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***Political settlement dynamics in a limited-access order:
The case of Bangladesh***

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Abstract

This study explores the dynamics of the elite political settlement in Bangladesh during the last two decades (1991-2012), as well as its impact on economic development and political development, understood here as the process of maintaining a stable balance between state building,¹ rule of law consolidation, and democratisation² (Fukuyama, 2011). The concept of political settlement is crucial for understanding the dominant social order in Bangladesh: the disaggregation of the country's limited-access order into three distinct political settlements with different dynamics of elite interaction –competitive politics, economic realm, and social provision– provides a conceptually sound interpretation of the so-called 'Bangladeshi paradox' of high growth and pro-poor policy without 'good' governance. By focusing on the various equilibria conditions for elite strategy, this paper also begins to explore the conditions necessary for Bangladesh to transition into a more open social order.³

Keywords: Political settlements, developmental paradox, Bangladesh, partyarchy, Limited Access Order

¹ As part of state building, the study mainly examines the development of impersonal organisations within the state and consolidation of legitimate state violence capability.

² The study mainly explores the evolution of rule of law among elites and defines democracy in the minimalist procedural sense.

³ This study has mainly used desk-based research. Primary qualitative data has been collected through interviews with key informants (business individuals, journalists, lawyers, doctors, bankers and academics). Relevant data has also been collected from major national dailies. For specialised data on state–business relations, a qualitative survey was conducted outside the capital city in two major districts. Twenty-eight business individuals were interviewed for the survey.

1 Introduction

In the 40 years since independence, Bangladesh has increased its per capita income fourfold, cut poverty by more than half, and is now set to achieve most of the Millennium Development Goals. Notwithstanding many external and internal shocks, per capita income has risen continuously and steady progress has been made in lowering poverty. After decades of slow economic growth, the economy's expansion during the 1990s – an average, annual GDP increase of almost 5 per cent – meant a rise in real per capita GDP of 36 per cent, twice the average rate of other low-and middle-income countries in the same decade. During the first decade of the 21st century, the average economic growth rate approached 6 per cent per annum. Progress in reducing poverty has also been substantial: the percentage of the population living below the poverty line went down from more than 80 per cent in the early 1970s to 31.5 per cent in 2010. The decline in poverty in Bangladesh stems in large part from strong, decade-long economic growth.

Such high growth performance and social development have been perceived as a 'paradox' by economists at the World Bank as well as by other close observers of Bangladeshi development (World Bank, 2007 a; 2007 b, 2010; Mahmud *et al.*, 2008; WDR, 2013). It is a paradox to the extent that growth and social development took place in the context of 'bad' governance characterised by systemic political (patron-clientelism) and bureaucratic corruption, an inefficient state, weak regulatory capacity, confrontational politics, political instability and politicised and corrupt judicial institutions. In the earlier part of the 1990s, the political order in Bangladesh witnessed significant changes, as reflected in the shifting balance of power between the three most powerful elites: politicians, military, and the civil bureaucracy. With the forced departure of General Ershad (1982-90), the military ceased to be a direct player in politics, and for various complex reasons, the power and status of the civil bureaucracy also eroded considerably during this period (CGS and BRAC RED, 2006; IGS, 2008; Blair, 2010). This led to the emergence of the political class as the most powerful actor of the dominant elite coalition. Such balance of power has remained intact for the last two decades of democratic transition, except for the two years in 2007-08, when the military became the *de facto* supreme power holder, being the principal backer of the Care-taker Government (CTG). It is noteworthy that during the period between 2001 and 2006, when Bangladesh was ranked number one in corruption ranking by Transparency International for five consecutive years, the economic growth rate nonetheless increased from 4.8 per cent to 6.5 per cent.

The problem with the 'Paradox' argument is that it assumes standard 'good governance' institutions, i.e., 'market enhancing governance' institutions (Khan, 2008) as a *pre-condition* for a high and sustained growth rate in the economy. According to this view, market-enhancing governance institutions make the market efficient by reducing

transaction costs and ensuring the credible commitment of the state through formal and universal property rights, enforceable contracts, a non-corrupt and meritocratic Weberian bureaucracy (impersonal administration, corporate coherence of the organisation, etc.), the rule of law, etc. This is akin to what North, Weingast and Wallis (2009a); NWW (from now) have called an “open-access order”. In the case of Bangladesh, however, clearly a different form of limited-access order dominates: mainly informal governance institutions, incentive mechanisms,⁴ and a growth-enhancing political settlement created the *de facto* enabling conditions for such higher and sustainable growth rate and social development.

2 Lower-level political settlements and the logics of social-order transition

The concept of political settlement (PS) as used in this study essentially means elite equilibrium. According to di John and Putzel (2009, p.4), political settlement ‘refers to the balance or distribution of power between contending social groups and social classes...’. Although not made explicit, this notion of political settlement can also be gleaned from North *et al.*’s social order framework through their notion of “double balance”:

The incentives embedded in...organizations produce a *double balance*: a correspondence between the distribution and organization of violence potential and political power on the one hand, and the distribution and organization of economic power on the other hand. The idea of double balance suggests not only that all of the social systems in a society must have an internal balance of interest but also that the political, economic, cultural, social, and military systems must contain compatible systems of incentives across the system if the society is to remain stable (NWW, 2009a, p.20).

The idea of double balance highlights a major assumption of the notion of political settlement: elite groups bargain among themselves to establish institutional arrangements that can distribute resources in a way that satisfies all groups. This means that the distribution of resources must be compatible with the relative power of the social groups. Potential leaders compete with each other to control resources and power through violence. This results in two broad kinds of orders, Limited Access Order (LAO) and Open Access Order (OAO), which differ chiefly in the way conflict/violence is addressed by the relevant actors and the nature and role of rents⁵ in managing such conflict/violence. In LAO, conflicts are managed through elite negotiations in a personalised and discretionary fashion. Rents are generated by limiting access (providing exclusive privileges and suppressing competition) to critical social, economic,

⁴ Informal ‘deals’ that tend to do the tricks (see Prichett and Werker, 2013).

⁵ NWW defines rent as a “...return to an asset that exceeds the return which the asset can receive in its best alternative use....rents can be created or increased by limited access – for example, when the state grants an individual monopoly privileges over an activity” (NWW, 2009b, p. 68, footnote 11 what does this indicate?).

and political resources.⁶ OAO is characterised by pluralistic, open, competitive political and economic arrangements, which ensure the rule of law, universal protection of property rights, the impersonal organisation of social, economic and political transactions, the existence of perpetually lived organisations ‘whose existence is independent of the lives of their members’ (NWW, 2009a, p.23), and state monopoly over legitimate use of violence.

During the most recent competitive clientelistic⁷ phase (1991-2012), Bangladesh has clearly fallen under the category of Limited Access Order, with a dominant coalition of elites divided into an inner and an outer circle. Politicians, military, and the civil bureaucracy – notwithstanding different *de facto* divisions and factions within each group – constitute the *inner circle* of the dominant coalition. The Awami League (AL) ruling party, particularly its top leadership (the prime minister and her immediate family members and other close relatives, a few party leaders absolutely loyal to the prime minister, selected senior members of the cabinet), has *de facto* control and veto power over: the way the legislature and parliamentary committees functions; major policy formulation and their actual implementation; major procurement decisions and development allocations; and *de facto* functioning of the law and order enforcement agencies. The ruling party’s power is only constrained, to a limited extent, by the occasional interventions of the higher judiciary (mainly in relation to social and commercial decisions and rarely on political issues), by public scrutiny of its actions by the private media and prominent rights-based NGOs, and by the fear of military take-over.⁸ The *outer circle* of the dominant coalition includes the other top politicians, mainly

⁶ LAO is of three types: fragile, basic and mature. The state cannot support any organisations of the fragile type and in fact, the state can even hardly protect itself when exposed to internal and external violence. Basic state is, in comparison to the fragile type, well established, and can generally withstand violence. It is able to support organisations, but only within it, implying elite rights and privileges are closely identified with it. The state in mature LAO can support a wide range of sophisticated organisations outside its immediate control. But there is a limit to the process of private organisations becoming independent in mature LAO. Private organisations continue to be sanctioned by the state, so that the state can limit the competition to generate rents needed for the maintenance of the dominant elite coalitions. Unlike OAO, violence capability is diffused within the society in LAO, but a gradual concentration/consolidation of legitimate use of violence within the state tends to characterise the mature LAO.

⁷ Khan (2010).

⁸ Inside the inner circle, the ruling political actors do not enjoy unconstrained power. The fear factor of a military takeover (both directly but mainly indirectly, as during the last CTG) period is a strong incentive for political actors to give freedom to the military to decide on the way its finance is managed. For instance, civilian governments never attempted to make military budgets transparent. But the military’s quiescence is bought at a high cost. These costs include, formally, a higher level of budget allocation for defence and, informally, relaxed or little regulation of ‘*fauzi banijjo*’ (the military’s commercial operations). Politicisation of the military (promoting partisan officers and placing them in strategically sensitive command positions, stopping promotion of officers allegedly loyal to opposition and placing them in strategically marginal positions are common strategies among others) and co-opting high-ranking retired military officers in the party have been two other important strategies that political elites utilise to diffuse

from the Bangladesh Nationalist Party (BNP), Jatiya Party (JP) and Jamat-e-Islami (JI), and business and elite professional associations like medical and bar associations.⁹

The limited-access social order in Bangladesh is characterised by an overarching elite political settlement which has three distinct lower-level elite settlements, each one organising a different domain: competitive politics, the economy, and social provisioning. The overarching settlement shapes but does not completely determine the nature and functioning of the lower-level settlements. The dynamics of these three lower-level settlements are distinct in terms of the nature of the incentives of the elites within each settlement and also in terms of the impact that such incentives have on political and economic development. The central assumption of the social-order framework is that the dominant incentive of the elite is to manage violence and this is done through strategic rent allocations among powerful elites; but we also need to focus on political exigencies and other non-tangible factors, such as ideology (largely instrumental in our case) and elites' need for legitimacy building through non-economic means, to explain how elite political settlements are maintained and how self-enforcing intra-elite cooperation evolves (or not).

NWW (2009a) provide an analytical framework for understanding of the logic of transition from limited-access order to open-access order. The necessary changes in institutions, organisations and behaviour – following the assumption of double balance between political and economic order – must be incentive-compatible with the interests of the dominant coalition. This means that change can happen only at the margin and in two stages, firstly among elites themselves (institutionalising impersonal relations and broadening access in intra-elite relations), and secondly in a 'proper transition', when members of the dominant coalition find it in their own interest to broaden and institutionalise impersonal relationships on a universal basis (opening access to non-elites). NWW argue that three 'doorstep conditions' need to be met to generate incentives among elites to foster impersonal relations among themselves: the consolidation of the rule of law for elites; the development of perpetually lived organisations in the public and private spheres; and the consolidation of political control of the military.

For a contemporary LAO like Bangladesh, the core problem of transition to maturity is not how to overcome the barriers to create formal institutions, as was true for the first movers to open-access order (i.e. European and North American countries), but how to deal with the inevitable processes of informalisation and capture of formal institutions

the threat of military takeover. As incentives, hundreds of army officers are also given the opportunity to serve in the civil administration on lien.

⁹ The matrix of actors in the inner circle and outer circle described above can be equally applied when BNP was the ruling party (twice during the democratic transition period that began in 1991). All we need to do is to replace BNP with AL in the inner circle to describe the overall matrix during BNP era.

(constitution, courts, parliament, bureaucracy, police, etc.) by elites who would like to preserve a limited access to these.¹⁰ As Bangladesh experiences have shown, political elites typically attempt to circumvent the effects of OAO types of institutions/organisations by mainly imposing informal limitations on these, through resisting their institutionalisation or by *de facto* capture. But contemporary LAOs are also embedded in a world political and economic order dominated by the hegemonic values, norms and institutional forms of existing OAOs, which tend to inform the designing of institutions in the LAOs. The challenger elites who defy the logic of the LAO or dominant political settlements are also inspired by such values. When established elites are forced – mainly by international actors – to establish self-restraining institutions (constitutional bodies, such as anti-corruption commission, Human rights Commission, etc.) they allow these to operate, but only within the logic of LAO. In most cases, such institutions, as well as laws and regulatory policies, are established as ritualistic compliances to OAOs norms and standards (Hassan, 2001).

The Bangladesh case reveals that the explanatory power of the social order framework will be further enhanced if the role of actors' agency (understanding of the micro-behaviour) is given more attention in analysing relevant institutional changes.¹¹ Adopting such micro-level reasoning implies that we take seriously the need to understand the *games* that actors are able to play within the broader rules of the game.¹² Hence the need to refine social-order framework with the notion of disaggregated political settlement.

In the case of Bangladesh, transition to open-access order is complicated by the existence of three lower-level political settlements with distinct trajectories of their own, informed by specific incentives of elites and the nature of intra-elite relations. These three political settlements are also interconnected through the larger elite political settlement, which is mediated by a specific political institutional form called partyarchy: a democratic political system in which “political parties monopolize the formal political process and politicize society along party lines” (Coppedge, 1994, p.18). As this study shows, the differential impacts of the three political settlements on political and economic development can be explained by the specific ways in which two different types of partyarchy – monopolistic and duopolistic – mediate the links between the lower-level settlements and the overarching political settlement (Figure 1). In contrast to the political domain, where the dynamics of monopolistic partyarchy have led to the non-

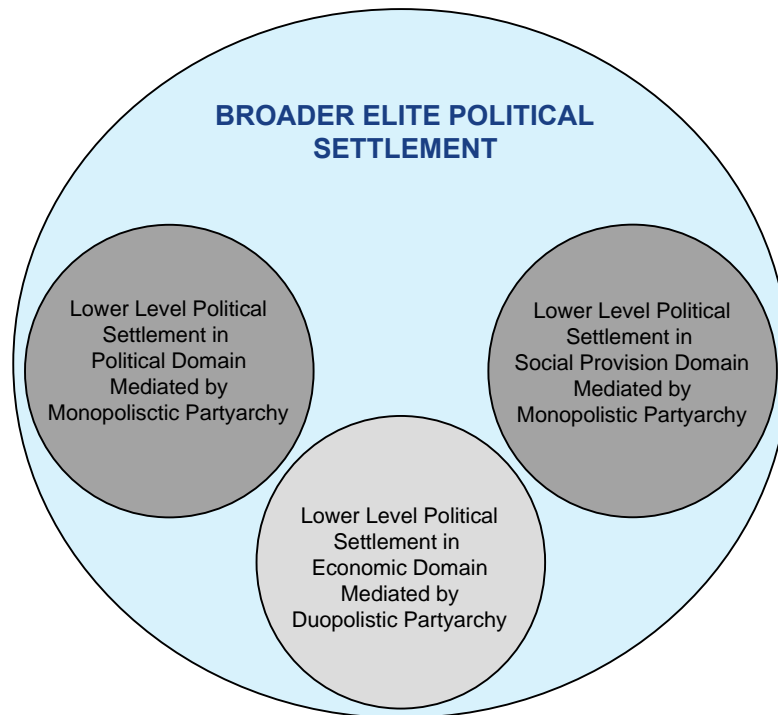
¹⁰ North, Wallis, Webb, Weingast (2007, p. 31): “Whereas limitations on access were often formal in earlier LAOs...the limitations in LAOs today are frequently informal”.

