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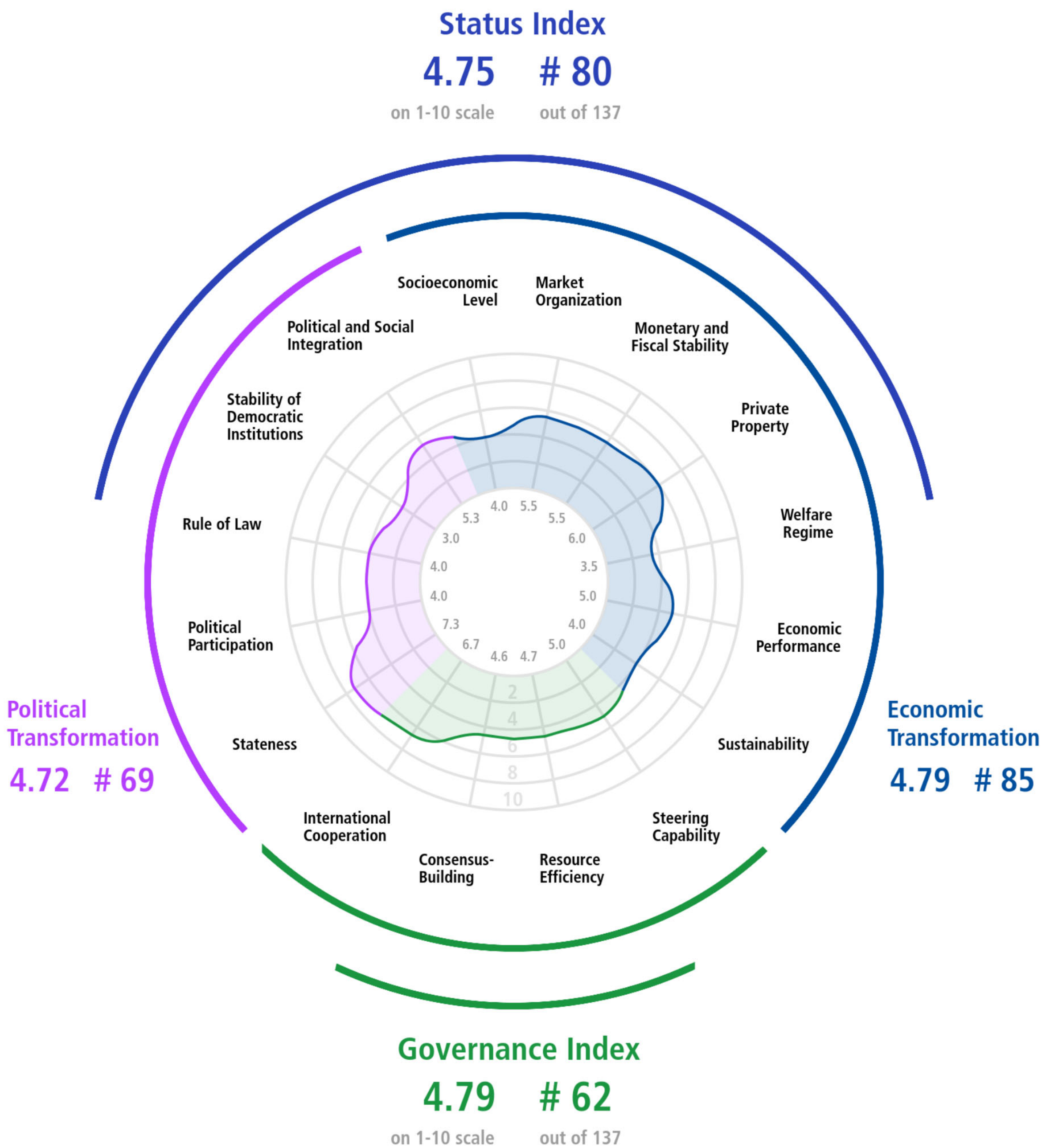
BTI 2026 Country Report

Bangladesh



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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.

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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

Sebastian Plate
Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

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

Key Indicators

Population	M	**173.6**	HDI	**0.685**	GDP p.c., PPP	$	**9647**
Pop. growth[1]	% p.a.	**1.2**	HDI rank of 193	**130**	Gini Index		**30.9**
Life expectancy	years	**74.7**	UN Education Index	**0.568**	Poverty[3]	%	**30.0**
Urban population	%	**41.2**	Gender inequality[2]	**0.487**	Aid per capita	$	**33.1**

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.65 a day at 2017 international prices.

Executive Summary

During the review period, Bangladesh witnessed tumultuous political dynamics, governance reforms and economic transformations. From mid-July to early August 2024, the country was rocked by an unprecedented popular uprising, state-directed indiscriminate killings and the fall of its long-standing ruler. Sheikh Hasina, the ousted prime minister, fled to India after mass protests in the capital, Dhaka. An interim government led by Nobel laureate Muhammad Yunus took charge until new elections can be held. What began as student demands to reform job quotas grew into large-scale demonstrations. The protests also unfolded against the backdrop of Bangladesh’s last three national elections – in 2014, 2018 and 2024 – all of which were widely regarded as far from free and fair.

According to a fact-finding report by the U.N. Office of the High Commissioner for Human Rights (OHCHR) titled Human Rights Violations and Abuses Related to the Protests of July and August 2024 in Bangladesh, about 1,400 people were killed in the violence, and thousands more were severely injured. Roughly 12% of those killed were children. The report concluded that the former government, acting through security forces, intelligence services and ruling-party loyalists, committed grave human rights violations.

In the run-up to the 2024 national election, the opposition boycotted the campaign, prompting the government to create the appearance of competition through dummy candidates and fake voters. All major arms of the state – including the Election Commission, the civil administration, law enforcement agencies and the military – aligned with the ruling Awami League to secure its victory. In earlier years, Hasina’s government used excessive force to suppress other large protests, including garment workers’ wage demonstrations, the first wave of quota reform protests in 2018 and a road-safety campaign led by school students that same year. By 2024, public frustration had reached a breaking point, fueled by authoritarian rule, soaring inflation, endemic corruption and widespread human rights abuses. When students protested discriminatory practices in public-sector entrance exams, the regime responded with violence, including torture and beatings. Despite killing nearly 1,500 people during the uprising, the Hasina government could not hold on to power.

After the inauguration of the interim government (IG), several constitutional, governance and economic reform programs were introduced. Reform commissions established by the interim administration drafted recommendations, and the government opened consensus-building discussions on reforms and on organizing the next election. Still, despite notable progress, the interim government has at times faced sharp criticism, including for failing to curb serious lapses in law and order. As of April 13, 2025, it had not announced a concrete road map or date for the next national election, though it repeatedly stated that the vote would take place sometime between December 2025 and June 2026.

History and Characteristics of Transformation

Bangladesh became independent after a nine-month war against Pakistan in 1971. Its new constitution enshrined the principles of democracy, secularism, Bengali nationalism and socialism. However, the young nation's history has been marked by tumultuous periods of one-party rule, military coups and, later, a gradual erosion of democracy under civilian governments, turning it into an authoritarian regime with a democratic facade under Sheikh Hasina, who was in power from June 1996 to July 2001 and again from January 2009 to August 2024.

Before the assassination of incumbent leaders and a military intervention in August 1975, Bangladesh's regime had already shifted toward one-party authoritarianism under founding leader Sheikh Mujibur Rahman. This trend culminated in a 15-year period of frequent military rule, ending only after a popular uprising in late 1990 ushered in a new democratic era. Since then, power has alternated between two parties: the Bangladesh National Party (BNP), led by Khaleda Zia, the widow of the late military ruler Ziaur Rahman (1975 to 1980), and Hasina's Awami League (AL). Crucially, Hasina is the daughter of Sheikh Mujibur Rahman. The elections preceding these transitions were administered under a caretaker government (CTG) system in place from 1991 to 2008, in which a nonpartisan administration oversaw transitions between elected governments. Beyond the BNP and the AL, the Jatiya Party (JP), led by former dictator Gen. H.M. Ershad (1982 to 1990), and the Islamist Jamaat-e-Islami (JeI) also played significant roles in shaping the political landscape. Despite the transition to a parliamentary system in 1991, constitutional provisions and the political dominance of Prime Ministers Khaleda Zia and Sheikh Hasina concentrated power in their hands. Animosity between the two leaders, a zero-sum mentality and a lack of interparty trust fostered a corrosive political culture, while democratic institutions either remained significantly weakened or were entirely absent.

In 2006, as the BNP attempted to manipulate the CTG system to its advantage, the AL refused to participate in the scheduled 2007 election. This led to a soft coup by the military, which governed under the guise of a civilian CTG until late 2008. Both Hasina and Khaleda were then embroiled in corruption cases that threatened to disqualify them from office. Faced with an economic crisis and heavy political pressure, the military eventually held an election that handed the AL a two-thirds majority, allowing the party to abolish the CTG system in 2011, based on a Supreme Court ruling. In response, the BNP refused to participate in the subsequent 2014 election unless the CTG system was reinstated. Despite the boycott by the BNP and other opposition parties, the AL proceeded with the election. It was marred by widespread manipulation that favored a renewed term of one-party AL rule in parliament, provoking violence and unrest.

The BNP's alliance with the JeI, which had helped it win the 2001 election, became an increasing liability after 2010, when the AL established a tribunal to prosecute perpetrators of war crimes committed during the 1971 War of Independence. Since 2013, JeI leaders have been tried and executed.

The BNP participated in the 2018 election as the National Unity Front (NUF), led by former law minister Kamal Hossain. In the lead-up to the election, the government intensified efforts to persecute and disqualify opposition figures and imposed sweeping restrictions on media and social media. Most prominently, ahead of the vote, Khaleda Zia was convicted and imprisoned, while her son and designated successor, Tarique Rahman, remained in London after multiple convictions. The re-elected government ultimately became an authoritarian regime marked by rampant human rights violations, including fabricated charges against critics, forced disappearances, extrajudicial killings, torture and deaths in custody.

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

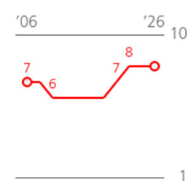
I. Political Transformation

1 | Stateness

Question Score

Monopoly on the use of force

8



The state maintains its monopoly on the use of force nationwide. However, both internal and external groups challenge this monopoly. For a brief period, when police and other security forces launched a campaign of indiscriminate violence against protesters in July and August 2024, ordinary citizens turned against the state. In retaliation for the killings and injuries inflicted, people attacked several government facilities, including police stations, leaving several members of the security forces dead after security forces ran out of ammunition. The state's capacity to exert force collapsed when police fled their stations. After the interim government took control, law and order were gradually restored, yet isolated cases of mob violence occurred, including attacks on shrines, cultural programs, women's football matches and the residences of AL leaders. Although the interim government did not encourage such incidents – in fact, it frequently tried to prevent them – the police and the administration were either reluctant or inactive and did not act adequately.

