

# BTI 2012 | Bangladesh Country Report

<b>Status Index</b>	1-10	<b>5.82</b>	# 59 of 128	
Political Transformation	1-10	6.25	# 55 of 128	➔
Economic Transformation	1-10	5.39	# 70 of 128	➔
<b>Management Index</b>	1-10	<b>4.57</b>	# 78 of 128	

scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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## Key Indicators

Population	mn.	148.7	HDI	0.500	GDP p.c.	\$	1659
Pop. growth <sup>1</sup>	% p.a.	1.1	HDI rank of 187	146	Gini Index		31.0
Life expectancy	years	68	UN Education Index	0.415	Poverty <sup>3</sup>	%	81.3
Urban population	%	28.1	Gender inequality <sup>2</sup>	0.550	Aid per capita	\$	7.6

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

## Executive Summary

The period under review has been marked by rule by a democratically elected regime with a three-quarters majority mandate. The government of Bangladesh asserted its authority in the face of the rebellion by the border security forces and was able to handle the mutiny. But the law and order situation has deteriorated; particularly notable is the upturn in human rights violations including extra-judicial killings. Militancy continues to be contained. The anti-corruption drive initiated by the caretaker government (2007 – 2008) has begun to falter due to lack of support from the current government. Parliament has been less than effective due to frequent boycotts by the opposition party and the ruling party's unwillingness to make compromises. The government has had successes in its foreign policy, especially in improving its relationship with India. However, the government's decision to intervene in the operation of the Grameen Bank (GB), the country's pioneer micro-finance institution, and to remove Nobel Laureate Muhammad Yunus from the GB may strain its relationship with the international community. The government has initiated the process of trying those who committed crimes against humanity during the war of independence in 1971. Bangladesh's economic performance was impressive considering the global economic challenges. The growth momentum of earlier years has continued and international reserves increased despite a decline in exports and slowdown of growth in remittances. Overall GDP growth rates were high, 5.8% in 2010. Rising inflation, high underemployment, and trade deficits remain the main negative aspects.

## History and Characteristics of Transformation

Bangladesh became an independent state in December 1971 after a nine-month long liberation war which began after the Pakistani armed forces waged a military crackdown (Operation Searchlight) against the Bengali population of the then East Pakistan. The Bengali resistance movement received support from India throughout the war. India's military involvement against the Pakistani forces expedited the conclusion of the war. In the past four decades, Bangladeshi politics have undergone a significant transformation, experiencing a variety of systems of governance, including prolonged military rule. These transformations can be divided into five broad phases: elected civilian regime (1972 – 1975), military and military-dominated rule (1975 – 1990), democratic civilian governance (1991 – 2006), military-backed caretaker government (2007 – 2008), and the second democratic era (2009 onwards).

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. Domestically, Bangladesh relied on a strong public sector and promoted a policy of nationalization to rebuild itself after the war. The AL, which had been the main advocate of independence, became the dominant party and adopted an authoritarian style of governance. To address the growing opposition to the regime, particularly from ultra leftist parties, Sheikh Mujib Rahman replaced the parliamentary government with a one-party presidential system called the Bangladesh Krishak Sramik Awami League (Bangladesh Krishôk Sromik Aoami Lig, BAKSAL). The model was put into operation under the same leadership, making Sheikh Mujibur Rahman 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 promoted a Bengali nationalism that emphasized the common historical and cultural background of all Bengalis, including citizens of the neighboring Indian state of West Bengal.

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 industrialized nations of the West, with the People's Republic of China and the oil-rich Gulf countries. The new regime opened up the economy for foreign investment and announced an export-oriented policy in the 1980s. General Ziaur Rahman founded his own political platform in 1978 called the Bangladesh Nationalist Party (BNP). The BNP became the main competitor to the AL. The BNP emphasized a separate Bangladeshi identity and promoted a religious concept of nationalism that emphasized the differences with the Bengali speaking community in India. In 1977, Islam was incorporated for the first time into the previously secular constitution. Religio-political parties, proscribed after the independence, were allowed to revive 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 onto the political scene in 1979. In May 1981, Ziaur Rahman was killed in Chittagong. An attempted transition to civilian rule failed, and in March 1982, General Ershad took over the government. With the creation of the Jatiya Party (JP) in January 1986, Ershad also created a party dominated by his political ambitions. In 1988, another constitutional amendment made Islam the state religion in Bangladesh. He was able to play the BNP and the AL off each other, and benefited from the personal rivalries between Sheikh Hasina (AL) and Khaleda Zia (BNP). During his rule, the role of the military in public institutions was strengthened. The era of military and military-ruled governance ended in December 1990 through a popular uprising.

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 the parliamentary form of government in 1991. Power alternated between the BNP and the AL in elections held between 1991 and 2006, with the exception of the rigged elections of spring 1996. The AL was elected to power in June 1996. The election of October 2001 brought another change of government, turning power over to the BNP and its coalition partners, including religio-political parties like the Jamaat-e-Islami (JI). Parties which favor an admixture of religion and politics gained strength and influence after 1978. Islamist militant groups proliferated in the late 1990s and the early 2000s. In late 2006, the country was plunged into chaos as the outgoing government and the opposition parties failed to reach an 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 under a constitutional provision enacted in 1996. The government attempted to reform institutions and a political culture which had promoted uncertainty, corruption and acrimony during the fifteen years of democratic era. In the election held in December 2008, the AL-led alliance emerged victorious with an unprecedented majority in parliament. The government faced a rebellion of the border security force, the Bangladesh Rifles (BDR) in early 2009. Since then government has retained control of the overall political situation and democratic institutions have functioned without major problems.

Despite a challenging global environment, particularly the global financial crisis in the past three years, Bangladesh has posted a solid economic performance, with growth close to 6% in 2010. This builds on the steady economic growth Bangladesh has enjoyed since the 1980s. It is also worth noting that the country has made remarkable progress in various social indicators such as reduction of population and child mortality, and has improved gender parity in primary education – to name but a few successes. Although widespread corruption and patronage and the misallocation of resources have held the country back from making a developmental leap, there is a growing realization of the need to address these issues in earnest.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Governments in Bangladesh still face problems in exercising the legitimate use of force. The most dramatic challenge to the state came in the form of the rebellion of the BDR in February 2009. The rebellion cost 75 lives including 58 Army officials who served the BDR. The government quelled the rebellion through negotiations, but prompted discontent among the military, who were restrained from taking action against the mutineers. Widespread corruption, partisan influence over civil administration and the availability of small and light weapons are the principal causes for the continuing deterioration of law and order. The network of Islamist militant groups such as the Jama'at-ul-Mujahedeen Bangladesh (JMB), smaller and left-wing extremist groups dispersed across various parts of the country, and extortionist groups supported by political elements, pose threats to stability and law and order. The government is vigilant against the radical groups and continues to apprehend Islamist militants. Although political violence remained low in 2009 and 2010, particularly compared to 2005 – 2006 when a civilian political government was in power, criminal activities including robbery, abduction, drug trafficking, attacks on women and murder increased substantially.

