

BTI 2016 | Bangladesh Country Report

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This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

| | | | | | | |
|--------------------------|--------|-------|--------------------------------|-------|----------------------|--------|
| Population | M | 159.1 | HDI | 0.558 | GDP p.c., PPP \$ | 3124.4 |
| Pop. growth ¹ | % p.a. | 1.2 | HDI rank of 187 | 142 | Gini Index | 32.0 |
| Life expectancy | years | 70.7 | UN Education Index | 0.447 | Poverty ³ | % 77.6 |
| Urban population | % | 33.5 | Gender inequality ² | 0.529 | Aid per capita \$ | 17.0 |

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

The period under review was marked by a flawed election, a volatile political environment, heightened political violence and heavy-handed actions by the government that raised serious concerns about the prospect of democracy and revealed the fragility of the institutional basis of Bangladesh's democratic transition. The parliamentary election held on 5 January 2014 was boycotted by the nineteen party alliance led by the Bangladesh Nationalist Party (BNP). The election, in which a majority of the parliament members ran unopposed, created a de facto one-party institution with no institutional checks. The violence that engulfed the country throughout 2013 leading up to the election and which cost at least 500 lives subsided after the election; the country enjoyed relative peace and stability in 2014 while the opposition leaders faced persecution. The situation took a turn for the worse in early 2015, when the BNP called for demonstrations to mark the anniversary of the controversial election as "democracy killing day" and to demand that elections be held under a neutral caretaker government. The BNP-led alliance was forbidden to hold a public rally and the BNP leader, Khaleda Zia, was confined at the party office. The BNP then launched general strikes and imposed a countrywide blockade, in which violence was used as a political tool by its cadre to draw international attention. The government's decision to resort to heavy-handed tactics, including the arrest of opposition leaders and the targeted killing of activists by government forces, exacerbated the situation. Deaths from the political violence, clashes between the members of the law enforcement agencies and opposition activists, and extrajudicial killings perpetrated by law enforcement agencies continue to mount. As of 18 March 2015 (the time of this writing), there have been 116 fatalities of which 63 have been due petrol bomb attacks and 36 to crossfire. Repeated calls from the international community and from members of the civil society within Bangladesh for a dialogue to address the political impasse and shun the violence was rejected by the ruling party. The opposition also declined to scale down its agitation. The intransigent attitudes of both the ruling Awami League (AL) and the opposition created a political stalemate, causing suffering among ordinary citizens and damage to the economy. The country has lost \$15.5 billion as of March 15 and the loss to the garment sector –

the backbone of its export economy – was estimated at tk 843 crore. The clampdown on the media, both print and electronic, for criticizing the government continues.

The Bangladeshi economy continued to perform well despite the political uncertainty. The growth rate remained at 6%, slightly lower than projected 6.5%. Investor confidence slid due to political volatility and security risks. Banks suffered financial losses due to their inability to recover loans, and consequently the Central Bank was forced to write off a significant amount of bad debts. Political consideration, lax loan approval procedures and weak monitoring contributed to the bad debt situation. The balance of trade continued to be unfavorable with a deficit of \$5,314 billion from July to December 2014. The foreign exchange reserve continued to rise and reached a record high of \$23 billion in January 2015. The flow of remittances, although reduced by 1.6% in FY 2013-14, began to bounce back. Investment was 26.89% of the GDP in 2013. The country's energy sector has seen no significant progress although the country has started importing electricity from neighboring India. A massive national power grid failure in November 2014 resulted in a 24-hour nationwide blackout. Positive achievements in social development indicators over the past decades continued during the period under review; however, growing disparity and discrimination of women in society and the workplace remain matters of concerns.

Economically, the country suffers from the fact that 87.5% of the labor force is employed in the informal sector and only 12.5% are employed in the formal sector. The informal sector remains unregulated and deprives its workers legal protection. They are sometimes not paid minimum wage. The unemployment rate is a manageable 4.6%. There is an increase in primary education enrollment; however, dropout rates remain high. Social security network remains inadequate. Inflation remains high at 7%.

History and Characteristics of Transformation

Bangladesh became independent in December 1971 after a nine-month war with Pakistan. Since then, Bangladeshi politics has undergone a significant transformation, experiencing a variety of systems of governance, including prolonged military rule. Between 1972 and 1975, Prime Minister Sheikh Mujibur Rahman and the ruling Awami League (AL) adopted the parliamentary form of government and a command economy. To address the growing opposition to the regime, particularly from the ultra-left parties, Sheikh Mujib replaced the parliamentary government with a form of one-party presidential rule, declaring himself the president of the country.

The foreign policy of the new state focused on close political and economic relations with India and the Soviet Union. The regime advocated a secular nationalist ideology and adopted secularism, democracy, socialism and Bengali nationalism as four foundational principles of the state.

The military coup of August 1975 and the assassination of Mujibur Rahman resulted in a radical shift at both domestic and international levels. The military government under General Ziaur Rahman (1975–1981) promoted Bangladesh's relations with the West, the People's Republic of

China and the oil-rich Gulf countries. The new regime opened up the economy. General Rahman founded his own political platform in 1978 called the BNP. The BNP replaced Bengali nationalism with Bangladeshi nationalism, which emphasized the Muslim identity of its citizen. Religio-political parties, proscribed after independence, were allowed to operate in 1979. The Jamaat-i-Islami, which opposed the Bengali nationalist movement and actively collaborated with the Pakistani Army during the independence war, re-emerged on the political scene in 1979. However, given tensions within the Army, Zia was assassinated in 1981 in Chittagong. A year later, General Hussain Muhammad Ershad took power. During his rule, Islam became the state religion in Bangladesh and the role of the military in public institutions was strengthened. A popular uprising in December 1990 brought an end to the era of military and military-ruled governance.

The elections of February 1991 brought the BNP back to power under the leadership of Khaleda Zia. In a rare show of agreement between the AL and the BNP, the parliament unanimously amended the constitution and reintroduced parliamentary government in 1991. Power alternated between the BNP and the AL through elections held between 1991 and 2006. In late 2006, the country was plunged into chaos as the outgoing government and the opposition parties failed to reach agreement on various issues including who should be leading the interim government prior to the election. Street agitation, violence and months of uncertainty led to the appointment of a military-backed technocratic caretaker regime in January 2007. In the election held in December 2008, the AL-led alliance emerged victorious with an unprecedented majority in parliament.

The political situation started to become contentious after the government amended the constitution in July 2011, removing the provision that called for general elections to be held under a caretaker government. The BNP threatened to boycott the election unless the caretaker provision was reinstated. In 2013, the country once again plunged into a political crisis akin to the 2006 situation. Violence spread throughout the country as the BNP-led opposition called for general strikes and a blockade; the government dealt with these protests with force. Although the ruling party offered a small concession, inviting the BNP to join the election-time cabinet, the BNP stuck to its demand. Efforts by the envoy of the U.N. Secretary-General to mediate fell short of bridging the gap between the government and the opposition and thereby failed to ensure an inclusive election.

The election, participated in by the ruling party and its smaller allies, was held on 5 January 2014. A total of 153 candidates, more than half of the parliamentary seats, ran unopposed – a virtual disenfranchisement of more than half the population. The ruling AL won 233 of 300 seats. Voter turnout was an historic low: 39% according to the Bangladesh Election Commission (BEC), while press reports claim the turnout was about 20%.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Incidents of violence in 2013 and early 2015 demonstrated the problems the AL government faced in using force to suppress the opposition. An increasing proclivity towards an unrestrained and indiscriminate use of force by the government, especially against political activists of the opposition, is weakening the legitimacy of the government. The violence perpetrated by the opposition, particularly Islamists, also revealed the weakness of the state's capacity to control violence. Prolonged political instability in combination with the partisan influence over the civil administration – including law enforcing agencies, widespread corruption, the proliferation of small and light weapons, and the easy availability of handmade bombs – are the principal causes for the continuing deterioration of law and order. The impunity enjoyed by ruling-party activists, particularly the members of the student wing, has created an environment of fear and illustrated the weakness of the state apparatuses. The reemergence of Islamist militant groups such as the Ansarullah Bangla Team (ABT), smaller and highly dispersed right-wing extremist groups in various parts of the country, and extortionist groups supported by political elements also pose threats to stability and law and order. The success achieved since 2006 in taming the Islamist militant groups and disrupting their networks has started to wane. Criminal activities including robbery, abduction, drug trafficking, attacks on women and murder increased substantially.

The issue of national identity is a source of contention between two major political camps led by the AL and the BNP. The former underscores linguistic identity while the latter favors religion as a significant marker of identity. Islam was made the state religion in 1988 and reaffirmed so with the 15th amendment of the constitution in 2011, although the latter also reinstated secularism as a foundational principle. Islamist groups insist that Muslim identity is being undermined by the government, although the government plays up its religious credentials to seek legitimacy. Appeals by small indigenous tribal groups for recognition of their identity have received very

Question
Score

Monopoly on the
use of force

6

State identity

9

little attention. The peace accord signed between the government and Chakma rebels in the Chittagong Hill Tracts region in December 1997 brought an end to an insurgency, but the tension and conflicts between indigenous ethnic minorities and Bengali settlers have yet to be resolved as significant parts of the treaty, including land rights, have not been implemented. Leaders of the indigenous community have threatened to agitate against the government if the government fails to implement the treaty in its entirety.

Bangladesh's first constitution in 1972 was secular. Following the military coup of 1975, secularism and a ban on religious political parties were removed from the constitution in 1977. Islam became the state religion with the addition of the 8th amendment in 1988. The 15th amendment to the constitution, enacted in July 2011, reinstated secularism as a state principle, but also retained the status of Islam as the state religion. During the period under review, the issue of the nexus between religion and politics came to the fore. In February 2013, in the wake of a secularist youth movement demanding the death penalty for the Jamaat-i-Islami (JI) leader Abdul Qader Mollah after he was sentenced to life imprisonment by the International Crimes Tribunal, a self-proclaimed atheist blogger Ahmed Rajib Haider was killed by Islamist militants. In March 2013, Hefazat-e-Islam (Protector of Islam), an umbrella organization of Islamic scholars associated with privately operated traditional Qawmi madrassas, emerged as a political force. The alliance announced a 13-point obscurantist demand at a rally in April, which included the introduction of an anti-blasphemy law carrying the death penalty for anyone who "insults" Islam and the Prophet; an end to the pro-women development policy; a ban on men and women mixing in public; an end to "shameless behavior and dresses"; and a call for the Ahmadiyya sect to be declared non-Muslim.

