# Bangladesh

RISK & COMPLIANCE REPORT

DATE: January 2017

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| Executive Summary - Bangladesh | |
|---|---|
| **Sanctions:** | None |
| **FAFT list of AML Deficient Countries** | No |
| **Higher Risk Areas:** | Non - Compliance with FATF 40 + 9 Recommendations<br>Not on EU White list equivalent jurisdictions<br>Corruption Index (Transparency International & W.G.I.)<br>World Governance Indicators (Average Score)<br>Failed States Index (Political Issues)(Average Score) |
| **Medium Risk Areas:** | US Dept of State Money Laundering Assessment<br>Non - Compliance with FATF 40 + 9 Recommendations |

**Major Investment Areas:**

**Agriculture - products:**

rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses, oilseeds, spices, fruit; beef, milk, poultry

**Industries:**

jute, cotton, garments, paper, leather, fertilizer, iron and steel, cement, petroleum products, tobacco, drugs and pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity and natural gas

**Exports - commodities:**

garments, knitwear, agricultural products, frozen food (fish and seafood), jute and jute goods, leather

**Exports - partners:**

US 16.7%, Germany 12.5%, UK 8.4%, France 5% (2012)

**Imports - commodities:**

machinery and equipment, chemicals, iron and steel, textiles, foodstuffs, petroleum products, cement

**Imports - partners:**

| |
|---|
| China 19.5%, India 13.4%, Singapore 4.9%, Malaysia 4.7%, South Korea 4.1% (2012) |
| **Investment Restrictions:**<br><br>The Government of Bangladesh actively seeks foreign investment, particularly in energy, power and infrastructure projects. It offers a range of investment incentives under its industrial policy and export-oriented growth strategy, with few formal distinctions between foreign and domestic private investors.<br><br>Restrictions on the involvement of foreign investors in the Bangladesh capital market. The guidelines stipulate that 10 percent of primary issues are reserved for non-resident Bangladeshis. |

## Contents

## Section 1 - Background

Muslim conversions and settlement in the region now referred to as Bangladesh began in the 10th century, primarily from Arab and Persian traders and preachers. Europeans began to set up trading posts in the area in the 16th century. Eventually the area known as Bengal, primarily Hindu in the western section and mostly Muslim in the eastern half, became part of British India. Partition in 1947 resulted in an eastern wing of Pakistan in the Muslim-majority area, which became East Pakistan. Calls for greater autonomy and animosity between the eastern and western wings of Pakistan led to a Bengali independence movement. That movement, led by the Awami League (AL) and supported by India, won independence for Bangladesh in 1971, although at least 300,000 civilians died in the process. The post-independence, AL government faced daunting challenges and in 1975 was overthrown by the military, triggering a series of military coups that resulted in a military-backed government and subsequent creation of the Bangladesh Nationalist Party (BNP). That government also ended in a coup in 1981, followed by military-backed rule until democratic elections in 1991. The BNP and AL have alternately held power since then, with the exception of a military-backed, emergency caretaker regime that suspended parliamentary elections planned for January 2007 in an effort to reform the political system and root out corruption. That government returned the country to fully democratic rule in December 2008 with the election of the AL and Prime Minister Sheikh HASINA. With the help of international development assistance, Bangladesh has made great progress in food security since independence, and the economy has grown at an average of about 6 percent over the last two decades.

## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Bangladesh is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Latest FATF Statement - 14 February 2014

The FATF welcomes Bangladesh's significant progress in improving its AML/CFT regime and notes that Bangladesh has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2010.
Bangladesh is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Bangladesh will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Bangladesh was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Bangladesh was deemed Compliant for 6 and Largely Compliant for 22 of the FATF 40 Recommendations.

**Key Findings**

Bangladesh has made significant progress since the last Mutual Evaluation Report (MER) in 2009, reflecting political commitment and leadership on AML/CFT.

Bangladesh faces significant money laundering (ML) and terrorism financing (TF) risks and competent authorities have a reasonable understanding of those risks. The National Risk Assessments (NRA) and sectoral risk assessments add to effectiveness and guide national strategies, however they do not comprehensively cover threats and TF. Inter-agency work to assess TF risks shows strengths, but more work is needed to assess foreign TF threats, to further assess ML threats and to share information on TF risks with the private sector.

Bangladesh has a range of high-level coordination committees to set policy and coordinate AML/CFT priorities. The high-level National Coordination Committee (NCC) is well structured and draws on technical expertise from relevant agencies and has been instrument in driving key AML/CFT reforms. There were well functioning policy coordination structures for countering the financing of terrorism (CFT) and for implementing United Nations Security

Council Resolutions (UNSCRs) against terrorism and proliferation of weapons of mass destructions (WMD). At operational levels, coordination and cooperation occur to a varying degree although recent reforms have sought to address identified issues particularly between law enforcement agencies (LEAs).

The 2015-17 National AML/CFT Strategy and CT strategies are, in part, driven by findings of risk assessments. AML/CFT strategies complement other strategies including CT priorities, but corruption-related ML remains the biggest unmitigated risk area.

Bangladesh Financial Intelligence Unit (BFIU) demonstrated strengths in capacity and outputs. The quality of BFIU disseminations was generally good; however improvement is needed with the quality and quantity of reporting to the BFIU and LEAs' systematic use of financial intelligence for predicate offences and ML beyond corruption cases.

The ACC had done a significant number of ML investigations related to corruption, but not other offences and until late 2015 Bangladesh had not sufficiently prioritised ML investigations and prosecutions consistent with the risk profile (ie predicates beyond corruption). At the time of the onsite visit only ML five trials had been completed and four convictions obtained, with 214 ML prosecutions pending due to lengthy delays with the courts. The October 2015 legislative amendments allow ML investigations by all relevant LEAs.

Provisional measures and confiscation outputs by LEA were low and most often related to instruments of crime. LEAs need to prioritise tracing, restraint and confiscation of proceeds. The BFIU's powers to trace and freeze funds held on account adds to effectiveness. Seizures and confiscations by the Bangladesh National Board of Revenue (NBR - Customs and Tax) added effectiveness in some high risk areas.

Lengthy delays and capacity challenges in the justice system undermine effectiveness. The courts and the Attorney-General's Office (AGO) are seriously under-resourced. ML and predicate trials are often delayed over many years and issues with judicial independence of the lower courts add to capacity challenges. Special Courts give the greatest priority to CT and terrorism trials and the TF trials have not been delayed.

Bangladesh has conducted preliminary investigations (enquiries) into a large number of TF cases and a full investigation of 23 cases. A small number of TF prosecutions have been successful and a number are pending. Bangladesh's focus on terrorism prevention and de-radicalisation adds to effectiveness. While Bangladesh has managed to combat TF threats related to ISIL, financing of foreign fighters is an emerging issue.

Bangladesh has a comprehensive regulatory framework for targeted financial sanctions (TFS) against terrorism. Bangladesh has designated six (6) domestic groups under UNSCR 1373. Outreach and implementation by reporting organisations (ROs) has not led to ROs spontaneously identifying matches with persons acting on behalf of designated entities to freeze assets. Freezing has predominantly occurred in cases where LEAs arrest members of a proscribed group and take TFS freezing actions pursuant to the designations.

AML controls on the not-for profit (NPO) sector go significantly beyond the obligations in the FATF standards, but are not in keeping with TF risks. Stringent requirements on NPOs receiving foreign funding place onerous obligations on that part of the sector, but may not address domestic TF risks. Oversight and supervision does not adequately target TF risk. The recent NPO sector review considers some TF risk elements.

Bangladesh has a comprehensive legal and regulatory framework for TFS against WMD proliferation. Supervision of PF-related obligations by banks was undertaken, however this needs to be extended to other sectors. A number of case studies demonstrate levels of effectiveness of TFS systems and vigilance measures by authorities.

Bangladesh has made important progress with preventive measures for the financial sector and DNFBPs and has applied significant resources to raise ROs' awareness of their AML/CFT obligations. ROs have made some progress in moving to a risk-based approach (RBA) implementation of preventive measures and rules-based implementation has deepened. Further implementation of key preventive measures is needed within and beyond the banking sector, in particular customer due diligence (CDD), domestic politically exposed persons (PEPs) and suspicious transaction reports (STR) reporting and wire transfers.

Bangladesh has controls in place to prevent criminals and their associates from entering the market, albeit with some gaps. Whilst improvements were being made, significant fit and proper risks with the board and management of state-owned commercial banks were not being sufficiently mitigated. Bangladesh Bank (BB) needs to prioritise the RBA to supervision consistent with the risk profile. The frequency, scope and intensity of on-site inspections of commercial banks and non-bank financial institutions (NBFIs) were generally sufficient however there were inadequate resources available to undertake comprehensive supervision across all sectors, particularly DNFBPs. Available fines and sanctions were generally low and rarely applied.

Measures to ensure transparency and prevent misuse of legal persons and arrangements were not well established or implemented. Registration requirements for basic ownership were not well implemented. Beneficial ownership information was not required to be collected by legal persons or parties to legal arrangements. ROs' obligations to understand the beneficial ownership of customers do not sufficiently mitigate risks of misuse of legal persons and arrangements.

Bangladesh demonstrated its strong commitment to international cooperation and its open and responsive approach to fulfil requests received from foreign partners. While the BFIU actively requests international cooperation and there have been some important successful mutual legal assistance (MLA) requests by Bangladesh, the overall level and focus of requests for international cooperation by LEAs, Customs and prosecutors (MLA) was not in keeping with the risk profile.