¹¹ The lack of micro-level reasoning, in NWW's framework, to explain actors' behaviour in the process of transition from one AO to another has been observed by many scholars (Bates, 2010; Margo, 2009). As Bates observed (2010, p. 755): “I wished to be introduced to the active agents, be they politicians, merchants, farmers, or kinsmen. I wanted to be informed about the problems they faced, the constraints they encountered, the belief they entertained, and the strategies they devised”.

¹² I owe this metaphor of the game to Adrian Leftwich (personal communication).

consolidation of competitive democracy and potential instability (mainly related to elite succession), partyarchal domination in the economic domain has created enabling conditions for the private sector to grow and pro-poor development programmes to flourish.

Figure 1: Political Settlements in Bangladesh



3 Political settlement I: competitive politics and elite conflict

Since the beginning of the democratic transition in 1991, the results of various elections indicated that electoral politics in Bangladesh were evolving towards a *de facto* two-party system, led by the Awami League (AL) and Bangladesh Nationalist Party (BNP). Recent trends, however, point towards the evolution of a coalitional form of electoral politics, albeit overwhelmingly dominated by the same parties. Although numerous parties contest in the national elections, only four parties –AL, BNP, Jatiya Party (JP) and Jamat-e-Islami (JI) – can be considered effective in garnering any votes. These four are

also 'catchall'¹³ parties that are partially institutionalised (CGS, 2006). Parties representing narrower constituencies, such as left parties representing industrial workers or parties representing the peasantry, never emerged as viable entities in Bangladesh, perhaps due to the contingent nature of the evolution of major catchall parties (Kochanek, 1993; Sobhan, 1993; Sobhan and Ahmad, 1980). Indeed, a dominant feature of Bangladesh as a polity is its low level of polarisation¹⁴. Despite the rhetoric of 'Islamic identity' (BNP, JP) and a tactical consensus on the constitutional principle of Islam as the 'state religion', all three major parties (AL, BNP, JP) are *de facto* secular. JI, the only major Islamist party, has kept its project to establish an Islamic state on the backburner in order to survive and increase its legitimacy in mainstream politics.¹⁵ A broad consensus also exists between the major parties regarding major economic policies.

The very low fragmentation¹⁶ of parties during the last two decades indicates that the party system in Bangladesh is very stable. This stability, together with the increasing penetration and institutional strengthening of at least two major parties (BNP and AL) in rural society and their continued electoral legitimacy, has created a situation where party and political elites have managed to politicise and control not only the state, but civil society as well. In fact, the very nature and dynamics of the social order have been predominantly shaped by the political hegemony and the informal institutional control of the two dominant parties over public and private institutions – a democratic political system that has been described as 'partyarchy'.

3.1 Partyarchy and the state

During the democratic period, partyarchy has operated in a complex manner across state organisations and social sectors. Dominant parties have successfully politicised state institutions and organisations along party lines, and they have established a clientelistic control over civil society organisations, such as trade unions, and business and professional associations. The alternating monopoly that the AL and the BNP held on Bangladeshi politics during the period of democratic transition determined the nature of party–state relations, as well as those between state and society. In reality, there were three forms of partyarchal governance: monopoly (winner takes all); duopoly (ruling party shares power and rents with another major party); and, in rare instances, pluralist (in which other smaller parties have a certain share of the power and rents).

¹³ According to Mainwaring (1999, pp. 18-19), catchall "...parties attempt to cast their appeals for votes in sufficiently broad terms that they can capture the sympathies of broad segments of the population, rather than concentrating on winning the support of a particular class.... They eschew polarizing ideological positions and seek access to a variety of interest groups rather than relying heavily on one".

¹⁴ Polarisation means ideological distance among parties (Haggard, 1997).

¹⁵ Recent Wikileaks revelation.

¹⁶ Fragmentation implies the presence of many effective parties competing with each other (Haggard, 1997).

Monopolistic partyarchal governance is evident in the way the ruling party relates to state institutions and organisations and autonomous constitutional bodies. *De facto*, the ruling party tends to have partisan control over the civil bureaucracy, state-owned electronic media, law enforcement agencies, institutions of horizontal accountability (Public Service Commission, Anti-Corruption Commission), the lower judiciary and – more recently– also the higher judiciary (Hassan, 2001; CGS and BRAC RED, 2006; and IGS, 2008; ICG, 2012). With such partisan use of law enforcement agencies and judiciary, the democratic transition of the last two decades has been essentially characterised by management of political conflict which is zero-sum oriented and distinctly illiberal.

Partisan control over law enforcement agencies has enabled the ruling political party to use the police (and other security forces) as *de facto* private enforcers of violence. The politicisation of the police recruitment process is one of the critical strategies to ensuring such partisan control. This strategy worked in a systemic manner that utilised a predictable and stable network of insiders (partisan Ministry of Home Affairs officials) and outsiders (ruling party politicians). The motivation for such partisan recruitment usually focused on ensuring the loyalty of police officials at the local level. It was also a useful means of harassing opposition political leaders (Hassan and Huda, 2009; ICG, 2009; CGS and BRAC RED, 2006). The politicisation of law enforcement agencies, along with an illiberal management of political conflict, have *de facto* institutionalised the privatisation of violence, whereby the ruling party's political fronts (labour, youth, student) and local cadres are deployed to terrorise and discipline opposition activists. Such private actors are critical to the nurturing of local political machines and, given their political importance, they enjoy virtual immunity from the law.

Political elites' reliance on bureaucracy to help dole out economic patronage, and the latter's potential capacity to manipulate the election process, have given the civil service a certain bargaining capacity vis-à-vis its political masters (demonstrating the logic of reciprocity in patron–clientelistic relations) (CGS and BRAC RED, 2006; IGS, 2008). As a consequence, successive governments have largely failed to ensure accountability and transparency of these state functionaries and have also failed to carry out even elementary types of governance reform within this institution.

Executive and party control over the lower judiciary, a legacy of the authoritarian period, continued unabated during the period of democratic transition. This meant a systematic political influence on law adjudication and selective prosecutions by the lower judiciary to favour political allies and intimidate opposition political activists. Despite pressures from within, as well as from international actors, both ruling parties successfully managed to stall the process of separation of the judiciary from the executive until the military-backed Care-Taker Government (CTG) achieved it in 2007.

The higher judiciary was relatively immune to this blatant form of politicization, even during the authoritarian period (1975-90). Attempts were made during the authoritarian rule of General Ershad (1981-90) to control the judiciary through administrative measures like decentralisation of high court benches in divisional cities, but in the face of united (cross-party) resistance from lawyers such attempts ultimately failed. Even during the authoritarian period, the recruitment of judges was largely free of any political bias; those recruited were mostly competent and the high court authority had formal and *de facto* veto power in their confirmation (a few incompetent judges recruited by the government were not confirmed). During the first democratic regime of the Bangladesh Nationalist Party (1991-96), recruitment of judges continued to be based largely on merit, although the government made sure that no explicitly pro-Awami League candidate entered the high court. The Prime Minister duly consulted the Chief Justice, who was also able to veto recruitment-related decisions (Hassan, 2005)

The systematic politicisation of the recruitment judges essentially began during the second democratic regime of AL (1996-2001). The law regarding the selection of the head of the CTG created the incentive for political scrutiny of judges, especially for nominating senior judges for the Appellate Division. According to the law (based on the 13th amendment of the Constitution) the immediate past Chief Justice was to be the head of the interim CTG. This created a strong incentive for the government to nominate judges to the Appellate Division who were perceived to be loyal to the government, since according to the Rule of Business, Chief Justices are selected from the judges of the Appellate Division. During the second administration of the BNP (2001-2006), politicisation of judicial appointment and general political influence over the higher judiciary increased considerably (Hassan, 2005; CGS and BRAC RED, 2006).

As noted above, the judiciary was finally separated from the executive during the military-backed Care-Taker Government in 2007. The current democratic regime of the Awami League (2009 to the present) has been using formal and informal strategies to reverse the achievements of judicial reform initiated by the CTG and compromise the independence and integrity of the system (Hossain, 2010; ICG, 2012). According to many close observers of the system, the higher judiciary is currently enjoying the lowest level of autonomy of the entire post-authoritarian phase.¹⁷ The opposition occasionally protests the blatant political use of higher judiciary by the ruling party, organizing demonstrations even within the High Court premise. The judiciary has become an arena of partisan politics, mimicking the broader confrontational politics in the country.

During the last two decades, politicisation of the higher courts essentially meant a high vulnerability to political influence in cases settling political issues (including corruption

¹⁷ Discussions with lawyers and former judges. For recent analysis on declining autonomy and politicisation of the High Court, see Hossain (2010) and also ICG (2012).

charges involving politicians and business clients), but much less so when dealing with commercial disputes or in cases of Public Interest Litigation (PIL) filed by rights-based NGO and public-spirited citizens. This independence of the higher judiciary in selective domains has allowed it to sustain, to a certain extent, rule-based economic governance and promote PIL as a way to enable rights-based and environmentalist groups to limit the state's illiberal practices and to exact a certain degree of accountability from both state and powerful business groups. However, such independence has also declined in recent times, especially regarding commercial disputes.¹⁸ This process started during the later period of second BNP rule (2001-2006), but the political influence on commercial dispute resolution has further increased during the current regime of AL.¹⁹

3.2 Partyarchy and civil society

Both duopolistic and pluralist partyarchal forms of dominance are manifested in the domain of party-civil society relations. Political parties (pre-dominantly AL and BNP, but also to a limited extent JP and JI, and in rare cases other smaller parties) have directly or indirectly colonised almost all important civil society organisations (CSO).²⁰ Although these CSOs are generally pro-active and have a large membership base, due to the clientelistic dependency of their leadership on political parties they are virtually incapable of demanding accountability from the state in their stated policy domains or even functioning as pressure groups to defend collective professional interests.

Duopolistic partyarchal control (by AL and BNP) is most evident in powerful CSOs, such as associations of lawyers and doctors, where factions loyal to each party interact in a zero-sum fashion and the faction belonging to the ruling party monopolises rents and privileges. Doctors affiliated with the opposition party suffer in the interim period and uncomplainingly await their turn.²¹ Their ability to claim a share of rents through hard bargaining or violent agitation is severely limited, due to their legal status as government employees – a constraint that other independent professionals, such as lawyers, do not have (see below). Ruling-party-affiliated doctors' associations are able to provide substantial patronage to loyal members by providing access to rents (procurement, contracts) and through rapid promotion and placement in lucrative positions in the public health administration, contravening formal civil service rules and norms and thus generating perverse incentives throughout the system.²² Ruling party factions also protect 'absentee' doctors posted in the Upazila (sub district) areas, who are able to keep their jobs and draw salaries for years by spending a fraction of their service time in their assigned hospitals. Thus, partyarchal control over professional associations tends

¹⁸ According to Global Competitiveness Report 2011-12, the percentage of business actors in Bangladesh who believe that the judiciary is susceptible to corruption has increased from 52 per cent (in 2010) to 67 per cent in (2011).

¹⁹ Discussions with lawyers

²⁰ Hassan and Hossain (1997) and Hashemi and Hassan (1999).

²¹ Discussion with doctors.

²² Discussion with doctors.

to have negative consequence for the quality of health service delivery for the poor (Hossain and Osman, 2007).

Similarly, lawyers loyal to the ruling-party faction of the association monopolise positions in the attorney general's office. The political payoffs from controlling such civil society groups can also be very high for opposition political elites. For instance, lawyers' associations loyal to the opposition party can play a critical role by countering and neutralising the blatant political use of the judiciary by the ruling party, in order to harass opposition leaders. Such countermeasures can include modes of protests ranging from legal actions to boycotting 'pro-ruling party' judges, as well as violent agitations inside the court rooms to intimidate judges. With the declining autonomy of the higher judiciary in recent years, the frequency of such violent incidents within the judicial compound is on the rise.

Trade unions in both public and private sectors are generally subject to a duopolistic form of partyarchal control. Beyond major parties there are also strong representations of smaller left-wing parties in the trade unions, which need to be accommodated in the prevailing partyarchal forms of domination. Trade unions usually generate a substantial amount of rents (mainly through extortion and protection money) and ruling party factions actually share such rents with the opposition political elites (see Section 4.1.6 on the urban transport sector). This sharing ensures peace and stability in otherwise highly volatile and conflict-ridden areas of civil society.