Prime Minister Sheikh Hasina rejected the alliance's demand for the introduction of the anti-blasphemy law, but repeatedly stated that her government will follow the Medina Charter (signed by the Prophet Muhammad in 622 CE at Medina as a governing document). 2013 also saw a massive gathering of the Ahle Sunnat Wal Jama'at, an Islamic organization of the followers of Barelvi persuasion. The organization not only demanded that "atheist bloggers" be punished and called for the declaration of Ahmediyya as non-Muslims, but also urged the government to bring all the Quami madrassa under its control and to stop the "militant activities by Qawmis, Wahabis and followers of Moududi." During the spates of violence in 2013, members of the Hindu community and their temples were attacked. A total of 1026 incidents were reported by a human rights group, which included attacks on 125 temples and the desecration of 322 deities. The Buddhist community, especially those living in the southeastern parts of the country, particularly in the tribal areas of Chittagong and Cox's Bazar district, also faced a number of attacks. In rural areas, fatwas are regularly issued by village Maulvis, although such fatwas were banned in

No interference of religious dogmas

7

2001 by the Bangladesh High Court. The Supreme Court lifted the ban on fatwas in May 2011, but said that fatwas cannot be imposed.

Bangladesh has a basic administrative infrastructure throughout the country. Its operation is deficient due to a lack of resources, as well as the presence of patronage, widespread corruption and a politicized bureaucracy. There has been no significant improvement to the transport and communication network in recent years.

Basic
administration
5

2 | Political Participation

The 2001 election was the last election held under a neutral caretaker regime appointed by the outgoing government to conduct free and fair elections. With the passage of the 15th amendment in 2011, which abolished the system of caretaker government, parliamentary elections became contentious, and the opposition parties boycotted the election held on 5 January 2015. Voter turnout reached an historic low: 39% according to the Bangladesh Election Commission (BEC), while press reports claim turnout was about 20%. A total of 153 candidates, more than half of the parliamentary seats, ran unopposed – a virtual disenfranchisement of more than half the population. There were credible allegations that the BEC acted on behalf of the government to ensure that independent candidates and candidates from smaller parties withdrew. On the other hand, withdrawal applications of some candidates of the Jatiya Party (JP), including General Ershad, were rejected to demonstrate that the election was not one-sided. Prior to the national election, elections to five city corporations were held in mid-2013. These elections were attended – both in terms of candidates and voter turnout. Nominees of the BNP secured victories in mayoral elections. The local-level elections (upazilas, sub-districts, councils) were held in six phases from 19 February 2014 to 19 May 2014. Allegations of irregularities, vote rigging, snatching of ballot papers and attacks on opponent groups marred the elections. Candidates of opposition parties, especially the BNP and the JI, did well in the first two phases, which were reportedly not influenced by the BEC; subsequent phases saw a high rate of irregularities. The BEC turned a blind eye to these irregularities while the ruling party candidates achieved relatively better results. The parliamentary election and the upazila elections have demonstrated the lack of BEC neutrality.

Free and fair
elections
6

Constitutionally and legally, there are no bureaucratic and institutional hurdles for the functioning of elected representatives. However, due to violence perpetuated by the opposition, the ruling party has increasingly become dependent upon law enforcement agencies, such as the Rapid Action Battalion (RAB) and the Border Guards Bangladesh (BGB), and intelligence apparatuses, such as the National Security Intelligence (NSI) and Directorate General Defence Forces Intelligence (DGFI), to address political issues and to deal with the opposition.

Effective power to
govern
6

The nature, scope and extent of political violence in early 2013, in the wake of the election in late 2013, and early 2015 reveal the civil administration's weakness in governing beyond large cities and the diminishing influence of its power.

Civilian leaders (Hasina and Zia) have sought to instrumentalize the military for their partisan interests. Both political parties have tried to appease the army by purchasing defense equipment and providing them a stake in lucrative business deals. In past years, this trend has been amplified. Increasing involvement of the army in business ventures (such as hotels and banks), and the awarding of infrastructural development contracts (for building bridges and roads) to the army are cases in point. This trend is detrimental to the long-term civilian control of the military, although the military's role remains limited to the issues pertaining to their profession, as participation in the U.N. Peace Keeping mission remains a major priority for the army.

The constitution allows citizens to exercise their fundamental right of assembly "subject to any reasonable restrictions imposed by law." However, during recent years, opposition activists have increasingly faced adverse situations including being indicted on frivolous charges. The government forbade the opposition to assemble in Dhaka immediately before the election. In December 2013, the BNP leader Khaleda Zia was put under virtual house arrest until the election was over. Throughout 2014, the opposition was regularly denied permission to hold public gatherings. The denial of the permission to hold a public protest meeting on the anniversary of the controversial election of 5 January 2015 and the subsequent closure of the party's central office indicate the absence of constitutionally guaranteed rights.

On a positive note, the labor law was amended in July 2013, which now allows unions to be formed by workers at the readymade garments factories. Only a handful of unions had been recognized by the labor ministry. This was a major issue of contention between the international community and the Bangladesh government. The amendment to the law came after more than 1100 garments workers were killed in a building collapse on 24 April 2013.

During the period under review, Bangladesh experienced a significant deterioration of freedom of expression. Individuals, organizations and media have been intimidated and threatened by the security agency. The Information and Communication Technology Act (ICT), originally passed in 2006 and amended in 2009 and 2013, provides wide-ranging power to law enforcement agencies, including the right to arrest anyone without warrant and to detain them indefinitely. In March 2013, an official committee was formed to monitor blogs after Islamist parties and Islamic scholars alleged that a number of bloggers had posted blasphemous statements in their blogs. Widespread abuse of the ICT is reported in press. Two human right activists, Adilur Rahman Khan and Nasiruddin Elan, were charged under the act and detained for months. In April 2013, Mahmudur Rahman, the editor of the opposition-oriented Amar Desh, was arrested and was still behind bars during the writing of this

Association /
assembly rights
5

Freedom of
expression
4

report in March 2015. The government also shut down several TV channels, including Channel One, Diganta and Islamic TV. They were shut down as they attempted to cover unfolding protests in Dhaka in May 2013. The newly enacted National Broadcasting Policy (2014) puts several restrictions on the content of reporting and advertisements on the 46 government-approved media channels. Three journalists working for Inquilab were arrested for publishing “false” news. The owner of Ekushey TV, Abdus Salam, was arrested for airing a speech by Tariq Rahman, the son of the opposition party leader Khaleda Zia. In December 2014, Dhaka-based British journalist David Bergman was sentenced by the International Crimes Tribunal for contempt for questioning the official death toll of the 1971 war of liberation. In January 2015, in the midst of the political turmoil, five cabinet members, including the information minister, met with the owners of private television channels to advise the private television stations to broadcast “positive news” and to refrain from broadcasting reports that might “instigate violence and acts of sabotage.” In February 2015, the Editors Council, an organization of newspaper editors, complained that the government is infringing on press freedom. One human rights organization recorded at least 190 incidents of attacks, intimidation, violence and arrests targeted at journalists in 2014, and an additional 275 in 2013. One journalist was killed during this period, but no one has been prosecuted for these deaths or attacks.

3 | Rule of Law

Traditionally, the executive arm of the state enjoys prominence and exerts influence over other institutions. The legislature is usually subservient to the executive, particularly because of the huge majority of the ruling party and the strictures of Article 70 of the constitution, which prohibits legislators from acting against their party. The lack of intra-party democracy has worsened the situation, as the political career of a parliament member is entirely dependent on loyalty to the party leader (to the prime minister in case of the ruling party). The absence of an opposition party in the parliament has removed any real possibility of checks and balances. However, it is also true that in the past, opposition members tended to boycott the Parliament for 90 consecutive days and then join for one day to retain their seats. The appointment, transfer and promotion of lower-level judges remain administered by the executive instead of the office of the chief justice. Until recently, the Supreme Court enjoyed a certain degree of independence vis-à-vis the executive, but critics insist that this independence is quickly diminishing.

Separation of powers

5

Despite the official separation of the judiciary from the executive, some critical aspects of independence have yet to be achieved. Issues such as the basis of judicial appointments, security of tenure, and the ongoing patterns of political patronage and interference remain unaddressed. The appointment, promotion and transfer of the judges in the lower judiciary continue to be handled by the Ministry of Law. The

Independent judiciary

5

government has not restored Article 115 of the constitution, which makes consultation with the Supreme Court mandatory for appointments to the judicial service or of magistrates exercising judicial functions.

The government changed Article 116 via the 15th amendment to the constitution, which provides the power of posting, promotion and grant of leave, and the disciplining of persons employed in the judicial service and magistrates exercising judicial functions to the president, which “shall be exercised by him in consultation with the Supreme Court.” Executive control over the appointment process is exercised blatantly, evidently with the goal of outnumbering the judges appointed by the previous government.

The 16th amendment to the constitution passed by the parliament in September 2014 restored the parliament’s power to remove Supreme Court judges for their “misconduct or incapacity.”

Corruption remains an endemic problem in Bangladesh, permeating all levels of society. Application of law can vary depending on political affiliation. Tax evasion has been a major issue in Bangladesh. Misuse of public office for personal gain, nexus between politicians, law enforcement authorities and businessmen and bribery have become political norms. Corruption was so acute that the World Bank refused to fund the Padma Bridge project due to stock market scams, the collapse of share markets and the Rana Plaza incident, all indications of the nexus between corrupt officials, contractors, stock brokers, et al. The Anti-Corruption Commission is highly politicized; since 2009, it has become “a toothless tiger,” according to the former head of the commission.

