

BTI 2014 | Bangladesh Country Report

Status Index	1-10	5.69	# 64 of 129	
Political Transformation	1-10	5.95	# 62 of 129	➔
Economic Transformation	1-10	5.43	# 70 of 129	➔
Management Index	1-10	4.38	# 85 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Bangladesh Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Key Indicators

Population	M	154.7	HDI	0.515	GDP p.c.	\$	1883.0
Pop. growth ¹	% p.a.	1.2	HDI rank of 187	146	Gini Index		32.1
Life expectancy	years	69.9	UN Education Index	0.415	Poverty ³	%	76.5
Urban population	%	28.9	Gender inequality ²	0.518	Aid per capita	\$	8.1

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. 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 was marked by rule by a democratically elected regime with a three-quarters majority in the parliament. However, the parliament continued to be less than effective due to boycotts by the opposition party and the ruling party's unwillingness to make compromises. Political uncertainty has returned as the opposition has resorted to street agitation, especially after the changes in the constitution regarding the structure of government during the upcoming elections. The law and order situation has deteriorated; particularly notable is the upturn in human rights violations including enforced disappearances, extrajudicial killings and lynchings. The government's foreign policy successes, especially in improving relationships with the country's neighbors, have been overshadowed by its strained relationship with the international community. The cancellation of the World Bank loan to build the country's largest bridge following charges of conspiracy and corruption, as well as the government's refusal to investigate properly, are clear indications of the pervasiveness of corruption and the unwillingness of the government to address the issue seriously. The Anti-Corruption Commission appears to have been weakened. The trials of those who committed crimes against humanity during the war of independence in 1971 have progressed, drawing criticisms from outside the country while continuing to enjoy significant popular support among Bangladeshi citizens. Bangladesh's economic performance was impressive considering the global economic challenges. The growth momentum from previous years has continued, with an overall GDP growth rate of 6.1% in 2011 and 6.7% in 2012. International reserves increased after a temporary dip. Rising inflation, high levels of underemployment, and trade deficits remain the country's main negative aspects from an economic perspective.

It is also worth noting that in the past decade, the country has made remarkable progress in various social indicators such as reductions in population growth and child mortality and an improvement in gender parity in primary education, to name but a few. This progress continued during the period

under review. However, economic disparity and social marginalization continued to be two key characteristics of Bangladeshi society.

History and Characteristics of Transformation

Bangladesh became an independent state in December 1971 after a nine-month long war against the government of Pakistan. In the past four decades, Bangladeshi politics has undergone significant transformation as it experienced a variety of systems of governance, including prolonged military rule. These transformations can be divided into five broad phases: an elected civilian regime (1972 – 1975), military and military-dominated rule (1975 – 1990), democratic civilian governance (1991 – 2006), a military-backed caretaker government (2007 – 2008), and the second democratic era (since 2009).

Between 1972 and 1975, Prime Minister Sheikh Mujibur Rahman and the ruling Awami League (AL) adopted the parliamentary form of government and the policy of command economy. Domestically, Bangladesh relied on a strong public sector and promoted a policy of nationalization to rebuild itself after having been torn apart by 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 the ultra-left parties, Sheikh Mujib replaced parliamentary government with a form of one-party presidential rule called BAKSAL, making himself 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 linguistic and cultural background of all Bengalis and the identity which inspired the 1952 language movement and 1971 liberation war.

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 for foreign investment and announced an export-oriented policy in the 1980s. General Rahman founded his own political platform in 1978 called the Bangladesh Nationalist Party (BNP). The BNP promoted a religious concept of nationalism that emphasized the differences with the Bengali speaking (largely Hindu) community in India. In 1977, Islam was incorporated for the first time into the previously secular constitution. 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.

In March 1982, General Hussain Muhammad Ershad took over the government. With the creation of the Jatiya Party (JP), Ershad also created a party dominated by his political ambitions. In 1988,

another constitutional amendment made Islam the state religion in Bangladesh. During his rule, 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, with the exception of the fifth parliamentary elections held in spring 1996, which were boycotted by all political parties over the issue of establishing a caretaker government to oversee the election process. 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 which included religio-political parties such as the Jamaat-e-Islami (JI). 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.

After a relative calm of about two years, 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 opposition threatened to boycott the next election, scheduled to be held between October 2013 and January 2014, unless the caretaker system is reinstated. The opposition alliance led by the BNP organized a series of demonstrations and street agitations, many of which became violent. The government has used heavy-handed measures to prevent some of these events.

The trials of those accused of committing war crimes during Bangladesh's war of independence in 1971 has become a matter of controversy and an issue of serious disagreement between the government and the opposition. The government has appointed two special tribunals on the issue, with work beginning in March 2010. The International Crimes Tribunal (ICT) has indicted nine individuals, including six key leaders of the Jamaat-i-Islami (JI) and two of the BNP. As of the end of February 2013, verdicts on three cases have been reached.

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

Governments in Bangladesh still face problems in exercising the legitimate use of force. Widespread corruption, partisan influence over the civil administration and the proliferation of small and light weapons 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 network of Islamist militant groups such as the Jama'at-ul-Mujahedeen Bangladesh (JMB), smaller and highly dispersed left-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, but have been weakened in recent years. The government is vigilant against the radical groups and continues to apprehend Islamist militants. Levels of political violence have continued to rise since 2009. On average, 200 people died each year between 2009 and 2012 as a result of political violence. Criminal activities including gang rape, robbery, abduction, drug trafficking, attacks on women and murder increased substantially.

Compared to its neighbors in South and Southeast Asia, Bangladesh has high religious and linguistic homogeneity, as more than 98% of the population is Bengali and Bangali-speaking, and 80% of the total population is Muslim. However, the issue of national identity is a source of contention between two major political camps led by the Awami League (AL) and the Bangladesh Nationalist Party (BNP). The former underscores linguistic identity while the latter favors religion as the principal marker of identity. Small aboriginal tribal groups' appeals for recognition have received 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 an insurgency, but the tension and conflicts between indigenous ethnic minorities and Bengali settlers have yet to be resolved. Violence occasionally erupts, but no comprehensive roadmap to implement the accord has been elaborated. About 300,000 so-called

Question
Score

Monopoly on the
use of force

6

State identity

9

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 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. Religious phraseology has been inserted in government documents, as in the case of "Bismillah ur Rahman ur Rahim" as the opening words in the constitution's preamble, and Islam became the state religion with the addition of the eighth amendment in 1988. The 15th amendment to the constitution, enacted in July 2011, reinstated secularism as a state principle, but also reaffirmed the status of Islam as the state religion. Popular Islam in Bangladesh is strongly influenced by liberal Sufi traditions. In the past, Islamist groups and parties have demanded that Muslim sects such as the Ahmadiyyas be banned. Their mosques were occasionally attacked between 2001 and 2006, but the number of such incidents has decreased remarkably; indeed, save for isolated instances of harassment, there were no reported demonstrations or attempts to attack Ahmadiyya community institutions after 2009. The government has generally acted in an effective manner to protect Ahmadiyyas and their property. Attacks on members of the Hindu community and their temples have increased in the past two years, however. The Buddhist community, especially those living in the southeast parts of the country, particularly in the tribal areas of Chittagong and Cox's Bazar district, also faced a number of attacks. In October 2012, at least 10 Buddhist temples and 40 homes were burned by mobs allegedly triggered by a photo of a burnt Quran posted on the Facebook page of a Buddhist youth. Later, it emerged that the photo was doctored and tagged so as to create a pretext for the attacks. The Hindu minority population decreased from 9.5% to 8.5% of the population in the last census. Government blocked access to the popular website YouTube in September 2012, due to the availability there of the anti-Islam film "Innocence of Muslims." Access had not yet been restored at the time of writing.

In rural areas, fatwas are regularly issued by village Maulvis, although such fatwas were banned in 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. The central government has increased its influence over local-government administrations, and has significantly curtailed the powers of elected officials at the sub-national level. Politicization intensified during the period in review, as the ruling party has been trying to consolidate its grip over the administration ahead of elections scheduled in late 2013.

No interference of religious dogmas

7

Basic administration

6

2 | Political Participation

Until 2008, caretaker governments were responsible for ensuring free and fair elections. The Bangladesh Election Commission (BEC) ensures that elections are run correctly. The BEC was reconstituted in February 2012 after all three commissioners including the chief election commissioner completed their tenure. In a break from past practice, the commissioners were recommended to the president by a four-member search committee. The commission was expanded from three to five members including the chief election commissioners. However, the opposition rejected the appointments and there are some concerns that the new commission has not acted as independently as in the past. Some of the by-elections and municipal elections held in the past two years were peaceful, but they were boycotted by the opposition parties, and participation was significantly lower than during the last general election. With the passage of the 15th amendment, which abolished the system of caretaker government, the next election is scheduled to be held under the current prime minister who would be heading a party-led government, the first such balloting process since 1991.