Bangladesh has a sound basis for nation building. Compared to its neighbors in South and Southeast Asia, the country has high religious and linguistic homogeneity, as over 98% of the people are Bengalis, predominantly Bangla-speaking peoples, and 80% of the total population is Muslim. However, the issue of national identity is a source of contention between two political major political camps led by the AL and the BNP. The former underscores ethnic identity while the latter favors religion as the principal marker of identity. Small aboriginal tribal groups' clamors for recognition receive very little attention. The peace accord signed between the government and ethnic rebels in the Chittagong Hill Tracts (CHT) in December 1997 brought an end to the insurgency, but the tension and conflicts between indigenous ethnic minorities and Bengali settlers have yet to be

Question  
Score

Monopoly on the  
use of force

6

State identity

9

resolved. Reports of torture, rape, land grabbing and intimidation remain widespread. Occasionally violence erupts, yet a comprehensive roadmap to implement the accord is absent. About 300,000 “Biharis” (stranded Pakistanis according to the official lexicon – those who opted to resettle in Pakistan after the 1971 war of independence and their offspring born since then) remain in a legal limbo. In 2008, the government allowed 15,000 of them to register as voters, an indication that the Biharis are increasingly willing to accept Bangladeshi citizenship.

Bangladesh’s 1972 first constitution was secular. After the military coup of 1975, Islam was introduced into the constitution in 1977 and, with the addition of the eighth amendment in 1988, became the state religion. Popular Islam in Bangladesh is strongly influenced by liberal Sufi traditions. In the past, Islamist groups and parties have demanded the banning of liberal Muslim sects like the Ahmadiyyas, and incidents of attacks on their mosques were recorded. Apart from some isolated instances of harassment, there were no reported demonstrations or attempts to attack Ahmadiyya community institutions. The government generally acted in an effective manner to protect Ahmadiyyas and their property. Similarly, isolated attacks on members of the Hindu community and temples have been reported in the press. Government briefly blocked access to the popular social networking site, Facebook, due in part to a depiction of the Prophet Muhammad. Access was restored within one week.

No interference of religious dogmas

7

Bangladesh has a basic administrative infrastructure throughout the country. Its operation is deficient because of widespread corruption, a politicized bureaucracy and a lack of resources and patronage. The government has exercised influence on the local administration and has significantly curtailed powers of elected local government officials.

Basic administration

6

## 2 | Political Participation

There is universal suffrage and the right to campaign for elected office. The general election of 2008 was assessed as “free and fair.” Voter turnout in the local level election (Upazilla parishad) held in January 2009, was lower compared to the general elections, but the elections were held relatively peacefully. The Bangladesh Election Commission (BEC) ensures that elections are run correctly. The new voters’ list with pictures compiled by the BEC in 2008 with the help of the army, and the independent operation of the BEC in subsequent years has ensured credible by-elections for parliamentary seats, and municipal elections.

Free and fair elections

8

The parliamentary election of 2008 and the installation of the new government in early 2009 returned power to elected officials after two years of military-backed technocratic caretaker government. The parliament, despite some weaknesses, has

Effective power to govern

7

been the focus of politics and governance between 2009 and 2010. Although elected civilian government and bureaucracy hold the key, the armed forces remain a significant force.

The conflict between the AL under the leadership of Sheikh Hasina and the BNP under the leadership of Khaleda Zia has inhibited the process of institutionalization of civilian control. In order to instrumentalize the military for their partisan interests, the civilians (Hasina as well as Zia) did not develop the political will to establish institutionalized civilian control, but rather preferred an informal, personalized style of instructing and monitoring the armed forces.

There are no significant constraints on the freedom of association and assembly. The constitution allows citizens to exercise their fundamental right of assembly “subject to any reasonable restrictions imposed by law.” The opposition parties have alleged that their supporters have faced police brutality during peaceful demonstrations. Workers have not been allowed to organize in the ready-made garments sector, and most workers who attempt to unionize face hostile resistance from employers and have allegedly been intimidated by the government. The government recently promised that it will implement trade unionism in the garments sector from next year onwards to ensure worker rights.

Association /  
assembly rights

8

Freedom of press and opinion is guaranteed under the constitution. The media, both print and electronic, is diverse and vibrant. Newspapers tend to tilt towards certain political parties. The government, from time to time, has expressed displeasure with some of the media outlets and floated the idea of new laws to address “sensational reporting”. It backtracked in the face of opposition from media and civil society. A clearly articulated policy in regard to the issuing of licenses for television channels is absent, leading to widespread allegations that the government has issued new licenses to its cronies. Two television channels have been closed down in the past two years. The government also attempted to close down a national daily allied to the opposition party: A reporter of the newspaper was jailed for a month and the acting editor was incarcerated for contempt of court. The Right to Information Act enacted under the caretaker government was revised and adopted at the first parliament session in 2009. This marked a significant step forward in fulfilling the constitutional pledge of the state of Bangladesh and the election manifesto of the ruling party – the AL. But the Information Commission remains weak and the lack of political will to strengthen it is palpable. One human rights organization recorded at least 250 incidents of attacks, intimidations, violence, and arrests of journalists in the first nine months of 2010.

Freedom of  
expression

7

### 3 | Rule of Law

The executive arm of the state traditionally 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 Article 70 of the constitution, which prohibits members of parliament from acting against the party. The Supreme Court enjoys a certain degree of independence vis-à-vis the executive. The higher courts, especially the Supreme Court, have passed a number of verdicts (for example repeals of the fifth and the seventh amendments of the constitution) which have implications for the rule of law. Most of the 48 parliamentary standing committees formed in the first session in 2009 are exercising their oversight function in regard to the executive.

Separation of powers

6

Although the law providing for the separation of judiciary from executive was passed by the parliament in 2009 as a follow up to the 1999 Supreme Court order, the objective has yet to be fully achieved because of non-completion of some critical aspects such as the appointment of a powerful supreme judicial council. A higher degree of transparency, neutrality and accountability in the criminal administration of justice is yet to be a reality. Issues such as the basis of judicial appointments, the security of tenure, and the pattern of political patronage and interference remain unaddressed. Executive control over the appointment process is exercised blatantly and appears to be done with a view to outnumber the judges appointed by the previous government. At the lower levels, the courts are often faced with political interference and corruption charges.

Independent judiciary

5

Corruption remains an endemic problem and has permeated all levels of society. Political parties pay lip service to the elimination of corruption but are not inclined to develop institutional mechanisms to address the problem. Accordingly, the country has not seen any dramatic change in corruption. It is common knowledge that officeholders tend to exploit their position for private gain. The vigorous anti-corruption drive by the caretaker government between 2007 and 2008 and the reorganization of the Anti-Corruption Commission (ACC) hit a snag after the elected government came to power. The Chief of the ACC resigned under pressure from the government. The new chief has complained that the organization has lost its teeth. The government attempted to amend the law that would restrict the ability of the ACC to file cases against any public servant including the lawmakers and judges. The ACC will require prior permission before filing cases against government officials. The courts have thrown out hundreds of cases filed by the ACC against politicians, businessmen and bureaucrats – many under the Emergency Power Rules (EPR) – on legal technicalities. The government has recommended that the courts and the ACC withdraw hundreds of corruption cases initiated against AL supporters on the grounds that they were “politically motivated” cases filed

Prosecution of office abuse

4



under previous governments. Similar cases against the political opposition have not been recommended for withdrawal. The ACC remains weak for a number of reasons. In its current form, created by an act of parliament, it has no constitutional base and suffers from a lack of resources.