Prosecution of
office abuse

3

The constitution of Bangladesh guarantees both fundamental rights and other civil rights, but its record in protecting these rights is poor. Political violence, extrajudicial killings, forced disappearances and killings in police custody were major sources of civil rights violations during the period under review. There were several rounds of violence that rocked the country and cost lives, primarily of innocent citizens. Civil liberties were severely constrained due to continued hartal (enforced closure of office, business and movement of vehicles), which was enforced by the opposition parties, bringing ordinary life to a standstill. A total of 507 people were killed in political violence in Bangladesh in 2013, making it the deadliest year since the country’s independence. Access to the police and judiciary remains costly and out of reach for ordinary people. 140 people have been killed since January 2015 in a spate of political violence, 66 of which died of burn injuries.

Civil rights

4

The government denies any extrajudicial killings although regularly reports of deaths due to “crossfire” or “gunfight,” where those arrested are killed while in custody of Police or RAB. Human rights groups insist on the involvement of law enforcement agencies, especially RAB, in the abduction of political activists.

Gender violence, such as domestic violence, acid attacks and dowry death, remains widespread. Women also face discrimination at the workplace and receive low wages. Violence against indigenous women is more acute, as they are easy targets during ethnic violence between the Bengali settlers and indigenous people.

There were a number of incidents of attacks on the members of the minority communities in 2013 and 2014. Both the government and opposition parties blamed each other for violence against the minorities. Clashes were reported between settlers and members of indigenous communities in the Chittagong Hill Tract region.

4 | Stability of Democratic Institutions

Although the democratic institutions are weak and fragile, they are capable of performing the task of governance in Bangladesh. However, the politicization of democratic institutions has made them ineffective. Factional politics have further weakened these institutions. Institutional checks and balances are weak and in some cases appear to be non-existent. The absence of an opposition party in parliament is also responsible for institutional paralysis. Local administrations and elected bodies have little or no power due to the centralized nature of governance and resource allocation. The judiciary is afflicted by political prejudice, making judicial fairness all but impossible, which further discourages people's faith in democratic institutions. A key structural impediment to the institutionalization of democracy in Bangladesh is the concentration of power in a variety of places: in the hands of one or two leaders within parties, and in one or two offices (e.g., the prime minister's office) within the governing structure.

Performance of
democratic
institutions

4

During the period under review, particularly since the beginning of 2015, the relentless violence, repressive measures by the state and highly partisan behavior by the civil administration have had an adverse effect on the commitment to democratic institutions.

Commitment to
democratic
institutions

5

Institutions that are crucial in any democracy, like an election commission, anti-corruption commission and judiciary, are perceived as partisan; their actions are questioned by members of the civil society and opposition political parties. There is a polarization of opinion regarding the legitimacy of the government and institutions, depending on which side of the political divide one is on. The military and some sections of the clergy have distanced themselves from the present crisis.

The army, which played a significant role in the caretaker regime in 2007-08, has maintained distance from politics since 2008.

5 | Political and Social Integration

Bangladeshi politics is dominated by two parties, the AL and the BNP, and is highly polarized. The political polarization is also based on ideological divisions concerning the historical roles of the two major political parties, but they do not differ much on their approach to politics. The level of polarization is so strong that the two political parties do not hesitate to play a game of destructive politics to pressure the government to fulfill their demands; they are even willing to risk the very existence of democracy in Bangladesh. The degree of voter volatility continues to fluctuate between 15% to 20%. This group comprises those who lack party affiliations and can make a difference to the support base of the two major party alliances.

The extensive polarization of Bangladeshi politics can be traced back to the bitter personal rivalry between Khaleda Zia of the BNP and Sheikh Hasina of the AL. Their personal acrimony has often overshadowed ideological cleavages. The incumbent AL leads the 14-Party Alliance and the BNP the 20-Party Alliance. The other two major political parties are the JI – a religio-political party aligned with the BNP whose registration with the BEC has been cancelled, making it ineligible to participate in future elections unless the decision is reversed – and the JP, led by former military dictator H M Ershad, which has switched alliances at various times and is currently the official parliamentary opposition party, although its leaders are members of the cabinet headed by Sheikh Hasina. The two dominant parties have grassroots organization and each has the support of about 35% of electorate. The JI's support base has remained small but loyal at about 7%; the JP's support base of about 10% is largely located in the northern part of the country. Other smaller parties play roles at critical situations.

Major political parties have strong organizations, operate in a hierarchical manner and follow well-planned command structures. They have student, youth, labor and women organizations as well as professional groups and cultural organizations. These groups play a vital role in interest aggregation and mobilization and help the party to provide political input for managing diverse interests. A culture of clientelism dominates all parties. Those who contribute money, provide muscle power or organize local-level support enjoy benefits when the party comes to power. These benefits include government contracts, access to jobs and business opportunities. The client groups help organize violence during blockades to help the political party to establish street superiority to pressure the government. They contribute to the volatile political situation. Clientelism is pervasive in Bangladesh, affecting administrative efficiency and governance and contributing to the further marginalization of the people at the bottom of the society.

Almost all parties, except the JI, have faced internal fragmentation since their inception. The BNP continues to face an internal feud between the old and new

Party system
6

guards. The incumbent AL has no immediate threat of fragmentation. The JP is facing an intense struggle between the party president, General Ershad, and his wife Raushan Ershad, who is the leader of the parliamentary party. The difference came to a head on the issue of the JP's participation in the election on January 5: General Ershad was reluctant to join the election while Rowshan Ershad favored participation.

Because of the polarization and politicization of Bangladeshi society, most interest groups are organized along party lines. There are religious and ethnic minority groups that are affiliated with the two major political parties. However, not all the social issues find equal emphasis in the agenda of these groups. Some of these, particularly the labor organizations, are designed to protect the rights of workers. Some cultural groups, especially those affiliated with the left political parties, promote pluralism. Non-government organizations (NGOs) play a pioneering role in pushing the agenda pertaining to the empowerment of women, girls' education, the protection of vulnerable groups, the rights of indigenous and minority people, and gender equality. Religious groups have gained greater influence in recent years. Some, especially militant groups like the Jaamatul Mujahideen Bangladesh (JMB) and radical groups like the Hizbut Tahirir, Hefajat Islami and ASWJ, aim to replace the democratic state with a religion-based political order, enhancing the role of Islamic values as a guide to social behavior. There are significant women's organizations that aim to protect the rights of women against social inequality and play pioneering roles in their empowerment. There are also legal aid organizations, which provide legal service to the poor, and human rights organizations.

Interest groups
5

Economic liberalization and the expansion of private sector have provided the business community with greater leverage over the policymaking process. Business organizations such the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) and the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) are increasingly vocal on political issues, and try to influence the government and political parties. In recent years, these groups are increasingly drawn into partisan politics.

Some of the NGOs have influenced legislation. They mediate and provide an interface between the government and society by bringing social issues to the attention of the government. They also generate informed debate by publicizing the problems faced by the groups they represent.

Commitment to democratic norms on the part of ordinary Bangladeshis is unwavering, and is reflected in the high and growing rate of electoral participation (55.46% in 1991, 74.96% in 1996, 75.59% in 2001 and 86% in 2008). The commitment to and approval of democracy was indicated by the voter turnout and the relatively peaceful elections of five city corporation boards in 2013. The controversial 2014 election had low voter turnout, but turnout increased significantly in the first three phases of the upazila elections held in February and March 2014.

Approval of
democracy
7

Nonetheless, Bangladeshis are critical of the quality of political leadership and the party system. Besides, due to the controversial nature of the 2014 election, the public perception of state institutions like the parliament is rather negative. They are seen as instruments of the ruling regime and many feel that their actions are politically motivated, given the patron-client relationship between them and the political authority. The army is seen as apolitical and neutral in the current political situation. There seems to be more trust in the army as an institution compared to other institutions in Bangladesh.

In a survey conducted by the International Republican Institute in February 2014, 59% of the people felt the country was headed in the wrong direction, compared to only 35% who felt the country was headed in the right direction. Of those who said the country is moving in the wrong direction, 86% identified political instability as the major reason. 52% of the people surveyed felt that the opposition should not have boycotted the parliamentary elections of 2014. Approval of democratic institutions remains high.

The homogeneity of Bangladeshi citizens serves as a major source of mutual trust and socio-cultural bonding. Furthermore, the country has a great variety of social organizations. These organizations vary in size and focus. Many NGOs are active in rural areas and provide programs aimed at alleviating poverty, empowering marginalized groups and women, and providing health training and basic education. NGOs such as the Bangladesh Rural Advancement Committee (BRAC), the largest NGO in the world, have established a countrywide network of operation points. The Grameen Bank has received international acclaim, including the Nobel Peace Prize, for its microcredit banking program. Islamic organizations have established networks focusing on economic development and access to education. They are often critical of the strategies of secular NGOs that promote women's rights. During the period under review, the government increased pressure on and oversight of non-governmental organizations. In mid-2014, the Bangladeshi cabinet approved the Foreign Donations (Voluntary Activities) Regulation Act 2014 (FDRA), which aims to regulate foreign donations received by Bangladeshi NGOs and international organizations based in Bangladesh. This draconian law will shrink space for the NGOs. Some of the provisions of the law contravene international covenant. For example, the law requires prior approval before anyone involved in voluntary activities travels out of the country for purposes connected with their work on the project. This is a potential violation of article 12 of the International Covenant on Civil and Political Rights, which provides individuals the freedom to leave any country, including their own. The draft is currently under review by a parliamentary committee.

Cultural organizations play a significant role in encouraging plurality, which can connect Bangladeshis belonging to diverse religions by emphasizing their commonality. For example, groups like Sammilita Sangskritik Jote and Bengal

Social capital
6

Foundation play prominent roles in promoting cultural elements like baul music, theatre and indigenous music. These functions are sometimes threatened by fundamentalist organizations that consider such celebration un-Islamic. In the past, there have been bomb attacks targeting cultural events like the Bengali New Year.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

The economic growth of the past decades has started to help reduce poverty. Data provided by the Bangladesh Bureau of Statistics (BBS) show that in mid-2014 the rate of poverty was 25.6% and that the rate has fallen by 0.8% in the past year. The 2010 household income and expenditure survey recorded the rate of poverty at 31%. Poverty was reduced annually by 1.7% between 2005 and 2010, and nearly the same rate has been maintained between 2010 and 2014. Despite these successes, the absolute number of people living in poverty remains high. The proportion of ultra-poor Bangladeshis, measured by food intake below 1,805 calories a day, was 12.4% in mid-2014, down from 13.1% in June 2013. According to the 2013 Millennium Development Goal report, the proportion of people living on less than \$1.25 a day has dropped from 70.2% in 1992 to 43.3% in 2010. The target is to reduce the figure to 35.1% by 2015. Regional variations exist with respect to the incidence of poverty; the number of urban poor has increased. An increase in labor force participation and a decrease in fertility and microfinancing have contributed to the reduction of poverty.