**Risks and General Situation**

Bangladesh faces ML and TF risks from both domestic and trans-national sources. The underlying proceeds-generating crime levels are relatively high, with corruption, bribery and related offences of fraud generating the most significant proceeds of crime. Corruption remains a significant risk for Bangladesh, with corruption connected to a range of other predicate offences and its consequences undermining governance and development.

Bangladesh is a destination and trans-shipment point for illegal drugs and smuggling of goods and gold smuggling remains a key risk along with human trafficking and people smuggling. Bangladesh has notable insider trading and market manipulation risks even with recent reforms to the sector. Bangladesh has identified a range of ML techniques, including use of formal banking channels, trade-based ML, informal transfer for laundering outside of Bangladesh, and real estate investment.

Bangladesh is exposed to TF threats chiefly from domestic terrorist groups with an increase in attacks in the recent past and a significant number of terrorism arrests and prosecutions. Authorities indicate these domestic groups operate with relatively small-scale funding and Bangladesh has not, in general, been a source of TF for foreign terrorist groups. Whilst trans-national terror groups have publicly pronounced links to Bangladesh, authorities had not identified any concrete association between domestic and trans-national terror groups nor the financing of such groups at the time of the on-site visit. Relatively few Bangladeshi nationals have been recruited as foreign terrorist fighters.

## US Department of State Money Laundering assessment (INCSR)

Bangladesh was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

**Perceived Risks:**

While Bangladesh is not a regional financial center, its geographic location, seaports, and long porous borders with India and Burma make it a transshipment point for drugs produced in both the “golden triangle” of Southeast Asia and the “golden crescent” of Central Asia. Drug trafficking, corruption, fraud, counterfeit money, gold smuggling, and trafficking in persons are the principal sources of illicit proceeds. Bangladesh is also vulnerable to terrorism financing, including funding that flows through the hawala/hundi system and by cash courier. The Bangladesh-based terrorist organization Jamaat ul-Mujahideen Bangladesh has publicly claimed to receive funding from Saudi Arabia.

The Bangladeshi economy relies heavily on remittances, with remittances through official channels reaching over $15.3 billion in calendar year 2015. According to the central bank, the share of remittances transmitted through the formal sector is increasing although there remains widespread use of the underground and illegal hawala/hundi alternative remittance system.

Black market money exchanges remain popular because of the limited convertibility of the local currency, cash-based economy, and scrutiny of foreign currency transactions made through official channels. Alternative remittance and value transfer systems also are used to avoid taxes and customs duties. Additional terrorism financing vulnerabilities exist, especially the use of non-governmental organizations (NGOs), charities, counterfeiting, and loosely-regulated private banks.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S.

CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations (NPOs), and NGOs

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 1,094: July 1, 2014 – June 30, 2015
Number of CTRs received and time frame: 3,657,315: July 1, 2014 – June 30, 2015 STR covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, NPOs and NGOs, dealers of precious metals and stones, trust companies, lawyers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Bangladesh is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Central Bank of Bangladesh and its Financial Intelligence Unit (FIU) lead the country's efforts to comply with the international AML/CFT standards. Bangladesh continues to work towards full implementation of the Antiterrorism Act of 2009. Bangladesh is also in the process of amending the Money Laundering Prevention Act of 2012. The new legislation will broaden the jurisdiction for money laundering investigations and prosecutions from the Anti-Corruption Commission and police to additional agencies.

Implementation of existing laws remains a significant issue, hampered by the lack of a career prosecution service, a dedicated prosecutorial counterterrorism task force, and police training. Further, terrorism trials take years to resolve. Investigators and prosecutors prefer to pursue relatively straightforward crimes while failing to scrutinize the more complex, and potentially more serious, crimes.

Criminal investigators and Bangladesh customs should systematically examine trade-based money laundering and value transfer. Not only will combating customs fraud provide needed revenue, but international trade is frequently used in Bangladesh and the surrounding region to provide counter-valuation or a method of settling accounts between hawala/hundi brokers.

Authorities should address weaknesses in the transaction monitoring systems and ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. While Bangladesh amended its legislation to prohibit "tipping off" and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the government in good faith, it must ensure financial institutions are compliant with these laws, especially given allegations of pervasive corruption in Bangladesh. The Government of Bangladesh should continue its work on further legislative amendments as well as implementing mechanisms, and should continue to improve supervision and enforcement capacity. Bangladesh should improve its capacity to investigate financial crimes of greater sophistication, including corruption. The government should build the capacity of its law enforcement and prosecutorial services and enhance training of investigators so they better understand the connections among corruption, money laundering, and related crimes. Finally, Bangladesh also should emphasize the importance of human intervention and analysis in terrorism financing cases as the varied profiles of these cases may not trigger an automated report.

## Current Weaknesses in Government Legislation (2014 INCRS Comparative Tables):

According to the US State Department, Bangladesh does not conform with regard to the following government legislation: -

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

## EU White list of Equivalent Jurisdictions

Bangladesh is not currently on the EU White list of Equivalent Jurisdictions

## World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

## Failed States Index

To view Failed States Index Ctrl + Click here

## Offshore Financial Centre

Bangladesh is not considered an Offshore Financial Centre

### US State Dept Narcotics Report (introduction):

Bangladesh was not a significant cultivator or producer of narcotics in 2011. Government of Bangladesh (GOB) officials charged with controlling and preventing illegal substance trafficking lack sufficient training, and equipment to address the growing precursor chemical trafficking situation and the influx of "yaba" (methamphetamine pills) from Burma. Law enforcement agencies nevertheless interdicted narcotics, from the Golden Crescent in South Asia and the Golden Triangle in Southeast Asia, smuggled into Bangladesh along its porous borders. GOB law enforcement agencies also continue to assist DEA in providing critical information related to (express parcel) shipments containing ephedrine and pseudoephedrine that are sent to Mexican based methamphetamine trafficking organizations. There is no direct evidence that corruption in law enforcement agencies is hampering the country's drug interdiction efforts in targeting significant precursor chemicals or yaba traffickers. Bangladesh is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by the 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the UN Convention against Corruption. On July 13, 2011, Bangladesh acceded to the UN Convention against Transnational Organized Crime

Assessments conducted by several U.S. agencies in 2009 and 2010 confirmed numerous land, sea and air border security vulnerabilities in Bangladesh that could be easily exploited by narcotics traffickers. The Bangladesh Department of Narcotics Control (DNC) said it was unable to estimate the number of drug addicts in the country. The NGO community also does not have reliable numbers, with estimates ranging wildly between 100,000 to 1.7 million addicts out of a population of 160 million. Among classes of drug users where better estimates are possible, NGO sources estimate 20,000-25,000 injecting drug users and 45,000 heroin smokers. Other drugs used in Bangladesh were methamphetamines, marijuana, and the codeine-based cough syrup phensidyl. Most of the yaba circulating in Bangladesh is smuggled from neighboring countries such as Burma. The GOB considers the smuggling, diversion and abuse of pharmaceuticals originating from India one of the largest drug problems in Bangladesh. Poor, uneducated, unemployed youth are the group most under threat of drug abuse in Bangladesh. More than 20 percent of recent drug arrestees are under the age of 16. Street children, who sometimes come from a drug abusing milieu with close relatives abusing drugs, and who are lured into selling drugs, are under especially great risk of debilitating drug abuse. Among street children who inject drugs, high percentages (65 percent) share needles, and similarly high percentages engage in either risky sexual behavior or are abused sexually themselves. The resultant risk of HIV/AIDS transmission in this vulnerable group is obvious.

The International Narcotics Control Board estimated that small quantities of cannabis are cultivated in Bangladesh for local use. The DNC acknowledged that cannabis is cultivated in the hill tracts near Chittagong, in the southern silt islands, and in the northeastern region. The DNC also reported DNC officers, in coordination with other law enforcement officials, eradicated cannabis crops as soon as crops were located. According to Central American and United States law enforcement agencies, Pseudoephedrine shipped from Bangladesh was diverted to Central America for production of methamphetamine destined primarily for the United States.

The most frequently abused drugs in Bangladesh are low quality heroin, phensidyl (illegally smuggled from India) and cannabis. Heroin was smuggled into Bangladesh by couriers from Pakistan, by commercial vehicles or trains from India, by trucks or public transport from Burma and by sea via the Bay of Bengal. The Chittagong port appeared to be the main exit point for narcotics leaving Bangladesh. One report from the U.S. Department of Homeland Security described a chaotic situation at Benapole, the main land border crossing between India and Bangladesh, which could easily be exploited by narcotics traffickers. The report noted examination of luggage items was cursory at best.

Bangladesh law enforcement officials believe that drug abuse, while previously a problem among the ultra-poor, is becoming a major problem among the wealthy and well-educated youth as well. The DNC ran treatment centres in Dhaka, Chittagong, Rajshahi, Khulna, Jessore and Comilla. A drug addicts' rehabilitation organization, Ashokti Punorbashon Nibash (APON), Bengali for the NGO, operates six long-term residential rehabilitation centres, including the first centres in Bangladesh for the rehabilitation of female addicts. APON says it is the only organization that includes street children in its drug rehabilitation program.

Drug trafficking to Bangladesh and diversion of medicine for abuse have contributed to a growing addiction problem, especially among the most vulnerable in society. Problems at Bangladesh's ports make drug trafficking more difficult to control. The GOB and donors, including the USG, will need to focus on these problems to bring about improvements.

