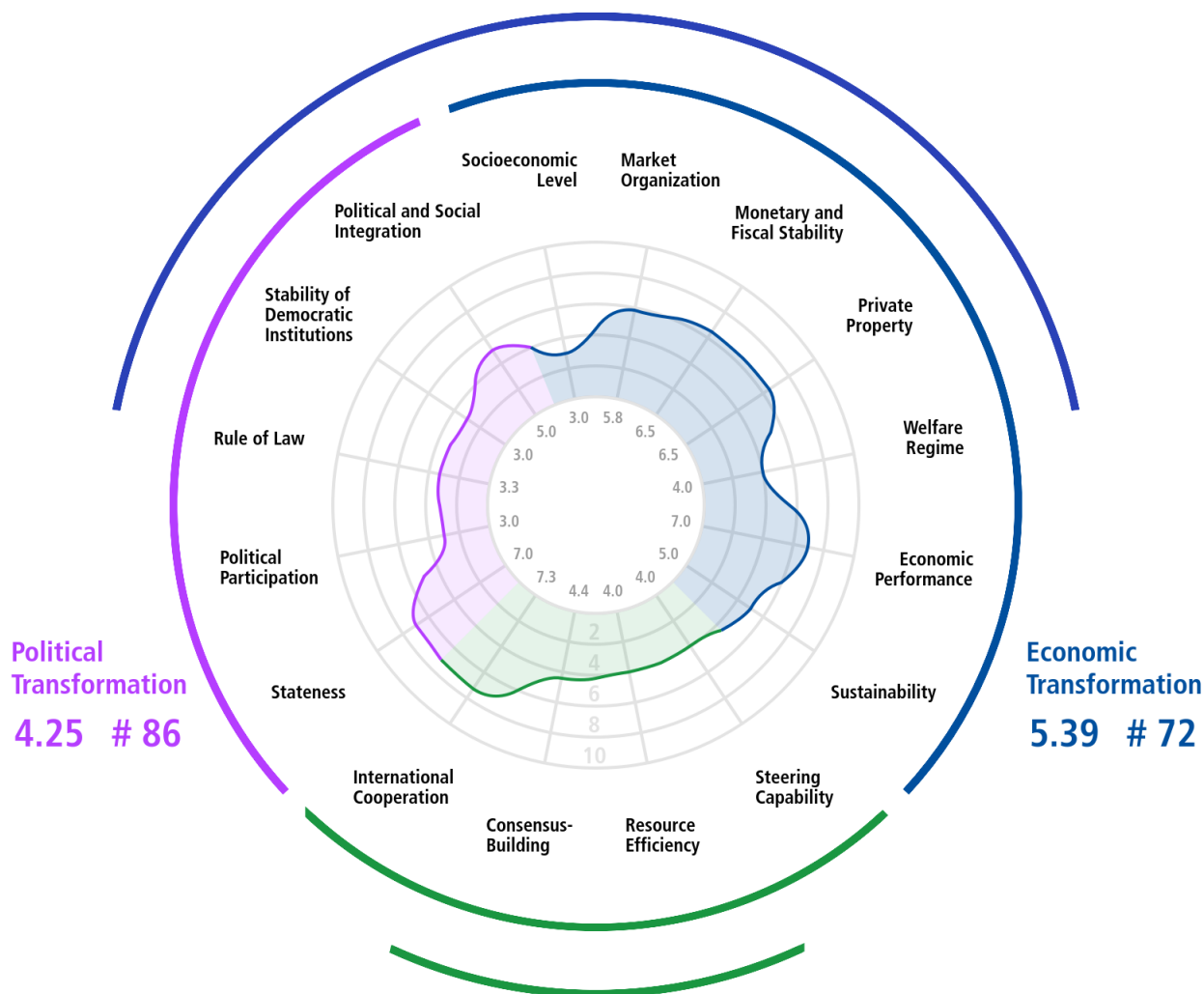


Bangladesh

Status Index

4.82 # 84

on 1-10 scale out of 137



Political Transformation
4.25 # 86

Economic Transformation
5.39 # 72

Governance Index

4.57 # 78

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Bangladesh. Gütersloh: Bertelsmann Stiftung, 2022.

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

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Claudia Härterich

Phone +49 5241 81 81263
claudia.haerterich@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	164.7	HDI	0.632	GDP p.c., PPP \$	5083
Pop. growth ¹	% p.a.	1.0	HDI rank of 189	133	Gini Index	32.4
Life expectancy	years	72.6	UN Education Index	0.529	Poverty ³	% 52.3
Urban population	%	38.2	Gender inequality ²	0.537	Aid per capita \$	27.5

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

During the period under review, the incumbent Awami League (AL) has maintained firm control over the country's politics and administration following its unprecedented victory in the December 2018 election. Delivering the AL its third consecutive term with 258 seats (out of 300) in parliament, the election was marred by widespread rigging, the exclusion of opponents, rampant arrests, the persecution of activists and members of civil society and restrictions being placed on the media. To silence its critics, particularly those active on social media, the government made regular use of the draconian Digital Security Act (DSA) of 2018. The government has used the country's police force and the anti-terror unit Rapid Action Battalion (RAB) to persecute its critics, while pro-government activists have enjoyed impunity. Monetizing arrests, the police have profited from bribe funds extracted from those they have arrested. The Bangladesh Army remains a pillar of support for the government, which is crucial for a country with a tradition of military regimes. A February 2021 documentary aired by the Aljazeera English broadcaster exposed the government's collusion with criminal forces, but the government has denied this to be the case.

Doctors, professors and social activists who have criticized the government of widespread corruption and its bungled response to the COVID-19 pandemic have been charged with spreading propaganda under the notorious DSA. Opposition parties remained weak due to a lack of democratic space. Internal schisms within the oppositional Bangladesh Nationalist Party (BNP) have precluded the party from making any mark on the political landscape. Bangladesh classifies as a hybrid regime as various institutions, such as the Election Commission, the Anti-Corruption Commission, and the National Human Rights Commission, are not independent and the judiciary is stacked with pro-government judges.

According to the Asian Development Bank (ADB), GDP growth fell from 8.2% in 2019 to 5.2% in 2020 as a result of the pandemic. The government has introduced so-called One Stop Service Rules (OSS) to attract investors. Privately and state-owned banks continue to write off bad debts and rewrite the rules in order to conceal the high number of loans in default. As part of its pandemic stimulus packages, the government has rescheduled loan repayment.

In response to the coronavirus pandemic, the government announced 23 economic recovery packages totaling \$1.46 billion (BDT 1.24 trillion), which constitute 4.4% of the country's GDP. However, it is doubtful that these funds have been properly disbursed to reach those most in need.

While Bangladesh has been making significant progress in targeting the Sustainable Development Goals (SDGs), poverty, social inequality, and the discrimination of women in the workplace persist. According to the Bangladesh Bureau of Statistics (BBS), 85.1% of the employed population work in the informal sector, which is unregulated and offers no legal protections. The pandemic has devastated the informal sector, affecting in particular those who are employed in the non-agricultural informal sectors. Poverty has risen considerably as a result of the pandemic, increasing from 20.5% in the last fiscal year to 29.5% in August 2020. The South Asian Network on Economic Modeling (SANEM) has forecasted an increase to 40.9%, and the Bangladesh Institute of Development Studies (BIDS) expects an additional 16.4 million people to be pushed into poverty as a result of the pandemic. Inadequate social security networks have accelerated the situation.

History and Characteristics of Transformation

Following a nine-month war with Pakistan in 1971 in which the Pakistani military engaged in genocide against the Bangladesh population, Bangladesh emerged as an independent country in December of the same year. Although the new country's constitution instituted democracy, secularism, Bengali nationalism, and socialism as state principles, its tumultuous history over the past five decades has resulted in military rule and the gradual erosion of democracy under civilian governments, which has led to the current hybrid regime. Before the assassination of the incumbent leaders and the intervention of the military in August 1975, the system of governance had already shifted to one-party authoritarianism under the founding leader Sheikh Mujibur Rahman. Fifteen years of military rule came to an end through a popular uprising in late 1990 and Bangladesh begun a new democratic era. Since then, two parties – the BNP led by Khaleda Zia, widow of late military ruler Ziaur Rahman (1975 – 1980), and the AL, led by Sheikh Hasina, a daughter of Sheikh Mujibur Rahman – assumed power through elections. These elections were held under a caretaker government (CTG) system that involved having a non-partisan administration oversee elections during the transition from one elected government to the next. In addition to the BNP and the AL, the Jatiya Party (JP), led by former dictator General H.M. Ershad (1982 – 1990), and the Islamist Jamaat-i-Islami (JI) became the key forces in the political realm. Although the JI and other religion-based parties were banned under the original constitution, various constitutional amendments under the Ziaur Rahman regime paved the way for their re-emergence beginning in 1978.

In 1991, the country returned to a parliamentary system, but personal charisma and constitutional provisions allowed the concentration of power in the hands of the respective prime minister, Khaleda Zia (1991 – 96, 2001) and Sheikh Hasina (1996 – 2001, 2008 – present). Personal acrimony between these two leaders, a zero-sum attitude, and trust deficits between the two parties

resulted in a pernicious political culture while democratic institutions remained either absent or severely weakened. In 2006, against the BNP's effort to use the CTG system to its benefit, the AL refused to participate in the election scheduled for early 2007. The military staged a soft coup and ruled the country under the guise of a civilian CTG until the end of 2008. Hasina and Khaleda were charged with corruption cases to make them ineligible for public office. Faced with economic crisis and political pressure, the military held an election which delivered a two-thirds majority to the AL. The party, armed with its super-majority, scrapped the CTG system in 2011, using a Supreme Court judgment as a pretext. The BNP declined to participate in elections unless the CTG system would be restored. Despite the boycott of all opposition parties, the incumbent AL went ahead with the election, which was marred by widespread rigging. The AL and its allies won, practically resulting in a one-party parliament. Violence, death, and mayhem ensued. The BNP's alliance with the JI, which had helped them to secure a victory in 2001 election, increasingly became a liability, especially after the AL founded a tribunal in 2010 to try those who committed war crimes during the war of independence in 1971. Several of the JI leaders have been tried and executed since 2013. The incumbent government attempts to justify its authoritarian bent highlighting the economic growth of the past years.

The BNP participated in the 2018 election as the National Unity Front (NUF) under the leadership of former Law Minister Kamal Hossain (1972 – 1975). However, ahead of the elections, the government intensified persecution, imposed severe restrictions on media, including social media, and disqualified opposition candidates. The election was the most manipulated election in the history of the nation, due to the fact that the Election Commission, the ruling party, the administration, and the law-enforcement agencies including the military worked together to ensure a victory of the AL. Khaleda Zia was convicted ahead of the election and jailed, while her son and "heir apparent," Tareque Rahman, has remained in self-exile in London after he was convicted in several cases. In May 2020, Khaleda Zia's sentence was suspended due to her deteriorating health, on the condition that she can neither travel nor participate in political activities. Her party remains fragmented due to a lack of leadership.