Socioeconomic
barriers
4

Members of the minority communities – religious and ethnic groups – have less access to employment and education. Limited access to employment also restricts access to social and economic networks necessary for upward mobility.

Female participation in the labor force has increased marginally from 39.7% in 2010 to 40.2% in 2013. According to the fifth Population and Housing Census of Bangladesh, conducted by BBS in 2011, economic activity remains highly skewed in favor of males, with whom participation is 66.0%, compared to a 9.8% participation rate for women. 19.1% of women own land, compared to 80.9% of men; 14.2% women own a house, compared to 85.8% of men. These statistics illustrate a sorry state of women's participation in economic activities. Most of the women find employment in the readymade garments sector and in other informal sectors where wages are extremely low. Low education among women also leads to poor employability, exploitation and less access to rights. Poverty, particularly extreme poverty, affects access to education, safe drinking water, nutrition, health and

sanitation, which contributes to extreme social marginalization. Extreme poverty creates opportunities for exploitation of the labor force, which by and large is willing to work for low wages on a temporary basis in factories that lack basic safety; these workers often work long hours.

Bangladesh was ranked 68th out of 79 countries in the 2012 Global Hunger Index (GHI). Acute and chronic undernutrition remains a serious challenge. Available data show that chronic undernutrition, or stunting of growth, is affecting an estimated 41% of children below 5 years of age. Approximately 7 million children are unable to develop to their full physical and mental potential, effects that last for a lifetime. A staggering 16% of children under the age of 5 are acutely undernourished. Life expectancy at birth has improved considerably. In 2013 it was 70 years compared to in 2005 when it was 67. In the general Human Development Index, Bangladesh ranks 142 out of 187 countries.

| Economic indicators | | 2005 | 2010 | 2013 | 2014 |
|---------------------------|----------|---------|----------|----------|-----------------|
| GDP | \$ M | 69442.9 | 115279.1 | 149990.5 | 173818.9 |
| GDP growth | % | 6.5 | 5.6 | 6.0 | 6.1 |
| Inflation (CPI) | % | 7.0 | 8.1 | 7.5 | 7.0 |
| Unemployment | % | 4.3 | 4.5 | 4.3 | - |
| Foreign direct investment | % of GDP | 1.1 | 0.7 | 1.1 | 0.9 |
| Export growth | % | 43.0 | 0.9 | 2.5 | 6.3 |
| Import growth | % | 38.1 | 0.7 | 1.2 | -0.9 |
| Current account balance | \$ M | 507.7 | 1168.0 | 2058.5 | -1677.3 |
| Public debt | % of GDP | 42.3 | 36.6 | 34.5 | 33.9 |
| External debt | \$ M | 18448.8 | 25751.7 | 27804.2 | - |
| Total debt service | \$ M | 801.5 | 1026.8 | 1644.0 | - |

| Economic indicators | | 2005 | 2010 | 2013 | 2014 |
|----------------------------|----------|------|------|------|------|
| Cash surplus or deficit | % of GDP | -1.0 | -0.8 | - | - |
| Tax revenue | % of GDP | 7.1 | 7.8 | - | - |
| Government consumption | % of GDP | 5.2 | 5.1 | 5.1 | 5.2 |
| Public expnd. on education | % of GDP | - | - | - | - |
| Public expnd. on health | % of GDP | 1.1 | 1.2 | 1.3 | - |
| R&D expenditure | % of GDP | - | - | - | - |
| Military expenditure | % of GDP | 1.0 | 1.2 | 1.2 | 1.2 |

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Market competition in Bangladesh operates under a weak institutional framework, with inequitable rules for market participants. There has been some streamlining of business regulations in the past decade, but continuing weaknesses have hampered entrepreneurial activities. These include an uncertain regulatory environment and the absence of effective long-term institutional support for private-sector development. Yet, Bangladesh registered consistent economic growth at an average rate of 6% in recent years. Market growth has been lopsided. Its major export item remains readymade garments. Furthermore, political instability has affected the country's export potential and losses have been extremely high. Tax revenue accounts for 80% of the government's revenue. The state's heavy reliance on tariffs as a source of revenue hampers entrepreneurial activities and increases the cost of trade. According to the National Board of Revenue, only 1% of the people pay income tax.

The government of Bangladesh has embarked on financial sector reforms for quite a few years but the pace remains slow. Market regulation also remains a major problem. Poor infrastructure and power sources have adversely impacted economic growth, productivity and efficiency. The quick-fix approach (such as supporting short term and expensive privately owned oil-based rental power plants), instead of a comprehensive policy to address the power shortage, has failed to improve the situation, although the government has been promising such steps since 2009.

In 2012, Bangladesh's central bank has allowed currency convertibility to encourage Bangladeshis to make investments outside of the country and to simplify other current account payments. Investors are allowed full repatriation of capital and are exempt from dividend tax and double taxation.

Market-based
competition
4

Foreign investment is protected under the Foreign Private Investment (Promotion and Protection) Act of 1980. Foreign private investors are provided fair and equitable treatment, protection from expropriation by the state and protection from state acquisition and repatriation of proceeds from sales of shares and profit. Bangladesh Bank now allows foreign investors to borrow from local domestic markets as well as to obtain working capital from their parent company. According to the central bank of Bangladesh, net FDI was \$244 million in July-August 2014, up from \$221 million in the corresponding period in 2013.

The state enjoys a monopoly over certain utility services like electricity, gas, telecommunications and port administration. In recent years, the mobile telephone market has opened up, but the state telecom company plays a dominant role both as a player and a regulator.

Anti-monopoly
policy
6

The long-awaited Competition Act was passed and enacted in 2012. This follows the Consumer Protection Act of 2011. The implementation of the Anti-Monopolies Law was entrusted to the Bangladesh Competition Commission (BCC). These laws provide safeguards against monopoly practices, but their implementation has been hampered due to a lack of political will from the relevant branches of the government and a lack of resources. For example, it took a year to set up the BCC and another year passed before a secretary was appointed in September 2013. Other effective measures are lacking, such as an anti-trust law to regulate the market.

The Bangladeshi press frequently reports on the existence of alleged cartels (described as syndicates) to control the purchase, distribution and sale of staple products such as rice, sugar and various other food products. It has been claimed that these cartels may exist in part due to wholesalers' monopolistic market power on the one hand, and to political and institutional support from the government on the other. Entrepreneurs have complained of a tacit protectionist regime that makes them uncompetitive. The government's control over the pricing of drugs is one instance that is subject to contradictory pulls: the government wants to control the pricing of lifesaving drugs while the private players want to recover the investment made in R&D as well as to make profit.

Trade liberalization was one of the most significant policy reforms carried out by Bangladesh in the 1980s. Since the 1990s, trade liberalization and export promotion have remained the central elements of Bangladesh's trade policy. Bangladesh embarked on a series of measures to remove trade barriers, such as the elimination of quantitative restrictions, the rationalization of tariff structures, full currency convertibility and other structural measures. It introduced a new export and import policy (2009-2012) for facilitating trade and making its domestic export market competitive. The goal has been partially achieved. Trade liberalization in

Liberalization of
foreign trade
7

combination with duty-free and quota-free access to the European Union and a number of other countries helped Bangladesh's exports increase exponentially. In 2007, it reduced the number of import restrictions from 60 products to 24. However, Bangladesh still has a highly protective trade regime in the region. According to the National Bureau of Revenue, a fixed 25% tariff is imposed on all imported finished goods. However, the tariff for intermediate goods, raw material and machinery that are imported to produce export-oriented products is extremely low and in some cases zero. The country's restriction on finished products due to higher tariffs is oriented towards discouraging the import of finished product while boosting its own export base.

Its external debt as a percentage of GDP has been reduced from 20.3% in 2010 to 17.5% in 2013. The structure of Bangladeshi export has undergone a change: manufactured products now constitute 94.8% of total exports. According to the country's central bank, export as a percentage of GDP was 23% in fiscal year 2012, and has now increased to 26.2%. External debt as a percentage of GDP was reduced to 18% in FY13 from 20% in FY 2010.

To facilitate trade and boost exports, the government has established exclusive export processing zones in order to protect the domestic market. The Bangladesh Export Processing Zones Authority (BEPZA) is responsible for investment in these zones. Investors are allowed a full repatriation of capital. They are also exempt from dividend taxes and double taxation. Eight export processing zones are currently functioning.

Foreign investment is protected under the Foreign Private Investment (Promotion and Protection) Act of 1980. Foreign private investors are provided fair and equitable treatment, protection from expropriation by the state, protection from State acquisition and repatriation of proceeds from sales of shares and profit. Bangladesh Bank now allows foreign investors to borrow from local domestic markets as well as to obtain working capital from their parent company. The FDI increased to \$1.59 billion in FY 2013, up slightly from \$1.29 billion in FY 2012. Most of the investments, however, came from reinvested earnings. Total new investment was \$540 million in FY 2013, up 19% from the previous year. According to the central bank of Bangladesh, net FDI was \$244 million in July-August 2014, up from \$221 million in the corresponding period in 2013. However, an adverse investment climate also affects private-sector investment. Sometimes two or three ministries are involved in import clearance, which causes delay. Other measures, such as sanitary and phytosanitary standards, licensing, and technical inspections, act as major trade barriers.

India remains an important trading partner of Bangladesh; bilateral trade has improved significantly since India unilaterally granted Bangladesh duty-free, quota-free access to all items except 25 tariff lines consisting of tobacco and alcohol as of

November 2011. At present, Bangladesh imports more than \$5 billion of goods from India, mainly cotton yarn and fabric that feeds into its export industry. It exports \$456.63 million of goods. Both countries are significantly engaged in improving connectivity. India is funding a large number of infrastructure projects under the \$1 billion credit line that was extended. \$200 million is now considered a grant. This will help the Bangladeshi investment environment and is likely to boost trade. India, Bangladesh, Nepal and Bhutan have formed a joint commission to improve connectivity in the region.

