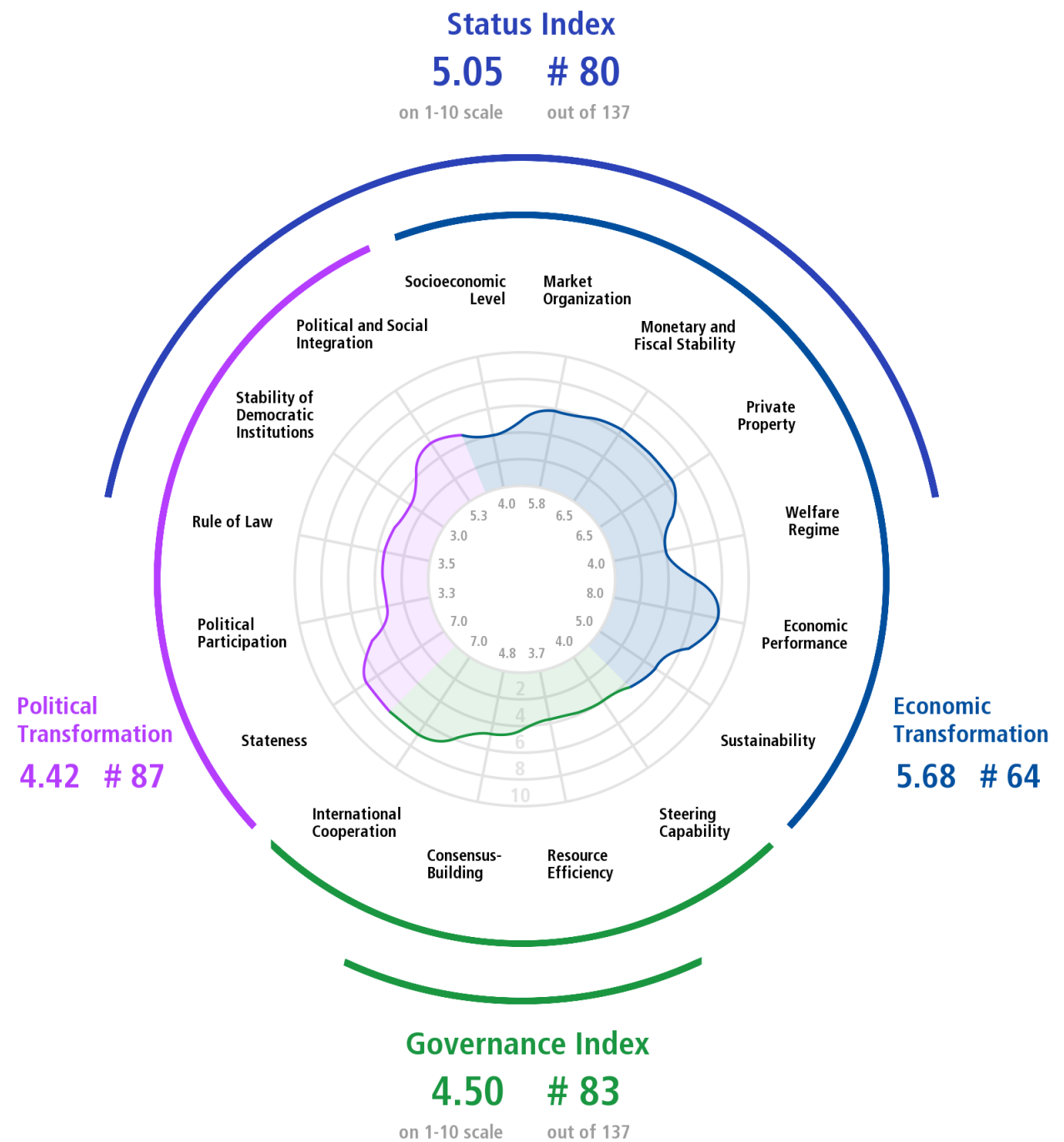


Flygtningenævnets baggrundsmateriale

Bilagsnr.:	366
Land:	Bangladesh
Kilde:	Bertelsmann Stiftung
Titel:	BTI 2020 Country Report - Bangladesh
Udgivet:	29. april 2020
Optaget på baggrundsmaterialet:	19. oktober 2020

Bangladesh



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Bangladesh. Gütersloh: Bertelsmann Stiftung, 2020.

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Key Indicators

Population	M	161.4	HDI	0.614	GDP p.c., PPP \$	4364
Pop. growth ¹	% p.a.	1.1	HDI rank of 189	135	Gini Index	32.4
Life expectancy	years	72.1	UN Education Index	0.513	Poverty ³	52.9
Urban population	%	36.6	Gender inequality ²	0.536	Aid per capita \$	23.4

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

On December 30, 2018, Bangladesh held national elections. The election was not deemed fair by observers, and from the point of filing nomination papers to election campaigning, the opposition faced severe political obstacles. Their cadres were arrested, and rallies and campaign were attacked by the ruling party's supporters. The government of Prime Minister Sheikh Hasina Wazed, which has been in power since 2009, employed the police as a political tool during the period under review. In many instances, the police filed false cases against supporters of the opposition party and common citizens, many of whom had to pay bribes in order to escape prosecution in false cases. The judiciary remains under executive control, with the government controlling key appointments to the judiciary. Moreover, intelligence agencies were used to intimidate the opposition. There were several cases of extra-judicial killings and enforced disappearances. Moreover, the media is under severe stress. The passage of Digital Security Act 2018 placed severe limitations on the freedom of speech. This act armed law enforcement with the powers to detain citizens indiscriminately on grounds of treason. Most of the media houses have adopted practices of self-censorship in order to survive.

The government reached an agreement with Hefazat-e-Islam, a radical Islamist party, for electoral support. In consequence, it recognized the Quami madrassa degree as a gesture of support to the Hefazat. The Quami madrassas curriculum is not drafted by the government, and essentially includes the Dars-i Nizami curriculum. This raised several questions regarding the prudence of the government's decision. In 2017, this group helped spearhead a movement to remove the "Lady Justice" statue, a variation of the Greek god Themis, from the Supreme Court's premises on the ground of idolatry. The partnership with the radical Islamic group, which does not hide its Islamic agenda, also reflects how Bangladesh's government is compromising on the basic values of the country's constitution.

In addition, during the period under review, the government was confronted by two popular movements, the Quota Movement and the Road Safety Movement. The Bangladeshi government's

decision to use police forces to quell these movements reflected its lack of preparedness in dealing with growing popular frustration, especially among the youth. Labor unrest is another ongoing issue in Bangladesh, affects the country's export potential. Workers are poorly paid and subject to hazardous working conditions, and often lack access to basic health facilities.

Economically, the country grew at a rate of more than 7.3% in fiscal year 2017/18. Foreign remittances grew by 17.5% in fiscal year 2017 to 2018, reaching a total of \$12.1 billion. In December 2018, the net inflow of foreign remittances reached \$15.53 billion. The inflation rate was 5.5% in December 2018. Foreign exchange reserves stood at \$32 billion in FY 2018. Bangladesh received foreign direct investment of a total \$3.61 billion according to World Investment Report, 2019.

The government favors market liberalization. However, political considerations play an important role in this respect. Due to the extreme level of corruption, many of the public banks face a severe bad-loan crisis. According to Bangladesh Bank's report, 55 banks have provided about \$4.1 billion in credit and loans to large businesses, accounting for 36% of total loans provided, against a total paid-up capital of \$10.73 billion. The value of loans in default had risen to \$8.84 billion by the end of June 2018. The government has amended the Bank Company Act to increase the number of family members who are allowed to sit on private bank boards, from two to four. Moreover, the tenure of directors has also been extended from six to nine years.

Corruption also remained a major issue in public life in general. On a more positive note, the country's performance in bridging the gender gap was significant, and it was top performer in South Asia in this respect.

History and Characteristics of Transformation

Bangladesh became an independent country in December 1971 after a nine-month war to achieve independence from Pakistan. Post liberation, Bangladeshi politics underwent significant transformation, experiencing a variety of governance structures that included prolonged military rule from 1975 to 1990. During the rule of the military regime, the constitution was amended to serve the interest of the military. The 1972 constitution, based on secular principles, was replaced by stringent Islamic provisions, with Islam being adopted as the state religion during this period. Importantly, the ban on religious political parties was removed, and a plethora of religious parties including Jamaat-e-Islami, which fought against the liberation of Bangladesh, started political activity. The military regime was overthrown by a popular movement in 1990, and elections were held under a neutral caretaker government (CTG). In this election, the Bangladesh National Party (BNP) was voted into power and the parliamentary system was reestablished after suitably amending the constitution. From 1991 to 2006, political power alternated between the BNP and the Awami League (AL). The BNP's decision to appoint Justice Hasan – whose tenure was extended by the BNP to enable him to retire as Chief Justice – was opposed by the AL, which took to the streets. As violence spread, a military-backed technocratic caretaker government took over

in January 2007 with the backing of the international community. This government successfully conducted elections in December 2008, in which the AL-led alliance under the leadership of Sheikh Hasina emerged victorious with an unprecedented majority in parliament. However, Bangladesh returned to politics of agitation again after the AL decided to abolish the CTG. It feared that caretaker governments could be misused again, as was done in 2007, by non-elective institutions such as the military and/or the judiciary, to assume power(s) extra-constitutionally. In addition, the government's decision to appoint an Election Commission (EC) under Article 118 that would conduct elections in the future was opposed by the BNP. It feared, the government replaced the existing EC with its own appointee and prepared for the election. The BNP boycotted the 2014 general election calling for the reinstatement of the caretaker government.

Failing to stall the election, the BNP unleashed violent street protests in 2015 that saw nearly 100 people burned alive in petrol-bomb attacks. The international community condemned these acts. Cashing on the international criticism of street violence, the AL arrested BNP cadres for perpetuating violence, and charged them with arson, riot and murder. A number of party members were jailed. The BNP's alliance partner, the Jamaat-e-Islami, whose leaders were put on trial and later hanged after being convicted for committing war crimes, was in no position to confront the government. Many of its workers went underground to evade arrest. The AL consolidated politically and ruled the country without any credible opposition for five more years, successfully decimating the opposition. Despite political authoritarianism on the part of the Hasina government, Bangladesh's economy grew by more than 7% per year, and this economic prosperity helped Bangladesh to make up for its democracy deficit, at least in relative terms. During the period under review, Bangladesh held its 11th parliamentary elections on 30 December 2018. Though the BNP decided to participate in these elections along with its electoral ally, the Jamaat-e-Islami, the political tide turned against them. The BNP's chairperson, Khaleda Zia, was jailed on corruption charges, while the acting chairperson continues to live in self-exile in London. The party contested the election under the banner of National Unity Front (NUF) headed by Kamal Hossain, a former law minister in the Mujib cabinet. However, the opposition was not provided with level playing field; its election rallies were attacked, and supporters were intimidated. Ultimately, Bangladesh witnessed one of the most manipulated elections in recent years, with most of the institutions and state machinery that were supposed to provide an atmosphere for the conduct of free and fair elections working zealously to reelect the Awami League to power. These forces had a vested interest in the reelection of the AL, as they had enjoyed unrestricted power in the preceding years and are likely to benefit from the continuation of the regime.

