so, we divide the range of scores for all countries (highest score minus lowest score) into four equal parts. These divisions establish thresholds that help assign categories to each country.

Freedom Leads to Prosperity

Our key findings can be summarized as follows: freedom and prosperity are closely correlated, with a correlation coefficient of 0.80, and this positive association is robust. Moreover, freedom tends to lead to prosperity, although there may be a delay before its full impact is felt. Finally, outliers such as Singapore and China, where economic prosperity has been achieved despite limited freedom in some areas, are rare phenomena. And the question of the long-term sustainability of such situations remains uncertain.

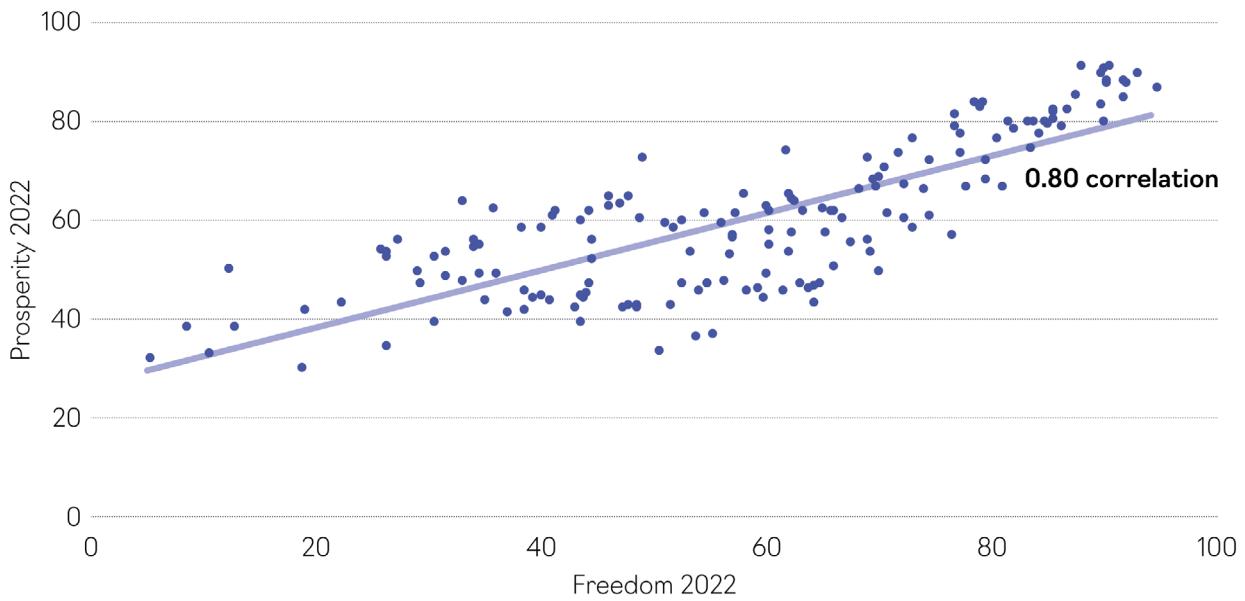
Prosperity is highly correlated with freedom. Countries with greater freedom tend to enjoy higher levels of prosperity, while those with less freedom tend to have low levels of prosperity. The regression line depicted in Figure 2 yields a coefficient of 0.58, which implies that for every additional point in the Freedom Index score, prosperity tends to increase by more than half a point. Furthermore, the R² statistic of this univariate regression implies that 63 percent of the differences in prosperity can be explained by differences in freedom.

However, the question remains: does freedom lead to prosperity, or is it the other way around? This topic has sparked heated debates among economists and political scientists. Some believe that greater freedom today can pave the way for prosperity in the future, while others argue that prosperous societies may demand more freedom.

Analyzing the data, we find that freedom in 1995 is linked to prosperity in 2022. This association is statistically significant at the 1-percent level and suggests that freedom might indeed contribute to prosperity over time. When we reverse the analysis and look at whether prosperity in 1995 predicts freedom in 2022, we find weaker evidence to support this idea. This suggests that it is more likely that freedom drives prosperity, rather than the reverse.

Time lags between freedom and prosperity. Changes in freedom don't immediately translate into changes in prosperity. The lag depends on various factors specific to each place as well as conditions in the global economy. For example, increased freedom in Taiwan may not yet have boosted prosperity due to the impact of the COVID-19 pandemic, which disrupted global trade and investment. Conversely,

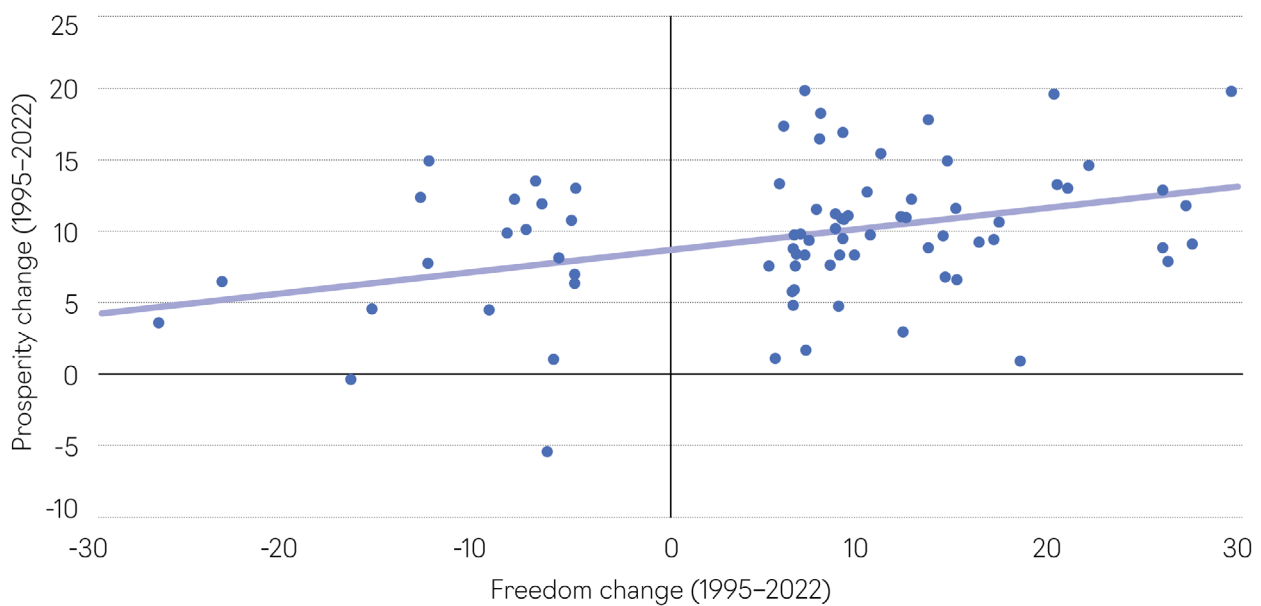
Figure 2. The Correlation between Freedom and Prosperity in 2022 for All Countries



Source: “The Freedom and Prosperity Indexes.”

Figure 3. The Causal Relation of Freedom Level in 1995 and Prosperity Level in 2022

Minor movers (i.e., countries with freedom changes between -5 and +5 points) are excluded from this sample.



Source: “The Freedom and Prosperity Indexes.”

restrictions on freedom in Mali may eventually lead to decreased prosperity as the effects of prolonged civil war become evident in social and economic indicators.

Civil conflict or war, along with shifts toward authoritarianism and closed economic policies, can disrupt the relationship between changes in

freedom and prosperity. Over time, these shifts become apparent in prosperity measures, explaining why freedom’s explanatory impact on prosperity is around 60 percent. The rest of the explanation lies in sudden shocks such as war, civil conflict, the rise of dictatorships, and global crises like economic downturns or health emergencies.

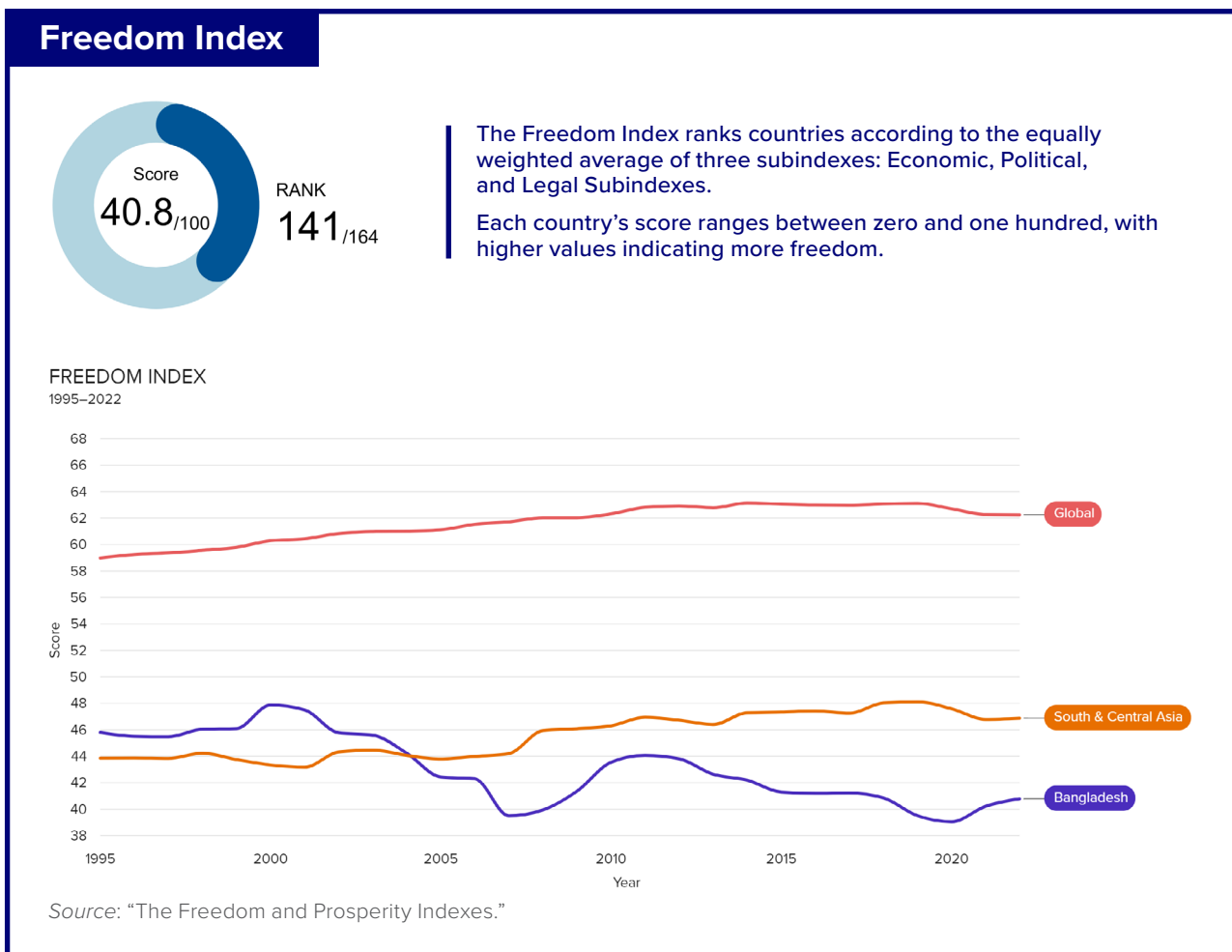
We also look for outliers in the data to see whether some countries don't follow the long-term pattern observed. Yemen is a prime example; despite Yemenis having some freedom in the past, ongoing conflicts have kept prosperity low. Similar trends are noted in Burkina Faso, Chad, Mali, and South Sudan, all of which were embroiled in recent conflicts. Conversely, the United Arab Emirates stands out with high prosperity in 2022 despite fewer freedoms initially. This seeming discrepancy can be explained by the able management of natural resources.

However, it's essential to approach outlier cases with caution. While they exist, they often have unique circumstances that are extremely hard to replicate elsewhere. Moreover, countries with limited political freedom that experience above-average prosperity growth still fall behind truly free nations. For instance,

despite China's economic growth since the 1980s, its prosperity level remains around 60 percent that of the freest countries. Furthermore, countries that achieve prosperity with an unbalanced freedom distribution, especially a lack of political freedom, tend to struggle in inclusive dimensions of prosperity like equality, minority-rights protections, and education.

Although countries with limited political freedom may experience economic growth, they lag behind truly free nations in prosperity. Sustained improvements in all three dimensions of freedom have proven to generate overall prosperity. Moreover, the erosion of institutions can have devastating effects. Sustained regressive processes in legal, political, and/or economic freedom can destruct prosperity as much as outright war and civil conflict.





Freedom in Bangladesh: Mostly Unfree

In 2000, Bangladesh experienced its peak in freedom, outperforming neighboring countries with a score more than four points higher than the regional average for South and Central Asia. This marked a time of notable achievement and progress. However, the trajectory has been less favorable since then, with a steady decline in freedom. Presently, Bangladesh finds itself trailing behind, scoring six points below the regional average and a significant 21.5 points below the global average. This decline highlights a concerning trend that warrants attention and analysis.

Back in 2000, Bangladesh held the 116th position globally, but today it has slipped to 141st. These shifts in rankings further emphasize the concerning downward trend in Bangladesh's Freedom Index, prompting a deeper investigation into the underlying causes.