### US State Dept Trafficking in Persons Report 2014 (introduction):

Bangladesh is classified a Tier 2 country - A country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Bangladesh is primarily a source, and, to a lesser extent, a destination country for men, women, and children subjected to forced labor and sex trafficking. Some of the Bangladeshi men and women who migrate willingly to the Persian Gulf, Iraq, Iran, Lebanon, Maldives, Malaysia, Singapore, Thailand, Brunei, Sudan, Mauritius, the United States, and Europe for work subsequently face conditions indicative of forced labor. Before their departure, many migrant workers assume debt to pay high recruitment fees, imposed legally by recruitment agencies belonging to the Bangladesh Association of International Recruiting Agencies (BAIRA) and illegally by unlicensed sub-agents; this places some migrant workers in a condition that could be viewed as debt bondage. Some recruitment agencies and agents also commit recruitment fraud, including contract switching, in which they promise one type of job and conditions, but then change the job, employer, conditions, or salary after arrival. Domestic workers are predominantly women and particularly vulnerable to abuse. Some women and children from Bangladesh are transported to India and Pakistan, where they are subjected to commercial sexual exploitation and forced labor. The Rohingya community in Bangladesh is especially vulnerable to human trafficking.

Within the country, some Bangladeshi children and adults are subjected to sex trafficking. Some, predominately in rural areas, are subjected to domestic servitude and forced and bonded labor, in which traffickers exploit an initial debt assumed by a worker as part of the terms of employment. Some street children are coerced into criminality or forced to beg; begging ringmasters sometimes maim children as a means to generate sympathy from donors and earn more money. In some instances, children are sold into a form of bondage by their parents, while others are induced into labor through fraud and physical coercion, including in the domestic fish processing industry, or exploited in prostitution. According to an international expert on debt bondage, some Bangladeshi families and Indian migrant workers are subjected to bonded labor in Bangladesh's brick kilns; some kiln owners sell bonded females into prostitution purportedly to further recoup the families' debts. That same expert also reported that some Bangladeshi families are subjected to debt bondage in the shrimp farming industry in southeastern Bangladesh and that some ethnic Indian families are forced to work in the tea industry in the northeastern part of the country. In some instances, girls and boys as young as 8-years-old are subjected to forced prostitution within the country, living in slave-like conditions in secluded environments.

Bangladesh does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Authorities investigated and prosecuted more cases under the 2012 Prevention and Suppression of Human Trafficking Act (PSHTA), but continued to convict only a small number of traffickers. Bangladesh lacked a formal referral mechanism and authorities did not adequately train police and other public officials on identifying and assisting victims. While the government implemented stricter criteria in granting licenses to recruitment agents, it continued to allow extremely high and legal recruitment fees.

## US State Dept Terrorism Report 2015

**Overview:** The Government of Bangladesh has articulated a "zero-tolerance" policy towards terrorism and remained committed to counterterrorism cooperation. Bangladesh experienced a significant increase in violent extremist activity in 2015 compared to 2014. Notably, attacks in 2015 were claimed both in the names of al-Qa'ida in the Indian Subcontinent (AQIS) and the Islamic State of Iraq and the Levant (ISIL), whereas in past years violent extremist activity was associated with local groups. Despite these claims, the Government of Bangladesh attributed recent extremist violence to the political opposition and local terrorists.

Terrorist organizations used social media to spread their radical ideologies and solicit followers from Bangladesh. An article titled "The Revival of Jihad in Bengal" appeared in the November 2015 edition of the ISIL online magazine *Dabiq*, outlining ISIL activities in Bangladesh and plans for future attacks. Bangladesh participated in the White House Summit to Counter Violent Extremism in February and follow-on summits. It also joined the Saudi-led Islamic counterterrorism alliance announced in December.

**2015 Terrorist Incidents:** In 2015, Bangladesh experienced an increase in terrorist attacks against religious minorities and government installations and for the first time, transnational groups have claimed responsibility for these attacks.

AQIS claimed attacks on February 26, March 30, May 12, August 7, and October 31 that resulted in the murders of four bloggers and a publisher, including an American citizen. ISIL also claimed nine attacks, including the murder of an Italian NGO worker (September 28): a Japanese aid worker (October 3), and an attack on an Italian priest (November 18). ISIL reportedly was behind an attack on a Shia Ashura procession (October 24) that killed one person and injured nearly 100; an attack on a police checkpoint (November 4) killing a police officer; and a December 25 suicide attack on an Ahmadiyya Muslim Community mosque. The attacker died in the December 25 attack and the press reported 10 to 12 injuries. The Government of Bangladesh insisted that ISIL did not have an operational presence in the country and attributed the ISIL-claimed attacks to domestic elements.

Additionally, there was an unclaimed December 18 attack using crude explosives at two mosques on a naval base in Chittagong (injuring between six and 25 according to press reports), as well as threats and small scale attacks against Christians, Hindus, and minority Muslim groups. In each of the terrorist incidents claimed by AQIS, attackers used machetes. The attacks claimed in the name of ISIL involved a variety of weapons: machetes, pistols, and crude explosives. In the case of the attack on the Ahmadiyya mosque, a suicide vest was used.

**Legislation, Law Enforcement, and Border Security:** Bangladesh's criminal justice system continued to make progress in fully implementing the Antiterrorism Act of 2009 (ATA) as amended in 2012 and 2013. Although Bangladesh's ATA does not outlaw recruitment and travel in furtherance of terrorism, the broad language of the law provides several mechanisms by which Bangladesh can implement UN Security Council Resolution (UNSCR) 2178 (2014), related to addressing the foreign terrorist fighter threat. Government forces reportedly arrested numerous members of ISIL and of domestic terrorist groups, including suspected supporters of Jamaat ul-Mujahideen Bangladesh (JMB) and Ansarullah Bangla Team (ABT). On December 24, police arrested three suspected JMB terrorists in a raid, recovering crude explosive devices and a suicide vest.

Bangladesh cooperated with the United States to further strengthen control of its borders and land, sea, and air ports of entry. Bangladesh continued to participate in the Department of State's Antiterrorism Assistance program and received counterterrorism training for law enforcement officers in such areas as crisis response, explosive ordnance disposal, and aviation security. Bangladesh also received Department of State-funded prosecutorial skills training and community oriented-policing training in targeted areas of the country. U.S. Special Operations Command Pacific (SOCPAC) continued security and stability training with a number of Bangladesh security forces – including the Bangladesh Coast Guard, Bangladesh Navy Special Warfare and Diving Salvage unit, and the Bangladesh Army 1st Para Commando Battalion. Although the Bangladesh military does not have a clear counterterrorism mandate, SOCPAC will continue to maintain strong partnerships with these forces to develop their special operations capabilities.

**Countering the Financing of Terrorism:** Bangladesh is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. The Bangladesh Bank (the central bank) and its financial intelligence unit/anti-money laundering section, Bangladesh Financial Intelligence Unit (BFIU), lead the government's efforts to comply with international standards on countering the financing of terrorism. The BFIU is a member of the Egmont Group. The APG Mutual Evaluation Team conducted a country assessment in October 2015. In addition to signing 10 Memorandums of Understanding with financial intelligence unit counterparts in other countries, the BFIU has continued its effort to increase capacity with various training programs for its own officials and of officials of other stakeholders.

The terrorism finance provisions of Bangladesh's anti-terrorism act (ATA) prohibit the provision, receipt, and collection of money, services, and material support where "there are reasonable grounds to believe that the same has been used or may be used for any purpose by a terrorist entity." The Act prohibits membership in and support of prohibited organizations, i.e., organizations engaged or involved in terrorist activities, including the organizations listed in the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime. The ATA includes a broad provision authorizing mutual legal cooperation on terrorism matters with other nations and a comprehensive forfeiture provision for assets involved in terrorism activities. However, at year's end, successful implementation of existing laws remained a significant issue. From July 2014 to June 2015, charges were filed in 64 money laundering cases with one conviction recorded. A Banking Dialogue was held in London sponsored by the Department of Justice in the fall of 2015 for members of the Bangladesh Bank, BFIU, and senior local bank officials, and the Department of State continued to support technical training and mentorship for Bangladeshi investigators and prosecutors in handling counterterrorism finance and anti-money laundering cases. The Dialogue included discussion on counterterrorism finance and money laundering.

**Countering Violent Extremism:** In 2015, Bangladesh formed the Community Support Mechanism (CSM) under the Global Fund for Community Engagement and Resilience (GCERF), a public-private global fund to support local, grassroots efforts to counter violent extremism. The CSM identified five local organizations to be potential recipients of GCERF funds, and submitted a national application to the GCERF Board of Directors which was approved with Independent Review Panel recommendations in December. The Ministry of Religious Affairs and the National Committee on Militancy Resistance and Prevention worked with imams and religious scholars to build public awareness against terrorism. In 2015, the police began developing a plan to engage religious leaders in the fight against violent extremism by helping to counter terrorist propaganda with appropriate scripture-based messages.

**International and Regional Cooperation:** Bangladesh is active in several international fora. Bangladesh is party to various counterterrorism protocols under the South Asian Association for Regional Cooperation and is bringing the country's counterterrorism efforts in line with the four pillars of the UN Global Counter-Terrorism Strategy. In 2015, the government demonstrated strong interest in cooperating with India on counterterrorism. It has signed memoranda of understanding with a number of countries to share evidence regarding criminal investigations, including investigations related to financial crimes and terrorism financing.