Extra-judicial killings and killings in police custody were major sources of civil rights violations during the period under review. According to human rights organizations, at least 141 extra-judicial killings were perpetrated from January to November 2009, of which 120 were so-called “crossfire” incidents. Some 17 people were allegedly tortured to death in custody and four others were shot dead during violent clashes. In 2010, at least 127 people lost their lives in extra-judicial killings at the hands of members of law enforcement agencies. These incidents took place despite the High Court’s instruction to the government to stop these human rights violations and the government’s promise to bring an end to such practices. The government attempted to stop a photo exhibition on extra-judicial killings. These incidents became rampant in Bangladesh after the formation of an elite police force, the Rapid Action Battalion (RAB), in 2004. According to Amnesty International, 1,669 people have been killed extra-judicially by the RAB since its formation. The increasing incidence of enforced disappearances has been a growing concern for human rights activists in the past year. In recent years there have been a number of cases where relatives and friends claimed that individuals had been “abducted” by plain-clothed members of law enforcing agencies including the RAB. The government denies any involvement of police or the RAB. After the rebellion, about 4,000 BDR soldiers were arrested and now face charges of mutiny. The government has set up six divisional courts and begun trying the mutineers. In the months after their arrests, about 50 BDR soldiers died in custody in suspicious circumstances. The government claimed that they died of “heart attacks” or committed suicide. No official enquiry into the incidents was conducted. The Torture and Custodial Death (Prohibition) Bill, 2009 which attempts to bring Bangladeshi law into conformity with international law was placed before the parliament as a private members bill. The government has not acted on the bill.

Civil rights  
5

#### 4 | Stability of Democratic Institutions

In principle, democratic institutions perform their functions. But the absence of a political culture of tolerance, the lack of willingness to compromise, and the mindset of politicians who view each event as a zero-sum game have prevented the proper functioning of democratic institutions. Parliament has been dominated by one party not only because of the size of the ruling coalition, but also the reluctance of the opposition party to attend parliament. The main opposition BNP boycotted almost all the sessions except for two or three since the ninth parliament began on 25 January 2009. Between January 2009 and December 2010, BNP lawmakers

Performance of  
democratic  
institutions  
5

attended the parliament only 43 of 169 working days in the seven sessions held during the period. As of January 2011, BNP lawmakers have skipped 49 consecutive sittings since June 2010. It is equally important to note that the parliament sessions had to be suspended on more than one occasions due to a lack of quorum, although three-quarters of members belong to the ruling party. A key structural impediment to the institutionalization of democracy is the concentration of power in the hands of one or two party leaders and one or two offices (e.g., the prime minister's office). Additionally, political interference, patronage networks and widespread corruption have weakened the foundations of these institutions. Many of the ruling party's promised changes have yet to materialize: For example, making public the wealth statement and source of income of the prime minister, members of cabinet, parliament members and their family members' public; allowing members of parliament to express dissenting opinion; the appointment of an ombudsperson; and the adoption of strict measures to curb corruption.

The major political parties and civil associations accept democratic institutions as a legitimate political order. The main veto players are radical Islamist groups and parties that want to replace the democratic system with an Islamic state. The influence of these forces has weakened in recent years. The army, as an institution, has accepted the leadership of elected governments thus far, although it wants to further its corporate interests and views itself as guardian of the state.

The role of the Bangladesh Armed Forces (BAF) in the struggle for independence and the deeply entrenched factionalism among officers from different career backgrounds has resulted in soldiers developing a vehement resistance to efforts to control them. This led the military to identify civilian control efforts as mere attempts to dominate them for the civilians' own partisan political purposes. While the military exercised considerable self-restraint in recent years and did not openly intervene in civilian politics and the parliamentary, several observers cast considerable doubt about the commitment of military officers to democracy and parliamentary institutions.

## 5 | Political and Social Integration

The major political parties, such as the Awami League (AL), Bangladesh Nationalist Party (BNP), Jatiya Party (JP) and Jamat-e-Islami (JI), developed an established party base after the 1991 democratic transition. However, the major parties (the BNP, the AL, and the JP) lack any internal democracy; the JI's internal democratic practices are opaque, at best. The main parties are dominated by individual leaders and their families, such as Khaleda Zia (BNP), Sheikh Hasina (AL) and General Ershad (JP). The dynastic principle is present at almost every level of these parties.

Commitment to democratic institutions

6

Party system

6

The political reform measures initiated by the caretaker government between 2007 and 2008 attempted to curb this practice and encourage internal democracy, with very little success. The parties registered with the BEC are required to practice internal democracy and allow voices of grass-roots members in policy-making processes. Although the BEC requires that the parties select their candidates for the parliamentary election through the votes of the party's grass-roots members, the parties did not follow this rule. The AL's efforts in this regard were symbolic at best. The candidate selection processes favor wealthy individuals who buy party nominations by making undeclared contributions to the party fund. Party funds are not audited properly and there is no political contribution law to prevent such practices.

The extensive polarization of Bangladeshi politics can be traced back to the bitter personal rivalries between Khaleda Zia and Sheikh Hasina. Often their personal acrimony has overshadowed ideological cleavages.

Because of the polarization and politicization of Bangladeshi society, most interest groups are organized along party lines. Religious groups and educational institutions have gained greater influence in recent years. They aim to replace the democratic state with a religion-based political order and enhance the role of Islamic values in social behaviors. The increased number of businessmen in the parliament (almost half of the members of the 9th parliament record business as their primary profession) has provided the business community with greater leverage over the policy-making process. Business organizations such the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), and Bangladesh Garments Manufacturers and Exporters Association (BGMEA) are more vocal on political issues and try to exercise influence over the government and political parties.

Interest groups  
5

The commitment of ordinary Bangladeshis to democratic norms is unwavering – as 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), although they are critical of the quality of political leadership and the extant party system. Public discourse, the popularity of television talk shows and the predominance of political news in the media are also testimony to this commitment.

Approval of  
democracy  
8

Bangladesh has a great variety of social organizations. These organizations vary in size and focus. Many NGOs are active in rural areas and provide programs for alleviating poverty, empowering marginalized groups and women, and providing health training and basic education. NGOs such as the Bangladesh Rural Advancement Committee (BRAC) have established a countrywide network of branches. The Grameen Bank has received international acclaim including the Nobel Peace Prize with their microcredit banking program. In a few cases, NGOs have been prosecuted because of alleged political activities. Islamic organizations

Social capital  
6

have established networks focusing on economic development and access to education. They are often critical of the strategies of the secular NGOs that promote women's rights. In recent years, the NGO sector has been criticized by various groups for a lack of transparency and alleged questionable practices. There are a number of organizations that have focused on education and social development, instead of income generating activities. Cultural organizations have a long tradition in the country and they have significant influence on social ethos. Cultural organizations and their combined platforms had been at the forefront of the pro-democracy movement during the Ershad era (1982 – 1990). The traditional political engagement of cultural organizations has continued. Some cultural organizations are affiliated with the political parties and work to promote certain political programs.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The Bangladeshi economy has shown great resilience in the face of the recent global economic crisis and recession and has continued to grow at a healthy rate. Since 1996, the economy has grown 5% – 6% per year. Political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms have not slowed down growth. Economists agree that the country has the potential to achieve a higher growth rate if these roadblocks are adequately addressed. More than half of GDP is generated through the service sector, but nearly two-thirds of Bangladeshis are employed in the agriculture sector. The share of agriculture in the labor force is 45%, in industry 30% and in services 25%. The share of the service sector in GDP is 52.6% while industry's share is 28.7% and agriculture's 18.7%. In 2009, garment exports, totaling \$12.3 billion and remittances from overseas Bangladeshis totaling \$9.7 billion accounted for almost 25% of GDP. The country was not completely immune from the global economic downturn; the principal adverse effect of the recession was a reduction in export revenue in 2009. It came on the back of a very high growth of 23% in 2008. However, overall exports declined by only 2.0%. Despite recent high growth rates, socioeconomic development is still not favorable for the majority of the population. Poverty remains the overarching problem, as, according to the latest available statistics, 81.3% live below \$2 a day at 2005 international prices (adjusted for PPP). According to the national poverty line, 41.2% of the population lives in poverty, of which 31.9% are in poverty and 9.3% in extreme poverty. Sharp regional variations exist in the incidence of poverty. Bangladesh has made great progress in improving access to a viable water supply with the widespread use of tube wells, and 97% of

Question  
Score

Socioeconomic  
barriers  
4

Bangladeshis have access to a water point. However, due to the discovery of arsenic in the ground water, only 76% of these can now be considered safe. In 2006, the Joint Monitoring Program by WHO and UNICEF reported that 51% of urban areas had improved sanitation facilities and only 7% of urban areas had sewerage connection. In addition, only 32% of the rural population was using improved sanitation in 2006.