Bangladesh has not experienced major terrorist attacks in recent years. However, political instability and a prolonged absence of an elected government could create conditions for the resurgence of terrorist groups. Secessionist and autonomy movements in the Chittagong Hill Tracts also continue at a low level.

State identity

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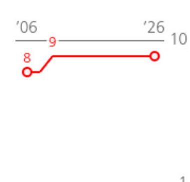

Bangladeshis have a strong sense of belonging to and identification with their nation, and the legitimacy of the nation-state is rarely questioned. However, the interpretation and character of national identity remain contested. Ousted dictator Sheikh Hasina's Awami League promoted an ethnolinguistic and cultural "Bengali" identity centered on the Bengali language, literature and heritage. The BNP and other conservative and centrist groups, including the recent student-led movement, in contrast emphasize civic nationalism and advocate a "Bangladeshi" identity defined by citizenship and territorial belonging rather than ethnicity or language. Islamist parties, including JeI, prioritize religious identity above all. Still, identity formation is fluid and shifts according to political strategy and gain-seeking behavior.

Crucially, competing definitions of national identity do not create major divisions among the public, reflecting the country's overall ethnic homogeneity. The Bengali ethnolinguistic group makes up 98% of the population, while only small Indigenous and tribal groups live in the Chittagong Hill Tracts and the regions of Mymensingh, Sylhet and North Bengal. The Bangladeshi constitution guarantees nondiscriminatory access to citizenship and naturalization. Although structural and class-based inequalities persist, all citizens are able to benefit from their citizenship rights.

No interference of religious dogmas

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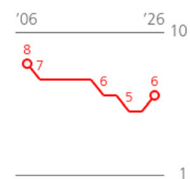

In general, religion plays a crucial role in Bangladesh's politics and society. However, the judiciary, inherited from the British colonial system, is predominantly secular. In legal contexts, religion matters only in the areas of marriage and property inheritance. The constitutional status of Islam as the state religion is ambiguous. Successive governments have often used religion and the concept of secularism to solidify their power and garner public support.

Before the fall of the Sheikh Hasina government on August 5, 2024, the regime sought legitimacy from Islamist groups and took steps to appease them, creating fertile ground for religious dogma to influence politics. Hasina walked a tightrope, trying to satisfy both secular and Islamist constituencies to stay in power. On one hand, she relied on an ultranationalist narrative rooted in the war of independence against Pakistan to secure loyalty from the Awami League's secular base. On the other hand, her government made overtures to Islamist groups, allegedly through financial and other material benefits.

Even under the subsequent interim government, signs of religious interference persisted. Supporters of Islamist groups, such as JeI and Hefazat-e-Islam, appeared to increase their activity and visibility in society, including in cyberspace. During a period when the interim administration struggled to maintain law and order, reports emerged of flags associated with Islamist radicalism appearing at rallies. Several shrines and other cultural sites came under attack. Women were reportedly harassed on the streets for allegedly indecent attire. In January 2025, after threats and the subsequent cancellation of two women's football matches in the northern districts of Dinajpur and Joypurhat, the Chief Adviser's Office sharply condemned the perpetrators and directed district authorities to take the necessary steps to reschedule the matches.

According to local media and rights groups, attacks on religious minorities, particularly Hindus, also increased immediately after Hasina's fall. However, most of these incidents appear to have been driven more by politics than religion, as the retaliation targeted the homes and property of leaders and loyalists of the ousted Awami League – including both Muslims and Hindus.

Basic administration

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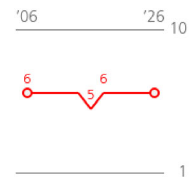

Basic administrative structures exist in Bangladesh, shaped by a strong bureaucratic apparatus and a local government system that provides essential services, including health care and education. One notable achievement has been the sharp expansion of electricity access: from 2010 to 2022, the share of the population with electricity rose from 55.3% to 99.4%. Significant challenges remain, however, in sanitation. Of the country's 171 million people, 40% lack access to safe water and 69% lack access to a safe toilet. Still, open defecation, long a public scourge, has been largely eliminated. Bangladesh also faces a deep urban-rural divide in the availability of basic amenities. Government-run drinking water sources are limited, while health care facilities, intensive care services and trained doctors are scarce in rural areas.

Politicization and corruption, even within basic administration, hinder public services from reaching the general population. As a result, several NGOs cooperate with the government to provide basic services. Because of the abuse of public goods, partisan politics and the absence of comprehensive planning, the quality of education is dismal.

2 | Political Participation

Free and fair elections

2

Over the last decade, Bangladesh has held three elections that were neither free nor fair. In the most recent election, held on January 7, 2024, the ruling AL was returned to power in an election described by international media as a "bad day for democracy," a "dummy election" and a "charade," with all major opposition parties boycotting the campaign. For competing candidates, victory depended on pre-election negotiations with the ruling party. In the six months before the election, at least 27,000 opposition activists and leaders were jailed, and more than 100,000 political activists, journalists, cartoonists and social media activists were charged. The since-scrapped Digital Security Act played a crucial role in these events. Overall, the ruling party fielded dummy candidates to give the election a veneer of competition. Independent candidates were strategically placed to showcase supposed non-AL victories, despite strong grounds to assume that every candidate was, at minimum, aligned with the AL.

On the morning of election day, polling stations across the country were largely empty. Just before inspections by foreign observers, groups of people repeatedly appeared and stood in line to create a false impression of voter turnout. Widespread ballot stuffing was documented, and minors were allegedly seen casting votes. Of the 298 candidates ultimately elected to parliament, 295 were either officially nominated by the ruling party, nominally independent, or otherwise AL-affiliated, including former ministers, members of parliament and former Jatiya Party members aligned with the AL.

The credibility, freeness and fairness of elections in Bangladesh were severely questioned – and effectively destroyed – after the events of early 2024, as the former AL government weakened democratic institutions and consolidated complete control of the state to execute a systemic, well-planned vote-rigging scheme. Moreover, the Election Commission was neither impartial nor effective.

Upon assuming power, the IG formed the so-called Election Reform Commission to ensure transparency and greater electoral fairness. It ultimately made more than 150 recommendations across 16 key areas. For example, legislation should be enacted to establish a permanent national constitutional council responsible for appointing members to constitutional bodies such as the Election Commission. The Election Commission should also be empowered to suspend or cancel elections in cases of malpractice, appoint its secretaries independently and, with unanimous approval, delay elections for up to 90 days during anticipated crises. Another recommendation was for the Election Commission to declare the credibility of elections within 48 hours of the results, enabling aggrieved parties to file appeals with the Constitutional Council or the Appellate Division. Lastly, a specialized cadre for Election Commission officials should be established to ensure professionalism and independence in election management.

In recent months, trends toward "de-politicization" have emerged, encouraging a longer tenure for the nonpartisan interim government. A minister-level government adviser even informally cited a "people's demand" to extend the IG's term by another five years. Although all political parties except the AL have so far cooperated with the interim administration, extending its mandate could spark renewed violence and undermine the prospects for fair elections.

Effective power to govern

3

Since mid-2024, Bangladesh has been led by an interim government, formed with the support of protesters and opposition parties who participated in the crucial uprisings against the AL regime. The IG has been given a mandate to govern the country temporarily, formulate a reform plan to strengthen government institutions and oversee a national election.

Before August 5, 2024, ousted Prime Minister Sheikh Hasina and her inner circle – ministers, ruling party members, her relatives and, allegedly, the intelligence agencies – held significant power to govern the country. Policy areas in which these actors retain power even under the IG include high-profile appointments, budget allocations and foreign policy design. Because elections under Hasina were widely rigged and people could not fully exercise their voting rights, political representation was largely distorted.

Association / assembly rights

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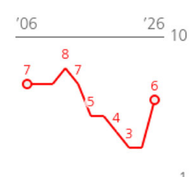

During the review period, the status of freedom of assembly changed significantly. During the period under AL rule, the AL government frequently denied permission for assemblies, rallies and demonstrations, even when organizers followed proper procedures, reflecting a broad suspicion that any gathering would be used to voice criticism. Activists were physically attacked, injured or killed by police and other state forces. After a decade of restrictions on freedom of assembly and persistent physical abuse, pent-up frustration erupted during the mass protests of July and August 2024.

During the latter half of the review period, under the IG, no systematic interference with the rights of assembly and association was observed. Instead, the restoration of assembly rights prompted many groups to protest and voice long-suppressed demands, often by blocking roads and busy intersections in the capital. Students and professionals, along with religious and social groups who felt aggrieved or discriminated against under AL rule, began demonstrating for pay raises, benefits and changes to socio-religious policy.

As Islamist groups regained the freedom to organize and operate, Jamaat-e-Islami in particular has gained visibility and influence both online and offline. Mob attacks, led mainly by radical Islamist elements, have occurred in several parts of the country.

Freedom of expression
5

Article 39 of the constitution guarantees freedom of speech, freedom of expression and freedom of the press. However, the guarantee is conditional on a clause stating that it is "(…) subject to any reasonable restrictions imposed by law in the interests of the security of the State, friendly relations with foreign states, public order, decency or morality, or in relation to contempt of court, defamation or incitement to an offence (…)."

During the period of AL rule, citizens from diverse backgrounds – among them journalists, politicians, students, writers, cartoonists and academics – were subjected to repression for expressing their opinions. In September 2023, the Cyber Security Act (CSA) replaced the controversial Digital Security Act (DSA), which had been systematically used to clamp down on peaceful dissent. The CSA continued the DSA's repressive approach. The IG repealed the CSA on November 7, 2024, after drafting a new Cyber Protection Ordinance (CPO) that rescinded some of the CSA's restrictive provisions. The draft was eventually approved by the IG's advisory council on December 24, 2024, yet civil society groups, media professionals and human rights defenders expressed concerns about specific repressive regulations from the CSA being carried into the CPO. Legislation on access to information, known as the Right to Information Act 2009, remains in place, yet it includes 20 exemptions intended to protect wide-ranging state interests, which the government frequently invokes, rendering it largely ineffective.

The number of political programs organized by civil society, as well as social media posts and media reports supporting or criticizing the interim government, political parties and individual politicians, increased during the review period. However, the IG's failure to curb "mob justice" and the rising number of online and offline attacks targeting political leaders, opinion leaders, women and people of minority faiths or ideologies has eroded overall freedom of expression. A Human Rights Watch report published in March 2025 raised concerns about harassment and violence against individuals and human rights defenders exercising their right to free expression. Although most attacks were carried out by non-state actors, the IG also failed to protect freedom of expression. In separate incidents, journalists, authors, poets and human rights defenders were arrested, attacked or harassed.