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

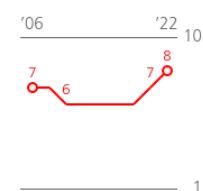
The state's monopoly on the use of force is well established throughout the territory. In the past years, the government has succeeded in facing the challenge posed by Islamist militant groups that are connected to transnational terrorist organizations. However, this has been done using both judicial and extrajudicial measures that often violate fundamental tenets of human rights. Both the RAB, a paramilitary force, and the police have used excessive force and were accused of engaging in extrajudicial killings in 2020. There were 196 extrajudicial killings according to the human rights group Odhikar. At least 19 people have been killed or tortured to death in custody. In 2020, 73 people were killed and 2,833 were injured as a result of political violence. Small radical left-wing groups have continued to exist without posing much threat to the state, while Islamist militant groups continued to reorganize. A low-intensity conflict is ongoing in the Chittagong Hill Tracts as the promised autonomy never materialized.

Citizens of Bangladesh take pride in their national identity, although there is a latent contestation regarding the description and characteristics of this identity. National pride and sense of belonging is largely tied to the 1971 war of independence, which has provided the basis of the country's statehood. The contestation focuses on whether to emphasize ethnic or religious identities. The ruling AL emphasizes the ethnicity-based Bengali identity, which claims to be based on a secular notion of identity, while the BNP underscores the Muslim Bangladeshi identity. While these positions have shaped political discourse, daily lives and widely practiced rituals incorporate both identities. However, both these notions contribute to the marginalization of minority ethnic groups and indigenous populations. The constitution guarantees citizenship without any discrimination, although structural and latent discrimination have continued to persist.

Question
Score

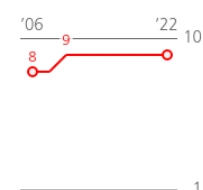
Monopoly on the
use of force

8



State identity

9



Although secular common law written during the colonial era and amended in the past 50 years forms the basis of the legal system, the incumbent party has increasingly demonstrated its proclivity toward accommodating conservative versions of Islamic thoughts and practices. Religious laws are only applicable for marriage and property issues. The increasingly close relationship between the ultra-conservative Hefazat-e-Islam and the AL creates an environment conducive for the influence of religious dogma on politics and administration. The prime minister has repeatedly insisted that her government will not allow “anti-Islamic” activities. Courting the conservative Islamists is largely done to remain in power in the face of weak legitimacy due to flawed elections but will nonetheless have long-term impacts on society and politics.

Bangladesh’s constitution includes both secularism (15th Amendment) and Islam as the state religion. Laws are required to confirm to Shariah. Over time, religious organizations, especially the Hefazat-e-Islam, have emerged as political actors. Hefazat-e-Islam, an Islamic advocacy group of madrasah students and teachers, mobilized students against the Women Development Policy and now declares Ahmadis to be non-Muslims. In the past, governments have tried to appease this group. This included recognizing the degrees of Qawmi madrasahs. Some of the religious political parties are opposed to girls’ education and allowing women to work outside the home and feel that women should observe purdah (the requirement that women cover their bodies). Abortion is a criminal act in Bangladesh.

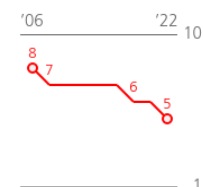
The state apparatus is organized and coherent, even though it has deficits. The state collects taxes and extends basic amenities such as drinking water and health care services. However, these services are inadequate for a densely populated country like Bangladesh. According to UNICEF, approximately 40% of the population drink water from contaminated sources. Only 56% have access to sanitation. Various NGOs work with the government to provide social welfare services, including education. However, basic health care facilities are in a dismal state, as became evident during the COVID-19 pandemic. Hospital facilities, ICUs and basic care were scarce, especially for poorer segments of the population.

2 | Political Participation

Bangladesh conducted general elections for seats in the National Assembly (Jatiya Sangsad) in December 2018. The AL won 288 seats out of 300 directly elected seats. Massive ballot stuffing by the cadres of the ruling party was reported in local and international media. Instances of 100% voting for the ruling party candidates were reported. The true opposition, the BNP and its allies, who contested under the banner of the Jatiya Oikyo (National Unity) Front (JOF) and who were led by Kamal Hossain, won only seven seats. Khaleda Zia, who was in jail for corruption charges, was barred from contesting. The government used the administrative machinery and law-enforcement agencies to intimidate the opposition. Election meetings of the

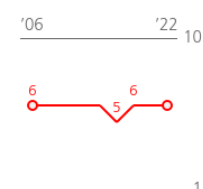
No interference of religious dogmas

5



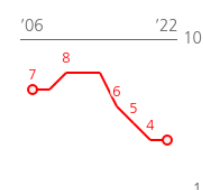
Basic administration

6



Free and fair elections

4



opposition were frequently attacked. Cases were filed against opposition candidates to exclude them from the ballot. The Election Commission paid no regard to the criticisms that its actions were favoring the ruling party. After winning only six seats and alleging that the vote was essentially rigged, the winning BNP candidates initially refused to take their oaths of office. However, they ultimately did so to save their parliamentary seats. Subsequently, local-level elections and parliamentary by-elections saw widespread rigging and remarkably low voter turnout. The latter aspect reflects a lack of trust in the Election Commission, frustration with how the election were conducted, and the ruling party's ruthless commitment to winning by any means necessary.

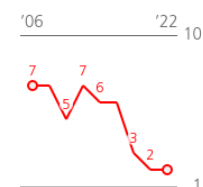
The government held by-elections for three vacant parliamentary seats on March 21, 2020 and for two more on October 17, despite the risks posed by the COVID-19 pandemic. However, the Election Commission made precautions such as sanitizing hands, maintaining social distance in the waiting line, and wearing face masks and gloves compulsory. Political rallies and mass meetings were banned prior to the election.

At the national level, power is highly concentrated in the hands of the prime minister. Due to serious deficits in the past two elections, the government cannot be called democratically elected. Transparency and accountability are lacking. At the local level, elected political representatives exercise governing power both through administrative apparatuses and the patronization of strongmen supported by clientelist networks. The administrative structure and law-enforcement agencies are both politicized and lend support to the ruling party. The military and big businesses use their substantial influence to protect their interests. The military is involved in various infrastructure development projects and business enterprises. 61% of the members of parliament are businessmen, reflecting their influence on politics and lawmaking. Increasing influence of the conservative Islamists is palpable in lawmaking, especially on issues pertaining to women's empowerment and equality.

Article 37 of the constitution of Bangladesh guarantees that "Every citizen shall have the right to assemble and to participate in public meetings and processions peacefully and without arms, subject to any reasonable restrictions imposed by law in the interests of public order or public health." Article 38 guarantees citizens the right to form associations. However, the government frequently denies permission to hold assemblies, rallies, and demonstrations organized by political parties, civic groups or students, using the excuse of public order and peace, whereas activists for the ruling party are allowed to do so without permission. The procedures for providing these permissions are opaque and completely under the government's control. Police have attacked peaceful demonstrations without provocation and arrested activists. Due to the COVID-19 pandemic, restrictions were placed on rallies and meetings. While no state of emergency was officially imposed, regulations created a de facto state of emergency. People's movement between and within districts was restricted. Using

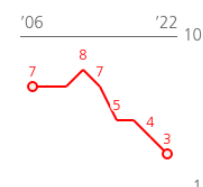
Effective power to govern

2



Association / assembly rights

3



the DSA, the state arrested students, doctors, and activists critical of the government's response to the COVID-19 crisis, accusing them of spreading rumors. In October 2020, however, massive protests took place against the surge in rape cases and police inaction to arrest the culprits. Several left-leaning organizations protested under the banner “Bangladesh Against Rape and Injustice.”

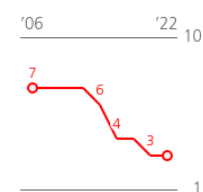
Freedom of expression is guaranteed as a fundamental right in the constitution. However, it is regularly flouted. The DSA of 2018 provided the police with arbitrary powers to arrest, search, and seize computers and servers without a warrant. Section 8, Chapter 3 of the DSA provides sweeping powers to block online information. The Editors' Guild opposed the act, raising concerns that it creates serious impediments to investigative journalism. Civil society and international organizations have criticized the law as draconian. The DSA is frequently used to intimidate and silence critical voices against the government. According to the Center for Governance Studies (CGS), a Bangladeshi research organization, 837 persons were charged under the DSA in 2020, more than of whom 16% were journalists. The COVID-19 pandemic placed further restrictions on the freedom of expression. In early 2021, an author died in prison while being detained under the DSA. When doctors, activists, and journalists expressed discontent with the government's handling of the COVID-19 crisis and the lack of transparency in managing and coordinating the state's response to the pandemic, the government accused them of spreading rumors and damaging Bangladesh's image through fake news. Public service officials were instructed not to criticize the government. The government appointed 15 high ranking officials to “monitor” privately owned television channels. Social media postings are closely monitored. Bangladesh ranks 151 in the group of 180 countries in the global Press Freedom Index. A senior journalist, Shafiqul Islam Kajol, was abducted after his report about a member of parliament. After 53 days, he was “found” near the India-Bangladesh border; he was arrested and charged with trespassing and later under the DSA for posting “defamatory” posts on Facebook. Self-censorship has become widespread among journalists. The government has arbitrarily blocked several online news portals.

3 | Rule of Law

Bangladesh's constitution provides for the separation of powers. However, the concentration of power in the hands of the prime minister – as the head of government and of the ruling party, with the ability to quash any dissent among members of parliament through Article 70 of the constitution – has made the separation illusory. Beyond this, the rout of the opposition in the 2018 election has created a total absence of legislative checks and balances. Parliamentary oversight on the functioning of the government is missing. The judiciary remains bound to the executive in spite of the separation of powers. Lower levels of the judiciary remain heavily politicized.