The structure of the Bangladesh finance system comprises public, private and foreign banks, including microfinance institutions engaged in providing small loans. In 2013, Bangladesh had four state-owned commercial banks (SOCB), 39 domestic private commercial banks and nine foreign commercial banks. It also has four non-scheduled banks and 31 non-banking finance institutions (NBFI). As of December 2013, out of 31 NBFIs, 27 warranted supervisory concerns after reporting a deterioration in asset quality. There are several other finance institutions specializing in providing loans to the housing sector: 62 insurance companies, 54 merchant (investment) banks, 119 registered cooperative banks and 675 registered microcredit organizations. Of the ten large microfinance institutions, Grameen Bank holds 87% of savings in this sector and 81% of outstanding loans. The government also established the Microcredit Regulatory Authority Act in 2006 to regulate the activities of these microcredit institutions. SOCBs are controlled by the finance ministry.

Bangladesh Bank, the central bank, has introduced a coordinated supervision framework to regulate the activities of these banks and to maintain financial stability. The Bank Company (Amendment) Act was passed by Bangladeshi parliament in 2013 to enhance the central bank's regulatory power. There is a base-rate monitoring system for NBFIs. Revision to the Bank Companies Act of 2013 gave more power to the central bank to control the State Owned Commercial Banks.

Despite this, the banking sector has not been able to perform efficiently. A high rate of interest has resulted in excess liquidity while loans are being provided on political consideration, often leading to default. In addition, the banking sector continues to have a non-performing loan portfolio that is critically large, particularly in the case of SOCBs. In December 2013, the rate of non-performing loans or defaulters was 28.76% in SOCBs, 29.39% in specialized banks, 7.3% in private banks and 6.2% in foreign banks. Around \$2 billion of loans were written off; in December 2013, some loans were rescheduled, taking into consideration the political unrest in the country, which may have led to business losses. However, by the end of March 2014, bad loans (those that have defaulted for 3 to 9 months) reached 76.34% of the total defaulted loans. The government-owned Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank held the largest amount of bad loans, amounting to \$2.45 billion by the

end of March 2014. The state-owned BASIC Bank recorded nearly half of its total loans as bad loans.

In contrast, the Islamic banks have performed better. Among the eight Islamic Banks, 6 banks have a Capital Adequacy Ratio of greater than 11% in 2013. Investment-to-capital ratio in the Islamic banks was 39.88%, while it was 59.8% for others banking industry.

The government has finally taken over the Grameen Bank, the Noble Prize-winning institution known for the global microcredit revolution. The Grameen Bank bill, which came into effect in November 2013, has made the institution accountable to the central bank. This culminates the efforts of the government to bring the bank under its control, which started with the removal of Professor Yunus from the position of managing director in 2011. There was international criticism for these steps and fear that this will stifle innovation within the institution and take away control from the owner-borrowers. With the tenure of the nine elected female board members expiring in mid-February 2015, the bank will now be operated by the government-appointed board of directors.

The government has taken a number of steps to stabilize the capital market, drawing particularly on the experience of the stock market crisis of 2012. The process of demutualization in the Dhaka and Chittagong stock exchanges has begun to separate the ownership, management and trading of the stock exchanges. Merchant Banker & Portfolio Manager Regulation has been implemented, which is expected to ensure further transparency, accountability and expeditious functioning of the merchant banks. It has been made mandatory for sponsors and directors of the listed companies to hold 30% and 2% of shares of the company respectively, so that public faith in the stock market is restored. The stock market exhibited volatility in anticipation of political instability in 2013 and 2014. Investor confidence is lacking due to market volatility, which is affected by free-float shares. Fourteen new companies were listed on the Dhaka and Chittagong stock exchanges; trading of shares of one of these companies was suspended and the company investigated for suspicious price fluctuation.

8 | Currency and Price Stability

Inflation remained a major problem during the period under review. The general inflation rate stood at 6.5% in 2014. There was a sharp increase in food prices due to political unrest and violence between October 2013 and January 2014. Food inflation in December 2014 stood at 5.86%, a drop from 9% in December 2013 while non-food inflation increased to 6.48% from 4.88% in December 2013. The fluctuation in

Anti-inflation /
forex policy

6

food and non-flood inflation from month to month is marginal. Targeting of inflation has been fairly successful.

To stem the volatility of the currency market, Bangladesh Bank purchased \$5.1 billion from the open market. Total foreign exchange reserves stood at \$23 billion. Since February 2012, the exchange rate versus the U.S. dollar has increased steadily. The country's exports have increased and merchandise trade account imbalance has contributed to the increase in the exchange rate. However, during the period under review, the exchange rate stabilized, although the taka appreciated in real effective terms against the U.S. dollar through 2014 by 6.3% because of the nominal appreciation. The taka appreciated by 0.5% in September 2014 when compared to the taka-dollar exchange rate in September 2013.

It was feared that the depreciating dollar would have adverse impact on remittances and export. The steady inflow of remittances, which stood at \$14.2 billion in 2013-14, has contributed significantly to the balance of payment situation. The overall money supply increased in October 2014. There was a 13% rise (\$92.55 billion) in reserve money growth compared to October 2013. This could have been induced by the high growth in the central bank's foreign assets, which grew to 39.1% in August 2014 while its domestic assets declined.

Overall, Bangladesh experienced macroeconomic stability in the period under review. The relative political stability helped to maintain macroeconomic stability. There were mixed signals with respect to macroeconomic performance. Positive trends include export growth close to the target, stability in the exchange rate, a comfortable balance of payment and accumulation of foreign exchange reserve. But GDP growth fell short of the target and remained static, private investment was sluggish, revenue recorded a shortfall, remittance inflow declined and net foreign aid was lower. Declining global commodity prices helped to achieve stability.

Bangladesh is working towards fulfilling its commitment under the Extended Credit Facility of the IMF. It has strengthened tax administration as well as fiscal revenue and has improved on Value Added Tax (VAT) collection. Revenue collection reduced in the last seven months of the current financial year. 45 days of political violence and a blockade from July 2013 to January 2014 cost the country 1% of its GDP. Budget deficit is estimated at 5% for this fiscal year. According to a World Bank report, Bangladesh remains at a low risk of external and public debt distress. In 2013, its debt-to-GDP ratio was 18% of GDP.

However, the macroeconomic stability may face a serious challenge in the later part of the 2015, as the country has plunged into another political crisis in early 2015 and had undergone almost two months of blockade and violence by the writing the report in early March 2015.

9 | Private Property

Bangladesh has well defined laws and constitutional rights that stipulate that all citizens shall have the right to hold, acquire, transfer and dispose of property. However, women do not enjoy the same right of inheritance as men because property rights are based on the customary and personal laws of each community. In the Chittagong Hill Tracts, land ownership is a major problem and a primary driver for the sporadic violence in this region. Land transfer and acquisition is based on the Transfer of Property Act of 1882 and the Registration of property Act of 1908. The process of transfer is complex and registration is costly. Encroachment and illegal occupation of property belonging to vulnerable people is a major concern. Judicial processes dealing with property disputes are slow; consequently, extrajudicial means of settling ownership disputes are often resorted to by the people, particularly in rural districts. According to the Doing Business 2015 report, registering property in Bangladesh requires eight procedures, takes 244 days and costs 7.2% of the property value. Bangladesh ranks 184 in the ranking of 189 economies as far as registering property is concerned.

Property rights
6

The privatization process in Bangladesh began in 1982 with the announcement of the New Industrial Policy (NIP), followed by the Revised Industrial Policy in 1986, which encouraged foreign investment and liberalized import-export incentives. The Board of Investment was set up in 1989 as a regulatory authority. The Privatization Board (PB) was set up in March 1993 (renamed the Privatization Commission in 2000) to accelerate the process of privatization. Private companies are encouraged to invest in Bangladesh and are given tax holidays to encourage investment. They are also permitted to generate capital from foreign sources. Private companies are provided with concessionary duty on imported capital machinery. The government ensures legal protection to private industries, which can seek investment from foreign sources and companies. Foreign investors in private companies are allowed to repatriate the proceeds of sale and profit. Such provisions help private companies to expand business.

Private enterprise
7

During the period under review, the government continued to privatize State Owned Enterprises (SOE) through a bidding process that allows both local and foreign buyers to participate. The privatization process is consistent with market principles. With only a few sectors classified as essential services, the government has an open-door policy towards private investment and the Board of Investment has framed rules and regulations to facilitate privatization.

Although private-sector participation is generally encouraged, state companies are given subsidies to make them competitive. Except for some core areas, private companies are engaged mostly in the garment sector and construction business. In August 2010, the government introduced a policy and strategy to partner with the

private sector in developing the infrastructure and service sector. In the 2013-14 budget, 3.29% of total allocation has been proposed for Public-Private Partnership (PPP). The private sector remains a major source of employment and many of the owners are affiliated with political parties.

10 | Welfare Regime

The state-funded welfare system is extremely important for the survival of the vulnerable groups, although it remains deficient in coverage and is limited in the extent of the protection it offers. The concept of corporate social responsibility is gaining ground. The NGOs are at the forefront of empowering the poor.

Social safety nets
4

As of late 2013, there are a total of 95 programs operating under the social protection system funded by the government. These programs include an old-age pension scheme, a pension for widowed and distressed women, a program aimed at vulnerable group development, a maternity allowance program, secondary stipend programs for women, open market sales during times of food grain price inflation, a public food distribution system, natural disaster programs and the provision of shelter. In the 2013-14 budget, social protection programs constituted 8.92% of the budget and 1.67% of the GDP; social empowerment constituted 2.49% of the budget and 0.47% of the GDP. Around 30.1% in rural areas and about 25.3% of all the families fall under the social safety network. The government spends 4.9% of its total budget on health, nutrition and family welfare.

Equal opportunity for both men and women to participate in political, economic, cultural and social activities are guaranteed in the constitution, but inequality is palpable on various dimensions, including that of gender, ethnic and religious confession. Tribal and indigenous ethnic groups face systemic discrimination and intimidation from the government and from society at large. Discrimination is latent, systemic and embedded within the structure of institutions, impeding equal access to participation in society.