The incentives generated by partyarchal control to remain loyal and maintain close links to the ruling party are clearly exemplified in the way the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI), the top association of the business community, nominates and elects its leadership. Leaders are usually nominated by the Ministry of Commerce before being selected through manipulative elections characterised by vote buying (nurturing small pocket association and trade bodies, which act as vote banks). Federation office bearers tend to remain explicitly loyal to the ruling party. During the earlier part of the 1990s, the elections of the FBCCI manifested intense partisan competition between business leaders supported by AL and BNP, respectively (Kochanek, 1993, 2000). The executive committees tended to include a balance of business leaders aligned to both parties; this at least allowed the leadership a certain degree of autonomy. But since 1996 the ruling party has successfully monopolised the leadership of the association by ensuring that the FBCCI's elections reflect pre-determined outcomes²³ (Hassan, 2001; RED and CGS, 2006). Such state-business nexus is a positive-sum game, since business leaders also have incentives to express

²³ Not surprisingly, during the military-backed non-partisan CTG (2007-8) the FBCCI leadership was strictly non-partisan and was elected through a transparent and credible election. The election could be carried out in such fashion due to the absence of partyarchal influences. Subsequent elections were influenced by the ruling party.

explicit loyalty to the ruling party for the purpose of securing greater access to state patronage and ensuring pro-business state policies.

Export-oriented garments associations, such as the Bangladesh Garments Manufacturing and Exporters Association (BGMEA), are relatively independent actors which have successfully resisted politicisation by the ruling party several times in the past. Global exposure (they mainly deal with global actors) and their relatively smaller degree of dependency on the state perhaps explain their independence from the monopolistic partyarchal control. But independence is only relative, as the leadership of these organisations strives to maintain a strategically balanced relationship with both AL and BNP. The state–business relation in the case of BGMEA is *de facto* governed by a duo-polistic partyarchy.

Associations representing SMEs are generally marginal players, but the most powerful one, *Dokan Malik Samiti* (Association of Shop Owners), also strategically entertains duo-polistic partyarchal control over their leadership. Through its bi-partisan leadership and strong capacity for collective action, the *Samiti* has successfully protected its members from large-scale extortion by ruling-party aligned thugs, youth, and student fronts – the major private enforcers of violence. Lacking any support from the police, who usually fail to deal with these threats, *Samiti* created its own defence mechanism (in the form of vigilante groups) to secure orderly business transactions and protect property.²⁴ Such a dual strategy – manoeuvring with the partyarchy as well as utilisation of its violence capability – is not unique to this business group: to circumvent the potentially negative effects of monopolistic partyarchy in the economic domain, the strategy has been adopted by other market actors as well.²⁵

3.3 Challenges to the political settlement: rights-based NGOs and the media

Over the last two decades of democratic transition, the illiberal form of political governance has been consistently challenged by two escapees from partyarchal domination: rights-based NGOs and the media.

Rights-based NGOs were able to escape the influence of partyarchy due to their economic independence from the state (they are funded by international donors) and on certain occasions protection given by the powerful donor countries (mainly the United States and European countries). But such near-total reliance on donors increases the precariousness of these NGOs, making them highly dependent on the shifting strategies and policies, which quite frequently are contingent on the foreign policy priorities of the donor nations. The Paris Declaration, which mandates that donors consult with recipient countries' NGOs in setting priorities to ensure 'ownership' over programmes, hardly works in practice (Nazneen, Sultan and Mukhopdya, 2011).

²⁴ Discussion with Samiti leaders

²⁵ Further discussion on this in Section 5.

The central mandate of rights-based NGOs has been to create demand for ‘political good governance’ (integrity, responsiveness and accountability of the state), a ‘rule bound state’ (observing human rights and non-partisan and non-corrupt enforcement of law), and ‘electoral good governance’ (independence of the Election Commission and fair elections). Their power is essentially based on their sophisticated networking capacity, links with national media and strategic uses of higher courts (writ petition, public interest litigations) (Hassan, 2006).

Since the fall of the authoritarian regime in 1990, private print media has enjoyed a significant freedom, due to changes made in the relevant law by the Care-Taker Government (CTG), which conducted the first free and fair elections in 1991. With aggressive reporting, exposés and frequent use of media scandals, the print media has proved itself to be the strongest link in the chain of public accountability;²⁶ this is perhaps truer at present, given the significant decline of the *de facto* authority and prestige of the higher judiciary in recent years.²⁷ Even so, the print media’s influence is still limited by the low rate of literacy, particularly in the rural area (NHRC, 2011).

Absolute government control over publicly owned electronic media implies that the ruling party has *de facto* ‘ownership’ of television and radio, providing it with the opportunity to manipulate the information on national political and economic processes that the vast majority of poor citizens in rural areas are receiving.²⁸ Such control, especially over state-owned TV (which is very popular and has extensive and intensive coverage throughout the country), provides the ruling elite with a major advantage in terms of building and consolidating the legitimacy of the prevailing social order. Major opposition parties criticise the partisan nature of news programmes, but even if they have

²⁶ Numerous examples can be given to show the critical role that print media has played to limit elite discretionary behaviour in both political and economic domains. One example can be cited from the 1990s, when an extreme form of elite predation in the banking sector threatened the collapse of the system. As Hassan (2001) observes: “The print media have exposed secret collusive deals between powerful business groups and senior officials of the NCBs [Nationalized Commercial Banks]. Such fire alarm strategy tends to put pressure on the board to take corrective actions and also draw quick attention of the central bank to intervene. Also by publishing investigative reports on fraudulent activities and insider lending practices of the PCB [Private Commercial Bank] directors, the print media has been able to impose a certain limit to these activities over the last decade. Given the weak form of legal enforcement, *the bank [Central Bank] management has often used print media to exert pressure (naming and shaming strategy, media trial) on the defaulting private borrowers*” (Hassan, 2001); emphasis mine.

²⁷ An influential study on Bangladesh’s governance by the World Bank, published in the late 1990s, identified the higher judiciary as the strongest link in the accountability chain (World Bank, 1999). The observation was perhaps based on the judiciary’s role during the 1880s (during the military rule of General Ershad) and early 1990s. The autonomy and integrity of the judiciary have declined considerably since then.

²⁸ NHRC survey (2011) for television’s important role in disseminating ideas/information in rural areas; Ali and Hossain (2006) for the effectiveness of the media in building an uncritical image of the national political elites among the rural population.

demanded equal coverage of opposition activities and viewpoints, it is noteworthy that they have never called for the autonomy of the publicly owned electronic media.

The monopoly over electronic media by the ruling party started being eroded from the mid-1990s, when private TV channels started operating (CGS RED, 2006). As in print media, private TV has also evolved as a significant source of critical information for citizens (mostly in urban areas, but increasingly in rural ones too) and a major source of embarrassment and irritation for political actors. Members of Parliament and politicians have repeatedly demanded the enactment of laws to restrict media freedom.

Realising their potential power, political and business elites have started acquiring newspapers and TV channels. For business elites, owning media provides increased negotiating power within the dominant coalition, although ruling elites tend to guard such privilege zealously (now it is quite impossible to acquire a licence to open a TV station or launch a newspaper without a direct or indirect partnership with ruling politicians). Such ownership, paradoxically, has had unintended consequences. The media industry has come to realise that it is not possible to capture audiences in a fiercely competitive media market if news coverage, political talk shows, and commentaries have any partisan bias. As a result, dozens of newspapers and TV channels owned by the political elites (of both AL and BNP) are now struggling to survive in the media market by projecting a non-partisan image of themselves and also being very critical of the existing political and economic governance. Whatever the political identity of the owner, private media has become a *de facto* challenger to the existing political settlement and the strongest ally of rights-based NGOs in their contestation of the illiberal mode of political management.

3.4 The excluded elites: developmental NGOs

During the 1970s and 1980s, many developmental NGOs actively engaged in radical 'conscientisation' of the poor and other social movements, as well as advocating pro-poor development, were considered counter-elites and challengers to the dominant political settlement (Hassan, 2006). The political elites' responses to such radical postures of NGOs ranged from formal containment strategies (creating highly restrictive regulations or withholding funds) to informal strategies (harassment of NGO officials by police or local political elites). The nature of their responses to NGO activities depended on how they perceived the balance of power between them and the NGOs at different times; such responses varied from "...benign neglect to co-option to smear campaign and repression" (Stiles, 2002, p.125).

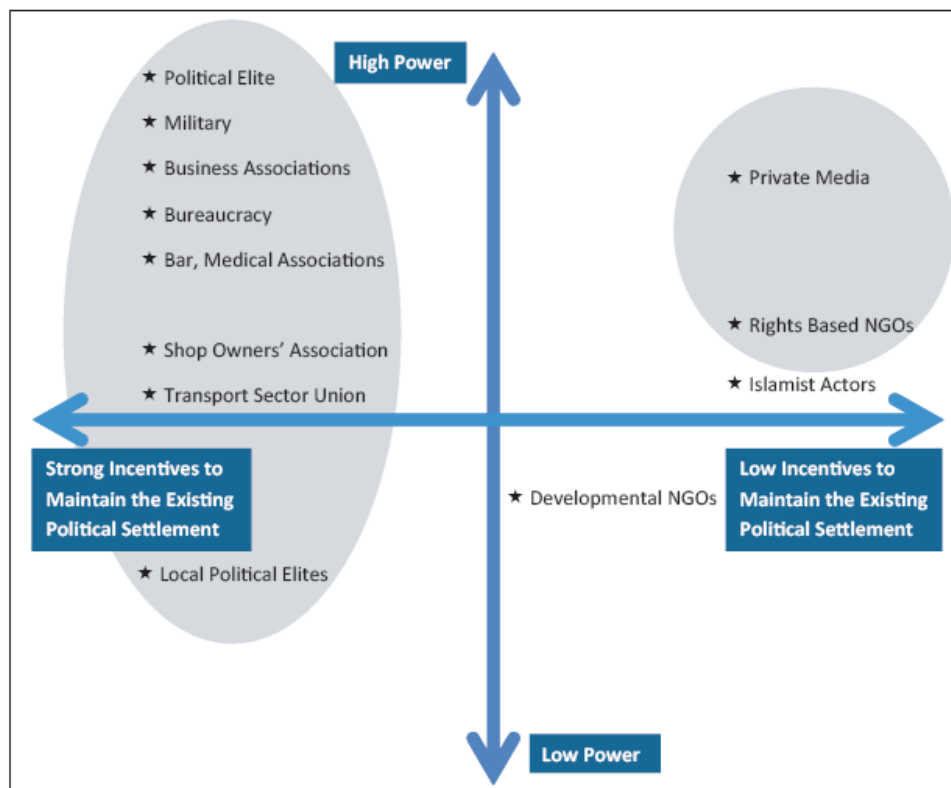
By suppressing and neutralising the radical social mobilisation activities of the developmental NGOs, the prospects for mobilised non-party, pro-poor politics have been put to rest for the time being. This has perhaps largely eliminated potential ideological

challenges to the prevailing political and ideological hegemony of the political elites over the rural citizenry. NGO abandonment of radical social mobilisation over time was partly due to state repression and partly to the availability of attractive alternatives to pursue, namely micro-credit and service delivery, both of which ensured ample donor support and financial stability for the organisations. By the late 1980s, the government also found it strategically convenient to offer sub-contracts to developmental NGOs for delivering services in the areas of health, education and sanitation, among others. Given the strong incentives to avoid state repression and to access resources from donors and the state, most NGOs, by the earlier part of the 1990s, opted for service delivery and an advocacy strategy of political nature.

3.5 Trajectory of the political settlement in competitive politics

Figure 2 summarises the distribution of actors in the Bangladeshi political settlement according to their support for the status quo and their relative power, with the ellipse signifying the vertical clientelistic coalition and the circle indicating the *de facto* challenger coalition.

Figure 2: Distribution of actors in the Bangladeshi political settlement



Source: Based on Tables 2, 3, 4 and 5 (see Appendix).

As foregoing discussions indicate, throughout the democratic period political elites (both ruling and opposition) have maintained a *de facto* consensus on monopolistic partyarchal control over certain domains of political governance. One can identify at least four equilibria²⁹ in this regard: a) the first is an illiberal mode of administration and management of political conflict, which refers to the partisan use of civil bureaucracy and law-enforcement agencies, as well as executive control over the lower judiciary; b) early avoidance of establishing agencies of self-restraint³⁰ and later, when political elites were forced to establish some of these agencies due to international pressure, the assertion of partisan control over these through formal and informal means, as well as resistance to their autonomy and institutionalisation;³¹ c) continuing partisan control over the powerful state-owned electronic media; and, finally d) partisan use of the higher judiciary, *but within a limit*. *De facto*, the four equilibria have resulted in rule by law, rather than rule of law.

Given these four equilibria, the political cost of depriving citizens of liberal political governance has been perceived as low by the major parties. An elite consensus in these four domains and the electoral legitimacy of the political elites of dominant parties also explain the durability of the settlement over the last two decades. The political settlement, however, remained extremely vulnerable to instability and breakdown, to the extent that political elites failed to establish self-enforcing rules of the game to satisfy at least two essential requirements of democratic consolidation: a 'live-and-let-live' policy; and credible mechanisms for elite succession.

As our discussion on the higher judiciary shows, the initial consensus on the extent of partisan use of higher judiciary (the fourth equilibrium) has eroded over time, leading to the breakdown of the rules of the game that ensured certain protection to the opposing political elite (i.e. maintaining a *de facto* live-and-let-live policy). The subsequent abandonment of live-and-let-live policy should not be seen only in the figurative sense of political elites being engaged in a zero-sum game trying to politically eliminate each other (which is happening too), but also in their actual engagement in the physical elimination of their political rivals, as recent criminal investigations and subsequent indictments of national-level political leaders for killings and attempts to kill rival politicians indicate.³² Frequent killings of opposition political rivals at local levels are

²⁹ These are equilibria rather than simple strategies, in the sense that these are stable over time and are incentive-compatible to all actors, at all times, across political divides. This means opposition actors do not demand their termination, despite experiencing disadvantages at the present.

³⁰ Agencies of self-restraint refer to institutions of accountability, such as anti-corruption commission, human rights commission, information commission, election commission, ombudsman, etc. (Schedler, 1999)

³¹ IGS, 2008; Iftekharuzzaman, 2009; TIB [on CAG], 2012; TIB [PSC], 2007; TIB [EC], 2006

³² Former Prime Minister Khaleda Zia's son, Tareque Zia (second highest ranking political leader in BNP), along with a few senior national leaders of BNP and JI, have been indicted for attempt to murder Sheikh Hasina (while she was in the opposition) in 2004. Hasina narrowly

encouraged by the ruling party's protection of killers, preventing them from facing justice. Such conditions have made it extremely difficult for incentives to arise among the political elites towards the establishment of the rule of law, even for themselves.³³ This can also explain, to a certain degree, the increased politicisation of the higher judiciary and the further decline of its autonomy during the current government (AL) of Sheikh Hasina.