3 | Rule of Law

Separation of powers

3

Under the authoritarian AL regime, the separation between the legislative, executive and judiciary was blurred. Checks and balances among the state branches and a working separation of powers were practically nonexistent. The executive branch, embodied especially by the Prime Minister's Office (PMO), exerted state power in many dimensions. Ministers, party leaders and even government employees unabashedly affirmed their allegiance to Hasina.

Under the IG, Bangladesh underwent a major transformation in the last six months of the review period. Several commissions were formed to develop plans to strengthen government institutions and ensure checks and balances, including the Electoral System Reform Commission, the Commission for Judicial Reform, the Anti-Corruption Reform Commission, the Constitutional Reform Commission, the Police Reform Commission and the Public Administration Reform Commission. The full report of the six reform commissions was published in February 2025.

Independent judiciary

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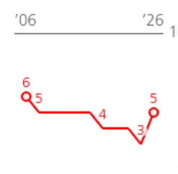

The judiciary is independent by law. According to Article 22 of the constitution, "the state shall ensure the separation of judiciary from the executive branch of the government." The judiciary consists of an apex court – the Supreme Court with the Appellate Division and the High Court Division – as well as two sets of subordinate courts: civil and criminal courts. Some special courts have specific judicial responsibilities, such as family or loan-related issues.

According to Article 95 of the constitution, the chief justice is to be appointed by the president who, in turn, is to appoint the remaining judges in consultation with the chief justice. After the former chief justice resigned following the fall of Sheikh Hasina's regime, the IG appointed Syed Refaat Ahmed, an eminent lawyer and jurist, as the new chief justice. He was sworn in on August 10, 2024. The IG-established Judicial Reform Commission proposed a permanent, merit-based attorney service while also recommending a transparent judicial appointment process, decentralized courts with permanent divisional benches and the financial independence of the judiciary.

Prosecution of office abuse

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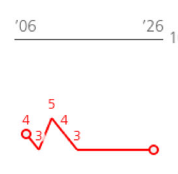

Abuse of public office and corruption were widespread in Bangladesh during the review period. The government routinely used public officials for political gain. Although an anti-corruption commission formally operated under the AL government, it was largely toothless, as it could not investigate public officials without government approval.

During the 2024 uprising, police, the Rapid Action Battalion, the Border Guard Bangladesh and the military used lethal force that killed or critically injured thousands. Yet in the aftermath, trials and punishment for disproportionate violence and abuse of public office were largely absent.

Beyond these grave violations, corruption in public institutions continued to rise. According to a December 4, 2024, report by Transparency International Bangladesh, 70.9% of surveyed households encountered corruption while seeking services from public or private institutions between May 2023 and April 2024. In 2023, more than $1 billion was paid in bribes across the sectors examined – an amount equal to 1.43% of the revised national budget for the 2023/24 fiscal year and 0.22% of GDP. The survey found the highest levels of perceived corruption in passport services (86%), followed by the road transport authority (85.2%), law enforcement agencies (74.5%), judicial services (62.3%), land services (51%), public health care (49.1%) and local government institutions (44.2%).

Civil rights

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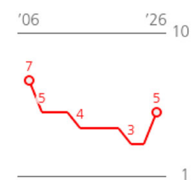

During the review period, Bangladesh experienced serious violations of human and civil rights. According to a United Nations report, human rights violations committed by the former government were systematic. The OHCHR conducted an independent fact-finding inquiry into alleged human rights violations and abuses in July and August 2024, finding that as many as 1,400 people may have been killed and thousands more were injured. The majority of the victims were shot by Bangladesh's security forces. Children accounted for 12% to 13% of the fatalities.

The OHCHR found strong evidence that the former government, together with its security forces and violent groups linked to the AL, committed widespread human rights abuses during its tenure. These included hundreds of extrajudicial killings, torture, mass arrests and serious injuries to thousands of protesters – not only during the July protests but throughout the review period. The frequency and intensity of violations increased ahead of the 2024 election. The BNP, as the main opposition party, estimated that half of its 5 million members had faced politically motivated prosecution. Moreover, the civil rights of ethnic minorities and Indigenous people were infringed during the review period. Rohingya refugees were further marginalized as the government placed tighter restrictions on refugees' mobility within the camps.

The IG has initiated efforts to ensure criminal accountability for serious human rights violations committed by the previous government and has reported arrests in connection with attacks on minorities. However, additional assaults targeting minority communities have continued. Cases of extrajudicial killings and custodial torture have also persisted during the IG's tenure, indicating that the culture of repression has not been fully dismantled. Discrimination based on ethnicity, gender and sexual orientation remains widespread in Bangladesh, and reports suggest that street harassment of women has increased over the past six months.

Taking advantage of gaps in law enforcement, several radical groups operating under the banner of "Towhidi Janata" (People Believing in Tawhid) have attacked and vandalized religious sites in recent months. According to The Daily Star, more than 70 shrines and akhras – devotional communities often linked to Hindu, Baul or Sufi traditions – were attacked, set on fire or looted in August and September 2024 alone.

Islamist mobs also disrupted two women's football matches in the Dinajpur and Rangpur districts in early February 2025. Cultural events are frequently disrupted or canceled due to pressure from Islamist groups.

4 | Stability of Democratic Institutions

Performance of democratic institutions

3

As in previous review periods, democratic institutions in Bangladesh remain weak and largely ineffective, with bureaucratic apparatuses often serving the political interests of ruling parties. National parliamentary and local government elections are held regularly; however, the formerly ruling AL eroded trust in the political process through rampant politicization and endemic corruption.

Against this backdrop, the interim government undertook the monumental task of initiating comprehensive reforms. The Constitution Reform Commission identified seven key areas as essential to establishing a functioning democracy: ensuring fundamental human rights and promoting accountability; creating an institutional balance of power; outlining specific proposals for an interim government structure; decentralizing the judiciary; strengthening local government systems; reducing the overwhelming authority of the Prime Minister's Office; and expanding the scope of fundamental rights while guaranteeing their constitutional protection and enforceability. Furthermore, the Anti-Corruption Reform Commission (ACC) has recommended increasing the number of commissioners, forming a search committee, amending laws, raising salaries and providing additional incentives to establish the ACC as a strong, effective ombudsman agency. Yet another reform commission dedicated to public administration recommends cutting the number of ministries, reorganizing divisions, establishing a capital metropolitan government system for the Dhaka region and forming an independent commission to investigate corruption by pro-Hasina government bureaucrats.

Commitment to democratic institutions

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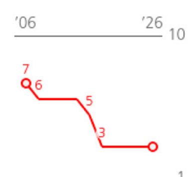

The former AL government reduced core democratic institutions to mere symbols on the political landscape. These institutions lost credibility with the public. The absence of effective political opposition under the AL government rendered parliament almost superfluous. Many public officials, judges and law enforcement officials turned their offices into partisan positions, contributing to the erosion of public confidence and the eventual political upheavals.

Despite restrictions on freedom of expression, the media and civil society under AL rule, certain civic organizations, think tanks and research groups had been campaigning for democratization before Hasina's ouster. For example, the Shusahoner Jonno Nagarik (SHUJAN, i.e., "the Citizens for Good Governance"), the Centre for Governance Studies (CGS), Odhikar (Rights) and Ain o Salish Kendra (ASK) played significant roles in the movement's eventual success.

The 2024 uprising, preceded by several years of political demonstrations, increased the importance of political actors and pressure groups that had actively participated in the anti-Hasina movement. Recent developments indicate that some student groups, online influencers and political commentators can exert political power by inciting mobs. Attacks on AL leader Sheikh Mujib's residence and on the residences of local AL leaders, as well as two demonstrations in front of national newspaper offices, among others, were coordinated by radical actors, jeopardizing the IG's image in both domestic and international settings.

5 | Political and Social Integration

Party system

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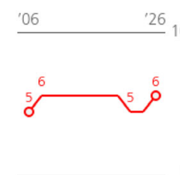


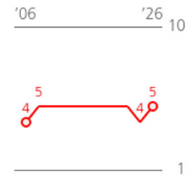
Bangladesh witnessed a massive transformation of its party system during the review period, especially in July – August 2024, when a popular uprising changed the political landscape and forced then-Prime Minister Sheikh Hasina to seek refuge in India. The AL, the oldest and longest-ruling party, almost vanished for at least a month. Since then, although supporters and sympathizers have resurfaced online and protested in small groups, the party remains decimated. In this changed setting, the BNP, now the strongest party with little competition from the AL, has a strong chance of winning the next election. However, potential outcomes in the upcoming elections are complicated by the BNP's decision to sever ties with its former strategic ally, the Islamist JeI. Furthermore, the student leaders of the uprising have declared that they would form a new political party, the National Citizen Party (NCP), to compete in the elections. They could emerge as an influential political actor if they can retain the popularity and credibility gained during the uprising. However, only the BNP and JeI are socially rooted in the sense that they have organizational capability down to the grassroots level.

AL and the BNP, along with their respective alliances, face a changed political landscape since the fall of the AL government. A new power struggle is unfolding among the BNP, the Islamist party JeI and the recently formed student-led NCP. These groups are locked in a tense competition for influence, each trying to expand its base and claim leadership in the opposition. As a result, political cooperation remains rare, and the risk of further unrest persists.

Rather than ideology or democratic party structures, personal loyalty within patron-client networks has long been the dominant organizing principle in Bangladeshi political parties. In recent months, however, the political parties, the interim government (IG) and reform commissions have begun working together to implement reforms to strengthen internal democracy, increase transparency in candidate selection and limit the influence of dynastic leadership. These efforts also include proposals to enforce mandatory internal elections, introduce campaign finance regulations and establish codes of conduct for party operations to ensure greater accountability and reduce factionalism.

Interest groups

5



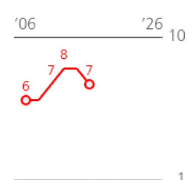
Bangladesh is home to some of the world's largest non-governmental organizations (NGOs), such as the Bangladesh Rural Advancement Committee (BRAC) and Grameen Bank. However, most interest groups are aligned with a political party. Genuinely independent interest groups are scarce. The degree of cooperation among interest groups is low.

Under the AL regime, the operations and functions of interest groups, particularly those active in human and labor rights, faced stringent restrictions. Even before then, large NGOs, wary of potential state intervention, had mostly avoided political advocacy. The 2016 Foreign Donations Regulation Act required organizations to obtain clearance from the NGO Affairs Bureau. The Bangladesh government canceled the registration of the human rights organization Odhikar on June 5, 2022. The NGO Affairs Bureau, operating under the Prime Minister's Office, issued the cancellation order, alleging that Odhikar had "tarnished the image of the state" by publishing "misleading information" about extrajudicial killings and enforced disappearances. Odhikar applied to renew its registration in 2014, but the application remained pending for eight years before the cancellation. This action was widely criticized by international human rights organizations, which viewed it as an attempt to silence dissent and restrict civil society in Bangladesh. The organizers of Mayer Daak, an organization supporting the relatives of victims of enforced disappearances, have likewise experienced intimidation and harassment by law enforcement. In addition to organizations working on human rights, democracy and governance, trade unions and labor rights activists also faced arrest and harassment for their activities.