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

Transformation Status

I. Political Transformation

1 | Stateness

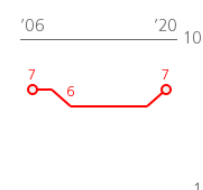
The state's monopoly on the use of force is established nationwide in principle, but there are chronic problems with (organized) crime and radical Islamic groups. The Chittagong separatism conflict has been more or less deescalated, though the policy of territorial autonomy has largely been a failure. During the review period, the state has on the one hand been able to curtail violent incidents perpetrated by radical Islamist groups, some of which are allegedly supported by Islamic political parties. On the other hand, the very robust anti-crime and anti-terrorism approach by the militarized police force and other security actors resulted in an increase in the number of extrajudicial killings from 162 in 2017 to 466 in 2018. Hence, the state's monopoly on the use of force was strengthened from 2017 to 2018, but at high costs in terms of human lives and human rights violations.

There is a very strong sense of national identity in Bangladesh, partly engendered by the 1971 war of independence that helped to provide legitimacy for the nation-state. There is also a pronounced tradition of Bangladeshi nationalism, based on the relative homogeneity of language, culture and religion. However, both the role of Islam as the state religion and the Bengali linguistic identity have been challenged by ethnic and religious minorities. The ruling Awami League (AL) emphasizes a secular Bengali identity, while the Bangladesh Nationalist Party (BNP) underlines the state's Muslim Bengali identity. Minority ethnic groups, especially the Chakmas, have challenged the hegemonic nationhood based on a strictly Bengali identity, declaring that they are not Bengalis; Hindus, the largest religious minority group, have rejected the majoritarian Muslim identity. There are others too who challenge this binary. The constitution guarantees citizenship without any discrimination. However, in practice there is structural and latent discrimination inherent in a majoritarian state structure.

Question Score

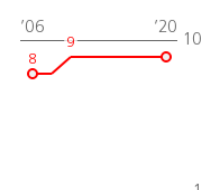
Monopoly on the
use of force

7



State identity

9



The state is largely governed on the basis of secular values. However, the ruling party appears to be open to accommodating the dominant Islamic religious values for its own electoral benefit. In 2017, the government announced that it would form an Islamic Forum to unite parties that believed in the spirit of the Liberation War and in democracy. Its decision to recognize the Dawra-e-Hadith degree conferred by Quami madrasa as an equivalent of a master's degree in Islamic studies and Arabic was an attempt to please the radical Ulema organization, the Hefazat-e-Islam. This group has in the past protested against education and inheritance rights for women, and has issued a 13-point demand for Islamization. As the government's legitimacy is questioned over the controlled election of 2018, it is likely that the ruling party will further court the radical Islamist forces, and further accommodate their Islamist agenda to sustain its own power.

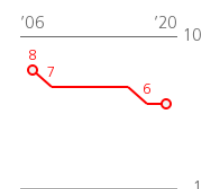
While the country has a basic administrative structure in place, it lacks efficiency. Marginalized portions of the population do not have access to basic administrative structures to redress their grievances, as corruption is rampant and political affiliation is an important criterion for the provision of service. Law enforcement agencies are used as political instruments to silence the opposition. Some 80% of Bangladesh's population have access to drinking water. According to the World Bank, however, 80% of private piped-water taps and 41% of all improved water sources are contaminated with E. coli bacteria, while 13% of water sources contain arsenic levels above Bangladesh's allowed threshold, leading to stunted growth in children. In the sixth South Asian conference on sanitation, held in 2016, the Bangladesh government reported that the share of the population with access to improved sanitation increased from 34% in 1990 to 61% in 2015. However, some marginalized communities in far-flung areas of the country have yet to be covered by improved sanitation infrastructure.

2 | Political Participation

Unlike the 2014 elections, which were boycotted by the opposition, Bangladesh witnessed a multiparty participatory parliamentary election on 30 December 2018. The election took place under the incumbent government, as the demand to restore the caretaker government continued to be rejected by the ruling party. Still, the election was marred by allegations of rigging, ballot-box stuffing, and intimidation of voters and supporters of the opposition political alliance, the Jatiyo Oikyo Front, which included the former ruling party, the BNP. BNP party chairperson and former Prime Minister Begum Khaleda Zia was not allowed to participate in the election due to her conviction in two graft cases, for which she was sentenced to jail for 10 years by the High Court. Since the BNP had boycotted the 2014 election, it had no option but to participate in the election to save its registration as a political party with the Election Commission (EC). To avoid its candidates' nomination papers being rejected by the EC, the BNP decided to file 696 candidates for 295 constituencies,

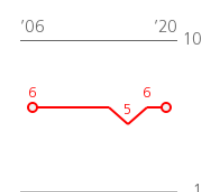
No interference of religious dogmas

6



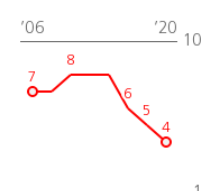
Basic administration

6



Free and fair elections

4



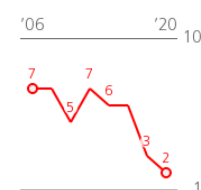
while the ruling Awami League (AL) party submitted nominations of 281 candidates for 264 constituencies. Interestingly, while the EC rejected 141 of the BNP nominations, it rejected only three of the AL candidates on the basis of incomplete submissions, corruption charges and having defaulted on a loan. A total of 18 opposition candidates could not contest the election on legal grounds, leaving these seats without an opposition candidate. The opposition complained to the Election Commission (EC) that it was not being provided with a level playing field, and that its candidates were being frequently attacked and were not being allowed to campaign. However, the EC refused to act on these complaints. Even though opposition election rallies were attacked by ruling-party supporters and 18 people were killed on election day, the 2018 election was less violent than its predecessor. While AL and its allies won in 288 seats, the opposition received only eight seats, with the BNP having won six seats. The Jatiya Party, with 22 seats, is the official opposition, even though the party contested the election as an ally of the ruling party.

Because of the deficits of the electoral process in 2018, parliament and government cannot be considered to be democratically elected.

Power is concentrated in the hand of the prime minister, who enjoys unquestioned authority. Her position both as president of the party and as prime minister helps her to control the party's parliamentarians. The system of governance is based on political patronage, and each minister's ability is evaluated on the basis of his or her loyalty to the political leadership and the party. For the purposes of day-to-day administration, the government depends on the bureaucracy, which itself is highly politicized, as appointments and transfers are made by the government. Given the patronage structure, the police force also has developed a stake in the continuance of AL in power. The military, which has the ability to challenge the government, is kept happy with a large defense budget and is allowed to procure advanced military hardware. As the Awami League is in power for the third time in succession, it needs a strong patronage-based system to survive in power. Without the support of the police and bureaucracy, it would have been difficult for the AL to win the election. Given the support that the ruling regime received from the administration in winning the election, the military and police would be in a position to exercise veto power to protect their institutional interests and develop a sense of impunity. The pre-election alliance with one of the fundamentalist groups, the Hefazat-e Islam, has strengthened this group, which will work to veto any government decision that might violate its idea of Islam.

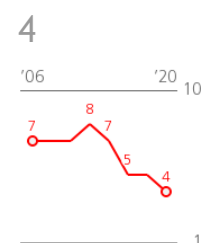
Effective power to govern

2



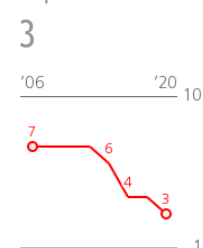
Bangladesh's constitution guarantees the fundamental right to assembly, and people are in theory allowed to form political and civic groups or associations. However, there are several laws that restrict these rights in practice. At times, political and civic groups are not allowed to assemble or address public rallies, with authorities citing law-and-order issues. For example, before the elections on 30 December, the main opposition party and its coalition partners were not allowed to hold rallies in Dhaka. Groups that are perceived to be close to the political opposition are subject to intimidation. There are no transparent criteria for permitting public rallies. Authorities' decisions often appear to be arbitrary and politically motivated, because they often constrain the opposition's political activities.

Association / assembly rights



The constitution of Bangladesh guarantees the freedom of expression under articles 39(2) A and B. However, this right has been curtailed by the government under the pretext of maintaining law and order. The government passed the Digital Security Act 2018 on September 19, 2018, replacing the Information and Communication Technology Act (ICT) of 2013. Section 43 of the new Act allows police to arrest and imprison a person for up to 10 years for using digital devices to spread propaganda against Bangladesh's Liberation War, the national anthem or national flag. Sections 21, 25, 28, 29, 31, 32 and 43 also undermine and criminalize the freedom of expression. Under the 2013 ICT, many journalists, bloggers and social activists have been arrested for criticizing the government. The most prominent case in recent years was the arrest and jailing of internationally acclaimed photojournalist Shahidul Alam for giving an interview to Al Jazeera television on the topic of the student led road-safety movement. Bangladesh journalists and media often engage in self-censorship. The media does not allow the publication of pieces that are critical of the government.

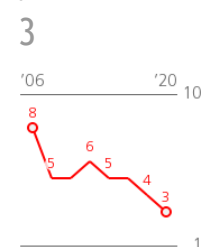
Freedom of expression



3 | Rule of Law

Bangladesh's constitution stipulates a separation of the judiciary from the executive branch. However, this separation has gradually become blurred as the executive has exerted substantial control over the lower courts in spite of the rules laid down in the Masdar Hossain Case on the separation of the two branches. The AL, which is now in power for a third term, is intolerant of any opposition. A subservient judiciary serves the interest of the government. The legislature is packed with party loyalists, and the lack of any strong opposition only adds to the authoritarian tendency of the current government. Article 70 of the constitution does not allow legislators to go against their party's position on legislation.

Separation of powers



Even though the constitution stipulates the separation of the judiciary from the executive organs of the state, the higher courts have become subservient to the government, since the government has the power to appoint judges to the High Court and the Supreme Court. In 2014, the government introduced the 16th constitutional amendment, scrapping Article 96 of the constitution that had stipulated that the Supreme Judicial Council was the sole appointing authority to the higher judiciary. After the 2014 election, which was boycotted by the opposition, the government kept a close watch on the judiciary. Though it appointed Justice S.K. Sinha, a member of the minority Hindu community, as chief justice, the relationship with the judiciary soured over his decision to declare the 16th amendment to the constitution as void. In this decision, the Supreme Court declared that the amendment was antithetical to the independence of the judiciary in Bangladesh and ruled that the process of removing judges could not be used to penalize or intimidate judges. It restored the Supreme Judicial Council, headed by the chief justice, with powers to remove errant judges, thus taking the power away from the executive. This became the root cause of executive-judiciary confrontation in Bangladesh. For the first time, the sitting chief justice of the Supreme Court was removed for asserting the independence of judiciary. The government subsequently brought corruption charges against Sinha to justify his sacking.

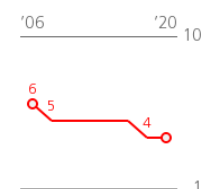
In 2017, the government also instituted the Bangladesh Judicial Service (Discipline) Rules, which treats the judges of lower courts as subordinate to the executive branch. The apex court accepted the rule, but said that it reserved the right to revisit the issue in the future, if there was a need. The Discipline rules have been used to weed out magistrates unfavorable to the government. In May 2017, the High Court declared the mobile courts run by the Executive magistrate to be unconstitutional, arguing that such power was “a frontal attack on the independence of the judiciary and a violation of the theory of separation of powers.”

