Bangladesh

RISK & COMPLIANCE REPORT

DATE: March 2018

KNOWYOURCOUNTRY.COM

Executive Summary - Bangladesh	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	US Dept of State Money Laundering Assessment 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: 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. 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 4
Section 2 - Anti – Money Laundering / Terrorist Financing 5
FATF status 5
Compliance with FATF Recommendations 5
Key Findings from latest Mutual Evaluation Report (2009): ....**Error! Bookmark not defined.**
US Department of State Money Laundering assessment (INCSR) 8
Reports 12
International Sanctions 17
Bribery & Corruption 18
Section 3 - Economy 22
Banking 22
Stock Exchange 23
Section 4 - Investment Climate 24
Section 5 - Government 41
Section 6 - Tax 43
Methodology and Sources 44

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 2016 (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 transit and destination country for men, women, and children subjected to forced labor and sex trafficking. Some Bangladeshi men and women who migrate willingly to work in the Middle East, Southern and East Africa, South and Southeast Asia, Europe, and the United States 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 migrant workers at risk of 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. Bangladesh is host to an estimated 32,000 registered Rohingya refugees and up to 500,000 undocumented Rohingya, whose stateless status increases their vulnerability to human trafficking. Rohingya and Bangladeshi migrants who travel by boat to Southeast Asian countries are subject to starvation, assault, abduction, and ransom demands—some migrants who are not able to pay ransom are sold into forced labor, primarily on fishing boats. Women and girls who migrate for domestic work are particularly vulnerable to abuse.

Some women who migrate through Bangladeshi recruitment agencies to Lebanon or Jordan for domestic work are subsequently sold and transported to Syria and subjected to forced labor and sex trafficking. Some women and children are subjected to sex trafficking and forced labor in India and Pakistan.

Within the country, children and adults are subjected to sex trafficking, domestic servitude, and forced and bonded labor, in which traffickers exploit an initial debt assumed by a worker as part of the employment terms. Street children are sometimes coerced into criminality or forced to beg; begging ringmasters sometimes maim children to increase their earnings. 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 sex trafficking. According to an international expert on debt bondage, Bangladeshi families and Indian migrant workers are subjected to bonded labor in some of Bangladesh’s brick kilns; some kiln owners sell bonded females into prostitution purportedly to recoup the families’ debts, and some Bangladeshi families are subjected to debt bondage in shrimp farming. Some ethnic Indian families are forced to work in the tea industry in the northeastern part of the country. NGOs allege some officials allow human traffickers to operate at brothels, at India-Bangladesh border crossings, and at maritime embarkation points.

The Government of Bangladesh does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government significantly increased trafficking investigations—with a notable increase in labor trafficking investigations from 12 cases in 2014 to 265 cases in 2015. Prosecutions also increased, and the government finalized and launched its 2015-2017 national action plan and continued to fund nine multipurpose shelters, drop-in centers, and safe homes, which were accessible to victims of trafficking. However, for the third consecutive year, the government continued to prepare but did not finalize the implementing rules for the 2012 Prevention and Suppression of Human Trafficking Act (PSHTA), thereby impeding the identification, rescue, and rehabilitation of trafficking victims. Convictions decreased, and although complicity of some officials in trafficking offenses remained a serious problem, the government did not report any investigations, prosecutions, or convictions of government officials complicit in human trafficking offenses in 2015. The government reported identifying significantly fewer victims in 2015, and the government’s efforts to refer victims to care during the reporting period were unknown. The government remained without a formal mechanism to refer trafficking victims to protective services and did not provide adequate victim services. While the government renewed a labor export agreement with Malaysia aimed to mitigate the impact of private recruitment agencies’ high fees and sometimes unscrupulous practices, the agreement had not yet been implemented at the end of the reporting period, and the government did little to protect Bangladeshi migrant workers outside of this agreement from extremely high legal recruitment fees and the deceitful practices of some employment recruiters.

US State Dept Terrorism Report 2016

Overview: Bangladesh experienced a significant increase in terrorist activity in 2016. The Government of Bangladesh has articulated a zero-tolerance policy towards terrorism, made numerous arrests of terrorist suspects, and continued its counterterrorism cooperation with the international community. The Government of Bangladesh often attributed extremist violence to the political opposition and local militants. Both al-Qa'ida in the Indian Subcontinent (AQIS) and ISIS claimed responsibility for a significant number of the attacks that took place in Bangladesh. Terrorist organizations used social media to spread their radical ideologies and solicit followers from Bangladesh. Bangladesh was featured in multiple publications, videos, and websites associated with ISIS and AQIS.