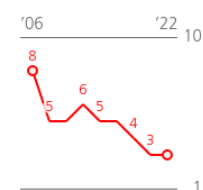
Freedom of expression

3



Separation of powers

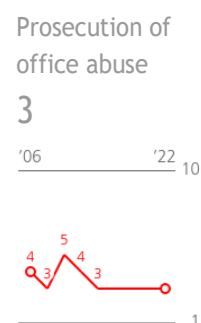
3



Although Bangladesh’s constitution stipulates the independence of the judiciary, both lower and higher courts have remained effectively under the control of the executive branch. The 16th amendment of the constitution, passed in 2014, and the Bangladesh Judicial Service (Discipline) Rules implemented in 2017, which treat the judges of lower courts as subordinate to the executive branch, have become serious impediments to an independent judiciary. Recruitment, promotion, and postings are decided based on political affiliation, and the judiciary exhibits little inclination to assert its independence due to judges’ allegiance to partisan political ideology. The removal of Chief Justice Surendra Kumar Sinha in 2017 and his indictment in August 2020 on charges of corruption are testimony to the government’s intolerance for any independence of the judiciary. Sinha was forced to resign in November 2017 and to leave the country after a rift with the executive precipitated when the Supreme Court invalidated the 16th amendment.



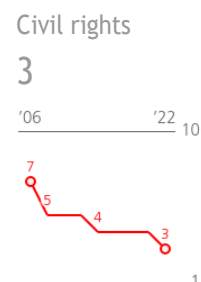
Holders of public office are rarely subjected to judicial or parliamentary scrutiny. They are rarely penalized or prosecuted, although corruption remains pervasive in all sectors. The Public Service Act of 2018 requires the Anti-Corruption Commission (ACC) to seek prior permission from the executive to prosecute a public servant. The ACC remains a highly ineffectual institution for dealing with political corruption and has a serious lack of credibility. The outgoing chairman of the ACC acknowledged that during his five years of tenure, he had to make “compromises.”



Corruption cases against the opposition are likely to proceed faster than any other cases. The 2019 annual report of the ACC states that it received a total of 21,371 complaints, of which 1,710 were considered for enquiry. It filed 263 cases in 2019, with submission of 267 charge sheets to various courts. The conviction rate on cases handled by the ACC stood at 63% in 2019. However, these cases did not involve high-profile politicians or public officials.

It is well reported in the media that there was extensive corruption during the pandemic in purchasing medical equipment and supplies and distributing relief materials, yet there have been very few cases against the perpetrators, as they are well connected to the ruling party. A report published by Transparency International Bangladesh showed that corruption and lack of transparency in procurement processes were prevalent during the pandemic. Police often take bribes to release people who are arbitrarily arrested on political grounds or who are petty criminals.

The constitution protects the civil rights of citizens and provides mechanisms to address violations of these rights (Articles 27, 31, 32, 33 and 35). However, the process of seeking justice is lengthy and costly for the average citizen, and people are not generally inclined to fight against the state machinery. During the period under review, press reports indicated that the government filed frivolous cases against thousands of supporters of opposition parties. Journalists, social activists, and opposition party supporters have been persecuted through judicial and extrajudicial measures. According to Odhikar, a Bangladeshi human rights organization,



disappearances perpetrated by the state are an ongoing problem, with 34 people being disappeared in 2019 and 31 disappearances in 2020. Although a few of these people later returned, some of whom were later charged by the police, many have remained missing. Torture and death in custody have also reached high levels. Hundreds were killed in an extrajudicial manner during the anti-drug campaign that started in 2018.

In July 2020, the killing of a retired army major, Sinha Mohammad Rashed, by local police in the southwestern district of the city of Cox's Bazar revealed the nexus between the drug dealers, local police, and politicians but also demonstrated the extent of the violation of fundamental rights. The impunity enjoyed by law-enforcement agencies and ruling party supporters has contributed to further impingement on civil rights.

The civil rights of ethnic minorities and indigenous people were repeatedly infringed in the period under review. Rohingya refugees were deprived of their rights, and their access to communication was often blocked through bans against internet and telephone services. The government has also come under international criticism for going ahead with its plan to relocate Rohingya refugees from Myanmar to Bhasani Char, an isolated silt island, which is reportedly prone to cyclones and is 160 kilometers away from the main refugee camp in Cox's Bazar.

The COVID-19 pandemic provided further opportunities for the government to skirt judicial process, although a state of emergency was not declared.

4 | Stability of Democratic Institutions

While Bangladesh has all the trappings of a democratic country, it is racing toward authoritarianism. As a result of two consecutive controversial elections in 2014 and 2018 and the absence of any opposition in parliament, combined with the unfettered power of the prime minister, the executive's predominant role in the political realm, and the lack of accountability mechanisms during the period under review, democratic institutions have been hollowed out. Institutions such as the Election Commission and the judiciary lack independence, and the bureaucracy has become partisan to such an extent that it acts like a wing of the ruling party. The subservient role of the coalition partners of the ruling party, a severely weakened opposition due to persecution, and the decimation of civil society contribute to the rapid debilitation of all institutions.

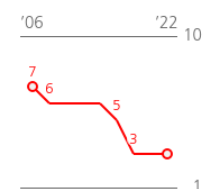
Performance of democratic institutions



Although the ruling AL party pays lip service to democracy and repeatedly professes its commitment to democratic ideas and values, its behavior over the past decade and especially since 2013 has provided evidence to the contrary. Democratic institutions, including the electoral system, have been reduced to a symbolic gesture and have been blatantly abused. This testifies to the ruling party and its allies' lack of commitment to democracy. The insistence of supporters of the ruling party on prioritizing development over democracy reveals their penchant for an authoritarian system. Public confidence in parliament and the judiciary has eroded, paving the way for further backsliding of democratic institutions and practices. The government's warm relationship with the conservative Islamist group Hefazat-e-Islam is not conducive to a future pathway to democracy. The military's influence on the ruling party clearly demonstrates their ability to shape policy.

Commitment to democratic institutions

3

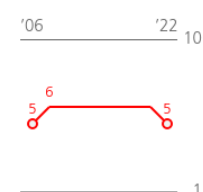


5 | Political and Social Integration

Although Bangladesh has more than 150 political parties, about 40 parties are registered with the Election Commission. Among them, four political parties have significant electoral presence – the ruling AL, the BNP, the JP, and the JI. The JI was deregistered in December 2018, ahead of the national election. These parties have support bases across the country and among various social strata. While the vast number of political parties reflects a broad ideological spectrum, they have a number of shared characteristics. Except a small number of left-wing political parties and fringe Islamists, there is an overall consensus on economic policies. Intraparty democracy is mostly absent and the parties' leadership is often associated with family lineage.

Party system

5



Sheikh Hasina, the daughter of Sheikh Mujibur Rahman, has been at the helm of the AL for almost four decades, while Khaleda Zia, the widow of Ziaur Rahman, has led the BNP since 1984. Bangladeshi politics used to be characterized by the acrimonious relationship between these two leaders, until Khaleda was jailed in 2018. It is not hierarchical structures, but rather clientelistic networks, that bind the leadership and party activists. In the past decade, businessmen have succeeded in securing party nominations in elections, undermining the role of grassroots leaders. Organizational weaknesses of the BNP in the past decade have contributed to the erosion of its support base. The AL, on the other hand, has become a refuge of fortune seekers rather than appealing to a larger segment with its ideology. After changing sides several times, the JP has become a close ally of the AL. The JI, on the other hand, has faced the wrath of the government, remaining in the party alliance led by the BNP. A section of the JI has left the party during the period in review and formed a new party called the Amar Bangladesh Party (ABP).

Despite the gradual erosion of democracy and shrinking democratic space, opposition parties have managed to survive, albeit barely. Growing authoritarian tendencies of the incumbent government raise serious concerns regarding the future viability of opposition political parties.

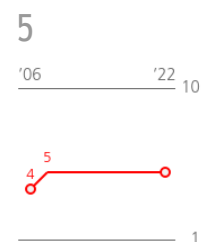
There are several interest groups that mobilize public opinion in favor of or against government policies. NGOs and civil society organizations (CSOs) working to promote the welfare of women and children, for instance, provide legal aid to victims of exploitation and protect the rights of socio-economically marginalized groups as well as tribal and minority groups. These groups often face the government’s ire and are severely persecuted. Occasionally, they have succeeded in changing policies. In some instances, the government has managed to feign responsive politics. For example, faced with the road safety movement spearheaded by students in 2018, the government passed the Road Safety Act in the same year, officially implementing the law in October 2019. However, this law neither brought substantial changes to the situation nor addressed the primary concerns. In a similar vein, in the wake of a movement against rape, the government quickly passed an ordinance in 2020 that included capital punishment for convicted rapists. This measure, however, drew severe criticism.

Some business owner associations, such as the Bangladesh Garments Manufacturers and Exporters Association (BGMEA), have garnered significant influence on the government. Groups associated with ethnic and religious minorities have been less successful in their endeavors. Environmental groups have sought to stop the coal-based power plant established in the Sundarbans, a UNESCO Heritage Site, but with little success. Professional groups exist but are generally closely tied to political parties and consequently fragmented. The new law regarding NGOs, the Foreign Donations (Voluntary Activities) Regulation Bill of 2016, has imposed severe restrictions on NGOs and has kept them strictly monitored by the government.

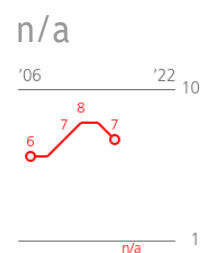
The people of Bangladesh have unwavering support for democracy, which remains the most preferred system of governance. This strong support of democracy is attested by the fact that the country fought for its liberation from Pakistan after they were denied democratic rights. Approval for the government remains high and showed a steady increase compared to 2016 because of the general perception that the government is delivering on key issues such as economic growth, job creation, an uninterrupted supply of electricity, transport infrastructure and education.

Bangladesh is a homogenous country, with 98% of its people speaking Bengali. However, intense religious polarization orchestrated partly by the Islamists and other political parties for political considerations has impacts on society’s cohesion. The advancement of social capital remained underdeveloped, as there were organized attacks on religious minorities and the indigenous population. The government’s close relationship with conservative Islamist groups such as Hefazat-e-Islam, which frequently demand the imposition of blasphemy laws and a declaration of Ahmadis as non-Muslims, raises serious concerns. The government’s inability and lack of political will to fully implement the peace accord of 1997 in the Chittagong Hill Tracts remains a major point of friction between the indigenous population and the government.

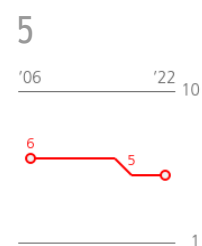
Interest groups



Approval of democracy



Social capital



During the period under review, social cohesion faced challenges due to politically motivated attacks, including some orchestrated by factions within the ruling party for land grabbing and personal benefits. In 2019, there were 153 attacks on minority places of worship and in 2020, 62 people were injured and 58 temples and monasteries were attacked. Ahmadis also faced attacks in the past years. There were several incidents in which social media accounts of minorities were hacked and offensive posts were written as a prelude to attack them.

Several NGOs are active in Bangladesh, providing diverse services intended to enhance social capital.