Corruption remains endemic in the country. Bribery is prevalent in all segments of the administration. The police force is regarded as the most corrupt branch.

The Anti-Corruption Commission, established in 2004, has since pursued politically motivated corruption cases against the opposition. Its investigations have been limited to corruption among bureaucrats and officials. It has refrained from persecuting ruling-party politicians accused of corruption. According to its annual report of 2017, the conviction rate increased to 68% from 54% in 2016. More than 17,953 allegations were brought by citizens belonging to various classes across the society, by media organizations, and by various organizations. Of these, 937 allegations were screened out and the rest were selected for inquiry, and 377 were dispatched to the ministries or divisions concerned for action. Conviction rates are extremely poor, and powerful people with links to the government and ruling party often get away with corruption.

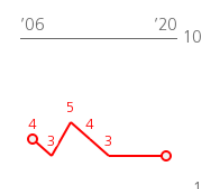
Independent judiciary

4



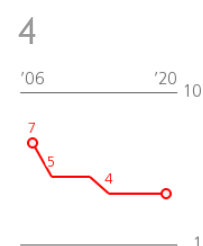
Prosecution of office abuse

3



Bangladesh's constitution guarantees the fundamental right to life and prohibits torture. However, these constitutional provisions are rarely followed, as torture is frequently applied as a tool to extract confessions. Civil rights are also severely curtailed in Bangladesh through various pieces of legislation, and law enforcement agencies act with impunity against alleged drug dealers and criminals in staged gun fights. As a part of the anti-drug drive carried out by law enforcement agencies, 248 persons were reportedly killed extra-judicially between May and September 2018, out of a total 437 who were killed between January and October 2018. Other acts such as the National Broadcasting Act 2016, the Anti-Terrorism (Amendment) Act 2013, and the Information and Communication Technology (Amendment) Act 2013 also impinge on Individual liberty, giving immense power to law enforcement agencies to arrest individuals arbitrarily without producing them in court.

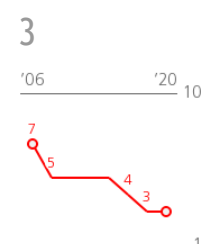
Civil rights



4 | Stability of Democratic Institutions

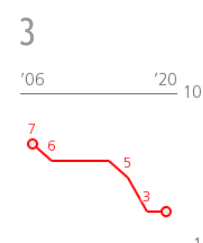
Democracy in Bangladesh suffered immensely during the period under review. The absence of the opposition party in the parliament due to its boycott of the 2014 election made the parliament highly ineffective. Though the Jatiyo Party was the official opposition, its chairman – former military dictator Hussain Muhammad Ershad – was appointed as adviser to the prime minister. As a result, the government had unfettered power to legislate. The manner in which the chief justice of Bangladesh was forced out of his office undermined the independence of the judiciary. The independence of the Election Commission was in turn questioned by many observers both within and outside Bangladesh, and the bureaucracy has been heavily politicized as a result of the AL's continuation in power for 10 years. The prime minister's coalition partners remained subservient to the ruling party. As a result, there were few institutions or individuals with the wherewithal to challenge the government.

Performance of democratic institutions



While the ruling party and the government claim to be committed to parliamentary democracy, the authoritarian tendencies shown over the past 10 years suggest otherwise. Since most civil society organizations, associations and interest groups are party-centric, they are not able to exercise veto power. Within the ruling party, the prime minister remained the unchallenged supreme leader. As it was apparent that the ruling party was going to win the election, the AL's alliance partners stood by it, supporting its omissions and commissions. There was an entrenched interest in the survival of the government, as it served the interest of these actors. The military has the ability to exercise some veto power, but with its deepening economic interest, it remains a political stakeholder. The clergy remains divided. However, important members of the clergy as represented by Hefazat-e-Islam are close to the government and are able to exercise influence by supporting the government.

Commitment to democratic institutions



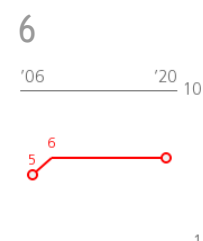
5 | Political and Social Integration

Bangladesh is a deeply polarized polity, a fact reflected in the party system. The two major political parties, the Awami League and the Bangladesh Nationalist Party, are socially rooted and have dominated national politics more or less since independence. The Jatiya Party and Jamaat-e-Islami have a combined support base of 10% to 12%. Over the years, the BNP's support base has declined, since it has been out of power for the last 12 years. There is a strong culture of clientelism that connects the parties to its cadres, who work tirelessly to support the party organization at the grass root level. In turn, they expect to benefit once their party comes to power. At times, they have mounted pressure on their parties when their expectations have not been met, and this lingering dissatisfaction sometimes leads to political fragmentation. This was very much evident during the election. Party leaders who were denied nomination filed nomination as rebel candidates, splitting the support base. The BNP support base has eroded, as the party has been in the political wilderness for so long. The party has experienced a leadership vacuum and lacked a visionary political narrative to fight the ruling party. Its political narrative was confined to the release of its leader. Its lack of political confidence was apparent when it could not cut its ties with Jamaat in spite of some senior leaders opposing the alliance. As a result, the opposition alliance remained fragmented.

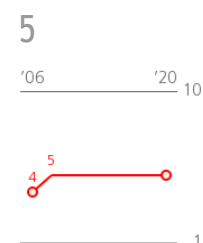
The AL and the BNP are mutually intolerant towards each other's existence for largely historical reasons. The country's politics thus take on the character of a zero-sum game. This affects political stability. The administration is polarized along party lines, but many civil servants are prone to change their loyalty to support the ruling regime. The violent hartals (strikes) that were once a dominant part of politics have disappeared. Voter volatility rates range between 20% and 25%, with much of this volatility confined to new voters or ideologically non-aligned voters. These voters generally base their decisions on the performance of the government as compared to their expectations.

There are a number of interest groups that exist in Bangladesh. Many are affiliated with the various political parties. They articulate the interest of their organizations, but their interest aggregations also tend to reflect a party-centric clientele group. In addition to politically affiliated interest groups, there are a number of civil society organizations representing issues that may have greater resonance with the people. They campaign for their causes and lobby with the government to fulfill their demands. Key issues of focus include environmental protection, women's rights, labor rights and children's rights. In recent years, movements led by students including the road safety movement and the anti-quota movement, which opposed a quota system seen as preventing meritorious students from obtaining employment, were examples of apolitical interest articulation in the society.

Party system



Interest groups



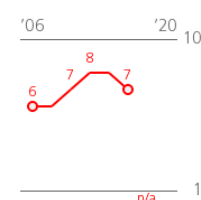
The spectrum of interest groups not only consists of social movements and community organizations, but also includes professional bodies such as a doctors' association, a ready-made garment-workers association and a manufacturers' association. In addition, there are powerful religious organizations, and minority associations that mediate between the government and the society. While professional associations linked to the political parties rarely go beyond party-centric interest articulation, the civil society organizations try to articulate larger societal agendas rather than narrow partisan agendas.

In an International Republican Institute survey carried out in Bangladesh in May 2018, 36% of respondents said that the country's democratic credentials are somewhat good, and 15% said the state of Bangladesh democracy is very good. While 32% expected 2018 the parliamentary election to be free and fair, 55% refused to answer. The approval rate of the government declined from 79% in April 2017 to 64% in May 2018, while that of the parliament increased from 51% in 2017 to 64% in May 2018. The prime minister's approval rate saw a decline from 83% in April 2017 to 66% in May 2018. The approval rate for the opposition decreased from 42% in 2017 to 40% in 2018. The percentage of people who perceived the government as strengthening democracy declined from 62% in 2017 to 44% in 2018. In spite of these views, approval for democracy remains fairly high in Bangladesh.

Bangladesh is a linguistically homogeneous country. However, there are minority ethnic groups such as the Chakmas and other indigenous populations who are not Bengali speakers. People generally live in harmony, and there is a general level of trust between the people belonging to the majority and minority communities. However, this trust sometimes is eroded by attacks on minorities, episodes in which minority citizens' land is forcibly occupied, forced conversions and attacks on places of worship takes place with the connivance of ruling party cadres. Self-help groups exist at the village level. Minority communities also have their own organizations. Civil society generally plays a significant role in arguing vocally for the protection of minority rights and has been extremely critical of the politically motivated attacks on these marginalized and vulnerable sections of the society. There are voluntary cultural organizations that promote folk culture that draws inspiration from society. Organizations like Samilita Sanskritik Jote; the National Committee to Protect Oil, Gas, Mineral Resources, Power and Ports; the Muktijoddha association; and several other social organizations are active and fight for causes that affect Bangladesh.

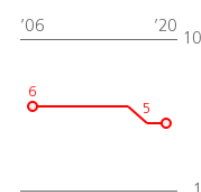
Approval of democracy

n/a



Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

The 2017 household-expenditure survey conducted by the Bangladesh Bureau of Statistics (BBS) revealed that the poverty situation in the country has improved significantly. The poverty rate in rural areas was 26.4%, while the urban poverty rate was 18.9% and the extreme poverty 12.9% rate. In 2010, the poverty rate in rural areas was 35.2%, while the urban poverty rate was 21.3%, and the extreme poverty rate was 17.6%. Statistics published by international organizations such as World Bank, the UNDP and the Asian Development Bank confirm the highly positive trend with regard to poverty reduction.

Bangladesh has also made progress with regard to human development and was ranked 136th in the Human Development Index in 2018, moving up three notches. However, income inequality has widened; according to the most recent statistics (2017), the top 20% of the people received 41.4% of the income in the country, while the bottom 10% received only 3.7% of the income. There are structural barriers to women's participation in the labor force. Compared to the urban areas, employment for women in rural areas is limited. The place of residence therefore assumes importance in this regard. Ethnicity and religion also play important roles but there are no legal barriers to employment. In terms of gender equality, the trend over the past two years has given reason for concern. The 2018 Global Gender Gap report published by the World Economic Forum noted a slight decline for Bangladesh, from rank 47 in 2017 to rank 48 in 2018. In addition, Bangladesh ranked 133rd with regard to economic participation by and opportunities for women, below its previous rank of 129th place in 2017. In the category of education attainment for females, it ranked 116th, down from 111th in 2017.

Question
Score

Socioeconomic
barriers

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Economic indicators		2015	2016	2017	2018
GDP	\$ M	195078.7	221415.2	249723.9	274025.0
GDP growth	%	6.6	7.1	7.3	7.9
Inflation (CPI)	%	6.2	5.5	5.7	5.5
Unemployment	%	4.4	4.3	4.4	4.3

Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	1.5	1.1	0.7	1.1
Export growth	%	-2.8	2.2	-2.3	8.1
Import growth	%	3.2	-7.1	2.9	27.0
Current account balance	\$ M	2579.6	931.4	-5985.0	-7592.9
Public debt	% of GDP	33.7	33.3	32.6	34.0
External debt	\$ M	36309.0	38823.3	47158.4	52124.1
Total debt service	\$ M	1661.0	1776.2	2168.1	2806.3
Net lending/borrowing	% of GDP	-1.3	-1.5	-	-
Tax revenue	% of GDP	8.5	8.8	-	-
Government consumption	% of GDP	5.4	5.9	6.0	6.4
Public education spending	% of GDP	-	1.5	2.5	2.0
Public health spending	% of GDP	0.4	0.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	1.4	1.4	1.4

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Bangladesh has an organized market governed by a set of laws and procedures that are implemented inconsistently. In the World Bank's Doing Business 2019 report, Bangladesh was ranked 176th worldwide in terms of the ease of doing business. To start a business, nine procedures, 19.5 days and costs of 21.2% of GNI per capita are required (rank 138 out of 190). According to ILO data, 95% of employment is informal.