Equal opportunity
4

Nevertheless, in the past decade, women's access to education has increased significantly. The net enrollment ratio in 2013 for girls in primary school was 98.4%, compared to 97.3% for boys. The dropout rate among female students remained higher. According to Ministry of Education data for 2011, which is the latest available data, enrollment of girls in secondary school is 53.61%, 53.23% for madrassas and 47.47% for college. However, completion rates for girls in secondary school is 40.16%, compared to 47.78% for boys; in madrassas, secondary level (Dakhil) completion is 44.33% for girls compared to 58.75% for boys; in higher secondary education, the completion rate is marginally higher for girls, which stands at 74.93%, compared to 73.66% for boys. The literacy rate among females is lower: according to the 2011 survey, 51.2% of women were illiterate as opposed to 45.4% of men.

Female participation in the labor force has increased marginally from 39.7% in 2010 to 40.2% in 2013. The wage differential between genders is also striking.

11 | Economic Performance

The Bangladeshi economy remained resilient despite an adverse political environment, especially the unrest and violence ahead of the 2014 elections. The growth rate was on average 6% during the period under review. However, there is trend of decline; from 6.71% in 2010-11 to 6.23% in 2011-12 to 6.03% in 2012-13. Per-capita income increased to \$1,190 in the financial year 2013-14. However, income inequality remains a major challenge. While the unemployment rate was 4.6% according to the 2013 ILO report, underemployment was 20.31% in 2010. Labor force participation increased from 58.5% in 2005-06 to 59.3% in 2010. Inflation remains at 7%. The current account balance as a percentage of GDP rose to 1.9% in fiscal year 2013 compared to 0.4% in 2012. In 2013-14, it is estimated at \$1,791 million. Tax revenue is a major source for budgeting in Bangladesh and constituted 10.4% of GDP in 2011. The agricultural sector witnessed a growth of 3.3%, compared to 2.5% in 2012-13; the service sector grew 5.8% compared to 2012-13. However, the manufacturing sector saw a decline from 9.6% in 2012-13 to 8.4% in 2013-14. External debt-to-GDP was reduced to 18% in FY 2012-13 compared to 20% in 2010. Foreign Direct Investment was 6.4% of GDP in 2013. Bangladesh has a favorable trade balance due to a moderate decline in imports, which constituted 26.2% of GDP.

Output strength
7

12 | Sustainability

Concerns about the possible effects of global climate change have led to robust public discourse, insightful research projects and policy interventions in recent years. Yet, the enforcement of environmental policies and regulations is often deficient.

Environmental
policy
6

The government and civil society are engaged not only in raising awareness but also in devising policies to mitigate projected effects. Environmental clearance has become mandatory before setting up industries in Bangladesh. An Effluent Treatment Plant (ETP) is being established to treat industrial pollution. The National Energy Policy, Industrial Policy 2010 underscores the use of renewable energy. The government has established a Sustainable and Renewable Energy Development Authority to promote renewable energies like wind energy, solar energy, hydropower and biomass, which is helping the rural electrification program. The government has also adopted pro-investment policies to encourage private-sector investment in the renewable energy sector. It is distributing energy efficient CFL. Industries need prior environmental clearance from the department of environment with an environment assessment report and details of pollution control mechanisms to be put in place

before they are given a certificate. Environmental education is part of the school curriculum. Climate dimension expenditure (the total sum of expenditures of any programs that include climate elements) and climate-relevant expenditure (weighted average climate dimension expenditures, adjusted based on the relevance to climate change of each program) were 25.67% of the budget (4.67% of GDP) in 2012-13 and 21.66% of the budget (4.05% of GDP) in 2013-14.

Quality of education remains a problem, even though the National Education Policy of 2010 outlines this as one of its objectives. There are 85,000 government and non-government primary schools in the country, of which 26,284 are privately run or NGO-managed primary schools. In 2013, the government announced that it would nationalize all primary schools and establish 1383 new primary schools in villages with no primary schools. A total of 9,441 Islamic seminaries, called madrassas, operate under government supervision, which provide diplomas equivalent to secondary, higher secondary, baccalaureate and master's degrees. Another strand of unsupervised privately operated madrassas exists; the number of institutions within this strand is unknown, but some media claim there are 38,000.

Budgetary allocation for education has remained low for decades. Only 2.11% of GDP was allocated to education in 2013.

The net enrollment of students at the primary level has increased in recent years and currently stands at 93.52%. The proportion of boys and girls who are enrolled is 49.5% and 50.5% respectively. The high rate of student success on standardized tests (primary, secondary and high secondary) has raised serious concerns among many. Critics have argued that quality has been compromised to demonstrate the success of the government in providing educational opportunities to citizens. The government has training institutes to train primary school and madrasa teachers, yet a quality monitoring system is lacking.

The state educational institutions are failing to attract good teachers due to low salary compensation vis-à-vis private educational institutions, particularly at the secondary school level. While the number of private universities has increased significantly, most of them are found to be deficient in providing quality education.

Figures for investment in research and development are not available, but it is clear that scientific research and technology development has not received due attention.

Education policy /
R&D
4

Transformation Management

I. Level of Difficulty

Bangladesh continues to remain a development paradox, as it has achieved considerable social gains and fairly impressive economic performance in the past decade despite governance that is rated as very poor by almost all standards. On the economic front, the country faces several constraints in achieving its potential. A quarter of the population is extremely poor. Frequently it faces severe natural disasters like cyclonic storms, floods; a famine-like situation occurs in the northern areas during the annual drought season. Natural disasters impel migration from rural to urban areas, mainly to Dhaka and Chittagong, which puts stress on basic amenities like health facilities and educational institutions while creating underemployment. Population growth, although it declined substantially in the past decades, also leads to encroachment on public land and water bodies in urban areas where land is scarce.

Structural
constraints

7

Infrastructure also remains a major problem. Bangladesh has 3,812 kilometers of National highways, 4,246 kilometers of regional highways and 13,242 kilometers of feeder roads. The Bangladesh railway network covers 32% of Bangladesh and a major part of the railway network has a meter gauge line. In addition, the nation's port facilities cannot handle large cargoes. Since waterways have emerged as a major communication network, dredging of waterways is a problem. In the years under review, the government has been constructing the Padma Bridge, modernizing the ports of Chittagong and Mongla and privatizing the operational activities of the port for effective decongestion. It is also modernizing river ports to handle cargo.

Bangladesh has a long tradition of civil society associations. This can be traced back centuries to the existence of community organizations and voluntary activism. However, the concept of civil society has transformed in the post-independence era, particularly with the emergence of NGOs. Non-governmental organizations focused on development issues, civic organizations for education, human rights organizations, and organizations working to raise awareness on social and political issues are active in both urban and rural areas. NGOs engaged in empowerment programs for marginalized groups, poverty alleviation, and health care and education have a notable record of success. Islamist groups also have their own networks and religious institutions to propagate Islam.

Civil society
traditions

6

Some civil society organizations are at the forefront of protecting minority rights and have resisted threat and intimidation. Civil society organizations are active in urban areas and have intervened effectively in a number of cases on issues of women's rights and minority rights. In rural areas, NGOs play an active role in bringing women to the forefront of society.

In recent years, particularly during the period under review, the concept of civil society has come under fire. On the one hand, some of the civil society organizations and members of civil society have become embroiled in partisan disputes, while on the other hand, many have become targets of vilification by the ruling party and its supporters due to their critical stand on issues like human rights and democratic practice.

The level of political polarization between the two major parties is high. This has encouraged intolerance and social conflict while creating deep schisms within the society at large. Use of violence as a political tool is widespread. The repeated incidences of violence and the obdurate attitude of the ruling party and the opposition during the period under review are indicative of a deep-seated structural problem. The intensity of the conflict has grown and seems to be on an upward trajectory.

Conflict intensity

8

Ethnic conflict occurs at regular intervals. Violence against indigenous people has a long-standing political history. Several incidents of attacks on local indigenous people of the Chittagong Hill Tracts by security forces were reported by the media. The dwindling share of indigenous population in the CHT, from 97.5% in 1947 to 51% in 2014, bears the mark of planned settlers programs. The population of Hindus, which was more than 25% in 1971, has decreased to 8.5% as of the 2011 census.

Religion, particularly the political use of religion, has emerged as a source of schism and has contributed to the intensification of conflict. Although the role of religion in public life has always been an issue of debate among Bangladeshi citizens, it took the center stage of public discourse in early 2013. As the demand for the banning of the JI gained ground in the wake of the verdicts of the International Crimes Tribunal (ICT) against the JI leaders for their involvement in the genocide perpetrated in 1971, and a grassroots movement called Shahbagh Uprising emerged in February, religion has become a wedge issue. Islamists have alleged that the Shahbagh movement intends to demean Islam; they also portrayed Shahbagh leaders as "atheists." The dramatic rise of Hefazat-e-Islam and the hardened opposition to this force reflects this schism.

II. Management Performance

14 | Steering Capability

Political parties in Bangladesh have exhibited very limited steering capacity to initiate economic and political transformation. Bitter party rivalry has led to political stagnation and administrative deadlock, consequently paralyzing society. Within this political culture, compromise and consensus are regarded as defeat. Many of the reform measures enacted through ordinances during the military-backed caretaker government (CTG) rule (2007-08) were not approved by the parliament after the elections in 2008. Attempts in 2013 to bring both parties to the negotiating table by civil society groups, the international community and the United Nations were ineffective. The parties, especially the ruling party, showed no flexibility in making a compromise possible. The BNP also did not want to compromise on its stance on a caretaker government. The refusal of the ruling party to hold dialogues, even after the controversial 2014 election, has stalled the democratic transition and made fears of a return to authoritarianism palpable. This obstinacy pushed the country into another cycle of violence in early 2015. There is virtually no opposition in the present parliament; major policy decisions are steered by the prime minister and, given her position within the party, no one has the capacity to question her without losing his or her position.

