

## **BANGLADESH: RECENT POLITICAL DEVELOPMENTS**

*This note is an update on the political situation in Bangladesh provided in the country operations and business plan circulated to the Asian Development Bank Board of Directors on 2 November 2006.*<sup>1</sup>

### **I. Background**

1. In Bangladesh, the transition to democratic rule in 1991 left a vacuum in (i) oversight of the national parliamentary electoral process and (ii) transaction of government business during the election. The issue was addressed by appointing an interim government. Drawing on the positive experience of the interim government, Bangladesh has followed a system of a 3-month nonparty caretaker government to oversee general elections since 1996. The caretaker administration is headed by the most recently retired chief justice of the Supreme Court of Bangladesh as chief adviser and administered by up to 10 advisers who exercise the functional responsibilities of ministers. The caretaker government exercises full executive power of the Republic between the dissolution of Parliament and installation of a new government. Bangladesh has been well served by one interim and two caretaker administrations, which have benefited from the appointment of distinguished and politically neutral individuals as chief adviser and advisers in such governments. Despite confrontational politics, since the advent of the caretaker government system parliamentary elections have been free and fair, and transitions to elected governments have been generally peaceful.

### **II. Political Situation**

2. The political situation was highly confrontational and tense in the lead-up to the transfer of power from the outgoing Bangladesh Nationalist Party (BNP)-led 4-party coalition Government to the caretaker Government at the end of October 2006. The outgoing BNP-led coalition Government and the Awami League (AL)-led 14-party combine failed to resolve their differences and agree on the appointment of the chief adviser of the caretaker Government. In addition, the AL-led 14-party combine questioned the neutrality of the Election Commission, including the chief election commissioner, and the credibility of the voter list. They called for appointment of a neutral chief adviser, chief election commissioner, and commissioners for the Election Commission. They also threatened to boycott general elections scheduled for January 2007 if the demands are not met.

3. Sensing lack of support from all political parties for his appointment as chief adviser<sup>2</sup> of the caretaker Government, former chief justice Hasan withdrew his candidacy on 28 October. Hoping to develop a consensus on an alternative, the President conducted an unsuccessful dialogue with the major political parties. Following clashes between the BNP-led 4-party coalition and the AL-led 14-party combine, which led to an escalation of violence across the country on 28–29 October and resulted in more than 24 deaths and 2,000 injuries, the President, on 29 October 2006, as a “last” constitutionally mandated option, assumed the office of chief adviser in addition to his presidential responsibilities.

4. Although the BNP welcomed the President’s assumption of the chief adviser post, the AL-led 14-party combine neither clearly accepted nor rejected it. Controversy is based on the

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<sup>1</sup> Asian Development Bank. 2006. *Bangladesh: Country Operations and Business Plan* (2 November). Manila.

<sup>2</sup> Appointment of the most recently retired chief justice as the chief adviser of the caretaker Government is the first constitutionally mandated option.

question of the President's neutrality as he was elected President as a BNP nominee, and whether he fully exhausted all constitutionally mandated options in appointing the chief adviser before assuming the position himself. The AL-led 14-party combine called off its countrywide transport blockade on 30 October, asking the chief adviser to prove his neutrality by 3 November by meeting its 11-point demands. The demands include reconstitution of the Election Commission by removing the incumbent chief election commissioner and depoliticizing the bureaucracy and police administration. Meanwhile, on 31 October the chief adviser appointed 10 advisers to the caretaker Government to carry out the functions of the caretaker administration leading up to the general election. Most of the advisers are considered credible in terms of neutrality and have so far been well accepted even by the AL-led 14-party combine.

5. The serious standoff between the AL-led 14-party combine and the chief adviser of the caretaker Government continued throughout November, with the alliance imposing blockades and general strikes throughout the country, but also withdrawing the strikes from time to time to observe if their demands were being fulfilled. Meanwhile, the chief adviser announced a schedule for the electoral process for the general parliamentary election on 21 January 2007. The AL-led 14-party combine again announced a blockade from 3 December to demand cancellation of the poll schedule, correction of the voter list, and reconstitution of the Election Commission. The Nobel Laureate, Professor Muhammad Yunus has, however, urged the feuding political parties to restore peace and form a coalition government regardless of the election results.

6. Proving neutrality and depoliticizing the bureaucracy and law enforcement agencies are very difficult tasks for the caretaker Government in view of the politically charged environment. The greatest challenges are to make the Election Commission effective and credible, ensure participation of all major political parties in the electoral process, and hold the next parliamentary election in a free and fair manner. To make the administration neutral, the caretaker Government canceled contractual appointments of many top officials, transferred a number of senior officials, and made major changes in the police administration.

7. The international community is playing a major role in helping all political forces resolve their differences peacefully and restore normalcy in the country. The United Nations, United States, United Kingdom, and European Union, among others, are actively engaged in dialogue with the caretaker Government and feuding political parties to mediate tensions and make the transition stable.

### **III. Economic Developments**

8. Despite years of confrontational politics, the Bangladesh economy remains healthy with impressive progress in key development goals. Poverty declined to 40% in 2005 from 48.9% in 2000, showing a decline of 1.8 percentage points a year compared with an annual decline of only 1 percentage during the preceding decade. Gross domestic product (GDP) growth reached 6.7% in fiscal year (FY) 2006, lifted by strong performance in export-oriented manufacturing and services. In FY2007, GDP growth is expected to remain robust with strong performance in exports and workers' remittances. The garment industry is expanding rapidly in the post multifiber arrangement (MFA) environment with export growth exceeding 30% during the first quarter (July–September) of FY2007. The recent transport blockades and suspension of operations of Chittagong port have adversely affected economic activity across the country, and if continued, will adversely affect potential for growth. While its main focus is on resolving the complex political situation, the local consultative group of development partners continues to

discuss economic issues with the caretaker Government to encourage continuity of agreed economic reforms and development activities. The group's efforts have helped mitigate political risks facing the country's reform and development agenda during the transition. Other stabilizing factors include the free media, vibrant civil society, dynamic private sector, and empowered electorate.

#### **IV. Implications for Asian Development Bank Operations**

9. In recent days, the law and order situation has improved, but significant risks of further confrontations remain as the key demands of the political parties led by AL, i.e., neutrality of the caretaker Government and reconstitution of the Election Commission, have not been fully addressed. ADB operations in the country are continuing. ADB's Bangladesh Resident Mission is closely monitoring the situation in collaboration with the United Nations security system, and working in close partnership with development partners in the present uncertain environment.

10. Although the caretaker Government is authorized to take policy decisions for the day-to-day conduct of its business, the reform program could be adversely affected as the Government's attention focuses more on current complex political challenges. ADB's country strategy and program<sup>3</sup> does not anticipate any major new policy decisions and reforms during the tenure of the caretaker Government. The processing schedule of ADB-assisted programs and projects takes into account operational risks associated with the forthcoming election. Therefore, during the transition, ADB operations are focusing primarily on ensuring effective project implementation and implementation of agreed reforms. After the general election, ADB will intensify policy dialogue and project processing.

11. Predicting how the political situation in the country will evolve in the run-up to the general election is difficult, but some political agreement is needed soon to end the confrontation so that the country's impressive development will not be seriously set back.

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<sup>3</sup> Asian Development Bank. 2005. *Country Strategy and Program (2006–2010): Bangladesh*. Manila.