## International Sanctions

None applicable

## Bribery & Corruption

| Index | Rating (100-Good / 0-Bad) |
|---|---|
| Transparency International Corruption Index | 26 |
| World Governance Indicator – Control of Corruption | 18 |

### US State Department

Bangladesh has made some progress in reducing corruption during the last decade, but it remains a serious impediment to investment and economic growth in Bangladesh. While the government has established legislation to combat bribery, embezzlement and other forms of corruption, enforcement is inconsistent. The Anti-Corruption Commission (ACC) is the main institutional anti-corruption watchdog. The current Awami League-led government has publicly underscored its commitment to anti-corruption efforts and reaffirmed the need for a strong ACC. However, efforts to ease public procurement rules and proposals to curb the independence of the ACC may undermine institutional safeguards against corruption. Bangladesh is a party to the UN Anticorruption Convention, but has still not joined the OECD Convention on Combating Bribery of Public Officials.

Corruption is common in public procurement, tax and customs collection, and regulatory authorities. Corruption, including bribery, raises the costs and risks of doing business. By some estimates, off-the-record payments by firms may result in an annual reduction of 2–3 percent of GDP. Corruption has a corrosive impact on the broader business climate market and opportunities for U.S. companies in Bangladesh. It also deters investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

### Corruption and Government Transparency - Report by Global Security

**Political Climate**

Bangladesh faces significant challenges as one of the poorest countries in the world. On top of this, corruption is endemic, the rule of law is weak, and there is limited bureaucratic transparency. During the last decade, the government of Bangladesh established legislation to combat different forms of corruption, including bribery, embezzlement, and money laundering. It has also attempted to address the culture of impunity by prosecuting corrupt officials and strengthening the country's Anti-Corruption Commission (ACC), and the current Awami-league government has publicly emphasised its commitment to combat corruption and the need of a strong ACC. Nevertheless, as noted by the US Department of State 2013, enforcement remains inconsistent. As a result, pervasive corruption, patronage, and the misallocation of resources have prevented the country from making a more significant developmental leap.

The Government of Bangladesh fought hard against the extremely high levels of corruption that have placed the country at or near the bottom of numerous transparency and corruption indices for several years. The interim government acceded to the United Nations Convention against Corruption (UNCAC) in February 2007. In the same year, the interim government also launched a campaign against corruption, resulting in the sentencing of many businesspeople, high-level political figures, and their family members for corruption and other illegal acts by special anti-corruption courts, set up to deal with the many corruption cases. This included charges against Prime Minister Sheikh Hasina Wajed, former Prime Minister Khaleda Zia, and around 150 other high-ranking political figures. The corruption charges against Prime Minister Sheikh Hasina were dropped in May 2010, due to lack of evidence. In August 2011, an arrest warrant was issued for Tarique Rahman, son of the former Prime Minister, on charges of money laundering. Despite these initiatives, the Bertelsmann Foundation 2012 notes that the anti-corruption drive initiated by the caretaker government (2007-2008) has begun to falter due to a political deadlock between the opposition and the ruling party. The report further notes that political parties generally are not wholehearted in their rhetoric about the elimination of corruption and are not inclined to develop institutional mechanisms to address the problem sufficiently. Accordingly, the country has not witnessed any dramatic changes for the better in the culture of corruption.

Given a political environment rife with corruption, business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 report that the level of public trust in politicians is very low. Similarly, according to Transparency International's Global Corruption Barometer 2013, the Bangladeshi political parties are widely perceived by the surveyed households to be corrupt. Only 22% of households evaluated the government's anti-corruption initiatives as 'effective', while 60% of the surveyed perceive the level of corruption in Bangladesh to have increased over the past three years. This relative public disillusion with politics and corruption was further hampered when it was revealed in June 2012, that the World Bank would cancel a USD 1.2 billion loan to build the country's largest bridge, citing corruption concerns. According to a June 2012 article by the Wall Street Journal, the World Bank suspended its funding due to allegations that two former executives of the Canadian engineering and construction company, SNC-Lavalin, bribed Bangladeshi government officials to win a contract related to the construction of the bridge (read more about this case in this Profile's Public Procurement and Contracting Section). The cancellation of the loan and growing concerns over graft and corruption in the country, according to the article, could hamper the country's ability to attract foreign aid and investment.

**Business and Corruption**

Bangladesh has one of the most liberal investment regimes in the region and, as reported by the Commercial Environment Report 2012 by Dun & Bradstreet, there are no distinctions between foreign and domestic private investors regarding investment incentives or export and import policies. Nevertheless, the country reportedly faces difficulties in attracting foreign investment due to corruption. Corruption represents a serious impediment to efficient business operations in Bangladesh, as emphasised by the US Department of State 2013. Corruption and bribery in Bangladesh raises the costs and risks of doing business and are identified as common within public procurement, tax and customs administration, and regulatory authorities. The same report also notes that corruption in Bangladesh has resulted in annual losses amounting to 2 to 3% of the country's GDP. This perception is supported by the World Economic Forum Global Competitiveness Report 2012-2013, according to which, inadequate supply of infrastructure and corruption are the greatest constraints to foreign companies operating in Bangladesh. Corruption is reportedly present in most interactions with public authorities.

While laws on disclosure of assets and conflicts of interest exist, they are rarely enforced. Significant parts of the state budget (including state-owned companies) remain outside legislative control. Trade and business associations are often led by former government employees or politically active persons, leading to patron-client relations between government and business. According to the Transparency International Global Corruption Report 2009, the most dominant form of corruption taking place in the private sector during that year was asset stripping, followed by fraud and abuse of power. Despite the adoption of the Public Procurement Act 2006 and the Ordinance in 2007, the private sector has reportedly continued to engage in malpractice in the procurement process. According to the Global Competitiveness Report 2012-2013, Bangladesh performs poorly in relation to the ethical behaviour of companies in interactions with public officials, politicians, and other companies. Business executives also indicate that public funds are commonly diverted to companies, individuals, or groups due to corruption. Therefore, companies are recommended to use a specialised public procurement due diligence tool to reduce corruption risks related to public procurement in Bangladesh.

Bangladesh's formal economy is shadowed by a large informal sector. According to the Asian Development Bank 2012 report, nearly 77% of employment is provided for by enterprises in the informal sector, while 43% of the GDP derives from the informal sector. Furthermore, corporate and bureaucratic tax evasion is reportedly a common source of corruption. In order to better manage legal and financial corruption risks, companies are strongly recommended to develop, implement, and strengthen integrity systems and to conduct extensive due diligence when planning to do or already doing business in Bangladesh.

**Regulatory Environment**

Bureaucracy in Bangladesh functions relatively unchecked by both government and civil society. High-level civil servant,s in particular, constitute a strong interest group. The bureaucracy remains politicised in regards to recruitment and promotions, but lack of transparency and accountability seem to be the biggest problems. In the same vein, the Bertelsmann Foundation 2012 reports that administrative operations in the country are deficient due to widespread corruption, a politicised bureaucracy, and a lack of resources, as well as patronage. In addition, the government has exercised influence on local administrations and has significantly curtailed powers of elected local government officials. According to a 2012 research paper by the University of Dhaka Bangladesh, corruption and undue political influence are rampant in the civil service sector and the Public Service Commission, which has been undermined in recent years due to political interference (see more under 'Public Anti-Corruption Initiatives' in the Initiatives section). Officials sometimes obtain their positions and promotions through bribes and are not necessarily chosen on the basis of merit and skill. The same research paper further notes that bribing the staff of the Public Service Commission has been among the serious allegations that have damaged the status of the Commission. There are no rules limiting the acceptance of hospitality for civil servants. The combination of low salaries for public servants, the discretionary powers of the bureaucracy, and the complexity of the regulatory environment, encourages private-public corruption and the use of facilitation payments.

Business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 perceive government administrative requirements to be quite burdensome. They also report that government policy-making is fairly opaque and that government officials will usually favour well-connected companies and individuals when deciding on policies and contracts. Commercial regulations can be ambiguous and inconsistent, and the lack of transparency increases start-up and overall operational costs. According to the World Bank & IFC Doing Business 2013 starting a company requires an entrepreneur to go through 7 procedures and 19 days, at a cost equal to 25.1 % of GNI per capita on average. There is no minimum deposit requirement to obtain a company registration number, and the time required to start a company is less than the regional average.

Business executives surveyed in the Global Competitiveness Report 2012-2013 report that the judiciary is not independent from political influences from members of government, citizens, or companies. Moreover, the US Department of State 2013 states that the lack of effective judicial and alternative dispute resolution mechanisms impedes the enforcement of contracts and the resolution of business disputes in the country. It is common to include an arbitration clause in commercial contracts, as Bangladesh is a member of the International Centre for the Settlement of Investment Disputes (ICSID) and a signatory and contracting state of the New York Convention 1958. The enforcement of IPR is insufficient and there have been few convictions in relation to a large number of infringements. In the lower courts, where cases are first heard, corruption is perceived as a severe problem, according to the US Department of State 2010. The Bangladesh Export Promotion Bureau is known to offer assistance in dispute settlement of export-related transactions. Access the Lexadin World Law Guide for a collection of legislation in Bangladesh.

## Section 3 - Economy

Bangladesh's economy has grown roughly 6% per year since 1996 despite political instability, poor infrastructure, corruption, insufficient power supplies, slow implementation of economic reforms, and the 2008-09 global financial crisis and recession. Although more than half of GDP is generated through the service sector, almost half of Bangladeshis are employed in the agriculture sector with rice as the single-most-important product. Garment exports, the backbone of Bangladesh's industrial sector and 80% of total exports, surpassed $21 billion last year, 18% of GDP. The sector has remained resilient in recent years amidst a series of factory accidents that have killed over 1,000 workers and crippling strikes that shut down virtually all economic activity. Steady garment export growth combined with remittances from overseas Bangladeshis, which totaled almost $15 billion and 13% of GDP IN 2013, are the largest contributors to Bangladesh's current account surplus and record foreign exchange holdings.