The government has the power to restrict certain industries under the categories of reserved or regulated and can define some industries as being oversaturated. This discourages the development of new industries and allows state monopolization within some industries. Enterprises such as Bangladesh Telephone Telegraph continue to be controlled by the state, and only a few private mobile phone operators have been allowed. The Trading Corporation of Bangladesh controls the price of essential commodities by organizing open market sales (OMS).

Market
organization

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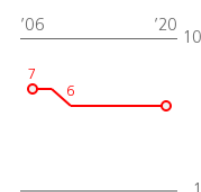
Bangladesh aims to establish 100 economic zones by 2030. A total of 76 economic zones have already been approved by the government. According to the Bangladesh Economic Zones Authority (BEZA), the government provides income tax exemptions on income derived from business conducted in economic zones. It provides complete income tax exemption for the first ten years, 70% in the 11th year of operation and 30% in the 12th year. Bangladesh allows duty-free import of raw materials, construction materials, capital machines and finished goods, allows full repatriation of capital and dividends, provides tax exemptions for capital gains, allows share transfers, and permits 100% foreign ownership. According to the Bangladesh Investment Development Authority (BIDA), Bangladesh allows external investors to repatriate royalties, provides them with technical know-how and technical assistance fees, and allows repatriation of dividends and capital when they exit the country.

In 1970, Bangladesh promulgated a Monopolies and Restrictive Trade Practice (Control and Prevention) Ordinance, which was repealed by the Competition Act, 2012. In 2016, the government appointed a Competition Commission chairman, along with two members out of an envisioned total of four. The commission was intended to help create a healthy competitive environment. Though it has quasi-judicial power, its power to investigate allegations of legal violations remains limited. It is understaffed and is not in a position to play an effective role in ensuring fair competition or protecting consumers' rights from unfair trade practices. Bangladesh is not a member of the International Competition Network.

Bangladesh passed the Consumer Protection Act in 2009 and established the Price Monitoring and Forecasting Cell in November 2014. However, this has done little to protect consumers. Private actors often form cartels that act to create artificial scarcity. Legally, there are several safeguards that are meant to protect consumers against unscrupulous traders and monopolistic practices, but they are not rigorously enforced, due to corrupt practices and regulators' inability to enforce the regulations.

Competition policy

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Bangladesh encourages foreign investment and has several laws that promote foreign trade. However, investors often confront cumbersome licensing process or face difficulties in transferring businesses from local owners to foreign shareholders. Importing machinery for export-oriented industrial units is also difficult, as this requires the prior approval of Bangladesh Bank. Investors also face delays in repatriating profits due to lengthy paperwork processes.

Non-tariff barriers such as the requirement for a pre-shipment inspection of imported goods discourage foreign trade. According to the Bangladesh Economic Review of 2018, there are six import duty tiers (0%, 1%, 5%, 10%, 15% and 25%), although the regulatory duty (RD) rate has been reduced from 4% to 3%.

According to the import and export policy order, 2015 to 2018, there are 12 categories of goods that are completely prohibited and 23 categories of goods that can be imported subject to the fulfillment of certain conditions. These procedures are often lengthy and require several certifications. Investments in the defense, nuclear energy, currency and forest plantation sectors are not allowed, but BIDA encourages foreign investment in the agriculture, post-harvest infrastructure and food processing sectors, and allows 100% foreign equity. The government has also reduced the tax rate for manufacturers and exporters of readymade garments to 15%. Domestic industries – especially the agriculture, heavy engineering, textile and export sectors – are exempted from VAT. VAT exemption is also allowed for imports of coriander, melon and millet seeds. Government additionally allows VAT exemptions for mobile-phone manufacturing facilities, while imposing a 5% to 10% surcharge on imported handsets. Similarly, local motorcycle manufacturers are exempted from VAT in order to encourage substitution for foreign-built motorcycles.

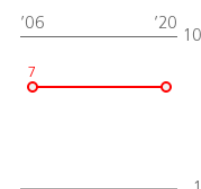
Bangladesh has appointed the chairman of the Tariff Commission as countervailing duty authority and has made changes to its customs law to implement the WTO Agreement on Subsidies and Countervailing Measures.

Bangladesh's exports totaled \$2.6 billion for the financial year 2017 to 2018. Total imports value was \$4.0 billion, an increase of 1.7% year over year. The trade balance at the end of the financial year thus showed a deficit of \$1.4 billion.

During the review period, the Central Bank of Bangladesh reduced the proportion of cash it requires banks to hold by one percentage point, and reduced its repo rate by 75 basis points, to 6.0%. It additionally increased deposits by public agencies in private banks by allowing ministries and other state agencies to deposit 50% of their funds in this way, up from 25%. It also reduced the advance deposit ratio (ADR) to 83.50%, seeking to address the problem of bad loans. This helped to moderate the tight liquidity situation associated with the negative trend in net foreign assets (NFA). According to the Bangladesh Bank's 2019 January report, private credit growth fell to 13.33% in December 2018 from 18% in December 2017.

Liberalization of foreign trade

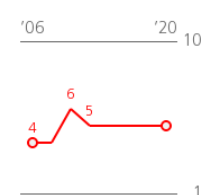
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Banking system

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The country's banking sector suffered from a number of problems. Hallmark Company took out \$319.8 million from Sonali Bank using fake documents, in collusion with the bank officials. The Basic Bank, which had previously been profitable, suffered a loss of \$476.3 million due to banking fraud and bad loans. The Bismillah Group embezzled \$130.9 million from five separate banks. The scam involving Crescent and AnonTex involved more than \$952.6 million. The Farmer Bank lost \$59.5 million in a scam.

Poor governance led to a rise in the rate of non-performing loans (NPL) to an unsustainable 10.41% in June 2018, compared to 9.21% in 2009 when the government came to power, despite a massive write-off of loans. The banking sector's overall capital shortfall stood at \$2.61 billion in March 2018. Between fiscal years 2005 to 2006 and 2016 to 2017, the banking sector received \$1.22 billion in capital support. With 59 commercial banks in operation, Bangladesh has a well-developed commercial banking sector. Yet the government is pressurizing the Bangladesh Bank to recognize another four banks.

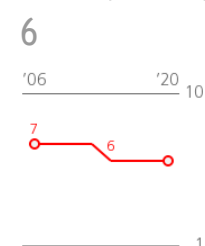
8 | Monetary and fiscal stability

In the 2017 to 2018 period, the government wanted to keep the inflation under 5.5%. However, it stayed at around 5.8%. The share of non-food expenditure rose from 45.11% in 2010 to 52.30% in 2016. The rate of inflation for food products reached 7.3% in April 2018, up from 6.0% in June 2017. The lower inflation rate of 3.7% for non-food products in June 2018 provided some relief, but this rate reached 4.07% in Q1 of fiscal year 2019. The core inflation rate, which excludes food, oil and other volatile commodity prices, remained moderate at 3.8% in June 2018, despite a gradual increase since February 2018 (3.6%). CPI inflation, based on a 12-month average, declined after April 2018, reaching 5.68% (y/y) in Q1 of fiscal year 2019, aided by the falling food-product inflation rate of 4.08%. The government is seeking to keep inflation below 5.6% in fiscal year 2018 to 2019.

Moreover, the monetary program for fiscal year 2018 to 2019 imposed growth ceilings on private credit, domestic credit and broad money at 16.8%, 15.9%, and 12.0% respectively, adequate to support growth while maintaining price stability. Credit to the public sector declined by 2.5% from June 2017 to June 2018, while credit to the private sector saw growth of 17% compared to the previous financial year. The government closely supervised the market on the basis of asset-liability management and foreign exchange risk-management guidelines, with the aim of controlling high-risk credit growth.

The Bangladesh Bank (BB) projects reserve money growth of 7.0% in FY 2019, with the aim of gradually improving domestic liquidity. The Bank has consistently injected dollars to stabilize the foreign currency market. Following the increase in the relative price of the dollar, many banks opened letters of credit for importers, going beyond their capacity and illegally selling dollars at higher rates.

Monetary stability



The monetary authority is not completely independent. Some policies are dictated by the government's political outlook. Huge loans have been disbursed to politicians, crippling the banking sector. During fiscal year 2018, the current account deficit widened to 3.3% of GDP. Remittances grew by 17.3%, while exports grew by only 6%. The Central Bank made a routine payment of \$1.57 billion to the Asian Clearing Union (ACU) against imports during the January to February 2018 period. Bangladesh has maintained a floating exchange rate since 2003.

The current account deficit stood at \$9.37 billion as of July 2018. Between July 2017 and May 2018, imports surged by 25.52% on a year-over-year basis, while exports grew by only 7.79%. The trade deficit rose to \$18.3 billion in fiscal year 2017 to 2018 compared to \$9.4 billion in fiscal year 2016 to 2017, due to high import payments. Net FDI inflow stood at \$1.6 billion in 2017 to 2018 compared to \$1.7 billion in 2016 to 2017. The current account balance in March 2019 totaled 2.6% of GDP.

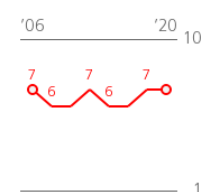
The government's domestic (net) borrowing during July to September in the fiscal year 2018/19 was 35.0% higher than the previous year. In fiscal year 2017 to 2018, the debt-to-GDP ratio was 20%, and external-debt-to-GDP ratio was 4.44%. The budget deficit totaled 4.9% of GDP. To address the deficit, 2.8% of the deficit was financed through domestic sources and 2.1% was met using external sources. According to Bangladesh Bank, the total government outstanding debt-to-GDP ratio marginally increased to 27.9% in fiscal year 2018 from 27.0% in fiscal year 2017.

Foreign exchange reserves fell to \$32.94 billion in fiscal year 2017 to 2018. The inter-bank rate was BDT 82.10 per dollar in fiscal year 2017 to 2018, up from BDT 79.12 per dollar in fiscal year 2017 to 2018, resulting in a depreciation of 3.77%. In the medium term, import expenditures have been projected to increase by 14%.

The government-revenue-to-GDP ratio rose to 10.3% in the financial year 2017/18 from a low of 9.2% in the previous year. The extreme poverty rate fell to 12.9% in 2018 from 17.6% in 2009. Between the months of July and April of fiscal year 2017 to 2018, the current account deficit stood at \$9.37 billion, in contrast to a surplus of \$2.21 billion a year earlier. Remittances increased by about 17% to \$10.5 billion in 2018 from \$9.06 billion a year earlier. The broad agriculture sector registered growth of 4.19%, up by 1.22% compared to 2017. Bangladesh's per capita GDP reached \$1,675 in fiscal year 2017 to 2018, up from \$1,544 a year earlier.