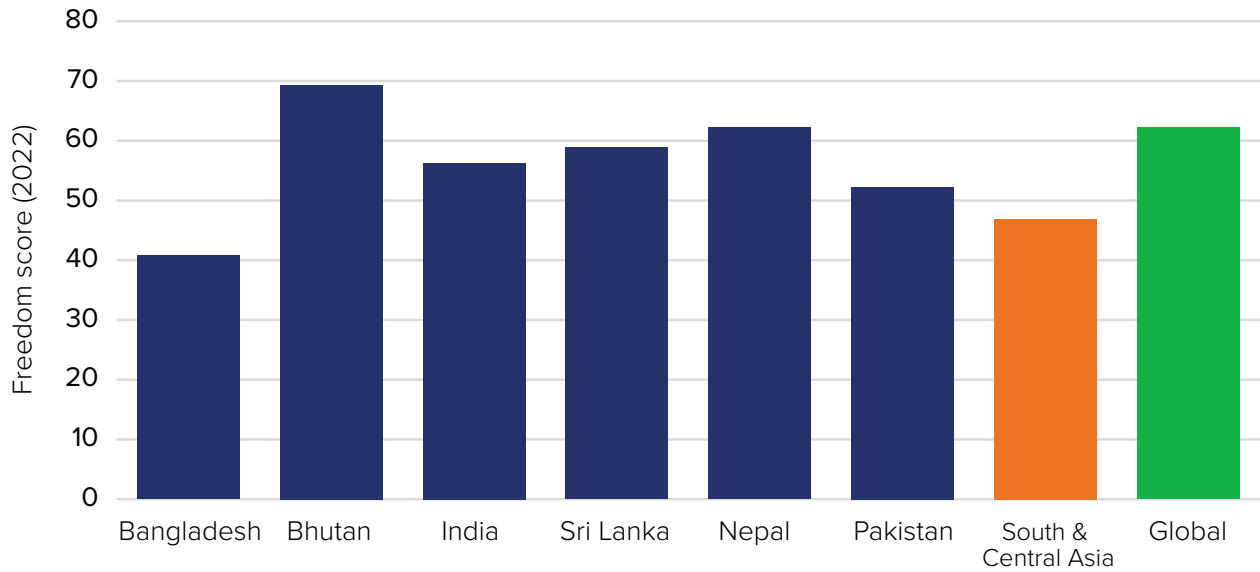
In 2022, Bangladesh was positioned eighth among the twelve South and Central Asian countries included in the study, indicating a middling

performance in terms of freedom when compared to its regional counterparts. Notably, countries like Bhutan, India, Nepal, Pakistan, and Sri Lanka all boast greater degrees of freedom than Bangladesh. For instance, Pakistan, which holds the seventh spot in the region, outpaces Bangladesh by a notable margin of 11.5 points. This discrepancy translates into a twenty-eight-rank difference at the global level, underscoring the substantial gap in freedom between the two nations.

The Freedom Index, comprising Political, Legal, and Economic Subindexes, provides a comprehensive overview of freedom within nations. While there is potential for enhancement across all three categories, economic freedom emerges as a notable area of weakness (Bangladesh ranks 146th out of 164). Within the region, only three countries—Afghanistan, Turkmenistan, and Uzbekistan—score lower than Bangladesh in this regard. This underscores a critical need for focused efforts to uplift economic liberties.

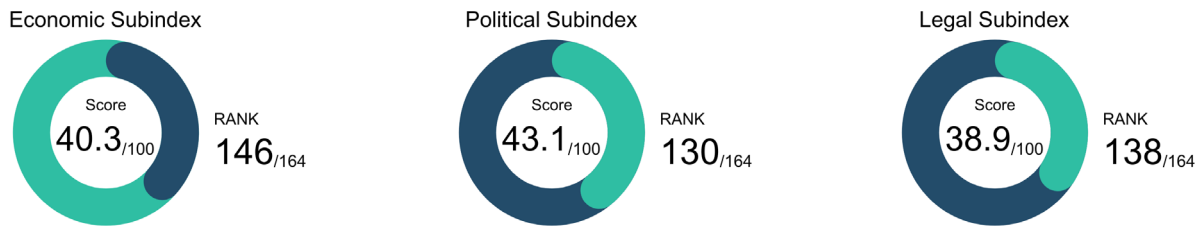
Thankfully, there is progress. The country improved its economic score 5.6 points over the 2009–2022 period, primarily due to the 2009–2011 reforms when the country was recognized by the World Bank as

Figure 4. Bangladesh Scores below the Global and Regional Average on the Freedom Index



Source: “The Freedom and Prosperity Indexes.”

Figure 5. The Freedom Index Has Three Subindexes



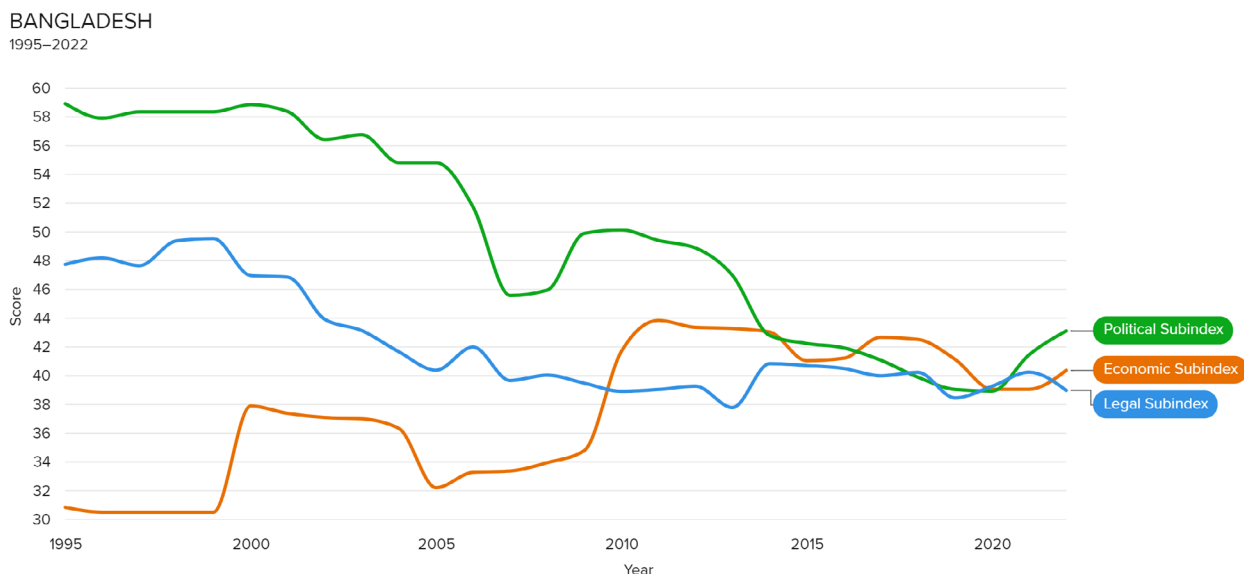
one of the top ten reformers worldwide in starting a business. This progress has enabled Bangladesh to narrow the gap with the rest of the region significantly. Back in 1995, Bangladesh lagged behind the South and Central Asia average by 9.6 points. However, it has made substantial strides since then, closing that gap to just 3.4 points, achieving an overall score of 40.3. Despite this commendable progress, there is still much work to do. Bangladesh, along with the wider region, continues to fall far below the global average of 61.7. Thus, while Bangladesh has made strides in catching up with regional averages, a pressing need remains for further improvements to align with global standards.

The Legal Subindex, which reflects the rule of law, exhibited a consistent decline from 1999 to 2013, after which it has shown signs of relative stabilization. Despite this stabilization, significant challenges remain. In 1999, Bangladesh held the 99th position globally in this subindex, but today it ranks 138th. This downward trend is alarming and requires attention. In 1999, Bangladesh stood 6.6 points above the

regional average; today, it stands 7.3 points below the regional average. This decline underscores a concerning divergence from regional legal norms, signaling potential systemic issues that need to be addressed.

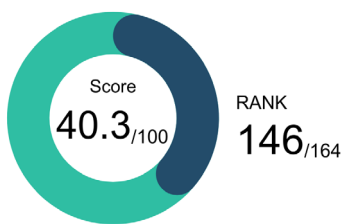
Similarly, political freedom in Bangladesh has been on a downward trajectory since 2000. Back in 1999, Bangladesh held the 108th position globally in terms of political freedom. Today it has slipped to rank 130th out of the 164 countries covered by the study. This decline raises significant concerns about the state of political liberties within the country. In 1999, Bangladesh surpassed the regional average for political freedom by 11.2 points. However, today, it scores 7.7 points below the regional average and a staggering 24.7 points below the global average. This widening gap highlights substantial challenges in maintaining political liberties within the country, and suggests a pressing need for corrective actions to ensure the protection and enhancement of political freedoms.

Figure 6. Bangladesh's Scores in the Economic, Political, and Legal Subindexes



Source: "The Freedom and Prosperity Indexes."

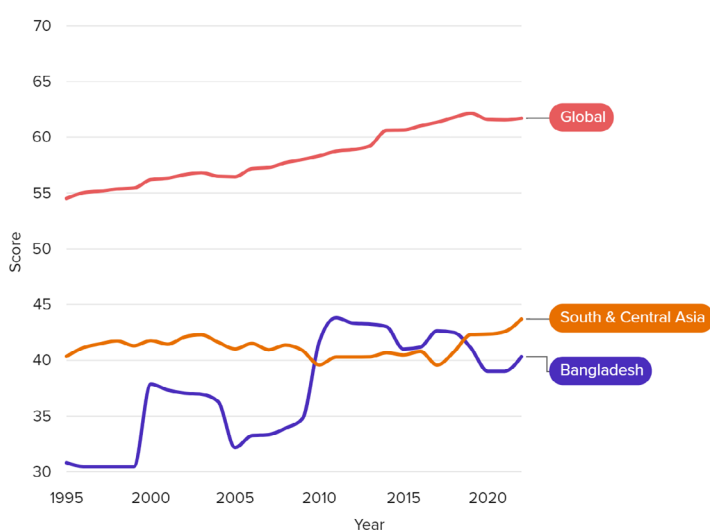
Economic Subindex



Economic freedom refers to an economic system that upholds the rights of all businesses and entrepreneurs.

The Economic Subindex is measured as an equally weighted average of four components: property rights, trade freedom, investment freedom, and women's economic freedom.

ECONOMIC SUBINDEX 1995-2022



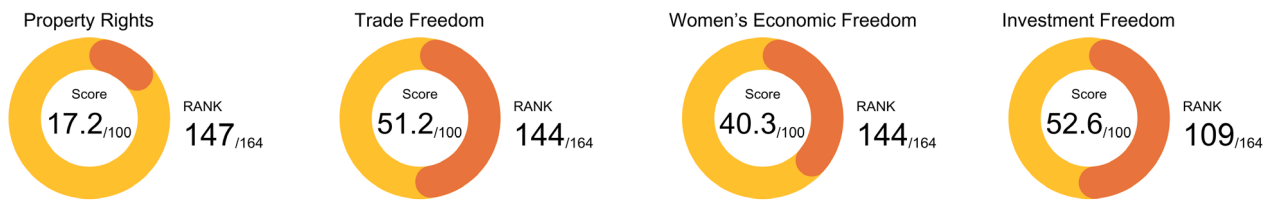
Source: "The Freedom and Prosperity Indexes."

Economic Subindex: Progress on Economic Freedom Needs a Restart

Economic freedom in Bangladesh, measured by the Economic Subindex, has shown a noteworthy increase of 9.5 points over the specified period. Initially, the country lagged significantly behind neighboring nations, scoring 9.6 points below the regional average. Bangladesh has made progress in closing this gap and currently trails the average by only 3.4 points.

This advancement is commendable and reflects positive developments in various aspects of economic governance. Yet most of the progress has been made in the 1999–2011 period, and economic freedom as a whole has declined over the past ten years.

The Economic Subindex comprises several components that collectively contribute to economic freedom. While Bangladesh has shown improvement across most components, investment freedom stands out with considerable variability over the past

Figure 7. The Economic Subindex Has Four Equally Weighted Components

three decades. Despite progress in other areas, it has remained at a similar level compared to 1995. Yet this is the component in which Bangladesh performs the best compared to its peers, with a rank of 109 out of 164. While maintaining stability in investment freedom is essential, ongoing efforts to enhance this aspect further will be critical for sustaining Bangladesh's economic progress and realizing its full potential.

According to the World Bank, Bangladesh attracts only 0.4 percent of its GDP in foreign direct investment, which is significantly lower than the global average of 1.7 percent. By addressing challenges and implementing reforms to bolster investment freedom, Bangladesh could attract more foreign investments, stimulate economic growth, and improve the standard of living for its citizens. Yet, this component represents where the country scores the best in terms of economic freedom, while the other three components present more room for improvement.

Property Rights

Property rights are the cornerstone of economic development, providing individuals and businesses with the necessary incentives to invest, innovate, and engage in productive activities. To measure property rights, we use data from the Fraser Institute's "Economic Freedom of the World" report, particularly its Component 2C on protection of property rights.