II. Economic Transformation

6 | Level of Socioeconomic Development

Due to the COVID-19 pandemic, Bangladesh's economy, which was growing at a rate of 8%, has slowed down. The ADB forecast the growth rate to be 5.2% in 2020. Inequality is on the rise. According to the official statistics from August 2020, the national poverty rate rose from 20.5% to 29.5%. The BIDS projected that the COVID-19 pandemic could push an additional 16.4 million people into poverty. SANEM estimates that the country's poverty rate is likely to double to 40.9% due to the effects of the pandemic.

The incidence of poverty is generally high among people who work in the agriculture, forestry, and fishery sectors and higher still among the illiterate and landless. Extreme poverty often forces people to accept unsafe working conditions, often for long hours. Bangladesh ranked 75 on the 2020 Global Hunger Index and ranked 133 out of 189 countries in the 2020 Human Development Report. The proportion of the undernourished population stood at 13.0% over the period from 2017 to 2019. The prevalence of stunting in children due to malnourishment under five stood at 30.8% in 2018. According to World Population Review, Bangladesh's Gini coefficient is 0.678. The human inequality coefficient for Bangladesh is 23.4%, pointing to general discrimination that persists within the country. Members of minority communities only have limited access to employment and education. As a result, they remain socially and economically marginalized.

The rights of women are guaranteed in articles 27, 28, 29 and 65(3) of the constitution. The government has introduced gender-sensitive budgets in 43 ministries. In the 2019/20 budget, 30.82% was earmarked for the development of women. However, women continued to remain socially marginalized, faced discrimination in the workplace and were paid lower wages. However, according to

Question
Score

Socioeconomic
barriers

3

'06 '22 10

4 3

1

the Global Gender Gap Report, Bangladesh has significantly bridged the gender gap, now ranking 50th among 149 countries. The country has closed 72.6% of its overall gender gap. Women now make up 41% of the country's salaried workers. The COVID-19 situation, according to the government's assessment, has had an adverse impact on women and children. Many of the women working in the garment industries lost their jobs due to a lockdown that was announced on March 26, 2020 and continued until the end of May.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	249710.9	274039.0	302563.4	324239.2
GDP growth	%	7.3	7.9	8.2	2.4
Inflation (CPI)	%	5.7	5.5	5.6	5.7
Unemployment	%	4.4	4.3	4.2	5.3
Foreign direct investment	% of GDP	0.7	0.9	0.6	-
Export growth	%	-2.3	8.1	10.9	-16.2
Import growth	%	2.9	27.0	-2.0	-10.5
Current account balance	\$ M	-5985.0	-7095.2	-2948.5	1081.6
Public debt	% of GDP	33.4	34.6	35.7	38.9
External debt	\$ M	46819.1	52138.4	57094.2	67749.0
Total debt service	\$ M	2142.6	2868.8	5772.6	3866.7
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	6.0	6.4	6.3	6.1
Public education spending	% of GDP	-	-	1.3	-
Public health spending	% of GDP	0.4	0.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.2	1.3	1.3	1.3

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Bangladesh is one of the ten “emerging economies” of the world. Market competition in Bangladesh functions under a weak institutional framework that defeats the purpose of regulations due to political interference and a lack of faith in the capital market. The Bangladesh Securities and Exchange Commission (BSEC) suddenly increased the tenure of mutual funds from 10 to 20 years, leading to dissatisfaction among small investors. Individual investors lacked interest as many of the companies did not pay dividends in spite of registering huge profits. According to the World Bank’s Doing Business 2020 Report, it takes nine procedures and 19.5 days and costs 8.7% of per capita GNI to start a business in Bangladesh.

In the 2020/21 budget, the finance minister announced a VAT exemption for projects prioritized by the government, such as the Rooppur Nuclear Power Plant, high-tech parks, economic zones, and public-private partnership projects. Bangladesh improved access to credit information by expanding the coverage of the credit information bureau. This reform applies to both the Dhaka and Chittagong Stock Markets.

The Foreign Private Investment (Promotion & Protection) Act of 1980 provides legal protection to foreign investments against nationalization and expropriation. It also guarantees non-discriminatory treatment between foreign and local investments. Comparing foreign investment that came to Bangladesh in 2020 (Jan-Sept) with 2019 (Jan-Sept), revealed a reduction in foreign investment, which stood at -19.41%.

85.1% of the employed population are working in the informal sector; 17.1% of these are female. The informal sector provides employment to 85% of the population according to Household Survey data released in July 2020.

Due to the effects of the COVID-19 pandemic on small and medium industries, the government provided a working capital loan facility of \$3.53 billion at a subsidized interest rate for large industries and \$2.35 billion at a subsidized interest rate for cottage, micro, small and medium enterprises (CMSMEs). To facilitate the import of raw materials under the Back-to-back Letter of Credit facility, the government has increased the size of the Export Development Fund (EDF) from \$3.5 billion to \$5 billion, at a reduced interest rate. The Debt-to-GDP ratio is still as low as 34%. To tackle the COVID-19 crisis, the government created a fund amounting to \$589.9 million for export-oriented industries so that they can continue to pay salaries and allowances.

Market
organization

5

'06 '22 10

5 4 5

1

In 2021, Bangladesh established a Competition Commission as a statutory body. The Competition Act of 2012 seeks to prevent companies from abusing their dominant position in the market to determine prices. However, it lacks powers to investigate. Bangladesh has taken steps to decontrol, deregulate, and liberalize trade. Except for a few essential service sectors, the government has encouraged foreign and private sector investments. However, legal provisions to protect consumers from unfair trade practices are insufficient. According to the Essential Articles (Price Control and Anti-Hoarding) Act of 1953, the price of essential commodities is to be determined by the market. For example, in October 2020, the price of rice increased by two to five Bangladeshi taka per kilogram. In some cases, unscrupulous government officials joined hands with black marketers and hoarders to create artificial scarcity to increase the price. This generally happened during major festivals. The Competition Commission has not been able to address this.

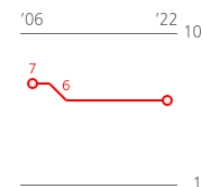
The government removed trade barriers and quantitative restriction. However, restrictions are placed on investments in 17 categories of sectors where prior clearance/permission is required. The government closely controls the import of medicines that compete with domestically-manufactured pharmaceutical products. Bangladesh continues to discourage imports of finished products to encourage its export-oriented domestic industries. A total of 37 categories of products with a high export potential have received cash incentives between 2% and 20% against their exports in the 2020-21 fiscal year. The agricultural sector is not taxed; rather, the government provides tax incentives and exemptions on agricultural equipment and spare parts.

In June 2020, the government reduced the Advance Tax (AT) on imported raw materials for manufacturing industries from an existing 5% to 4% to help domestic industries affected by the COVID-19 pandemic. A special rebate of 20% on electricity consumption was provided to the agro-processing sector; investors will be provided tariff-free access to the European Union, cash incentives and export subsidies for selected export products ranging from 5% to 20%.

To attract FDI, the existing 10% deduction at source on income from share market by any company or partnership firm was withdrawn in 2020. Tax exemption applicable to information and communication technology companies have been extended to June 2024. 100% foreign equity is allowed (except for defense, nuclear energy, currency, and forest plantations). Foreign firms are allowed to import permissible commercial items with prior permission from the Chief Controller of Import and Export.

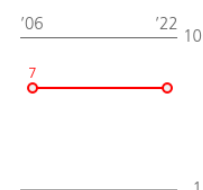
Competition policy

6



Liberalization of foreign trade

7

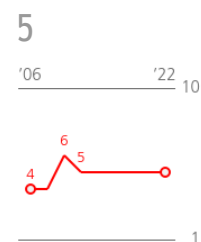


According to a Bangladesh Bank report from 2020, there are four categories of scheduled banks in Bangladesh: state-owned commercial banks, state-owned development financial institutions, private commercial banks, and foreign commercial banks. The total number of scheduled banks in operation in 2019 was 59. The same year, the aggregate banking sector assets consisted of \$121.70 billion as loans, and advances constituted 63.3% of total assets. In the 2020 fiscal year, deposits constituted 74.5% of the total amount of liability. Under Basel-III, the aggregate amount of regulatory capital of the banking sector was \$14.9 billion at the end of June 2020. The capital to risk weighted assets ratio of the banking industry as a whole was 11.63% at the end of June 2020. The ratio of gross non-performing loans to total loans at the end of June 2020 stood at 9.16%. The banking sector's return on assets stood at 0.42% and the net interest margin was 2.70% at the end of June 2020. By September 2020, the banking sector's total default loans stood at \$1.114 trillion, which was 8.88% of the total outstanding loans. Out of 34 non-bank financial institutions in Bangladesh, ten are struggling to survive due to a liquidity crisis. The expenditure to total income ratio of the banking sector stood at 84.10%, negatively impacting their profit.

Overall, the advance deposit ratio in the banking sector stood at 76.2% in June 2020, which was 87% for conventional banks and 92% for Islamic Shariah-based banks. Due to the COVID-19 pandemic, the Bangladesh Bank has taken measures to defer non-performing loan classification, waive credit card fees and interests, suspend loan interest payments, impose restrictions on dividend payments, and extend the tenures of trade instruments.

In February 2019, the Bangladesh Bank relaxed its loan write-off policy, allowing banks to cancel any classified loans below \$20 million from their balance sheets. Therefore, funding long-term assets with short-term liabilities created a huge maturity mismatch in the banking sector. Some 55 banks provided massive loans to a few large business houses, which is 36% of the total loans given – much above the paid-up capital. Private sector credit grew by 8.6% against a targeted growth of 14.8% in the 2020 fiscal year. Public sector credit, including net credit to the government, significantly grew by 53.4% in comparison to the target of 37.7%, due to low revenue collection. Domestic credit grew moderately by 13.7%, much lower than the targeted 17%. Outstanding bank credits (excluding foreign bills and inter-bank items) in the 2020 fiscal year rose by \$10.59 billion (or 8.95%) to \$129 billion, in comparison to an increase of 11.64% in the 2019 fiscal year. The Bangladesh Bank reduced cash reserve requirements by 150 basis points to 3.5% on a daily basis and to 4% on a bi-weekly average basis.

Banking system



8 | Monetary and fiscal stability

The Bangladesh Bank supervises the banking and financial market. It drafts monetary policy, ensuring the transparency and accountability of non-government microfinance institutions and control of currency volatility. The Securities and Exchange Commission (SEC) regulates capital market intermediaries and the issuance of capital and financial instruments by public limited companies.