Fiscal stability

7



9 | Private Property

Article 42. (1) of the Bangladesh constitution provides the right to property. The country also has well-defined law that regulates private property and facilitates the acquisition and transfer of property, largely governed by the Transfer of Property Act, 1882 and the Registration Act of 1908.

The property rights of minority Hindus are affected by the controversial vested property act. Minority property, particularly land, is occasionally occupied and grabbed by influential people having political connections under this act. In the Chittagong Hill Tract, the Chakmas and other ethnic minorities often complain that their land rights are being eroded as their lands are grabbed by Bengali settlers with the blessings of the administration. Moreover, women are generally discriminated against, and under customary law do not possess rights of inheritance equal to those of men.

The World Bank's Country Policy and Institutional Assessment (CPIA) property rights and rules-based governance rating gave Bangladesh a score of 2.5 in 2017, down from 3 in 2015. According to the Doing Business 2018 report, registering property in Bangladesh requires eight procedures that take a total of 270.8 days. Bangladesh was thus ranked 183 out of 190 countries and scored 28.91 in the property registration index.

Bangladesh established a Privatization Board in 1993, a Privatization Commission in 2000, and introduced a new privatization policy in 2007. It has since privatized 74 state-owned enterprises (SOEs). According to a 2018 OECD report, SMEs account for over 99% of industrial establishments, providing employment to 70% to 80% of workers. The Foreign Private Investment Promotion and Protection Act of 1980 provides legal safeguards to foreign private investors. It also guarantees non-discriminatory treatment between foreign and local investment and allows for the repatriation of proceeds from sales of shares and profit.

The Privatization Commission and Board of Investment (BOI) were merged to form a new Bangladesh Investment Development Authority (BIDA). The government promulgated its Private Economic Zone Policy in 2015 and established the Bangladesh Economic Zone Authority (BEZA) to facilitate one-stop clearance for private sector investment. The government additionally plans to establish 100 economic zones by 2030. A Public-Private Partnership (PPP) Act was enacted in 2015. In 2018, the government introduced Rules of Viability Gap Financing projects to support financially nonviable but socially and economically beneficial projects. A total of 48 PPP projects have been launched, involving investments of \$12.6 billion. Ten of these involve a total investment of \$2.9 billion, while 26 others are in different stages of development. BIDA remains the implementing authority for government's privatization plan.

Property rights

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Private enterprise

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The government encourages private-sector investment and provides private companies with loans at a concessional rate. During the period under review, private-sector credit growth was 17.7%, which was slightly higher than the targeted 16.8%. The increase in credit growth in the private sector indicates higher levels of investment by the private sector. The government has allocated 4.78% of the budget for PPP. Given the successful examples of PPP in the energy and infrastructure sector, the government has proposed to create PPP projects in the jute industry in order to revive it.

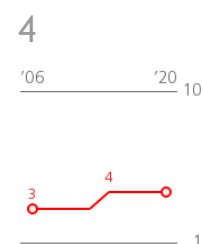
Private investors are in fact encouraged to invest in the domestic market. They are provided with tax holidays, given land at concessional rates and offered easy-to-get bank loans. Private companies owned by politicians are disproportionately favored, as was seen in the case of Farmers Bank.

10 | Welfare Regime

The government has expanded the social security net to include nearly 5 million people. It started piloting this initiative by giving allowances to 8,499 people. The allocation for the social safety net totaled 2.55% of GDP and 13.92% of the government's overall budget in the fiscal year 2018 to 2019. A total of 28.7% of the country's families received social benefits in 2016. The government also took steps to pay social security allowances to 5 million people. Other allowances provided to people as part of social protection programs include old age allowances, allowances for widows and poor women, allowances for financially insolvent disabled people, and stipend for disabled students and students belonging to the Bede community. In addition, the government increased the number of beneficiaries of special allowances, while expanding stipends for the Bede and the underprivileged communities. Moreover, maternity allowances for poor mothers and allowances for working lactating mothers were also provided. In most cases, the allowances are directly transferred to beneficiaries' accounts. The government's sustained effort has reduced the poverty rate from 31.5% in 2010 to 24.3% in 2016. Average life expectancy at birth as per the Household Survey Data of 2016 has now increased to 71.6 years from 67.2 years in 2009.

In the 2018 to 2019 budget, the government proposes spending 27.34% of the total budget for social infrastructure, of which 24.37% is allocated to human-resources development (education, health and other such areas), 30.99% to physical infrastructure including 12.68% for agricultural purposes (agriculture, rural development and rural institutions, water resources, etc.), 11.43% for the overall communication sector (roads, railways, bridges and others) and 5.36% to the power and energy sector.

Social safety nets



The rate of literacy among women increased from 54.3% in 2009 to 69.5% in 2016. According to the government, economic activities performed by women increased by only 0.3% in 2018. Employment rates for women in rural areas have increased, but decreased in urban areas. However, key gender-equality indicators showed a negative trend during the review period. On the other hand, Bangladesh remained the top performer in the South Asian region with regard to political empowerment is concerned. It was placed in the top five on the World Economic Forum's Global Gender Gap Political Empowerment sub-index of 2018, even though a widening gender gap in terms of labor-force participation was evident.

Education also plays an important role in social exclusion. The net enrollment rates for boys and girls, which were respectively 92.2% and 97.6% in 2015, had increased to 97.1% and 98% in 2017. However, the dropout rate for girls was 45.92% compared to 33.72% for boys.

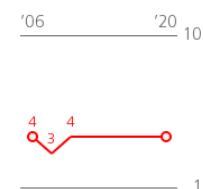
The gross enrollment rate for girls in secondary education was 81.90% compared to 68.60% for boys; at the higher secondary level, it was 38.13% compared to 42.79% for boys. At the tertiary level, the gross enrollment rate for girls was 12.87% compared to 19.13% for boys. The dropout rate for girls at the secondary level was 41.52%, compared to 33.43% for boys.

In the Quarterly Labor Force Survey (QLFS) 2015 to 2016, the unemployment rate among women fell to 6.8%. According to BBS, the total labor force grew by 1.4 million, or 2.3%. The size of the female labor force increased by 4.6%, while the male labor force increased by 1%. Among the female labor force, 10.66% were working proprietors, 74.6% were full-time workers, 2.25% were part-time workers, 11.5% were unpaid family workers and 15.3% were casual workers.

Although the constitution guarantees equality to all citizens, ethnic and religious minorities face structural inequalities. Property owned by minorities is sometimes grabbed by unscrupulous people in connivance with the officials. Ethnic minorities are not well represented in public office and are not provided with equal employment opportunities. The National Human Rights Commission recognizes that discrimination against minorities takes place and is developing an anti-discrimination law with the intention of mitigating the problem.

Equal opportunity

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11 | Economic Performance

GDP growth was 7.86% in fiscal year 2017 to 2018. The sectoral share of GDP for broad agriculture was 14.23%, a decrease from 14.74% from the previous financial year, whereas the services sector accounted for 33.66% of GDP, an increase from 32.42%, and the industrial sector's share decreased marginally from 52.85% to 52.11% in 2017 to 2018.

According to the Bangladesh Economic Review of 2018, per capita GDP was \$1,675 in fiscal year 2017 to 2018, compared to \$1,544 in fiscal year 2016 to 2017. Per capita GNI was \$4,040. GDP per capita was BDT 13,751.8. GDP per capita in PPP terms was BDT 3,523.98.

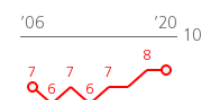
The food and non-food inflation rates were respectively 7.3% and 3.5% in April 2018. The general inflation rate was 5.78% in the 2017 to 2018 period. The unemployment rate was 4.1%. Provisional data indicated foreign direct investment of \$1.6 billion in 2017 to 2018, a decrease from \$1.7 billion in 2016 to 2017. Provisional data for the current account balance as of the 2017 to 2018 period showed a deficit of \$9.8 billion compared to a deficit of \$1.3 billion in 2016 to 2017. In March 2018, the current account deficit was 2.6% of GDP. Foreign exchange reserves as of June 3, 2018, stood at \$32.4 billion.

The budget deficit was 4.9% of GDP for the fiscal year 2017/18. Borrowing from external sources was estimated to total 2.1% of GDP. Borrowing from domestic banks and the national saving scheme totaled 1.7% of GDP, while borrowing from other non-bank sources constituted 1.2% of GDP in the fiscal year 2017/18.

During fiscal year 2017 to 2018, the government expected total revenues of BDT 3,39,280 crore (13.4% of GDP), out of which the National Board of Revenue (NBR) would contribute BDT 2,96,201 crore (11.7% of GDP). The estimate of tax from non-NBR sources was BDT 9,727 crore (0.4% of GDP), and from non-tax sources is estimated at BDT 33,352 crore (1.3% of GDP). The government has claimed that it has increased the share of people paying income tax from 20% in 2008 to 35% in 2018. During the period under review, the government's provisional estimate of GDP growth stood at 7.8%, with investment totaling 33.54% of GDP, and per capita income estimated at \$1,956. Gross domestic savings decreased slightly to 22.83% of GDP in fiscal year 2017 to 2018, from 25.33% a year earlier. National savings as a percent of GDP fell to 27.42% in fiscal year 2017 to 2018, from 29.64% in fiscal year 2016 to 2017.

Output strength

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12 | Sustainability

Bangladesh passed an Environment Conservation Act (ECA) in 1995. The Department of Environment (DoE) has extended its offices in 21 districts to cover all industries and projects, and under the 1995 Act laid down stringent provisions for protecting the environment. According to this Act, no industrial unit or project is to be established or undertaken without obtaining, in the manner prescribed by rules, an environmental clearance certificate from the director-general. However, environmental clearance is in reality often obtained in a fraudulent manner. The government clearly lays down penalties and imposes prison terms for violators of this act's provisions

Vehicular emissions are controlled by setting a limit on emissions under environmental laws. Vehicle manufacturers are now asked to comply with revised emissions standards. In 2014, according to the World Bank, Bangladesh's annual per capita CO₂ emissions stood at 46.0 metric tons. The government is revising the energy policy formulated in 2008. It established the Sustainable & Renewable Energy Development Authority (SREDA) in 2012. Bangladesh has installed 5.2 million solar home systems with a total capacity of 218 megawatts. The government encourages the use of green technology. Environmental sustainability remains a cornerstone of its Seventh Five-year Plan, which runs through 2020.

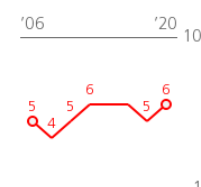
According to the Climate Financing for Sustainable Development Budget Report of 2018 to 2019, the climate-relevant allocation in the budget decreased from 11.62% in fiscal year 2014 to 2015 to 9.48% in fiscal year 2018 to 2019, which is 0.75% of that year's GDP. According to the 2018 Global Climate Change Risk Index, Bangladesh was ranked sixth among the countries most affected by climate-change-induced natural disasters.

The Bangladesh Country Investment Plan for Environment Forestry and Climate Change (CIPEFCC) 2016 to 2021 was formally launched in December 2017, with the aim of mitigating the vulnerability posed by climate-change-related natural disasters. The total cost of the country investment plan is estimated at \$11.7 billion. A total of 40% is financed by the government's own sources and contributions from development partners. The plan requires around \$7 billion in financing, or 60% of the plan's total budget.