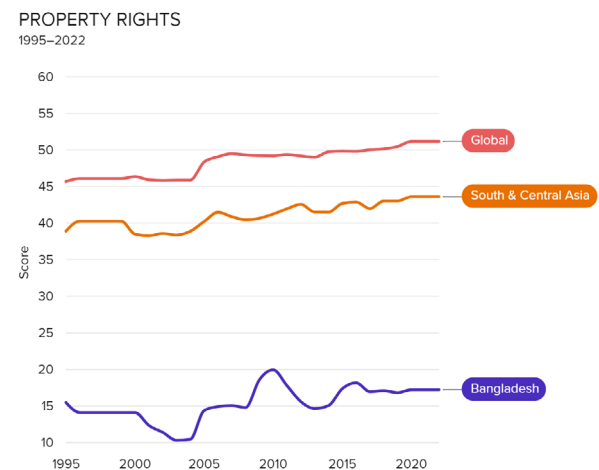
By establishing clear and enforceable rules regarding ownership, property rights create a stable environment where individuals feel secure in their possessions and can confidently allocate resources toward their most productive uses. This security fosters entrepreneurship and encourages long-term investment, as individuals are more willing to commit their time and capital when they can expect to reap the rewards of their efforts.³

Moreover, property rights facilitate efficient resource allocation by enabling markets to function effectively, as buyers and sellers can confidently enter into transactions knowing that their property rights will be respected and protected. Well-defined property rights encourage the development of financial markets, as assets can be used as collateral for loans, thus increasing access to credit and fostering economic growth. In essence, strong property

rights form the bedrock of a prosperous economy, providing the necessary framework for sustainable development and wealth creation.⁴

Property rights in Bangladesh have stagnated, exhibiting minimal progress over the past three decades. With a score of 17.2 out of 100 and a ranking of 147 out of 164 countries, there is clear evidence of Bangladesh's lack of advancement in this crucial area. Ensuring that the legal framework allows individuals to acquire, hold, and utilize private property, bolstered by clear laws enforced by the government, is paramount. Bangladesh's current standing indicates a pressing need for improvement in this regard. Strengthening property rights not only fosters individual prosperity but also plays a pivotal role in promoting economic development and stability within the country.

A key best practice for strengthening property rights is to improve land titling and registration systems. This involves creating clear and accessible procedures for individuals and communities to formally document their ownership or use rights. This can be achieved by simplifying the process, reducing bureaucratic hurdles, investing in land record-keeping systems (including technological advancements for better transparency and efficiency), and ensuring affordability and accessibility, especially for vulnerable populations.⁵

Figure 8. Property Rights in Bangladesh Have Stagnated

Source: "The Freedom and Prosperity Indexes."

Box 2. Land-Administration Reforms in Rwanda

In the early 2000s, Rwanda embarked on a series of land-administration reforms aimed at fostering peace and economic development. The core of these reforms was establishing a clear legal framework for land ownership. The Rwandan Constitution of 2003, National Land Policy of 2004, and Organic Land Law of 2005 all played crucial roles. These legal documents provided a foundation for recognizing land rights, enforcing ownership claims, and resolving land-related disputes.⁶

With a robust legal framework in place, the Rwandan government initiated the Land Tenure Regularisation (LTR) program in 2008. This ambitious initiative aimed to map and register every land parcel in the country. The LTR program was instrumental in streamlining land-titling processes. Previously, obtaining a land title could take weeks or even months. The reforms significantly reduced this timeframe, with processing times brought down to a mere three days.⁷ This efficiency boost improved service delivery and helped minimize the risk of corruption.

The land-administration reforms in Rwanda have had a demonstrably positive impact. By 2017, more than 7 million Rwandans had received land titles, providing them with a sense of security and stability.⁸ Land ownership also opened doors to new economic opportunities. With secure titles, Rwandans could leverage their land as collateral to access credit and invest in income-generating activities. This, in turn, has contributed to poverty reduction and economic growth in rural areas.⁹

However, some challenges remain. Land disputes, particularly those regarding inheritance and land consolidation, can still occur. Additionally, ensuring equitable land access for women is an ongoing effort. Despite these hurdles, Rwanda's land-administration reforms serve as a successful example of how a nation can rebuild its land-ownership system and empower its citizens through clear legal frameworks and efficient processes.

Trade Freedom

Trade freedom assesses a broad spectrum of trade constraints, including tariffs, quotas, administrative barriers, and regulations governing exchange rates and capital flow. A high score on this component signifies a nation that upholds low tariffs, implements efficient customs-clearance procedures, maintains a currency that is freely convertible, and imposes minimal limitations on the mobility of both physical goods and human resources. We use data from the Fraser Institute's "Economic Freedom of the World" Component 4 on freedom to trade internationally. This comprehensive evaluation provides insights into a country's openness to trade and its commitment to facilitating smooth and unrestricted commerce, which are essential factors contributing to economic growth and prosperity.¹⁰

Bangladesh's ranking of 144, out of 155 countries for which sufficient data are available to conduct an assessment, underscores its current standing in terms of trade freedom. Notably, the country experienced significant advancements during the period of 1999–2001, marked by milestones such as the adoption of the EU-Bangladesh Cooperation Agreement in 2000. However, progress in this regard has since plateaued. This observation suggests the need for renewed efforts to revitalize trade policies and initiatives, ensuring sustained growth and competitiveness in the global market.

A successful approach involves dismantling barriers that impede the flow of goods and services across borders. This means actively reducing restrictions like tariffs (taxes on imports), quotas (limits on the amount of a good that can be imported), and subsidies (government financial support) that artificially inflate prices or limit the movement of products. This focus on reducing trade barriers fosters a more open and competitive trading environment, ultimately benefiting both consumers and producers. Consumers gain access to a wider variety of goods and services at lower prices due to increased competition. Producers, on the other hand, can expand their customer base by exporting to new markets, potentially leading to increased production, job creation, and economic growth.¹¹

Women's Economic Freedom

Improving women's economic freedom is crucial for the advancement of society as a whole, not solely for the benefit of women. This component aims to assess the inequality between men and women in legislation across the entire span of a woman's career, from the moment she can enter the labor force until retirement age.

This component is measured using data produced by the World Bank's Women, Business, and the Law (WBL) project. This project seeks to identify disparities in legal provisions that affect women's

rights, opportunities, and treatment in the workplace, encompassing aspects such as hiring practices, promotion opportunities, access to benefits, and retirement policies. By evaluating legislation throughout the various stages of a woman's working life, this component provides insights into the extent of gender-based disparities and barriers that women encounter in the workforce.

Bangladesh ranks 144th out of 164 on this component, and tenth out of twelve in the region. In 1995, the country ranked 139th globally. This means that the rest of the world progressed faster than Bangladesh did on this component. Despite the progress introduced by the 2006 Bangladesh Labour Act, significant disparities in women's rights persist, particularly in areas such as leave policies, equal pay, and access to pensions.

Nevertheless, women continue to serve as vital agents of change, advocating for their equal rights and opportunities even in the face of adversity. It's

imperative for policymakers to bolster these efforts because dismantling legal gender barriers benefits women as well as the entire economy.¹² In an era when economies must harness every ounce of productive capacity to foster growth, sidelining half of the population represents a profound loss.

The World Bank's Women, Business, and the Law initiative highlights key areas for improvement. These include ensuring women have the same legal rights as men regarding business ownership, property, contracts, and credit. Workplace protections like equal pay, anti-harassment measures, and maternity leave are also essential. Finally, access to finance through microloans and business-development programs can empower women entrepreneurs. By addressing these areas through legal reforms and policy changes, countries can create a more enabling environment for women to participate fully in the economy.

Box 3. The UAE's Rise as a Regional Champion for Women's Economic Freedom

The United Arab Emirates (UAE) has undergone a remarkable transformation in recent years, emerging as a regional leader in women's economic freedom.¹³ Despite a high female labor-force participation rate compared to the rest of the Middle East region, the UAE recognized the need to address remaining gender gaps. In 2019, a series of ambitious reforms were implemented under the leadership of the Gender Balance Council.

These reforms tackled legal and social barriers head-on. They ensured equal access to passports and lifted restrictions on women being heads of households. Gender-based discrimination in employment and the dismissal of pregnant women were prohibited. Workplace protections were strengthened with legislation against sexual harassment and a mandate for equal pay for equal work.

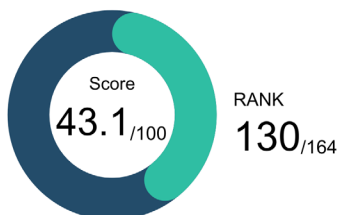
The reforms also extended beyond the workplace. Women gained greater freedom of movement and travel, both within and outside the UAE. In a historic first for the region, paid parental leave was introduced for private-sector employees.

This commitment to reform was driven from multiple factors. Strong government leadership was coupled with collaboration across relevant ministries and technical expertise from the World Bank Group. Extensive public-awareness campaigns ensured understanding of the new laws, while the judiciary received guidance on their interpretation.

The impact has been undeniable. The UAE's score in the World Bank's WBL study jumped from 30 to 82.5 points, serving as an inspiration for the Middle East and North Africa region, which typically scores low on the WBL index. The UAE's reforms have had a ripple effect, with countries like Jordan, Egypt, and Tunisia initiating similar efforts to promote gender equality and women's economic participation.

The UAE's journey offers valuable lessons. Locally driven leadership is essential, but collaboration between government agencies and international organizations can significantly enhance reform effectiveness. Sharing best practices and lessons learned can further accelerate positive change across the region. The UAE's reforms stand as a testament to the power of commitment and collaboration in creating a brighter economic future for women.

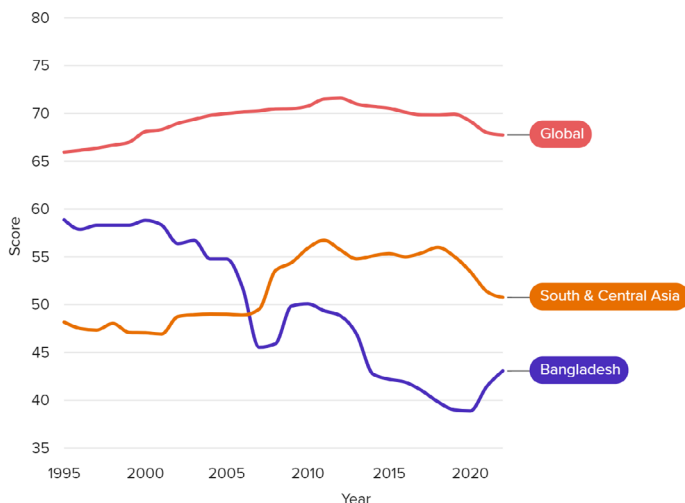
Political Subindex



Political freedom measures the institutional framework for the selection of those holding executive political power and the limits and controls imposed on exercising this power.

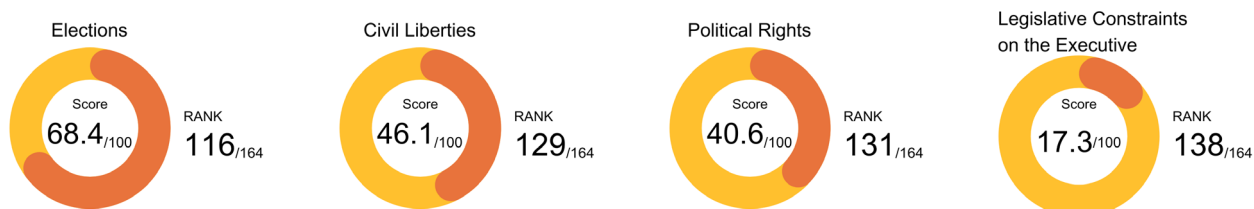
The Political Subindex is measured as an equally weighted average of four components: elections, civil liberties, political rights, and legislative constraints on the executive.

POLITICAL SUBINDEX
1995–2022



Source: “The Freedom and Prosperity Indexes.”

Figure 9. The Political Subindex Has Four Equally Weighted Components



Political Subindex: Political Freedom on a Downward Trend Since 2000

Over the years since 1995, Bangladesh has witnessed a significant decline in political freedom, as indicated by a 15.8-point drop in the Political Subindex. Among the 164 countries assessed, this decline ranks as the eighteenth largest, resulting in Bangladesh slipping twenty-three spots in the global rankings.

At the start of the period, Bangladesh demonstrated commendable performance compared to its regional counterparts, boasting a score 10.7 points higher than the regional average. Additionally, it trailed the global average by a modest margin of only 7.1 points.

The situation today tells a different story. Bangladesh’s present standing reflects a regression in performance relative to its region, with a score now 7.7 points below the regional average. Furthermore, its performance relative to the global average has

deteriorated significantly, with Bangladesh now trailing by 24.7 points.

The decline in political freedom can be attributed to several factors, including a notable impact from diminishing civil liberties and political rights, as well as pressures on the electoral system. The erosion of these liberties can occur through various means, including increased censorship, restrictions on peaceful protests, or limitations on individual expression. Concerted efforts are imperative to reverse this concerning trend. Initiatives aimed at safeguarding freedoms, promoting transparency, and ensuring the protection of basic political rights must be prioritized. Moreover, fostering an environment conducive to open dialogue and civic engagement is essential for addressing the root causes of this decline and restoring political freedom in Bangladesh.

Legislative Constraints on the Executive

Despite maintaining relative stability on this component, Bangladesh faces challenges in the realm of legislative constraints on the executive, where it ranks 138th out of 164 countries assessed. This is the component on which the country ranks the lowest out of the four that constitute the Political Subindex. This component scrutinizes the degree of oversight that the democratically elected legislative branch exercises over the executive's use of authority. In simpler terms, it examines how effectively the laws and regulations in place ensure a system of checks and balances, in which the executive branch's power is balanced and monitored by the legislative branch. We use data from the V-Dem dataset Legislative Constraints on the Executive Index (v2xlg_legcon).