After the interim government (IG) took over in August 2024, interest groups, civil society actors and non-governmental organizations (NGOs) were able to operate with greater freedom and less political interference. Restrictions on assembly, speech and advocacy that had intensified under the previous regime were significantly relaxed, allowing human rights defenders, policy think tanks, student movements and grassroots organizations to resume their work. For the first time in years, critical voices and alternative narratives gained space in both public discourse and policy discussions. The IG also opened consultative forums for civil society participation in governance reform, and previously marginalized actors, including environmental groups and watchdog organizations, began engaging more actively in shaping development priorities.

Approval of democracy

n/a



The aspiration of the Bangladeshi people for democracy has been evident throughout the country's history. The country's independence struggle and the ensuing nine-month war with West Pakistan in 1971 were triggered by the outcome of the 1970 election, in which the AL from East Pakistan – the modern state of Bangladesh – was denied the ability to form a government despite a comprehensive victory. In the five decades following independence, large numbers of people participated in pro-democracy movements against military dictators and civilian authoritarians. Similarly, the mass uprising during the review period demonstrates people's aspiration for democracy, human rights and freedom of expression.

A survey conducted by the BRAC Institute of Governance and Development in September 2024 found that 71% of the population said the country was headed in the right direction, while 81% supported the interim government's reform initiatives. However, as of April 2025, efforts led by pro-NCP and Jamaat activists to prolong the interim government's rule under the banner of "de-politicization" have raised concerns because they undermine public confidence in democracy by delaying elections and supporting an unelected administration.

Social capital
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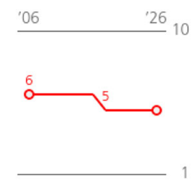


Social capital and trust among citizens have generally been low in Bangladesh, but a decade of opposition to authoritarian rule fostered a degree of social cohesion by uniting numerous otherwise divergent groups under a shared pro-democracy agenda. However, in recent months, differences based on religion, political beliefs, ethnicity and ideology have resurfaced and gained prominence. The growing role of religion in public life, along with the re-emergence of radical Islamist groups and individuals, has reduced both intra- and interreligious cohesion and weakened bridging social capital, making mutual trust and collaboration more fragile.

Although Bangladesh is ethnolinguistically homogeneous, with only 2% of the population not proficient in Bangla, ethnic tensions persist – most visibly in the Chittagong Hill Tracts, where Indigenous communities continue to demand full implementation of the 1997 peace accord, which promised land rights and greater autonomy. Successive governments have been reluctant to devolve power or recognize Indigenous claims, leading to periodic unrest and distrust between communities.

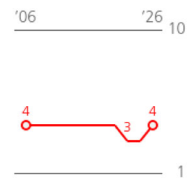
Despite these divisions, civil society in Bangladesh remains active, with a wide range of voluntary and autonomous organizations operating in sectors such as culture, environmental protection, women's rights, youth engagement and rural development. These associations – ranging from small community-based groups to nationally recognized NGOs – play a crucial role in advocacy, service delivery and raising awareness, often filling gaps left by the state.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic barriers
4



Bangladesh has been ranked 129th in the UNDP's Human Development Index (2023 – 2024), thus placing it in the medium human development category. In the 2024 Global Hunger Index, Bangladesh ranked 84th, with a score of 19.4 among 127 countries. As of 2024, 11.9% of the total population is undernourished, and 2.9% of children die before reaching age five. In 2022, the national Gini index score was 0.499, up from 0.458 in 2010, according to the latest official Household Income and Expenditure Survey from 2022. While rural inequality remained essentially stable, the urban Gini exhibited a significant increase from 0.452 to 0.539 over the same period. In 2022, 18.7% of the population was living in poverty and 5.6% was living in extreme poverty, in both cases representing considerable progress. Overall, inequality appeared to increase, while actual poverty clearly decreased.

According to the Bangladesh Economic Review, GDP increased to approximately $427.79 billion in FY 2023/24, from approximately $412.60 billion in FY 2022/23. The GDP growth rate was 5.82%, while GDP per capita rose to $2,765 from $2,643. As of 2022, 5% of households held 30.04% of the country's income, while the bottom 50% accounted for only 19.05%. Despite GDP growth, overall economic and resource distribution indicate a widening gap between the rich and the poor.

Sectoral wage disparities persist, along with significant differences in earnings between urban and rural populations. According to the WEF's Gender Gap Report 2023, Bangladesh ranked 59th out of 146 countries, moving up 12 positions from the previous ranking. However, in terms of Economic Participation and Opportunity, Health and Survival, and Educational Attainment, Bangladesh ranks 139th, 126th and 122nd, respectively, indicating that the gender gap remains unresolved. Additionally, female labor force participation fell to 37.01% in 2023 from 37.04% in 2022, compared with the global average of 51.07%.

Economic indicators		2021	2022	2023	2024
GDP	$ M	416271.6	460131.7	437415.3	**450119.4**
GDP growth	%	6.9	7.1	5.8	**4.2**
Inflation (CPI)	%	5.5	7.7	9.9	**10.5**
Unemployment	%	5.3	4.6	4.5	**4.7**
Foreign direct investment	% of GDP	0.4	0.4	0.3	**0.3**
Export growth	%	9.2	29.4	8.0	**-17.1**
Import growth	%	15.3	31.2	-9.8	**-4.6**
Current account balance	$ M	-15775.4	-14437.6	4387.6	**1870.7**
Public debt	% of GDP	35.6	37.9	39.7	**41.0**
External debt	$ M	91477.6	97020.2	101447.5	**-**
Total debt service	$ M	5678.1	6799.1	7474.1	**-**
Net lending/borrowing	% of GDP	-2.8	-	-	**-**
Tax revenue	% of GDP	7.6	-	-	**-**
Government consumption	% of GDP	5.9	5.7	5.7	**5.9**
Public education spending	% of GDP	2.2	2.1	2.2	**2.0**
Public health spending	% of GDP	0.4	0.2	-	**-**
R&D expenditure	% of GDP	-	-	-	**-**
Military expenditure	% of GDP	1.2	1.1	1.0	**-**

Sources (as of December 2025): 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

Market organization
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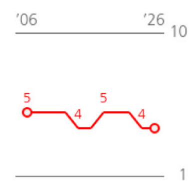

The structure of Bangladesh's economy is highly concentrated, resting on just a handful of industries. The most prominent are textiles and ready-made garments, which accounted for 84% of the country's total exports in fiscal 2023. Beyond textiles, industrial production is dominated by leather goods, cotton, and food and packaging. Several factors – including corruption, cumbersome bureaucratic processes, insufficient investment and a scarcity of skilled labor – discourage potential actors from entering the domestic market.

Many market segments are effectively monopolized. The consumer goods sector offers a telling example: The Business Post, a Bangladeshi national daily, reports that a single major player commands an overwhelming share of the market for a common household product, effectively controlling the segment. In such a monopolistic environment, companies can raise prices at will and form syndicates to cement their dominance.

In terms of the labor force, the International Labour Organization's Bangladesh Labour Force Survey 2022 estimates that about 60 million people – 84.9% of the country's working population – hold informal jobs. Among young people ages 15 to 27, that share rises to 92.7%. The Asian Floor Wage Alliance, in a 2024 report, found that 92% of surveyed workers lacked formal written contracts.

According to the International Trade Administration, unequal power dynamics, combined with shortages of land and critical infrastructure, remain major obstacles to market growth in Bangladesh. In short, the current conditions constrain both domestic and foreign market development. A coherent set of pro-competition policies could play a pivotal role in fostering a more open and equitable economy.

Competition policy
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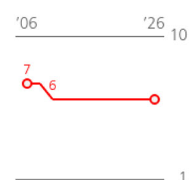
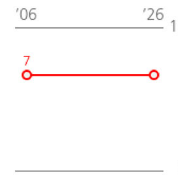


Industries such as telecommunications, banking, mobile financial services, the ready-made garment (RMG) industry and pharmaceuticals are highly concentrated in Bangladesh. To ensure transparency and accountability among competitors in these markets, the Bangladesh Competition Commission (BCC) was established under the Competition Act of 2012 to maintain a competitive market environment guided by fair practices and encourage entrepreneurship, attract investment and reduce poverty, among other aims. In its Annual Report for FY 2022/23, the BCC reported seven cases that have resulted in verdicts and 32 cases that are still ongoing.

According to the United Nations Conference on Trade and Development (UNCTAD), which conducted a voluntary peer review of Bangladeshi competition law and policy, Bangladesh should adapt to international competition by increasing its competitiveness through automation and market diversification. A recent example of the latter is in the energy sector. In December 2024, global liquefied natural gas (LNG) companies, including Shell and Aramco, were listed as suppliers to enhance Bangladesh's competitiveness by reducing energy costs and to diversify the market in the interest of resilience.

Liberalization of foreign trade

7



In FY 2021/22, Bangladesh's total export earnings totaled about $52.08 billion. The figure rose 6.67% in FY 2022/23 to $55.56 billion, then declined to about $53.9 billion in FY 2023/24. The downturn was driven by global geopolitical instability, domestic political volatility and high inflationary pressures. In contrast, total import expenditure decreased from about $70.95 billion in FY 2022/23 to $63.23 billion in FY 2023/24 – a decline of 7.8%. Despite falling imports, Bangladesh continues to face a persistent trade deficit.

One crucial barrier to deeper integration into a liberalized international trade regime is the country's relatively high tariff structure. Average nominal tariffs stood at 27.6% in 2023, but for some import-substituting industries, tariffs range from 100% to 400%, creating significant disincentives for trade. However, according to the World Trade Organization (WTO), Bangladesh's average applied most-favored-nation (MFN) tariff was 14.1% in 2024. These tariff levels are high relative to regional peers such as India, Sri Lanka and Vietnam and pose both cost and procedural burdens for traders. Beyond the rates themselves, the complexity of the tariff regime adds regulatory paperwork – partly aimed at curbing trade-based money-laundering – and requires importers and exporters to secure Import Registration Certificates (IRC) and Export Registration Certificates (ERC), and often to undergo stringent documentation to access credit facilities.

To ease trade procedures while maintaining regulatory oversight, Bangladesh Bank adopted a unified exchange rate system in September 2023. This move has facilitated smoother export, import and remittance transactions, enhancing overall trade efficiency. Additionally, 88 Special Economic Zones (SEZs) have been approved to attract investment and promote export-led growth, 10 of which are currently operational. Furthermore, the enactment of the Offshore Banking Act in 2024 has opened new channels for the formal inflow of foreign currencies, thereby bolstering Bangladesh's foreign exchange reserves.