Free and fair elections

8

The conflict between the Awami League (AL) under the leadership of Sheikh Hasina and the Bangladesh National Party (BNP) under the leadership of Khaleda Zia has inhibited the process of institutionalization of civilian control over the armed forces. As civilian leaders (Hasina and Zia) have sought to instrumentalize the military for their partisan interests, they have avoided institutionalizing civilian control in favor of an informal, personalized style of instructing and monitoring the armed forces. This political polarization has led to politicization of other institutions such as the judiciary and bureaucracy.

Effective power to govern

6

The reported coup plot in December 2011 and January 2012, is a case in point. In January, the Bangladesh army announced that it had foiled a coup plotted by some mid-level officers. It claimed that as many as 16 officers with “extreme religious views,” supported by proscribed Islamist party Hiz-ut-Tahrir (HT) and other “political” groups, had plotted to overthrow the government. According to government sources, two retired army officers who were respectively arrested on December 15 and 31 made court statements describing plans to topple the government, with the goal of installing an Islamist state. A number of HT activists and some army officers were arrested. Subsequently, at least five courts of inquiry were set up, and by June 2012 the Bangladeshi press reported that 50 army officers were about to be court-martialed for their involvement with the failed coup. Some describe this botched attempt as an indication of simmering discontent within the army against the government, particularly in the wake of the conviction of five junior army officers in 2010 for an assassination attempt against a young AL parliament

member and nephew of the prime minister. However, others allege that the government has inflated the threat to purge disgruntled army officers.

On paper, there are no significant constraints on the freedoms of association and assembly. 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. In May 2012, 32 opposition leaders, including the acting secretary-general of the BNP and a few BNP parliament members, were charged with involvement in an arson attack. The acting secretary-general was denied bail, and additional charges were brought against him while he was behind bars. The JI has had difficulties in organizing demonstrations, especially after the trial against their leaders started. The party responded with street agitations and targeted attacks on police. Members of various grassroots movements have drawn the hostility of the government, as they have raised issues concerning rights of marginal groups. Workers have not been allowed to organize in the ready-made garments (RMG) sector; indeed, most workers who attempt to unionize face hostile resistance from employers, and have allegedly been subjected to government intimidation. At least one RMG labor leader was killed after being abducted. The government has denied any involvement, but activists and family members allege that the slain leader was abducted by members of law enforcement agencies. The government has yet to deliver on its promise to implement trade unionism in the garments sector so as to ensure worker rights.

Association /
assembly rights
7

The media, both print and electronic, is diverse and vibrant. Newspapers tend to demonstrate a tilt toward certain political parties. In spite of intimidation tactics, newspapers such as the Daily Star, the New Age, Prothom Alo, Amar Desh and Jamaat mouthpiece the Daily Sangram have been critical of government’s policies.

Freedom of
expression
6

From time to time, the government has expressed displeasure with various media outlets, and has floated the idea of new laws to address “sensational reporting.” However, it has backtracked in the face of opposition from media and civil society. The prime minister has expressed her displeasure with the late night talk shows, a popular TV genre, for the criticisms of the government made by participants and hosts alike. There is no clearly articulated policy governing the issuance of television broadcast licenses, a fact that has led to widespread allegations that the government has issued new licenses to its cronies. Of the 24 channels currently broadcasting, more than half have secured licenses since 2009, and are known to be owned by party leaders or members of their immediate families. From time to time, these television channels have been requested to limit their coverage of opposition rallies and programs. A national daily newspaper allied with the opposition party faced legal and extralegal pressure from the government after it reported on a Skype conversation between the presiding judge of the ICT, Mohammed Nizamul Huq, and a war crimes expert of Bangladeshi origin living in Brussels, Belgium. After reporting on the

conversations, the Economist of London was also served with a notice by the ICT. A university professor was convicted and sentenced to six months imprisonment in early 2012 for remarks about the prime minister posted on his Facebook wall. The professor, currently on study leave outside the country, was tried in absentia. A blogger who was arrested and tortured in early 2012 for comments made online was stabbed by unknown assailants at the end of the year. The government has tried to formulate an online media policy, but retracted its proposal in the face of pressure from journalists and members of civil society. Despite the fact that more than two years have passed since the Right to Information Act came into force and the Information Commission was established, little has changed in the official culture of secrecy. The Information Commission remains weak and the lack of political will to strengthen it is palpable. One human rights organization recorded at least 291 incidents of attacks, intimidation, violence and arrests targeted at journalists in 2011, and an additional 342 in 2012. Five journalists were killed during this period, but no one has been prosecuted for these deaths or attacks. Despite the promise of the then-home minister that the assailants of a journalist couple killed in their home in early February 2012 would be arrested within 24 hours, no one has been charged with the crimes.

Various forms of artistic expression have occasionally been censored. In January 2011, the controversial film *Meherjaan*, which deals with events during the 1971 war, was withdrawn from theaters by the distributor. The decision came as a result of objections voiced by several critics who felt that the filmmaker had failed to use historical accuracy when portraying the 1971 war.

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 Bangladesh Judicial Service Commission has conducted seven judicial service examinations aimed at recruiting and appointing judges to the lower judiciary levels. However, no separate secretariat has been established for the judiciary, and thus the appointment, transfer and promotion of lower-level judges remain administered by the executive instead of the office of the chief justice. The Supreme Court enjoys a certain degree of independence vis-à-vis the executive. However, serious controversy has arisen regarding the frequent appointments to the High Court Divisions of the Supreme Court, with allegations that the appointments have been marked by political bias. Legislation detailing specific qualifications for the appointment of judges to the Supreme Court is lacking.

Separation of
powers

5

Despite the official separation of the judiciary from the executive enacted by the parliament in 2009, some have alleged that executive interference continued during the period under review. Some critical aspects of independence have yet to be achieved. A higher degree of transparency, neutrality and accountability in the administration of criminal justice has yet to become a reality. Issues such as the basis of judicial appointments, security of tenure, and the ongoing patterns of political patronage and interference have yet to be addressed. Executive control over the appointment process is exercised blatantly, evidently with the goal of outnumbering the judges appointed by the previous government. At the lower levels, courts often face political interference and charges of corruption. In 2011, procedural irregularities in cases related to the Grameen Bank and the caretaker government system added to suspicions that judicial independence had been compromised. The dismissal of cases following political pressure is also a growing issue of concern. Presidential pardons for 21 individuals in 2011 and 2012 has concerned citizens, as these were viewed as a partisan use of a constitutional power granted to the president, while weakening confidence in the judicial system.

Independent
judiciary

5

Corruption remains an endemic problem in Bangladesh, permeating all levels of society. Political parties pay lip service to the elimination of corruption, but appear disinclined to develop institutional mechanisms to address the problem. The glaring example of the government's unwillingness to address the issue of corruption was reflected in the dispute with the World Bank over the Padma Multilateral Purpose Bridge (PMPB) between 2011 and 2012. A detailed analysis of these events reveals how corruption is not only overlooked, but receives political backing at the highest level. The World Bank, the Asian Development Bank (ADB), the Islamic Development Bank (IDB) and the Japan International Cooperation Agency (JICA) agreed to fund the \$2.9 billion project and signed an agreement in April 2011. However, the World Bank suspended the loan in September, insisting that a minister be removed on the basis of corruption allegations, which the government for its part rejected. After several rounds of discussions, the minister was shifted to another ministry; the World Bank nevertheless canceled its loan altogether in June 2012, citing credible evidence corroborated by a variety of sources that pointed to high-level corruption and conspiracy among Bangladeshi government officials, executives of a Canadian company and private individuals in connection with the project. The ADB followed suit and pulled out immediately, while the IDB and JICA have remained committed to the project. At the request of the government, and following a few half-hearted steps initiated by the government, the World Bank returned to the project in September, but demanded that two additional individuals – a minister and an adviser to the prime minister – be removed. While the government sent the adviser on leave, and the minister was removed from the cabinet, the prime minister publically castigated the World Bank, calling it a corrupt institution. She continued to reject the notion of any corruption in the project. The Anti-Corruption Commission (ACC) echoed the government position in its initial statements, but later launched a

Prosecution of
office abuse

3

probe on the issue. The World Bank subsequently decided that it might fund the project after reviewing the procedures governing the ACC probe. A three-member World Bank external review panel visited Dhaka twice, in late 2012 and again in early 2013, to oversee the probe. The ACC, which previously had vigorously defended the government position that there was no evidence of corruption, filed a case against seven individuals, but two high-profile political leaders including the former minister were excluded. On January 30, the World Bank president stated that until certain conditions were met, the bank would not fund the project. Immediately afterward, the ADB and JICA withdrew their support for the project.