Legislation, Law Enforcement, and Border Security: Bangladesh's criminal justice system is in the process of 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 ATA provides several mechanisms by which Bangladesh can implement UN Security Council resolution (UNSCR) 2178 (2014), related to addressing the foreign terrorist fighter threat. Despite lacking laws specific to foreign terrorist fighters, Bangladesh has arrested suspected foreign terrorist fighters or facilitators of such fighters on other charges under existing law. Bangladesh cooperated with the United States to further strengthen control of its borders and land, sea, and air ports of entry, which is also called for by UNSCR 2178. Bangladesh cooperated with the United States to further strengthen control of its borders and land, sea, and air ports of entry. The international community devoted particular attention to aviation security and on June 28, Germany joined the United Kingdom and Australia in banning direct cargo shipments from Bangladesh due to security concerns. Bangladesh shared law enforcement information with INTERPOL but does not have a dedicated terrorist watchlist. Bangladesh does not have an interactive advanced passenger information system. The Department of State is working with Bangladesh to assist in developing a screening infrastructure to better secure its borders.

The newly-formed Counterterrorism and Transnational Crime Unit (CTTCU) of the Dhaka Metropolitan Police began operations in February and gained a national mandate in August. On February 19-20, the CTTCU arrested two suspected members of the local terrorist group Ansarullah Bangla Team (ABT), which is affiliated with AQIS, leading to the discovery and destruction of a bomb-making factory. In the aftermath of the Holey Artisan Bakery attack, law enforcement have captured or killed numerous suspected militants in several raids. These include the July 26 raid in the Kalyanpur neighborhood of Dhaka, where police killed nine suspected militants. Police reported recovering ISIS paraphernalia and explosives and other weapons on site. On August 27, police reported killing ISIS's operational head in Bangladesh, Tamim Chowdhury, in a raid in Narayanganj. The CTTCU and the Rapid Action Battalion (RAB) conducted significant raids on September 10 in Azimpur and October 8 in Gazipur, directed at suspected members who reportedly have links to ISIS. Observers believe at least some of the raids are staged by law enforcement, particularly the RAB.

Bangladesh continued to participate in the Department of State's Antiterrorism Assistance program and received counterterrorism-focused training for law enforcement officers. Bangladesh also received Department of Justice prosecutorial skills training, and community policing support in targeted areas of the country. U.S. Special Operations Command Pacific (SOCPAC) continued security and stability engagements with a number of Bangladesh security forces – including the Bangladesh Coast Guard, Bangladesh Navy Special Warfare and Diving Salvage (SWADS) unit, the Bangladesh Army 1st Para Commando Battalion, and the Border Guards Bangladesh. The prime minister demonstrated a willingness to draw upon military assets when she called in the 1st Para Commando Battalion and SWADS to assist with the Holey Bakery hostage crisis.

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 Financial Intelligence Unit (BFIU) is a member of the Egmont Group of Financial Intelligence Units. The Bangladesh Bank (the central bank) and the BFIU lead the government's efforts to comply with the international anti-money laundering/countering the financing of terrorism (AML/CFT) standards and international sanctions regimes.

A 2016 APG Mutual Evaluation report stated that Bangladesh is technically compliant with international AML/CFT standards, but that the country's effectiveness in implementing regulations requires significant improvement. The report found that the main terrorist finance threat to Bangladesh is from domestic groups that operate using small-scale funding derived through micro-financing methods. While the country faces significant domestic terrorist finance risks, Bangladesh law enforcement and intelligence agencies demonstrate a strong understanding of these risks. Furthermore, the BFIU is empowered to obtain information from other agencies and demonstrates high quality analysis and product dissemination capabilities. Still, the judicial sector is under-resourced for carrying out prosecutions and obtaining convictions and the banking and non-banking sectors require further implementation of preventative measures such as customer due diligence and suspicious transaction reports.