Banking system

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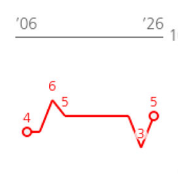

Bangladesh operates primarily as a money-market-driven economy, with most transactions occurring in the money market. Although the capital market also accounts for a considerable share of the financial landscape, banks play a crucial role in channeling funds into the country's economy because of this unique financial structure.

Bangladesh Bank, the central bank and chief banking regulator, supervises and regulates the banking sector. It oversees compliance with international standards, including the Basel Accords – particularly Basel II – and is pursuing phased efforts toward Basel III implementation.

According to data from the Bangladesh Bank, the capital-to-risk-weighted asset ratio (CRAR) stood at 11.08% in September 2023, remaining above the minimum regulatory requirement of 10% despite a decrease from the previous quarter. By December 2024, total deposits reached $148.06 billion, reflecting a 7.4% increase compared with the previous year's total.

Public sector credit recorded an 11.19% increase as of August 2024, representing a significant decline from the previous year's 30.66% growth rate. In contrast, private sector credit growth was only 9.86%, slightly surpassing the previous growth rate of 9.75%. A pressing concern in the banking sector remains non-performing loans (NPLs), with the gross NPL ratio rising by about 0.8% to 9.0% by December 2023. By 2024, the total amount of NPLs in Bangladesh's banking sector had reached $23.74 billion, compared to only 34.81% in the prior quarter.

The performance of the capital market for FY 2023/24 presents a mixed picture. Overall, the pharmaceutical industry continues to lead with the highest turnover share at 16.4%, yet the average daily turnover on the Dhaka Stock Exchange declined 40.35% compared with the previous fiscal year. This downward trend persisted in 2024, with the average daily turnover falling to $58.36 million in March, down from $72.76 million in the prior fiscal year. To revitalize the capital market, it is imperative to implement effective policy measures such as strengthening corporate governance standards, improving market transparency, encouraging the listing of state-owned enterprises, easing entry barriers for institutional investors and introducing tax incentives for long-term investments.

8 | Monetary and fiscal stability

Monetary stability

6

In 2023 and 2024, several steps were taken to address soaring inflation and depleted foreign reserves, and to stabilize the market as a whole. The Bangladesh Bank made several repo (repurchase operation) adjustments. After an initial increase to 8% in January 2024, further adjustments were made in May 2024, before an additional increase of 50 points in October brought the repo rate to 10%. This sharp tightening of monetary policy reflects the central bank's effort to curb inflationary pressures, stabilize the exchange rate and restore macroeconomic stability amid persistent external and fiscal challenges. The inflation rate reached 9.4% in FY 2023/24, and growth of the broad money supply declined to 8.9% in 2024 from 10.48% in 2023. This contrasted with reserve money growth of 3.2%.

A major source of instability is evident in Bangladesh's foreign exchange reserves. The country maintains its foreign exchange reserves in USD, with the exchange rate at approximately BDT 84 per USD in 2020. As of March 2025, the exchange rate has increased to BDT 122 per USD, representing a currency depreciation of approximately 45% over five years. Market instability; declining banking activity; depleted reserves due to money-laundering; low remittance inflows; large payments for energy and commodities; global financial, political and economic instability; and local political turmoil can be cited as key reasons for this depreciation. To address the situation, the BB introduced the "crawling peg" system in 2024.

Fiscal stability
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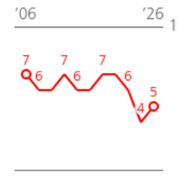

In July 2024, the first month of FY 2024/25, Bangladesh recorded inflation of 11.66%, with food inflation reaching 14% and foreign reserves standing at $20.4 billion. Bangladesh's fiscal outlook remains strained, with the Asian Development Bank (ADB) projecting a fiscal deficit of 4.5%, slightly above the previous year's 4.4%. According to the World Bank, GDP growth for FY 2024/25 was 5.8%, with a projected slowdown to 5.6% in the following year. Pressure on public finances has intensified because of a 33.7% surge in domestic public debt in FY 2023/24, which brought domestic debt to 35% of GDP; external debt accounted for 12.9% of GDP by the end of the fiscal year.

To address these challenges, the government has launched a comprehensive fiscal reform agenda with an emphasis on strengthening domestic revenue mobilization and enhancing debt sustainability. Bangladesh's tax-to-GDP ratio remains among the lowest in the region, at 7.6% in 2021, underscoring the urgency of tax policy and administrative reforms. Efforts are underway to broaden the tax base, including digitalizing the tax system, reducing exemptions and improving compliance, particularly in the VAT and income tax regimes. On the expenditure side, the government has pledged to improve budget efficiency and targeting, especially in subsidies and public investment programs.

To ensure long-term fiscal consolidation, the interim government has also tightened borrowing practices, prioritized concessional financing and launched a medium-term debt management strategy aimed at reducing rollover risks and maintaining a sustainable debt profile. As part of broader stabilization efforts, Bangladesh has secured commitments from multilateral partners, including a $2 billion World Bank support package consisting of soft loans and grants to ease short-term fiscal pressures while supporting institutional reforms in public financial management. These reforms are crucial to restoring macroeconomic stability and building resilience against future shocks.

9 | Private Property

Property rights
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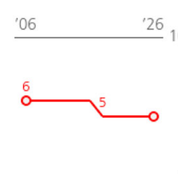

Bangladesh scored 37 out of 100 on the International Property Rights Index in 2023, dropping slightly to 36 in 2024. With this rating, Bangladesh ranks significantly below the global average score of 54. Bangladesh ranks 108th globally and 18th regionally on the index, with a score of 3.657 out of 10.

Although the constitution guarantees the rights to hold, acquire and transfer property, and several laws – including the Transfer of Property Act of 1882, the Registration Act of 1908 and the Land Reform Ordinance of 1984, among others – are in place to ensure and protect citizens' property rights, implementation is weak. Widespread corruption in land administration, including bribery for permits and title registrations, erodes the credibility of legal processes and fuels a high volume of disputes. Additionally, outdated and nondigitized land records, overlapping jurisdictions and ineffective dispute resolution mechanisms further weaken enforcement and contribute to chronic insecurity over land ownership. The number of land disputes and violent conflicts arising from these disputes continues to rise despite legal provisions. A report by the Asian NGO Coalition (ANGOC) illustrates the scale. In 2023, it reported that 60% of all legal disputes were related to land issues.

Private enterprise

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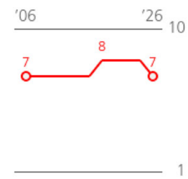

The Bangladesh Business Climate Index indicates that in 2023, private-sector credit growth decreased to 10.2%, down from 10.9% in 2022. By 2024, the country had fallen short of the 11% target. Under the interim government, several public-private partnership projects were approved by parliament in 2025, ranging from health care to urban development. The sixth Joint Public-Private Partnership (PPP) Platform meeting between Bangladesh and Japan, held on March 18, 2024, reaffirmed both countries' commitment to deepening international cooperation and fostering private-sector growth. In fiscal year 2023, Bangladesh attracted foreign direct investment (FDI) worth $1,208.56 million, reflecting a relatively conducive environment for investment and enterprise development. Small and medium enterprises (SMEs) form the backbone of the country's industrial landscape, accounting for 90% of industrial units and contributing 80% of industrial employment. However, their contribution to GDP remains disproportionately low at just 25%, underscoring the need for targeted policy support to unlock the sector's full potential. This suggests a lack of efficiency. To achieve solid economic growth, creating suitable and favorable conditions for SMEs to flourish is indispensable. Yet private enterprises face many barriers, such as limited access to finance, cumbersome bureaucratic processes, corruption and poor governance.

10 | Welfare Regime

Social safety nets

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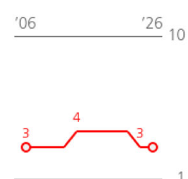

The government runs several social safety-net programs, including Old Age Allowance, Allowance for Widowed and Deserted Women, the Mother and Child Benefit Program, Women Child Protection and Child Welfare, and the Public Works Program. According to data from the Finance Division under the Ministry of Finance, the government has allocated $10.70 billion to social security programs in FY 2023/24, representing 16.58% of the total budget and 2.52% of the total GDP. Compared with the previous year, the allocation increased by 7.34% of the total budget.

According to the Ministry of Social Welfare's 2023 Annual Report, the monthly old-age allowance was BDT 600 ($6.42) per person for fiscal year 2022/23, distributed through agent banking in 21 districts. In the remaining districts, the allowance was distributed through a government-to-person (G2P) payment system. Approximately 5.7 million people were covered by the old-age allowance. In addition, 2.3 million citizens with disabilities benefited from a disability allowance at a monthly rate of BDT 850 ($9.10) per person, also distributed through the G2P system.

However, considering only this perspective presents a distorted picture. A Centre for Policy Dialogue (CPD) report reveals that 46% of total allocated funds are spent on pensions for retired government officials, interest on savings schemes and agricultural subsidies, whereas the poor and distressed have access to only 9% of the total allocation. Likewise, the CPD, in its National Budget Summary Report FY 2023/24, notes that only 1% of the total budget is allocated for health care coverage, which is far below the World Health Organization's (WHO) recommended threshold of 15%. As a result, to access health care facilities, an average citizen must spend 73% of the total expenditure out of pocket.

In 2023, Bangladesh recorded a death rate of 6.1 per 1,000 people, 0.3 per 1,000 higher than the previous year. Significant factors in this increase were the dengue fever outbreak and the government's poor response within the existing health care system.

Equal opportunity
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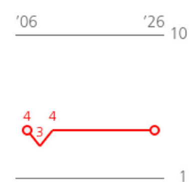

According to Bangladesh Bureau of Statistics (BBS) data, in 2023 the literacy rate for ages seven and older was 80.22% among males, while among females it was 77.41%. The youth literacy rate among females ages 15 to 24 is 96%, indicating broad female participation in education.

In 2023, the gross enrollment ratio indicated that girls' participation was greater than boys'. At the primary level, the ratio stood at 116.39% for females and 106.99% for males, indicating that older people were attending school; at the secondary level, it was 76.60% for males and 66.54% for females.

The labor market in Bangladesh is heavily dominated by men; male labor force participation is 80%, while female participation is only 37%. Regarding pay, the hourly wage gap is -4.7%, meaning women earn more than men per hour. Crucially, however, the monthly wage gap is 2.2%, indicating men earn more per month.

In public offices, 56% of jobs were reserved under affirmative action schemes. The allocation was 30% for descendants of freedom fighters, 10% for women, 10% for under-represented districts, 5% for minorities and 1% for people with disabilities. Only 44% of recruitment to public offices was based on merit. This quota system caused mass public protests that eventually accelerated the fall of the AL regime in 2024. Currently, under the interim government, 93% of jobs are allocated to merit-based candidates and 7% are reserved.