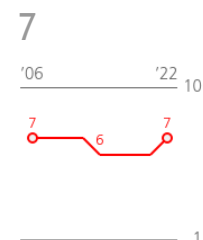
The exchange rate of the Bangladeshi taka to the US dollar has remained stabilized at BDT 84.8: \$1 in June 2020. Due to Bangladesh Bank's intervention in the foreign exchange market, it was able to maintain stability in both the inter-bank local currency and foreign exchange (U.S. dollar). Whenever there is instability in the exchange rate, the Bank has released foreign currency from the reserve it holds. During the 2020 fiscal year, the Bangladesh Bank sold \$835 million in the local inter-bank market while it purchased \$877 million to maintain stability. Bangladesh observed an overall 0.81% depreciation of the taka against the U.S. dollar in the 2019-20 fiscal year. The Bangladeshi taka was not devalued. The real effective exchange rate index calculated against a 15-currency basket increased by 6.9% in 2020.

There were concerns that the financial stimulus provided by the government might lead to inflation. According to the ADB, inflation was at 5.7% in 2020 and 5.5% in 2019 (2018: 5.8%). The twelve-month point-to-point general inflation increased to 6% in June 2020 from 5.5% in June 2019. This was due to uncertainty and supply chain disruption caused by the COVID-19 pandemic. Non-food inflation eased to 5.2% at end June 2020, from 5.7% at the end of June 2019.

Though the Bangladesh Bank is largely independent, loans are sometimes given to businessmen with political connections. As a result, non-performing assets grew in 2020 and the bank was forced to write off bad loans. By making a 2% down payment, borrowers were allowed to reschedule their classified loans for a period of ten years with a grace period of one year. Broad money (i.e., money supply in the country including cash deposits and assets that can be converted to cash) grew to 12.7% in comparison to the targeted 13.0%. The reserve-deposit ratio decreased from 0.086 in 2019 to 0.077 in the 2020 fiscal year, while the currency-deposit ratio increased to 0.163 in 2020.

Bangladesh is planning to introduce a Shariah-based bond called "sukuk" as a new investment tool to promote Islamic finance and attract more FDI. Investors will receive a profit of 4.69% on their aggregate investment in the Islamic bond. The central bank has fixed the rate based on the Bangladesh Government Islamic Investment Bond.

Monetary stability



The government has stated that total revenues collected as of February 2020 for the 2019/20 fiscal year have, as a result of the pandemic, amounted to only 38.32% of the original annual target. The government has announced a revenue collection target of \$44.6 billion for 2020/21. Some \$38.95 billion of this target is to be collected through the National Bureau of Revenue (NBR). Tax revenue from non-NBR sources (vehicles, narcotics, liquor) is estimated to total \$1.76 billion, while non-tax revenue (fines and penalties, land sales, service charges, profits from state-owned companies, and stamp duties paid to purchase property) is estimated to total \$3.89 billion. The deficit in the revised budget for 2019/20 has been set at \$18.11 billion, which is 5.5% of GDP. For 2020/21, the government has announced an estimated total expenditure of \$67.01 billion, which is 17.9% of the GDP. The government expects a budget deficit of 6.0% of GDP.

According to a Bangladesh Bank report, the trade deficit increased from \$15.835 billion in the fiscal year of 2018/19 to \$17.861 billion in 2019-20. The current account balance shows a deficit of \$4,849 million. Due to inflows of short- and long-term loans, the government recorded a surplus of \$3,655 million in the overall balance for the fiscal year of 2019/20. Outstanding external debt stood at \$38.47 billion in 2018-19, increasing to \$40.97 in 2020. As of February 2020, medium- and long-term debt payments stood at \$1.100 billion. Given the reduction in exports due to the COVID-19 pandemic, the debt situation is likely to worsen. It is expected that domestic debt will account for 63% of the budget and the government will require external financing for 37% of the budget in order to finance the deficit over the next fiscal year. The debt-to-GDP ratio stood at 35% for the fiscal year 2019/20.

The pandemic economic recovery packages declared so far total \$1.46 billion, which constitutes 4.4% of the country's GDP. According to IMF data, some \$3.957 billion of fiscal stimuli have thus far been announced, of which about \$1.909 billion were disbursed as of the end of November 2020. The IMF approved \$732 million in emergency financing to overcome pandemic-related disruptions.

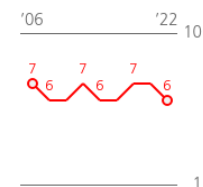
9 | Private Property

Article 42(1) of Bangladesh's constitution guarantees the right to property, stipulating that every citizen has the right to acquire, hold, transfer or otherwise dispose of property. Private property inheritance is governed by the customary law of the ethnic minorities and the personal law of each religious community. Transferring property in Bangladesh costs 6.4% of the property value.

The government passed the Acquisition and Requisition of Immovable Property Act of 2017, amending the Acquisition and Requisition of Public Property Ordinance of 1982. The act provides for a three- to fourfold compensation on the market value of the land. However, it allows the government to acquire the land of religious institutions in public interest. This has created apprehension among religious

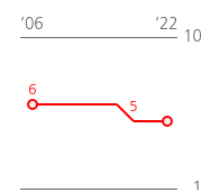
Fiscal stability

6



Property rights

5



minorities. Bangladesh scores 3.2 on the International Property Rights Index, which is the third lowest score (the lowest are Haiti (2.6) and Yemen (2.7)). This indicates the state's inability to protect private property from encroachment. Hindu minorities often fall victim to forced encroachment and are forced to sell their land below its value. Women are also discriminated against in inheritance laws. In the Chittagong Hill Tracts, conflicts relating to the ownership of land have often led to violence between the Chakmas and Bengali settlers.

The government has prompted the private sector to play a pivotal role in the country's industrialization, confining public companies to essential services and strategic industries. In the 2019/20 fiscal year, the total investment as a percentage of GDP was 31.75%, out of which 23.63% originated in the private sector. The government took the initiative to establish 21 (eight state and 13 private) Economic Zones in different areas of the country. For investors in these zones, a one stop service for 17 items has been approved. 45 projects have started as part of a public-private partnership (PPP). Financial assistance to different industries, subsidies and equity investments in nationalized corporations, banks, and financial institutions that are part of a PPP constitute 6.45% of the total budget allocation in the 2020/21 fiscal year.

Private investment as a percentage of GDP has decreased to 20.80% in the 2019/20 fiscal year, down from 31.57% in 2018/19. The government has not nationalized any company in the period under review. Since 1993, it has systematically disinvested and sold its shares.

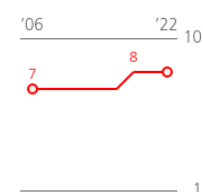
Due to the COVID-19 pandemic, companies were provided tax concessions. Private sectors are encouraged to invest by incentives such as tax holidays and reserving some sectors for private sector investment. Parliament passed the Finance Act of 2020 to streamline taxes. Turnover tax for private industries decreased from 4.0% to 3.0% of income. Corporate tax for companies listed in the stock market is at 25%, while for non-listed companies, it is 32.5%. The government increased the size of the EDF from \$3.5 billion to \$5 billion.

According to the 2020 Doing Business Index of the World Bank, the country rose to a rank of 168, from rank 176 in 2019. Bangladesh made starting a business less expensive by reducing name clearance and registration fees and abolishing the fee for digital certificates. However, transferring a property title in Bangladesh takes 271 days on average, almost six times longer than the global average of 47 days. Resolving commercial disputes through local first-instance courts takes 1,442 days on average.

The government merged the Board of Investment and the Privatization Commission into the Bangladesh Investment Development Authority in 2016 to ensure efficiency and "single window clearance" for private investments. In 2020, the government introduced the OSS to facilitate investment. The government plans to streamline 150

Private enterprise

8



business services from 35 government agencies and make them available through the OSS Portal in the coming years. The government has introduced online mutation for land titles. The land registration process is set to be digitized by 2024, with the goal of increasing transparency.

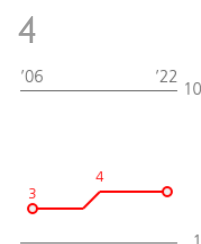
10 | Welfare Regime

Life expectancy is 71.1 years for men and 74.2 for women. To ensure universal healthcare by 2030, the government has implemented the 4th Health, Population, and Nutrition Sector Program from 2017 to 2022 at a cost of \$136.16 billion. 84% of the program costs are borne by the government, while the rest is paid by development partners such as the World Bank. The government has allocated \$1.27 trillion to the social security sector, which is 16.83% of the total budget and 3.01% of GDP in the 2020/21 fiscal year. The revenue budget for health and family welfare in the 2019/20 fiscal year was \$1.70 billion. Since the expenditure related to health services increased due to the pandemic, the size of the annual development program was reduced to \$22.76 billion, from \$23.91 billion. Allocations to health and family welfare sector constitute 1.3% of GDP and 7.2% of total budget allocations. Foreign investment in the health and family welfare sector has been the lowest since the 2005/06 fiscal year, standing at \$173.6 million in 2018/19.

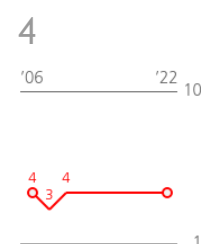
The government introduced a special honorarium equal to the basic pay for two months for healthcare workers providing critical services to COVID-19 patients. There has been no change in the social security net during the pandemic. Non-citizens do not have access to the social security net. Through its National Social Security Strategy, the government transfers funds directly to beneficiaries, including allowances to the disabled, elderly people, and destitute women, amounting to \$12,625. The government has taken the initiative to make direct cash transfers of \$29.5 to five million people in the current fiscal year to alleviate the sufferings of the working poor. In response to the pandemic, it announced a number of stimulus packages totaling to over \$11.79 billion. The state distributed 400,000 metric tons of rice and 100,000 metric tons of wheat among the poor free of charge. To tackle crisis-related job losses in the garment industries, the government has created a fund amounting to \$5.89 billion for export-oriented industries.

The constitution establishes the right to equal opportunity for men and women. Yet women remain socially deprived due to structural impediments that also influence their choice of profession. Enrollment for girls in primary schools was 98.16% in 2018 and 97.55% for boys. In 2019, the ratio of female and male enrollment at the secondary school level was 54:46. The literacy rate, however, was higher for males, at 67.8% compared to 63.4% for females. According to the BBS, household educational expenditure for males amounts to 51.68%, compared to 48.32% for females. Gross enrollment at the national level is 113.72%. Expenditure on women as a percentage of the total budget stood at 30.82% in the 2019-20 fiscal year, which is 5.56% of GDP.