Without these constraints, there is a risk of authoritarianism or abuse of power, as executives might act unchecked, making decisions that serve their interests rather than the common good.¹⁴ Legislative oversight provides a crucial mechanism for holding the executive accountable, ensuring transparency, and fostering public trust in governmental institutions. It also encourages collaboration and compromise between branches, leading to more effective governance and the preservation of democratic principles.

These constraints can take various forms, such as requiring legislative approval for treaties, budgets, and appointments. Additionally, legislatures may hold hearings to scrutinize executive actions and decisions, and possess the power of impeachment to hold executives accountable for wrongdoing. These constraints help to ensure that the executive branch does not overstep its bounds and instead governs within the legislative intent.

Moreover, legislative constraints on the executive promote stability and predictability in governance. By defining the scope of executive authority and outlining procedures for decision-making, legislation creates a framework within which governmental actions can occur. This predictability is essential for investors, businesses, and citizens alike, as it provides assurance that laws will be enforced consistently and fairly.¹⁵ Additionally, legislative constraints encourage deliberation and debate, leading to more thorough consideration of policy decisions and their potential impacts. Ultimately, a balanced distribution of powers between the legislative and executive branches strengthens democratic governance, upholding the rule of law and protecting citizens' rights and freedoms.

Political Rights

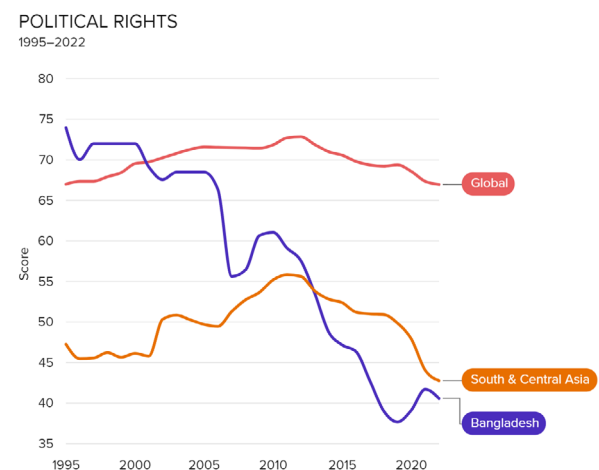
Political rights in Bangladesh have witnessed a significant decline over the past three decades, plummeting by a staggering 33.4 points. This decline is alarming, indicating a concerning trend in the protection and exercise of rights crucial to the democratic political process. The political rights component encompasses fundamental individual freedoms directly linked to democracy, such as freedom of expression and association. We use data from the V-Dem dataset Political Civil Liberties Index (v2x_clpol).

Back in 1995, Bangladesh surpassed the global average by 6.9 points in terms of political rights, ranking third in the region behind only Nepal and India. However, today, the country finds itself 26.4 points below the global average in this regard and ranks eighth in the region. Political rights play a pivotal role in safeguarding other fundamental rights and liberties, empowering citizens to engage in political activism, challenge injustices, and advocate for the protection of human rights.

Bangladesh saw a positive shift toward democracy in 2009. This came after a two-year period under an unelected caretaker government. Prior to 2009, the country faced political instability with accusations of corruption and violence tied to the previous administrations. To address these issues and ensure a fair and peaceful election process, a caretaker government, led by a neutral civilian, took control in 2007–2008.

This period culminated in national elections held in 2009, which were considered largely free and fair. The Awami League party emerged victorious, marking a return to civilian, elected leadership and a hopeful step for Bangladesh's democracy. Despite

Figure 10. Political Rights in Bangladesh Have Witnessed a Significant Decline



Source: "The Freedom and Prosperity Indexes."

these initial improvements, Bangladesh has seen a concerning decline in political rights since 2010. The extended dominance of the Awami League has raised concerns about a slide toward authoritarianism. This is reflected in reports of crackdowns on dissent, limitations on free speech and assembly, and questions surrounding the fairness of elections.¹⁶

Despite the recent repeal of the controversial Digital Security Act (DSA) of 2018 and amendments to the Information and Communications Technology (ICT) Act of 2006, freedom of expression in Bangladesh remains under strain. The Cyber Security Act (CSA), passed in September 2023 as a replacement for the DSA, still contains provisions that critics say can be misused to stifle dissent. Furthermore, legal proceedings initiated under the repealed DSA and the previous ICT Act are still ongoing, leaving a cloud of uncertainty over those targeted for expressing critical views.¹⁷ These developments have led to a decline in Bangladesh’s ranking and raised concerns about the country’s democratic trajectory.

By providing avenues for dissent and fostering accountability, political rights serve as a bulwark against authoritarianism. They promote a pluralistic society where diverse voices are heard and respected, thereby mitigating the concentration of power in the hands of a few. Ultimately, political rights are indispensable to the functioning of democracy, serving as catalysts for social progress, equality, and justice.¹⁸ As such, it is imperative to protect, uphold, and expand political rights to ensure the flourishing of democratic societies worldwide. Efforts to safeguard these rights are essential for fostering inclusive governance, promoting civic engagement, and advancing the collective well-being of nations.

The International Covenant on Civil and Political Rights (ICCPR), a key United Nations human-rights treaty, highlights key principles. To create a healthy political environment, the ICCPR emphasizes several crucial elements. These include universal suffrage, ensuring all adults can vote freely, and the right to stand for election, preventing unreasonable restrictions on candidacy. Additionally, freedom of association allows individuals to form and join political groups, while freedom of expression fosters open debate on political issues, all of which are essential for informed participation. By upholding these principles and removing barriers to engagement, countries empower citizens to have a stronger voice in shaping their government and society.

Civil Liberties

Similarly, civil liberties in Bangladesh have experienced a notable decline, dropping by 12.5 points. This component encompasses a wide range of individual rights rooted in the liberal tradition, such as criminal procedural rights, freedom from torture,

and freedom of movement. These rights serve to constrain the scope of governmental action, ensuring a sphere of individual autonomy and freedom in personal affairs. We use data from the V-Dem dataset including private liberties indicators (simple average of v2xcl_slave, v2clfmmove, v2xcl_dmove, v2csrlgrep) and Physical Violence Index (v2x_clphy).

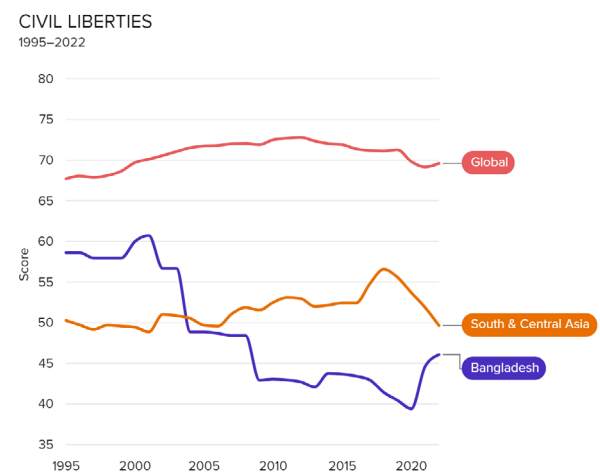
In 1995, Bangladesh exceeded the regional average for South and Central Asia by 8.3 points in terms of civil liberties. Today, however, the country trails this average by 3.5 points. This decline underscores a concerning trend in the protection and enjoyment of civil liberties within the nation.

Civil liberties are essential for safeguarding individual autonomy and ensuring that citizens are free from undue government intrusion.¹⁹ They provide a framework for the exercise of fundamental rights and freedoms, fostering a society in which individuals can express themselves, assemble peacefully, and pursue their interests without fear of repression or coercion.

Bangladesh has yet to ratify the international Convention for the Protection of All Persons from Enforced Disappearance. Human Rights Watch documented a high number of disappearances—roughly six hundred between 2009 and 2023—with some victims resurfacing later, but around one hundred still unaccounted for.²⁰ The finger of blame points to law-enforcement agencies. These agencies stand accused by human-rights organizations of not only carrying out enforced disappearances and extrajudicial killings, but also employing intimidation tactics against human-rights defenders and families seeking answers.

As such, efforts to uphold and protect civil liberties are paramount for promoting democratic values,

Figure 11. Civil Liberties in Bangladesh Have Experienced a Notable Decline



Source: “The Freedom and Prosperity Indexes.”

fostering social cohesion, and advancing the well-being of citizens. It is imperative for policymakers and stakeholders to prioritize the protection of civil liberties and work toward reversing the current decline, thereby ensuring a more just, equitable, and free society for all Bangladeshis.

Legal Subindex: Persistent Weakness in the Rule of Law

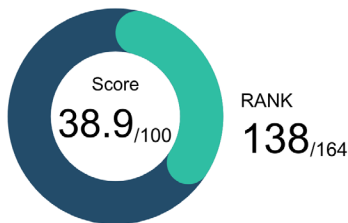
The rule of law, as measured by the Legal Subindex, has witnessed a significant decline of 8.8 points since 1995 in Bangladesh. Among the 164 countries evaluated, this decline ranks as the seventeenth

most substantial, leading to Bangladesh falling by thirty-one spots in the global rankings.

At the beginning of this period, the country was scoring 4.7 points above the regional average. Today, it lags behind by 7.3 points. This decline in the rule of law is concerning and reflects challenges in upholding legal principles and ensuring effective governance.

The two areas in which Bangladesh ranks the worst (144th and 138th, respectively) are the clarity of the law and judicial independence and effectiveness. Despite making some strides over the past fifteen

Legal Subindex



The Legal Subindex measures the degree to which a country abides by the rule of law, has a legal system that fairly protects property and contract rights, and prevents corruption and the arbitrary abuse of power.

The Legal Subindex is measured as the equally weighted average of five components: clarity of the law, judicial independence and effectiveness, bureaucracy and corruption, security, and informality.

Source: "The Freedom and Prosperity Indexes."

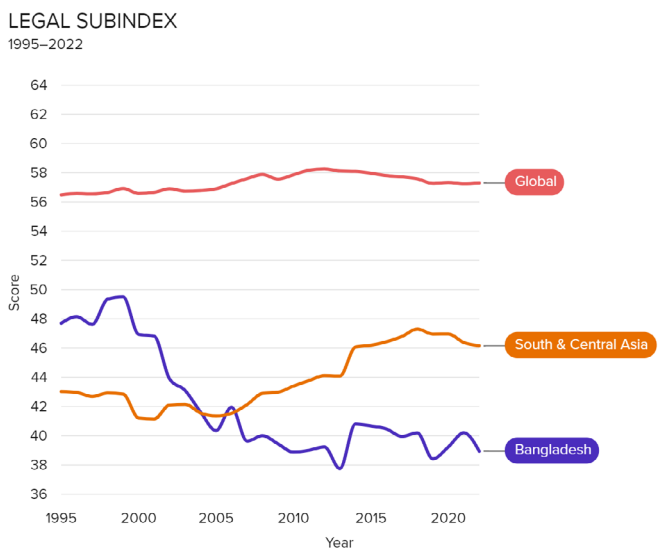
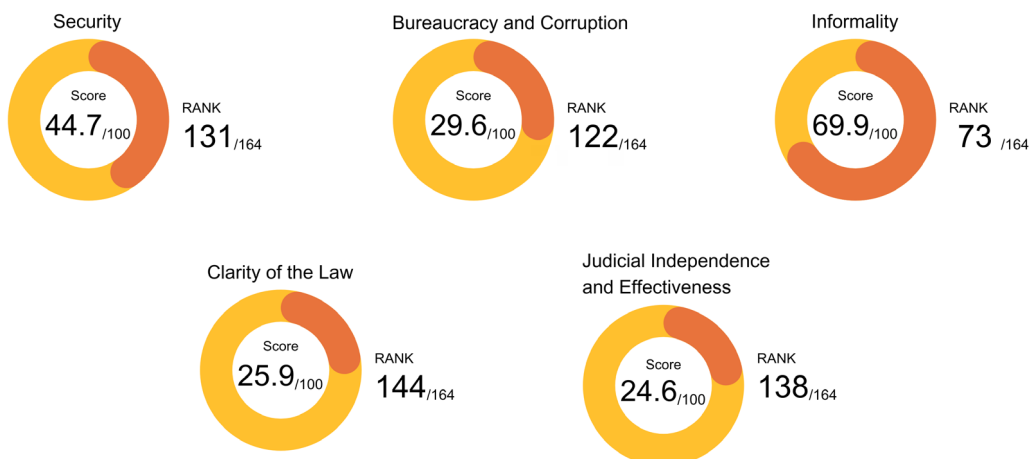


Figure 12. The Legal Subindex Has Five Equally Weighted Components



years, security remains a significant challenge, with the country ranking 131st globally and trailing 7.5 points below the regional average. Similarly, bureaucracy and corruption persist as formidable challenge, with Bangladesh ranking 122nd globally and 6.2 points below the regional average. Notably, Bangladesh lags 16.9 points behind India on this component.

The concerning decline in the rule of law, coupled with persistent challenges in areas such as security and corruption, highlights the urgent need for comprehensive reforms in Bangladesh. As the country continues to lag behind in crucial aspects of governance and legal institutions, it is imperative that concerted efforts are made to address these deficiencies and foster durable improvements. Strengthening legal frameworks, enhancing judicial

independence, combating corruption, and bolstering security measures are essential steps toward restoring faith in governance and upholding the rule of law.