**Agriculture - products:**

rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses, oilseeds, spices, fruit; beef, milk, poultry

**Industries:**

jute, cotton, garments, paper, leather, fertilizer, iron and steel, cement, petroleum products, tobacco, drugs and pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity and natural gas

**Exports - commodities:**

garments, knitwear, agricultural products, frozen food (fish and seafood), jute and jute goods, leather

**Exports - partners:**

US 16.7%, Germany 12.5%, UK 8.4%, France 5% (2012)

**Imports - commodities:**

machinery and equipment, chemicals, iron and steel, textiles, foodstuffs, petroleum products, cement

**Imports - partners:**

China 19.5%, India 13.4%, Singapore 4.9%, Malaysia 4.7%, South Korea 4.1% (2012)

### Banking

As at June 2008, there were 48 banks (with 6717 branches) operating in Bangladesh. Nine of them are Foreign Commercial Banks (FCBs), four are Nationalized Commercial Banks

(NCBs), five are Development Financial Institutions (DFIs)and thirty are Private Commercial Banks (PCBs). Bangladesh has a system of Islamic banking (profit-loss sharing). Out of 48 banks in Bangladesh, 6 private commercial banks are operating as full-fledged Islamic banks and 21 branches of 10 conventional banks are involved in Islamic banking. At the end of June 2008, the total investment of the Islamic banking sector was 26.8 % of all private banks and 19.3% of the total banking system.

## Stock Exchange

Two stock exchanges are operating in Bangladesh under license and supervision from the SEC, namely the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

## Section 4 - Investment Climate

### Executive Summary

With 6% annual growth sustained over the past two decades, a large, young and hard-working workforce, and vibrant private sector, Bangladesh, the world's seventh largest country by population, offers opportunities for investment, especially in the energy, power, pharmaceutical, information technology, telecommunications, and infrastructure sectors as well as in labor-intensive industries such as readymade garments, household textiles, and leather processing. There is also significant demand in major cities for U.S. consumer products and franchises.

The Government of Bangladesh actively seeks foreign investment, particularly in energy, power, and infrastructure projects. It offers a range of investment incentives under its industrial policy and export-oriented growth strategy, with few formal distinctions between foreign and domestic private investors. According to the 2013 World Investment Report, Bangladesh received $990 million in foreign direct investment (FDI) in FY13, down from $1.13 billion in the previous year. This is a nominal amount of investment compared to $38.9 billion in foreign investment that the entire South Asia region attracted, as India continues to dominate FDI inflows for the region.

Bangladesh has made gradual progress in reducing some constraints on investment, but inadequate infrastructure, financial constraints, bureaucratic delays, and corruption continue to hinder foreign investment. The lack of effective alternative dispute resolution mechanisms and slow judicial processes impede the enforcement of contracts and the resolution of business disputes. National elections in January 2014 were preceded by a year of unprecedented political violence and uncertainty, which adversely affected the business and investment climate. The political turbulence subsided after the election, and the return to stability has helped restore business confidence to some extent.

On November 25, 2013, the U.S.-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA) was signed in Washington, D.C. The agreement provides a mechanism for both countries to meet regularly and identify obstacles to increasing bilateral trade and investment and how to overcome those obstacles. The successful inaugural TICFA Council meeting was held in Dhaka on April 28, 2014.

On June 27, 2013, President Obama announced his decision to suspend Bangladesh's trade benefits under the Generalized System of Preferences (GSP) in view of insufficient progress by the Government of Bangladesh in affording Bangladeshi workers internationally recognized worker rights. At the time of the announcement, the Administration provided the Government of Bangladesh with a 16-point action plan outlining next steps in a longstanding effort to address in a meaningful way worker rights and safety problems in Bangladesh. If implemented, the plan would provide a basis for the President to consider reinstating GSP trade benefits; it would also drive transformation of the Bangladeshi apparel sector by bringing it to international standards in terms of fire safety, factory structural soundness, and respect for labor rights.

### 1. Openness To, and Restrictions Upon, Foreign Investment

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***Energy and Infrastructure Development***

The government has pursued ambitious plans for infrastructure development, particularly in the power sector, where it pledged to double generation capacity from 6,000 MW to 12,000 MW by 2015 and to 20,000 MW by 2020. In late-2013 the government announced it had an installed capacity of 10,000MW. In 2009, the government launched an initiative with modest funding for public private partnerships (PPP) and began to develop a legal and regulatory framework to implement this initiative. In 2010, due to critical power shortages and chronic delays in implementing power projects, the government amended procurement requirements to allow unsolicited bids and expedited the approval of power generation projects. It also aims to formulate a coal policy to encourage investment in developing coal resources and coal-based power projects. Administrative approval of the production plan of a foreign-owned, open-cast coal mine in northwest Bangladesh has remained pending since November 2005 due to local opposition and political pressure from civil society groups. The government has improved the efficiency of the main seaport in Chittagong and is constructing a four-lane highway to connect Chittagong with the capital city of Dhaka. Prolonged and contentious public procurement processes, however, continue to challenge government efforts to develop infrastructure projects. The landmark $3.1 billion donor financed Padma Multipurpose Bridge project, which would have substantially improved interregional connectivity, was shelved by the government because of disputes with the World Bank on the way forward after the World Bank raised concerns about transparency in the procurement process. On January 23, 2014, the Prime Minister announced six fast-tracked large infrastructure projects to address transportation and energy bottlenecks, among them a new self-financed Padma Bridge project.

***Legal Framework***

Major laws affecting foreign investment include: the Foreign Private Investment (Promotion and Protection) Act of 1980; the Industrial Policy Act of 2005, the Bangladesh Export Processing Zones Authority Act of 1980; the Companies Act of 1994, and the Telecommunications Act of 2001. Legislation offers incentives for investors, including: 100 percent foreign ownership in most sectors, tax holidays and exemptions, reduced import duties on capital machinery and spare parts, and duty-free imports for 100 percent exporters of ready-made garments. The government extended a tax holiday scheme for start-up industries through June 30, 2015.

Beneficiary industries include agro-processing, steel production, jute industries, some textile units, and telecom infrastructure except for mobile phones. A tax rebate facility to non-resident Bangladeshi investors was also extended to induce investment from abroad. Import duties and supplemental taxes remain high and constitute an important source of government revenue. Customs bonded warehouses enable companies located in export processing zones (EPZs) to avoid duty payments on inputs for goods that will be exported. There are few performance requirements, and these do not generally impede investment. Land registration has historically been prone to disputes over competing titles, and scarcity of land is a significant investment constraint.

While discrimination against foreign investors is not widespread, the government frequently promotes local industries and some discriminatory policies and regulations exist. For example, the government closely controls approvals for imported medicines that compete with domestically-manufactured pharmaceutical products and it has required majority local ownership of new shipping companies, albeit with exemptions for existing foreign-owned firms, following a prime ministerial directive.

### *Investment Promotion Agencies*

The Board of Investment (BOI) and the Bangladesh Export Processing Zones Authority (BEPZA) are the primary investment promotion agencies in Bangladesh. Companies must register with the BOI to obtain benefits such as tax incentives or preferential duties for imported equipment. The BOI also administers the approval of some foreign loans and payments on behalf of the Bangladesh Bank. Though the BOI is frequently touted as a one-stop shop for all investors, authority for managing foreign investment remains fragmented. The BOI can register investors in industrial projects outside the EPZs and assist them with tax inquiries, land acquisition, utility hook-ups, and incorporation. The BEPZA performs the same functions for companies investing in the EPZs. Investors in infrastructure and natural resource sectors, including power, mineral resources and telecommunications must seek approval from the corresponding government ministries. Although the BOI is housed organizationally in the Prime Minister's Office, regulatory and administrative powers remain vested in the line ministries. Companies often complain that ministries require unnecessary licenses and permissions.

### *Currency Convertibility*

Free repatriation of profits is allowed for registered companies and profits are almost fully convertible on the current account; however, companies report that the procedures for repatriation of foreign currency are lengthy and cumbersome. When rising fuel imports helped swing balance of payments from surplus to deficit in 2010-2011, scarcity of foreign exchange and currency depreciation temporarily increased convertibility risks. Since 2011, the balance of payments has swung back into surplus, foreign reserves reached an all-time high of over $20 billion, and convertibility risks have declined.

***Privatization***

The government privatized some state-owned enterprises (SOEs) during the past twenty years, but many SOEs retain an important role in the economy, particularly in the financial and energy sectors. The current government has taken steps to restructure several SOEs to improve their competitiveness. Biman Bangladesh Airline was converted into a public limited company that initiated a rebranding and fleet renewal program, including the purchase of 10 aircraft from Boeing, four of which were delivered by March, 2014. Three nationalized commercial banks (NCBs) -- Sonali, Janata and Agrani -- have been converted to public limited companies. Bangladesh allows private investment in power generation and natural gas exploration, but efforts to allow full foreign participation in petroleum marketing and gas distribution have stalled.

The telecommunications sector was liberalized during the last decade, leading to the development of a competitive cellular phone market. The government has been slow to allow greater competition for international connectivity and internet telephony. In 2007, the government revised the International Long Distance Telecommunication Services Policy (ILDTSP) to legalize voice over internet protocol (VoIP), but has not yet implemented this policy, and restrictions remain on international video conferencing and voice chat. Internet protocol telephony service has been licensed under IP Telephony Service Providers (IPTSP) but infrastructure constraints limit its use. Business process outsourcing companies (BPOs), particularly call centers, are limited by stringent policy that affects the cost of business. Although the present government has further liberalized licensing ILDTS Policy 2010, a VoIP gray market exists.