Female economic activity accounts for 52.7% of the economy, but females earn less than half the income of their male counterparts. The number of poor women is higher than their male counterparts and the extremely poor are largely women, while there is a higher proportion of female-headed households than male-headed ones among the ultra-poor. However, the country has made significant progress in achieving gender parity in primary and secondary education. Rural areas still lack basic health care facilities and educational institutions. The number of health care facilities in rural areas has not grown as quickly as the number of education institutions, thanks to the NGOs working in the education sector. According to a World Bank report, Bangladesh has a very high rate of severely undernourished children, and little progress has been made in reducing stunting and underweight rates since 2000. Child underweight rates have hovered at about 46% since 2000. The total number of undernourished people in Bangladesh is approximately 41 million.

Overall, according to the 2010 data, the HDI for Bangladesh was 0.469 with a rank of 129 out of 168 countries. The 2005 data shows that the Gini index is 31.0.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	68415.4	79554.4	89359.8	<b>100357.0</b>
GDP growth	%	6.4	6.2	5.7	<b>6.1</b>
Inflation (CPI)	%	9.1	8.9	5.4	<b>8.1</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	1.0	1.3	0.8	<b>1.0</b>
Export growth	%	13.0	7.0	0.0	<b>0.9</b>
Import growth	%	16.0	-2.1	-2.6	<b>0.7</b>
Current account balance	\$ mn.	856.9	926.2	3556.1	<b>2502.4</b>

Economic indicators		2007	2008	2009	2010
Public debt	% of GDP	-	-	-	-
External debt	\$ mn.	21298.2	22879.8	23801.6	<b>24962.6</b>
Total debt service	\$ mn.	990.1	888.3	954.4	<b>1012.7</b>
Cash surplus or deficit	% of GDP	-1.3	-1.0	-1.7	-
Tax revenue	% of GDP	8.0	8.8	8.6	-
Government consumption	% of GDP	5.5	5.3	5.3	<b>5.4</b>
Public expnd. on edu.	% of GDP	2.6	2.4	-	-
Public expnd. on health	% of GDP	3.5	3.3	3.4	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.0	1.0	1.0	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

Market competition in Bangladesh operates under a weak institutional framework, with uneven rules for market participants. This is an ongoing obstacle to market economic transformation which has not diminished over the past decade. In addition, there is considerable state intervention in sectors the government regards as strategically important such as the ready-made garments industry, which is supported by the state but in which private entrepreneurship has played a key role. Apart from this strategic sector, the majority of Bangladeshis are still employed in the agricultural and informal sectors of the economy. Rising power shortages and the lack of a comprehensive plan to address the issue for almost a decade has created a major hurdle.

Bangladesh's rapidly transforming informal sector remains highly significant: According to the Bangladesh Institute of Labour Studies (BILS), the ratio of formal / informal sector was 1:4 in 2005.

The formation of monopolies is regulated in an inconsistent manner due to the absence of a policy in this regard. The Monopolies and Restrictive Trade Practice (Control and Prevention) Ordinance, 1970, enacted before Bangladesh separated from Pakistan, is on the legislative books but neither the government nor the private sector have ever invoked the law. The first initiative to adopt a competition law was taken in 1996, but it was soon abandoned. A draft Competition Act 2008 has been

Market-based  
competition  
5

Anti-monopoly  
policy  
6

prepared by the ministry of commerce and is currently being considered by the government. However, during the past two years' worth of consultations, business representatives have expressed their concern that it has been drafted by "foreign experts". The lack of skills, expertise and institutional capacity of the proposed competition commission is another concern expressed by the business community. The weak competition regime not only impedes efficiency gains but also overlooks the interest of the consumers.

Trade liberalization has been one of the major policy reforms carried out by Bangladesh in the 1980s. It has been implemented as part of the overall economic reform program, that is, the structural adjustment program (SAP) initiated in 1987. Since the 1990s, trade liberalization and export promotion remained the central element of Bangladesh's trade policy. It has impacted upon exports and imports dramatically. Trade liberalization combined with duty-free and quota-free access to the European Union and a number of other countries to help Bangladesh's exports increase more than nine times between 1990/1991 and 2008/2009. During this period, the share of exports in GDP tripled from 5.54% to 17.41%. The total value of imports increased six-fold between 1990/1991 and 2008/2009. This has put negative pressure on the overall balance of trade, which has grown from about 6% of GDP to 7.77% of GDP. The share of primary commodities to total exports continued to decrease and stood at 7% in 2007/2008. On the other hand, the share of manufactured goods to total exports increased to 93% in 2007/2008. Since 1992/1993 woven garments and knitwear have been the main export items; in 2007/2008, woven garments and knitwear comprised 76% of total exports (37% and 39% respectively). In 2007/2008, the share of textile fabrics, pharmaceutical raw materials and machinery for miscellaneous industry accounted for 56.8% of total imports. Economists have pointed out that Bangladesh's export base remains narrow as the impressive success in garment exports has yet to be replicated in other industries. Intra-regional trade was low. The trade deficit with India continued. Total bilateral trade in 2008/2009 stood at \$3.117 billion. Of this, Bangladesh's imports from India were \$2.841 billion and exports to India were \$276.58 million. In 2010, India extended a line of credit of \$1 billion to Bangladesh for a range of projects, including railway infrastructure, supply of BG locomotives and passenger coaches, procurement of buses, and dredging projects. The Line of Credit Agreement is signed but the projects have yet to be identified and/or initiated. The two countries have agreed on trans-shipment but the debate over charging fees and costs associated with the treaty is still ongoing.

The banking sector of Bangladesh comprises four categories of scheduled banks. These are state-owned commercial banks (SCBs), state-owned development finance institutions (DFIs), private commercial banks (PCBs) and foreign commercial banks (FCBs). The latest available data shows that in 2008 SCBs held 31.1% of the total industry assets as against 33.1% in 2007. PCBs' share rose to 54.2% in 2008 against

Liberalization of  
foreign trade

7

Banking system

5

51.4% in 2007. The FCBs held 8.0% of the industry assets in 2008, showing a declining trend by 0.2 percentage points over the previous year. The DFIs' share of assets was 6.7% in 2008 against 7.3% in 2007. The asset composition of all commercial banks shows the concentration of loans and advances (63.6%). Analysts believe that the high concentration of loans and advances indicates vulnerability of assets to credit risk, especially since the portion of non-performing assets is significant.

Alongside the conventional interest-based banking system, an Islamic banking system has thrived since its inception in 1983. At the end of June 2009, total deposits of the Islamic Banks and Islamic banking branches stood at 26.0% of the deposits of all private commercial banks and 17.8% of the deposits of the total banking system. Overall the soundness of the banking system has strengthened in recent years, but a huge non-performing loan portfolio remained a problem particularly to the state-owned commercial banks. The Grameen Bank and local savings societies play an important role in rural areas by extending microcredit loans to the poor. They often have better loan repayment rates than state-run banks.