Clarity of the Law

Clarity of the law is a crucial component that assesses the fundamental formal requirements of the legal system, focusing on whether laws are general, clear, public, noncontradictory, consistent, and predictably enforced. We use data from V-Dem's Transparent Laws with Predictable Enforcement Index (v2cltrnslw). Over the period since 1995, Bangladesh has witnessed a concerning decline in this aspect, with its score dropping by 19.2 points. This decline has resulted in Bangladesh's ranking falling to 144 out of 164 countries assessed.

Box 4. Estonia's Digital Justice System

Estonia has become a frontrunner in digital governance, and its legal system is no exception. Its digital transformation has led to efficiency and speed, with Estonia boasting the second-fastest court proceedings in Europe.²¹

This journey began in earnest in the early 1990s following Estonia's independence. Recognizing the need for a modern and efficient system, the Estonian government embarked on a large-scale initiative to digitize public services. The justice system was a key focus area and, in the early 2000s, the core components of the e-justice system were implemented.

The e-File acts as a central hub for all case information, ensuring data is entered only once and are accessible by authorized parties like police and courts. The Court Information System (KIS) manages court workflow and stores case data. Finally, the Public e-File Portal provides a one-stop shop for citizens and legal representatives. This portal allows them to initiate cases, access documents, and track proceedings 24/7.

Estonia's digital justice system wasn't built overnight. This timeline showcases some key milestones.²²

2002: The first court information system, KOLA, was introduced. This enabled publication of court decisions and statistics, laying the groundwork for further advancements.

2006: The first-generation complex court information system, KIS, was launched. This brought core functionalities like document management, automated notifications, and invitations.

2009: The first public portal was introduced, facilitating digital communication between all participants in court proceedings, including police, prosecutors, lawyers, and citizens.

2013-2014: The second-generation court information system, KIS2, was implemented, further refining the digital infrastructure.

2015: Paperless proceedings were launched, marking a significant step toward a fully digital system.

2017: Automated fines collection was introduced, streamlining a previously manual process.

This digital approach offers numerous advantages. The online portal offers increased public access to the justice system. Electronic communication ensures all parties are kept informed throughout the proceedings, fostering transparency. Reduced paperwork saves time and resources, making the system more cost-effective.

As a result, the average length of Estonian civil-court proceedings has fallen from 156 days to ninety-nine days in just five years.²³

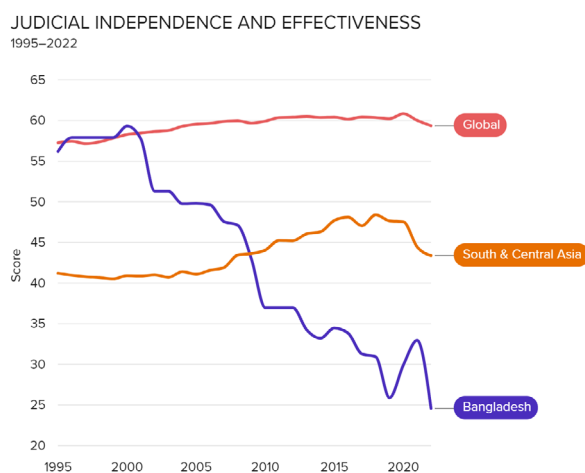
At the outset of this period, Bangladesh scored 7.7 points above the regional average, indicating a relatively strong position in terms of legal clarity. The current scenario paints a stark contrast, with the country now trailing behind by 12 points. This significant deterioration underscores challenges in maintaining clarity and coherence within Bangladesh’s legal framework.

A robust legal framework characterized by clarity and predictability is essential for fostering trust in the legal system, ensuring fairness and consistency in decision-making, and promoting respect for the rule of law.²⁴ It provides individuals and businesses with confidence in their rights and obligations, facilitating economic activity and social stability. The decline in clarity of the law in Bangladesh highlights the urgent need for reforms aimed at enhancing transparency, coherence, and consistency within the legal system. By addressing deficiencies and strengthening legal clarity, Bangladesh can create a more conducive environment for economic growth, investment, and the overall well-being of its citizens.

Judicial Independence and Effectiveness

Judicial independence and effectiveness in Bangladesh have witnessed a significant and concerning decline. This component evaluates the strength of the judicial system in terms of its efficiency and fairness, ensuring that laws are fully respected and that violations are met with appropriate legal action. We use data from the V-Dem dataset including Judicial Constraints on the Executive Index (v2x_jucon) and independent and accessible justice data (simple average of v2xcl_acjst, v2juaccnt, v2jureview, v2jupurge, v2jupoatck). Since 1995, Bangladesh has experienced a drastic loss of 31.6 points in this aspect, leading to a decline in ranking to 138th out of 164 countries.

Figure 13. Judicial Independence and Effectiveness in Bangladesh Are Declining



Source: “The Freedom and Prosperity Indexes.”

At the beginning of the period, Bangladesh scored similarly to the global average, indicating a relatively robust judicial system. However, the current situation paints a starkly different picture, with the country now trailing the average by 34.8 points. This substantial decline underscores challenges in maintaining judicial independence and effectiveness within Bangladesh’s legal framework.

A strong and independent judiciary is essential for upholding the rule of law, ensuring accountability, and safeguarding individual rights and freedoms.²⁵ It plays a critical role in fostering trust in the legal system, resolving disputes impartially, and promoting social justice.

One key factor that explains Bangladesh’s decline was a series of constitutional amendments that weakened the judiciary’s power. The most significant of these was the 16th Amendment, passed in 2014, which shifted the authority to remove Supreme Court judges from the Supreme Judicial Council, a more independent body, to the parliament dominated by the ruling party. This change raised serious concerns from legal experts and civil-society organizations, who argued it gave the government undue influence over the judiciary.²⁶

Another factor suspected to have played a role is a shift in the appointment process for judges. While there weren’t documented legal changes, the rise of a dominant political party led to unofficial practices favoring political loyalty over merit. This could involve overlooking qualified candidates or pressuring the selection committee to appoint judges seen as more aligned with the government’s agenda. The decline in judicial independence and effectiveness highlights the urgent need for reforms aimed at strengthening the independence, efficiency, and fairness of the judiciary in Bangladesh.

Prime Minister Sheikh Hasina’s public announcement to restore the independence of the judiciary is a great first step, but concrete actions will be needed. By addressing deficiencies and bolstering judicial independence and effectiveness, Bangladesh can enhance the integrity of its legal system, promote public confidence, and advance the principles of justice and equality for all its citizens.

Bureaucracy and Corruption

Bureaucracy and corruption measure the degree to which government officials are subject to and comply with the law. Bangladesh has a long history of corruption, fueled by factors like weak institutions, lack of transparency, and low government salaries. We use data from the World Bank’s Worldwide Governance Indicators for government effectiveness and control of corruption. The country saw an acute worsening of corruption in the 1999–2004 period, a 14-point decline, but the establishment of the Anti-

Corruption Commission (ACC) in 2004 allowed the country to make progress.

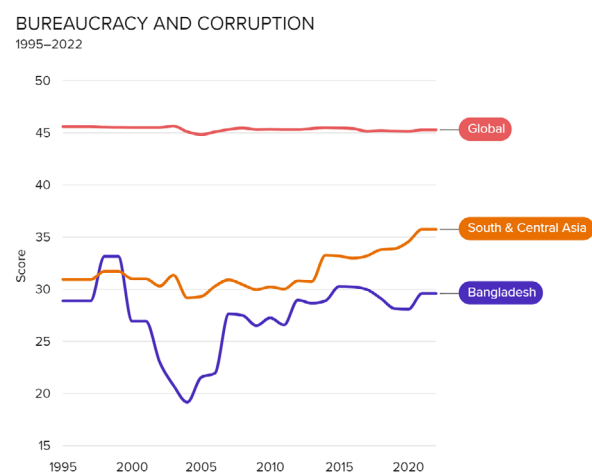
At its inception, the ACC’s formation helped raise public awareness about corruption and offered a platform for people to report it. Investigations and arrests, including those in high-profile cases like the Hallmark-Sonali Bank Loan Scam, sent a deterrent message. Bangladesh’s international image likely benefited from the creation of the commission, signifying a commitment to tackling corruption.

However, the ACC faces criticism. The 2013 amendment (Act No. 60 of 2013) requiring government approval for investigations into some cases, particularly those involving influential figures, raises questions about its true independence. This can hinder prosecution of high-level corruption. Allowing for political influence of the ACC can potentially lead to selective investigations. Critics also point to the slow pace of investigations and the low conviction rate for corruption cases, suggesting inefficiency. These changes are one reason why Bangladesh’s progress in tackling corruption has stalled in the past ten years.

Tackling corruption is crucial for fostering economic growth and attracting foreign investment.²⁷ Corruption distorts resource allocation, diverting funds from productive endeavors to rent-seeking activities. This can be seen in poorly planned infrastructure projects or inflated contracts awarded through bribery.

Corruption and bureaucracy discourage businesses from entering a market due to uncertainty and

Figure 14. Bangladesh Scores Lower than the Regional Average on Bureaucracy and Corruption



Source: “The Freedom and Prosperity Indexes.”

unfair competition.²⁸ They erode trust in institutions, creating an unstable environment for businesses to operate. Foreign investors seek predictability and a level playing field.

Strong anti-corruption measures signal a commitment to transparency and good governance, making a country a more attractive destination for foreign capital. By combating corruption, Bangladesh can create a fertile ground for economic prosperity and long-term sustained development.

Table 2. Bangladesh Freedom Rankings for the Years 2000 and 2022

Freedom Index	RAKING IN 2000 (out of 164 countries)	RANKING IN 2022 (out of 164 countries)
	116	141
Economic Subindex		
Economic Subindex	144	146
Property Rights	151	147
Trade Freedom	138	144
Investment Freedom	65	109
Women’s Economic Freedom	136	144
Political Subindex	113	130
Elections	75	116
Civil Liberties	112	129
Political Rights	99	131
Legislative Constraints on the Executive	135	138
Legal Subindex	108	138
Bureaucracy and Corruption	126	122
Security	119	131
Clarity of the Law	108	144
Judicial Independence and Effectiveness	87	138
Informality	104	73

Box 5. The Rise of Indonesia's Anti-Corruption Commission (KPK)

Indonesia's history is marked by corruption, but a turning point came in 1998 with the establishment of the Komisi Pemberantasan Korupsi (KPK). The economic crisis of 1998 exposed the pervasiveness of corruption. International pressure, particularly from the International Monetary Fund (IMF), led to the adoption of the KPK law, passed in 2002, which granted the KPK broad authority for investigation, prosecution, and prevention of corruption.

Building a Trusted Institution

Despite initial skepticism, the KPK, under strong leadership, built a reputation for effectiveness. Here's what made it successful.²⁹

Strong legal foundation: The KPK law was carefully crafted, drawing on successful models from other countries like Hong Kong's Independent Commission Against Corruption. This provided a robust legal framework that granted the KPK independence and the power to investigate and prosecute high-level officials without political interference.

Effective leadership and management: The first appointed commissioners were highly respected figures with strong integrity and leadership skills. They prioritized building a professional and well-trained workforce. Additionally, they implemented sound human-resource policies and invested in modern technology to enhance investigations and case management.

Focus on high-profile cases: Unlike past attempts to address corruption, the KPK didn't shy away from taking on powerful individuals. Its success in prosecuting high-profile corruption cases sent a strong message that no one was above the law and significantly boosted public confidence in the institution.

Public outreach and education: The KPK understood the importance of public support. It actively engaged with the public through educational campaigns and fostered transparency in its operations. This helped raise public awareness about corruption and empowered citizens to report corrupt practices.

International backing: The creation of the KPK was supported by international institutions like the IMF and the Asian Development Bank. They provided technical assistance in drafting the KPK law and initial training for KPK personnel. This international backing lent legitimacy to the KPK and helped secure resources for its operations.

Challenges and the Road Ahead

The KPK faces resistance from those threatened by its work. A lack of cooperation from other law-enforcement agencies, such as the police and attorney general's office, hinders the KPK's efficiency. These agencies may be wary of the KPK's growing influence, or they may themselves struggle with internal corruption that the KPK seeks to expose. This lack of a united front can create delays and loopholes that could allow corrupt individuals to escape prosecution.

Public trust remains crucial for the KPK's continued success. However, recent appointments of commissioners with less experience raise concerns about the commission's future effectiveness.

The KPK demonstrates the importance of a strong mandate, effective leadership, and public trust in combating corruption. But it also highlights the need for a unified approach within the legal system and continued public vigilance to ensure lasting success.

THE PROSPERITY INDEX

The Prosperity Index takes a broad approach by looking beyond pure material well-being and incorporating additional social aspects that are necessary for a prosperous society. While determining the components of overall prosperity involves some subjectivity, we rely on established measures like the United Nations Human Development Index and consult with experts and academics to guide our choices. That is why our Prosperity Index combines six components: income, health, education, environment, minority rights, and inequality. In this section, we'll explain how we measure each type of prosperity and why we chose these specific components. We base our choices on well-established definitions from academic sources in law, political science, and economics.

We put our chosen definition of prosperity into practice through six components.