The terrorist finance provisions of the ATA outlaw 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 ATA prohibits membership in and support of prohibited organizations, i.e., organizations engaged or involved in terrorist activities, including the organizations listed in the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime. The Bangladesh Bank also publishes domestically-designated as well as UN-sanctioned individuals and groups on its website. The ATA includes a broad provision providing for mutual legal cooperation on terrorism matters with other nations and a comprehensive forfeiture provision for assets involved in terrorism activities. Implementation of the ATA and other laws remains a significant issue; however, as demonstrated by the absence of a significant number of terrorist financing and money laundering convictions.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	28
World Governance Indicator – Control of Corruption	21

According to all major ranking institutions, Bangladesh routinely finds itself among the most corrupt countries in the world. Corruption is pervasive at all levels of society and companies have reported being subjected to costly and unnecessary licence and permit requirements. Reasons often include low salaries and weak institutional capacities. The Code of Criminal Procedure, the Prevention of Corruption Act, the Penal Code and the Money Laundering Prevention Act criminalise attempted corruption, extortion, active and passive bribery, bribery of foreign public officials, money laundering and using public resources or confidential state information for private gain. Nevertheless, anti-corruption legislation is inadequately enforced. Facilitation payments and gifts are illegal, but common in practice. **Information provided by GAN Integrity.**

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 services 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, accounted for more than 80% of total exports and surpassed $25 billion in 2015. The sector continues to grow, despite a series of factory accidents that have killed more than 1,000 workers, and crippling strikes, including a nationwide transportation blockade implemented by the political opposition during the first several months of 2015. Steady garment export growth combined with remittances from overseas Bangladeshis - which totaled about $15 billion and 8% of GDP in 2015 - are the largest contributors to Bangladesh's sustained economic growth and rising foreign exchange reserves.

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, pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity, natural gas.

Exports - commodities:

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

Exports - partners:

US 13.9%, Germany 12.9%, UK 8.9%, France 5%, Spain 4.7% (2015)

Imports - commodities:

cotton, machinery and equipment, chemicals, iron and steel, foodstuffs

Imports - partners:

China 22.4%, India 14.1%, Singapore 5.2% (2015)

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

Bangladesh, the world's eighth most populous country, offers promising 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. With over six percent annual growth sustained over the past two and a half decades, a large, young and hard-working workforce, strategic location, and vibrant private sector, Bangladesh is likely to attract increasing investment in coming years.

In January 2016, Prime Minister Sheikh Hasina inaugurated a high-level Investment and Policy Summit to address concerns that foreign investors have about Bangladesh's investment climate and to announce multibillion dollar foreign investments in the energy sector. In March 2016, the Ministry of Commerce launched a new Bangladesh Trade Portal with the aim of providing an online center to assist investors in navigating the country's trade and investment regulations.

The Government of Bangladesh actively seeks foreign investment, particularly in the apparel industry, 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 central bank of Bangladesh, the country received $1.8 billion in foreign direct investment (FDI) FY 2014-15, up from $1.4 billion in the previous year.

Bangladesh has made gradual progress in reducing some constraints on investment, but inadequate infrastructure, limited financing capabilities, governmental and bureaucratic delays, and corruption continue to hinder foreign investment. Slow adoption of alternative dispute resolution mechanisms and sluggish judicial processes impede the enforcement of contracts and the resolution of business disputes. 2016 has so far been free of the significant political violence, uncertainty and disruptions to business operations seen during the first quarter of 2015 as a result of the one-year anniversary of 2014's controversial national elections.

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 as part of a longstanding effort to meaningfully address worker rights and safety problems in Bangladesh. The Government of Bangladesh is making progress towards meeting the requirements contained in the plan. Once fully implemented, the plan would provide a basis for the President to consider reinstating GSP trade benefits.

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, with a subsequent positive TICFA Council meeting held in Washington, D.C. from November 23-24, 2015 and both countries plan to continue TICFA meetings to advance bilateral economic relations. There is significant demand in major Bangladeshi cities for U.S. consumer products, and U.S. franchises are establishing a presence.

Total Foreign Direct Investment (FDI) in Bangladesh increased by 18.7 percent from FY 2014 to FY 2015. Sustained economic growth, an expanding energy sector, a demographic dividend, and increased reforms of the RMG sector are resulting in substantial interest in investing in Bangladesh. Government policies are generally in favor of increased economic growth, but are hampered by slow and incomplete implementation issues involving the regulatory and rule of law environment.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	139 of 167	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	174 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	131 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	465	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=631
World Bank GNI per capita	2014	1080	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

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 per capita gross national income (GNI) of $4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward Foreign Direct Investment

Bangladesh actively seeks foreign investment, particularly in apparel, 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.

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.

Inadequate infrastructure, limited financing capabilities and government funding bureaucratic delays, and corruption continue to hinder foreign investment and the Government of Bangladesh has not demonstrated sustained commitment to addressing these barriers to FDI.

Other Investment Policy Reviews

In 2013 Bangladesh completed an investment policy review (IPR) with the United Nations Conference on Trade and Development (UNCTAD): http://unctad.org/en/Pages/DIAE/Investment%20Policy%20Reviews/Investment-Policy-Reviews.aspx.