As noted above, despite two decades of democratic transition, political elites in Bangladesh have failed to develop self-enforcing rules of the game for succession. Democratic transition began here with an election (1991) that could only be made credible and acceptable to the political actors through third party enforcement (the first Care-Taker Government). Subsequent elections were also needed to be conducted under CTGs (1996 and 2001). In fact, an elite consensus or equilibrium on minimal procedural democracy – fair contestation, level playing field in parliament and establishment of independent electoral commission to oversee elections – has yet to emerge during the post-authoritarian phase. Even the process of regime succession through third-party enforcement failed to evolve into a self-enforcing equilibrium: incumbent elites were always forced to accept their loss in election through pressures coming from western governments (mainly the US) and also through implicit threats from the military. Even such an elite pact finally broke down in 2006, when the incumbent BNP attempted to manipulate the formation of CTG itself. The subsequent crisis had to be resolved through army intervention, which formed a credible CTG to oversee the regime succession (in December 2008).

Despite increasing demands from local rights-based CSOs, the media, and international donors, the monopolistic partyarchal settlement dominating electoral politics in Bangladesh has prevented any shift from the prevailing illiberal mode of rule towards the kind of law-based, liberal forms of governance associated with open-access order.

4 Political settlement II: economic development and elite equilibrium

A major feature of the partyarchal social order in Bangladesh is that, whereas in the political domain the ruling party can monopolise rents, in the economic domain it shares them with opposition political actors. Monopoly control does exist in the economic domain, for instance, when the ruling party politicises the key decision-making positions in the institutions which deal with economic policies and rents/resource allocations (nationalized banks, National Board of Revenue, procurement agencies, regulatory bodies, etc.). Even then, however, economic actors with the 'wrong' political identity tend

survived the assassination attempt, but 21 people, along with a few top leaders of AL, died in the incident.

³³ This indicates, as discussion below elaborates, that the elite political settlement in politics has never been very stable since its inception.

to get access to these institutions and share in the rents and patronages, albeit asymmetrically.

The specific modalities of rent-sharing across the political divide vary and one of the most important determinants of such variations is how critical to national development³⁴ the economic domain in question is. The ruling party tends to dominate the distribution of rents and patronage in relatively non-critical domains of economic activities, such as small-/medium-scale government procurements, granting of trade/import licences, medium- and small-scale construction contracts, leases of water-bodies, government-owned lands, or ferry stations. Notwithstanding this domination, ruling political elites also share these rents with rival political elites and with business actors of no political identity. But business not affiliated with the ruling party can only access such rents by paying commissions or for some other contingent reasons, as discussed below. In contrast, in the domain of critical economic activities, such as large-scale infrastructure building or power generation, efficiency criteria tend to prevail over patronage distribution based on narrow political considerations.

4.1 Rent sharing in the non-critical domains of the economy

To understand the rent-sharing process, a qualitative survey was conducted among politicians (who are in business) and other relevant key informants in two major districts.³⁵ The key findings are presented below.

- Business transactions with the state and public agencies are predominantly controlled by political actors. Business people with no political affiliation are able to participate in the transaction only if they have influential politicians as partners. Occasionally, political actors also pro-actively seek partnership with experienced and wealthy non-partisan business, when they lack sufficient capital to run the business independently.
- Although ruling party politicians tend to dominate the decisions related to rent generation and allocation, in many cases – and this trend is increasing – actual business operations are conducted in partnership with rival political actors. “Ruling and opposition party actors run businesses through mutual understanding”, and “rival politicians run businesses by forming syndicates”, were two observations frequently made by survey respondents describing the

³⁴ For the ruling coalition, economic growth/development is crucial for enhancing and preserving developmental legitimacy.

³⁵ The following observations are based on 28 interviews conducted in two major districts in Bangladesh – Sylhet and Chittagong. Interviewees included eight non-partisan businesspersons, 13 businesspersons who are also involved in politics and seven local journalists. The findings presented are also based on discussions with Dhaka-based journalists dealing with business and finance issues, lawyers, bankers and academics, as well as news-paper accounts.

relations between rival political actors in the context of business transactions with the state.

- The reasons suggested for such collaboration are the following: *Firstly*, political elites across political divides are also, in many cases, business partners. This trend of partnering with rival political actors is growing as a strategy to cope with the uncertainty associated with regime change. *Secondly*, many political elites from the ruling party, who find themselves economically ineligible for certain contracts/procurements, influence the bidding process to ensure that a chosen eligible firm owned by a rival elite wins the bid and in return either demands a substantial commission from that firm or forms a partnership with it. *Thirdly*, ruling political elites, as well as party activists belonging to various ruling-party front organisations, share rents with rival political actors in order to avoid violence and to ensure continuing access to rents in the future, when they may be out of power; this depends on the bargaining power of the opposition political actors, which is typically based on their violence potential/capability and political capital.
- In sharp contrast to politics at the local level, where violence is endemic, a live-and-let-live norm functions quite efficiently in the economic domain, based on trust and reciprocity, which help relevant actors to cope with uncertainty in the context of regime changes.
- Violence does occur in relation to rents and patronages, but they are mainly between different factions of the ruling party. Rival national leaders nurture different factions at the local level and stability in factional relations is difficult to achieve. But once dominance of one faction is attained, rent sharing arrangements with opposition elites is not difficult to establish.

Note that such live-and-let-live policy in the economic domain did not evolve due to a plan devised by the state based on some developmental vision or technocratic commitment. Cooperation among local political actors does not require external intervention from the central political authority, although such interventions occasionally happen. Experiencing self-destructive political violence for years, politicians seem to have learned to cooperate, at least in the economic domain, thus avoiding or limiting one-shot prisoners' dilemma equilibria. Actors' compliance with such cooperative equilibrium is mainly spontaneous, decentralised and voluntary.

4.2 Rent generation and sharing in critical domains of the economy

Long-term contracts and licences for banks, telecoms or financial institutions (leasing companies, merchant banks) tend not to be vulnerable to monopoly party control. A prominent reason for this is that relevant market actors adopt politically strategic measures to circumvent such partisan control. Businesses owned by opposition politicians typically co-opt ruling political elites as shareholders to secure contracts or licences; in such cases, ruling-party individuals act as 'front persons' for the contract/licence-seeking business groups. Firms owned by non-partisan individuals,

which are critically dependent on state contracts, similarly co-opt politically connected businesspersons or prominent political actors from both AL and BNP as major shareholders/directors (particularly in privately owned banks). Such co-optation strategy is not only limited to individual firms: various business associations have made sure that their presidents are always directly or indirectly aligned with the ruling party, while the composition of other elected directors shows a balance of two major political parties. As at the sub-national level, market actors at the national level have also been largely successful in protecting the rent-sharing process across the political divide in a context of monopolistic partyarchy. This process evolved, similarly to the sub-national level, as a decentralised strategic game.

The dynamics of rent generation and sharing in other large economic sectors like power generation and infrastructure are more complex, and aspects of predation and productive rent allocations are both manifested in these sectors. Given that these sectors require long-term investments, how do investors, particularly partisan investors, cope with predation, regime changes and the ensuing investment risks and uncertainty? Commenting on Bangladesh, Khan (2011: p. 30) observed that:

“If ruling coalitions can change every five years and if significant investments (in say power plants) requires rent-sharing with ruling politicians, the investor cannot be sure that the subsequent regime will not punish them by changing or cancelling contracts. One consequence has been that ruling coalitions have found it increasingly difficult to attract investors in long-term investment projects like power and infrastructure projects whose revenue stream has to be guaranteed beyond the life of the government”.

Such observations do not seem to conform to the reality on the ground: investments in both projects have been forthcoming and many projects in both sectors have been initiated by domestic investors themselves, as well as in partnership with foreign investors. Quite a few of the power plants are fully operational and although many of these are owned by politicians or other partisan businessmen, none of these plants experienced changes or cancellation of contracts and their operation has never been disrupted by the changes of governments (see further discussion on this below).

Given the broad policy consensus in the economic domain between the Awami League and Bangladesh Nationalist Party,³⁶ uncertainties in both domestic and foreign investment following a change in government seem to be more apparent than real. For instance, after coming to power in 2001, the BNP government published a white paper

³⁶ BNP has been a pro-market party since its birth. AL changed its policy from ‘socialism’ and public sector-based economy towards free market after its electoral debacle in 1991. The party drastically revised its policy, to project itself as a ‘responsible’ party in the context of global change and also to appease the powerful donors, the World Bank and IMF particularly.

describing corruption and irregularities in 20 major projects (in defence, power generation, telecommunication and infrastructure) commissioned by the previous AL government. However, there has been no further investigation of the corruption described and the projects were completed during the tenure of BNP (Hassan, 2006). Actions have been limited to name changes (e.g. the planetarium has changed from 'Bangabandhu Sheikh Mujibur Rahman'³⁷ Planetarium' to 'Bhasani Planetarium'³⁸) and changes in the local agents of foreign investors (from those aligned to AL to those aligned to BNP). In most cases, project budgets have actually been increased, arguably to cover the informal payments required by political officials of the incoming ruling party. In general, the opportunity for illegal payments creates an incentive for a new government to block large-scale infrastructure projects. However blockages are usually temporary and once necessary changes are agreed, projects are allowed to proceed. Though changes in government do not create any serious uncertainty for investors, they definitely raise the cost of implementation. This creates major problems for medium-sized businesses, even when they have good political connections.

More research is necessary to ascertain whether foreign investors find it difficult to cope with the demands of new incumbents; to understand the rules of the game; and to determine how difficult it is to find a reliable and efficient local agent. However, key informants indicate that foreign investors should not encounter serious disadvantages in coping with these problems: politically astute and high-profile local agents are readily available, and given the centralised and personalised nature of decision making at the highest level (at least in the case of high-value and economically critical projects), it is not too difficult for outsiders to identify the appropriate channels to be used. Indeed, it is noteworthy that foreign investors were involved in many of the 20 projects described above.

The explanation lies in the specific way that a limited-access order operates in politically and economically strategic domains of the economy, a point that can be further dissected through a brief analysis of the power sector.

4.3 Rent management in the energy sector

Bangladesh has been facing substantial shortfalls in power supply since the latter part of the 1990s; in the early 2000s the mismatch between stagnant supply and growing demand (household, agriculture and industrial) led to a serious energy crisis. One recent estimate shows that the annual loss to production and income from power outages could well exceed 0.5 per cent of GDP per year (SFYP, 2011). This state of affairs reflects

³⁷ Father of Sheikh Hasina of AL (current Prime Minister) and founding father and first President of Bangladesh.

³⁸ Bhashani was a famous nationalist/populist leader who led major opposition movements against the first AL government (1972-75). After AL came back to power in 2009 the name of the Planetarium was reverted back to 'Bangabandhu Sheikh Mujibur Rahman'.

years of systemic corruption, mismanagement and neglect in the publicly owned electricity companies (TIB, 2011), so much so that power has now become a significant constraint to higher GDP growth. Given the crisis of power generation, a set of wide-ranging institutional reforms was carried out, chief among them the decision to allow private sector actors to produce electricity (IGS, 2009; Asaduzzaman, 2008). This also opened up a very lucrative area for large-scale rent generation and patronage distribution for political elites, encouraging unsolicited bidding, modification and manipulation of procurement laws and policies, and a non-transparent and politicised bidding process.

Faced with a growing energy crisis, the first Awami League regime (1996-2001) commissioned the construction of four power plants, only one of which was owned by a business firm very close to the Prime Minister's family; the other three firms did not have any political identity, but all of them had to engage lobbyists who typically negotiate informal payments. The critical point is that lobbyists have to be preferably pro-ruling party or at least non-partisan. The bidding processes were carried out largely in a transparent manner, but as part of an informal settlement various ancillary activities (construction contracts, site development, etc.) needed to be contracted to firms owned by ruling-party leaders.

When the Bangladesh Nationalist Party came to power in 2001, it did not demand any informal payments from the owners of the power plants established during AL rule, whose operation went on uninterrupted. However, corruption charges were made and a subsequent case was filed against a prominent leader of AL whose firm had the contract to develop the site in one of the major power plants. Later, several cases related to corruption were filed against former PM Sheikh Hasina and the minister in charge of the Power Ministry for 'illegally profiting' from contracts related to various ancillary activities. But note that not a single power plant experienced disruptions in their production due to these corruption charges against opposition politicians. Political elites were careful to separate political rent-seeking from economically productive rent generation.

The BNP government made serious attempts to commission power generation projects in the private sector, but largely failed to do so, at least during the first four years of its rule. One major reason was the nature of its clientelistic management, which was largely decentralised. The formal authority for contracting out power projects rests with the Ministry of Power, but *de facto* authority lies with Prime Minister's Office (PMO). Very soon the *de facto* authority of the PMO was largely superseded by Tareque Zia, the son of then Prime Minister Khaleda Zia. But Tareque Zia could not effectively replace the authority of the Power Ministry or PMO, which led to policy incoherence and conflicts in the management of rent distribution, e.g. about the size of the informal commission or

the beneficiary of the project.³⁹ With the serious deterioration of energy supply, four small size power plants were finally commissioned in a hurried manner at the end of BNP's rule. Technical efficiency rather than political identity apparently mattered most in this regard, since none of the firms were owned by pro-BNP political leaders or business groups; but they all needed to pay hefty bribes to Tareque Zia's political coterie.

During the interim Care-Taker Government period (2007-08), two small power plants were commissioned and both went to non-partisan established business groups which have made no allegations of having to pay informal payments to the authorities. Both these plants are currently in operation without facing any disruption or interference by the AL government after it assumed power in 2009.