Social safety nets



Equal opportunity



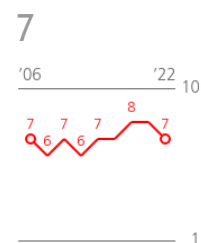
According to the Global Gender Gap report for 2020, Bangladesh's position was 50 among 190 countries (overall score of 72.6%). It came first in South Asia in terms of achieving gender parity. On the Political Empowerment sub-index, Bangladesh scored 54.5% (rank 7 worldwide). In contrast to this, only 8% of cabinet members are women, as are only 20% of the members of parliament. In the economic sphere, as of 2018, 38% of adult women were part of the labor force (up from 34% in 2017), compared to 84% of men. Women now make up 41% of the country's paid workers outside agriculture. Only one in 10 leadership roles is occupied by a woman, and the estimated average annual income of women is only 40% of that of men.

11 | Economic Performance

According to the ADB, GDP growth fell from 8.2% (2019) to 5.2% (2020) as a result of the pandemic. According to the Bangladesh Bank's Bangladesh Economic Review 2020, GDP per capita in the 2019/20 fiscal year stood at \$1,970. Per capita GDP growth in 2020 is at 4%; in 2021, it is likely to grow at 5.4%. The current account balance in the July-September quarter of 2020 was at -1.47. National savings as a percentage of GDP increased to 30.11% in the 2019/20 fiscal year from 29.50% in the previous year. Investment was 31.75% of GDP. Public investment was significantly lower than private investment (8.12% compared to 23.65%). Inflation was at 5.7% in 2020 (ADB). Food inflation increased to 5.56%, while non-food inflation stood at 5.85%, mainly attributable to medical care and health expenses. Forex reserves were healthy and stood at 36.04 billion. The government's outstanding debt amounted to 31.6% of GDP, of which domestic debt stood at 18.29% and foreign debt at 13.39% (excluding IMF loans). According to the World Bank World Development Indicators, the unemployment rate was 5.3% in 2019 and 4.2% in 2020. However, unemployment is on the rise due to the impact of the pandemic. 58.2% of population participated in the labor force. Revenue mobilization was set at 12.41% of GDP, out of which revenue received from the NBR was 10.71% of GDP. Tax constituted 0.45% and non-tax revenue was 1.25% of GDP. Growth of private sector credit for the 2019/20 fiscal year stood at 8.61%, compared to 11.32% in the previous year.

This reflects that the private sector slowed down due to the COVID-19 pandemic. There was a drop in business activities, and capital formation was also affected as businesses were forced to shut down. Exports of ready-made garments, which constitute 80% of exports, declined as orders were canceled. According to a study by the BIDS, 13% of people lost their job due to COVID-19 shutdowns.

Output strength



12 | Sustainability

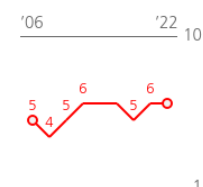
Bangladesh is vulnerable to climate change. It has taken various steps to address environmental issues that are linked to its industrialization policy. Two of the main exports are from the ready-made garment industry and the leather industry, both of which are highly polluting. The National Sustainable Development Strategy of 2010-21 aims to balance economic, social, and environmental requirements of development. The government has partnered with civil society organizations to implement climate sustainable policies, incentivizing the use of solar energy, wind energy, sustainable agriculture, and fisheries. It is also increasing the resilience capacity of poor groups in areas vulnerable to climate change through community adaptation.

Efforts to reduce air pollution have been continuing through the implementation of the Brick Making and Kiln Installation (Control) Act of 2019. Emissions from older vehicles is another problem in Bangladesh, where public transport remains a major challenge. According to the State of Global Air report of 2020, 173,500 deaths were attributed to air pollution in 2019. Garment factories and tanneries are responsible for most of the pollution. Garment industries, which account for 80% of Bangladesh's exports, often have aging and badly maintained machinery that contributes to carbon dioxide emissions and industrial waste. Since many of the garment industries are owned by politicians, actions are not taken against them often. Attempts to control air and water pollution have remained ineffective. The Green Climate Fund has awarded \$256.5 million to Bangladesh to introduce energy saving technologies in the garment and textile industries.

Climate mitigation and adaptation has remained a priority for the government. The Bangladesh Climate Change Trust Fund was established with seed money of \$100 million in the 2009-10 budget. Parliament passed a motion titled "Planetary Emergency" in August 2019 and called on the world to address the impact of climatic change. Bangladesh raised \$38 billion to tackle the adverse effects of climate change, funding 718 projects. The government is implementing a "National Environment Policy of 2018," making provisions in the budget for climate change efforts. It currently spends \$1 billion per year, i.e., around 6% to 7% of its annual budget, on adaption for climate change. According to the Climate Financing for Sustainable Development report, in the 2020-21 budget, climate-relevant allocation as a percentage of the budget of 25 ministries whose work is related to climate change declined to 7.52%, compared to last year's allocation of 7.81%. Allocation in the budget is further distributed across six thematic areas; at 41.25%, the largest share of the total allocated budget for climate change goes to food security, social protection, and health. Climate-relevant allocation for research and knowledge management as well as capacity-building and institutional strengthening remains low, with 3.5% and 5.23% of the national budget respectively.

Environmental
policy

6



1

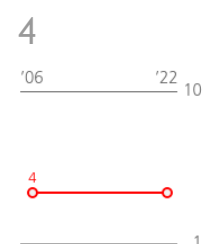
Clean energy is an important component of development strategy. The government aims to enhance the contribution of renewable energy to 10% of total power generation. It prioritized solar energy-based electricity and aims to generate 628 megawatts of power from renewable energy. The country's largest solar power plant is at Mymensingh and has the capacity to generate 73 megawatts (MW) of electricity. According to some reports, the assessed potential for solar energy is 2,690 MW and that of wind energy is 637 MW. With the addition of biomass and hydropower, the total renewable energy potential is 3,666 MW, which is only 6% of the projected 2041 electricity requirement (60,000 MW). The country has two pilot wind-power plants: at Muhuri Dam (0.9 MW) in Feni District and another on Kutubdia Island (1.0 MW) in Cox's Bazaar. In December 2020, the cabinet committee on national purchases approved the construction of a 55 MW capacity wind-power plant at Mongla and a 30 MW plant in Feni.

Article 17 of Bangladesh's constitution guarantees free and compulsory education to all children. The government provides free text books, mid-day meals and stipends to female students. It has also given priority to curriculum development, the decentralization of the education management, and the establishment of model schools and colleges and of new schools in under-served areas. However, quality education has not yet been achieved. Many children cannot read fluently. Access to education has improved significantly, but the quality of education in state-run educational institutions is poor. Private educational institutions are expensive and beyond the means of most people. Many of the teachers in public universities work part-time in private institutions as well. This affects the quality of teaching in state-run institutions. This is in spite of the Education Act of 2016, which, in a bid to improve the quality of education, banned admission tests for class one students in private schools and made private coaching and tuition illegal. A lottery system for admission was introduced instead. The government is planning on a "National qualifications framework of Bangladesh," which is being prepared by the University Grants Commission (UGC) to create uniform qualifications for university teachers.

Bangladesh ranks 133 in the Education in the Human Development Index (HDI) of the UNDP, with a HDI value of 0.632. Literacy rate stood at 74.7% in the period under review. The gross enrollment rate was officially at 109.49% (boys: 113.20%; girls: 106.15%) in 2019. This is a decline from 114.23% in 2018. According to a 2019 survey of the Bangladesh Bureau of Educational Information and Statistics, the dropout rate of secondary-level female students was 40.19%, which is higher than that of males (36.01%). According to the BBS, 37.6% of households have access to internet and 5.6% of households have a computer. Due to the COVID-19 crisis, an online education system has been introduced, with the unfortunate side effect of deepening the digital divide.

According to the World Bank, expenditure on education constituted 9.3% of total government expenditure in 2019 and 1.3% of GDP. In the 2020-21 fiscal year budget, the Ministry of Education was allocated 5.83% of the total budget, which is slightly

Education policy /
R&D



higher than the last fiscal year's revised allocation of 5.66%. The Ministry of Primary and Mass Education received 4.39% of the budget, which is less than the previous fiscal year's revised budget of 4.73%. In the UGC's budget for 46 public universities for the 2020-21 fiscal year, only \$77.87 million was allocated for research in higher education, out of a total \$1 billion budget.

Governance

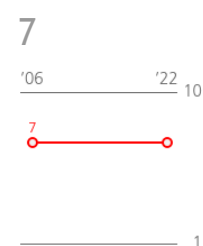
I. Level of Difficulty

The steering capacity of the state has suffered due to partisan politics, one-upmanship and widespread corruption that has had a crippling effect on the administration. There was no consensus on how to fight the COVID-19 pandemic or how to confront religious extremism and terrorism. Space for the opposition remained limited. Religious groups like Hefazat-e-Islam have widened the space for religious political parties trying to push their Islamic agendas. Bangladesh performed spectacularly in meeting the Millennium Development Goals (MDGs), but poverty continues to be a major problem. According to a World Bank report from 2019, GDP per capita stood at \$1,855.74 and purchasing power parity was \$5,139. The male literacy rate stood at 72.7% and female literacy at 65.3%. A skilled labor force remains a major problem. The skilled agriculture sector accounts for 32.4% of the total labor force.

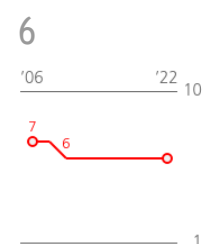
Coupled with this, poor infrastructure is a main hurdle in steering the economy and optimizing the state's capacity. There is a plan to increase rural road network coverage from 35% to 35.75% and to build bridges, culverts, highways, and rail networks. The Mega Plan describes a goal of generating 60,000 megawatts by 2041, up from the current capacity of 24,000 megawatts. The government has prioritized infrastructure and energy to increase the state's steering capacity in an attempt to develop economically and bring more people out of extreme poverty. The government proposes to allocate BDT 645.8 billion to the communication infrastructure sector in the 2020/21 fiscal year, which had received BDT 648.2 billion in 2019/20. Decongesting traffic in Dhaka and arterial roads connecting the main commercial hubs remains a challenge. The government is implementing a rapid transit network by building a metro rail in Dhaka.

Bangladesh has a strong tradition of civil society activism, which is extremely vocal and contributes to the country's democratic vibrancy and development. Several self-help groups are active on issues pertaining to governance, environment, education, health, and gender parity. Many of the larger NGOs working on developmental issues participate in generating awareness about government policies and mobilize the public opinion against terrorism, radicalism, and protecting minority rights. There are 29 NGOs that are working closely with the government in implementing the Sustainable Development Goals (SDGs). There are 2,254 local and 257 international NGOs that are active and are contributing to the country's socioeconomic development. In 2019, the NGO Affairs Bureau of Bangladesh approved 1,655 projects and released 78.50 billion BTN for development work.