11 | Economic Performance

Output strength

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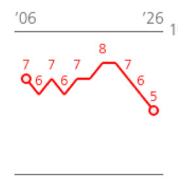


According to the Bangladesh Economic Review, Bangladesh's GDP increased to BDT 5,048,027 crore in FY 2023/24, up from BDT 4,490,842 crore in FY 2022/23. GDP per capita rose to $2,765 from $2,643. The GDP growth rate was 5.82%, but it declined to 5.2% in FY 2023/24. According to Bangladesh Bank data, by October 2024 the year-over-year inflation rate had risen to 10.87% from 9.41% in December 2023, whereas an ADB report suggests that inflation declined slightly to 10.1% in 2024. A significant drop was observed in the GDP growth rate. An IG-sponsored white paper released in October 2024 took serious issue with inflation and growth data published by the Bangladesh Bureau of Statistics under the AL government, arguing that inflation was higher and growth rates were misrepresented over a number of years.

As of August 2022, foreign exchange reserves were $36.85 billion, falling to $23.26 billion by August 2023. This sharp decline highlights growing pressure on Bangladesh's external sector, driven by higher import costs, slower remittance inflows and a widening trade deficit.

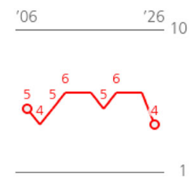
The overall unemployment rate decreased by 0.9 percentage points to 4.2% in 2023, down from 5.1% in 2022. However, a WSJ report says unemployment peaked at 16% amid recent political upheavals. The country's net foreign direct investment (FDI) inflows declined 16%, from $3.48 billion in 2022 to $3.0 billion in 2023. Finally, foreign exchange reserves also fell. As of December 2023, total foreign exchange reserves were $27.13 billion, falling to $21.42 billion in December 2024. This decline resulted from trade deficits and government intervention in the foreign exchange market.

Despite these mounting economic challenges, Bangladesh's GDP per capita nearly doubled over the past half-decade – rising from $4,609 in 2016 to $9,066 in 2023 – with a 4.7% growth rate in 2023, according to World Bank data, reflecting the country's underlying economic resilience and steady income growth even in the face of global and domestic disruptions.

12 | Sustainability

Environmental policy

4



In April 2023, Bangladesh experienced its hottest summer in decades, with temperatures reaching 43 degrees Celsius, the highest since 1947. Throughout 2024, summer remained warm with an average temperature of 29.3 degrees Celsius, higher than the usual average of 28.5 degrees Celsius. Moreover, the capital, Dhaka, repeatedly occupied the global top spot for air pollution. Natural disasters, such as tropical floods and landslides, are common in the country.

To tackle existing environmental issues, the government has launched several initiatives, such as the National Adaptation Plan (NAP), which aims to address climate-related risks by incorporating resilience and adaptation measures at the policy level. Bangladesh has made these efforts concrete by hosting the NAP Expo, scaling local adaptation plans through the LoGIC program and issuing climate-resilience grants in vulnerable districts. Another initiative is the Dhaka Climate Action Plan, announced in May 2024, which includes strategies for an efficient stormwater drainage system, solid waste management, the health system, the water supply system, wastewater systems, energy, transport and buildings. The Climate Resilient Inclusive Development Program, announced in 2024, also aims to strengthen cross-sectoral climate-related policies across agriculture, transport and urban development.

Education policy / R&D

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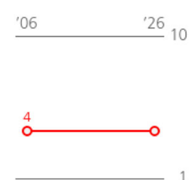

According to Bangladesh Education Statistics 2023, the literacy rate was 74.80% among people age seven and older and 76.19% among those 15 and older. In its 2023 Statistical Highlights on Education of Bangladesh, the Bangladesh Bureau of Statistics (BBS) reported that 45.84% of all educational institutions were state-owned or autonomous. Of these, 40.30% were nongovernment institutions and 0.87% were operated by NGOs. NGOs such as the Bangladesh Rural Advancement Committee (BRAC) play an important role in the education sector, especially for girls. BRAC claims that more than 14 million children have graduated from its pre-primary and primary schools in the country and that 55% of people attending its schools, clubs and centers are girls.

UNESCO's Global Education Monitoring Report recommends allocating 4% to 6% of a country's GDP to education. In FY 2023/24, the government allocated approximately $7.5 billion to the education sector, equaling only 1.83% of GDP. According to World Bank data, to enhance teachers' skills, a large-scale training program began in 2024 in all 67 Primary Teachers Training Institutes (PTIs). By 2024, construction of 30,945 new classrooms was completed; separate wash blocks for male and female students were built and 260 water points were installed. Furthermore, under the Special Education Needs and Disability (SEND) framework, 22,115 assistive devices have been provided to children with special needs. While this progress is impressive in itself, it is important to keep in mind that Bangladesh has more than 85,000 villages and an urban population of around 70 million, indicating that much more remains to be done.

Bangladesh's 2023 education statistics indicate that the gross enrollment ratio at the tertiary level was 20.18. The New Age, a Dhaka-based news daily, reported that the University Grants Commission (UGC) approved $974.16 million for 55 public universities and allocated $15.72 million to fund research, an increase from the previous year's $12.31 million.

Overall, there have been significant developments in the education sector compared with previous years, but the budget for the sector remains low compared with global standards. In 2024, the Global Knowledge Index ranked Bangladesh 113th among 141 countries for overall knowledge infrastructure. Focus should be on the development of the education sector to train a skilled workforce.

Governance

I. Level of Difficulty

Structural constraints
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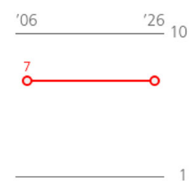

According to the most recent census, conducted in 2022, the literacy rate in Bangladesh was 74.66%, compared with 51.77% in 2011. In 2024, according to UNICEF, the infant mortality rate in Bangladesh was 24 deaths per 1,000 live births, a slight improvement from 2022, when it was 24.10. According to the United Nations Development Programme's Human Development Report (2023 – 2024), Bangladesh's Human Development Index (HDI) is 0.670, placing the country 129th out of 193 countries – a position it has maintained since 2022. This ranking places Bangladesh in the Medium Human Development category, reflecting progress in areas such as literacy, infant and maternal mortality rates, life expectancy and the implementation of the Millennium Development Goals. However, challenges persist, as evidenced by World Bank data indicating an overall poverty rate of 18.7% and an increased extreme poverty rate of 7.0% in 2024.

A largely unskilled and uneducated labor force, with only 60% having completed primary school, constitutes a serious structural constraint on economic growth. Although diaspora remittances are Bangladesh's largest source of revenue, most workers are unskilled and vulnerable to dismissal in times of crisis, as the pandemic recently underscored.

Despite undertaking several grand showcase projects, including the Padma Bridge, Karnaphuli River Tunnel and metro rail in Dhaka, the country still faces a significant infrastructure deficit that remains a structural impediment. While the government underscores the need to build infrastructure, many projects have been approved without regard for potentially far-reaching economic impacts and are instead driven by political motivations. The allocation for the transport and communication sector in the FY 2023/24 budget amounted to 11.2% of the total budget, and new initiatives continue to be presented. In June 2023, for instance, the Asian Development Bank (ADB) and the Bangladeshi government signed a $400 million loan agreement to build a dual-gauge railway connecting the country's seaport city of Chattogram.

Civil society traditions
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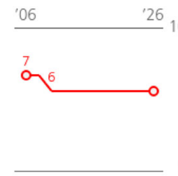

In Bangladesh, civil society traditions are strong, and the country has a vibrant culture and history of activism. There is strong social trust, and a civic culture of participation characterizes society. Civic associations are active in local governance, health, women's empowerment, human rights and the environment. Several internationally renowned NGOs, including the Nobel Prize-winning Grameen Bank and BRAC, work on microcredit, climate change, education and capacity-building. They have rarely engaged in political advocacy at the national level due to fear of state repression.

Under the AL government, repressive measures to restrict civil society activity were implemented repeatedly. The Foreign Donations (Voluntary Activities) Regulation Act was enacted to set guidelines for foreign donations and funding to counter the financing of terrorism and curb anti-state activities, though it was effectively used to muzzle civil society dissent. Consequently, many human rights organizations scaled back their work to avoid conflict with the government. Overall, the status of civil society activism will depend on the outcome of the forthcoming national election and the next government's policies and initiatives.

Conflict intensity
7

The confrontational tone and intensity of Bangladeshi politics came into sharp focus during the 2024 uprising, which saw state-sponsored, systematic and indiscriminate killings by security forces and violent retaliation by protesters. The episode revealed the extent to which the former ruling party was able – and willing – to use repressive measures to hold on to power. A U.N. fact-finding report published in February 2025 stated that the involvement of the security and intelligence services of the former government in "crimes against humanity" requires "urgent further criminal investigation." Analyzing credible sources, the report estimated that as many as 1,400 people may have been shot and killed by Bangladesh's security forces between July 1 and August 15, 2024, during the final days of Prime Minister Sheikh Hasina's tenure.

However, conflict intensity eased after the July uprising, as mob attacks on minorities declined in the months following the peak of unrest. Even so, broader political volatility and retaliatory actions persisted, and the interim government continues to struggle with basic law-and-order challenges.

Political violence is hardly new in Bangladesh. Before the uprising, national politics had long been defined by hostility between the Awami League and the Bangladesh Nationalist Party, the country's two dominant parties. With the Awami League now out of the picture, tensions between the BNP and the much smaller Jamaat-e-Islami have intensified in recent months. Society appears increasingly split between centrist groups and Islamist factions. Although centrist parties, including the BNP, retain broad support, Jamaat-e-Islami's leadership has fueled a noticeable rise in orthodox Islamist sentiment.

Religious minorities – including Hindus, Christians, Buddhists, Shias and Ahmadis – continue to face harassment and attacks on their places of worship. In a largely homogeneous, Bengali-speaking country, ethnic rifts are most visible in the hilly districts of Chittagong, where Indigenous groups are fighting to protect their land rights. Land grabbing is common, often carried out by Bengali settlers with support from influential political figures and local authorities.

II. Governance Performance

14 | Steering Capability

Question Score

Prioritization
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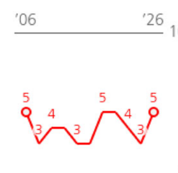

The most important strategic priorities of the IG are the preparation and conduct of a free and fair election, the peaceful transfer of power to the elected government and building consensus on meaningful reform plans. Bangladesh is also navigating a challenging economic landscape marked by high inflation, a fragile banking sector and significant currency devaluation. While the IG's efforts under Yunus aim to carry out thorough reforms to improve governance and the business climate, the economy remains strained, with double-digit inflation and widespread corruption. Due to the absence of a long-term, sustainable strategy, the economic sector faced challenges under the former AL government, including record price hikes, inflation, the depletion of foreign exchange reserves and an energy crisis. As these economic setbacks are likely to entail severe consequences in the coming years, the current IG is trying to secure loans from multilateral bodies and shift its focus toward mitigating the damage. Foreign loan payments for several billion-dollar megaprojects initiated by the former government could also have detrimental fiscal and economic consequences in the coming years.