It has not conducted an IPR through the Organization for Economic Cooperation and Development.

A Trade Policy Review was last done by the World Trade Organization in October 2012 and can be found at: https://www.wto.org/english/tratop_e/tpr_e/tp370_e.htm.

With EU assistance, Bangladesh conducted a trade policy review, the "Comprehensive Trade Policy of Bangladesh" which was published by the Ministry of Commerce in September 2014 and is still in draft mode pending further review and approval: http://www.mincom.gov.bd/01_Draft%20Final%20CTP%2015%2009(1)(1).pdf

Laws/Regulations on Foreign Direct Investment

Major laws affecting foreign investment include: the Foreign Private Investment (Promotion and Protection) Act of 1980, the Bangladesh Export Processing Zones Authority Act of 1980, the Companies Act of 1994, the Telecommunications Act of 2001, the Industrial Policy Act of 2005, the Industrial Policy Act of 2010, and the Bangladesh Economic Zones Act 2010. The Industrial Policy Act of 2016 was approved by the Cabinet Committee on Industrial Purchase on February 24, 2016 and replaces the Industrial Policy of 2010.

The Industrial Policy Act of 2016 offers incentives for “green”, high-tech, or “transformative” industries. Foreign investors who invest $1 million or transfer $2 million to a recognized financial institution can apply for Bangladeshi citizenship. The Government of Bangladesh will provide financial and policy support for high-priority industries (those that create large-scale employment and earn substantial export revenue) and creative (architecture, arts and antiques, fashion design, film and video, interactive laser software, software, and computer and media programming) industries. Specific importance will be given to agriculture and food processing, ready-made garments (RMG), information and communication technology (ICT) and software, pharmaceuticals, leather and leather products, and jute and jute goods.

Land registration has historically been prone to disputes over competing titles, and scarcity of land is a significant investment constraint. Foreign investors have complained about delays in registering their businesses or branch offices due to questionable disputes with the National Board of Revenue (NBR) over prior years’ tax returns. Greenfield investors have complained about difficulty in obtaining natural gas connections for boiler operation or power generation.

Business Registration

The procedures for registering a business in Bangladesh are listed on the Board of Investment (BOI)’s website: http://www.boi.gov.bd/site/page/ad10fa6e-128d-41c2-aee4-255a0a3cee14/Step-by-Step-Procedure. The website has limited functionality and as of this report’s publication the online registration portal was not operational. The BOI is officially a one stop shop for registering a business, but investors note it is frequently necessary to register with other entities such as the National Board of Revenue. According to the World Bank, business registration in Bangladesh takes 19.5 days on average with nine distinct steps: http://www.doingbusiness.org/data/exploreeconomies/bangladesh/.

The 2016 Industrial Policy defines manufacturing business sizes according to the following categories:

- Large: more than 300 workers and $8 million in capital;
- Medium: more than 120 workers and $4 million in capital;
- Small: 31 - 122 workers and $250,000 in capital.

Industrial Promotion

The government has pursued ambitious plans for infrastructure development, particularly in the power and transportation sectors, but prolonged and contentious public procurement processes continue to challenge government efforts to develop infrastructure. The Government of Bangladesh under Prime Minister Sheikh Hasina is currently prioritizing eight fast-tracked large infrastructure projects to address transportation and energy bottlenecks:

- Padma Multipurpose Bridge;
- Rooppur Nuclear Power Plan Project;
- Rampal Coal-fired Thermal Power Plant;
- Dhaka Mass Rapid Transit Development Project (Metro Rail Project);
- Sonadia Deep Seaport in Cox’s Bazaar;
- Liquefied Natural Gas Terminal;
- Payra Seaport;
- Matabari Energy Hub in Cox’s Bazar.

The power generation sector has seen substantial progress in recent years. The government currently allows unsolicited bids and expedited approval of power generation projects to facilitate its goal of raising generation capacity to 20,000 MW by 2021. As of March 2016, government figures indicated an installed capacity of 12,129 MW and power generation projects continue to move forward, some under the 2009 legal and regulatory framework for public private partnerships (PPP).

Bangladesh also aims to formulate a coal policy to encourage investment in developing coal resources and coal-based power projects; however, production of a foreign-owned, open-cast coal mine in northwest Bangladesh remains pending due to local opposition and political pressure from environmentally focused civil society groups.

Limits on Foreign Control and 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. 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.

Four sectors are reserved for government investment and exclude both foreign and domestic private sector activity:

- 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.