Structural constraints



Civil society traditions



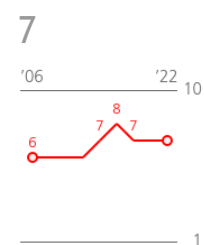
On October 5, 2016, the parliament passed the Foreign Donations (Voluntary Activities) Regulation Act, which sought to check the source and objectives of foreign funds sent to various NGOs. The purpose of this act was to check anti-state activities and financing of terrorism. This act includes the proposition that any statement by civil society bodies which is “malicious” or “derogatory” against the constitution or constitutional bodies of Bangladesh is a punishable offense and could lead to the revocation of the NGO’s registration. Apart from this, recent acts such as the DSA 2018, which replaces the Information and Communication Technology Act of 2006, have been draconian. This strangles civil society and limits any criticism of the government. From January to June 2020, 113 people were arrested for their online comments under accusations of Ketubah “defaming” the country and the government.

Social, ethnic and religious conflicts are mostly latent in Bangladesh and have flared only when exploited for political purposes. Bangladeshi politics have remained confrontational, and political leaders exhibit a zero-sum approach to their opponents while remaining intolerant of criticism. Party ideology divides the society. Opposition attempts to mobilize people or hold meetings are frequently disrupted by supporters and cadres of the ruling party. Since access to economic benefits and privileges comes through political affiliation, violence is perpetuated to establish hegemony.

Religious cleavages are exploited to perpetuate hegemony and attacks are planned to score political points or to grab properties mostly belonging to the minority Hindu community. Interestingly, the opposition, thinking that the Hindu minorities are a vote bank of the ruling party, have repeatedly accused the government of appeasing these groups by employing them in senior positions in the bureaucracy. Communal fervor is raised by bringing false accusations against minority communities for offensive social media posts. According to the minority platform called Hindu Buddhist Christian Oikya Parishad, between March and September 2020, 17 deaths, 10 murder attempts, 11 death threats, 30 cases of rape and torture, six rape attempts, three suicides over molestations, 23 abductions, and 37 incidents of idols smashing occurred, while 23 temples were attacked, vandalized and set on fire, evictions of 26 houses took place, five religious institutes were taken over, 88 houses and business institutions were vandalized and looted, 247 individuals were physically assaulted, 73 attempts of eviction happened, 34 people were threatened to make them leave the country, and 60 families were forced out of their villages.

Religious and ethnic cleavages are exploited to deny a group’s access to state resources and very often to establish hegemony. Though the government is committed to secularism, the radical Islamist Hefazat-e-Islam is patronized for political ends. In several Waz Mehfiles (i.e., religious gatherings in rural areas), Islamists have propagated a narrow interpretation of Islam. Religious-ethnic cleavages are prominently visible in the Chittagong Hill Tracts, where the ethnic Chakmas are fighting for their land rights, which are often encroached by Muslim land grabbers in collusion with the administration.

Conflict intensity



II. Governance Performance

14 | Steering Capability

The government has two strategic priorities: First, ensuring political stability through complete control over the political environment and state machinery including the army, and second, maintaining a high economic growth rate and continuing infrastructure development. However, the two goals will be difficult to reconcile in the long term. To achieve the first goal, the government can either reverse the current course or double down on its authoritarian measures, creating a de facto one-party state through a decimation of all kinds of opposition and controlling the flow of information.

Maintaining high economic growth, especially after the COVID-19 pandemic, will require economic reforms. Key elements of the reforms will involve overhauling the financial sector, addressing pervasive corruption, breaking the clientelistic network, decreasing the rate of unemployment, and stopping rent-seeking practices. However, many of these structures lie in the interest of the ruling party. If the incumbent continues down the authoritarian path, the likelihood of maintaining economic growth for a long time will thus be a serious challenge.

There are no structural or institutional hurdles for the government to formulate and implement its policies. The absence of effective opposition in parliament has made the government the sole determiner of strategic priorities. This is enhanced by the concentration of power in the hands of the prime minister. However, a number of beneficiaries of the government have emerged as hindrances to the implementation of reform policies. For instance, the government's failure to make any significant changes in the banking sector and capital market is due to high-profile interests in these areas with connections into the political system. As a whole, these interests disincentivize the ruling party to implement reform measures.

There is little willingness from and incentive for the government to learn from the past. The political cost of accepting mistakes is considered high. The rent-seeking elements in the bureaucracy always try to please their political bosses and favor the status quo. Corruption in public office is rampant. Due to COVID-19, many of the fiscal reform policies that the government had intended to introduce have suffered a setback.

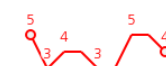
It does not appear that the government has learned anything from the past. For instance, writing off bad loans has become a norm. Yet no measures are taken to scrutinize mortgaged assets while sanctioning loans. As a result, banks frequently

Question
Score

Prioritization

4

'06 '22 10

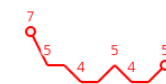


1

Implementation

5

'06 '22 10

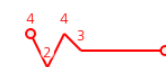


1

Policy learning

3

'06 '22 10



1

incur losses. Between 2003, when a provision of writing off bad loans was introduced, and June 2019, banks have written off BDT 558 million, constituting 77.54% of the sum borrowed.

15 | Resource Efficiency

Efficient utilization of resources remains depressed due to rampant corruption, a lack of accountability and the rent-seeking practices of the bureaucracy. Promotions and appointments are based on political considerations. The politicization of recruitment in universities affects the standard of education in Bangladesh. Those who fall from political grace are appointed as Officers in Special Duty (OSD) and are not given any responsibilities. The High Court has barred the government from keeping public servants OSDs for more than 150 days. On May 13, 2019, the Ministry of Public Administration, said that 3,605 officers have been made OSD in the past nine years. The system of OSD is an unnecessary drain on the national exchequer as the officers enjoy their salary and perks without any specific work.

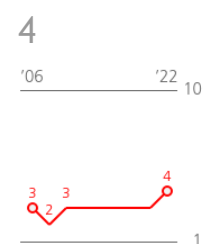
Bangladesh's debt remains manageable and risks remain low as the state enjoys current account surplus. The Comptroller and Auditor General of Bangladesh audits the government account. However, budget deficit remains a major challenge. In the 2019-20 fiscal year, it was 5.5% of GDP. It is likely to rise in the next fiscal year due to pandemic-related financial problems.

Bangladesh has local self-government at district and village levels. These structures are not financially independent, as they depend on the government for financing. The government allocated BDT 395.73 billion for the local government and rural development sector in the 2020-21 fiscal year, with BDT 378.87 billion in the current 2019-20 fiscal year. There is hardly any initiative by the government to reform the public administration, which runs on a patronage-based system.

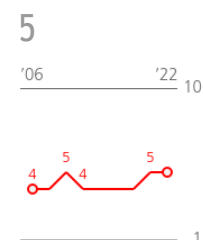
Coordination of policies is accomplished through various departments that act as nodal agencies. However, the prime minister's control of the governing party ensures their coordination. No policies can be adopted that do not have the blessing of the party's supreme leader. As the government has packed the bureaucracy with politically sympathetic bureaucrats, implementing its policy is not difficult. However, competitive political interests within the ruling party delay implementation of policies, especially in cases where more than one ministry is involved. Immediate political benefits drive policy implementation, rather than long-term interests.

While only 4% of the members of parliament had business interests in 1954, the number increased to 13% in 1973. In the current parliament, 182 members have business interests, constituting 61.07% of parliament. The domination of industrialists and businessmen in the parliament hijacks the priorities of governance in their quest to seek rents. Massive bribes are paid to seek nomination from the political parties to contest elections, and companies sometimes provide funds to parties to fight elections.

Efficient use of assets



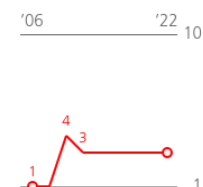
Policy coordination



Corruption in public life is widespread in Bangladesh, even though the government has adopted a zero-tolerance policy regarding corruption. The Comptroller and Auditor General of Bangladesh audits state expenditure but rarely points out irregularities or requires the government to explain its expenditures. State-owned banks provide loans to politically influential people without scrutinizing their assets. A sense of impunity is widely prevalent, as the Anti-Corruption Commission (ACC) has never convicted any high-profile politicians or businessmen to date. Most corruption cases are politically motivated, and there is therefore a lack of public faith in the ACC.

Anti-corruption policy

3



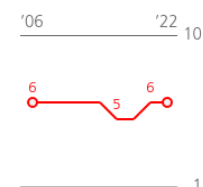
The ruling party has no regard for transparency. Party financing is one of the gray areas in which unaccounted money is deposited. There is no auditing or regulatory mechanism in place to scrutinize the sources of party funding. Access to relevant information pertaining to governance is absent. Though Bangladesh has a right to information law in place, it is not an instrument to gather information, as there are no legal or independent regulatory mechanisms in place to compel the government provide relevant information.

16 | Consensus-Building

While Bangladesh faces serious democratic backsliding and the incumbent's penchant for authoritarianism is easily discernable, there is a yearning for democracy embedded in the public psyche. However, there is no consensus among major political actors regarding the fundamentals of democracy and the way forward. In the context of a zero-sum political culture and the absence of democratic institutions, the incumbent party enjoys complete control over the situation. In an environment with a highly politicized administration, a subservient Election Commission, a docile judiciary, and an absence of any accountability mechanisms, the ruling party continues to pay lip-service to democracy, insisting that existing deficiencies are the price that must be paid for economic growth. The AL uses legal and extra-legal measures to ensure that the status quo will persist for a foreseeable future. However, the government narrative has not succeeded in winning the hearts and minds of a large segment of the society, as is demonstrated by the low voter turnout in the elections since 2018. The opposition parties have emphasized that a free and fair election under a neutral CTG is imperative for bringing the country back on a democratic path. However, the failed attempt by the 2007-08 military-backed CTG has made such reform efforts even more difficult. The opposition, particularly the BNP, is in a disarray, due to internal schisms, a lack of leadership, organizational weakness and a failure to put forward a political platform that would attract popular support. Other political parties have remained fragmented and have not succeed in presenting themselves as viable alternatives to the BNP. The absence of intraparty democracy shows that major political reform is unlikely to succeed.

Consensus on goals

6



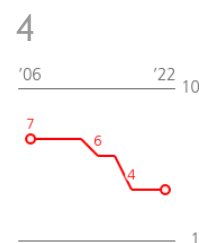
There is a consensus among almost all political actors regarding market-based economic policies. Except from the left-wing and Islamist parties, there has been no major criticism of the government’s economic policies, although economic growth has not equally benefited all citizens and continues to be in the form of economic growth without an accompanying growth in jobs.