With the energy situation continuing to deteriorate, the current AL regime rapidly commissioned seven 'quick rental'⁴⁰ power plants, and only one of these is owned by a prominent firm very close to the family of one member of the highest political elite. Possibly to compensate for the loss in rent generation and distribution among political clienteles, the AL regime most recently awarded licences to set up medium-sized power plants to six firms owned (major shareholders) by top AL leaders. Interestingly, these were all awarded through an unsolicited bidding process, which was allowed by an amendment to the procurement law. Given the dynamics of political clientelism in the power sector and the ongoing crisis in the energy supply, it can perhaps be assumed that these firms will not face any production disruption or cancellation/changes in contracts if the regime changes in the next election, but the possibility of harassment of share-holding political leaders (corruption charges, extortion payments, etc.) cannot be ruled out.

4.4 Rent management in the ready-made garments (RMG) sector

Export-oriented ready-made garments (RMG) industries emerged during the 'clientelistic authoritarian' (Khan, 2011 phase of Bangladesh under the rule of General Zia (1976-81). As Khan observed, an 'accidental rent' that greatly helped the rise and growth of RMG:

“was the introduction of Multi-Fiber Agreement (MFA) bi-lateral quota system in 1974 in the textile and apparel trade by the developed countries to restrict imports from developing countries. The introduction of quota by MFA permitted Bangladesh to exploit its cheap labor/low wages advantage to develop RMG. The growth was later helped by the duty free access granted to LDC exports by some western countries – EU.” (p.25)

³⁹ Clientelism under AL government tends to be relatively centralised under *de jure* and *de facto* authority of the Prime Minister's Office, as most recent dealings with two large power plants indicate.

⁴⁰ Quick rental plants can be set up in six months, whereas regular power plants take about two to three years to install and to go into operation.

A staunchly pro-business military leader, with a long-term vision for privatisation, provided liberal support to sustain the industry. A number of innovative policies were introduced to make the industry become globally competitive. A bonded warehouse scheme was introduced that exempted exporters from paying import duties and taxes, which substantially reduced input costs. The introduction of the provision of the back-to-back L/C (Letter of Credit) system minimised the amount of working capital to a significant level (Rashid, 2008). Other important supportive policies included the availability of export credits at concessional interest rates and a cash assistance scheme. Later in the 1990s, when the Value Added Tax (VAT) system was introduced, the RMG sector was exempted from paying VAT on both imports of inputs and exports of products.

A prevailing anti-labour political settlement allowed RMG firms to enjoy the benefits of very low wages (due to excess supply of labour, wage discrimination of female labour, and a deliberate policy to keep wages low in the RMG sector), a prohibition on forming trade unions, harsh suppression of labour movements by the state, poor factory standards, and virtually non-existent compliance with social and environmental regulations. The state also overlooked illegal activities by factory owners, such as selling in the local market fabrics which had been imported duty free (Rashid, 2008). All these beneficial conditions allowed the RMG industry to generate massive profits, which helped it to bear the high transaction costs of doing business in an environment characterised by bad governance (bribe payments to officials at each and every step of transactions, extortion, political party finance, etc.).

Conducive state–business relations, both particularistic and collective, also helped the growth of the RMG sector. RMG entrepreneurs came from professional middle-class backgrounds: many of them were retired army or government officials, engineers, and managers/technicians of garments factories established quite early (Kabeer and Mahmud, 2004; Quddus and Rashid 2000). Their social capital and connections with state officials were critical in the formulation of policies and incentives highly favourable to the industry. A significant role in this regard was played by the powerful Bangladesh Garment Manufacturing and Exporter Association (BGMEA), which has a reputation for being less clientelistic than other business associations and is capable of pursuing collective interests more effectively than other elite collective actors.

RMG owners are also closely linked to politics. According to one estimate, about 50 to 75 RMG owners have become an MP at various times (Rashid, 2008), and the latest estimate identifies about 35 MPs in the current parliament 2009-2013 (i.e., 10 per cent of

the total number of MPs) as RMG owners.⁴¹ In the last two decades, a number of owners have also become ministers. Close political connections with the two dominant parties perhaps explain why it was possible for RMG owners to get exemptions from *hartals* (general shutdown/*bandh*), and enjoy the exclusive privilege of keeping their factories open during them.⁴²

That having been said, BGMEA's capacity to elicit various special concessions and benefits in the earlier decades seems to have waned lately.⁴³ The RMG sector was severely affected by the recent global financial crisis, due to a decline in prices of garments globally. BGMEA demanded part of the fiscal stimulus package offered by the government, but failed to receive it during the first and second round; it was only during the third round of negotiations that it was able to secure a wide-ranging set of benefits to help the industry navigate through the crisis (Hossain, 2011). When it comes to labour issues, the extraordinary privileges and 'collusive' link with the state that RMG owners enjoyed during the earlier decades are also becoming uncertain. For instance, a recent demand by BGMEA for cash support to pay wages and Eid bonuses was outrightly rejected. As Hossain observed:

“The Minister of Finance airily dismissed an industry warning that without government to help pay wages and bonuses, labor unrest would result, noting statistics showing the sector's continued profitability” (Hossain, 2011; p.14).

Even then, it would be an exaggeration to claim that the decades-long anti-labour political settlement (marginalising labour in industrial governance, prohibiting trade unions in the RMG sector, and keeping wages low) has changed to the extent that state is now more inclined to pursue a balanced role vis-à-vis factory owners and labour. In the face of massive mobilisations initiated by the garments labour to raise the minimum monthly wage from roughly BDT2,000 (less than US\$30) to BDT5,000 (around US\$70),

⁴¹ “Made in Bangladesh: Export Powerhouse Feels Pangs of Labor Strife”, New York Times, August, 24, 2012. The actual number might be larger than this, since many self-declared ‘full time’ politicians have major shares in the garment factories.

⁴² Such exemption has become *de facto* general policy for all industries. Intriguingly enough, almost all pro-hartal political leaders in the opposition who own factories keep them open during the hartal. *De facto* consensus on this now exists among political elites across the political divide. This indicates why political instability is less harmful for the Bangladesh economy than one would have thought.

⁴³ Actually BGMEA's high political influence (as in the 1980s and 1990s) started declining during the last decade, and this has reduced, to a certain extent, its earlier capacity to create and appropriate rents. One reason is that other business collectives with competing agendas have gained in strength. In 2005, the government rejected demands by BGMEA for establishment of a Central Bonded Warehouse (CBW) and for reversal of the policy preventing overland imports of yarn, both of which would have resulted in huge profits for the RMG sector. BGMEA's initiative failed because it would damage the interests of a powerful lobby represented by the Bangladesh Textile Mills Association (BTMA) – an industrial lobby promoting import substitution policies (Hassan, 2006).

the government has responded with repression of the agitating workers and the formation of an industrial police for better management of industrial unrest, which has been a demand of BGMEA (Hassan and Huda, 2009). On the other hand, the government is also under increasing pressure, not only from local pro-labour civil society groups but also from human rights groups based in Europe and the United States. Transnational networking among labour groups has led the US Congress and European Union parliament to intervene directly to protect union leaders from state harassment. The anti-labour political settlement may not have changed much, but it has become increasingly weak under pressures from abroad and growing unrest in the country. The current regime has increased the minimum wage to around BDT3,000, which has not been accepted by all sections of the labour movement. The struggle for BDT5,000 minimum wage is continuing and the government's deep concern to prevent industrial violence is manifested in repeated warnings to the owners to pay wages in due time and in its demand that BGMEA take pre-emptive measures to contain labour unrest and violence.

The political settlement surrounding the emergence and expansion of the RMG sector evolved in the late 1970s and early 1980s, in the context of economic turnaround after the devastation of the liberation war (1971) and plunder and predation of the productive enterprises during the first Awami League regime (1972-75) (Sobhan and Ahmed, 1980; Khan 2011. General Zia's authoritarian clientelistic rule was underpinned by a long-term vision of private sector growth and related rent management strategy. As part of that vision, economic rents were separated from political rents, which perhaps limits the role of predatory rents in the economy and prevents the capture of the sector by unproductive coalitions (Khan,2011. The RMG sector was able to thrive under such conditions and continued to expand during successive democratic regimes, growing due to a political settlement characterised a cosy state–business relationship and a *de facto* anti-labour elite consensus. The political settlement continued without much change throughout the democratic period. Most recently, the anti-labour elite settlement is experiencing its greatest stress, due to pressure created by a coalition of national and international pro-labour constituencies.

4.5 Rent management in the urban transport sector

The elite equilibrium at work in the economic domain can be better understood if we look at the urban transport sector and the bus transport unions in particular, which have very large, politically critical and potentially violent owners' associations and workers' trade unions (Hassan and Hossain, 2008; World Bank, 2009).

The manifestation of partyarchal forms of national politics (monopolistic, duopolistic or pluralistic) can be clearly observed in the incentives and behaviour of the leaders involved in the associational politics of the transport sector, both owners and workers,

who change automatically with changes in the political regime.⁴⁴ Most trade union leaders are in fact not drivers, but professional political actors, and so the leaderships of associations/unions are replaced with followers and cadres of local MPs and Municipal Ward Commissioners from the ruling party. Such changes to a certain extent can be explained by the coercive practices of the ruling party. For instance, the ruling-party leadership forcefully occupies the association/union office by evicting legitimate opposition leaders. Leaders are offered carrots (opportunities to collect rent and extortion money and receive a share) and sticks (eviction from the office and being replaced by compliant leaders) as incentives by the ruling party to change their political affiliation.

But the dominant cause behind changes in the leadership is due to the strong incentives for the rank and file union members to belong to ruling-party affiliated organisations and maintain their status and power, since associations have to compete in a market for political power, rents and control over constituencies. Therefore members will voluntarily cede power to pro-ruling-party leaders, or switch their own loyalty, for the sake of the greater interest of the organisations. Ceding power to rivals does not imply total loss. It is not a zero-sum game, because partyarchal control in the bus sector is not monopolistic: instead, rents will be shared with major opposition leaders, albeit in an asymmetrical proportion (opposition actors get in average 20 per cent, according to key informants). Such duopolistic, power-based cooperative equilibrium is the dominant trend in the bus sector, but it also exists in other high-rent-generation areas of the economy, for instance in sea ports and public utility service agencies (gas, electricity, water).

Note that the equilibrium reached in the bus sector is asymmetric to the extent that ruling-party actors receive the dominant share of the rent. Why does this equilibrium remain stable, then? The reason is that it is also largely incentive-compatible with opposition interests: given rampant rent-seeking, extortion and other forms of administrative abuses by state actors (like the Bangladesh Road Transport Authority or the Police), disadvantaged opposition actors who are disproportionately vulnerable to such malpractices require some degree of predictability in the system. This need can possibly be met in an efficient manner only by collective forums which are predominantly led by ruling-party actors. These incentives and the ensuing coping strategies are not dissimilar to the other market actors discussed above.

4.6 Trajectory of the political settlement in the economic domain

This analysis raises puzzling questions: why did the powerful political elite in Bangladesh, having strong incentives to monopolise power (as in the political domain) and enjoying minimal formal restraints, allow a cooperative game underpinned by duopolistic partyarchy and rent-sharing to persist? How could market elites override the dominant incentives of political elites?

⁴⁴ This section heavily borrows from Hassan and Hossain (2008).

There are at least three plausible explanations for this. Firstly, political elites have strong electoral incentives to generate revenue in order to build and maintain their developmental legitimacy and to finance pro-poor development; over the years, with the rapidly diminishing role of the public sector in the economy, the private sector has evolved as one of the principal sources of such economic growth (Taslim, 2008). As noted above, one of the principal reasons behind the extraordinary privileges that the RMG sector has enjoyed is its massive contribution to the economy. Nurturing and maintaining a robust private sector has been one of the top priorities of all political regimes.⁴⁵ And this has strengthened the private sector's political bargaining power over the years.

Secondly, urban-based market actors with a high violence potential/capability have effectively managed to protect their property rights and special privileges. For instance, wholesale and retail sectors have successfully resisted relevant tax reform (i.e. VAT) for decades, despite international pressure from powerful institutions like the IMF and World Bank, as well as the government's serious need for increased revenues (Hassan and Pritchard, 2012). As discussed earlier, ruling political elites were compelled to give up the extraction of monopoly rents in the highly volatile urban transport sector. Given the chaotic situation in Dhaka's transport sector (irrational allocations of route permits, rampant rent-seeking and mafia-based extortion, and general problems of serious traffic congestion, low-quality transport services, etc.), the government could not possibly have maintained order and stability in the system through monopolistic control. Therefore for political elites there are strong incentives to prefer a duopolistic over a monopolistic form of partyarchal control in the associational politics of the transport sector. That the capital city Dhaka has not seen frequent wild cat strikes and other forms of legitimate and illegitimate agitation by opposition trade unions of bus owners and employees is perhaps

⁴⁵ Note that I am not following the assumptions of state theories, such as 'stationary bandit' or 'revenue maximising state' to explain political elites' behaviour. As will be clear with the other two explanations below, addressing these questions requires appropriate theory of state–society relations (concretely political elite–market actors relations in our case), which will have a greater fit with the observed empirical facts. What kind of analytical framework on state–society relations better address such questions? One can invoke the Olsonian (Olson, 1993) theories of stationary bandit or revenue maximising ruler (Levi, 1988) here to explain the political elites' behaviour. But such theories clearly do not fit with the empirical reality of Bangladesh (decentralised violence potential/capability), given the theories' fundamental assumption of state having monopoly over legitimate use of violence. We argue, that the theory of the natural state (North *et al.*, 2009a), offers a better framework to explain the questions we posed. The state, in this perspective, does not possess monopoly over violence and is not a single actor (as assumed in Olson or Levi). The state is rather both organisation and coalition ('an interlocking public and private network of organisations') and a web of relationships potentially creating credible commitments within the dominant coalitions (North *et al.*, 2007). In addition, a core analytical focus of the natural state theory is to explore the way conflict/violence is addressed by the elites and the nature and role of rent in managing such conflict/violence.

due to the consensus among these actors, who tend to benefit from the *de facto* duopolistic control over rent.