In general, the government has continued its efforts to clip the wings of the Anti-Corruption Commission, particularly by curtailing its power to prosecute high-level officials and political leaders. In a semi-official letter issued in November 2012, the home affairs minister informed the law minister that the national committee previously formed by the home ministry for withdrawal of politically motivated cases had so far recommended withdrawal of 347 cases filed by the ACC, but that the anti-graft body had no move to withdraw the cases. In the letter the home affairs minister sought the “sincere cooperation” of the law minister in restoring the government’s authority to withdraw “politically motivated” cases filed by ACC through an amendment to the criminal law. Created by an act of parliament, the ACC in its current form has no constitutional basis and suffers from a lack of resources.

Enforced disappearances, extrajudicial killings, and killings in police custody were major sources of civil rights violations during the period under review. According to the human rights organization Odhikar, 30 people disappeared in 2011, and another 24 in 2012. Many disappearances went unreported, and another human rights group claimed that between January 2010 and June 2012, at least 100 people had disappeared, 21 of whom were subsequently found dead. The issue drew significant media attention after BNP leader Iliyas Ali and his chauffeur went missing in April 2012. The disappearance of labor leader Aminul Islam drew international media attention and criticism from U.S. Secretary of State Hillary Clinton. Between January and November 2012, at least 67 extrajudicial killings were perpetrated, of which 51 were so-called crossfire incidents. In 2011, 65 people died as a result of “crossfire,” while there were 84 extrajudicial killings in total. Some six people were allegedly tortured to death in custody in 2012, while 17 died in custody after being tortured in 2011 by the 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. Extrajudicial killings in Bangladesh became rampant after the formation of the Rapid Action Battalion (RAB), an elite police force, in 2004. The number of deaths at their hands stands close to 2,000. The growing number of mob lynchings, at times with the connivance of members of the law enforcement agencies, is a disturbing development. In 2011, a total of 161 people were lynched; in 2012 this figure

Civil rights

4

remained high at 120. These incidents on the one hand reflect the public lack of confidence in law enforcement agencies and the legal system, and on the other hand show a blatant disregard for the fundamental right to life.

The BDR mutiny trials were concluded in October 2012 with the imprisonment of 723 additional members of the Bangladesh Rifles, renamed the Border Guard Bangladesh. In total, 5,926 individuals were sentenced to various terms ranging from four months to seven years. The BDR men were indicted for numerous charges including disobeying officers, not preventing others from taking part in the rebellion and not informing the higher authorities of the mutiny throughout the country in February 2009. Eleven special courts headed by military officers conducted the trials of 6,046 men over a 28 month period. A total of 115 were acquitted. When a military court sentenced 611 BDR members in June 2012, Human Rights Watch (HRW) condemned the mass trials, asserting that they did not meet international standards and violated the country's constitution. Later the HRW called for the trials to be suspended, and for independent investigative and prosecutorial task force with sufficient expertise, authority and resources to be set up, with the power to rigorously investigate and where appropriate prosecute all allegations of unlawful deaths, torture and mistreatment of suspects in the mutiny. A specially appointed civilian court, established under the Bangladesh Criminal Procedure Code, is hearing a case against 847 people accused of serious criminal conduct such as murder. Some of the charges in this case carry the death penalty as a possible sentence.

Violence in the Chittagong Hill Tracts (CHT) is a major factor of concern. The government has yet to implement the Peace Accord of 1996 completely. The land commission established to look into land rights and settlement-related disputes is understaffed and ill-equipped. Amendments to the Land Dispute Resolution Commission Act are pending. The tribes feel marginalized, and there is recurrent violence between the Chakmas and Bengali settlers. The last incident, in which around 60 people were injured, was reported in September 2012. Violence and intimidation tactics are generally used against the minority population, especially women, who remain particularly vulnerable. Property belonging to Hindus has been targeted under the Vested Property Act, a method of confiscating Hindu property in collusion with the official machinery. Last year Buddhists were targeted by fundamentalists in the Ramu area of Chittagong.

Women in general have remained vulnerable to physical abuse and sexual violence. According to a report by Odhikar, a human rights watch group in Bangladesh, between January 2001 and 29 February 2012, as many as 2,338 women were killed, another 1,025 women physically abused, and 172 women committed suicide because of dowry violence. Another 8,478 women were raped. Women also have become victim of fatwas in rural areas, where rape is blamed on women as the outcome of an

illicit relationship, with the women subjected to punishment decided by the village Maulavi.

4 | Stability of 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 party leaders in the case of parties, and in one or two offices (e.g., the prime minister's office) within the governing structure.

Performance of
democratic
institutions
5

The importance of the parliament as the focus of politics and governance has diminished in the past two years. Members of the opposition have decided to abstain from parliament proceedings, as the ruling party has been unwilling to accommodate any of the opposition's demands. Indeed, members of BNP, the main opposition party, attended only 54 out of 337 days of sessions in the ninth parliament, which closed at the end of 2012. Parliament sessions had to be suspended on more than one occasion due to a lack of quorum, although three-fourths of the body's members belong to the ruling party.

The major political parties and civic associations accept democratic institutions as the 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.

Commitment to
democratic
institutions
6

The role of the Bangladesh armed forces 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 partisan political purposes. While the military has exercised considerable self-restraint and has not openly intervened in civilian politics or the parliamentary process in recent years, several observers cast considerable doubt on the commitment of military officers to democracy and parliamentary institutions. Indeed, the military has become visibly restive in the past year. Large-scale dismissals, forced retirements, deepening politicization and heavy-handed attempts to curb dissent and root out militants have created an unstable and undisciplined force. While a top-level coup is unlikely, the likelihood of mid-level officers resorting to violence to express their suppressed anger is high.

5 | Political and Social Integration

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

Party system
6

The major political parties, such as the Awami League (AL), Bangladesh Nationalist Party (BNP), Jatiya Party (JP) and Jamaat-e-Islami (JI), each have an established party base. However, they lack any internal democracy, being dominated instead 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.

The political reform measures initiated by the caretaker government between 2007 and 2008 attempted to curb this dynastic practice and encourage internal democracy with little success. Although the BEC required parties to select their parliamentary candidates through a vote by grassroots party members, the parties did not follow this rule during the 2008 election. The lack of intraparty democracy is reflected in the selection of the party leadership of the Awami League councils held in July 2009 and December 2012. In both instances, the two top leadership positions were assumed on an uncontested basis, and the council gave the right to choose other AL central committee members to the party president and general secretary. In a similar vein, the BNP Council held in 2009 did not elect its committees; rather, it authorized the party chairperson to select the members of the committees.

Because of the polarization and politicization of Bangladeshi society, most interest groups are organized along party lines. Some of these, particularly the labor organizations, are designed to protect the rights of workers. Some cultural groups promote pluralism. NGOs, while sometimes fronts for political parties, also play an influential role, mediating between the society and the state on issues of education, the protection of women's rights, and the rights of indigenous and minority peoples. Religious groups and educational institutions have gained greater influence in recent years. Some aim to replace the democratic state with a religion-based political order, enhancing the role of Islamic values as a guide to social behavior. Over the past four elections, the number of businessmen in the parliament has increased significantly: In the ninth parliament, 59% of elected legislators are businessmen. This has provided the business community with greater leverage over the policymaking process. Business organizations such as 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.

Interest groups
5

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). Nonetheless, Bangladeshis are critical of the quality of political leadership and the party system. Public discourse, the popularity of political talk shows on television 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 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. Human rights groups reported an increased incidence of threats, harassment and intimidation. In September 2012, the government announced that it had canceled the registration of some 6,000 NGOs because of links to "anti-state" activities, and as of the time of writing was in the process of examining the registration certificates of an additional 4,000. This announcement came in the wake of a plan to establish a new commission charged solely with regulating NGO activities. This commission will add another layer of government supervision in addition to the preexisting NGO Affairs Bureau. Despite this adverse environment, a number of organizations continue to work in the fields of education and social development. Cultural organizations have a long tradition in the country and have significant influence on the social ethos. Cultural organizations and their combined platforms were at the forefront of the pro-democracy movement during the Ershad era (1982 – 1990). The tradition of political engagement by cultural organizations has continued. Some cultural organizations are affiliated with the political parties and work to promote certain political programs.

Social capital
6

II. Economic Transformation

6 | Level of Socioeconomic Development

Despite the high growth rates seen in recent years, the majority of the country's population has not seen conditions improve dramatically. Poverty remains the overarching problem, with 76.5% of the population in 2010 living on less than \$2 a

Question
Score

Socioeconomic
barriers
4

day (at 2005 international prices, adjusted for purchasing power parity). This means that at least 65 million people live below the poverty line. According to 2010 U.N. data, 31.5% of the population lives below the poverty line. Sharp regional variations exist with respect to the incidence of poverty. The Household Income and Expenditure Survey (HIES) conducted between February 2010 and January 2011 showed that the national poverty rate was 31.5%. However, the poverty line in the rural area stood at 35.2%, while in the urban area it was 21.3%.