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

| Measure | Year | Rank or value | Website Address |
|---|---|---|---|
| TI Corruption Perceptions index | 2013 | (136 of 177) | http://cpi.transparency.org/cpi2013/results/ |
| Heritage Foundation's Economic Freedom index | 2014 | (131 of 178) | http://www.heritage.org/index/ranking |
| World Bank's Doing Business Report "Ease | 2014 | (130 of 189) | http//doingbusiness.org/rankings |

| | | | |
|---|---|---|---|
| of Doing Business" | | | |
| Global Innovation Index | 2013 | (130 of 142) | http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener |
| World Bank GNI per capita | 2012 | USD 840 | http://data.worldbank.org/indicator/NY.GNP.PCAP.CD |

***TABLE 1B - Scorecards*:** The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

| **Measure** | **Year** | **Index/Ranking** |
|---|---|---|
| MCC Government Effectiveness | 2014 | 60th percentile |
| MCC Rule of Law | 2014 | 49th percentile |
| MCC Control of Corruption | 2014 | 55th percentile |
| MCC Fiscal Policy | 2014 | 38th percentile |
| MCC Trade Policy | 2014 | 13th percentile |
| MCC Regulatory Quality | 2014 | 35th percentile |
| MCC Business Start Up | 2014 | 83rd percentile |
| MCC Land Rights Access | 2014 | 23rd percentile |
| MCC Natural Resource Management | 2014 | 19th percentile |
| MCC Access to Credit | 2014 | 66th percentile |
| MCC Inflation | 2014 | 36th percentile |

**2. Conversion and Transfer Policies**

Bangladesh Bank, the central bank of Bangladesh, does not fix the exchange rate against foreign currencies, but it regulates conversion. The Bangladesh taka is almost fully convertible for current account transactions, such as import trade and travel needs, but not for capital account transactions, such as investing, currency speculation, or e-commerce. The Foreign Investment Act guarantees the right of repatriation of invested capital, profits, capital gains, post-tax dividends, and approved royalties and fees for businesses. The central bank's exchange control regulations and the U.S.-Bangladesh Bilateral Investment Treaty (in force since 1989) provide similar investment transfer guarantees. The BOI may need to approve repatriation of royalties and other fees. The Bangladesh taka depreciated more than 15 percent against the U.S. dollar in 2011, but strengthened at the end of 2012, and has remained relatively stable, supported by overseas remittances and foreign reserves reaching record highs.

### 3. Expropriation and Compensation

Since the Foreign Investment Act of 1980 banned nationalization or expropriation without adequate compensation, the Government of Bangladesh has not nationalized or expropriated property from foreign investors. In the years immediately following independence in 1971, widespread nationalization resulted in government ownership of over 90 percent of fixed assets in the modern manufacturing sector, including textile, jute and sugar industries as well as all banking and insurance interests, except those in foreign (but non-Pakistani) hands. The government has since taken steps to privatize many of these industries during the last twenty years and the private sector has developed into a main driver of the country’s sustained economic growth of 5-6 percent per year during the past two decades.

### 4. Dispute Settlement

A fundamental impediment to investment in Bangladesh is a weak and slow legal system in which the enforceability of contracts is uncertain. The judicial system does not provide for interest to be charged in tort judgments, thus there is no penalty for delaying proceedings. In a significant milestone, the government in 2007 separated the country's judiciary from the executive, but the executive retains strong influence over the judiciary through control of judicial appointments. Other pillars of the justice system including the police, courts, and legal profession are also closely aligned with the executive branch. In lower courts, corruption is widely perceived as a serious problem. The High Court’s previous reputation for impartiality has also been brought into question in recent years. Nonetheless, Bangladeshi law allows contracts to refer dispute settlement to third country forums for resolution. Bangladesh is a signatory to the International Convention for the Settlement of Disputes (ICSID) and it acceded (on May 6, 1992) to the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards. Bangladesh is also a party to the South Asia Association for Regional Cooperation (SAARC) Agreement for the Establishment of an Arbitration Council, signed November 13, 2005, which aims to establish a permanent alternative dispute resolution center in one of the SAARC member countries. A provision of the U.S.-Bangladesh Bilateral Investment Treaty permits submission of investment disputes to ICSID for third-party settlement.

The ability of the Bangladeshi judicial system to enforce its own awards is weak, and there is no reason to believe that enforcement of foreign judgments would be stronger. The Bangladesh Export Promotion Bureau is sometimes helpful in facilitating dispute settlement for export-related transactions. Major Bangladeshi trade and business associations can also help to resolve transaction disputes.

Many laws affecting investment in Bangladesh are old and outdated. Bankruptcy laws, which apply mainly to individual insolvency, are sometimes not used in business cases because of a web of falsified assets and uncollectible cross-indebtedness supporting insolvent banks and companies. A Bankruptcy Act was enacted in 1997 but has been ineffective in addressing these issues. A new Companies Act is in process of enactment by the parliament. Some bankruptcy cases fall under the Money Loan Court Act, which has more stringent and timely procedures.

Dispute settlement is also hampered by shortcomings in accounting practices and in the registration of real property. With the exception of those conducted by a few internationally affiliated accounting firms, audits of balance sheets and profit and loss statements often follow clients' instructions and fail to conform to international standards. Documents affecting title to real property are often not registered, complicating transfer of ownership and collateral agreements.

**5. Performance Requirements and Investment Incentives**

The government's industrial policies favor manufacturing and labor-intensive industries that use local inputs. A variety of subsidies and other incentives are available to different industrial ventures, primarily in export sectors and, to a certain extent, import substitution sectors. The Government also provides loans at concessionary rates through state banks and government-owned development banks for exports, cottage industries, and agriculture. These incentives are available to both domestic and foreign investors.

In order to simplify the tariff structure and generate more revenue through import duties, the government developed a four-tier duty structure with higher duties on finished products, but reduced duties on industrial inputs such as capital machinery, spare parts, basic raw materials, and intermediate raw materials.

The government also offers a variety of tax incentives to selected sectors of the economy, including:

- A 50 percent rebate for taxable income generated from export earnings (according to section 44(1) and the paragraph 28 of 6th Schedule Part A of Income Tax Ordinance, 1984);
- An income tax exemption on export earnings from handicrafts and cottage industries (according to S.R.O No. 339-L/86, dated 13 August, 1986);
- Tax holidays of five to seven years, depending on location, for new industrial enterprises in the textile, pharmaceuticals, plastic, ceramics, sanitary ware, iron, steel, fertilizer, insecticide, computer hardware, petrochemicals, pharmaceutical raw materials, agricultural equipment, and industrial machinery. (Note: This provision has been extended annually, with the current extension allowing business to begin claiming this incentive by June 2015);
- Industries set up within EPZs are exempted from five to seven years depending on the location of the EPZ according to SRO No. 219 of 2012;

- Accelerated depreciation for enterprises not eligible for a tax holiday is provided for in paragraph 7 of 3rd Schedule of Income Tax Ordinance, 1984;

- Power projects are exempt from income taxes for up to 15 years according to the National Power Policy, S.R.O. 211-Law/Income Tax/2013 dated 1 July, 2013 amended by S.R.O. 354-Law/Income Tax/2013 dated 18 November, 2013 and S.R.O. 213-Law/Income Tax/2013 dated 1 July, 2013.

**6. Right to Private Ownership and Establishment**

Foreign and domestic private entities can establish and own, operate, and dispose of interests in most types of business enterprises. Four sectors, however, are reserved for government investment:

- Arms and ammunition and other defense equipment and machinery;

- Forest plantation and mechanized extraction within the bounds of reserved forests;

- Production of nuclear energy;

- Security printing.

**7. Protection of Property Rights**

Although land, whether for purchase or lease, is often critical for investment and as security against loans, antiquated real property laws and poor record-keeping systems can complicate land and property transactions. Land registration records have been historically prone to competing claims. Instruments take effect from the date of execution, not the date of registration, so a bona fide purchaser can never be certain of title. Property owners can obtain mortgages, but parties avoid registering mortgages, liens, and encumbrances due to the high cost of stamp duties (i.e., transaction taxes based on property value) and other charges.

Bangladesh has slowly made progress towards bringing its legislative framework into compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The government enacted a Copyright Law in July 2000 (later amended in 2005) and a Trademarks Act in 2009, and it is preparing draft Patent and Design laws to modernize its current Patent and Design legislation dating from 1911. Once fully implemented, this legislation is intended to bring the country's intellectual property laws into full compliance with TRIPS requirements. The Department of Patent, Designs and Trademarks DPDT drafted a new Patent Act, 2014 which has been prepared in compliance with the requirements of the TRIPS Agreement, and is under Ministry of Industries review. After Ministry of Industry review, it will be uploaded on DPDT's website for public comment.