Government remains committed to strengthening the market economy and encouraging investment. However, because of political polarization, widespread patronage and corruption, success in implementing enduring reforms remains very limited. Its attempt to provide a stable government after the controversial election in 2014 has not achieved success due to the absence of consensus, a lack of respect for democratic practices, a lack of space for dissent, a heavy-handed approach in dealing with political differences and the adoption of violence by the opposition parties.

While the politicization of bureaucracy and the police is nothing new in Bangladesh, it has surpassed all previous levels in recent years. Partisan appointments to bureaucracy, law enforcement agencies and the judiciary have weakened the legitimacy of the state institutions and the ability of the government to implement policies effectively.

The government's efforts to revitalize markets have seen little success due to the political stalemate and continuing instability. There has been a lack of coordination between the various regulatory bodies that control capital markets. Frequent policy

Question
Score

Prioritization
3

Implementation
5

changes by various regulators, which have been influenced by political consideration, have played a significant and detrimental role.

The government demonstrates little willingness or capacity regarding policy learning. Political polarization, personal rivalries between the two parties' key leaders and a culture of intolerance and clientelism have remained the defining characteristics of Bangladeshi politics. While the need for structural change in the country's political system is well recognized, there is little hope that it can take place under the current leadership of the two parties.

Policy learning
3

The approach of the ruling Awami League is to muddle through until 2019, when the next election is due, and to continue to deny political space to the opposition. It uses coercive elements of the state to weaken the opposition. Both political parties have utilized violence to put pressure on the other.

15 | Resource Efficiency

Resource efficiency remains modest in Bangladesh. Corruption has remained pervasive. The level of patronage and rent-seeking increased significantly during the period under review as party activists continued to resort to extortion and to secure various government contracts either through manipulation or the blatant display of force. This trend has further strengthened since the 2014 election, as the government has seemed to be turning a blind eye. The politicization of bureaucracy and politically motivated appointments and transfers are nothing new in Bangladesh, but the lack of transparency and accountability in the past few years, particularly since 2014, has enabled these problems to reach new heights. For example, soon after the January 2014 elections, the government promoted 25 Joint Secretaries to the position of Additional Secretary, while the number of Additional Secretaries was already above the approved total. This brought the number to 334, whereas the approved number Additional Secretaries is 120. Similar situations abound throughout the public administration. Between 2009 and 2013, more than 2,500 officials were promoted. 1,316 were Deputy Secretaries to fill 830 approved posts; 928 were Joint Secretaries to fill 250 approved posts and 600 were promoted to Officer on Special Duty (OSD), which means they were made administratively redundant. There are credible allegations of political interference in competitive examinations for entrance into the public service.

Efficient use of
assets
3

Coordination within the government is not pursued in a coherent manner. Various ministries' jurisdictional overlap on development projects often hinders planning and implementation efforts. As multiple agencies and ministries are responsible for coordination, at times they engage in turf wars due to conflicting interests. For example, the Ministry of Trade and Industry and the Ministry of Environment are sometimes at loggerheads over the clearance of projects. Some ministries are

Policy
coordination
4

responsible for other ministries, which often slows down the implementation process. Immediate political considerations often drive policy measures, with little regard given to long-term implications. The preponderance of businessmen as legislators poses a serious problem in policymaking, as their business interests often supersede their roles as lawmakers. The absence of coordination between the central and local-level administrations is palpable. At the central government level, the Prime Minister's Office attempts to provide overall coordination in policy matters.

Institutional capacity to address corruption, weak to begin with, has worsened further in recent years due to questionable government practices such as supporting ministers and political leaders allegedly connected to corruption. Impunity on the part of corrupt political leaders has provided incentive for the expansion of local-level corruption. The Anti-Corruption Commission of Bangladesh has not only become weak and ineffective, but also an instrument for exonerating politically connected individuals. It has also been used to persecute political opponents. The commission has all but lost its credibility. Policies related to transparency and accountability in public institutions are flouted by the ruling party. The comptroller and auditor general is in charge of auditing state expenditures, but the office remains subservient to the government; therefore, it has little capacity to publicize any discrepancy in government expenditure or whether procedures as laid out in the law were followed. The unwillingness of the government to pursue any anti-corruption measure is reflected in the composition of the parliamentary standing committees. In violation of the rules of procedure, many MPs are members of the parliamentary standing committees on ministries in which they have commercial interests.

Anti-corruption
policy
3

16 | Consensus-Building

A broad consensus on democracy exists among the citizens; members of the civil society are strong proponents of democracy and have acted as a bulwark against undemocratic forces in the past. Elections held between 1991 and 2008 demonstrated popular commitment to democracy. Although Islamist parties such as the Bangladesh JI want to establish an Islamic state and are opposed to secular representative democracy, they have not expressed any opposition to a market-based economy. Nevertheless, political parties in Bangladesh are far from agreeing on the rules, processes and outcomes of the country's political process. The political violence in 2013 and early 2015 show that an acceptable mode of power transfer has remained the principal source of contention. The political events since 1991 (the onset of democratization) reveal the lack of trust among political parties and the absence of any institutional mechanism through which consensus on national goals and democratic processes could be created. The ruling party's 2011 removal of the constitutional provision providing for a caretaker government during elections and the opposition's boycott of the election held in 2014 have not only created a political

Consensus on goals
5

impasse and unleashed violence, but also pose a serious threat to the future trajectory of democracy in Bangladesh. The ruling party has demonstrated an authoritarian bent. The continuation of violence, a refusal to engage in dialogue and the abuse of state power to deny democratic space for dissent will create opportunities for undemocratic forces to thrive.

There exist a strong consensus on a market economy, the reform of labor markets, the liberalization of the market economy, and a policy of encouraging foreign investment and increasing Bangladesh's export. Major political parties are committed to a strong market economy.

Anti-democratic forces include the radical militant groups such as the Jaamatul Mujahideen Bangladesh (JMB), Hizbut Tahrir (HT) and Ansarullah Bangla Team (ABT), which reject democracy and have adopted violence as a strategy to intimidate democratic voices. Islamist parties such as JI are not necessarily regarded as veto actors, although they pursue a nondemocratic ideology. The popular base of Islamist parties is limited and does not exceed more than 10% of the electorate. The political parties and civil society groups have at times acted as reformers, for example with the country's return to parliamentary democracy in 1991. The army seems to be committed to democratic practices, although this is primarily due to the lack of support for military intervention in politics and the period between 2007 and 2008 when it actively backed the technocratic caretaker government. Historically, the Bangladesh military has intervened in situations of crisis, but thus far there is no indication of such action on the part of the army. Anti-democratic practices are palpable within political parties (e.g. the lack of tolerance to dissent and the absence of intra-party democracy). These have long-term impacts on the acceptability of democracy.

Anti-democratic
actors

6

There are very few formal conflict management structures aside from the legal system. An institutional mechanism to address conflict situation – social and political – is non-existent. Informal structures such as arbitration councils at the village level have a long tradition but often discriminate against women and poor people. The ongoing low-level conflict in the Chittagong Hill Tracts region has not been dealt with adequately, and violence flares up intermittently. Key issues affecting regional stability have either been addressed only partially or left unaddressed. The government's failure and/or unwillingness to implement key elements of the CHT Peace Treaty has exacerbated the situation, engendered instability and contributed to periodic violence between indigenous communities and the settler population. The recent decision to set up a permanent cantonment in CHT contravenes the 1997 treaty and is an indication of the continued militarization of the region. Since Bangladesh is largely a homogeneous state, ethnic and religious cleavages are given little attention, and outbreaks of violence are regarded as merely a law and order issue. The government thus does little to alleviate grievances in the long term once conflict situations are brought under temporary control. Political cleavages between the BNP

Cleavage /
conflict
management

4

and the AL are aggravated by the bitter personal rivalry between their leaders. Repeated eruptions of political violence during the period under review have disproportionately affected the minorities. Media reports have revealed that a significant number of attacks on minorities were committed to dispossess them of property, and activists of various parties, irrespective of their ideological persuasions, were engaged in such unlawful acts. Retention of Islam as the state religion alienates the minorities.

The cooptation of the civil society by the state, the polarization of the society, fragmentation of independent organizations and intimidation by the ruling party are some of the important features of the period under review.

Civil society participation
5

Nevertheless, in the past years various forums representing the members of the civil society have emerged. Although as a whole, these forums offer a variety of different perspectives and produce robust debates, they also demonstrate that the civil society has been vitiated by partisan affiliation. Many civil society organizations, such as professional bodies, have increased their ties to political parties and have failed to play an independent role. This is matched by the concerted effort of the ruling party and its leaders to undermine the tradition of an independent civil society and the vilification of outspoken members of the civil society. Yet, a vibrant civil society remains active and many actors hold independent opinions and try to influence policy. During the period under review, members of the civil society raised their voices on democratization, human rights and rule of law. Members of the civil society became the voice of conscience in the wake of the controversial election in 2014, as they called for dialogue, although their voices were heeded neither by the government nor the opposition, which remained firm in their respective positions. As this report is being written, similar efforts are underway to broker dialogue and to put to an end to the ongoing political violence. Autonomous civil society organizations focused on socioeconomic issues have emerged on the social scene. During the period under review, the government continued to take steps that have the potential to weaken the NGOs, whose funding and activities have come under greater scrutiny. Few NGOs working in the social sector are consulted by the government during the formulation of policies on gender equality, women's empowerment, the protection of laborers and the formulation of laws to prevent crime against women, children and trafficking. The media deliberate various issues and have significant influence on public opinion. Although government decisions are implemented by various ministries, the NGOs act as watchdogs and monitor the policies of the government independently.

The Bangladesh International Criminal Tribunal (ICT), established in 2010, is addressing one of the key injustices of the past, in the form of the war crimes and crimes against humanity committed during the war of independence of Bangladesh in 1971. As of early March 2015, the ICT has sentenced 18 people accused of committing crimes against humanity. Those convicted include the chief ideologue of the Jaamat-i-Islami (JI), Ghulam Azam, and key leaders of the party. One former

Reconciliation
5

parliament member from the BNP has also been convicted. Kader Mollah, a leader of the JI, was executed in late 2013 despite pleas from the United States and the United Nations to defer the execution. Both the BNP and the JI opposed the trial, describing it as a political vendetta, and have pointed to various legal and procedural shortcomings of the tribunal. In general, the tribunal has attracted criticism due to alleged government interference, a lack of transparency, procedural changes since the trials started and harassment of the lawyers representing the accused. However, the trial had significant popular support.