In the current budget, the government allocated 26.9% for human-resources development. The share of the education budget as a proportion of the total budget decreased to 11.6% in fiscal year 2016 from 15.9% in fiscal year 2007. In the 2018 to 2019 budget, expenditure on education is estimated at about 2% of GDP, and accounts for 11.41% of the total budget outlay, down from 12.6% allocated in the 2017 to 2018 budget. Most of this goes to pay salaries and maintain the education infrastructure. The net primary enrolment rate increased to 98% in 2017, compared to 94.8% in 2010, while the dropout rate declined from 39.8% to 18.8%.

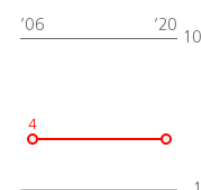
Environmental
policy

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Education policy /
R&D

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The government provides equal educational opportunities to men and women. Enrollment rates are higher for girls than for boys. However, dropout rate remains high. The Bangladesh Bureau of Educational Information and Statistics (BANBEIS) report of 2017 indicates that the dropout rate, which was 50% to 55% in 2007, had fallen to 18.85% in 2017. The government provides free education, free books and midday meals to induce poor students to remain in school. In 2017, 1.55% of the students dropped out in grade one, while 7.95% dropped out in grade 4, the highest such rate. Dropout rates for boys are higher than for girls from grade 1 to 3, and in grade 5. However, in grade 4, the dropout rate for girls is 9.3% compared to 6.6% for boys. The gross enrollment rate in primary education is 115.4% for girls and 108.1% for boys, up from 91.2% for boys and 96.2% for girls in 2005. At the secondary school level, the gross enrolment rate for boys is 54.15% and for girls is 67.10%. According to the BBS, the literacy rate for women rose from 55.1% to 68.90% between 2011 and 2016 and from 59.3% to 73.0% for men.

Bangladesh is ranked 116th on the Global Innovation Index 2018. The government does not provide separate a budget for research and development. The government is planning to convert the Bangladesh Council for Science and Industrial Research (BCSIR) into a center of excellence. According to the UNESCO Institute, Bangladesh has a higher lower secondary enrollment rate of 97.7%, compared to India's 89% and Pakistan's 52.9%. The country's score on the 2017 U.N. Education Index was 0.508.

Governance

I. Level of Difficulty

Structural difficulties arise from many sources. The extreme poverty rate has fallen. In 2017, 40.6% of the labor force was employed in agriculture, 20.4% in industry and 39% in the service sector. The industrial sector's share in employment fell to 20.4% in 2016 to 2017, down from a high of 23% in 2013. The underemployment rate was 2.4% in June 2017. The labor force with higher-secondary education constitutes 8.13 million people, while 4.5 million workers have a tertiary education. While 191,000 men serve in managerial positions, only 36,000 women are at the same level. Aside from the skilled agriculture subsector, the service sector is dominated by men. Women's access to education suffers due to social norms, insufficient access to schools and the prevalence of early marriage.

Bangladesh's geographical location has helped it emerge as a facilitator of sub-regional cooperation with India, Nepal and Bhutan. Bangladesh is addressing its infrastructure deficiencies. Prime Minister Sheikh Hasina's emphasis on infrastructure development, especially road, railways and port infrastructure, has helped it to attract investment. India has provided an \$8 billion credit line to develop modern infrastructure. In the World Economic Forum's Global Competitive Report, the country was ranked 121st in terms of road connectivity, and 111th for the quality of roads. It was ranked 109 out of 140 countries in terms of overall infrastructure facilities. According to the 7th plan, Bangladesh requires estimated \$410 billion to finance infrastructure. In 2011, the government established the Bangladesh Infrastructure Finance Fund Limited (BIFFL), which is a government-owned non-banking financial institution, to provide long-term financing to critical infrastructure projects, with a capital base of BDT 19.40 billion. Grid connectivity with India has enabled Bangladesh to import 660 megawatts of electricity, which has improved the power situation. Bangladesh is investing in the hydropower electricity sector in Nepal and Bhutan and plans to import electricity from these countries. Its geographical proximity has led it to host 1 million refugees from Myanmar. Repatriation remains a major challenge, as the refugees do not want to return without a political guarantee.

Its geographical location subjects Bangladesh to a number of natural disasters, including cyclones and flooding. According to an April 2018 ReliefWeb report, around 23,000 people live on steep, unstable hillsides that pose risks to lives due to the possibility of landslides. A World Bank report from July 2018 stated that 80% of the population is potentially exposed to floods, earthquakes and droughts, and more

Structural
constraints

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than 70% to cyclone, while 25% of the country's land mass is inundated with flood waters every year. According to 2017 BBS statistics, Bangladesh has 10,450 beds in district or general hospitals, along with 13,713 beds in medical-college hospitals. In all, across a total of 127 medical facilities, 29,973 beds are available. This is too few compared to the country's population of 158.9 million, as recorded in BBS 2015 statistics.

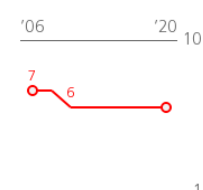
Bangladesh continues to have a vibrant civil society, though this functions under serious structural constraints imposed by the government under the Digital Security Act. Civil society activists continue to criticize government policies despite the risk of arrest.

The NGO Affairs Bureau (NGOAB) was established in 1990 and is supervised by the Prime Minister's Office. It depends on deputy commissioners and Upazila Nirbahi officers (UNO) to monitor NGO projects and program activities at the field level. Under the Anti-Money Laundering Act 2012 and laws combating terrorism financing, NGOs receiving foreign finance have to disclose their sources of funding, and their activities are closely monitored. The Foreign Donations (Voluntary Activities) Regulation Bill 2016, passed in October 2016, further restricts NGOs' activities. Section 14 of the act prevents "malicious" or "derogatory" statements; this provision can be used against NGO workers, subjecting them to arbitrary arrest. According to the list published by the government, a total of 2,643 NGOs were registered with the government as of November 2018. There were 263 foreign NGOs working in Bangladesh, and the government had cancelled the registration of 480 NGOs for contravening its rules. Civil society associations ideologically aligned with the ruling party are provided with sufficient political space to carry on their activities, while those associated with the opposition are prevented from organizing programs that are in any way critical of the government. Since the previous parliament did not contain any opposition members due to the one-sided election, CSOs played the role of the opposition outside of parliament. Given that 2018 was an election year, members of civil society were threatened with arrest for sedition, hurting public sentiment, spreading rumors, inciting the public, and other such charges. CSOs are generally highly politicized, aside from self-help groups that work on social issues.

Bangladesh is an extremely polarized nation in political terms. The mistrust between the two major political parties and the intolerant nature of politics have not helped the cause of democracy in Bangladesh. Political party supporters have often used violence against their opponents. Infighting among party cadres has also resulted in several deaths. However, the incidence of street violence has declined since 2015. The 2018 election saw 18 ruling party supporters killed, allegedly by cadres belonging to the opposition alliance, in the election-day violence. The confrontational nature of politics resulted in ruling-party cadres using street violence against the students protesting the quota system, as well as against the students protesting for greater road safety. There is complete intolerance for any point of view that is seen

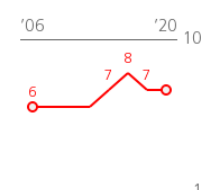
Civil society traditions

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Conflict intensity

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as being in opposition to the government. In fact, political intolerance has increased, in spite of the fact that the ruling Awami League has held a majority in the parliament, and there was no opposition presence in the parliament. A total of 466 people were killed in 2018 by law enforcement agencies in “cross fire” or extrajudicial killings in various encounters against so-called terrorists and drug traffickers.

Bangladesh society exhibits several cleavages. Though the lack of toleration of the political opposition is part of the political system, religious cleavages are more prominent. In the Gaibandha district in 2016, police with the blessing of local politicians burned the village of Santhal, a marginal minority community, in order to clear the land for the Rangpur Sugar Mill. There are sporadic attacks on members of the Hindu minority. A growing radicalism also creates social cleavages within the Muslim community.

Though there was no large-scale organized mobilization of the population during the period under review, there were spontaneous protests organized by youths mobilizing against the government during the quota and road-safety protests. Outside the political rallies held by the political parties, mobilizations of large population did not take place.

Violence is endemic within Bangladesh politics. Violence was used to suppress protest against the government. Law-enforcement agencies engage in arbitrary arrest and use brute force and torture as mechanisms of control. Bangladesh politics has potential for generating violence, but due to the complete decimation of opposition, the potential for violence has in fact declined.

II. Governance Performance

14 | Steering Capability

The present Awami League government has been in power since the 2008 election. The party has a dominant and determined leadership that takes all the major decisions and has its strategic priorities in place. Economic transformation and infrastructure development remain the top priorities. However, there are few incentives to carry out institutional reforms that would strengthen democracy, for electoral reasons. The government has taken steps to reform the capital market, with the goal of facilitating foreign direct investment and enabling industrialization. The capital-market growth rate is more than 7% per year. This economic growth has helped the government manage political difficulties.

The government’s effort to stay in power for consecutive third term led to institutional corruption, as the government turned a blind eye to such practices in return for

Question
Score

Prioritization

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support of various institutions. A number of beneficiaries have emerged whose interests are aligned with that of the government. As a result, the Bangladeshi bureaucracy is heavily politicized. For example, the fact that the government used force to keep the opposition subdued meant that the police developed a vested interest in the government's electoral victory.

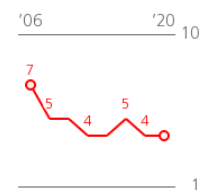
Under the Awami League government, the prime minister has been the most powerful actor. In making most decisions, she has consulted her four unelected advisers more closely than the cabinet ministers. The new cabinet contains 47 members, including 22 ministers, 12 state ministers and one deputy minister; they are mostly businessmen. This reflects the great degree to which economic interests today benefit from political decisions. China remains a major investor in Bangladesh, and India is another powerful actor. Though these two countries press for the realization of their interests, there are other powerful domestic lobbies that influence the government's strategic priorities and policies.

The government has two main strategic priorities: First, to ensure high levels of economic growth, prioritize exports and reduce the country's import dependency; and second, to ensure that the government does not face any political or social upheaval that could threaten its stability over the next five years.

In aiming to achieve the first priority, the government needs to address the crumbling banking system, since loans are granted on the basis of political affiliation and party loyalty. During the review period, businessmen affiliated with the government have benefited from government policies, and in spite of conflicts of interest, ministers often make decisions that help their business grow. The challenge in achieving the second priority revolves around the issue of maintaining social cohesion. Unemployment and corruption are very important factors in public life. There were reports of party cadres paying money to buy party nominations. Therefore, it is difficult for the government to implement its promise to fight corruption, or to steer the economy in a way that would benefit all strata of the society. There are numerous institutional defenders of the status quo. For example, the politicized bureaucracy and administration would prefer to maintain the status quo. The government will not introduce any institutional reforms that would undermine its monopoly on the use of power by strengthening democracy.