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 and insurance companies, albeit with exemptions for existing foreign-owned firms, following a prime ministerial directive. In practical terms, foreign investors frequently find it necessary to have a local partner even though this requirement may not be statutorily defined.

Privatization Program

The government privatized 74 state-owned enterprises (SOEs) during the past 20 years, but many SOEs retain an important role in the economy, particularly in the financial and energy sectors. The Privatization Commission has slowed its rate of privatization activities and is slated to merge with the Board of Investment (BOI) to form a new Bangladesh Investment Development Authority.

The current government has taken steps to restructure several SOEs to improve their competitiveness. The government converted Biman Bangladesh Airline into a public limited company that initiated a rebranding and fleet renewal program, including the purchase of ten aircraft from Boeing, six of which were delivered by March 2016. Three nationalized commercial banks (NCBs) -- Sonali, Janata and Agrani -- have been converted to public limited companies. The government also liberalized the telecommunications sector during the last decade, which led to the development of a competitive cellular phone market.

http://www.boi.gov.bd/site/page/b0735eb9-ab7e-4010-bad9-2a9e8b8720ab/Privatization

Screening of FDI

The BOI of Bangladesh is responsible for screening, reviewing and approving FDI in Bangladesh. The BOI is directly supervised by the Prime Minister's office and the Chairman of BOI has Minster-equivalent rank. No U.S. businesses have commented on the screening mechanism of the BOI, but there have been instances where receiving approval was delayed. Once the foreign investor's application is submitted to BOI, the authorities review the proposal to ensure the investment does not create conflicts with local business.

The steps for investment are available at http://www.boi.gov.bd/site/page/ad10fa6e-128d-41c2-aee4-255a0a3cee14/Step-by-Step-Procedure. BOI is currently the gateway for all the foreign investors, but will eventually be merged with the Privatization Commission to form a new Bangladesh Investment Promotion Authority (BIPA), which is expected to be finalized in 2016.

Depending on the sector, all foreign investors are required to obtain clearance certificates from the relevant ministries. The BOI gives a time frame by which all the required documents need to be submitted. For example, if the proposed foreign investment is in the healthcare equipment field, investors need to obtain a No Objection Certificate (NOC) from the Directorate General for Health Services under the Ministry of Health. The NOC states that the specific investment will not hinder local manufacturers and is in alignment with the guidelines of the ministry.

Very few applications fail to get registration for non-compliance with local law or failure to submit proper documentation. Negative outcomes can be appealed, except for applications pertaining to:

- 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.

A foreign investor needs to register its company under the Registrar of Joint Stock Companies and Firms (RJSC&F) and open a bank account under the registered company's name. The investor needs to submit the RJSC&F Company Registration certificate, legal bank account details, NOC from the relevant ministry or department, and a project profile (if the investment is more than $1.25 million) along with the BOI's formatted application form for screening.

Competition Law

The Government of Bangladesh formed an independent agency in 2011 called the "Bangladesh Competition Commission (BCC)" under the Ministry of Commerce. The Parliament of Bangladesh then passed the Competition Act in June 2012. In September 2013, Joint Additional Secretary Md. Sujayet Ullah was appointed to operationalize the BCC. The BCC does not currently appear to be functioning and all competition-related issues are handled by the WTO Cell of the Ministry of Commerce, which has stated the BCC will soon start functioning.

2. Conversion and Transfer Policies

Foreign Exchange

Free repatriation of profits is legally allowed for registered companies and profits are generally fully convertible on the current account; however, companies report that the procedures for repatriation of foreign currency are lengthy and cumbersome. 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.

Bangladesh Bank, the central bank of Bangladesh, does not fix the exchange rate against foreign currencies, but regulates conversion. As such, the rate functions as a managed float. 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. Since 2011, the balance of payments has been in surplus. Foreign reserves reached an all-time high of more than $28 billion in 2016, and convertibility risks have declined. The Bangladesh taka has been relatively stable vis-à-vis the U.S. dollar from 2013-2016, largely trading between 76-78.5 taka to the U.S. Dollar. Increased inward remittances and record high foreign reserves maintained this stability.

Remittance Policies

There are no set time limitations or waiting periods for remitting all types of investment returns. Remitting dividends, returns on investments, interest, and payments on private foreign debts do not require approval from the central bank and transfers are done within one to two weeks. For repatriating lease payments, royalties and management fees, some central bank approval is required, a two- to three-week process. If the company fails to submit all the proper documents for remitting, it may take up to 60 days. Foreign investors have reported difficulties in transferring funds to overseas affiliates and making payments for certain technical fees without the government's prior approval to do so. Additionally, some regulatory agencies have reportedly blocked the repatriation of profits due to sector-specific regulations. The U.S. Embassy also received complaints of American citizens not being able to transfer the proceeds from the sale of their properties. There is no mechanism in place for foreign investors to repatriate through government bonds issued in lieu of foreign currency payments. Bangladesh is not involved in currency manipulation tactics.