During the period under review, verdicts by the tribunal stirred several rounds of violence. In the wake of the life sentence for Kader Mollah in February 2013, massive youth protests ensued. The protestors saw the sentence as too lenient and demanded capital punishment. Although the protest expressed anti-government sentiment early on, the ruling party soon co-opted the movement. The government amended the International Crimes Tribunal Act, which allowed it to appeal the verdict from the High Court. Mollah was given capital punishment on appeal. The death sentence against Delwar Hossain Saydee, issued in late February 2013, unleashed throughout the country another round of violence perpetrated by the JI. In September 2014, his sentence was reduced to life imprisonment on appeal.

Although the trial has become a contentious and divisive issue in the short term, it has created an opportunity to achieve closure with respect to a very traumatic national episode.

17 | International Cooperation

The government and the international community work closely together in various forums. The scope and structure of cooperation has changed over time. Dependence on foreign aid has decreased over the years, and Bangladesh is now emerging as an active participant in the global economy.

However, development partners still play a significant role in shaping domestic policy. The support of multilateral organizations such as the World Bank, the UNDP and the WFP is crucial to the country's development efforts. The IMF is a key partner in providing fiscal support. Foreign direct investment in FY14 is \$1,550 million and net aid flow was \$1 230 million in FY14. The IMF-funded three-year program under the Extended Credit Facility (ECF) is making progress. The ECF was approved on 11 April 2012 for a total of \$954 million. However, it emerged in March 2015 that the release of the last two tranches of ECF funds worth \$280 million has become uncertain, as the government has failed to commit to implementing the Value Added Tax Act and to meet various other conditions.

Effective use of support

7

With the help of international organizations, Bangladesh has performed well in terms of the Millennium Development Goals. For example, the World Bank is funding projects like Pro Poor Slum Integration Project, Primary Education Development Program III, Income Support Program for the Poorest, the Skills and Training Development project and the recently launched Nuton Jibon Livelihood Improvement Project in March. Asian Development Bank is supporting Primary Education Development Program II, Third Urban Governance and Infrastructure Improvement Project, Flood and Riverbank Erosion Risk Management Investment Program, as well as supporting an education and skill development investment program and funding infrastructure and grid connectivity with India. Similarly, the World Food Program is funding projects related to maternal and child nutrition, school meals and home-grown meals, and strengthening the social safety net. It is also working to enhance resilience to disasters and the effects of climate change by constructing embankments, flood cyclone shelters and other measures. All these efforts should have long term-impact and contribute to the general quality of life in Bangladesh.

Finally, Bangladesh continued to be the largest contributor to International Peace keeping by contributing 9,400 personnel, which includes police, troops and military experts.

Since mid-2013, the international community, especially the United States, the EU, the United Nations and China, has repeatedly called upon the ruling AL to engage in a dialogue with the opposition to ensure an inclusive election. India and Russia, however, supported the government in its stance that an election, whether or not boycotted by the opposition, should be held for the sake of constitutional continuity. The Indian foreign secretary visited Bangladesh in late 2013 to demonstrate its wholehearted support and to urge all the political parties to participate in the election. U.N. Assistant Secretary-General for Political Affairs Oscar Fernandez-Taranco made his third trip in December 2013, immediately ahead of the scheduled election, to bring the BNP and the AL leaders to the table for a peaceful solution to the impasse. This was his third trip in the past two years. Although a meeting between the leaders of the two parties took place under the auspices of the U.N. envoy, the prime minister declined to have a second meeting with Taranco. The ruling party went ahead with the election without the participation of the opposition parties. This strained the government's relationship with a number of western states. Soon after the election, China changed its stance and extended its support to the government. The visit of the Bangladesh prime minister to China, which was followed by visits to Bangladesh of high-ranking officials from China and Japan, also indicate that the government was able to gain more international support. The Organization of Islamic Cooperation, along with all Muslim countries, greeted Shiekh Hasina after she was elected, recognizing hers as the legitimate government. While the United States and the EU continued on as before, latent tension remained.

Credibility

6

Strained relationships with a number of western nations resurfaced in early 2015, in the wake of the opposition-led blockade and violence. While the western nations condemned the violence and reaffirmed their criticisms of the BNP for condoning violence as a political tool and its alliance with the JI, they have also urged the government to address the political impasse through negotiations and expressed concerns regarding the human rights situation. In February 2015, the U.N. Secretary-General expressed concerns about the violence. A three-member delegation of the Sub-committee on Human Rights of the European Parliament visited Dhaka, met the prime minister and the opposition leaders, and urged “an immediate end to the increasing violence and echoed calls from the international community and Bangladeshi civil society to solve the political crisis.”

Bangladesh and India continued to have a close relationship during the period under review. Cooperation on key issues such as trade, connectivity, energy trade and tackling terrorism highlight the relationship. A consultative mechanism at the Foreign Secretary’s level to coordinate cooperation has been established. The two countries are sharing intelligence and cooperating on anti-terrorism issues.

Regional
cooperation
7

However, long-standing unresolved issues such as water sharing, particularly the Teesta River Water Sharing Treaty, and the Land Border Demarcation Agreement continue to be the sources of contention. The Land Border Demarcation Agreement, signed in 1974 and reaffirmed in 2011, is pending for ratification by the Indian parliament.

Both countries are now engaged in power trading and have connected their grids to transfer power. The International Tribunal on the Law of Sea (ITLOS) delivered its verdict on the maritime boundary demarcation between India and Bangladesh in July 2014, settling the 40-year-old dispute. The verdict has been accepted by both the countries.

The incidents of killings of Bangladeshis at the border, allegedly for trespassing, by the Indian Border Security Forces (BSF) has continued to remain a thorny issue in spite of a coordinated border-patrol mechanism being put in place. Cattle smuggling is one of the major issues that has led to the firing incidents at the border.

The issue of illegal migration became a major election issue in India in 2014 and remains a thorny issue for New Delhi; however, it is unlikely that it will affect the present phase of bonhomie between the two countries.

Pakistan’s relations with Bangladesh remained tense as the Pakistan National Assembly passed a resolution condemning the hanging of Qader Mollah, who was convicted by Bangladesh’s International Crime Tribunal of committing war crimes. Although the Pakistan government later backtracked, saying that these are Bangladeshi domestic issues, the relationship has not improved; instead, it took a turn for the worse in February 2015 after a Pakistani High Commission official based in

Dhaka was declared persona non grata by the Bangladeshi government and was asked to leave the country. Bhutan's prime minister visited Bangladesh in December 2014 and the two countries are planning to enhance their collaboration in water resources management, power/hydropower and connectivity in the sub-regional context. The Bangladeshi prime minister attended the South Asian Association for Regional Cooperation (SAARC) summit in Kathmandu and Bangladesh remains committed to regional and sub-regional cooperation. The joint working group comprising Bangladesh, Bhutan, India and Nepal (BBIN) held a sub-regional meeting, its second, in February 2015 and have agreed to sign a multi-modal transport connectivity agreement, cooperating in water resources and taking steps to connect their respective grids for greater cooperation in the power sector. Sub-regional groupings are pushing regional integration as a result of the conflicting Indo-Pak relationship that has affected the functioning of SAARC.

Strategic Outlook

Four issues warrant immediate attention and action. They are:

First, an inclusive system of governance must be established. Recent events, particularly since 2013, are indicative of a drift from the path of democratic transition the country embarked on in 1991 after prolonged undemocratic rule. The controversial 2014 election and the subsequently diminishing space for democratic opposition are deeply disturbing.

Second, violence must be renounced as a tool for political activism. All political parties, irrespective of their ideological persuasions, must renounce violence in unequivocal terms. A national charter to this end can serve as the first step. Citizens of Bangladesh have demonstrated their unwavering commitment to democracy; the political parties need to respect that by accepting democratic norms and practices.

Third, politicization of the administration and the lack of true judicial independence have hindered democratic practices. All citizens should be treated equally in the eyes of the law irrespective of party affiliations. Impunity for party activists and disproportionate use of force against opponents creates a cycle of vengeance, which undermines the spirit of democracy and civility. In a similar vein, issues such as extrajudicial killings, enforced disappearances and torture in custody must be addressed, as they weaken the legitimacy of both the regime and the system.

Fourth, institutional accountability must be wrought. The need for and the processes of accountability, both horizontal and vertical, must be recognized and adhered to. Elected bodies such as the parliament and timely inclusive elections are important in ensuring accountability, but they are only a few pieces of a larger puzzle; other pieces include constitutionally mandated organizations such as the Anti-Corruption Commission (ACC), the National Human Rights Commission (NHRC) and the Information Commission (IC), to name but a few. Ensuring their independence and providing them with resources are necessary in improving the quality of governance. The importance and the role of civil society as an instrument of checks and balances must be underscored. Undermining civil society organizations, vilifying members of civil society and imposing undue restrictions on the media will stymie the development of democracy.

In addition, three long-term issues deserve attention in order to sustain economic growth as well as ensure good governance and social stability.

First, the demographic dividend must be effectively harnessed. Thanks to a dramatic decline in the rate of population growth in recent decades, as well as a significant decrease in the total fertility rate (TFR), the country's dependency ratio has reached a favorable phase that is expected to continue for about a quarter of a century. As the country now has more people of working age, it is imperative to devise ways to make use of this huge youth population for the economic and social development of the country. This will require well-thought-out plans and sustained

implementation. The failure to address this issue would not only represent a missed opportunity for the nation, but could also serve as a source of social and political unrest in the long term.

Second, infrastructural improvement, particularly with regard to road networks and electricity supply, is a sine qua non for moving the country forward both in the short and long term. The energy crisis has hampered realization of the country's economic potential in recent years, and will keep the country lagging behind as compared to its competitors. Stopgap measures to address the energy crisis should not be viewed as a long-term solution; rather, a long-term energy policy with a built-in implementation mechanism is called for.

Third, the economy must be diversified. Diversification of the economy and an expansion of the educational system's ability to create skilled workers to meet new demands will be crucial to the country's long-term future, particularly considering the coming demographic composition.