Thirdly, market actors have protected themselves by *de facto* integrating with the state.⁴⁶ The institutional manifestations of such political integration between the state and market actors include an increasing presence of business MPs in relevant parliamentary committees and also in parliament in general (from RMG, Real Estate, etc.), representation of politicians on governing boards of public banks and other relevant regulatory bodies and, more informally, increasing policy capture by business in relation to tax, regulation and loan rescheduling policies through the use of a mainly particularistic nexus, but also collective forums (Hassan, 2001; Rashid, 2008; Taslim, 2008; Jahan and Amundsen, 2012; Hassan and Pritchard, 2012; Hassan, Pritchard and Raihan, 2012). This integration has secured the property rights of market actors and generated a credible commitment by the political elites.

During the last two decades of democratic transition, formal political institutions (parliament, political parties), electoral politics and the political process in general have been overwhelmingly dominated by market actors, both at the national and sub-national levels (Hassan, 2001; CGS RED, 2006; Majumdar, 2012; Jahan and Amundsen 2012).⁴⁷ This increasingly high presence and dominance of economic players in the political process has enabled them to wield a disproportionate influence in the relevant state institutions and policy processes. In certain industries/sectors, such high influences have created *de facto* integration between the state and the specific industries (RMG and Real Estate, for instance) or in some cases, between state and large conglomerates.⁴⁸ The demarcation line between the state and market actors, in such cases, has become blurred over time.⁴⁹ This integration increasingly defines the dominant coalition that underpins the nature and behaviour of the state,⁵⁰ and perhaps it can explain how the *de*

⁴⁶ We do not want to call it state capture by the business. Capture indicates state actors' passivity, which is not the case here. My reasoning is partly based on the theoretical framework of 'vertical political integration' (VPI) between state and market actors developed by Haber, Razo and Maurer (2003). Such vertical integration between market actors and the state may take place through creating of new organisations (where market actors have influential representation) or it can be accomplished informally. Haber *et al.* argue, through integration, both state and market actors create a win-win situation.

⁴⁷ Most recently, the Speaker of the parliament observed that due to the increasing presence of businesspersons and the decline of professional lawyers in the parliament, the institution is gradually losing its capacity to make laws. In future, the Speaker suggested, parliament may have to hire professional lawyers to do this.

⁴⁸ Some large conglomerates, such as Beximco and Bashundhara group, come to mind.

⁴⁹ I am grateful to Lant Pritchett for pointing out the possibility of looking at Bangladesh's elite political settlement from such integration perspective.

⁵⁰ Note that the idea of integration is qualitatively different from the Evansian notion of 'embedded autonomy', where state and business actors' growth-enhancing coalition is characterised by the autonomy and capacity of the state to discipline the business, if privileges conferred on the latter do not translate into firms' productivity and efficiency (Evans, 1995). In the

facto cooperative equilibrium in the economic domain involving political elites and market actors has evolved and persisted across different political regimes.

5 Political settlement III: Social provisioning and elite consensus

5.1 Elite consensus in pro-poor developmental strategy

Bangladesh exhibits a remarkable and long-standing elite consensus on pro-poor development strategies that is manifested not only in political rhetoric, but also in actual budget allocations, which increase every year. Successive governments have prioritised policies to improve social and developmental indicators, such as increasing primary school enrolment, reducing child mortality and providing greater access to health facilities to the poor, among others. As one Bangladeshi economist noted:

“Within development spending, the higher is the benefit seen to be going to the poor, the better. And there seems to be a compulsion for the Finance Minister to show (even with some jugglery of data, if needed) that the allocations to education are larger than the defense budget.” (Mahmud, 2002, p.2).

Expansions in allocations to social development, particularly in health and education, are associated with multiple political benefits for the politicians: the enhancement of the electoral and international legitimacy of the party/regime, a nurturing of vote banks, and the opportunity to dole out patronage to several layers of clienteles, both urban and rural.

Over the last few decades, a distinct and durable political settlement has emerged in the area of social protection, which is considered one of the critical strategies for poor people’s graduation out of poverty in a sustainable way. This settlement is defined by the following elements:

- Successive regimes, both authoritarian and democratic, have shown commitment – through policies and subsequent allocations – to the provision of social safety nets targeting the poor. Estimates on the number of programmes vary, possibly due to definitional issues, but the two most recent estimates show that around 30-31 major and 24 minor programmes are operating in Bangladesh in both local and urban areas (World Bank, 2010; PPRC, 2010). Social protection and social empowerment programmes accounted for 15 per cent of national budget and about 2.5 per cent of GDP in FY 2010 (World Bank, 2010).

integration perspective, the market actor is the dominant partner and tends to set the conditions of the bargain.

- Unlike many other sectors, strong policy continuity in this sector is evident across regimes. In fact there is a trend of not only retaining programmes established by the previous regime, but also scaling them up.
- Some policy domains are treated as politically highly sensitive and critical determinants of legitimacy by all regimes, for instance ensuring food security and avoiding famines through the rapid implementation of social protection measures. The famine of 1974 (together with a few other important factors) led to serious political legitimacy crisis and the subsequent fall of the first Awami League regime (1972-1975).

Political economy studies on social development and social protection (CGS and BRAC RED, 2006; Hossain and Osman, 2007; Hossain, 2007, 2012), as well as several programme impact studies (BDI, BRAC, NFPCSP, 2009; Alim and Sulieman, 2009; Rahman, 2006; Ahmad, 2007) that looked closely into the problems associated with appropriate targeting and leakages, indicate that the elite political settlement in this area, as in broader social development programmes, is underpinned by a win-win rationale: the injection of massive funds promotes party building by increasing and consolidating the political capital of local political elites, enabling patronage distribution to shore up vote banks and nurture core constituencies, such as partisan professional groups (doctors and teachers) at the local level, as well as – to a limited extent – reaching out to a section of the deserving poor beyond the political patronage net. These programmes, in addition, contribute to maintaining the regime's legitimacy among the poor and attracting donor support. Political elites, therefore, have self-enforcing incentives to perpetuate the settlement on pro-poor social provision.

These patronage and electoral political incentives, as critical drivers of social development strategies, perhaps explain political elites' interest in prioritising increased coverage (adding new and innovative programmes as well as increasing the number of beneficiaries and service providers) over service quality. In primary education, for instance, this explains successive regimes' single-minded focus on increasing enrolment (especially of girls) and numbers of teachers, instead of raising the quality of classroom teaching or ensuring teachers' efficiency and accountability through adequate financial incentives, impartial bureaucratic supervision, and the institutionalisation of community oversight mechanisms (Ahmad, 1997; Al-Samarrai 2008; various annual reports of the Campaign for Primary Education [CAMPE]). The same incentives have led over the last few decades to programme design which neglects the principles of rights-based approaches (Osmani, 2010 for social development; Hossain, 2012 for social protection).

Notwithstanding the importance of electoral imperatives for political elites in a competitive clientelist system, it is mainly patrons' obligations (social, customary and moral) that largely determine the limited accountability that the poor are able to exact from local political elites in the context of social provisioning (Hassan and Nazneen,

2013; Buchmann, 2013; McGee and Kroessschell, 2013). A short route to accountability (direct reciprocal relations between clients and programme implementers) rather than any kind of long route to accountability (right-bearing citizen–state interfaces mediated by programmatic politics) characterises existing social provisioning programmes, contrary to the central role of citizens and civil society organisations envisaged in such policy documents as the World Development Report 2004.⁵¹

The nature and trajectory of the elite political settlement surrounding social provisioning have also been largely shaped by the absence of any social movement initiated either by NGOs or by the poor themselves. Programmes and supporting laws and policies have evolved as part of a top-down, elite-driven strategy to cope with poverty-related crises, rather than as outcomes of bottom-up political pressure. The implications of this political context can be seen in the recently piloted '*100 Days Employment Generation Programme*' established by the military-backed CTG in 2008, and subsequently adopted without any modification, but renamed as '*Employment Generation for the Hardcore Poor*' by the elected regime of AL in 2009. The programme has apparently been inspired by the Indian NREGA, but the specificities and dynamics of the political settlements in the two countries define the contrasting nature and trajectories of these two programmes:

In brief, the Indian scheme differed from its Bangladeshi counterpart by being based in rights. So while the programmes look alike in their technical design features – objectives, delivery mechanisms, etc., they differ on the core political issues. This is not surprising: the Indian programme was founded to meet the Government of India's legal commitments under the NREGA Act that establishes the right to work and the obligation of the Government to provide it. The popular mobilisation that led to the establishment of NREGA and the associated Right to Food movement has involved a social movement led by a coalition of activists, organisations and networks from Indian civil and political society sustained over a number of years. In distinct contrast, the Bangladesh programme was initiated as a technocratic solution to problems of seasonal rural unemployment, stimulated in part by the need to address the food price crisis of 2008 by an army-backed unelected administration. It is not the first or only time that important social protection innovations have been established by unelected regimes in Bangladesh (Hossain, 2012, pp. 19-20).

There exist important initiatives (like the BRAC-led *Polli Shamaj*, for instance) that manifest the incentive of NGO officials to remain loyal to the existing elite political settlement, rather than voice protests against it. As Evans notes:

⁵¹ The concept of short and long routes to accountability is from World Bank (2004).

The Polli Samaj⁵² does not appear to undermine the patron–client relationships that operate in rural power structures. In practice, it aims to maximize the benefits that these relationships can procure for poor people, by improving their bargaining power with UP chairmen⁵³ and engaging the support of influential people⁵⁴ to act as PS presidents. . . . The PS’s current method of operation gives some unscrupulous PS presidents the opportunity to use the PS to extend their power, using their influence to procure resources for friends, neighbours, relatives and/or political supporters (Evans, 2010, p.10).

NGOs also tend to pursue *de facto* exclusionary and personalised policies when delivering relevant services on their own. As Hossain (2012, p.17) observes:

The strength of the patronage logic in the allocation of safety nets can be seen clearly in the efforts by NGOs to mobilise their members to claim their entitlements to safety nets. Experience suggests these strategies predominantly involve organising groups to claim beneficiary cards for *their* members, on the grounds that *they* are more needy than others. They rarely, if ever, involve efforts to make beneficiary selection processes more transparent, to publicise eligibility criteria or beneficiary lists, or to hold officials to account when they breach these rules (emphasis original).

Such NGO-led particularistic and clientelistic strategies in social mobilisation hardly contributed to the nurturing of rights-bearing citizenship among the poor, which could have potentially triggered changes in the existing elite settlement and institutionalised norms of impersonality and universality in relevant programmes and policies, thereby establishing the foundations for inclusive development.

5.2 Trajectory of the political settlement in social provisioning

Enhancing the electoral legitimacy of the party, maintaining stability in rural society, and generating and distributing massive rents for core elite clienteles as well as for building the political machine in local areas, are a few of the dominant incentives for creating and sustaining an elite political settlement around a pro-poor development strategy. Arguably, international donors’ prodding, influence and support were important factors behind the development and design of the relevant strategies/programmes, but national political elites’ commitment and ownership over these were present throughout the period of their development and expansion (Mahmud, 2002).⁵⁵ From the perspective of a

⁵² Polli Shomaj: a citizen collective organised by BRAC to bargain with local government leaders and local service providers on social provisioning and justice issues.

⁵³ Union Parishad (UP) is the lowest tier of elected local government. The overwhelming majority of the UP chairmen tend to be local leaders of two major political parties, AL and BNP.

⁵⁴ Local leaders of the ruling party.

⁵⁵ As Mahmud (2002) observes, “the multidonor-supported Health and Population Sector Project (1998–2003) stipulated that a minimum of 60 percent of the entire sector’s public

limited-access order, this settlement embodies two contradictory dynamics. On the one hand, the strategy of broadening poor people's access to resources and opportunities indicates that the LAO is being opened up to non-elite citizens, that there are dynamics within the social order – animated by incentives related to electoral legitimacy and stability in rural society and economy – which may hint at progress towards more open access. On the other hand, the settlement also shows the dominant and self-enforcing incentive for the political elite to maintain and reinforce a clientelistic mode of incorporation of the rural poor, which indicates that limited-access dynamics are still at work, impeding any progress towards the evolution of rights-bearing citizenship and impersonal social policy. The alternating monopolistic settlement in this domain has survived due to a *de facto* positive-sum game among elites, whereby the political opposition, instead of trying to disrupt the process of rent-seeking and patronage management, simply waits for its turn to capture the political gains associated with the social provisioning system.

6 Conclusion: transitions and evolution in the Bangladeshi political settlements

This paper has attempted to provide a micro-level explanation of the incentives and behaviour of various actors operating within a Bangladeshi limited-access order characterised by three political settlements following specific trajectories. Table 1 below briefly summarises the salient features of the three settlements in terms of the management of violence, the social order trajectory, and the influence of global actors. The rest of this section discusses the prospects of transition from a semi-mature limited-access order towards greater openness. It concludes by discussing the potential future trajectories of the Bangladeshi political settlements.

expenditures must go to essential health care, including reproductive health. However, it turned out that the government's previous patterns of health expenditures had already met this criterion. Similarly, the allocations to primary education within total public education expenditures have been high, more than 40 percent, without any conditionality imposed by donors" (p. 21).