Women account for 52.7% of the country's economic activity, but females earn on average less than half the income of their male counterparts. There are more poor women than more men, and the "hardcore" poor are largely women. The proportion of female-headed households among the ultra-poor is higher than that of male-headed ones. However, the country has made significant progress in achieving gender parity in primary and secondary education. Many rural areas still lack basic health care facilities and educational institutions. However, the number of rural educational institutions has grown faster than the number of comparable health care facilities, thanks to NGOs working in the educational sector. According to the World Food Program, 60 million people, or 40% of the country's population, survive on less than the minimum recommended intake of 2,122 calories per person per day; 25% of the population subsists on nutritionally inadequate diets based on starchy foods. Early marriage, adolescent pregnancies and episodes of malnourishment among mothers and adolescent girls are widespread, and one child in three is born underweight. Chronic malnourishment in children is widespread: 7.8 million children under five years of age exhibit stunted growth, and an estimated 2 million children suffer from acute malnourishment.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	89359.8	100357.0	111905.7	115609.7
GDP growth	%	5.7	6.1	6.7	6.3
Inflation (CPI)	%	5.4	8.1	10.7	8.7
Unemployment	%	5.0	-	-	-
Foreign direct investment	% of GDP	0.8	0.9	1.0	-
Export growth	%	0.0	0.9	29.3	17.1
Import growth	%	-2.6	0.7	29.2	18.8
Current account balance	\$ M	3556.1	2105.9	-164.9	2647.6

Economic indicators		2009	2010	2011	2012
Public debt	% of GDP	-	-	-	-
External debt	\$ M	24618.8	25751.7	27043.3	-
Total debt service	\$ M	955.3	1026.8	1492.7	-
Cash surplus or deficit	% of GDP	-1.7	-0.9	-0.9	-
Tax revenue	% of GDP	8.6	9.0	10.0	-
Government consumption	% of GDP	5.3	5.4	5.8	5.7
Public expnd. on edu.	% of GDP	2.2	-	-	-
Public expnd. on health	% of GDP	1.4	1.3	1.4	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.2	1.4	1.4	1.4

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Market competition in Bangladesh operates under a weak institutional framework, with inequitable rules for market participants. This is an ongoing problem related to the country's market economic transformation, but has not improved over the past decade. For example, despite ongoing financial sector reform, the degree of government ownership and interference in the economy remains considerable. State intervention in sectors the government regards as strategically important is particularly marked. The Bangladeshi press frequently reports on the existence of alleged cartels (described as syndicates) operating 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' monopsonistic market power on the one hand, and to political and institutional support from the government on the other. 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. The state's heavy reliance on tariffs as a source of revenue hampers entrepreneurial activities and increases the cost of trade. Apart from the single critical strategic sector of ready-made garments, the majority of Bangladeshis are still employed in the agricultural and informal sectors of the economy.

Market-based
competition
4

Rising numbers of power shortages and the lack of a comprehensive plan to address the issue for almost a decade have created a major hurdle. After coming to power in 2009, the government stopped coal development and gas exploration despite their clear advantages, deciding instead to support short-term and expensive oil-based rental power plants. This quick-fix approach, in which the state signed contracts to purchase electricity from a dozen private power producers, only increased the overall subsidy to the energy sector and discouraged the long-term planning needed to address the energy crisis. It has been alleged that these contracts were issued to individuals connected with the ruling party. In January 2013, the government extended the contract period for seven quick-rental power plants by an additional year. This extension will cost the government BDT 12 billion, while failing to make any significant dent in the demand for electricity. Fuel prices have increased by several times in the past three years.

In June 2012, Bangladesh's parliament passed the long-awaited Competition Act. This new law replaced the Monopolies and Restrictive Trade Practice (Control and Prevention) Ordinance, 1970, the country's only anti-monopoly law. Though introduced in 2008, it took decades to formulate and enact the law. It is hoped that this law will improve production, pricing and allocative efficiency so as to benefit both consumers and producers. The new law outlaws anti-competitive agreements and any abuse of dominant positions. Implementation of the new law will be the responsibility of a Bangladesh Competition Commission (BCC), which as of the time of writing had yet to be appointed. Under the law, the commission will be made up of a chairperson and a maximum of four members. However, Bangladesh has often had difficulties with the implementation and execution of laws; it remains to be seen how effective this law will prove to be.

Anti-monopoly
policy
6

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. Trade liberalization in combination with duty-free and quota-free access to the European Union and a number of other countries helped Bangladesh's exports increase exponentially. The share of exports as a percentage of GDP was 18% in fiscal year 2011 and 23% in fiscal year 2012. The share of imports in GDP was 25% in fiscal 2011 and 32% in fiscal 2012. This has put negative pressure on the overall balance of trade, with a deficit growing from about 6% of GDP to 7.77% of GDP. According to Bangladesh Bank, the country's central bank, the overall balance for fiscal year 2010 – 2011 was negative, reflecting a deficit of \$635 million.

Liberalization of
foreign trade
7

Bangladesh's exports include primary commodities and industrial goods. Since 1992 – 1993, woven garments and knitwear have been the country's main export items; in fiscal 2010, ready-made garments comprised 78.2% of total exports. From fiscal year 2010 to fiscal year 2011, jute exports saw a slight share increase, from 1.2% to 1.6%, while the share of jute products and frozen foods remained the same at 3.3% and

2.7% respectively. However, all other primary products have seen a decline in their shares. Economists have pointed out that Bangladesh's export base remains narrow, with its impressive success in garment exports yet to be replicated in other industries.

The pace of tariff reduction has emerged as a critical issue. Significant reductions in tariffs have been made since fiscal year 1992, but the pace has slowed in recent years. Analysts have argued that in the recent past, protection has even increased slightly, and has become more uneven across sectors due to the increasing use of non-transparent "para-tariffs." For the last five years, average customs tariffs hovered around 14%. In addition to regular tariffs (customs duties), the use of non-transparent para-tariffs has expanded in recent years. In fiscal 2012, the average value of non-transparent para-tariffs was 12.94%.

India is a vital trading partner of Bangladesh; it is Bangladesh's second most important import source (after China), and ranks fifth among Bangladesh's export destinations. The bilateral trade deficit with India has risen from \$774 million in fiscal year 2000 to \$2.9 billion in fiscal 2010. Exports to India are forecast to rise by an average of 19% a year from 2013 to 2015, and then by an average of 14% in the years from 2015 to 2020.

In 2010, India extended a \$1 billion line of credit to Bangladesh for a range of projects, including railway infrastructure, the supply of B.G. locomotives and passenger coaches, the procurement of buses, and dredging projects. In mid-2012, India announced that it would write off \$200 million of that credit line, declaring the amount to be a grant rather than a credit and informing Bangladesh that it could utilize the fund for its priority projects. The interest rate on the remainder of the loan was reduced from 1.75% to 1%. As of July 2012, Bangladesh had signed contracts with India for 12 infrastructure development projects worth \$654.71 million under this line of credit.

The issue of transshipment has remained contentious, although Bangladesh and India agreed in 2012 to extend the Inland Water Transit and Trade (IWTT) protocol for two years. While Bangladesh has agreed in principle to provide transit facility to India, no agreement has been signed, as India has expressed its inability to conclude the eagerly awaited Teesta Water-Sharing Treaty due to West Bengal government opposition. It is expected that once Bangladesh provides transit facility to India, it will earn transit fees for providing this facility.

Bangladesh's banking sector 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). Besides the central bank, there are four state-owned commercial banks, four specialized bank/development financial institutions, 30 private commercial banks, and nine foreign commercial banks. In 2012, nine new banks were approved, three

of which were new commercial banks sponsored by nonresident Bangladeshis (NRBs) and are expected to help boost the inflow of foreign exchange. Letters of intent were issued to six other PCBs in April 2012. There are serious concerns that these new banks have been issued on the basis of political considerations and that those granted permission to operate are close to the ruling party. Alongside the conventional interest-based banking system, an Islamic banking system has thrived since its inception in 1983. The Islami Bank, a member of this system, operates one of the country's largest private banking networks. 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.

According to June 2010 data, the latest available as of the time of writing, 30 PCBs held the largest portion of industry assets, accounting for about 57.55% of the total, followed by the SCBs, with an aggregate asset share of 28.85%. FCBs held 7% of industry assets. The DFI's share was 6.60% in 2010. With respect to industry deposits, PCBs held 59.11% of the whole, SCBs held 28.62%, FCBs held 6.93% and DFIs held 5.34%. Returns on assets (ROA) and returns on equity (ROE) within the banking sector have improved over the years. Among the banks, FCBs performed well on this measure. With respect to ROE in particular, the PCBs did the best, while the worst performance was shown by DFIs.