The Financial Action Task Force (FATF) notes that Bangladesh has established the legal and regulatory framework to meet its Anti-Money Laundering/Counterterrorism Finance commitments. The Asia-Pacific Group is currently conducting its Mutual Evaluation of Bangladesh's AML/CTF regime.

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 more than 90 percent of fixed assets in the modern manufacturing sector, including the textile, jute and sugar industries and 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 20 years and the private sector has developed into a main driver of the country's sustained economic growth of approximately six percent per year during the past two decades.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

An important 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, which means delays in proceedings carry no penalties. 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.

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.

Bankruptcy

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 webs 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. An amendment to the Bank Companies Act of 1991 was enacted in 2013. Some bankruptcy cases fall under the Money Loan Court Act, which has more stringent and timely procedures.

Investment Disputes

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. Senior members of the government have been effective in using their offices to resolve investment disputes on several occasions, but the government's ability to resolve investment disputes at a lower level is mixed. The government does not publish the numbers of investment disputes involving U.S. or foreign investors. Anecdotal evidence indicates investment disputes occur with limited frequency and the involved parties often resolve the disputes privately rather than seek government intervention. The Board of Investment and the Bangladesh Export Promotion Bureau are sometimes helpful in facilitating dispute settlements. Major Bangladeshi trade and business associations such as the American Chamber of Commerce in Bangladesh (AmCham) can sometimes help to resolve transaction disputes.

The greatest number of complaints arising from U.S. investors in recent years involves disputes with the National Board of Revenue (NBR) over prior year tax returns. The investors have alleged that NBR is disproportionately targeting them to meet tax collection targets and not due to legitimate problems with previously filed tax returns.

International Arbitration

Bangladeshi law allows contracts to refer dispute settlement to third country forums for resolution. Bangladesh is also a party to the South Asia Association for Regional Cooperation (SAARC) Agreement for the Establishment of an Arbitration Council, signed November 2005, which aims to establish a permanent center for alternative dispute resolution in one of the SAARC member countries.

ICSID Convention and New York Convention

Bangladesh is a signatory to the International Convention for the Settlement of Disputes (ICSID) and it acceded in May 1992 to the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards.

Duration of Dispute Resolution – Local Courts

The timeframe for dispute resolution is unpredictable and has no set limit. It can be done as quickly as a few months, but often takes years depending on the type of dispute. Anecdotal information indicates average resolution times can be as high as 16 years. Local courts may be biased against foreign investors in resolving disputes.

Investors are increasingly turning to the Bangladesh International Arbitration Center (BIAC) for dispute resolution. BIAC is an independent arbitration center established by prominent local business leaders in April 2011 to improve commercial dispute resolution in Bangladesh to stimulate economic growth. The council committee is headed by the President of International Chamber of Commerce – Bangladesh (ICC,B) and includes the presidents of other prominent chambers such as like Dhaka Chamber of Commerce and Industry (DCCI) and Metropolitan Chamber of Commerce and Industry (MCCI). The center operates under the Bangladesh Arbitration Act 2001. According to BIAC, fast track cases are resolved in approximately six months, others in around one year.

Bangladesh is a signatory of the New York Convention and recognizes the enforcement of international arbitration awards. Domestic arbitration is under the authority of the district judge court bench and foreign arbitration is under the authority of the relevant high court bench.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Bangladesh does not maintain or practice any measures which are inconsistent with the Agreement on Trade-Related Investment Measures' (TRIMs) requirements.

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.

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 it 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 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 August 13, 1986);
- Tax holidays of five to seven years, depending on location, for new industrial enterprises in textiles, pharmaceuticals, plastic, ceramics, sanitary items, iron works, steel works, fertilizers, insecticides, computer hardware, petrochemicals, pharmaceutical raw materials, agricultural equipment and industrial machinery;
- Industries set up within EPZs are exempted for five to seven years depending on the location of the EPZ according to SRO No. 219 of 2012;
- Accelerated depreciation for enterprises ineligible 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 July, 1, 2013, amended by S.R.O. 354- Law/Income Tax/2013 dated November 18, 2013 and S.R.O. 213-Law/Income Tax/2013 dated July, 1, 2013.