Table1: Dynamics of Political Settlements in Bangladesh

Domains of political settlement	Management of violence by semi-mature LAO	Trajectories of semi-mature LAO	Influence of global actors
Politics	<ul style="list-style-type: none"> • Broader polity reasonably accommodates nearly all potentially violent enforcers within legitimate politics. • Elite succession crisis generates violence that potentially threatens the settlement. • Anti-systemic violent enforcers largely managed. 	<ul style="list-style-type: none"> • LAO regressing. • Rule of law among elites not consolidated. • High degree of personalism in political and public institutions. 	<ul style="list-style-type: none"> • Very limited influence in general. • Significant influence in preventing military takeover and lending legitimacy to elections.
Economic	<ul style="list-style-type: none"> • Rent sharing across political divide largely minimised intra-elite violence at both national and sub-national levels. 	<ul style="list-style-type: none"> • LAO not regressing. • Self-enforcing intra-elite cooperation. • <i>De jure</i> and <i>de facto</i> existence of perpetually lived organisations. 	Moderate influence mainly through help in maintaining efficiency and integrity of key regulatory institutions (central bank, MOF) and macro-economic fundamentals.
Social Provisioning	<ul style="list-style-type: none"> • Intra-elite violence minimal. • Local opposition elites patiently wait for their turn 	<ul style="list-style-type: none"> • LAO not regressing. • Strong elite incentive for poverty reduction. • Strong elite incentive and capacity to maintain clientelistic 	Some influence, particularly in gender mainstreaming and making programme responsive to other minorities and excluded categories.

	to monopolise rent.	control over the rural poor. <ul style="list-style-type: none"> • Developmental NGOs predominantly adapt to clientelistic logic. 	
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6.1 Social order theory and the Bangladeshi political settlements

The Bangladeshi social order has been trapped in an intermediate phase between basic and mature limited access, which I have categorised as semi-mature.⁵⁶ Surely the polity has many characteristics of a mature LAO – the formal existence of polyarchy,⁵⁷ a reasonable level of institutionalisation of the major parties, and the existence of numerous political and civil society institutions and a fiercely critical private media. Such institutional evolution over the last two decades could have propelled the social order to progress towards a mature LAO, but clearly that has not happened. The logic of transition in a social-order framework emphasises the creation of a self-enforcing intra-elite cooperative equilibrium as a pre-condition for a limited-access order attaining greater maturity and eventually opening access to non-elite citizens. But such outcomes depend on the *nature of incentives* that inform such intra-elite cooperation, which, as the experience of Bangladesh illustrates, may not always be conducive to the growth of maturity in a limited-access order.

As discussed in Section 3, the four elite equilibria in the political domain led to illiberal and personal modes of administrative management and law enforcement, rule *by* law rather than rule *of* law, partisan use of media, and so on. The dynamics of elite settlement in the political domain indicate that the critical priority is addressing the core problem of transition towards social-order maturity: how political elites will solve the problem of succession and develop the policy of live and let live as a self-enforcing normative equilibrium. This means an institutionalisation of the kind of minimalist procedural democracy that can guarantee credible competitive elections with the possibility of partisan turnover without any third-party involvement (CTG, for instance). The process of constructing a durable and robust polyarchy (Dahl, 1989) by reducing the limiting effects of LAO (limit to access to institutions, personalism, etc.), will, perhaps, have to wait until this elite succession crisis is resolved. But how long will it take for politicians to develop self-enforcing intra-elite cooperation over credible succession?

⁵⁶ This is just a descriptive category denoting an advanced stage of LAO. See Khan (2010) for a similar characterisation of the Bangladesh case.

⁵⁷ Reference here is to the formal attributes of polyarchy, as defined by Dahl (1989). The six attributes of polyarchy are: a) elected officials; b) inclusive suffrage; c) the right to run for office; d) freedom of expression; e) alternative information; and f) associational autonomy.

This question is critical for a limited-access order, since total breakdown in this equilibrium – as the recent elimination of a formal elite pact on third party enforcement (CTG) indicates – has increased the incentives for intra-elite violence, leading to potential Hobbesian war. Such violence has also created incentives for the ruling elite to further increase partisan control over the higher judiciary, thus undercutting the basis for developing a *robust form of rule of law among elites* – a doorstep condition for LAO to progress towards greater maturity. More critically, a lack of elite consensus on succession is also generating perverse incentives among political elites to politicise the military, thereby jeopardising another doorstep condition – *consolidated political control over the military*. The importance of the elite succession problem indicates that the LAO framework also needs to pay more attention to the question of democratic transition in the context of countries where democracy has not yet been consolidated. As in the judiciary and military, other critical agencies of the state have also experienced increasing partisan control in recent years. The major political parties have also remained under the tight personal control of individual leaders, in a form of dynastic politics. Therefore, the domain of public and political institutions has hardly witnessed any progress towards impersonality, and in fact has seen major regressions towards limited access. Neither has there been any progress towards the *creation of perpetually lived organisations* – another doorstep condition for the transition to open-access order.

There is no easy answer to the question of elite succession posed above. Here I will digress, briefly, into two sets of relevant theories: if democratic consolidation is seen only as a short-term but robust strategic/tactical consensus among elite actors,⁵⁸ then minimal procedural democracy should consolidate *over time*. The logic is that the repeated engagement of elites, over a reasonably long period of time, may promote self-enforcing properties of democracy (democratic values, mutual trust, etc.) among the relevant actors. This means that, over time, a shift might evolve from the current phase of ‘transition’, characterised by mutual suspicion and conflicts among elite actors, to a ‘habituation phase’ (Rustow, 1970) characterised by generalised respect for democratic values. Perhaps one can legitimately question the robustness of the conceptual framework, given the fact that Bangladesh has already experienced more than two decades of the ‘transition’ phase.

Leaving aside such predominantly volitional framework, one may want to explore the issue at hand from a ‘structuralist’ lens. To put it very simply, the relevant theories essentially argue that democracy is rooted in material prosperity created by

⁵⁸ This is the core assumption of the conceptual framework of democratic transition as an ‘Elite Project’, as put forward by scholars such as Rustow, Stephan, Linz, O’Donnell, Schmitter, Higley and Gunther and others. For excellent reviews of this literature, see Moore (1996) and Acemoglu and Robinson (2006). Acemoglu and Robinson observe: “All research in this tradition tends to emphasize that democracy is created by the will and decisions of [elite-MH] individuals who are barely constrained by environmental factors....” (p. 77).

industrialisation, literacy and urbanization, which facilitates an evolution of social classes (bourgeois, working class, middle class, professionals) and creates increased 'complexity' in society.⁵⁹ Sustained economic growth is necessary to create the social infrastructure necessary for democracy to consolidate: a coalition of willing social actors capable of demanding and protecting democratic institutions and processes. Given the decades-long robust economic performance in Bangladesh, are we witnessing the emergence of such social infrastructure? As my mapping of the actors and their incentives (Section 3 and Tables 2, 3, 4, 5 and 6 in the Appendix) reveals, demands for liberal democratic governance have mainly generated from the organised and professional middle-class actors (rights-based NGOs, media) and hardly from the bourgeoisie and the non-elites (working class, peasantry). Such contrasting behaviour has been provisionally explained by clientelistic dependency and by the specific nature of the political order, characterised by ideological hegemony of the catchall parties and especially by partyarchal dominance.⁶⁰

The *de facto* elite equilibrium in the domain of pro-poor development through social provisioning has followed a similar dynamic to that of the political domain, deterring the development of impersonal social programmes and the nurturing of rights-bearing citizenship among the rural poor. In both domains, such equilibrium, in effect, has emasculated citizens' ability to monitor politicians through electoral accountability, which is basically – to view it from a principal-agency perspective – a process whereby self-interested opposition politicians act as monitoring agents on behalf of citizens.⁶¹ But note that in the case of social provisioning, the elite consensus has at least led to greater allocations of resources for the poor that, perhaps, ensured a limited degree of inclusiveness in the development process.

⁵⁹ Proponents of these theories include, among others, modernisation theorist Lipset and class theorists Moore, Therbon, Rueschemeyer, and Stephens and Stephens. For useful reviews, see Moore (1996) and Acemoglu and Robinson (2006)

⁶⁰ It should be noted that the trend in Bangladesh largely conformed to that of many other countries of the 'third wave' democracy, where middle-class professionals and intelligentsia played the leading role in demanding democracy, and the role of the bourgeoisie and working class has been very marginal. For various studies on the dominant role of the middle class in the third wave democracies, see Diamond *et al.* (1997); for a perceptive analysis of the marginal role of the bourgeoisie and the working classes in democratic transition of the third wave, see Bellin (2000).

⁶¹ As Przeworski (1999, p. 35) noted: "Citizens have two agents, not one: the incumbent government that chooses policies and the opposition that wants to become the government. The opposition is an agent of citizens since it wants to win office, and in order to win office, it must also anticipate the retrospective judgments that voters will make about the incumbents at election time. Anticipating these judgments, the opposition has incentives to monitor the government and inform (truly or not) citizens about bad performance of the incumbents." Clearly such self-interested rational logic could not guide opposition behaviour, given the *de facto* consensus between politicians in certain domains across the political divide.

In contrast to the political and social-provisioning domains, the private sector in Bangladesh has exhibited *de facto* intra-elite cooperation, which has signalled a credible commitment to market actors⁶² and has been – on balance – growth enhancing, as exemplified by the sustained high growth rate and the dramatically increased contribution of the private sector to GDP over the last two decades. Clearly, the cooperative nature of private-sector rent management played a critical role in ensuring such growth. It has also possibly contributed, to a limited extent, to the advancement of the limited-access order towards a certain degree of maturity, as evidenced by the evolution and stability of *de facto* adherent organisations –that is, self-enforcing and incentive-compatible agreements without contractual third-party enforcement –that underpin market actors’ cooperation.⁶³ Further research will be needed in order to understand the trends towards further consolidation of adherent institutions or, to put it in the typology of Prichett/Werker, whether there is a shift from a relatively disordered *deals* environment towards more of an ordered type (Pritchett and Werker, 2012). On the dimension of political development, an important point to watch would be whether growth in the economy is laying the basis for democratic consolidation by promoting a social infrastructure for democracy. One key element of this research should be to investigate the nature of the development of a middle class (both urban and rural) and the potential role it plays in demanding rule-bound governance and inclusive development.

The efficacy of the Bangladeshi limited-access order in managing violence has been uneven across the three domains. The political domain exhibits a mixed picture. The existence of hegemonic and catchall parties, party stability, and a political process characterised by alternating monopolistic partyarchy means that the political settlement has included almost all actors with violence potential/capability in the legitimate political process and ensured broader political stability (the peace agreement of 1997 has brought the regional ethnic movement under control. . In contrast to other South Asian nations – Sri Lanka, Nepal, Pakistan and parts of India – the political process in Bangladesh over the last two decades has been minimally affected by anti-system

⁶² In World Bank’s *Doing Business*, Bangladesh has been ranked for the last few years among the top 50 percent of countries for ease of doing business. More interestingly, in the investor protection category, Bangladesh’s score (6.7) has also remained above the OECD average (6.0).

⁶³ NWW distinguish two types of organisations: adherent and contractual. An *adherent organisation* is characterised by self-enforcing, incentive-compatible agreements among its members. These organisations do not rely on third parties to enforce internal agreements. Cooperation by an adherent organisation’s members must be, at every point in time, incentive-compatible for all members. *Contractual organisations*, in contrast, utilise both third party enforcements of contracts and incentive-compatible agreements among members. In contrast to members of adherent organisations, third-party enforcement of contracts allows members in contractual organisations to pre-commit to a subset of arrangements among themselves that may not otherwise be incentive-compatible at every point of time (North *et al.*, 2009a, p. 16, emphasis original).

actors, although some observers have shown concerns about incipient campaigns led by outlawed Islamist groups (ICG, 2010). More recently, instability has increased in electoral politics, due to crises surrounding elite succession, which have been symptomatic of the lack of consolidation of procedural democracy during the post-authoritarian phase. Violence management in the economic domain, in contrast, has been much more successful. The existence of *de facto* duopolistic partyarchy in this domain led to the emergence of a cooperative equilibrium among market actors, which minimised intra-elite violence and helped to accommodate violent enforcers across the political divide through rent sharing. Lastly, the elite political settlement in social provisioning also minimised violence in rural society: instead of fighting over patronage in the present, local opposition elites tend to wait patiently for their turn to monopolise the process of rent allocation. This behaviour is contingently rational, to the extent that, for opposition actors, given the generalised absence of rule of law, the potential political costs (organisational violence to be endured in an asymmetrical game) would largely outweigh the potential benefits (i.e., a small share of the rents linked to social provisioning programmes). The scenario is to a considerable extent different to that of urban settings, as noted in the discussion of the transport sector, where rents are shared across successive regimes, albeit asymmetrically. The different incentive of the political elites in sharing rent also reflects the differences in the bargaining strength of the local opposition elites in rural and urban settings.

6.2 Future trajectories in Bangladesh political settlements

The process of regime succession is possibly now heading towards a serious crisis, as the current regime of the Awami League, using its two-third majority in the parliament, rescinded in June 2011 the constitutional provision to conduct elections under a Care-Taker Government. The regime wants the election to be held under a party government, an idea which has been rejected outright by its major political rivals. With the growing uncertainty surrounding the process of regime succession, the elite political settlement that emerged in 1996 is perhaps going through its most unsettling phase.

This indicates that, even after 20 years of competitive politics, there is little indication that self-enforcing, minimalist procedural democracy is emerging in Bangladesh. Perhaps deep political economy factors militate against this. First, once in power, leaders tend to capture most of the state, educational, cultural, social and economic institutions and indulge in large-scale patronage distribution among party members and supporters, so that changes in government entail a serious risk of losing control over patronage distribution channels. Second, most leaders appear to consider politics as a business investment, and electoral uncertainty goes against such interests.⁶⁴ But

⁶⁴ As discussed in Section 3, idiosyncratic factors, such as an entrenched form of dynastic politics and an associated high degree of personalism, and more generally, the desire to preserve control over patronage dispensation institutions on a perpetual basis, perhaps explain better the non-evolution of self-enforcing minimalist procedural democracy in Bangladesh. In contrast, the

ideology or political culture also plays an important role. The two dominant parties in Bangladesh continue to build and maintain a cult of personality or leadership worship almost akin to that of religious sects, invoking the founders of the two political dynasties in order to reinforce the parties' political and ideological hegemony over citizens and also to pass it on to the next generation. The strategy involves naming major public institutions, roads, bridges, sports complexes, convention centres, university dormitories, airports, and so on after the founders (as well as other historically insignificant dead members of the family) of political dynasties, and imposing a partisan interpretation of modern political history in school textbooks, propagating this interpretation through the electronic media (mainly through state-owned media, but also through informal pressure on the private media to do the same). This is a zero sum game, since with the change in government, the names of institutions, buildings etc., as well as the content of history textbooks will change, only to be replaced by the names and preferred history of the new rulers. Electoral defeat means losing a competitive edge in building personality cults and missing the opportunity to influence the ideology of new generations.