The government has limited resources for intellectual property rights (IPR) protection. Enforcement actions against IPR violators are rare despite widespread availability of pirated goods, and industry estimates that 90 percent of business software is pirated. BSA, the Software Alliance, launched a Bangladesh office in early 2014 as a platform to improve IPR protection in Bangladesh. A number of American firms, including film studios, manufacturers of consumer goods, and software firms, have reported violations of their intellectual property rights. Bangladesh is a member of the World Intellectual Property Organization (WIPO); and acceded to the Paris Convention on Intellectual Property in 1991.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Local attorneys list: http://dhaka.usembassy.gov/legal_resources.html

**8. Transparency of the Regulatory System**

Starting from a position of extreme over-regulation, the government has gradually moved since 1989 to decrease regulatory obstruction of private business. Although some officials have shown genuine commitment to these reforms, in general, changes encountered broad-based resistance from many domestic groups in the economy, including influential members of the business community. The official chambers of commerce include manufacturers in protected industries and well-connected commission agents pursuing government contracts. Chamber members have called for a greater voice for the private sector in government decisions and for privatization, but at the same time many support protectionism and subsidies for their own industries.

Policy and regulations in Bangladesh are often not clear, consistent, or publicized. Generally, the civil service, businesses, professionals, trade unions, and political parties have vested interests in a system in which confidentiality is used as an excuse for lack of transparency and in which patron-client relationships are the norm. Registration and regulatory processes are often used as rent-seeking opportunities. Bangladesh has made incremental progress in using information technology to improve the transparency and efficiency of some government services and developing independent agencies to regulate the energy and telecommunication sectors.

In practice, government laws, regulations and their implementation often do not reduce distortions or impediments to investment, but create them. The government has historically limited opportunities for the private sector to comment on proposed regulations but several agencies, including the Commerce Ministry and telecommunications regulator have posted draft legislation and regulations online and solicited input from the business community.

**9. Efficient Capital Markets and Portfolio Investment**

While Bangladesh has made gradual progress in developing capital markets, the markets have relied primarily on domestic investors with limited participation from international portfolio investors. A 2010-2011 stock market bubble and correction underscored weaknesses in capital markets and deficiencies in regulatory oversight. The Dhaka Stock Exchange (DSE) market capitalization rose to a peak of $48 billion in December 2010 before declining to roughly $30 billion in January 2012. A sharp increase in retail investors combined with loose monetary policy and lax regulatory oversight fueled inflation of share prices in 2010. Since this episode, regulatory oversight has nonetheless improved.

As steady economic growth has fueled rising domestic investment, Bangladeshi firms have increasingly relied on capital markets to finance investment projects. The DSE has attracted some foreign portfolio investors to the country's capital market; however the volume of foreign investment in Bangladesh has remained a small fraction of total market capitalization. As a result, foreign portfolio investment has had limited influence on market trends and Bangladesh's capital markets have been largely insulated from volatility of international financial markets.

Foreign investors have access to local credit markets, but many seek offshore financing at more competitive rates. If they finance locally, it is usually with a foreign bank branch. State-owned banks, known as nationalized commercial banks (NCBs), comprise roughly 25 percent of total lending. Financial analysts estimate that a significant share of the country's total asset base is non-performing based on their long-outstanding debts to the NCBs. Following the January 2014 elections, the government agreed to allow financial institutions to reschedule non-performing loans until June 2014. An important part of the IMF's ongoing Extended Credit Facility (ECF) with Bangladesh is related to financial sector reforms.

The Securities and Exchange Commission (SEC) was formed in 1993 to regulate the DSE and Chittagong Stock Exchange (CSE) and protect investors. In 1997, the SEC imposed new restrictions on the involvement of foreign investors in the Bangladesh capital market. The guidelines stipulate that 10 percent of primary issues are reserved for non-resident Bangladeshis. Foreign investors have complained that this measure exacerbates a significant market drawback: the difficulty of buying or selling in volume over a reasonably short period. Bangladesh is a rare case in South Asia which allows 100 percent company ownership by foreigners in most sectors. The SEC considers the 10 percent allowance for non-resident Bangladeshis to be an incentive for foreign investment.

**10. Competition from State-Owned Enterprises**

State-Owned Enterprises (SOEs) are active in banking, energy, transportation and agricultural sectors. SOEs usually report to line ministries, though the government has allowed some increased autonomy for certain SOEs such as national carrier Biman Bangladesh Airline. State-owned banks generally maintain a wider network of branches and depositors than private banks, but private banks have gradually increased their role. Private energy companies can invest in power generation through independent power purchase (IPP) agreements with the Bangladesh Power Development Board. Oil and gas firms can pursue exploration and production ventures through production sharing agreements with the state-owned oil and gas company, Petrobangla. SOEs maintain control of rail transportation, but private companies compete freely in air and road transportation.

**11. Corporate Social Responsibility**

The business community is increasingly aware and engaged in corporate social responsibility (CSR) activities with multinational firms and local business conglomerates leading the way. U.S. companies present in Bangladesh maintain diverse CSR activities. Consumers are generally less aware of CSR and there is little pressure from consumers or shareholders for companies to engage in CSR activities. While many international firms are aware of OECD guidelines and international best practices in CSR, most local firms have limited familiarity with international standards.

**12. Political Violence**

Incidents of violence targeting foreign projects or installations have been isolated and criminal, rather than political, in nature. Extortion of money from businesses by thugs claiming political backing is common. Clashes between supporters of rival political parties and their student and youth wings and even factions within the same party are frequent occurrences, particularly in the run-up to elections. General strikes and blockades called by political parties mostly affect businesses by keeping workers away with the threat of violence and blocking transport, resulting in productivity losses. Vehicles and other property are at risk from vandalism or arson during such programs, and looting of shops has occurred.

Responding to public concern over law and order, the government in March 2004 created a special elite force, known as the Rapid Action Battalion (RAB) as part of its anti-crime initiative. The RAB is comprised of members of the armed forces, the police, and the Bangladesh Border Guard and Ansars, both paramilitary groups. The RAB became operational in June 2004 and has been credited by many Bangladeshis with improving domestic law and order. Soon after its formation, however, the local media began reporting on "cross-fires," a euphemism for extrajudicial killings, particularly by the RAB. Reports of cross-fire incidents continue.

In February 2005 the government banned two extremist groups: Jama'atul Mujahedin Bangladesh (JMB) and Jagroto Muslim Janata Bangladesh (JMJB). On August 17, 2005, JMB, with the assistance of JMJB, set off over 500 small, improvised explosive devices (IEDs) in a coordinated attack in 63 of the 64 districts of Bangladesh. The devices were accompanied by leaflets demanding the establishment of Islamic law in Bangladesh. From September to early December 2005, JMB conducted several suicide attacks targeting local judges, courts and district government facilities. The government responded vigorously, arresting several high-ranking leaders of JMB and recovering detonators, explosives and related materials used to construct IEDs. As of January 2014, there had been no attacks by extremist groups on foreign diplomatic, commercial or social interests in Bangladesh; the current Awami League government has demonstrated a strong commitment to combating terrorism.

### 13. Corruption

Bangladesh has made some progress in reducing corruption during the last decade, but it remains a serious impediment to investment and economic growth in Bangladesh. While the government has established legislation to combat bribery, embezzlement and other forms of corruption, enforcement is inconsistent. The Anti-Corruption Commission (ACC) is the main institutional anti-corruption watchdog. The current Awami League-led government has publicly underscored its commitment to anti-corruption efforts and reaffirmed the need for a strong ACC. However, efforts to ease public procurement rules and proposals to curb the independence of the ACC may undermine institutional safeguards against corruption. Bangladesh is a party to the UN Anticorruption Convention, but has still not joined the OECD Convention on Combating Bribery of Public Officials.

Corruption is common in public procurement, tax and customs collection, and regulatory authorities. Corruption, including bribery, raises the costs and risks of doing business. By some estimates, off-the-record payments by firms may result in an annual reduction of 2–3 percent of GDP. Corruption has a corrosive impact on the broader business climate market and opportunities for U.S. companies in Bangladesh. It also deters investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

### 14. Bilateral Investment Agreements

The U.S.-Bangladesh Bilateral Investment Treaty, signed on March 12, 1986, entered into force on July 23, 1989. Bangladesh has also signed investment treaties with a number of other countries. The Foreign Investment Act includes a guarantee of national treatment.

A bilateral treaty between the United States and Bangladesh for the avoidance of double taxation was signed on September 26, 2004 and ratified by the United States on March 31, 2006. The parties exchanged Instruments of ratification on August 7, 2006. The treaty has been effective for most taxpayers beginning in the 2007 tax year.

On June 27, 2013, President Obama announced his decision to suspend Bangladesh's trade benefits under the Generalized System of Preferences (GSP) in view of insufficient progress by the Government of Bangladesh in affording Bangladeshi workers internationally recognized worker rights. At the time of the announcement, the Administration provided the Government of Bangladesh with a 16-point action plan outlining next steps in a longstanding effort to address in a meaningful way worker safety problems in Bangladesh – the severity of which were exemplified in the tragedies of the November 2012 Tazreen Fashions factory fire and the April 2013 Rana Plaza building collapse – and, more broadly, the ability of Bangladeshi workers to exercise their full range of labor rights. If implemented, the plan would provide a basis for the President to consider reinstating GSP trade benefits; it would also drive transformation of the Bangladeshi apparel sector by bringing it to international standards in terms of fire safety, factory structural soundness, and respect for labor rights.

The United States also associated itself with the July 8, 2013 European Union (EU)-Bangladesh-International Labor Organization (ILO) *Sustainability Compact for continuous improvements in labor rights and factory safety in the ready-made garment and knitwear industry in Bangladesh* (Compact). The United States works as a full partner with the EU, Bangladesh, and the ILO to implement the goals of the Compact, many of which are broadly consistent with the GSP Action Plan.

On November 25, 2013, the U.S.-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA) was signed in Washington, D.C. The agreement provides a mechanism for both countries to meet regularly and identify obstacles to increasing bilateral trade and investment and how to overcome those obstacles. The successful inaugural TICFA Council meeting was held in Dhaka on April 28, 2014.