The stock market in Bangladesh was characterized by an extreme see-saw motion throughout 2010 and early 2011. Record numbers in index, turnover, market capitalization and investors were the brighter aspects of the market until dramatic falls were experienced twice in December 2010, sparking street protests. The benchmark key index at the DSE nearly doubled within a year, from 4535.53 points in 30 December 2009 to 8290.41 points on the last trading day of 2010. In the last two years many small investors flocked to the market, lured by the prospect of easy profits. It is estimated that more than 1.3 million new investors entered the capital market in this period and the total stood at 3.3 million by the end of 2010. After a slight recovery in the last days of 2010, the stock market crumbled in January 2011. In two days in January the Bangladeshi stock market lost more than 15%, an estimated loss of wealth of almost \$7.5 billion. It was a confluence of factors, including lack of investment opportunities in the real sector, excessive supply of money and proliferation of trading facilities that encouraged inexperienced small investors to take a wild ride in the stock market. The banks' reckless participation in the market exacerbated the situation. The central bank paid very little attention to the growing bubble until it was too late. Of particular concern is the central bank's lack of oversight with regard to the sector's participation in the stock market. It allowed banks to leave their traditional business and did not enforce rules limiting stock market participation by them. Two other factors exacerbated the situation: Overpricing initial public offerings (IPOs), especially mutual funds, and the Securities and Exchange Commission's (SEC) decision to change rules erratically either as a panic response or to help a small group of people (73 directives in a single year; especially margin rules).



## 8 | Currency and Price Stability

The government takes an array of measures to control inflation and is well aware of the need for “due vigilance against inflationary pressures.” Since the 1990s the average inflation rate has been about 5.6%, which is remarkably low compared to the second half of the 1980s when the rate was about 8%. The situation in recent years has not been as stable. In 2008 the average rate of inflation was as high as 8.9% due to rises in both food and nonfood prices. It came down to an average of 5.1% in 2009. In October 2010, inflation on a point-to-point basis declined 0.75 percentage points to 6.86%, thanks to the easing of food prices that had been putting extra pressure on the wallets of consumers over the previous few months. The annual average inflation, however, remained steady at 8.12% in the month, putting a brake on the rising curve seen since November 2009. According to IMF projections, inflation is expected to average 7% in 2011, on an anticipated moderation of commodity price increases. By the middle of 2010 the price of essentials began to rise steadily. The government’s decision to increase the power tariff hit the common people hard. The government went for repeated interventions through open market sale (OMS) of rice and a few other essential items through Trading Corporation of Bangladesh (TCB) dealers, price fixing and drives by monitoring teams. However, all efforts proved to be largely unsuccessful.

The exchange rate remained stable, although many believe that this was the result of aggressive intervention by the central bank of the country. Despite an increase in the foreign exchange reserve and in the face of major economic shocks, including the global economic crisis, the value of the taka against dollar has stayed remarkably stable during the last four years.

Liquidity expansion, as measured by broad money, grew by more than 22.4% in 2010 – higher than 19.2% in 2009. The expansion in broad money was well beyond the target of 15.5% envisaged in the Monetary Policy Statement of Bangladesh Bank announced in June 2009. The growth was 17.6% in 2008.

The government of Bangladesh has developed a culture of stability that is strongly supported by the international donor community. Between the early 1990s and the mid-2000s, the economy has had experienced both macroeconomic stability and robust economic growth. In the past two years, the economy proved its resilience in achieving stronger than expected growth despite having to contend with the adverse effects of unfavorable weather conditions, the increase in prices for imported commodities, the global financial crisis and the period of political unrest and uncertainty in the late 2000s. However, the rise in the inflation rate in recent years combined with deepening income inequality has tempered the impact of growth on the quality of life of most citizens, and threatens social and macroeconomic stability in Bangladesh. Furthermore, political conflict and instability within Bangladesh and

Anti-inflation /  
forex policy

7

Macrostability

7

increasing geopolitical risks have further complicated policy decisions during the period under review, and will most certainly remain challenges for macrostability in the upcoming months and even years.

## 9 | Private Property

The right to own property is safeguarded by law. However, implementation problems are especially acute in rural areas where patronage networks between landowners, the police and state bureaucrats make it difficult for peasants and minorities to assert their property rights.

Property rights  
6

Since its establishment in 1993, the Privatization Board (renamed the Privatization Commission in 2000) has privatized 75 units. The privatization of state companies is progressing under the new government. A total of 23 industrial enterprises are listed for privatization. According to the Bangladesh Institute of Labour Studies (BILS) in 2005, the ratio between public and private sector is 30:70.

Private enterprise  
7

## 10 | Welfare Regime

Social safety nets only exist for a very small section of society, mainly in the government sector and parts of the corporate sector. For many years, the government has promoted poverty alleviation programs with the support of the international donor community. There are about 30 specifically designed social safety net programs directly operated by the government of Bangladesh. The extant social safety net programs include an old-age allowance scheme, an allowance for widowed and distressed women, Vulnerable Group Development (VGD), a maternity allowance scheme, female secondary stipend programs, open market sales (OMS) during price rises of food grains, a public food distribution system (e.g., rations for poor people), natural disaster programs, and provision of shelter (Asrayan/Bashan/Adarshagram programs etc.). The current government has expressed renewed commitment to increasing the scale and coverage of these programs and has made some progress. However, the total allocation for these safety net programs is small; less than 1% of GDP is spent on safety nets. The amount of money provided to individuals is small and insufficient in terms of the basic needs of the person. Local NGOs have also initiated programs for social safety nets, but only on a limited basis.

Social safety nets  
3

Inequality is palpable at various levels, including gender, ethnic and religious inequality. Despite the fact that two female leaders have dominated the political landscape of Bangladesh since the democratic transition of 1991, and that 45 seats are reserved for women in parliament, equal opportunity is still not a reality for most women. The ninth parliament elected in 2008 has the highest number of

Equal opportunity  
4

female members since independence – about 18.6% – but two years later, most of the female lawmakers in the parliamentary standing committees could not play their role effectively. However, some gradual changes are taking place in society. One of the two elected vice chairpersons of the local-level Upazila council has to be a woman. They are elected through direct elections. Public offices and the civil service employ a very small number of ethnic and religious minorities. The government reserves a certain percentage of positions for ethnic minorities in government services, and universities also reserve a number of seats for such students – called a quota system. Still, this has not improved much because of the structurally ingrained nature of unequal access to education or job opportunities. Tribal ethnic groups face systemic discrimination and intimidation from the government and society at large.