The banking sector continues to have a nonperforming loan portfolio of critically large size, particularly in the case of state-owned commercial banks.

A significant number of scams have been detected in various banks including an SCB (the Sonali Bank). This factor contributed to the dramatic rise in the share of nonperforming loans in 2012. Among these was the Hallmark scam, the largest in the history of the country, in which a little-known company named Hallmark and its subsidiaries took out loans totaling BDT 35.5 billion (\$443 million) from a single Sonali Bank branch using fraudulent papers and inside connections. This shook people's confidence in the banking system. By late 2012, the Anti-Corruption Commission had spotted another scam of almost equal amount (BDT 35 billion or \$443 million) in another bank. These incidents revealed serious supervisory lapses on the part of the central bank as well as management weaknesses within state-owned banks. The finance minister's initial reaction to these scams – that the amount was too small to worry about, or alternately that the central bank had no authority to recommend dissolution of the Sonali Bank Board as a result of the Hallmark scam – didn't help the banking sector. There are concerns that scams of equal or lesser proportion still remain to be unearthed. In early 2013, the central bank stepped up its scrutiny of 26 commercial banks, including four state-owned banks, with regard to their profits, classified loan ratios and practices of rescheduling classified loans. The government's decision to appoint political activists, some with very little background in the financial and/or economic sector, as directors of various state-owned banks has also helped to erode depositors' trust. As the central bank and the finance minister

debated their authority to dissolve the Sonali Bank board of directors, the government proposed an amendment to the Bank Companies Act that would shift the power to remove the chairmen, directors and managing directors of state-run and specialized banks from the central bank to the government.

During the period under review, a serious drop in liquidity within the banking industry prompted a major crisis in the country's banking sector. Three factors contributed to this liquidity crisis: 1) domestic financing of fiscal deficits through government borrowing from the banking sector, 2) a drop in the loan recovery rate and 3) a tighter monetary stance on the part of the central bank.

Following a period of extreme stock market volatility in late 2010 and early 2011, which reportedly affected 3.5 million small investors, the government failed to take any robust regulatory steps to prevent such future occurrences. The Securities and Exchanges Commission's (SEC) decision to require directors of listed companies to hold 2% of the shares of their companies has not provided a major positive impact. Instead, in the short term, it created another round of volatility. In October 2011, owners of commercial banks, through their platform the Bangladesh Association of Banks (BAB), launched a BDT 50 billion (\$625 million) Bangladesh Fund to provide liquidity to the stock market. However, this failed to lift the market. As of July 2012, of the BDT 50 billion (\$625 million), a total of BDT 14.72 billion (about \$180 million) had been invested in the capital market through the purchase of various securities. Volatility, although not of a dramatic nature, has continued throughout 2011 and 2012. By early 2012, foreign investment interest in the Dhaka stock market had started to increase, but remained cautious. In October 2012, the ACC decided to investigate those suspected of being involved in the 2010 stock market debacle; about 10 big investors were accused of unusual buying, selling, deposit and withdrawal activity using omnibus accounts.

8 | Currency and Price Stability

Inflationary pressure has been increasing in recent years. Despite the government's various efforts at control, the inflation rate for 2011 was 10.7%, 3.2 percentage points higher than the target. In December 2012, the inflation rate was 7.69%. Food inflation in December 2012 was 7.33%, up from 6.45% recorded in November 2012. Food inflation increased primarily due to a rise in the prices of major food items including wheat, pulses, spices and edible oil. Non-food inflation, however, dropped slightly from 9.31% in November to 8.43% in December 2012. Non-food inflation was caused by fuel imports, energy price hikes and the taka's devaluation against the U.S. dollar. The rise in government spending and credit growth in both public and private sectors also contributed to the rise in inflation.

Anti-inflation /
forex policy

6

Prices of a number of essential food commodities increased throughout 2011 and 2012. Historically, inflation in Bangladesh has moved proportionately with food prices, largely because the weight of food items in the consumer price index (CPI) is more than 55%. Food inflation hurts the poor more than non-food inflation, as the general basket of goods consumed by the poor typically consists of a higher proportion of food items. The Ministry of Food has taken a number of steps to keep price increases from spiraling out of control. However, the retail prices of food grains in the local market nevertheless increased significantly through 2012. This has raised concerns about economic stability and food insecurity, as the purchasing power of low-income families has been reduced.

In 2011, the International Monetary Fund (IMF) asked the Bangladesh Bank to tighten monetary policy so as to contain inflation. Among other measures, the IMF recommended safeguarding reserves through continued exchange rate flexibility; making interventions only to smooth short-term volatility; and addressing financial sector vulnerabilities by strengthening and enforcing the bank supervisory framework, improving market oversight and ensuring sound governance. The Bangladesh Bank has since followed a restrictive monetary policy by raising rates on a number of occasions. The bank has also increased the statutory liquidity ratio and cash reserve requirement in an effort to keep inflation in check. However, these measures have not been noticeably successful.

The exchange rate remained largely stable though the period under review, although in January 2013 the taka appreciated by 0.13% against the U.S. dollar. The central bank actively monitored the market and acted to buy U.S. dollars whenever needed in an effort to keep the market stable, with the particular aim of encouraging remitters and exporters.

The overall money supply increased by 18.56% (on a year-over-year basis) in November 2012, as compared to 17.70% in November 2011. This was mainly due to higher growth in net foreign assets, which registered a 51.35% increase compared to a decline of 10.79% the year before. Higher growth in remittances and larger foreign aid inflows compared to the same period in the previous year contributed to this improvement in net foreign assets.

In April 2012, after three years of negotiations, the International Monetary Fund (IMF) approved a loan of \$1 billion to Bangladesh. This loan arrangement came at a very critical time for the country, which was facing mounting balance-of-payments pressures and declining foreign exchange reserves mainly due to an increased demand for oil imports. The amount represents the largest loan ever offered to a member country under the IMF's reformed concessional lending architecture, and is to be staggered across seven equal installments. Bangladesh will receive the loan as a three-year arrangement under the Extended Credit Facility (ECF). The IMF's board's decision immediately enabled the initial disbursement of an amount equivalent to

about \$141 million. The ECF arrangement is designed to support Bangladesh's efforts to restore macroeconomic stability, strengthen its external position, and engender faster, more inclusive growth. As part of the loan agreement, Bangladeshi authorities agreed to reduce fiscal pressure by increasing tax revenues and containing subsidy costs; reinvigorate the financial sector through strengthened governance and oversight; engage in other reforms aimed at catalyzing additional resources in order to boost social and development-related spending; tackle power shortages and the infrastructure deficit; and stimulate export-oriented investment and job growth. In December 2012, an IMF delegation visited the country and concluded that Bangladesh's performance was on track. It had met all performance criteria by the end of June as required under the conditions of the ECF arrangements. The government was able to limit its budget deficit to 4.1% in 2012. Inflation is projected to be below 8%, and for the past few years the country's economy has grown at an annual rate of near 6%.

9 | Private Property

The right to own property is safeguarded by law. However, implementation problems are especially acute in rural areas, where patronage networks linking landowners, the police and state bureaucrats make it difficult for farm laborers and minorities to assert their property rights. Hindu minorities are still dispossessed of their private property. Though the Vested Property Return (Amendment) Bill in 2011 promised to publish a list of properties that had been seized from minorities, thus allowing them to claim their property within 90 days, this has yet to be implemented. 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.

In the Chittagong Hill Tracts, land ownership is a major problem. Land is generally owned by tribal communities. Resettlement of Bengalis on tribal lands by the previous government has often led to violence. Land issues are a primary driver for the sporadic violence in this region.

Since its establishment in 1993, the Privatization Board (renamed the Privatization Commission in 2000) has privatized 74 state-owned enterprises (SOEs). The commission has adopted two processes in its privatization activities: direct sale through tender, and sales of shares. As of 2013, of the total 74 units sold, 54 were privatized through outright sale and 20 through the sale of shares. The major sectors for privatization have included jute, textiles, steel, engineering, sugar and food, banking and financial institutions, fisheries and livestock, environment and forestry, chemicals, telecommunications and tourism.

Property rights

6

Private enterprise

7

As of the time of writing, a total of 22 SOEs were listed for privatization. The private sector, in terms of reach, coverage, employment, and overall profits, is significantly larger than the public sector in Bangladesh.

According to the 2010 Labor Force Survey, of the 54.08 million employed members of the population, 1.3 million people are in the government sector and 368,000 are in the local government sector. The remainder are employed within the private sector, including sole proprietorship enterprises and household works. Due to rent-seeking and inefficiency, the public sector's ability to serve social goals has been remarkably compromised. State-owned entities continue to consume a significant share of government resources, which could otherwise be used in sectors such as education and health. However, the private sector has not demonstrated a high level of efficiency, and has demonstrated a disregard for the environment and workers' rights.