Implementation

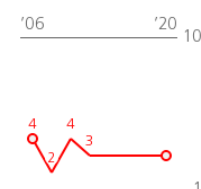
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The government has no incentive to learn from past failures, as they do not challenge its stability. The absence of the opposition in the parliament means that it has little ability to challenge the government. Moreover, the government is unwilling to learn from past mistakes. Importantly, the government does not admit that it has made any policy mistakes. In spite of offering to engage with the opposition in post-election dialogue, the government is in no mood to accept the opposition's demand for a reconstitution of the election commission or to carry out any electoral reform that would lead to the exit of the Awami League as ruling party. In the financial sector, the government's promise to address bad loans remains no more than paper. It has not learned any lessons from the "road safety" movement, and even though it passed a draft of the Road Transport Act 2018, which carries a maximum penalty of five years in prison and a fine of BDT 500,000 (\$5,000) for drivers, rash driving continues with impunity.

Policy learning

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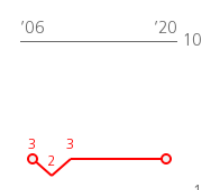


15 | Resource Efficiency

A politicized bureaucracy prevents the efficient use of available human resources. While there are only 111 permanent posts, the government appointed 560 additional secretaries to accommodate officers who support the government. As a result, many officers who were not government supporters were transferred to the Ministry of Public Administration as officers on special duty (OSDs). Similarly, though there were only 430 permanent joint secretary posts, the government promoted 842 officers. The government additionally retained loyal officers as contractual employees after their retirement, thereby blocking promotion of other officers. According to a report published in December 2017, among the contractually appointed officials, 131 are first class – ranked between grade 9 and grade 1, while 11 others are second class – ranked between grade 10 and grade 12. These officials drew combined salaries of around BDT 2.25 crores (\$26 million) every month. Since the bureaucracy is politicized and filled with party sympathizers, the government is able to allocate resources as it deems appropriate.

Efficient use of assets

3



The budget deficit has risen to 5% of GDP, up from 4.76% in fiscal 2016 to 2017, showing a lack of efficient economic management. The government has failed to expand the tax base significantly. Tax revenue collection was less than expected. It has now set a target of collecting more than 50% of total tax revenue from income tax by fiscal year 2021 to 2022. The government does not implement its budget policies efficiently, and often fails to collect revenue, put in place import substitutions, or control rising inflation rates, despite the existence of the auditor and comptroller general institutions. The public administration does not act rationally, as political factors dominate the decision-making processes.

Bangladesh has a local self-government structure that is not financially independent.

According to local government ordinance 1983, the Union Parishad (local councils) can levy taxes on 28 sectors, but in practice it taxes only five to six sectors and depends on government grants. They do not even have power to scrutinize their own budgets and depend on the local MPs to implement projects on the ground. There has been no effort to reform or modernize the public administration, which runs on political patronage.

The prime minister controls the governing party and directly oversees policy that affects the party's political fortune. No policies can be adopted that run contrary to the wishes of the party's supreme leader. However, competing political interests within the party undermine the achievement of policy goals. That is, while the government can coordinate different policies thanks to the dominant position of the prime minister, the challenge is to coordinate different policies that serve different and sometimes conflicting goals.

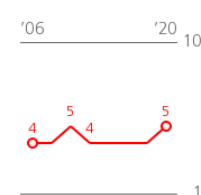
Since the government is centralized under the prime minister, conflicts between departments are minimal, and most of the departments and ministries remain answerable not just to the minister, but also to the prime minister. Each department has clear responsibilities and is responsible for its own actions. Some ministries have overlapping responsibilities, but the minister closest to the prime minister often dominates policy formulation. Friction sometime paralyzes government policy implementation, with the bureaucracy seeking to obstruct policy, citing various rules.

Bangladesh has an independent Comptroller and Auditor General institution that audits the government's spending. However, there is no auditing of the expenditures made by political parties. Regulating the finances of political parties remains an extremely difficult task, as there is a lack of political will to introduce transparency. Most political parties have submitted expenditure reports to the Election Commission since 2008. The expense limit set for each candidate is BDT 2.5 million. Parties can spend between BDT 7.5 million and BDT 45 million, depending on their nominees. However, there is a wide gap between actual expenditure and what the political parties submit to the Election Commission. There is no public funding of elections in Bangladesh.

Citizens and media enjoy access to information in a limited manner. Though a right-to-information act is in place, it is not a useful instrument for gathering information, as there are no legal or regulatory mechanisms that compel the government to part with relevant information. In addition, the media does not publish information that runs counter to government information, for fear of persecution. Though there are laws that make it mandatory for members of parliament and candidates to declare their assets, there are no rules that address conflicts of interest. The Code of Conduct is often violated by powerful politicians. Bangladesh spends about \$16 billion, or about one-third of its annual budget, on public procurement. A reform process initiated by the World Bank in 2002 resulted in the establishment of a Central Procurement Technical Unit, Implementation Monitoring and Evaluation Division

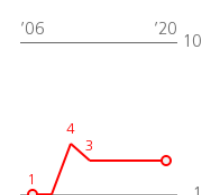
Policy coordination

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Anti-corruption policy

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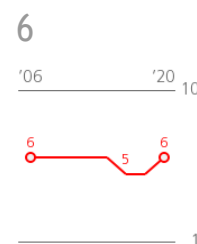
(IMED) within the Planning Ministry. The Public Procurement Act (2006) and the Public Procurement Rules (2008) have streamlined the procurement process and introduced an electronic public procurement (e-GP) process. The reform resulted in annual savings estimated at \$150 million.

16 | Consensus-Building

There is absolutely no consensus among political actors regarding a common institutional framework for the conduct of elections. In Bangladesh, this issue remains a zero-sum game. While the ruling regime headed by Awami League considers the Election Commission (EC) as the legitimate authority for the conduct of elections, the opposition political alliance considers the neutral caretaker government, instituted in 1996 and abolished in 2011 by the fifteenth amendment to the constitution, as the only body with the legitimacy to conduct free and fair elections. The opposition boycotted the 2014 parliamentary elections on the basis of this demand. However, it participated in the 2018 elections, while still demanding the reestablishment of the caretaker government. The 2018 election raised several questions regarding the conduct of the EC. Bangladesh has seen two successful political transitions based on political consensus: the election of 1991, and the June 1996 election. Since the major opposition party, the BNP, remains organizationally weak – in part because its leadership remains behind bars, and in part because it decided to remain outside parliament in 2014 – it was completely routed in the most recent elections, receiving only six seats. Its elected legislators decided not to take the oath of office. There is very little chance for the emergence of a broad-based consensus. The government has nominated its alliance partner as the official parliamentary opposition, undermining the process of democracy. The institutions that could form the backbone of democracy are highly politicized, establishing a governance structure that functions on the basis of patronage, benefiting party loyalists. Political reforms remain a far-off dream for Bangladesh. Both major political parties are headed by hereditary leaders, while other leaders play a secondary role. Political survival is synonymous with the survival of the leadership and the family-dominated party.

Bangladesh has moved to a market-based economy. All political parties, except the leftist and religious political parties that do not have a significant parliamentary presence, believe in the market-based economy. The composition of the Bangladeshi parliament has undergone significant change in recent years, becoming dominated by businessmen. In 2008, 57% of the lawmakers elected were businessmen; this figure rose to 59% in 2014 and to 61.7% in 2018. They have an interest in economic liberalization and the continuation of the market economy.

Consensus on goals



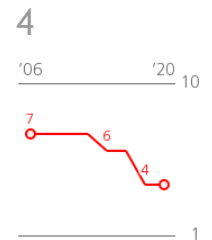
The only powerful veto-wielding institution in Bangladesh is the military. Ironically, it was under the military-backed caretaker government that most of the extant political reforms were introduced, in the form of the promulgation of ordinances. The military prepared the voter lists, political-party registration was made compulsory, candidates were required to declare their assets and political parties were required to submit their election expenditures. Today, political reforms providing the democratic space to voice opinions would be opposed by the ruling party. Similarly, powerful economic actors who are also members of parliament would oppose any reform to the economy.

The military remains a powerful institution. However, at present it remains focused on its own institutional interests. The country's prime minister always selects top officers that she considers to be loyal to the ruling party's ideology, and who she believes will not threaten the stability of her government. However, there were media reports of a conspiracy to overthrow the government in 2012, hatched by retired and serving Islamist-leaning military officers. In September 2017, a plot by radical Islamist group Jamaat-ul-Mujahideen Bangladesh (JMB) to assassinate the prime minister was foiled.

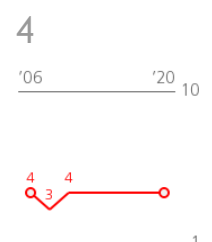
Political parties lack internal democracy. Radical Islamic Parties such as the Hefazat-e-Islam do not subscribe to democratic values such as empowerment, education and inheritance rights for women. Other radical groups such as the JMB, Hizb-ut-Tahir, Ansarullah Bangla Team (ABT), Harkat-ul-Jihad-al-Islami (HuJI) and Al Qaeda in South Asia (AQIS) oppose the Western model of democracy, and want to establish an Islamic political system based on Shariah law. These Islamists remain the most powerful veto-wielding force in Bangladesh with regard to any social reform. The government is reluctant to introduce any reforms addressing gender disparity, minority rights, free expression in religious matters, or equality, as these groups have the ability to act violently. The Hefazat-e-Islam protested against a statue of a woman justice being erected outside the Supreme Court, arguing it amounted to idolatry. There are other civil society actors who use nationalistic slogans to obstruct foreign direct investment.

Bangladesh lacks institutional mechanisms that would enable it to address various societal cleavages. Some of the institutions that exist are extremely weak, and their functions are politicized by powerful actors who benefit politically by exploiting these cleavages. The government manages the ethnic conflict in Chittagong Hill Tracts (CHT) by using the military to suppress the Chakmas when open conflict arises. The Peace Accord signed in 1997 has yet to be implemented, as the institutional mechanism established as part of the accord remains weak. Similarly, religious cleavages are managed by accommodating minority leaders rather than through implementing any institutional mechanisms able to prevent the reoccurrence of violence. Disparity between the poor and the rich has deepened even though

Anti-democratic actors



Cleavage / conflict management



Bangladesh has witnessed spectacular economic growth. Other societal cleavages manifest in the form of reserved jobs for the families of freedom fighters (which is the term used to refer to those who fought in the 1971 war against Pakistan), a policy resented by other youth seeking employment opportunities.

At the civil society level, there are efforts to bridge ethnic and religious cleavages. Community religious and cultural festivals are celebrated with much fanfare at the societal level. While the government has at times tried to depolarize the cleavages, politicians at the local level act contrary to the government's vision in efforts to retain their support bases. Grabbing property owned by minorities is one way that party supporters benefit from the cleavages.

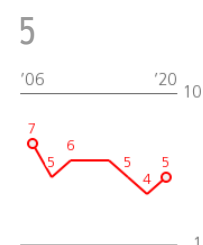
Civil society remains extremely polarized. Some civil society groups align themselves with the government and benefit from it, while others have maintained their distance in order to criticize the government. Civil society organizations that are considered close to the government or which share government's point of view become a part of the agenda-setting and policy-formulation process. CSOs that are critical of the government are often labelled as being "stooges of the opposition," and are kept out of the policy-formulation process. Polarized politics often sideline civil society groups.

Organizations such as Odhikar and Ain O Salish Kendra often raise questions about gross human rights violations in the country. However, they had little input when the state formulated the Digital Security Act, which undermines free speech. Though not organized in the same way, student groups played a pioneering role during the review period in forcing the government to adopt reforms of the quotas under which substantial number of positions in the civil service were reserved for the families of veterans of the war of independence. Similarly, school students forced the government to adopt "safe road" norms. Both of these movements were supported by civil society.