## 11 | Economic Performance

Bangladesh's economic performance in 2008 and 2009 was strong, resilient, and impressive. The country weathered global economic challenges and an adverse global trade environment. The principal adverse effect of the recession was a slight reduction in export revenue in 2009, but the overall performance of the sector was good. The export sector has withstood the global recession well due to a number of factors but most importantly because of the competitive strength of the RMG industry. This strength derives from the innovativeness of entrepreneurs, duty-free access in all developed countries except the USA and, most importantly, an abundant supply of cheap labor. In the past 30 years (1979 – 2008), remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh. There has been a healthy rate of growth in the flow, which has increased at an average annual rate of 19%. Bangladesh received \$10.72 billion in remittances from workers overseas in 2009, up about 20% from the previous year. The growth rate of the flow of remittances dipped in 2010. The total inflow of remittances in the country was \$10.99 billion – higher than the previous year, but only a 2% increase. The decline in the growth rate of remittances is attributed to the decline in overseas jobs because of the global economic recession. The country's overall economy consistently maintained its performance of previous years. In the years under review the growth momentum continued and international reserves increased despite severe import pressures. Overall GDP growth rates are high: 5.8% in 2010. Strong performance in agriculture and non-farming sectors contributed to the growth, along with an increase in public spending. In 2010, one of the key sectors which grew dramatically was the telecommunication sector, and especially mobile telephones. Six mobile telephone companies added 16.215 million new subscribers. It was an impressive 31% rise in a single year. This sector is expected

Output strength  
6

to continue its growth in coming years, especially in rural areas. Rising inflation, high underemployment and budget and trade deficits remained the main negative aspects.

## 12 | Sustainability

Bangladesh is experiencing the adverse effects of global climate change. The concerns have led in recent years to robust public discourse, insightful research projects and policy interventions. Government and civil society are engaged not only in raising awareness but also in devising policies to mitigate the projected effects. Government initiatives include the Bangladesh Climate Change Strategy and Action Plan 2009, the formation of a climate change trust fund and the establishment of environment courts in each of the 64 districts to expedite cases related to environmental damage and pollution. The country has raised its voice in international fora to ask for its share of the climate change fund. Disaster management has received a higher priority in the years under review. In industrial manufacturing, environmental protections are inadequate and warrant immediate attention.

Environmental  
policy  
6

The government has adopted a new education policy in 2010, introducing several mandatory subjects at primary and secondary levels of general, madrasah and vocational education with the goal of establishing a unified education system. One of the key policy changes is an increase of total schooling years from 10 to 12. This includes the extension of free, mandatory primary school education by three years to a total of eight years. A one-year pre-primary course for children over five years old is to be introduced. Courses on social environment and climate change, information and communication technology (ICT), and Bangladesh studies have been introduced as mandatory courses at primary and secondary levels. The budget raised allocation in the education sector by 13.5%. Despite this proposed increase in FY2010-11, public expenditure on education as a percentage of the GDP remains lower than 3%. In recent years Bangladesh has achieved remarkable success in increasing net primary enrollment, reaching 94%. It has increased girls' enrollment and achieved gender parity in education at both primary and secondary levels.

Education policy /  
R&D  
4

Figures for investment in R&D are not available, and scientific research and technology development has not received due attention. There are only three major research organizations under the ministry of science and information technology and three under the ministry of agriculture. Although there are 54 universities throughout the country, including 30 public universities, very few have the physical and institutional infrastructure for research activities.

## Transformation Management

### I. Level of Difficulty

Bangladesh continues to remain a development paradox as it has achieved considerable social gains and a fairly impressive economic performance in the past decade while its governance is rated as very poor by almost all standards. Areas such as public administration, public financial management, the judicial system, and watchdog institutions are considered to be the core of the governance system. Efforts to make improvements in these areas did not bear significant fruits under the caretaker regime (2007 – 2008) due to lack of political legitimacy. The AL-led coalition's electoral promise to bring change has yet to materialize. The political will and a comprehensive plan to overhaul these areas are needed to move forward. Consensus among the political parties, both ruling and opposition, on the reform measures and prioritization, is a must for good governance. The country faces several structural impediments in reforming the governance system. These include high levels of poverty, lack of physical capital, and a clientelist political system.

Structural  
constraints  
7

Bangladesh has a tradition of CSOs. In both urban and rural areas NGOs, human rights organizations, CSOs for education and organizations that raise awareness in social and political issues are active. NGOs have a successful record of engagement in empowerment programs for marginalized groups, poverty alleviation, health care and education. NGOs like BRAC have developed into national institutions. The Grameen Bank has received international acclaim – including the Nobel Peace Prize – for its microcredit lending program. Islamist groups also have their own networks and religious institutions to propagate Islam. Islamic NGOs have become weaker since 2006 due to lack of political support from the government, as both the caretaker government (2007 – 2008) and the AL regime have instituted strong oversight of religion-based NGOs. Some NGOs which had taken a religious line closed their programs entirely.

Civil society  
traditions  
6

Political polarization between the two major parties is high and often detrimental to social progress and democratic processes. The acrimonious relationship between political parties and their leadership encourages intolerance and social conflicts. This led to the declaration of a state of emergency in 2007. Although political parties and citizens acknowledge the danger of continuing such behavior, the

Conflict intensity  
6

actions of political parties and leadership are not indicative of any changes. Ethnic and religious conflicts are limited because of the homogeneity of the population. But low-intensity conflict with radical leftist and Islamist militant groups continues to pose threats to law and order and national security. Armed insurgency around the country's borders in northeastern India and Myanmar has already spilled over to Bangladesh and is drawing the country into the vortex. The government and the civil society are aware of these challenges.

## II. Management Performance

### 14 | Steering Capability

The political parties, civil and military institutions in Bangladesh demonstrate very limited capability and/or unwillingness in steering and managing transformation. The AL's electoral promises – the “charter for change” – received unprecedented support from the citizens of the country in the election of 2008. This was a clear signal that the nation was ready for a complete overhaul of the political and governance system. The caretaker government's vigorous campaign for institutional reforms and the experience of the previous 15 years of democratic rule created a conducive environment. But the ruling party has yet to deliver on its promise. On the other hand, the opposition political party, the BNP, has not been able to comprehend the need for reforms. One of the key weaknesses of the political parties and civil administration remains the inability to prioritize issues and devise strategies for change.

The government is committed to democracy and a market economy. Because of political polarization, widespread patronage and corruption, success in implementing enduring reforms remains very limited.

The political polarization, acrimonious relationship, culture of intolerance, and personal rivalries between the two major parties, particularly between two key leaders – Sheikh Hasina and Khaleda Zia – have hampered political and economic development since the country embarked on the democratic path. The events of 2007 – 2008 did not bring any qualitative change in their behavior or approaches. Instead, the political activists who voiced their support to the reform measures have suffered at the hands of the “supreme” leaders of the party. In the case of AL, for example, the reformist leaders are not given any positions in the Sheikh Hasina government and have been demoted within the party hierarchy. In the case of the BNP, these leaders have either become inactive or been removed from party positions. There have as yet been no attempts to translate into policy the need for

Question  
Score

Prioritization  
4

Implementation  
4

Policy learning  
3

structural change in politics, institutionalizing democratic norms, combating corruption at all levels, establishing accountability and bringing transparency to governance. However, these issues have gained salience in public discourse, and CSOs and the media continue to underscore their absence.

## 15 | Resource Efficiency

Resource efficiency is still modest. Despite the anti-corruption drive of the caretaker government and the promises of the ruling coalition, corruption remained high in several sectors including the judiciary and the police. According to a survey by Transparency International Bangladesh (TIB) in 2010, over 84% of households in Bangladesh became victims of corruption while receiving services from government and non-government institutions between June 2009 and May 2010. The survey reveals that most people became corruption victims vis-à-vis the judiciary. The government strongly criticized the TIB and raised questions about their intentions. The judiciary department rejected the survey result. The Supreme Court formed a committee comprising five senior High Court judges to examine the information. Afterwards the committee declared the report to be “baseless” and incomplete. However, the chief justice decided to form another committee to investigate corruption in the judiciary.