The settlement has continued to meet challenges from within or outside the dominant coalition, or has faced crises. Political elites have attempted to cope with these by using varieties of strategies – coercion, co-optation and political and developmental legitimacy building. Some of these strategies enjoyed a tacit consensus among the dominant political elites and some did not; some contributed to the preservation and further strengthening of the prevailing elite political settlement and some contributed to its instability.⁶⁵ With the breakdown of consensus on institutionalising the level playing field in relation to procedural democracy and, more recently, the *de facto* all out war among major political parties to eliminate each other from the political arena, there is a high probability that the country may experience a similar situation to that of 2006.⁶⁶ Typically, such a crisis point emerges at the onset of a national election. This is the stage at which the elite political consensus tends to experience the greatest stress. Despite its broad legitimacy, the current political settlement in the political domain has remained very tenuous and perhaps would have collapsed a long time ago (possibly in the earlier part of the 1990s) if international actors had not played a critical role by lending legitimacy to the elite succession process (validating the elections) and preventing a military take-over.⁶⁷

business interests of political actors may not be so vulnerable to regime change, as outlined in Section 4.

⁶⁵ Table 6, in the Appendix summarises the strategies used by the dominant elites to cope with challenges and crises and outcomes related to strategies.

⁶⁶ The most recent ICG (International Crisis Group) Report (2012) on Bangladesh politics indicates that a growing number of elites, including former military officials, apprehend that there is a higher possibility of indirect military intervention in politics in the near future.

⁶⁷ As discussed above, the settlement did breakdown in 2006 and the military had to intervene. But it was mainly due to the influence of international actors that the military could not take over power directly and restricted itself to providing a supporting role to the civilian CTG.

Despite such regression in the political domain, the current democratic political settlement has maintained popular/electoral legitimacy⁶⁸ and has proved to be functional enough for the needs of certain actors of the dominant elite coalition, primarily the business elite. What does the existence of this cooperative equilibrium among market actors of different political identities signify for the limited-access order in the economic domain? Does it indicate any trend towards the consolidation of impersonality in this domain, at least among elites, causing some progress in LAO towards maturity and greater openness?

The emphasis placed by North *et al.* (2009) on understanding the role of organisations within broader institutions,⁶⁹ and on examining elite incentives and capability (to manage violence, develop intra-elite cooperation in politics and economics, etc.) helps to address these questions. Their framework suggests that increasing maturity in an LAO would exhibit the evolution of a greater number of institutional forms that can nurture sophisticated and complicated contractual organisations, both internal and external to the state. My discussions on the dynamics of market actors' cooperative equilibrium shows that the economic order in Bangladesh is, *de facto*, predominantly characterised by adherent organisations: the critical tasks of managing violence and allocating rents are only marginally pursued through formal institutions involving organisations capable of enforcing rules impersonally. Clearly, the salience of adherent organisations in the economic domain signifies that the limited-access order is yet to enter the path of evolution towards impersonal institutions and organisations. Still, the consistent behaviour of adherent organisations implies that the economic domain is characterised by a robust form of incentives for intra-elite cooperation (ensuring *de facto* property rights) which hardly characterises the political domain.

Finally, in the short and medium run, it is difficult to imagine what would trigger changes in the incentives of the political elites to adopt rights-based approaches to the design of the social provisioning programmes. The collective-action potential of rural communities has been further dampened, for instance in the case of education, by the gradual exit from public schools (given the increasing supply of private schools) of the newly emerging middle class, who could have potentially provided leadership on behalf of the poor, who are hardly organised.⁷⁰ A section of the poor have always opted for traditional

International influence also meant that the military had to set itself a strict time limit within which to do its job and go back to barracks. The old political settlement is now restored almost unscathed, despite substantial changes made to the governance system by the military-based CTG, based on the 'good governance' template offered by western donors.

⁶⁸ The percentage of votes of the two major parties (AL and BNP) has been roughly above 84 per cent and for the four major parties it has been above 98 per cent for the last two decades.

⁶⁹ Institutions provide broader rules of the game and "...organizations are made up of individuals pursuing a mix of common and individual goals through partly coordinated behavior. Organizations coordinate their members' actions...." (North, Wallis and Weingast, 2009b, p. 58).

⁷⁰ Discussions with Naomi Hossain, Sam Hickey and Sohela Nazneen.

religious educational institutions, especially the more orthodox ones that offer free food and residential facilities. Moreover, relevant NGO-led social movements in the rural areas have become rare over the past few decades. The preferred strategy, based on pragmatic grounds, seems to be to work with the grain of the rural power structure through the tactical 'merger' of the citizen collective with the local political society (Evans, 2010; Alim and Sulieman, 2009; Hossain, 2012). Such a strategy, instead of undermining the patron-clientelistic logic, in fact tends to reinforce it and fails to contribute to the nurturing of impersonal social and developmental policies, which could have nudged the existing limited-access order towards a more mature stage.

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Appendix

Table 2.

Inner circle of dominant coalition: actors, interests/incentives and power

Actors	Interests/incentives	Power
National political elites	<ol style="list-style-type: none"> 1. Strong incentive to preserve a manipulated form of formal electoral democracy (illiberal democracy). 2. Maintaining monopoly over state actors and in political domain (winner take all politics). 3. Maintaining clientelistic political links with almost all civil society organisations (CSOs). 4. Politicise bureaucracy and military. 	<ol style="list-style-type: none"> 5. Very high. 6. Ruling elites have <i>de facto</i> veto power over all policy domains. 7. High power underpinned by high legitimacy they enjoy among citizens.
Military	<ul style="list-style-type: none"> • Preserve <i>de facto</i> autonomy in budget decisions. • Strong incentive to maintain good image internationally and not to risk lucrative UN mission by being politically adventurous. 	<ul style="list-style-type: none"> • Very high. • Enjoy strong legitimacy. Among the very few institutions highly trusted by the citizens. • Possess veto power in military related policies. • <i>De facto</i> strong corporate coherence and autonomy.
Bureaucracy	<ul style="list-style-type: none"> • Strong resistance to any reform initiatives that aim to make civil service accountable, responsive and transparent. • Strongly against losing control over traditional judicial and law 	<ul style="list-style-type: none"> • In general moderate power, but still retains veto power in certain domains. • Experiences low trust among citizens.

	<p>enforcement functions. Never supported separation of the judiciary from the executive or corporate autonomy of the law enforcement agencies.</p> <ul style="list-style-type: none">• Strongly against decentralisation of local government.	<ul style="list-style-type: none">• Due to politicisation by the successive regimes and massive reorganisation by successive CTG (to depoliticise), the bureaucracy lost its corporate coherence and functions largely on a patron–clientelistic basis.• It has <i>de facto</i> veto power in certain policy domains. It successfully resisted separation of the judiciary, autonomy of the police and decentralisation of local government.• Still possesses power to resist reform and indulge in rent-seeking since politicians are also critically dependent on it for manipulating elections, distribution of state patronages, grand and petty corruption and persecuting political opponents.
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Table 3.

Outer circle of dominant coalition: actors, interests/incentives and power

Actors	Interests/incentives	Power
Business associations	<ul style="list-style-type: none"> • Ensuring relaxed regulatory policies. • Pro-business budget and other economic policies (tax, incentives, subsidies). • Political stability, • Better law and order, • Want government to suppress trade union activities, particularly in the export sectors, 	<ul style="list-style-type: none"> • Moderate power in routine business policy domain. The business associations are able to influence policies which have direct relevance to them and are of routine nature – for instance, policies related to tax and duties and various forms of subsidies and incentives. • Low power in political domain. Business associations do not seem to have any access or influence in the policy-making process related to important policy issues, such as regional foreign relations and regulations or pushing for reforms related to corruption and law and order. • Business associations could not play any important role in demanding systemic reforms on issues such as law and order and corruption. Such issues are perceived as too risky and costly to bargain with the politicians. Instead, business leaders prefer to work within the constraints they face. Loyalty is preferred over voice and exit • Business' low power as collective actor is also due to preference of individual businesses to engage with the state in a particularistic manner. For many wealthy business individuals, the most lucrative route to access state resource and gain political influence patronage is to join politics (specifically to be a member of AL or BNP). Currently the majority of parliament members have a business background.⁷¹
Bar	<ul style="list-style-type: none"> • During the military rule (1975-1990), Bar 	<ul style="list-style-type: none"> • Bar Associations are powerful interest groups. Pro-ruling party Associations are

⁷¹

IGS (2006)

<p>Associations</p>	<p>Association could work in a united way (all party) and its primary interest was to protect the autonomy and integrity of the judiciary.</p> <ul style="list-style-type: none"> • With the advent of democracy the Bar Association has been divided along party lines and their principal concern is to maintain party influences over the judiciary. • Another principal concern of the Association (when in opposition) is to preserve the <i>de facto</i> elite consensus on politicisation of the higher judiciary within a limit.⁷² 	<p>able to influence recruitment and promotion of judges as well as, in certain cases, politically sensitive judgments.</p> <ul style="list-style-type: none"> • Pro-opposition Associations are also quite influential, but less than the pro-ruling party Associations. Still, they are able to influence politically sensitive judgments, to a limit, by using lobbying and pressure tactics or even through agitations. Their main concern is to limit/neutralise the political influences of the ruling elite/government over the judiciary.
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⁷² Further discussion on this in the next section.

Table 4.

Challengers: actors, interests/incentives and power

Actors	Interests/incentives	Power
Private media	<ul style="list-style-type: none"> • <i>De facto</i>, strong incentive to supply highly critical information on political and economic governance to satisfy the need of the consumers. • Compelled to maintain non-partisan image in a highly competitive market. 	<ul style="list-style-type: none"> • Very high power. • Strongest link in the accountability chain. • Media has occasional successes in limiting, to a certain extent, discretionary, corrupt and arbitrary behaviour of political elites in political, economic and social domains.
Rights-based NGOs	<ul style="list-style-type: none"> • Strong opponents of illiberal practices of the state. • Advocates of rule-based liberal governance and human rights compatible with western standards. 	<ul style="list-style-type: none"> • Moderate power. • Effectiveness critically depended on media support, pro-activeness of judiciary and financial support from international donors. • Influence occasionally bolstered by creative use of international networking.
Islamist actors	<ul style="list-style-type: none"> • De-secularisation of current <i>de facto</i> secular state and politics. • De-secularisation of social policies, particularly policies related to women and development and education. • Strong opponents of feminists attempt to secularise family laws, property and inheritance rights. 	<ul style="list-style-type: none"> • Power low to moderate depends on specific domains: high in advocacy/politics to preserve religious education, family laws and property and inheritance rights ; low in mainstream political issues. • Negligible popular/electoral legitimacy.

Table 5.

Excluded elites: actors, interests/incentives and power

Actors	Interests/incentives	Power
Developmental NGOs	<ol style="list-style-type: none"> 1. To play a high profile, independent and effective role in pro-poor development. 2. Representing the poor rather than empowering the poor to represent themselves (NGO as benevolent patron). 3. Build and consolidate constituencies among the poor. 4. Partnership/collaboration rather than competition/conflict with the government. 5. To go with the grain of the rural political economy and power structure. 	<ol style="list-style-type: none"> 6. Low power vis-à-vis national political elites. 7. Very low popularity/legitimacy among poor as social/political patron and mediator of conflicts. 8. Heavily dependent on international donors for programme and institutional financial sustainability. 9. Policy choices largely constrained by donor and government policy preferences.

Table6.
Elite strategy to maintain contemporary political settlement

Strategies for maintaining the political settlement*	Domains and process
Coercion	<p><u>Contributing to stability</u></p> <p>8. 'Normal' illiberal political conflict management conducted within a limit (the four equilibria).</p> <ol style="list-style-type: none"> 1. Restricting 'political space' of developmental NGOs by formal and informal means. 2. Violent suppression of anti-systemic actors (clandestine militant movement) – both Islamist and left. <p><u>Contributing to crisis**</u></p> <ul style="list-style-type: none"> • Violent suppression of major legitimate Islamist party – JI. • Violent suppression of legitimate small Islamist parties and CSOs who are demanding alignment of certain social policies (education policy, proper recognition of madrasa curriculum, women's development policy, etc.) towards Sharia.
Co-optation	<p><u>Contributing to stability</u></p> <ol style="list-style-type: none"> 3. Engaging (collaboration/co-optation) major developmental NGOs in state's poverty reduction programmes through sub-contracting and providing institutional support. 4. Providing patronage to factions of civil society for weakening unity and solidarity. 5. Attempts to incorporate smaller Islamist parties and groups in political alliances. 6. Attempts to weaken local political elites (Upazila level) through exploiting factional divisions within them and co-opting some factions. 7. Attempts to control/co-opt private media through partisan ownership, but such strategy did not go in favour of the political elites. Even partisan media forced to remain critical of the illiberal political governance and elite predation, due to the nature of consumer demand of media output. Media remains strongest link in the accountability chain. <p><u>Contributing to crisis**</u></p>

	<ul style="list-style-type: none"> • Increasing politicisation of higher judiciary. • Increasing politicisation of military.
Political legitimacy building	<p><u>Contributing to stability</u></p> <ol style="list-style-type: none"> 8. Maintaining electoral legitimacy of the dominant political elites. 9. Reinforcing the charismatic legitimacy of the founders of the political dynasties, charisma of the supreme leaders of the major parties. The founders' charisma has been critical to party stability, at least in the short and medium term. <p><u>Contributing to crisis**</u></p> <ul style="list-style-type: none"> • Zero-sum competition over construction of historical narrative of the liberation war (what was the role of the party and founder members of the dynasty/ parties in the liberation war of 1971? Who now upholds more the 'spirit' of the war?) • Propaganda on parties' political and ideological relations with India: which party is unabashedly pro-Indian? Which party will be better able to secure best deals (water, transit) from India and be capable of maintaining relations with India based on mutual respect?
Developmental legitimacy building	<p><u>Contributing to stability</u></p> <ol style="list-style-type: none"> 10. Ensuring food security. 11. Success in providing educational access to the poor. 12. Maintaining reasonably high growth rate. <p><u>Contributing to crisis**</u></p> <ul style="list-style-type: none"> • Nothing significant.
Contributions of international actors	<ul style="list-style-type: none"> • Enabling elite succession by providing legitimacy to elections. • Preventing military takeover.

* The indicators in the left column of system maintenance are from Parks and Cole (2010).

**Real and potential.

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