Research and Development

U.S. and foreign firms are able to participate in government-financed research and development programs.

Performance Requirements

The government does not mandate local employment, but it does look favorably on investments which employ significant numbers of local workers and/or provide training and technical skills transfer.

Licensing and visa requirements are generally not considered unusually onerous by foreign investors. Some investors have complained, however, that pending disputes with the National Board of Revenue have hindered companies' abilities to obtain branch office approval, to renew visas for staff members, and even to open local bank accounts. These have been on a case-by-case basis.

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 Bangladesh Bank, the country's central 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. 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 permission.

Data Storage

While Bangladesh does not require forced localization of domestic content in goods or technology, the presence of domestic content may be viewed favorably in government tenders. Bangladesh-based data storage is not currently required.

6. Protection of Property Rights

Real Property

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. Instruments take effect from the date of execution, not the date of registration, so a bona fide purchaser can never be certain of title. Land registration records have been historically prone to competing claims. Reports of land theft or forced seizures are common.

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.

Intellectual Property Rights

Counterfeit goods are readily available in Bangladesh. The government has limited resources for intellectual property rights (IPR) protection. Industry estimates that 90 percent of business software is pirated. A number of U.S. firms, including film studios, manufacturers of consumer goods, and software firms, have reported violations of their intellectual property rights. Investors note police are willing to investigate counterfeit goods producers when informed but are unlikely to initiate independent investigations.

BSA, the Software Alliance, established a Bangladesh office in early 2014 as a platform to improve IPR protection in Bangladesh. Public awareness of intellectual property rights is growing, thanks in part to the efforts of the Intellectual Property Rights Association of Bangladesh (http://www.ipab.org.bd/). Bangladesh is not currently listed on the U.S. Trade Representative's Special 301 or Notorious Markets reports. Bangladesh is a member of the World Intellectual Property Organization (WIPO) and acceded to the Paris Convention on Intellectual Property in 1991.

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 in 2014 prepared in compliance with the requirements of the TRIPS Agreement and it remains under Ministry of Industries review. After Ministry of Industries review, it will be uploaded on DPDT's website for public comment.

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/.

Resources for Rights Holders

Commercial Section
Embassy of the United States of America
Madani Avenue, Baridhara, Dhaka -- 1212
Tel: +880 2 5566-2000
Emails: USTC-Dhaka@state.gov

A local attorneys list is also available at: http://dhaka.usembassy.gov/legal_resources.html.

7. Transparency of the Regulatory System

Since 1989, the government has gradually moved to decrease regulatory obstruction of private business. The chambers of commerce 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. The result is that policy and regulations in Bangladesh are often not clear, consistent, or publicized. Registration and regulatory processes are alleged to be frequently used as rent-seeking opportunities. Bangladesh has achieved incremental progress in using information technology to improve the transparency and efficiency of some government services and to develop independent agencies to regulate the energy and telecommunication sectors.

Government laws, regulations and their implementation are cited by some investors as impediments to investment. The government has historically limited opportunities for the private sector to comment on proposed regulations. Yet several agencies, including the Bangladesh Bank, Commerce Ministry and Bangladesh Telecommunications Regulatory Commission have posted draft legislation and regulations online and solicited input from the business community. Widespread use of social media in Bangladesh has created an additional platform for public input into developing regulations, and government officials appear to be sensitive to this form of messaging.

Accounting practices and quality vary widely in Bangladesh. Internationally known and recognized firms have begun establishing local offices in Bangladesh and the presence of these firms is positively influencing the accounting norms in the country. Some firms are capable of providing financial reports audited to international standards while others maintain unreliable (or multiple) sets of accounting reports.

8. Efficient Capital Markets and Portfolio Investment

Bangladesh is home to the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Both are regulated by the Bangladesh Securities and Exchange Commission (BSEC), a statutory body formed in 1993 and attached to the Ministry of Finance. As of March 2016, the DSE market capitalization stood at $41 billion.

Although the Bangladesh government has a positive attitude towards foreign portfolio investors, participation remains low due to limited liquidity and the lack of publicly available and reliable company information. 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 the volatility of international financial markets. Bangladeshi markets continue to rely primarily on domestic investors, and Bangladeshi firms increasingly rely on capital markets to finance investment projects.

BSEC has formed separate committees to establish a central clearing and settlement company, allow venture capital and private equity firms, launch derivatives products, and activate the bond market. In December 2013, BSEC became a full signatory of International Organization of Securities Commissions (IOSCO) Memorandum of Understanding and was elevated to the 'A' category of regulators. The Government of Bangladesh plans to enact a Financial Reporting Act for enhancing the reliability of financial disclosure.