Implementation
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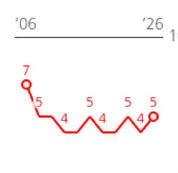

A serious challenge for the IG and the next elected government will be implementing the reform conditions required by the IMF that are part of the $4.7 billion loan Bangladesh secured in 2022. The first tranche was disbursed in January 2023, followed by two more, the latest in June 2024. As of February 17, 2025, no further disbursements have occurred under the IG.

Bangladesh's government has gradually taken steps to deliver on the conditionalities imposed by the IMF. In this effort, it has reduced subsidies on fuel, gas and fertilizer prices and increased retail prices. The Bangladesh Bank also plans to abandon its fixed exchange rate with the dollar. However, the government still needs to conclude major reforms in the banking sector, although the IG has already formed several reform commissions that have, in turn, submitted their reform plans.

Effective implementation capacity in Bangladesh is highly concentrated in a small number of political institutions and varies by policy field. The implementation of policy priorities, in both nature and scale, depends largely on the will of the ruling party, as only a small cohort of political elites and civil administration members is tasked with steering it. Parliament, which experienced a de facto downgrade during the AL's rule, neither played a role in implementation nor had the ability to oversee implementation procedures.

Policy learning
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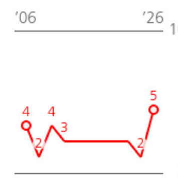

Under the former AL government, the clientelistic and rent-seeking behavior of ruling party leaders meant they focused on maintaining the political status quo to maximize their benefit. Rampant corruption and impunity for people affiliated with the AL enabled key figures at the national and local levels to continue the policies and practices of the past. Thus, the absence of good practice, good governance and accountability encouraged corruption. All attempts at policy innovation only led to further misgovernance. In the banking sector, for example, large loan defaulters received state patronage because of their political affiliations, while others who were more critical of the AL government were often treated unfairly. The former government was unwilling to accept criticism of policies or alter its course, as doing so could be seen as an unwanted concession that previous policies were faulty. The current IG has offered several reform measures that would turn the negative learning curve of the past into a positive one. However, the success of these measures will depend on consensus among political actors and the willingness of the next elected government.

15 | Resource Efficiency

Efficient use of assets
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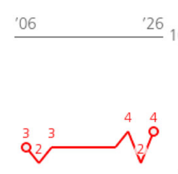

Typically, the recruitment and promotion of public officials in Bangladesh, as well as the distribution of material resources, have been based mainly on political and loyalty-based considerations, which remain among the most significant obstacles to the efficient use of state resources. Under AL rule, there were allegations that members of the AL's student wing, the Chhatra League, and family members of AL leaders received special privileges in government hiring. Corruption and bribery were pervasive in the public sector. Government employees who could not prove their political allegiance or were known to be supporters of the opposition party were laid off or appointed as officers on special duty (OSD). Crucially, these OSDs were attached to government departments and received their regular salaries without any job responsibilities.

After the fall of the AL regime, the interim government started investigations and took disciplinary measures against several government officials. In parallel, the interim government launched reforms to improve administrative efficiency, including digitizing public services, enhancing recruitment transparency through the Public Service Commission and renewing discussions on decentralization to empower local government institutions and reduce bureaucratic bottlenecks.

As of 2025, Bangladesh is combating a significant foreign debt crisis, with external debt totaling $78.06 billion. To service this debt amid tight conditions, resources are being diverted from essential public services, including health, education and climate action. The budget deficit for FY 2024/25 is projected at 4.6% of GDP, the narrowest in a decade, as the government aims to curb expenses and stabilize the economy. Despite these efforts, economic strain remains evident, with high inflation, a fragile banking sector and a deteriorating external sector balance. In light of these challenges, the interim government is focused on maintaining financial stability while addressing pressing issues.

Policy coordination
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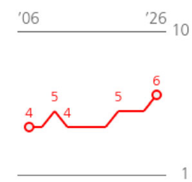

According to the constitution, policy formulation and implementation in Bangladesh require coordination among the relevant ministries and approval by the legislature. However, under the former AL government, the prime minister and her office became the dominant centers of decision-making, effectively sidelining the constitutional process. The former ruling party exercised complete control over the executive and the legislature, achieved largely through politically motivated recruitment and an absolute majority in parliament. Implementing policies according to party directives was common practice in Bangladesh. Competition among partisan bureaucrats, politicians and influential businesspeople often delayed or created friction in policy implementation.

The current interim government has made policy coordination a central priority as it tries to address the country's economic and political challenges. It has launched reform commissions; put social programs and infrastructure projects at the forefront to spur growth and narrow income gaps; and outlined plans to align monetary policy, fiscal policy and domestic market management to curb inflation and stabilize the economy.

Anti-corruption policy
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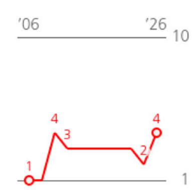

A 2023 survey by Transparency International Bangladesh, published in 2024, found corruption to be pervasive across the country's service sector, especially in the judiciary and law enforcement. Crucially, this hinders poor people's access to justice. In addition to the judiciary and law enforcement, corruption is also endemic in the passport authority, land distribution and acquisition, revenue, health, education, state contracts and banking.

The Office of the Comptroller and Auditor-General is tasked with scrutinizing government spending, but allegations of corruption within the audit office itself are common, severely undermining its credibility. Public banks routinely extend billions of taka in loans to powerful defaulters, while Bangladesh Bank – the central bank responsible for detecting irregularities – has enacted policies that critics say enable corrupt practices.

The former government used the Anti-Corruption Commission (ACC) to suppress rival politicians. Most corruption cases filed by the ACC were politically motivated and targeted the opposition rather than the regime. In addition, the Government

Service Act of 2018 required government permission to arrest civil administration employees on corruption charges. Even as the order faced challenges in court, the culture of impunity for government employees continues.

Most recently, the Anti-Corruption Reform Commission proposed 47 recommendations in January 2025, including a constitutional commitment against the abuse of power, the formulation of an anti-corruption strategy, the establishment of an ombudsman and the permanent abolition of provisions that leave room for money-laundering. Implementing such reforms will be a major challenge for the incoming elected government.

The campaign financing of political parties in Bangladesh is regulated by the Representation of the People's Order (RPO) of 1972, which sets guidelines for political party candidates on maintaining and reporting their finances and restricts both candidates and parties to specific election campaign spending caps. Under the latest version of the RPO, candidates may not spend more than BDT 2.5 million on an election campaign. However, candidates unabashedly violate this law and ignore the cap, despite claiming compliance on paper. After the 2024 election, the Election Commission admitted it lacked effective means to verify compliance with the rules.

In the early months of its tenure, the interim government appeared intent on tackling corruption. Nearly a year later, however, it has made little headway beyond filing a handful of cases. On May 8, 2025, the Anti-Corruption Commission summoned Sheikh Hasina, the ousted prime minister, for questioning over allegations of large-scale corruption tied to airport development projects during her time in office. More recently, the ACC agreed to open an inquiry into allegations against a former assistant private secretary and a personal officer to two advisers of the interim government, but it has not taken any further action. Chief Adviser Muhammad Yunus has also faced accusations of nepotism and conflicts of interest after appointing his nephew to the interim government's press team.

16 | Consensus-Building

Consensus on goals

5

The 2024 uprisings underscored the determination of ordinary Bangladeshis to reclaim their democratic rights. In the aftermath, all major political parties – except the AL – along with student groups and civil society organizations, reached a broad consensus on the need to strengthen state institutions. While they differ on timing and strategy, all the actors involved agree in principle that reform is essential.Over the past decade and a half, Bangladesh has experienced significant democratic backsliding, marked by an extraordinary concentration of power in the office of the prime minister. With democratic institutions weakened – including a compliant Election Commission, a de facto one-party legislature and a subdued judiciary – the AL's pledge to democracy amounted largely to lip service. Adding to this, ruling party leaders and pro-AL intellectuals often tried to rationalize the country's democratic deficit as a necessary trade-off for economic growth.

Bangladesh initiated trade liberalization in the late 1970s – early 1980s. Since then, mainstream political parties have reached a consensus on adopting a market economy as the primary economic framework. Only the extreme left and radical Islamist groups oppose liberal market policies, but they are small in number.

Anti-democratic actors

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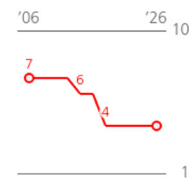

A combination of numerous political, religious and social actors took part in the 2024 movement against the AL regime under Sheikh Hasina. Significantly, various Islamist organizations joined the protests, and the influence of groups such as Jamaat-e-Islami and Hefazat-e-Islam has grown. After Hasina fled the country, some radical Islamist factions emerged, taking advantage of a security vacuum as police and other forces withdrew amid widespread chaos. Reports indicated that extremist flags appeared at rallies, and several alleged extremists – including Jasimuddin Rahmani – were released from prison. That day saw multiple mob attacks on cultural events, music concerts, shrines, women's football matches and members of the Hindu community.

Despite the stated commitment to democracy among the country's major political parties, openly anti-democratic actors continue to operate in Bangladesh. These include terrorist organizations such as Ansarullah Bangla Team, Harkat-ul-Jihad al-Islami, al-Qaeda in the Indian Subcontinent, Islamic State and smaller Islamist groups that reject democratic governance outright. Their publications, videos and social media channels promote their interpretation of Islam and portray democracy as a Western imposition and a form of subjugation. Although these groups have maintained only a limited physical presence in Bangladesh in the past two years, curbing their online activities has proven far more difficult. Radical Islamist organizations such as Hijbut Tahiri likewise oppose democratic values and openly call for the establishment of Shariah law. Additionally, Islamist mobs known as Tawhidi Janata became active after the fall of the regime, trying to delay the national election to sustain their influence under the IG.

The remnants of the former ruling AL could also pose a future threat to democratic stability. After the party's top leadership fled, many prominent members went into hiding, but its support base remains sizable – and largely unapologetic about the mass killings in July 2024. Unless the AL undergoes meaningful reform and abandons its posture of denial, renewed violence cannot be ruled out.

Cleavage / conflict management

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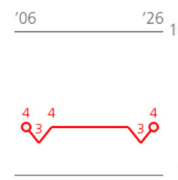

Bangladesh exhibits political, religious and ethnic cleavages. The bitter animosity between political parties, such as the AL and BNP, has long fueled political violence, targeted killings and widespread human rights abuses throughout the country's history. Before the fall of the former government, the AL failed to establish consensus among relevant societal and political actors. For example, even after more than five decades of independence, the parties struggled to agree on a common electoral process. Weak democratic institutions, corrupt law enforcement, partisan bureaucracy and a fragile judiciary make consensus-building even more difficult.