Efficient use of  
assets  
3

The frequency of bribe-taking puts law enforcement agencies on top of the chart of most corrupt service sectors. However, corruption decreased in some sectors. The level of patronage and rent-seeking increased significantly after a decline in 2007–2008 under the non-partisan technocratic government. The decentralization efforts initiated under the caretaker regime have been derailed. Contrary to its election promise, the power of the Upazila council (an elected council for subdistricts) has been significantly curtailed by the regime. A host of factors are impeding the functioning of the Upazila councils: these include a large number of rules and regulations imposed by the central government; inadequate local resources (only 2.34% of the national development budget is allotted for local government bodies); the loyalty of the civil servants to the central authority rather than to the elected councils; the lack of skills and knowledge of elected representatives; and the corruption and domination of local elites in decision-making processes, among other issues.

Coordination within the government is not pursued in a coherent manner. The jurisdictions of various ministries often overlap on development projects, hindering progress in planning and implementation. Party and government often appear to be at odds with one another. It is not unusual for ministers to pursue their own interests

Policy  
coordination  
4

– serving their own political constituencies at the expense of the national policy agenda. The prime minister's office attempts to provide overall coordination in policy matters.

In the last general election all political parties, including the AL, committed to maintain the independence of the Anti-Corruption Commission (ACC), but since coming to power the ACC has been weakened. The caretaker regime's anti-corruption drive suffered a serious blow in the years under review. The chief of the ACC, appointed by the caretaker regime, resigned in early 2009, allegedly under pressure from the government. Ruling party leaders have vehemently criticized the role of the ACC under the caretaker government and alleged that it acted as an instrument of the military-backed regime to malign politicians. The government has introduced an amendment to the law which would require the ACC to seek permission from the government before initiating any investigation against a government official. The government has also requested that the ACC withdraw about 300 cases filed between 2007 and 2008.

Anti-corruption  
policy

3

## 16 | Consensus-Building

There is general support among the main political parties for the establishment of a market-based democracy in Bangladesh. Although Islamist parties like Bangladesh Jamaat-e-Islami (JI) want to establish an Islamic state and are opposed to secular representative democracy, they have not expressed any opposition to the market-based economy.

Consensus on goals

6

Nevertheless, there is still a considerable lack of agreement among political parties with regard to the concrete acceptance of the rules, processes and outcomes of the political process. From the transition to democracy till the late 2000s, politics in Bangladesh increasingly became confrontational and unstable. The de facto military rule of the late 2000s and beginning of this decade did little to heal the wounds between political parties and elites. Despite the return to defective democracy in recent years, Bangladesh still witnesses the politics of confrontation. Given the experience of the suspension of civilian elected rule in 2010, there were some hopes that domestic politics would be less confrontational. However, when the main opposition party initially claimed that the election result had been manipulated by the governing party (despite positive evaluations by the international community) and decided to boycott the newly elected parliament, it was clear that there consensus between the main political parties about the working of the political process is absent.



There are few veto actors in Bangladesh. Even Islamist parties like JI are not necessarily regarded as veto actors, although they pursue a non-democratic ideology. The popular base of Islamist parties is limited and does not exceed more than 7% of the electorate. The army seems to be committed to democratic practices. The peaceful transfer of power to an elected civilian regime in 2009 is a testimony to this. Still, political institutions remain weak, institutionalization of civilian controls remains low, and the military plays an eminent political role entrenched during the last caretaker government (2007 – 2008). Therefore, the armed forces remain as a major stakeholder in the political system of Bangladesh.

Anti-democratic  
actors

7

Existing political cleavages between the BNP and the AL are exacerbated by the bitter personal rivalry between their leaders. There are very few formal conflict management structures besides the legal system. Informal structures such as arbitration councils at village level have a long tradition but often discriminate against women and poor people. The ongoing low-level conflict in the Chittagong Hill Tracts has not been adequately dealt with as violence flares up intermittently. Authorities have either partially implemented or left unimplemented policies on key issues such as the preservation of tribal-inhabited characteristics of CHT region; effective enforcement of the three Hill District Councils and CHT Regional Council Act; the resolution of land disputes through the land commission; the rehabilitation of returned Jumma refugees and internally displaced Jumma families; the withdrawal of temporary camps of security forces and military administration; the preparation of voter lists only with permanent residents of CHT; the rehabilitation of the Bengali settlers outside CHT, etc.

Cleavage /  
conflict  
management

4

CSOs are actively involved in political debates and are often at the forefront of mobilization for change. Because of the weakness of the state apparatus, they are active in various social and economic contexts. The international character of some of the bigger NGOs leads the government to try to control their activities and financial support. Media, particularly radio and TV, play an important role in shaping public discourse and allow the participation of members of the public in debates. The role of the media was pivotal during the caretaker government, particularly in restoring democracy.

Civil society  
participation

6

The conclusion of the trial process for the murder of Sheikh Mujibur Rahman, the founding leader of Bangladesh, and the execution of some of his convicted killers has created the opportunity for the closure of a traumatic episode in the nation's history. Mujibur Rahman, a number of his associates and most of the members of his family were killed in a military coup d'état in 1975. A number of those convicted have absconded and the government intends to bring them to justice. The government has initiated the process to address one of the key injustices of the past – the war crimes and crimes against humanity committed during the war of independence in 1971. The government established the Bangladesh International Crimes Tribunal in early 2010. The tribunal issued warrants against five individuals

Reconciliation

5

in 2010. Four of them are leaders of the JI and the fifth is a leader of the BNP. They were already in police custody on other charges. The challenge for the tribunal and the government is to follow the international standard, deliver justice and address an issue which has remained unresolved for 40 years. In March 2010, the government ratified the Rome Statute of the International Criminal Court. Bangladesh signed the statute in September 1999. The statute entered into force for Bangladesh on 1 June 2010.

## 17 | International Cooperation

The government and the international community work closely in various forums. The scope and structure of cooperation has changed over time. The country is no longer dependent on external aid, instead emerging as an active participant in the global economy. However, development partners still play a significant role in shaping domestic policy. There have been criticisms of the role of the international community, particularly the diplomatic missions in Dhaka during the political crisis in 2006 and the tenure of the caretaker government. Critics alleged that diplomats interfered with domestic politics and helped the caretaker government to pursue a political agenda. Diplomats of various countries including the United States and the United Kingdom, and the resident representative of the UNDP have denied these allegations. The government successfully projected Bangladesh's vulnerability to climate change due to global warming at conferences in Copenhagen and Cancun and secured support from the Global Climate Change Fund to enhance the country's adaptive capabilities. Developed economies agreed to help Bangladesh by providing financial and technological assistance. The Bangladeshi military continue to play a critical role in UN international peacekeeping missions. Civilians have used this form of external support to safeguard the military's corporate interest, for example by promoting peacekeeping operations or accommodating military business activities (or self-financing). Furthermore, international actors and foreign donors have increasingly linking financial aid and participation in lucrative peacekeeping with democratization. This threat apparently convinced the armed forces not to assert direct power but to establish a form of power sharing between themselves and the civilians, leading to the establishment of the caretaker government of 2007 – 2009.

Effective use of support

7

The government enjoys considerable support from the international community, having come to power with a huge popular mandate after two years of rule by an unelected government. It provides stability and certainty to the international community. The foreign policy of the government made no departure from earlier regimes, including the caretaker government. Its commitment to addressing the issue of domestic militancy and by extension international terrorism and its efforts to improve relationships with India are applauded by the international community.

Credibility

7

The credibility of the government and confidence placed in it by the international community is reflected in increasing investment and promises of future investments from trading partners including India, China, South Korea and the countries of the European Union.