10 | Welfare Regime

Social safety nets exist for only a very small section of society, mainly in the government sector and parts of the corporate sector. There are about 30 specifically designed social safety net programs directly operated by the government of Bangladesh. 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 (e.g., rations for poor people), natural disaster programs and the provision of shelter (e.g., Asrayan/Bashan/Adarshagram program). The government has underscored the social safety net as one of the five strategic elements of its poverty reduction strategy. Although there is an emphasis on addressing transient food security rather than seeking other long-term solutions, the commitment to developing a comprehensive safety net is palpable. Development partners such as the World Bank, the Asian Development Bank (ADB), the United Nations Development Program (UNDP) and the World Food Program (WFP) are working closely with the government to develop a sustainable social safety net for vulnerable groups. The WFP has acted as the principal partner in the government's National School Feeding Program since September 2011. By 2012, the program had reached 1.2 million pre-primary and primary school children.

Social safety nets
4

Inequality is palpable on various dimensions, including that of gender, ethnic and religious confession. Although two female leaders have dominated Bangladesh's political landscape since the democratic transition of 1991, and 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 share of female members since independence, at about 18.6%. But two years of experience show that most female lawmakers in the parliamentary standing committees have been unable to play their

Equal opportunity
4

role effectively. However, some gradual changes are taking place in society. One of the two elected vice chairpersons of local-level upazila councils has to be a woman. These figures are selected through direct elections. Public offices and the civil service employ a very small number of ethnic and religious minorities. The government allocates a certain percentage of positions in the civil services to ethnic minorities. Universities also allocate seats to minority students according to a quota system. However, these efforts have done little to combat the structurally ingrained nature of unequal access to education and job opportunities. Though Article 19 of the constitution guarantees equality of opportunity, tribal and indigenous ethnic groups face systemic discrimination and intimidation from the government and the society at large. Discrimination is latent, systemic and embedded within the structure of institutions, impeding equal access to participation in society.

11 | Economic Performance

Generally, Bangladesh's economy maintained a level of performance consistent with previous years, though rising inflation, high underemployment, and budget and trade deficits continued to be concerns. Economic performance continued to be strong in fiscal year (FY) 2011 and FY 2012, with GDP growth of 6.1% and 6.7%, respectively. Although the growth target for FY 2012 was 7.0%, the real achievement in this year was quite impressive considering the unfavorable conditions within the broader global economy, particularly the crisis in the euro zone, a principal export destination for Bangladeshi products. The euro zone recession continued to be a major obstacle to achieving desired growth. The overall performance of the export sector was good, but a downward trend was evident in 2012. The ready-made garment sector, the strongest source of Bangladeshi exports, saw a decline in orders from traditional destinations, although some new markets have opened up. Remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh. In FY 2010 – 2011, the total inflow of remittances was \$11.6 billion; this figure climbed to \$12.8 billion in 2011 – 2012. In FY 2011 – 2012, remittances grew by 10.24%, a rate 4.21 percentage points higher than that seen in FY 2010 – 2011. In July – December 2012, quarterly remittances increased by 21.89%.

The country's foreign currency reserves faced some concerns during the review period. Between August 2011 and April 2012, reserves hovered below the \$10 billion mark, a level inadequate in the event of adverse shocks. The first installment of the IMF loan under the ECF arrangement received in April 2012 pushed reserves above \$10 billion. Slower projected import growth in 2012 also helped the central bank build the reserve buffer to \$11 billion, equivalent to 3.8 months of prospective merchandise imports in FY 2013. In December 2012, reserves grew to \$12 billion. Unlike previous years, the industrial sector was the primary driver of growth. Agriculture's contribution to growth was smaller than in the previous year.

Output strength

7

Telecommunications was one of the key sectors showing substantial growth, although at a rate slower than in 2010. This sector has received the largest share of the country's inward-bound FDI, at 43% of the whole. The total number of mobile subscribers in Bangladesh at the end of 2011 was 92.6 million, a penetration rate of 61.5%. Subscriber rolls reached 94.7 million at the end of July 2012, and the penetration rate was subsequently estimated at 65% at the end of that year. Bangladesh entered the 3G era in October 2012, putting telecom growth in the fast track.

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. The government and the civil society are engaged not only in raising awareness but also in devising policies to mitigate projected effects. Government initiatives include the Bangladesh Climate Change Strategy and Action Plan 2009, the establishment of the Bangladesh Climate Change Resilience Fund (BCCRF) with the support of development partners in 2010, and the establishment of environment courts in each of the 64 districts to expedite cases related to environmental damage and pollution. In the past three fiscal years (2009 – 2010 through 2011 – 2012) the government has allocated about \$100 million each year (totaling \$300 million) to climate change adaptation and mitigation projects. About \$125 million has been received from the BCCRF and development partners, and is being utilized.

Disaster management received a higher priority in the years under review. In the industrial manufacturing sector, environmental protections are inadequate and warrant immediate and significant attention. The government is unable to take action against mafia-style groups who are encroaching on river banks, filling it in so as to acquire more land. This encroachment has several environmental impacts, resulting in floods, changes in the course of rivers and erosion of river banks. The country is ranked 139th worldwide in the latest Environmental Performance Index (EPI), with a score of 44.0.

In recent years Bangladesh has achieved remarkable success in increasing net primary enrollment, reaching a share of 94%. Remarkable progress has also been achieved in terms of gender parity at primary and secondary schools; as of 2010, enrollment ratios were skewed in favor of girls, respectively at 1.02 to 1 and 1.14 to 1. The government 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 changes of the policy is that total schooling years were increased 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.

Environmental
policy
6

Education policy /
R&D
4

Social environment and climate change, information and communication technology (ICT), and Bangladesh studies have been introduced as mandatory courses at the primary and secondary levels. The share of education in the FY 2012 – 2013 budget has declined slightly, from 11.8% in FY 2010 – 2011 to 11% in FY 2012 – 2013. Over the past three fiscal years, public expenditure on education as a percentage of GDP has declined, from 2.6% to 2.4% and again to 2.2%.

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. For example, in the FY 2012 – 2013 budget, the allocation for science research and education was slashed by about a quarter (27%) as compared to FY 2011 – 2012. Funding for key scientific organizations such as the Bangladesh Council of Scientific and Industrial Research (BCSIR) and the National Institute of Biotechnology (NIBT) has suffered cuts. In the 2012 – 2013 annual budget, \$46.25 million was allocated to the science and technology ministry, down from the \$63.75 million allocated in 2011 – 2012. Bangladesh has 73 universities, including 21 public and 52 private institutions.

The Bangladesh Madrasah Education Board regulates curricula in Ailya madrasahs, which provide instruction comparable to that of the mainstream education system. However, the state does not supervise the privately owned and operated Qwami madrasahs, which remain one of the important components of the country's primary and secondary school education. In 2004, the Bangladesh Qwami Madrasah Education Board was established with the aim of regulating Qwami madrasah, but since these bodies are not funded by the government, they have rejected government attempts to influence their curricula. Instruction thus remains determined at the local level by orthodox religious clerics. Qwami madrasahs today generally follow Dars-e-Nizami, a system guided by Islamic jurisprudence, which makes it difficult for students to enter the secular job market. There are an estimated 7,000 Aliya madrasahs and 6,500 Qwami madrasahs in Bangladesh. The Islamic Development Bank has agreed to provide a loan of \$14 million to upgrade madrasahs and develop infrastructure.

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. The government has not demonstrated any appreciable political reform will, and no comprehensive plan to overhaul these areas has emerged. A lack of consensus among political parties on desirable reform measures and prioritization has been the defining characteristic of Bangladeshi politics for the past decade, and the period under review displayed no change in this regard. Therefore, good governance remained elusive. The country faces several structural impediments to any reform of the governance system. These include high levels of poverty, a lack of physical capital, a clientelist political system, and a widespread proclivity for short-term political gains. Much of the informal sector remains beyond the control of the government. Garment production has been one of largest earners of foreign currency, yet this sector remains unorganized. Women are paid lower wages than men, and work in very difficult environments in buildings that don't meet normal safety norms. Labor unrest has affected garment exports.

Structural
constraints

7

Bangladesh has a tradition of civil society associations. Non-governmental organizations (NGOs) 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. NGOs such as BRAC have developed into national institutions. The Grameen Bank has received international acclaim, including the Nobel Peace Prize (2006), for its microcredit lending program. 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. For example, it is civil society that was at the forefront of protecting Ahmediya mosques, and a group called the Sector Commander Forum spearheaded the movement for the trial of war criminals. 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.