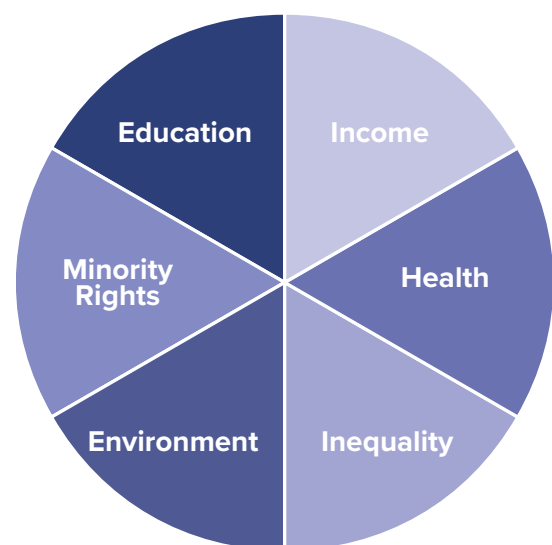
- **Income:** This is measured by GDP per capita in constant 2017 US dollars adjusted for purchasing power parity (PPP). The original data are linearized before scaling using the natural logarithm.
- **Environment:** This is assessed by death rates from air pollution. These rates indicate the number of deaths per one hundred thousand people from both outdoor and indoor air pollution, standardized for age.
- **Minority rights:** This is evaluated through surveys on the acceptance of religious minorities, which serves as a proxy for the acceptance of minorities in general. It gauges the extent to which individuals and groups have the right to choose, change, and practice their religion without restrictions from public authorities.
- **Health:** This is determined by life expectancy, expressed in years that a newborn infant is expected to live if prevailing mortality patterns remain constant throughout their life.
- **Education:** This is assessed by expected years of schooling and mean years of schooling, with both values multiplied and converted to a scale of zero to one hundred.
- **Inequality:** This measures the equal distribution of income across the population, indicated by the share of pretax income accrued to the top 10 percent of earners.

Income is a crucial aspect of prosperity and reflects a society's ability to escape poverty and ensure a decent standard of living for its citizens. However, relying solely on income per capita has limitations.³⁰ It doesn't consider income distribution, prevalent non-market activities in less developed countries, or non-market externalities like pollution. Additionally, factors such as education and health, essential components of prosperity, are only partially captured by income per capita. Therefore, to offer a comprehensive view of prosperity, the Prosperity Index includes additional attributes.

Health and education are standard dimensions of human flourishing; having a long and healthy life and access to knowledge are signs of a prosperous society.³¹ The Human Development Index produced by the United Nations—the most popular measure of broad human development—is composed of these three dimensions (income, health, and education), and we follow the UN's lead by measuring health and education with the same metrics.

While the previous components assess overall measures across the population, they don't capture distributional aspects. However, for a society to be prosperous, material well-being must be shared among citizens, not just concentrated in a small

Figure 15. Prosperity Index Structure (all components receive equal weight)



Source: "The Freedom and Prosperity Indexes."

group.³² Given the positive correlation between income, health, and education, we decided to measure inequality in terms of income. In particular, we use the share of a country's pretax income accruing to the top 10 percent of earners. We do not use the Gini coefficient, a popular measure of inequality, because the most reliable and comparable data on this component are based on post-tax and post-transfer income, thus capturing both market inequality and the capacity of the state to redistribute income through fiscal policy.

The minority-rights component also captures the idea of shared prosperity, as it is intended to assess the degree to which citizens in a country enjoy equal opportunity to choose their way of life and pursue human flourishing in an environment of freedom and tolerance, regardless of their background.³³ We measure respect for minorities through surveys of acceptance of religious minorities, which serves as a proxy for tolerance of minorities in general (in terms of race, gender, sexual orientation, and so on).

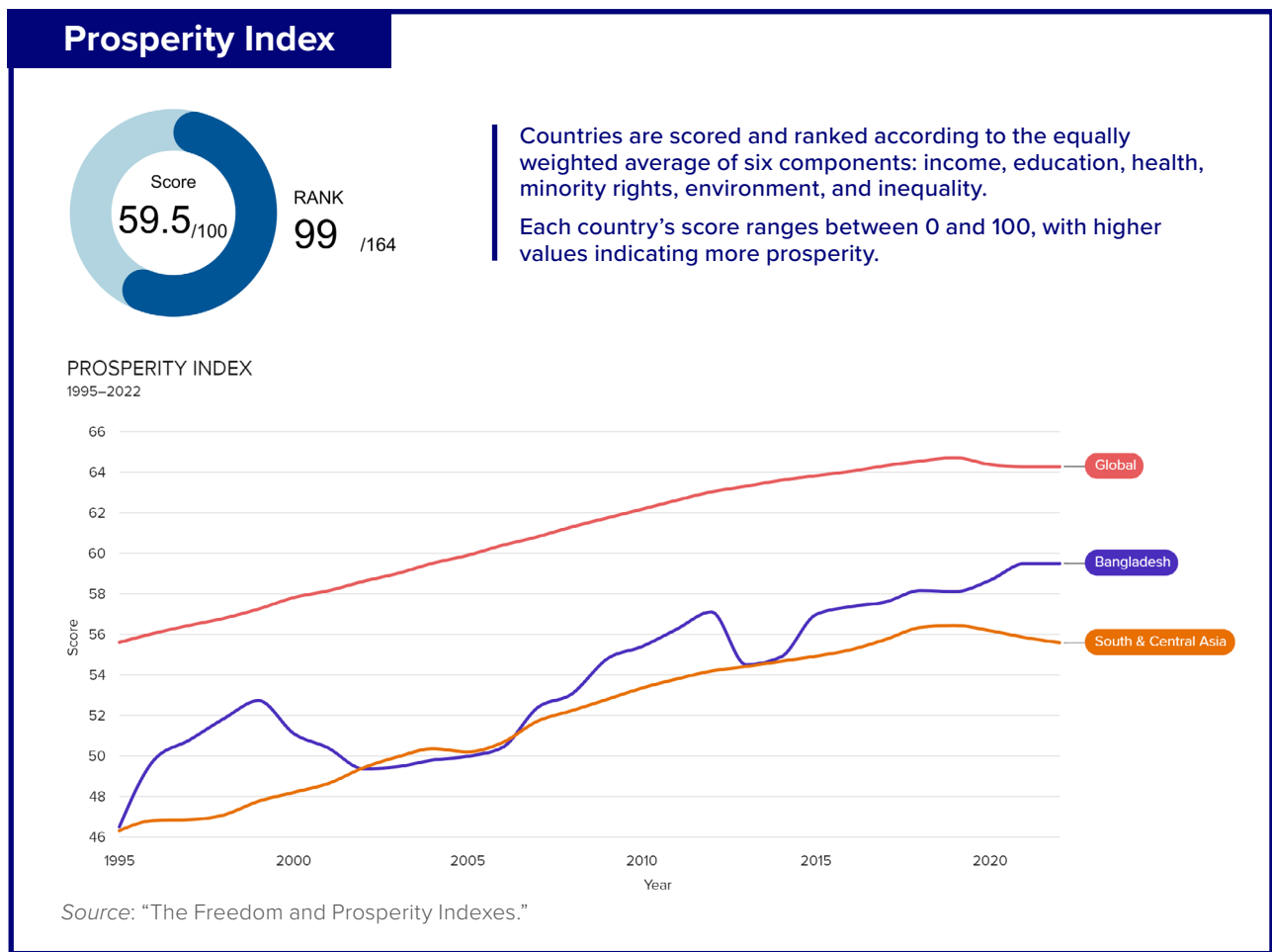
Finally, the environmental-quality component, measured by the death rate from air pollution, serves two main purposes. First, having a clean and sustainable

environment is something people everywhere value highly because it greatly improves their quality of life.³⁴ Second, it serves as a proxy to capture nonmarket negative externalities (e.g., pollution), addressing the previously mentioned shortcoming of income per capita as an overall measure of standards of living.³⁵ In this way, our Prosperity Index assesses not only the level of prosperity today, but whether it is sustainable in the future.

The index scores range from zero to one hundred, where zero represents the worst performance and one hundred the best. Higher scores in the minority-rights or inequality components imply better protected minority rights and greater equality, respectively. The aggregate Prosperity Index is calculated as the unweighted average of the six components.

Once we have the aggregate score for each country, ranging from zero to one hundred, we categorize countries into four groups: "prosperous," "mostly prosperous," "mostly unprosperous," and "unprosperous." To ensure consistency, we use the same categorization method as the Freedom Index, dividing the range of prosperity scores into four equal parts.





Prosperity in Bangladesh: Mostly Unprosperous

Overall prosperity in Bangladesh has shown a notable increase of 13 points from 1995 to 2022. Initially, the country was positioned at a comparable level to its neighboring nations, slightly surpassing the regional average for South and Central Asia by 0.2 points. Despite encountering fluctuations along the journey, Bangladesh has made progress and now performs above the regional average by 3.9 points. Furthermore, Bangladesh has narrowed the gap with the global average, initially lagging behind by 9.1 points but now trailing by only 4.8 points. This progress underscores positive developments for overall prosperity, positioning Bangladesh ahead of its regional counterparts.

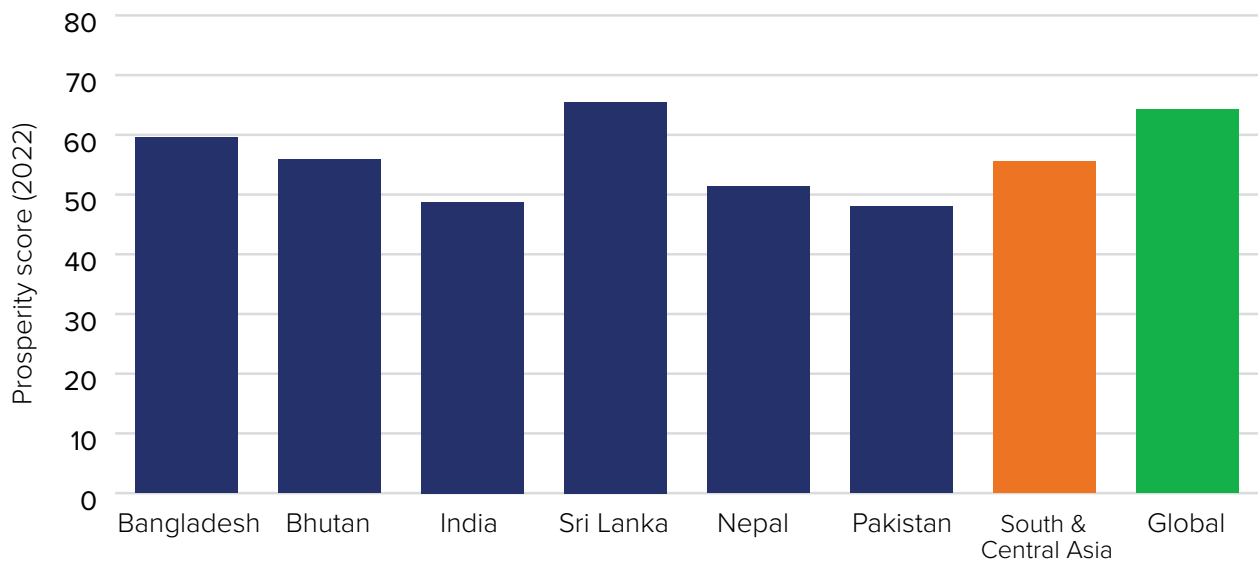
The Prosperity Index comprises several components that collectively contribute to overall prosperity. When comparing these components to the regional average of South and Central Asia and the global average, we observe disparities. While some components like minority rights, inequality, and health exceed both averages, others such as income, environment, and education fall short.

Thanks to this broad definition of prosperity, Bangladesh outperforms some of its neighbors on the overall prosperity score, including India and Pakistan, although the country remains behind India in terms of GDP per capita when adjusted for purchasing-power parity.

Bangladesh's progress in various components over the past three decades has been mixed. Although there have been notable advancements in areas like health and education, progress has been more modest in addressing issues of inequality and environmental sustainability, and has even worsened in terms of minority rights.

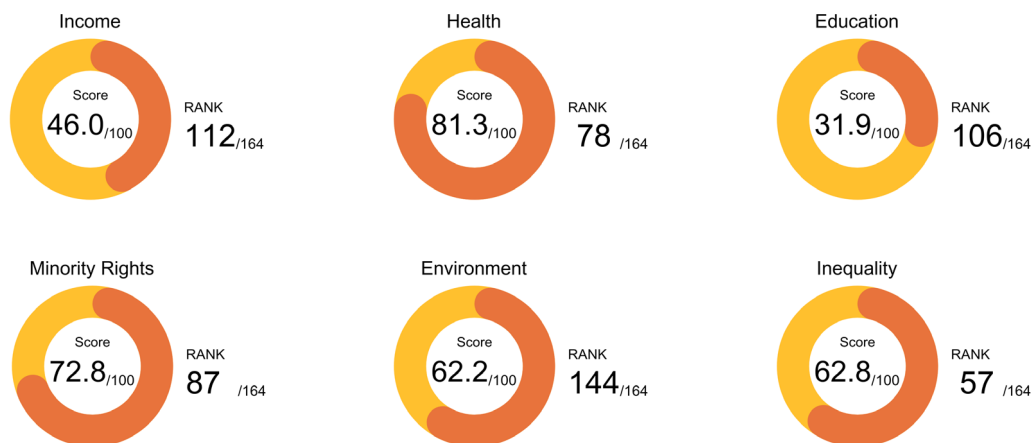
This variation in progress across different components suggests that improvements have been fragmented rather than structured and strategic. To make a meaningful impact, it's essential to understand the root causes of these issues and develop a cohesive plan to address them and enhance all aspects of prosperity. Additionally, prioritizing the worst-performing components by concentrating resources and efforts on areas where Bangladesh has the most room to improve can significantly boost overall prosperity.