Bangladesh has successfully negotiated several regional trade and economic agreements, including the South Asian Free Trade Area (SAFTA), the Asia-Pacific Trade Agreement (APTA), and the Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC). Bangladesh has taken steps to strengthen bilateral economic relations with India by reducing trade barriers and improving connectivity. Bangladesh gained duty free access to India via regional, not bilateral trade agreements. The first is the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Arrangement (SAPTA) which was signed in April 1993 and operationalized in December 1995, which gives limited preferential market access to exports of member countries. The second is the South Asian Free Trade Area (SAFTA) agreement which was signed in January 2004 in Islamabad and entered into force from January 2006. Tariff reduction under SAFTA started from July 2006. Under these two agreements, Bangladesh can export goods duty free to India except for alcohol, tobacco, RMG and a limited number of other products from a 'sensitive list.' As a founding member of the World Trade Organization (WTO) and as a least-developed country (LDC), Bangladesh has been an active advocate for LDC interests in WTO negotiations.

**15. OPIC and Other Investment Insurance Programs**

The U.S. Overseas Private Investment Corporation (OPIC) provides insurance coverage for some U.S. firms currently doing business in Bangladesh. OPIC and the Government of

Bangladesh signed an updated bilateral agreement in May 1998. More information on OPIC services can be found on www.opic.gov. Bangladesh is a member of the Multilateral Investment Guarantee Agency.

The Export-Import Bank (EXIM) of the United States provides U.S. export-oriented risk protection and financing for some U.S. firms exporting to Bangladesh. In 2013, EXIM maintained $240,590,228 in exposure related to Bangladesh.

**16. Labor**

Bangladesh has a population of over 155 million people and a labor force of 57 million people, including 2.5 million union members. Over 60 percent of the labor force works in the agricultural sector, roughly 10 percent in industry, and the remaining in the services sector. Low official unemployment statistics obscure a huge and growing under-employment problem in Bangladesh. Bangladesh's comparative advantage in cheap labor for manufacturing is partially offset by low productivity due to low skills, poor management, and inefficient infrastructure and machinery, as well as rising minimum wage rates, particularly in the garment sector.

Bangladesh has labor laws that specify employment conditions, working hours, minimum wage levels, leave policies, health and sanitary conditions, and compensation for injured workers. Freedom of association and the right to join unions are guaranteed in the constitution. In practice, compliance and enforcement of labor laws are inconsistent, and companies frequently discourage the formation of active labor unions. Historically, unions are heavily politicized, and labor-management relations are often contentious, particularly in the ready-made garment (RMG) sector which registered over 100 new unions in 2013.

In July 2004, parliament enacted a law granting limited freedom of association in the export processing zones. Workers of the industrial units are allowed to form a welfare council to develop and grow into organizations, defending their welfare through collective bargaining, according to the law which was renewed and updated in 2010. These special labor provisions for export processing zones were due to expire in 2013, but remain in force. Employers are required to form worker welfare councils once the workers apply for such formation. However, some restrictions related to strikes expired in 2013. For industries outside of EPZs the Labor Act, 2006 provides similar rights to form labor union by the workers. The implementation of worker welfare councils in the export processing zones is uneven with many larger factories ignoring the provision altogether. Labor disputes do not necessarily need to be heard before a court. Many companies have found it effective to resolve issues before a Labor Tribunal.

The ILO also launched in October 2013 a $24.2 million, a three-and-a-half year program to support implementation of Bangladesh’s National Tripartite Plan of action on fire safety an structural integrity in the ready-made garment (RMG) sector. Key elements are already being implemented, including building and fire safety assessments; labor inspection reforms; and occupational safety and health, rehabilitation and skills training. The ILO, in partnership with the International Finance Corporation (IFC), also initiated the largest ever Better Work program in Bangladesh in an effort to improve labor standards. Better Work will provide assessments of factory compliance with national law and core international labor standards, paired with transparent public reporting on findings. The program will also provide advisory services to factories, concentrating on building worker/management dialogue to improve working conditions and competitiveness, and engage with national partners to promote sectoral changes, including effective industrial relations.

### *Child Labor*

Bangladeshi law sets a minimum age of 14 for employment and 18 for hazardous work. Numerous laws prohibit child labor in certain sectors, ranging from transport workers to tea plantation labor, but these have not been consistently applied to informal sectors, such as agriculture and domestic work, where the majority of children are employed. As a result, child labor in Bangladesh has historically been a problem. On July 4, 1995, Bangladesh's garment exporters association signed a memorandum of understanding (MOU) with the United Nations Children's Fund (UNICEF) and the ILO under which child laborers were removed from EPZ textile factories and enrolled in education programs. ILO-assisted monitoring teams, which found child laborers in 43 percent of EPZ factories in 1996, found them in fewer than 5 percent in 2001. The MOU program has been phased out, and the U.S. Embassy considers the project a success, with most child labor now eradicated from the EPZs, and from the garment sector in general. Child labor laws are not effectively enforced outside of the EPZs, particularly in the informal sector that employs 80 percent of the workforce. Bangladesh, however, is working to improve compliance with ILO conventions on child labor.

### 17. Foreign Trade Zones/Free Ports

Under the Bangladesh Export Processing Zones Authority Act of 1980, the government established an EPZ in Chittagong in 1983. Additional EPZs now operate in Dhaka (Savar), Mongla, Ishwardi, Comilla, Uttara, Karnaphuli (Chittagong) and Adamjee (Dhaka). Korean investors are developing a private EPZ in Chittagong. Investments that are wholly foreign-owned, joint ventures and wholly Bangladeshi-owned companies are all permitted to operate and enjoy equal treatment in the EPZs. Approximately a dozen U.S. firms -- mostly textile producers -- are currently operating in Bangladesh EPZs, and U.S. garment sector buyers source heavily from EPZs. Investors are generally satisfied with the operation of Bangladesh's EPZs, which have played a significant role in the success of Bangladesh's RMG industry.

In 2010, Bangladesh enacted a Special Economic Zone Law that allows the creation of privately-owned special economic zones (SEZs) that can produce for export and domestic markets. The IFC is assisting the government to establish an SEZ authority, Bangladesh Economic Zones Authority (BEZA), modeled after BEPZA, to implement the new law and oversee the establishment of SEZs. The Bangladesh Economic Zones Act 2010 is still in place. On 18 April, 2012 the BEZA Governing Board decided to establish five economic zones in the country:

1. Mongla, Bagerhat (http://www.beza.gov.bd/mongla_khulna.php)
2. Sirajganj, Rajshahi (http://www.beza.gov.bd/sirajganj_rajshahi.php)
3. Anowara, Chittagong (http://www.beza.gov.bd/anwara_chittagong.php)
4. Mirershorai, Chittagong (http://www.beza.gov.bd/mirershorai_chittagong.php)
5. Maulvibazar, Sylhet (http://www.beza.gov.bd/moulvibazar_sylhet.php)

## 18. Foreign Direct Investment and Foreign Portfolio Statistics

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2013, FDI inflows to Bangladesh decreased by 13 percent to just under $1 billion. Nonetheless, Bangladesh remained the third largest recipient of FDI in the region, after India and the Islamic Republic of Iran. Outward FDI flows stood at $53 million, approximately 76 percent more than that of 2012. Major sources of investment include the United States, the United Kingdom, South Korea, Japan, Norway and India.

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

### Legal system:

mixed legal system of mostly English common law and Islamic law

### International organization participation:

ADB, ARF, BIMSTEC, C, CD, CICA (observer), CP, D-8, FAO, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MINURSO, MONUSCO, NAM, OIC, OPCW, PCA, SAARC, SACEP, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNISFA, UNMIL, UNMISS, UNMIT, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

## Section 6 - Tax

### Exchange control

Bangladesh has worked towards dismantling or easing many of the controls and maintaining a unified exchange rate. However, traces of old attitudes and a few intrusive sets of regulations can still be seen permeating through the system of international payments.

### Treaty and non-treaty withholding tax rates

Ctrl and Click for further information

## Methodology and Sources

**Section 1 - General Background Report and Map**

(Source: CIA World Factbook)

**Section 2 - Anti – Money Laundering / Terrorist Financing**

| | **Lower Risk** | **Medium Risk** | **Higher Risk** |
|---|---|---|---|
| FATF List of Countries identified with strategic AML deficiencies | Not Listed | AML Deficient but Committed | High Risk |
| Compliance with FATF 40 + 9 recommendations | >69% Compliant or Fully Compliant | 35 – 69% Compliant or Fully Compliant | <35% Compliant or Fully Compliant |
| US Dept of State Money Laundering assessment (INCSR) | Monitored | Concern | Primary Concern |
| INCSR - Weakness in Government Legislation | <2 | 2-4 | 5-20 |
| US Sec of State supporter of / Safe Haven for International Terrorism | No | Safe Haven for Terrorism | State Supporter of Terrorism |
| EU White list equivalent jurisdictions | Yes | | No |
| International Sanctions<br>UN Sanctions / US Sanctions / EU Sanctions | None | Arab League / Other | UN , EU or US |
| Corruption Index (Transparency International)<br>Control of corruption (WGI)<br>Global Advice Network | >69% | 35 – 69% | <35% |
| World government Indicators (Average) | >69% | 35 – 69% | <35% |
| Failed States Index (Average) | >69% | 35 – 69% | <35% |
| Offshore Finance Centre | No | | Yes |

**Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

**Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

**Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

**Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD PKF International)

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