However, the government's decision to unceremoniously remove Professor Yunus from the helm of the Grameen Bank in March 2011 may strain relationships with the international community. The relationship between the government and Grameen Bank (GB), the country's pioneer microfinance institution with about eight million borrowers, took a dramatic turn for the worse in the last days of 2010, resulting in the removal of Professor Yunus as managing director in March 2011. A Norwegian TV documentary broadcast in November 2010 alleged that aid money had been wrongly transferred from one part of Grameen to another in the mid-1990s. The bank denied all the charges and later the Norwegian government, one of its main donors, gave it the all-clear. However, the Bangladeshi government, and particularly Prime Minister Sheikh Hasina, took the opportunity to launch a string of scathing criticisms of Nobel laureate Yunus. In December, in a speech delivered to parliament, Hasina accused Professor Yunus of treating the Grameen Bank as his "personal property" and claimed that it was "sucking blood from the poor." Her cabinet and party members, joined by other detractors of the microcredit program, continued the campaign against Yunus. The Bangladeshi government set up a review committee the following month to look into the bank's affairs amid reports that it might take it over. The committee did not file its report until March 2011. A group of charities led by former Irish President Mary Robinson criticized the government for a "politically motivated" campaign to remove Yunus from the GB and undermine the bank's autonomy. The U.S. ambassador to Bangladesh called for an amicable settlement of the issue. The government of Bangladesh, which owns a 25% share of the GB upheld its right to intervene. Under the laws which founded the GB, the government appoints three members and the chair of the 12-member governing board, the remainder being elected by the borrowers. On 2 March 2011, the central bank issued a notice to remove Yunus from the managing director position on the grounds that his reappointment was not approved by the central bank in 1999, and that he was above the government-mandated retirement age of 60. Professor Yunus is now 70. Interestingly the central bank never raised the issue in the past decade. Writ petitions filed on behalf of Yunus and nine governing board members were rejected by the High Court on 8 March 2011. The international press and diplomats in Dhaka speculated that the hostility to Yunus arose from his international standing and his unsuccessful bid to float a political party. Relations between the Grameen Bank and the government of Prime Minister Sheikh Hasina had worsened in 2007, when Professor Yunus attempted to set up a new party while she was under house arrest on the orders of the country's military-backed caretaker government. Following the High Court verdict the Attorney General of the country who argued on behalf of the government against Yunus' writ petition, commented

that Hasina should have been awarded the Nobel Prize in 1997 for signing the peace treaty with rebels in Chittagong Hill Tracts.

Despite the presence of a number of fora for regional cooperation, such as the South Asia Free Trade Association (SAFTA), South Asian Association of Regional Cooperation (SAARC), the SAARC Preferential Trading Arrangement (SAPTA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Bimstec) and the Mekong-Ganga Cooperation (MGC), very little has been achieved in terms of sustained cooperation among South and Southeast Asian countries. In regard to cooperation among South Asian countries, domestic politics and security perceptions of the political elites of these countries continue to be the key impediments. The strained relationship between India and Pakistan has influenced the trajectory. The Indo-Bangladesh relationship has improved under the present government and the visit of Prime Minister Sheikh Hasina to India in January 2010 paved the way for a cordial relationship between these two countries. Some important decisions taken during the visit include the agreement on improving rail and road connectivity between Bangladesh, Nepal and Bhutan; the se of Chittagong and Mongla ports by India, Nepal and Bhutan; making the India–Bangladesh Inland Water Transport and Transit Protocol more effective; and construction of an Akhaura–Agartala railway link. This was followed up by the visit of the Indian finance minister to Dhaka and the signing of a \$1 billion soft loan to build economic infrastructure in Bangladesh to make it a sub-regional connectivity hub. In the years under review Bangladesh handed over to India the key Indian militants hiding in Bangladesh – a prerequisite upon which India had insisted. However, India has not responded generously on contentious issues such as concessions on water rights, trade issues, and land and maritime boundary demarcation. The Indian government’s position on the construction of the Tipaimukh dam on the river Barak in the state of Assam in India, upstream of the River Meghna in Bangladesh is a matter of serious concern, as is the issue of the killings of civilians on Indo-Bangladesh border. An international human rights organization has documented that hundreds of Bangladeshis have been killed by the Indian Border Security Forces (BSF) in the past in violation of Indian laws and despite assurances of the government to the contrary. India’s foot-dragging in addressing emotional and practical issues is fueling discontent among political opponents of the AL who insist that the government is failing to uphold Bangladesh’s interests. This discontent may find a willing audience in non-partisan Bangladeshis if India fails to act quickly.

In early 2010, Bangladesh and Myanmar agreed to formulate a coordinated policy to settle the maritime dispute over the natural gas and mineral-rich zone of the Bay of Bengal. The two countries agreed that the sea boundary would be demarcated following the principles of equidistance and equity of resources. In late 2009, Bangladesh decided to seek resolution of its maritime disputes with Myanmar as

well as India in a United Nations tribunal, saying that the current negotiations with their neighbors were unlikely to settle the issue in the near future. Myanmar proposed that its dispute with Bangladesh be submitted to the International Tribunal for the Law of the Sea (ITLOS) and moved accordingly. The process with ITLOS is continuing while informal negotiations are being pursued. The other issue that contributes to tensions is the Rohingya refugees from Burma's Arakan State who have taken to the Bay of Bengal in open boats in search of a new home. Thousands of Rohingyas have taken refuge in Bangladesh for more than a decade, and have launched insurgencies from Bangladesh.

## Strategic Outlook

The continued economic growth and the impressive gains in several social indicators over the past decade point to the enormous potential of Bangladesh. These achievements were made despite poor governance, adverse domestic political environment, lack of infrastructure and repeated natural calamities. The resilience of the economy in the face of global downturn points to the ingenuity of the population and their ability to contribute to social wellbeing. These accomplishments cannot be sustained for long without addressing some deep-seated problems. Five issues warrant attention and actions. Firstly, a qualitative change in the political culture is needed. Acrimonious politics with utter disregard for national interest have cost the nation dearly in recent decades. Despite the best intentions and efforts of the caretaker government in 2007 – 2008, there has not been any sustained and substantial change. Since the election in late-2008, most particularly in 2010, the country's political scene has returned to the past. However, there is a popular recognition of the need for change. Sustained efforts with clear objectives and well-devised strategies can bear results. This effort must be initiated from within, but external support is imperative for its success. Secondly, the government must be applauded for its success in containing militancy, but there is no scope for complacency. The sources of extremism need to be identified and addressed as much as militants need to be confronted. The culture of impunity, political patronage, and inflow of weapons are three key factors in thriving violence. National, regional and extra-regional actors are involved in the process. Therefore, this issue cannot be left to a set of actors, whether national, regional or international for resolution. Thirdly, rule of law is a prerequisite for a sustainable democracy. The politicization of the administration and lack of true independence of the judiciary has hindered democratic practices. The political crisis of 2006 should serve as a lesson for everybody. 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 for opponents creates a cycle of vengeance which undermines the spirit of democracy and civility. In a similar vein, issues such as extra-judicial killings, abduction, and enforced disappearance must be addressed as they can weaken the legitimacy of both the regime and the system. Fourthly, infrastructural improvement, particularly road networks and electricity supply, is a sine qua non for moving the country forward both in the short and long terms. The energy crisis has hampered the realization of economic potential in recent years and will keep the country lagging behind its competitors. Lastly, it is crucial that the economy diversifies and that educational opportunities expand to create skilled workers who will meet new demands. Success in this arena will set the country on the path to sustainable development.