Figure 16. Bangladesh Scores Above the Regional Average on the Prosperity Index



Source: “The Freedom and Prosperity Indexes.”

Figure 17. The Prosperity Index Has Six Equally Weighted Components



Income

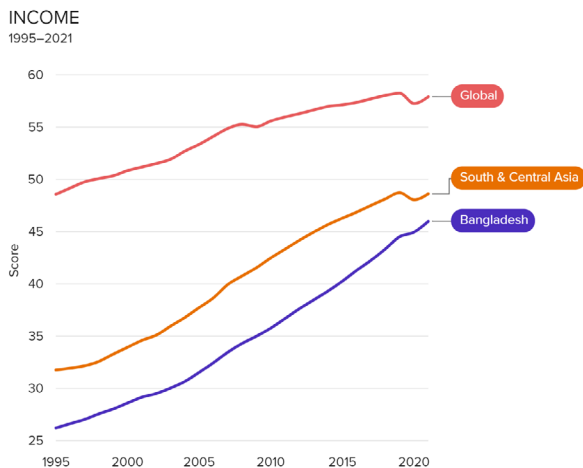
Income is measured in terms of GDP per capita.³⁶ It is essential for economic prosperity, motivating people to work hard and contribute to the growth of society. It provides the foundation for individuals to plan for their futures, pursue education and skills development, and even start their own businesses. When income is distributed fairly, it creates a stable environment where people can invest, spend, and save with confidence.³⁷ Fair income distribution also helps to reduce poverty, bridge social gaps, and strengthen social bonds within communities.³⁸

Income in Bangladesh has seen a good improvement of 19.8 points over the past three decades. In 1995, the country’s score stood at 26.2, ranking it 138th out of 164 countries. In 2022, Bangladesh’s income

score rose to 46, lifting its position to 112th out of 164 countries. Despite this commendable progress, Bangladesh’s income performance still lags behind both the global and regional averages for South and Central Asia. Although the gap has narrowed over the years, Bangladesh remains 2.6 points behind the regional average (48.6) and 11.9 points below the global average (57.9).

These trends indicate potential shortcomings in Bangladesh’s income policies and practices. To address these issues, Bangladesh should consider implementing measures to promote equitable economic growth and reduce income inequality. This may involve implementing progressive taxation policies, investing in education and skill-development programs, and fostering an enabling environment for

Figure 18. Bangladesh Ranks 112th Among 164 Countries in Terms of Income



Source: “The Freedom and Prosperity Indexes.”

small and medium-sized enterprises. Additionally, addressing structural barriers to employment and ensuring fair wages for all workers can help improve income distribution and enhance overall prosperity. By taking proactive steps to address these challenges, Bangladesh can create a more inclusive and prosperous economy that benefits all its citizens.

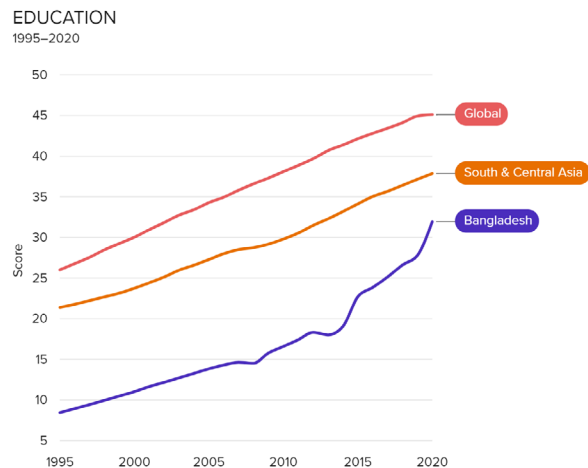
Education

Education is fundamental for empowering individuals and building a prosperous society where everyone can thrive.³⁹ By investing in education, societies can unlock human potential, drive economic growth, and foster innovation and creativity.⁴⁰ Moreover, education promotes social mobility and reduces inequalities by providing equal access to learning opportunities for all individuals, regardless of their background or circumstances. The Prosperity Index evaluates education through expected and mean years of schooling, acknowledging education’s pivotal role in shaping national prosperity and securing a brighter future for generations to come. We use data from the United Nations Human Development Index.

Education in Bangladesh has seen a commendable improvement of 23.5 points over the past three decades. In 1995, the country’s score stood at 8.4, ranking it 130th out of 164 countries. By 2022, this score had risen to 31.9, elevating Bangladesh’s ranking to 106th out of 164 countries.

Bangladesh’s education policies since 2015 have shown promise in expanding access and improving educational performance, translating into faster progress on the education component of the Prosperity Index. Extending compulsory education and focusing on early-childhood development lay a stronger foundation for learning.⁴¹ Initiatives like the 2014 Non-Formal Education Act provide alternative pathways for those outside the traditional system.

Figure 19. Education in Bangladesh Has Seen a Commendable Improvement



Source: “The Freedom and Prosperity Indexes.”

While the long-term impact remains to be seen, these efforts aim to create a more inclusive and well-rounded educational experience for all Bangladeshi children.

Despite this progress, Bangladesh’s performance in education continues to trail both the global and regional averages for South and Central Asia. Although the gap has narrowed over time, Bangladesh still falls short by 6 points compared to the regional average (37.9) and 12.2 points below the global average (45.1).

To achieve the ambitious Vision 2041 goals of increasing the adult literacy rate to 100 percent by 2031 and providing free education for up to twelve years, Bangladesh must adopt a holistic approach that address underlying issues within the education system. This holistic approach should encompass not only improving literacy rates and ensuring free access to education, but also focusing on the quality of education provided. It should include measures such as curriculum enhancements, teacher-training initiatives, and infrastructure development to ensure that education reaches all corners of the nation, especially marginalized communities and rural areas. Furthermore, initiatives to promote digital literacy and integrate technology into classrooms should be prioritized to equip students with the skills needed for the modern world.

Fostering strong partnerships with local communities and stakeholders can enhance parental involvement and community engagement in education, thereby fostering a more supportive learning environment. By adopting a holistic approach that addresses these multifaceted aspects of education, Bangladesh can truly achieve its vision of a society where every individual has access to quality education and the opportunity to thrive.

Environment

Environmental protection is vital for fostering a sustainable society where both present and future generations can flourish. It ensures the conservation of natural resources, prevents ecological degradation, and mitigates the impacts of climate change.⁴² By prioritizing environmental protection, societies can maintain a healthy environment for all living beings while promoting social cohesion and shared responsibility for the planet. The Prosperity Index measures environmental quality by using a proxy: death rates from air pollution from Institute for Health Metrics and Evaluation's Global Burden of Disease study. It does not measure other variables, such as water quality or deforestation.

Environment in Bangladesh has seen an improvement of 11.6 points over the past three decades. In 1995, the country's score stood at 50.6, ranking 118th out of 164 countries. By 2022, Bangladesh's environmental score rose to 62.2, but that progress is much slower than that of the rest of the world and pollution remains a challenge. Bangladesh's rank today fell to 144th out of 164 countries due to more rapid progress by other countries. Bangladesh outperformed the regional South and Central Asia average between 1995 and 2002. It has consistently underperformed this average since then, currently standing below it by 6.6 points (with the regional average score standing at 68.8). Furthermore, Bangladesh's environmental performance has consistently lagged far behind the global average. The gap has widened over the years, increasing from 14.2 points in 1995 to 15.7 points below the global average in 2022.

These trends indicate potential shortcomings in Bangladesh's environmental policies and practices. A prime example is the nation's ongoing battle with air pollution. The country was ranked as having the worst air quality in the world in 2023, with a staggering average of sixteen times above the recommended limit set by the World Health Organization.⁴³ This translates to an unhealthy Air Quality Index of 164, posing significant health risks to the population. One major contributor to this issue is the limited access to clean energy for cooking. With only 28 percent of the population having access to this resource, many residents rely on burning solid fuels like wood, coal, and animal dung. This practice releases harmful pollutants directly into the air, exacerbating the overall air-quality issue. Brick kilns, situated in close proximity to the city and often using dirty coal, are another major source of air pollution. The presence of numerous illegal kilns further intensifies the problem. Dhaka's notorious traffic congestion is also a contributing factor. A recent study ranked Dhaka as one of the world's worst cities for traffic flow, highlighting the negative impact of vehicle

emissions on air quality.⁴⁴ Heavy industry within the city contributes to air pollution as well.

To address these issues, Bangladesh should consider implementing more robust environmental regulations and enforcement mechanisms. Additionally, investing in sustainable-development initiatives, such as renewable-energy projects and waste-management systems, can help mitigate environmental degradation and improve overall environmental quality. A key focus should be on expanding access to clean-energy solutions for cooking, like liquefied petroleum gas (LPG) or biogas. Furthermore, raising awareness among the population about the importance of environmental conservation and fostering community engagement in environmental-protection efforts can lead to more sustainable outcomes. By taking proactive measures to address these challenges—including tackling air pollution through stricter regulations, cleaner energy sources, and promoting clean cooking solutions—Bangladesh can further enhance its environmental performance and contribute to a healthier and more sustainable future.

Minority Rights

Minority rights are essential for fostering a society where every individual is treated with fairness and dignity.⁴⁵ These rights provide marginalized groups with opportunities to fully participate in society, contribute to its development, and benefit from its resources. Upholding minority rights creates an inclusive environment where everyone can access education, healthcare, and economic opportunities without facing discrimination. Additionally, protecting these rights promotes social cohesion and harmony by fostering mutual respect and understanding among diverse communities. Prioritizing and safeguarding minority rights is fundamental for building a just and equitable society where everyone can thrive and contribute to collective prosperity.

The minority-rights indicator is measured through surveys on the acceptance of religious minorities. The level of acceptance of religious minorities is used as a proxy for the acceptance of minorities in general. This indicator specifies the extent to which individuals and groups have the right to choose a religion, change their religion, and practice that religion in private or in public, as well as to proselytize peacefully without being subject to restrictions by public authorities. We use data from the V-Dem dataset's religious rights indicator (v2clrelig).

Minority rights in Bangladesh have undergone a fluctuating trajectory over the past three decades, experiencing an overall decrease of 1.6 points. In 1995, the country's score stood at 74.4, positioning it 81st out of 164 countries. However, by 2022, Bangladesh's score for minority rights had decreased

to 72.8, dropping its ranking to 87th out of 164 countries. The concerning trend in minority rights is marked by two sharp declines between 1999–2005 and again between 2012–2014, resulting in an overall decline below the 1995 level.

Bangladesh houses a significant number of religious minorities, including Hindus, Buddhists, Christians, and indigenous communities. These groups have faced violence and discrimination for decades.⁴⁶ The situation for the Rohingya, a Muslim ethnic group that fled Myanmar in 2017 to escape a brutal military crackdown, is particularly dire.

The Rohingya crisis created the world’s largest refugee camp in Cox’s Bazar, Bangladesh. While Bangladesh provided refuge to the fleeing Rohingya, ensuring their basic human rights within the crowded and unsanitary camps remains a major challenge. The refugees face issues like violence, human trafficking, and limited access to education and healthcare.⁴⁷ The Bangladeshi government has taken steps to

address the crisis, including the construction of new shelters and improvements to sanitation facilities in the camps.

Beyond the Rohingya crisis, data show a lack of consistent progress and structured efforts to safeguard minority rights in Bangladesh. To address these issues, Bangladesh should consider strengthening legal frameworks and institutions to ensure the equal treatment and protection of minority communities, including religious groups. This may involve enacting anti-discrimination laws, establishing independent oversight bodies, and providing access to justice for victims of discrimination. Additionally, promoting social inclusion and diversity through education and awareness-raising initiatives can help foster a culture of tolerance and respect for minority rights. By prioritizing the protection of minority rights and addressing systemic barriers to inclusion, Bangladesh can create a more inclusive and cohesive society where everyone can fully participate and contribute to national development.

Table 3. Bangladesh Prosperity Rankings for the Years 2000 and 2022

	RANKING IN 2000 (out of 164 countries)	RANKING IN 2022 (out of 164 countries)
Prosperity Index	107	99
Income	136	112
Health	99	78
Inequality	64	57
Environment	118	144
Minority Rights	66	87
Education	126	106

FOREIGN DIRECT INVESTMENTS

The Foreign Direct Investment Landscape is Changing

A recent IMF report highlights the growing trend of “friendshoring.”⁴⁸ This term describes a shift in global trade practices in which countries prioritize economic partnerships with trusted allies over geopolitical rivals. This trend has significant consequences for China’s position as a dominant manufacturing hub and recipient of foreign investments.

Bangladesh is well-positioned to capitalize on this shift. While its current FDI inflows hover around just 0.4 percent of GDP, the country boasts a large, young workforce and a strategic location within Asia. If Bangladesh can address lingering concerns about infrastructure and bureaucratic hurdles, it can become a highly attractive destination for companies seeking to diversify their production bases outside of China. This friendshoring trend presents a golden opportunity for Bangladesh to attract a new wave of foreign investment and solidify its place as a major player in the global manufacturing landscape.

FDI inflows toward China are decreasing, particularly in strategic sectors like advanced technology and critical infrastructure.⁴⁹ This suggests a long-term shift in global investment patterns. Companies are

increasingly seeking alternative production bases in countries with more stable political and economic climates, potentially jeopardizing China’s ambitious plans for technological self-sufficiency.