The Bangladeshi government does engage with some civil society organizations working at the grassroots level while formulating policies. Organizations such as the Campaign for Popular Education were consulted while the government was formulating its education policy. The government consulted with several CSO organizations and other environmentalists when formulating environment policy. Bangladesh Health Watch (BHW), a civil society initiative, carefully monitors the government's health policy. The government also engages with important stakeholders in budget-development meetings and takes their opinion into account when formulating government expenditure plans. Many of the international agencies that work closely with the government on socioeconomic development topics hold regular stakeholder consultation meetings.

Performance monitoring is done by the media, whereas international agencies and CSOs work closely with the government.

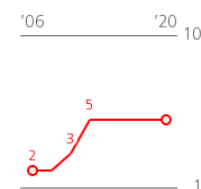
Civil society participation



Bangladesh's 1971 war of liberation killed 3 million people. Many, especially women, were victims of wartime atrocities including rape, illegal confinement and torture, and a number of houses believed to belong to sympathizers of the liberation war were looted. The government has instituted a War Crime Tribunal to bring perpetrators of these crimes, who collaborated with the Pakistani regime and helped it carry out this mayhem, to justice. However, hanging people involved in war crimes has not brought closure to the issue. Rather, it has divided the society. Supporters of those who have been hanged continue to question the fairness of the trial procedures, since they were held forty years after the crimes were committed. The trials have given victims' families a sense that justice has been served after more than four decades of waiting. However, Jamaat-e-Islami, whose leaders were involved in these crimes, is not prepared to accept punishment for the war crimes carried out by its leaders during the 1971 (civil) war. Therefore, there is no chance of reconciliation between perpetrators and victims in this case. In 2013, when one of the perpetrators of war crimes signaled victory after his sentence was reduced by the High Court, there was spontaneous protest in the form of the Shahbagh Movement. The past remains a major point of reference for current politics. Bangladesh has yet to move to a phase of political reconciliation, as the liberation war remains a highly contested subject politically, and Jamaat-e-Islami remains the main alliance partner of the BNP.

Reconciliation

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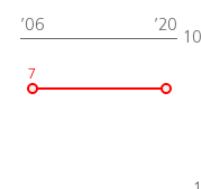


17 | International Cooperation

The government has a clear political and economic development strategy in place. To achieve this, it has adopted a number of bilateral, regional and international cooperation strategies. Since it was elected to power in 2008, the government has put an emphasis on infrastructure development to fuel economic growth. It has partnered with India, which extended an \$8 billion line of credit, mostly for the purposes of infrastructure development. Moreover, China has committed \$24 billion, mainly to develop infrastructure as part of the Belt and Road Initiative (BRI). Bangladesh is importing 660 megawatts of electricity from India, a policy that has helped the government overcome the country's energy-production deficit. It plans to import more electricity not just from India, but also from Nepal and Bhutan, where it is planning to invest in hydropower projects. It has signed the Bangladesh, Bhutan, India, Nepal Motor Vehicles Agreement (BBIN MVA), which would facilitate the seamless movement of vehicles between these countries. It is building a nuclear power plant with the help of Russia and India.

Effective use of support

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It participated in a third round Bangladesh-EU diplomatic consultations in July 2018, and it is seeking a Generalized Scheme of Preferences (GPS) plus trade facility from the European Union (EU). It has also cooperated with the United States on a range of security and economic issues.

Bangladesh is now seeking the help of the international community to oversee the return of roughly 800,000 Rohingya refugees currently residing in camps in Bangladesh. Some international agencies and countries such as India are providing aid to the Rohingya as a means of lessening Bangladesh's financial burden.

There is a bipartisan consensus regarding Bangladesh's relations with China. However, the BNP, which is vocally critical of the Awami League's India policy, restrained its criticism on this issue during the review period, as the party was trying to impress on India the importance of having free and fair elections in Bangladesh, and has sought its help. A number of civil society members affiliated with the BNP and Jamaat-e-Islami have questioned government's India policy, but there was no official communication on this issue at the party level during the review period.

The government has successfully partnered with the international community, and is seen as credible partner, though some countries have questioned the legitimacy of the 2014 elections. It is signatory of various international conventions and has effectively implemented its international commitments. Bangladesh is a vocal campaigner to address the climate crisis. It received the United Nations Champions of the Earth award in 2015. Bangladesh was the first country to submit its INDCs (intended nationally determined contributions) to the United Nations Framework Convention on Climate Change (UNFCCC). The country has pledged unconditionally to cut emissions by 5% from its business-as-usual level by 2030.

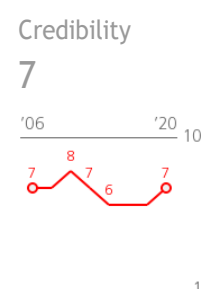
In addition, Bangladesh has mostly achieved its Millennium Development Goals. The government's effort was recognized with the "ICTs in Sustainable Development" award, presented by the International Telecommunication Union (ITU). The government has ratified various core ILO labor conventions. The 2006 Bangladesh Labor Act (BLA) was amended in 2013 to align it with international labor standards, and additional labor rules were put in place in 2015.

In 2017, Prime Minister Hasina received two awards, the IPS International Achievement Award and the 2018 Special Distinction Award, for her leadership in deciding to host Rohingya refugees from Myanmar. She also received Accolade Winner Award of Excellence End Child Marriage from UNICEF. Bangladesh also secured the 34th position in the IMF's annual Inclusive Development Index.

Bangladesh's role in the Rohingya refugee crisis was commended internationally. However, there was less attention paid to its domestic human rights record, which includes the government's use of security forces, especially the police, to silence dissent and political opposition. The rule of law has been undermined, with many alleged criminals and drug traffickers eliminated. However, no action has been taken against the perpetrators.

Outstanding debt as a share of GDP stood at 11.9% in 2018. External debt service constitutes 3.4% of total exports. A number of countries are engaged in infrastructure development activities in Bangladesh. This shows that Bangladesh has won investors' confidence and is able to service the debt it has incurred.

The government also projects an image of strong leadership and has demonstrated its willingness to partner with international community especially on the issue of climate change, addressing poverty issues, and attaining the United Nations' SDG goals.



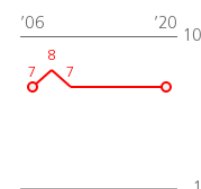
Bangladesh follows a foreign policy based on the principle of “friendship with all, malice toward none.” Over the past decade, it has engaged closely with its neighbors, and most notably both India and China, on the basis of this policy. Both of these larger countries are important development partners and are engaged in major infrastructure and energy projects in Bangladesh, as the government has put a high priority on infrastructure development. India has extended an \$8 billion credit line at an interest rate of less than 1%, and China has agreed to invest \$24 billion. In addition, Japan had invested around \$326 million by June 2018. The total of the aid and grants provided by the Japanese government also increased to \$12 billion during the review period, including the disbursement of a \$7.0 billion loan for various projects supported by Japan.

Due to the close relationship between Bangladesh and India, government has received support from India in the pursuit of its domestic policies. In this context, it has received flood forecasting data on major rivers such as the Ganga, Teesta, Brahmaputra and Barak during India’s monsoon season. It has also sought India’s help in repatriating Rohingya refugees. India is providing aid to the Rohingya refugees in Bangladesh under “Operation Insaniyat.” However, Bangladesh and Myanmar’s relationship has soured due to the flow of Rohingya refugees. The Bangladesh government is seeking international support to pressure Myanmar into giving these refugees the right of return. China has brokered an agreement between Bangladesh and Myanmar for the repatriation of Rohingya refugees sheltered in Bangladesh.

Finally, in spite of domestic opposition, Bangladesh has agreed to levy low transit fees on Indian goods that transiting through Bangladesh. It has engaged with India and Russia for the production of nuclear energy. Bangladesh is a key stakeholder in the Bangladesh-Bhutan-India-Nepal (BBIN) sub-regional cooperation group. It is investing in hydropower facilities in Bhutan. It has also opened up its infrastructure, including roads, railways, waterways and ports, for use by neighboring countries. It is part of the Bangladesh-China-India-Myanmar framework. It is also a member of two other important regional cooperation mechanisms, the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and has expressed a willingness to boost its connectivity network.

Regional cooperation

7



Strategic Outlook

There are seven issues that require immediate attention by domestic entities in Bangladesh.

First, it is imperative that the government take steps to address the concerns of the opposition regarding the elections in the future. In this context, the Election Commission office needs to be independent from political influence and be autonomous. Bangladesh has to think afresh on how to conduct inclusive credible elections.

Second, Bangladesh is witnessing severe institutional decay. The administration is deeply politicized, and the polity is polarized. Eager to curry favor with the government, law-enforcement agencies have indulged in indiscriminate arrest without warrants and have arbitrarily detained members of the political opposition during the run up to the election. A culture of impunity is very much evident. Law enforcement members are allowed to benefit financially by engaging in the “business” of arrest – where innocent people have to pay a bribe to avoid arrest. This needs to be addressed through the introduction of a system of accountability that would not only deal with the excesses committed, but ensures punitive measures be taken against perpetrators. The judiciary is today packed with government loyalists. As a result, it is not effective in checking the arbitrariness of the government. Therefore, there is a need to institutionalize appointments with a fixed tenure for judges, and transparency in transfers and promotions. The disproportionate use of force against opponents creates a cycle of vengeance that undermines the spirit of democracy and civility. In a similar vein, issues such as extrajudicial killings through “cross-fire,” enforced disappearances and torture while in custody must be addressed, as they weaken the legitimacy of the regime and the system of law and justice more generally. An independent judiciary could also check the arbitrariness of other government institutions.

Third, the government needs to repeal the Digital Security Act of 2018, which is often misused by law enforcement bodies. Without a free press, there can be no real democracy or rule by the people. The government immediately needs to take steps to arrest the degeneration of press and allow it instead to be a watchdog of democracy.

Fourth, Bangladesh needs to take steps to institutionalize governance structures in such a way as to restore people’s faith in the administration. For example, the functioning of the Anti-Corruption Commission, the Human Rights Commission and other such bodies needs to be depoliticized. These are important institutions that have the potential to generate popular faith in the administration. The rampant corruption needs to be addressed as an essential component of delivering good governance.

Fifth, the existence of a political opposition is critical in any democracy. It is essential that the opposition is afforded political space to criticize the government and engage in political activities. To address the current democracy deficit, the government needs to have regular dialogue with the opposition outside of the parliament.

Sixth, Bangladesh faces critical challenges in the area of economic development, creating employment opportunities, addressing underemployment, bridging the gap between the rich and poor, and making education accessible. Establishing a vocational-training institute and investing more substantially in R&D will help Bangladesh to produce skilled workers. Currently, skilled workers constitute only 27.2% of the total labor force in Bangladesh.

Seventh, the country's dependence on imports needs to be reduced through the creation of domestic alternatives. This will help Bangladesh address its trade deficit. Moreover, the country's export basket must be expanded. In the last five years, the country has addressed its energy shortage by importing electricity. There is also a need to diversify energy sources and make a long-term plan addressing the issue of shortages.