Militant Islamist groups such as Neo Jamaat-ul-Mujahideen Bangladesh (Neo-JMB), Ansarullah Bangla Team (ABT), Harkat-ul-Jihad al-Islami (HuJI), Al Qaeda in South Asia (AQIS), ISIS, and Hizbut Tahir strive for an Islamic revolution and the establishment of an Islamic state. They perceive western democracy as an external imposition unsuitable for Muslim countries in general and Bangladesh in particular. These groups are active in social media and their narratives are widely available on YouTube. Their following is small, and all mainstream political parties reject them. However, conservative Islamists such as Hefazat-e-Islam have gained strength in recent years, and the government’s bonhomie has provided them with greater influence. They subscribe to many anti-democratic positions, especially with regard to gender equality.

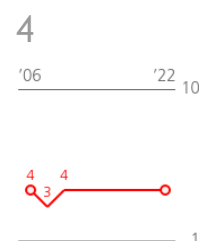
While these forces are pronouncedly opposed to democracy and act to undermine its values and ethos, the principal challenge currently comes from the ruling party, for it is opposed to any reform measures that might allow democratic space to contrarian views or build independent institutions to increase accountability. The military has remained highly influential behind the scenes. Enormous benefits accorded to the military by the government and the partisan politicization of officers make them protectors of the current regime, even when its democratic credentials are questionable. In a similar vein, powerful economic actors, such as the businessmen who are also members of parliament and beneficiaries of the present system, oppose both economic and political reform. All political parties in Bangladesh lack intraparty democracy, while personal loyalty to the party leadership is rewarded.

Bangladesh lacks institutional mechanisms to address social conflict. Its weak judicial structure and corrupt police do not encourage public faith in these institutions. Twenty years after the conclusion of the peace accord in the Chittagong Hill Tracts, the region is still subject to ongoing violence, which the government portrays as a law-and-order problem rather than a political conflict. Religious polarization remains unaddressed, as the government seeks to appease the Islamists in the name of protecting the religious sentiments of the people.

Anti-democratic actors



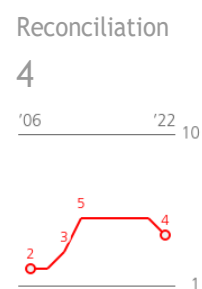
Cleavage / conflict management



Once known for having a vibrant civil society, Bangladesh has witnessed a severe decline of the role of CSOs in protecting public interests. The polarization within civil society, deliberate campaigning against them, and legal restrictions imposed by the government have caused the gradual erosion of CSOs and their political participation. The Foreign Donations (Voluntary Activities) Regulation Act 2016 enabled the government to cancel the registration of NGOs if they criticize the government. Civil society is allowed to function, especially when groups work together with the government to reach development goals. The state also co-opted some civil society groups in its fight against terrorism. However, it remains critical of certain NGOs that raise issues of human rights violation, arbitrary arrest and oppression of opposition parties by the administration. The government consulted various NGOs for implementing developmental and gender budgets. Some NGOs also worked among the extremely poor and marginal groups and contributed to education and training and protecting workers from exploitation. From time to time, these groups provide input to the government through their reports or by participating in consultation meetings.

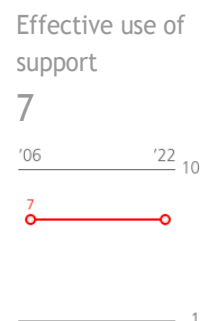


The government established the International Crimes Tribunal in 2010 to try those who committed crimes against humanity during the war of independence in 1971. Although the trial, especially the intent to bring an end to the culture of impunity, was greatly hailed at home and abroad, it became controversial due to procedural flaws. It is alleged that the incumbent party made political gains out of the trials. On the other hand, perpetrators of these crimes never showed remorse. Considering these two conflicting positions, no reconciliation has taken place. Moreover, political reconciliation between the opposition and ruling parties remains virtually impossible given the politics of vendetta. Similarly, the half-hearted implementation of the peace agreement in the Chittagong Hill Tracts has not fostered reconciliation between Bengalis and the indigenous population.



17 | International Cooperation

Bangladesh has received and made use of international support for its economic growth and for countering the threat of transnational terrorism. In the wake of COVID-19, the country managed to secure at least \$4.7 billion from various multilateral bodies and donor countries to address the fallout of the pandemic. The multilateral bodies included the World Bank, the ADB, the European Union, and the Asian Infrastructure Investment Bank (AIIB), while bilateral support has been received from Japan and the United States. Bilateral dialogue with the United States and the European Union to enhance the cooperation on governance, trade, human rights, and development took place on a regular basis.



The global economic downturn due to the COVID-19 pandemic has reduced FDI during the period in review. Gross FDI inflows during the 2019/20 fiscal year were \$1,804 million and according to Bangladesh Bank, in the January-June period of

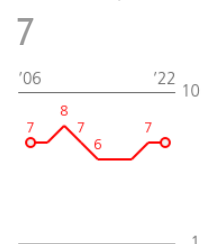
2020, net inflow of overseas investment stood at \$1.15 billion, down by 31.79% due to the pandemic. Due to urgent balance-of-payments and fiscal needs, the IMF approved \$732 million emergency assistance for Bangladesh under the Rapid Credit Facility and the Rapid Financing Instrument.

Bangladesh has forged close ties with India, Japan, and China and partnered with them to build several large-scale infrastructure projects. Since joining the Belt and Road Initiative (BRI), Bangladesh has received increased investments from China. However, Bangladesh ranked very low in the World Bank Ease of Doing Business 2020 index. In South Asia, it is only ahead of Afghanistan.

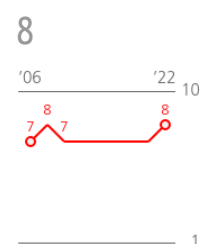
The political leadership has assiduously built international support despite the flawed 2018 election. There was hardly any criticism by the international community with regard to the way the election was conducted. Bangladesh's success in achieving the Millennium Development Goals (DGs) and progress toward the Sustainable Development Goals (SDGs) have contributed to its credibility. Additionally, the country has remained engaged with various international forums and is a major contributor to the UN peacekeeping force. Both played pivotal parts in gaining trust. Bangladesh's humanitarian gesture toward Rohingya refugees through sheltering them has built a positive image of the country. Bangladesh's voice in the international arena on climate change has made it a representative of those countries that are at the front lines of sea-level rise due to global climate change. Economic growth and opportunities for investments, despite various bureaucratic hurdles, have attracted investors. A low debt-to-GDP ratio – 13.4% in 2020, slightly higher than the previous year's 12.7% – provides confidence to lenders. However, debt servicing costs have begun to soar.

Since the AL came to power in 2008, Bangladesh's foreign policy has focused on its neighborhood, particularly on developing a warm relationship with India. This closer relationship is grounded in political and economic reasons. Politically, the incumbent has relied on the support of India in dealing with criticisms of its authoritarian rule, receiving unqualified support during the controversial elections in 2014 and 2018. Trade between Bangladesh and India has increased to more than \$10 billion. Both countries have taken several steps to improve border infrastructures. They also have conducted joint military exercises, joint patrols by coastal guards, and regular meetings between law-enforcement officials in the border areas. The relationship with India paid off for Bangladesh during the pandemic: in January, it received two million doses of vaccines against COVID-19 from India. Bangladesh also purchased 30 million doses of the vaccine from its neighbor. Yet several issues have remained unresolved. These include the killing of Bangladeshi nationals at the border by Indian Border Security Forces. Forty-one people were killed in 2019, while the number rose to 51 in 2020. The number of injured persons in this context was 40 and 27, respectively, according to the human rights organization Odhikar. Despite repeated promises from India, a water-sharing agreement concerning the Teesta river has not been signed yet.

Credibility



Regional cooperation



With the growing geostrategic importance of South Asia, China has intensified its effort to expand its influence in the region. This has led to a closer relationship between Bangladesh and China. The country is Bangladesh's largest trading partner. Prime Minister Sheikh Hasina visited China in 2019. Bangladesh is part of the BRI. China has committed nearly \$42 billion in investment. During the pandemic, the country supplied masks and other medical equipment to Bangladesh. China has also become engaged in bilateral negotiations between Myanmar and Bangladesh regarding the repatriation of Rohingya refugees. About one million Rohingya refugees have found shelter in Bangladesh since 2017.

Bangladesh has also ratified the Bhutan, Bangladesh, Nepal and India Motor Vehicle Agreement (BBIN-MVA), which would facilitate seamless connectivity between these states. It has invested \$1 billion in a hydroelectricity project in Bhutan and is considering similar proposals in Nepal.

Bangladesh's relations with Pakistan seem to be improving during the period under review. Pakistan's Prime Minister Imran Khan made a call to Sheikh Hasina. The two countries have appointed high commissioners recently, positions that were vacant for nearly a year after Dhaka had refused to accept Islamabad's nominee as high commissioner.

Strategic Outlook

With rapid democratic backsliding in the past decade, especially since the 2014 election, and growing authoritarian tendencies of the incumbent government since the 2018 election, Bangladesh stands at a crossroads. Whether it will tread a path to closed authoritarianism or reverse its course to return to a democratic trajectory depends on the concrete steps to be taken by the governing AL. In the absence of political and moral legitimacy, the ruling party has engaged in using legal and extralegal measures to persecute the opposition and its detractors, restricting the freedoms of assembly and expression, and debilitating state institutions, including the electoral system. The ruling party has created a highly politicized administration, a subservient Election Commission and a docile judiciary. It has shattered all accountability mechanisms.

A reversal of this course requires reinstating a system to fairly acquiring a democratic mandate. Therefore, it is imperative that the government addresses the concerns of the opposition parties and the members of civil society regarding the electoral process. An inclusive, fair, and free election requires restoring fundamental civil and political rights of the citizens, suspending or scrapping draconian laws that impede the freedom of expression, ending extrajudicial measures, including extrajudicial killings, enforced disappearance, and torture in custody, and terminating the culture of impunity enjoyed by members of law-enforcement agencies and the supporters of the government. Questioning the legitimacy of and denying political space to the legitimate opposition only creates opportunities for extremists and violent organizations. The government should be cautious about its policy of appeasement of conservative Islamists.

Constitutionally mandated watchdog institutions such as the Anti-Corruption Commission (ACC) and the National Human Rights Commission (NHRC) need to be depoliticized and strengthened to restore confidence in governance. Dialogue between the opposition and the incumbent is an essential element of democratic governance, and it should be restored immediately.

Bangladesh's impressive economic growth has not delivered equal benefits to all citizens. It has engendered disparity, has not created enough job opportunities for the youth, and has left a large segment of people behind. Therefore, the country needs to revisit its economic policies and take reform measures in earnest. In a similar vein, the policies regarding ethnic minorities and indigenous people, especially the protection of their cultural identities and land rights, warrants serious reforms.