This is coupled with a decline in investor confidence, fueled by ongoing geopolitical tensions. The US-China trade tension, marked by tit-for-tat tariffs, has created a climate of uncertainty for businesses. The recent Russian invasion of Ukraine has further exacerbated this trend, raising concerns about global supply-chain disruptions and the potential for wider geopolitical instability. This loss of confidence could lead to a significant slowdown in China’s economic growth, as businesses hesitate to invest in a market perceived as increasingly risky.⁵¹

While friendshoring presents a significant challenge for China’s economic dominance, it simultaneously opens doors for many developing countries. As companies reassess their global investment strategies and prioritize trade with trusted allies, these nations have a unique opportunity to step up and fill the void.

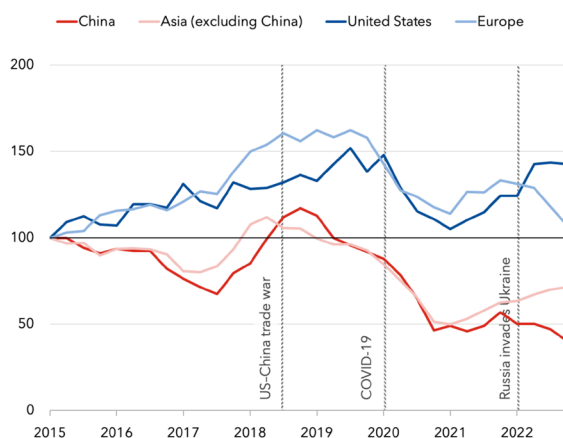
This shift in investment focus creates a new playing field. Developing countries with a track record of political stability and sound economic policies will be seen as more reliable partners.⁵² Additionally, streamlining regulations, implementing competitive tax structures, and fostering a skilled workforce will make these countries magnets for foreign investment.

Friendshoring can also lead to much-needed diversification of global supply chains. Developed nations are actively seeking alternatives to China, and developing countries can position themselves to become those alternatives. However, this hinges on their ability to demonstrate a commitment to progress. Investments in robust transportation networks, reliable power grids, and advanced communication infrastructure are crucial for building efficient logistics systems that can effectively compete with established players. Developing a skilled workforce that aligns with the needs of modern industries is equally important to attract foreign companies seeking a reliable and qualified labor pool. Finally, negotiating favorable trade agreements with developed nations can unlock access to lucrative markets and further incentivize investment.

Figure 20. FDI Fragmentation⁵⁰

Foreign direct investment flows in strategic sectors are diverging across regions, with China losing market share.

(Number of investments, four-quarter moving average, 2015:Q1 = 100.)

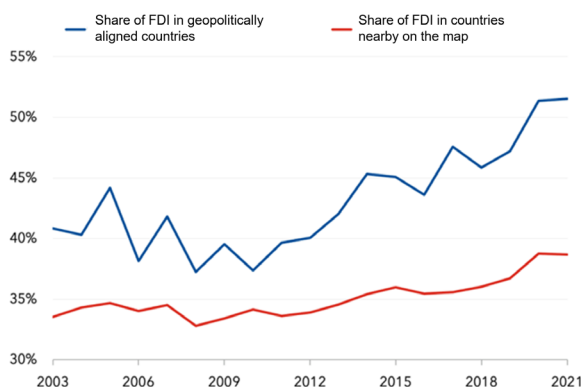


Source: fDi Markets; and IMF staff calculations.

Figure 21. FDI Flows to Friends⁵³

Foreign direct investment flows are increasingly directed to geopolitically close countries.

(Share of total FDI between geopolitically and geographically close countries.)



Source: Atlantic Council; Bailey, Strezhnev, and Voeten (2017); CEPII, Gravity database; fDi Markets database; NL Analytics; and IMF staff calculations.

Note: Figure shows the annual share of total foreign direct investment between countries that are either geopolitically or geographically close. Two countries are close if they are in the same quintile of the distribution of the relevant (geopolitical or geographical) distance from the United States. Geopolitical distance is measured by the Ideal Point Distance in Bailey, Strezhnev, and Voeten (2017).

Beyond the economic benefits, friendshoring presents an opportunity for developing countries to strengthen their geopolitical ties. By aligning with developed nations that share similar values and strategic interests, these nations can leverage this partnership to further their development goals. Closer partnerships can lead to increased foreign aid and technical assistance, accelerating development efforts. Additionally, collaboration with developed nations can facilitate the transfer of knowledge and technology, helping developing countries leapfrog stages of development and achieve more rapid economic and technological advancement.

However, it's important to remember that seizing these opportunities requires proactive measures. Bangladesh will need to invest in infrastructure, education, and fostering a transparent business environment. By taking these steps, it can position itself as an attractive alternative in the friendshoring era and capitalize on the shift in global economic power.

Free Countries Attract More Foreign Investments

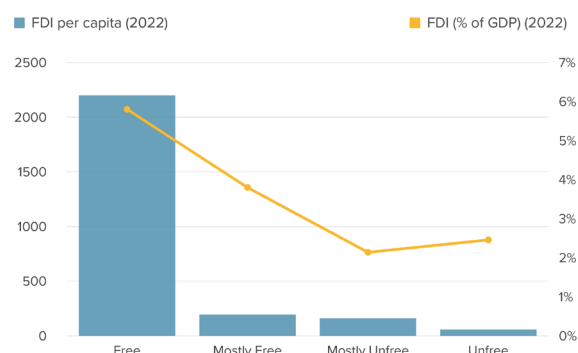
In this context, the Atlantic Council's Freedom Index helps us identify which countries attract more FDI and whether a country's freedom levels play a role.

Countries rated as "free" in the Freedom Index tend to attract the most FDI per capita, with an average of \$2,200 per person in 2022. On the other hand, countries labeled as "mostly free" receive less FDI per person. These countries may have some restrictions on economic activities or less developed legal and political systems, impacting their FDI levels. "Mostly unfree" and "unfree" countries receive far less FDI. These nations often face issues like political instability, weak property rights, and corruption, which deter investors. This correlation remains if we look at FDI levels as a percentage of GDP.⁵⁴

For policymakers aiming to attract more FDI, there are several key factors to consider. To help with this, we've analyzed how each aspect of the Freedom Index affects FDI as a percentage of GDP. In the table below, the more "+" signs there are, the stronger the relationship between that factor and FDI. Our analysis confirms that countries with higher freedom scores tend to attract more FDI. This suggests that a strong commitment to freedom is crucial for creating an environment that welcomes international investment.

In 2022, the landscape of foreign investment was significantly influenced by three factors: security, property rights, and bureaucracy and corruption. These areas represent crucial pillars upon which foreign investors base their decisions, and they collectively shape the investment climate of nations.

Figure 22. Free Countries Attract Significantly Higher Levels of FDI



Source: Atlantic Council's Freedom and Prosperity Indexes; World Bank data, 2022 foreign direct investment, net inflows (Balance of Payments, current US\$); and World Bank data, 2022 foreign direct investment, net inflows (% of GDP).

Table 4. Security, Property Rights, and Low Corruption Drive FDI

Indicator	Impact
Security	++++
Property Rights	+++
Bureaucracy and Corruption	+++
Clarity of the Law	++
Civil Liberties	++
Women's Economic Freedom	++
Trade Freedom	++
Elections	++
Investment Freedom	++
Judicial Independence and Effectiveness	+
Political Rights	+
Informality	+
Legislative Constraints on the Executive	Ø

Source: Atlantic Council's Freedom and Prosperity Indexes; and World Bank data, 2022 foreign direct investment, net inflows (% of GDP).

Attracting More Foreign Investments in Bangladesh

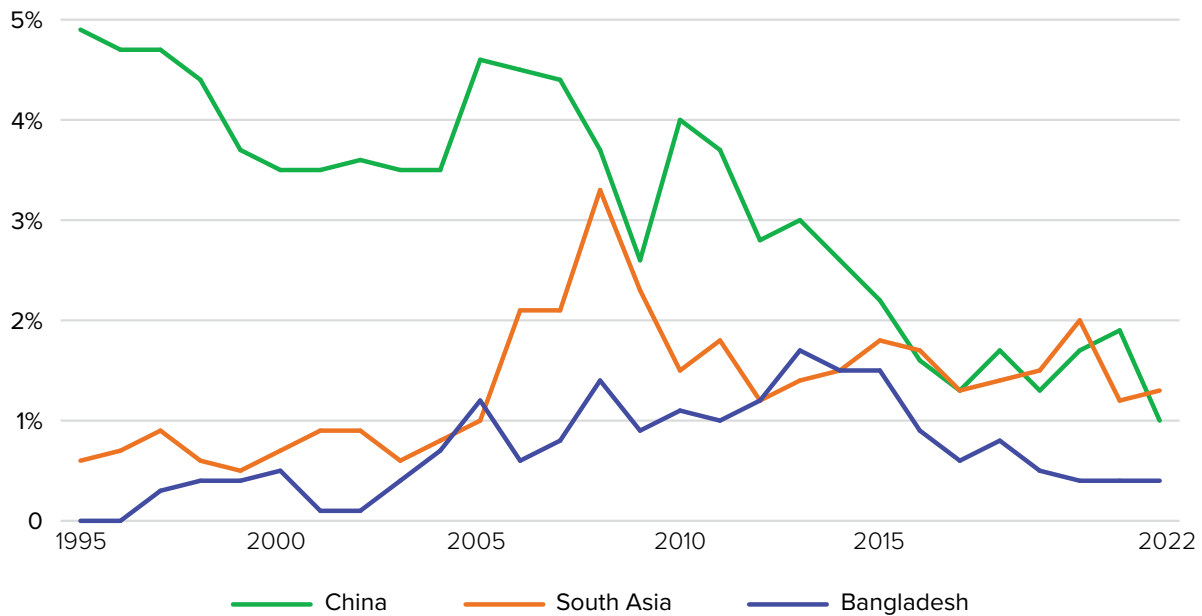
In the race for economic development, FDI acts as a powerful engine. It injects capital, expertise, and technology into a country, fueling job creation, infrastructure development, and overall economic growth. For Bangladesh, a nation with a young and vibrant population, attracting more FDI is critical to take its economic success story to the next level. While Bangladesh has achieved economic growth over the past few decades, its journey toward becoming a rich nation requires a significant boost in investment. Despite its potential, Bangladesh has consistently attracted less FDI compared to its neighbors. This gap hinders the country's ability to fully capitalize on its growth trajectory. By strategically attracting FDI, Bangladesh can unlock its vast potential and solidify its position as a major player in the global market.

Three factors have significant influence to attract foreign investments: security, property rights, and bureaucracy and corruption. In the case of Bangladesh, ample room for improvement exists across these domains.

Enhancing security measures not only instills confidence among investors but ensures the protection of assets and personnel, thereby mitigating risks associated with investment. Security is measured here in terms of perceptions of the likelihood of political instability or violence driven by political motives, such as terrorism. We use data on political stability and absence of violence/terrorism from the World Bank's Worldwide Governance Indicators for political stability and absence of violence/terrorism. Bangladesh ranks 131st out of 164 globally. It is crucial to prioritize investments in strengthening security measures. This could involve initiatives such as improving law-enforcement capacity, fostering dialogue between different political factions, and addressing underlying social and economic grievances that can contribute to unrest. By demonstrating a commitment to a stable environment, Bangladesh can attract more investors and promote sustainable economic growth.

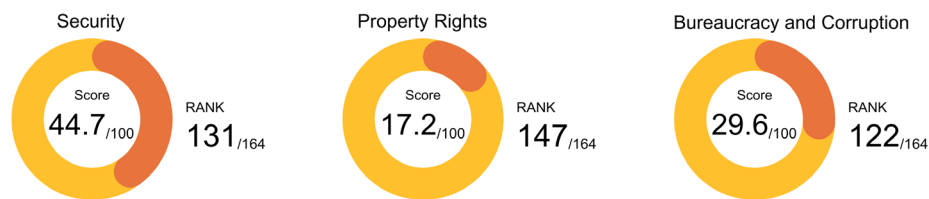
Similarly, strengthening property rights fosters a sense of security among investors by guaranteeing their ownership rights and safeguarding against unlawful seizures or disputes (see the section on property rights above). Addressing bureaucratic

Figure 23. Bangladesh Attracts Fewer Foreign Direct Investments than the Regional Average



Source: World Bank, Foreign direct investment, net inflows (% of GDP), <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=BD-8S-CN>.

Figure 24. Bangladesh’s Performance on Security, Property Rights, and Bureaucracy and Corruption



hurdles and combating corruption streamline business operations, reducing inefficiencies and costs while fostering an environment conducive to investment (see the section on bureaucracy and corruption above). By making strides in these areas, Bangladesh can pave the way for long-term prosperity. But these improvements will also help the country to solidify its position as a reliable trade partner on the global stage.

Bangladesh has the potential to become a major hub for FDI. By strategically addressing the key factors of security, property rights, and bureaucratic efficiency, the country can unlock its vast economic potential. Strengthening security measures through

improved law enforcement and political stability will demonstrate Bangladesh’s commitment to a safe and predictable investment environment. Similarly, robust property rights will give investors confidence in their ownership and reduce risks. Finally, streamlining bureaucracy and combating corruption will attract FDI and enhance Bangladesh’s reputation as a reliable and transparent trade partner. By focusing on these crucial areas, Bangladesh can unlock a new wave of economic growth, create jobs, and solidify its position as a key player in the global market. This strategic approach to FDI will propel Bangladesh toward its vision of becoming a prosperous nation.

AUTHORS

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