Levels of political polarization between the two major parties is high and often injurious to social progress and democratic processes. This has encouraged intolerance and social conflict, leading to the declaration of a state of emergency in 2007. Although in 2009 and 2010 political parties and citizens acknowledged the danger of continuing such behavior, these lessons seem to have been forgotten during the period under review. The actions of party leaders in 2011 and 2012 were indicative of a return to past practices. Violent street demonstration remains a common form of expressing dissent, a fact that has resulted in loss of life and property. This affects the investment climate and business in Bangladesh. Widespread ethnic and religious conflicts are limited due to the homogeneity of the population, but the incidence of attacks on minorities, both religious and ethnic, increased during this period. Low-intensity conflict with radical leftist and Islamist militant groups has continued, although the incidence of open battle has subsided. These forces continue to pose threats to law and order and national security. Armed insurgencies around the country's borders, in northeastern India and Myanmar, affect Bangladesh. As a result, Bangladesh has emerged as a major hub of arms and drug trafficking. The government and civil society are aware of these challenges.

Conflict intensity

7

II. Management Performance

14 | Steering Capability

Political parties and civil and military institutions demonstrate very limited capability for and/or willingness to engage in steering and managing transformation. The AL electoral manifesto entitled "Charter for Change," which received unprecedented support from citizens in the 2008 election, was not followed up with concrete steps to bring about changes in the political culture, organizational structures, institutional arrangements or governance system. This clearly represented a step back, as a number of elements had been present in favor of making such move, among them the caretaker government's vigorous campaign for institutional reforms, the experience of the previous 15 years of democratic rule and the popular sentiment for a complete overhaul of the system. However, the governing party failed to deliver on its promises, while the BNP opposition party has not been able to comprehend the need for reforms. One of the key weaknesses of the political parties and civil administration has been the inability to prioritize issues or to devise strategies for change. Most policies adopted are done so with the next election in mind and are therefore short-term oriented in terms of priorities. The absence of dialogue between

Question

Score

Prioritization

3

the political parties has resulted in stalemate. 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. Decision-making has been arbitrary, with political constituencies rather than the people kept in mind.

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.

Implementation
4

Political polarization and the acrimonious relationship between the two major parties, in addition to a culture of intolerance and personal rivalries between the two parties' key leaders (Sheikh Hasina and Khaleda Zia), have hampered political and economic development since the country's initiation of democratization in 1991. The events of 2007 – 2008 did not bring any qualitative change in the political elite's behavior or approach. Rather, political activists who voiced their support for reform measures have suffered and continue to suffer at the hands of the "supreme" leaders of the parties. Both the AL and the BNP have pushed reformist leaders to the margin, instead choosing loyalists for party positions and, in the case of the AL, for key government roles. The need for structural change in the country's political system is discussed in the media and by the public, as is the need to institutionalize democratic norms, combat corruption at all levels, establish accountability and bring transparency to governance. But little of this discussion has been translated into policy. The members of civil society who underscore such needs are often vilified by the party leadership.

Policy learning
3

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. Elected governments at the local level (i.e., the country's 482 upazila or sub-district-level councils, elected in 2009) have access to few resources and limited power. Development partners, especially the UNDP, have been engaged with the government in various capacity-building projects. The European Union, the Swiss Development Cooperation (SDC), UNCDF and UNDP initiated an Upazila Governance Project (UZGP) in 2011, while other similar projects are underway to support local government institutions. Relations between state representatives and officials at the upazila level remain strained due to the unclear allocation of authority. The recently implemented mandatory advisory function assigned to members of parliament has complicated the role of the local government, with interference by

Efficient use of
assets
3

MPs in local government affairs further weakening the independence of local government.

Coordination within the government is not pursued in a coherent manner. Various ministries' jurisdictional overlap on development projects often hinders planning and implementation efforts. Immediate political considerations often drive policy measures, with little regard given to long-term implications. It is not unusual for ministers to pursue their own interests, including serving their own political constituencies, at the expense of the national policy agenda. However, the Prime Minister's Office attempts to provide overall coordination in policy matters.

Policy
coordination
4

The prevalence of high-level corruption was reflected in the Padma Multipurpose Bridge Project, as well as in various scams connected with the railways, the stock market, and the Hallmark company during the period under review. Institutional capacity to address corruption, weak to begin with, has worsened further due to questionable government practices such as supporting ministers allegedly connected to corruption. Impunity on the part of corrupt political leaders has provided incentive for the expansion of local level corruption. The weakening of the Anti-Corruption Commission (ACC) has created the impression that the government is not interested in addressing corruption as a high-priority issue.

Anti-corruption
policy
3

A report entitled "Positive and Negative Roles of the Members of the 9th Parliament: A Transparency International Bangladesh Survey Review" evaluated 149 members of parliament (136 from the ruling AL and 13 from the opposition) in 2012 and showed that lawmakers hold too much sway over public bodies, control educational institutions, misappropriate development funds and even back criminal activities. The survey also found that legislators influence the administration's procurement decisions, break electoral rules, and in many cases provide false information in order to secure land ownership. The parliamentarians consider their posts to be a "means of profit making," the report says. Legislators thus have little if any incentive to pass an anti-corruption policy or implement any extant policies in this regard. Many businessmen who enter politics provide funding for party election expenses. Once in power, they try to recover their investment. Some even give money to leaders in order to secure nomination as a party candidate. Government is not serious about tackling the corruption issue. Rather, corruption charges are used as weapons against political opponents.

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 such as the Bangladesh Jamaat-e-Islami (JI) want to establish an Islamic state and are opposed

Consensus on goals
6

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. From 1991 (the onset of democratization) until the late 2000s, politics in Bangladesh grew increasingly confrontational and unstable. The de facto military rule between 2007 and 2008 did little to bridge the gaps between political parties and elites. With the return to an elected civilian regime in 2009, Bangladesh seems to have returned to the past. During the period under review, sharp differences on the issue of the structure of government during the upcoming election indicated that there was a lack of consensus between the main political parties as to the appropriate functioning of the political process and modes of power transfer. The ruling party's removal of the constitutional provision providing for a caretaker government during elections, and the threat of the opposition to boycott the election until the system is reinstated, has created a situation akin to late 2006 or 1996, when the AL boycotted the sixth parliamentary election, forcing the BNP to introduce the caretaker government system. The governing and opposition parties have sought to resolve their disputes through street agitation and by trading insults. This not only reflects the lack of trust between the two parties, but also the absence of any institutional mechanism through which consensus on national goals and democratic processes could be created.

There are few veto actors in Bangladesh. Even Islamist parties such as Jamaat-e-Islami (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 7% of the electorate. The army seems to be committed to democratic practices, though this is primarily due to the lack of support for military intervention in politics. The peaceful transfer of power to an elected civilian regime in 2009 bears testimony to this. Still, political institutions remain weak, as is the institutionalization of civilian controls, and the military continues to represent a major stakeholder in the political system, a role it successfully secured during the last caretaker government (2007 – 2008).

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 aside from the legal system. 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 (CHT) 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. Among others, these include preservation of the tribal characteristics of the CHT region, effective enforcement of the policies of the three hill district councils and the CHT Regional Council Act, the resolution of land disputes through the Land Commission, the rehabilitation of returnee Jumma

Anti-democratic
actors

6

Cleavage /
conflict
management

4

refugees and internally displaced Jumma families, the withdrawal of temporary security-force camps and the military administration, the preparation of voter lists containing only permanent residents of CHT, and the rehabilitation of Bengali settlers outside the CHT. Since Bangladesh is largely a homogeneous state, ethnic and religious cleavages are given little attention, and outbreaks of violence are regarded as law and order issue. The government thus does little to alleviate grievances in the long term once conflict situations are brought under temporary control.

Civil society, by definition, is heterogeneous and fragmented. As a whole, it offers a variety of different perspectives and produces robust debates. Members of civil society and civil society organizations in Bangladesh are actively involved in political debates and are often at the forefront of mobilization for change. In the past decade, many civil society organizations such as professional bodies have increased their ties to political parties and have failed to play an independent role. However, autonomous civil society organizations focused on socioeconomic issues have emerged on the social scene. For example, a social movement for road safety in 2011 brought together disparate groups of people, thrusting the issue to the forefront of public discourse. Due to the weakness of the state apparatus, civil society organizations are active in various social and economic contexts. During the period under review, the government took various steps to control the activities of civil society organizations and to scrutinize the financial support of larger or externally supported NGOs. Media, particularly electronic media, play an important role in shaping public discourse and allow participation by the public in debates. Some civil society organizations act as fronts for political parties due to their ideological affinities. Government also uses civil society organizations to further its socio-political agenda. Civil society has played an important role in setting the civil rights agenda. During the period under review, the government drafted a bill regulating foreign donations, which has the potential to legalize the already arbitrary and nontransparent process by which the government regulates the receipt of foreign funding. It has decertified 6,000 NGOs and announced a plan to set up a commission to supervise the NGOs. In recent years, increased partisanship within civil society organizations, including professional organizations, has weakened their on the society at large. The leaders of the governing party, including the prime minister, have engaged in verbal attacks on the sector in general, particularly on Grameen Bank founder Muhammad Yunus. These attacks, particularly in combination with the new rules and regulations planned by the government, are not only contrary to long-held tradition but are also detrimental to the interests of the society.