Since the fall of the AL regime, however, new political alignments have taken shape. The student-led National Citizen Party, Jamaat-e-Islami and the BNP are now competing with one another, deepening political fragmentation. At the same time, more radical and conservative Islamist groups have gained visibility, using expanded freedom of expression and relatively lighter oversight of social media to amplify their ideology. A series of attacks on Hindu, Ahmadi and Baul communities has further strained religious relations. The most salient example of an ethnic cleavage in Bangladesh is in the Chittagong Hill Tracts, where the government's unwillingness to comply with a peace accord brokered in 1997 still causes sporadic violence. The instrumentalization of Islamist groups by the former government to gain political legitimacy made religious polarization more acute, as conservative Islamist groups gained strength and intensified conflicts based on religious cleavages.

The interim government's leadership is now trying to build consensus across Bangladesh's political, religious and ethnic divides. To that end, Chief Adviser Muhammad Yunus has opened talks with a range of political stakeholders to negotiate agreements on elections and a broader reform agenda.

Public consultation

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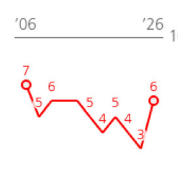

Bangladesh was once known for its active, vibrant civil society and nongovernment organizations. The former ruling party weakened this tradition by intimidating independent voices and co-opting finances through state funding. Public consultation processes, both formal and informal, were nonexistent because the former ruling party viewed any dissent as a challenge to its survival and portrayed it as "anti-state." In most cases, media outlets were controlled by the government through legal and extralegal measures. The media were used to shape the public agenda.

Despite challenges to their work, some think tanks, NGOs and civil society organizations continued to create and provide platforms for public consultations on various socioeconomic issues. Consultations on development issues, such as progress toward the Sustainable Development Goals and Climate Action, took place under the auspices of the government and foreign-funded NGOs. Such consultative processes occurred at the national and grassroots levels. Occasionally, social media platforms were used to raise issues of importance related to democracy deficits, freedom of speech, human rights violations, extrajudicial killings, enforced disappearances and arbitrary arrests.

Under the IG, civil society groups, organizations and public institutions have become vibrant again, with numerous discussions, seminars, public talks and conferences organized by both state and non-state organizations. The IG organized a series of consultations with relevant political, social, ethnic and religious groups.

Reconciliation
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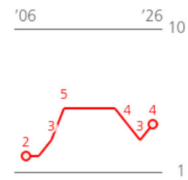

Bangladesh's political landscape has been marred by a bitter legacy of violence among the major political parties, including violent political strikes, arson and killings, as well as state-sponsored severe human rights violations such as enforced disappearances, extrajudicial killings and illegal detentions. The mass killings in mid-2024 clearly demonstrated the need to reconcile competing political parties.

The fate of the former ruling AL party, prime minister and other affiliated public officials is still uncertain. Although the IG has declared a fair trial under the observation of the International Crime Tribunal (ICT), proceedings are moving very slowly at present. Numerous alleged perpetrators fled the country immediately after the fall of the Hasina regime. Many therefore question the willingness and competence of government officials to ensure a fair trial. Acute animosity and zero-sum rivalry among the political parties, along with the former ruling AL party's involvement in systematic repression and killings, will make reconciliation difficult. Even if the AL's top leaders receive a fair trial, questions remain about whether the party's supporters and sympathizers will also be held accountable – or quietly absolved. More broadly, however, the entire future of the political party – and whether it will be banned from participating in elections temporarily or permanently – remains unresolved.

17 | International Cooperation

Effective use of support
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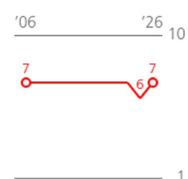

Bangladesh receives assistance from major multilateral institutions, including the World Bank (WB), the International Monetary Fund (IMF), the Asian Development Bank (ADB), the European Union and the Islamic Development Bank. Bilateral support also comes from China, Japan, the United States, Russia and India through foreign aid and infrastructure investment. Most recently, Bangladesh's interim government secured at least $5.65 billion in budget support from the WB, IMF and ADB, earmarked for the current fiscal year 2024/25 to accelerate institutional and structural reforms. In line with this agenda, a reform road map has been outlined in collaboration with multilateral lenders, focusing on fiscal consolidation, public financial management, governance and inclusive growth. The road map includes clearly defined benchmarks, such as improving tax-to-GDP ratios, modernizing the banking sector, ensuring transparency in procurement and enhancing electoral and judicial institutions to foster political accountability.

To fulfill its political and economic development aims, the interim government has taken several actions, including securing financial support from multilateral lenders, reforming exchange rate policy to boost foreign reserves, opening negotiations with external creditors to ease repayment terms and overhauling the governance structures of underperforming banks. Building on these commitments, the IMF's 2026 projection for Bangladesh reflects a cautiously optimistic outlook, with improved forecasts for GDP growth and inflation moderation.

In response to the Rohingya refugee crisis, Bangladesh has received international support not only for economic growth and structural reform but also for basic care and humanitarian aid. Donors have extended assistance through both financial and nonmonetary means – such as food, clean water, sanitation, education, health services and shelter. In 2022 alone, Bangladesh received $152 million from the United States and €45 million from the European Union to support its role as host to more than 940,000 Rohingya refugees fleeing violence in Myanmar.

However, effective implementation of development cooperation often faces serious obstacles, including corruption, policy inconsistencies, rent-seeking behavior and misuse of funds for political gain. These systemic challenges have frequently undermined the intended impact of international aid, underscoring the urgent need for stronger oversight mechanisms, depoliticized administration and transparent accountability structures aligned with the reform road map.

Credibility

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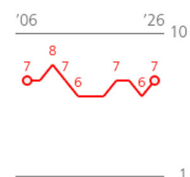

Through international agreements and cooperation on climate change, trade and development, as well as on security contributions such as U.N. peacekeeping missions, Bangladesh has gained the trust of the international community. However, in governance, democracy and human rights, Bangladesh has increasingly come under scrutiny by the international community, especially the United States, Japan and the European Union. Following the systematic repression and indiscriminate killings in mid-2024, international partners – including governments, human rights organizations and international institutions – expressed grave concern about the security apparatus's response.

Despite unfavorable initial conditions for productive bilateral relations after the mass protests, the IG appears to have gained support from major international partners in a short time. One of its key assets may be Yunus' international standing as a Nobel laureate. So far, he has managed relations with international and domestic partners well. Except for India, which had been a close ally of the former government, all international partners have begun close cooperation with the IG and supported efforts toward sustainable governance reforms. For Western business interests, for example, a stable, democratic Bangladesh will be a better ally and trading partner as well as a better balancer for China. The ultimate failure of the interim government would produce a destabilizing democratic regression, a potential increase in Islamist or Chinese government influence and possibly military intervention, all of which would go against the international community's interest in stability in the region.

Bangladesh’s relations with India, its most important neighbor, have deteriorated since the fall of the former AL government on August 5, 2024. India continued to give refuge to ousted Prime Minister Sheikh Hasina despite Bangladesh’s repeated calls to repatriate her for trial. Symptomatic of the bilateral strains, at one point a mob of Hindu activists forced their way into the premises of Bangladesh’s Assistant High Commission in Agartala and vandalized it. With Sheikh Hasina’s importance in Bangladeshi politics diminishing and after a U.N. probe found probable involvement by Hasina and her top officials in crimes against humanity, India’s continued reliance on Hasina and her party could jeopardize future bilateral relations between the two countries.

Regional cooperation

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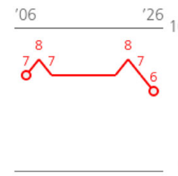

Another neighboring state crucial to Bangladesh is Myanmar, which has continued to drag its feet and defy the 2017 bilateral agreement on the repatriation of Rohingya refugees. Bangladesh has adopted a policy of mutual engagement with Myanmar’s new military junta, apparently to please China. However, in 2023, border tensions flared several times as the Myanmar military fired mortars along the border amid fighting with the insurgent Arakan Army.

Lastly, China’s assertive policy vis-à-vis Bangladesh continued throughout the review period. Since 2021, China has warned Bangladesh on multiple occasions not to join the U.S.-led Quadrilateral Security Dialogue (QUAD) – a strategic forum comprising the United States, India, Japan and Australia – or the Indo-Pacific Strategy (IPS). In January 2025, the adviser for foreign affairs of Bangladesh visited China, sending a clear signal that further development of China-Bangladesh relations would remain unaffected by domestic political changes in Bangladesh.

Strategic Outlook

The fall of the former Awami League (AL) government has opened a rare window of opportunity for Bangladesh. With meaningful reforms, the country could move beyond the animosity, entrenched feuds and recurring violence that have defined much of its post-independence political history. Reform commissions have already issued substantive recommendations to overhaul the political system, economy and governance. These proposals could serve as a platform for dialogue among political parties to reach consensus.

So far, however, the political parties have not agreed on a date for the next national election to replace the interim government. Some student leaders and their platforms…

The Jatiyo Nagarik Committee (JNK) and the National Citizen Party (NCP) are demanding that local government elections be held before the national election, while the BNP, as the party most likely to win the national vote, insists that the parliamentary election should take priority. Building consensus on the election sequence will be essential. If these disputes remain unresolved, Bangladesh risks a political deadlock and, in the worst case, a military intervention. The interim government must also develop a strategy for reintegrating the sidelined Awami League, whose leaders and supporters will continue to shape the political landscape.

The current state of law and order and of economic stability is troubling. The interim government must take stronger measures to curb crime. Rising prices, high inflation, falling foreign reserves, monetary volatility and widening budget deficits pose major challenges for both the current administration and its successor. Rebuilding public trust will be an uphill battle. The interim government has appointed a former IMF official to head the central bank, revamped the boards of underperforming banks, increased mandatory deposit insurance and begun the partial recovery of assets that were moved offshore.

International partners should coordinate with the interim government to support its reform agenda and bolster state institutions. The IMF, the World Bank and the Asian Development Bank have already announced financial assistance. Bangladesh will need additional external support to stabilize the economy, implement reforms and recover laundered funds.

Despite significant disagreements among the main political actors, they have publicly and credibly committed to democratic reform. If they act pragmatically, this moment could mark a turning point for Bangladesh’s democratic trajectory. But failure to reach broad consensus could reopen the door to political unrest and violence. An elected government would help restore stability and legitimacy, rebuilding public confidence in state institutions. Both the interim leadership and the next elected administration will need to counter the rise of anti-democratic forces – particularly radical Islamist groups – while fostering centrist politics and a more pluralistic political culture. Delaying national elections and prolonging interim rule would carry serious risks, including a resurgence of political violence.