Civil society
participation
6

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. By the end of February 2013, the tribunal had indicted nine individuals, including six high-ranking leaders of the Jamaat-i-Islami and two of the BNP. All but

Reconciliation
5

one among this group are in custody and facing trial. Both the BNP and the JI oppose 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.

During the period under review, the BNP and the JI called several general strikes in support of their demands to withdraw the cases against those being tried. In January 2013, a former JI leader was sentenced to death. Later, the former assistant secretary-general of the JI was sentenced to life imprisonment. This was perceived as lenient by many in Bangladesh, leading to massive protests by youth who wanted those involved in the war crimes of 1971 to be hung. After former JI leader Delwar Hussain Sayeedi was sentenced to death on 28 February 2013, Jamaat activists went on a rampage, leading to the deaths of 70 people across the country. Ultimately, paramilitary forces were deployed to quell the unrest.

Though 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, if the tribunal succeeds in delivering justice in accordance with acceptable international norms and standards.

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. Rising levels of remittances from overseas workers have helped the balance of payment situation. In fiscal year 2011 – 2012, remittances contributed 36.24% to import payments. 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. The Bangladesh military continues to play a critical role in U.N. international peacekeeping missions. Between 1988 and 2012, the Bangladesh army actively participated in 52 peacekeeping missions in 40 countries, contributing about 100,000 personnel. In 2012, a total of 8,193 security personnel participated in these missions, and the Bangladeshi contingent joined in the all-female U.N. Formed Police Unit deployed in Haiti. On the downside, however, 92 Bangladeshi peacekeepers have lost their lives over the years while contributing to such U.N. operations. The government has used this form of external support to safeguard the military's corporate interests, promoting peacekeeping operations and accommodating military business activities. The overall level of foreign aid has declined, but Bangladesh remains dependent on

Effective use of
support

7

it. Some estimate that about 22% of development aid comes from foreign countries, though the UNDP puts this figure at 50%.

Overall, the government enjoys support within the international community, but conflict on a number of issues in 2011 and 2012 weakened the government's credibility. The international community's confidence in the government has been reflected in increasing investment flows and promises of future investments from trading partners including India, China, South Korea and the countries of the European Union. The signing of the United States-Bangladesh Partnership Dialogue Agreement during Secretary of State Hillary Clinton's visit in May 2012, the first-ever security dialogue between the United States and Bangladesh in 2012, and the first U.S.-Bangladesh Partnership Dialogue in September 2012 were all reflective of this confidence in the government. However, several issues have created unease with a number of countries. During the period under review, the government continued to take steps against Nobel laureate Professor Yunus and his Grameen Bank, which further strained the relationship with the international community, particularly with the United States. Hillary Clinton expressed U.S. support for Yunus during her visit to the country in 2012. The issue of the International Crime Tribunal was another source of contention between these two countries, as the United States insisted that Bangladesh take all necessary steps to ensure a fair trial that meets international standards, offering its help in ensuring that this took place. Concerns regarding the trials were also expressed by the International Center for Transitional Justice and the U.S.-based organization Human Rights Watch. In June 2011, the government amended its rules of procedure in part to address these concerns, but failed to satisfy its critics. The most damaging issue to the credibility of the government was its unwillingness to take steps in regard to the World Bank's allegations of corruption in the Padma Multipurpose Bridge Project (PMBP). The full scope of the fallout of the cancellation of the loan by the World Bank, the Asian Development Bank and the Japan International Cooperation Agency has yet to be seen, but the incident has certainly eroded the government's credibility to a significant degree. The other contentious issue was Bangladesh's decision not to accept Rohingya refugees from neighboring Myanmar. In June 2012, hundreds of Rohingyas fled Myanmar after the eruption of riots between Buddhist Rakhaine and Muslim Rohingya communities that cost more than 100 lives. Despite pleas from the UNHCR and the United States, the government forcibly repatriated refugees back to Myanmar, arguing that Bangladesh had no obligation to provide humanitarian assistance because it was not a signatory to the 1951 Refugee Convention or to its 1967 Protocol. The government also insisted that the refugees posed a threat to Bangladesh's internal security, as Rohingyas had allegedly been engaged in terrorist activities inside Bangladesh.

Credibility

6

Despite the presence of a number of forums for regional cooperation, such as the South Asia Free Trade Association (SAFTA), the South Asian Association of Regional Cooperation (SAARC), the SAARC Preferential Trading Arrangement

Regional cooperation

7

(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. With respect to cooperation among South Asian countries, domestic politics and the security perceptions of the political elites of these countries continue to be key impediments. The strained relationship between India and Pakistan has helped to set the tone in this regard. The Indo-Bangladeshi relationship has improved under the present government, but the failure to sign a water sharing treaty for the Teesta River has contributed to public discontent toward India. A two-day official visit to Bangladesh by the Indian prime minister in September 2011 was expected to result in two historic treaties: an accord on sharing Teesta River water and a deal granting India overland access across Bangladesh to its land-locked north-eastern states. However, the last-minute decision of the Indian government not to sign the water-sharing deal led Bangladesh to defer signature of the transit treaty. 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 regarded as a matter of serious concern, as have been the killings of civilians on the Indo-Bangladeshi border. Despite repeated assurances by the Indian government, Bangladeshis have continued to be killed on the joint border. The two countries have taken several steps including joint and coordinated patrols in an effort to improve coordination between the two border forces. India has also said it would use nonlethal weapons while guarding the border. The two countries have also signed an extradition treaty. India and Bangladesh have established a forum for regular meetings between their foreign secretaries. Bangladesh's cooperation in addressing India's security interests, insofar as it has denied shelter to insurgents operating within the two countries, has created enormous good will in India. India recently announced a zero-level tariff on 54 items, mostly textiles that benefited Bangladeshi businesses. India has also agreed to supply 250 megawatts of electricity to Bangladesh. There have been a number of high level visits between the two countries. Indian President Pranab Mukherjee visited Bangladesh in March 2013 as his first foreign visit, and the first such presidential visit in 50 years. Bangladesh has shown its eagerness to engage India on the topic of infrastructure development, and has opened its port and road network to Nepal and Bhutan, thereby emerging as a key regional player. With the maritime dispute with Myanmar resolved as a result of the March 2012 verdict of the International Tribunal on the Law of the Sea (ITLOS), Bangladesh's sovereign right over 200 nautical miles of exclusive economic zone and the outer continental shelf in the Bay of Bengal has been established. However, the ITLOS rejected Bangladesh's suggested system (the angle bisector method) of dividing the bay, accepting instead the equidistance method suggested by Myanmar. The verdict has opened up possibilities for peaceful exploitation of offshore resources by Bangladesh. By 2014, a similar verdict is expected concerning the maritime dispute with India, relating to the western part of the sea. Rohingya refugees remained a major source of tension between Bangladesh and Myanmar, in large part because of

Myanmar's refusal to accept thousands of Rohingya refugees who have been in Bangladesh for more than two decades.

Bangladesh's relations with Pakistan have remained lukewarm. Bangladesh has asked for a formal apology from Pakistan for war crimes committed by its army in 1971. The country refused to attend the D-8 summit of developing Muslim countries in Islamabad in November 2012.

Strategic Outlook

The continued economic growth and the impressive gains in several social indicators over the past decade point to Bangladesh's enormous potential. These achievements were made despite poor governance, an adverse domestic political environment, a lack of infrastructure and repeated natural calamities. The population's ingenuity and ability to contribute to social well-being has made the continued growth of the economy possible in the face of global downturn. However, these accomplishments cannot be sustained for long without addressing some deep-seated problems. Six issues warrant attention and action. First, a qualitative change in the political culture is long overdue. The acrimonious political environment, with leaders often showing an utter disregard for the national interest, has cost the nation dearly in recent decades. In the years since 2009, despite promises of reform by all political forces, the country's political landscape has reverted to past practices. The continuing acrimony has become a major roadblock to unlocking the country's economic potential. There is popular recognition of the need for change, and the leadership must address this in earnest. Efforts to develop a national consensus around economic objectives, processes of political succession and institutional arrangements for democratic practices are imperative if these opportunities are to be realized. This is a responsibility not of the government alone but of all political parties, particularly of the larger opposition parties. This effort must be initiated from within, but external support is needed for its success. Secondly, the rule of law is a prerequisite for a sustainable democracy. 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. Thirdly, 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 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. Fourthly, one of the keys to the future success of the country will be the effective harnessing of the demographic dividend. 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. Fifth, 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. Sixth, 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. Success in this arena will set Bangladesh on the path to sustainable development.