BSEC has taken steps to improve regulatory oversight including installing a modern surveillance system, the "Instant Market Watch", that provides real time connectivity with exchanges and depository institutions. As a result, the market abuse detection capabilities of BSEC have increased significantly. A new mandatory Corporate Governance Code for listed companies was introduced in August 2012. Demutualization of both the DSE and CSE was completed in November 2013 to separate ownership of the exchanges from trading rights. A majority of the members of the Demutualization Board, including the Chairman, are independent directors. Apart from this, a separate tribunal has been established to resolve capital market-related criminal cases expeditiously. All these reforms target a disciplined market with better infrastructure so that entrepreneurs can raise capital and attract foreign investors.

Money and Banking System, Hostile Takeovers

Analysts have indicated that the Bangladeshi banking system may be oversaturated with too many banks for the size of the economy. Bangladesh's central bank is the "Bangladesh Bank" and is a well-regarded institution. The Bangladeshi central bank has not focused heavily on the number of banks but rather the percentage of non-performing loans in each bank's balance sheet. This is a major challenge as the central bank estimated in 2015 that ten percent of the country's total asset base consists of non-performing loans. State-owned commercial banks (SCBs) comprise roughly 25 percent of total lending and 22 percent of their asset base is in non-performing loans. For private sector banks, this shrinks to five to seven percent.

9. Competition from State-Owned Enterprises

State-Owned Enterprises (SOEs) are categorized into seven sectors (textiles, jute, manufacturing, chemicals, food, leather and banking) following the Bangladesh Standard Industrial Classification (BSIC) system. SOEs continue to make substantial contributions towards the industrial, power, gas, transportation, communication, and service sectors of Bangladesh economy. The contribution of SOEs to GDP, value addition, employment generation and revenue earning is substantial. SOEs usually report to line ministries, though the government has allowed some increased autonomy for certain SOEs, such as national air carrier Biman Bangladesh Airline. SOEs maintain control of rail transportation whereas private companies compete freely in air and road transportation.

To keep pace with the increasing expansion of the private sector in a market economy, a range of reforms, including privatization of public enterprises, are in progress and have resulted in significant reduction of overall losses in the public manufacturing sector. Approximately 305 SOEs comprising industrial, commercial and financial institutions were put under public ownership in 1974-75. In the time since, 74 SOEs have been privatized.

Oil and gas firms can pursue exploration and production ventures through production sharing agreements with the state-owned oil and gas company, Petrobangla.

Bangladesh is not party to the Government Procurement Agreement (GPA) of the World Trade Organization (WTO).

OECD Guidelines on Corporate Governance of SOEs

The corporate governance structure of SOEs in Bangladesh has been restructured as per the guidelines published by the OECD, but it is still not quite up to OECD standards. There are no guidelines regarding ownership of SOEs. These companies are required to prepare annual reports and make financial disclosures. There is an independent board of directors for each of the SOEs that has both government and private sector nominees on the board and ultimately reports to the line ministry. Most of SOEs maintain strong ties with the government, and most of SOE company leaders are nominated by the ruling government party. As most of the SOEs are controlled by the government, domestic courts favor the SOEs in investment disputes.

Sovereign Wealth Funds

While the Bangladeshi Finance Ministry announced in 2015 that it is exploring the possibility of establishing a sovereign wealth fund for the purposes of investing foreign currency reserves, Bangladesh does not have a sovereign wealth fund at the time of writing.

10. Responsible Business Conduct

The business community is increasingly aware and engaged in responsible business conduct (RBC) activities with multinational firms leading the way. While many firms in Bangladesh fall short on RBC activities and instead often focus on philanthropic giving, some of the leading local conglomerates have begun to incorporate increasingly rigorous environmental and safety standards in their workplaces. Bangladesh currently boasts 24 Leadership in Energy and Environmental Design (LEED)-certified garment factories. U.S. companies present in Bangladesh maintain diverse RBC activities. Consumers in Bangladesh are generally less aware of RBC, and consumers and shareholders exert little pressure on companies to engage in RBC activities.

While many international firms are aware of OECD guidelines and international best practices in RBC, many local firms have limited familiarity with international standards. Two RBC NGOs are currently active that work with the private sector, Bangladesh Bank and the United Nations: 1) CSR Bangladesh, http://www.csrbangladesh.org/aboutus.php; and 2) CSR Centre Bangladesh, http://www.csrcentre-bd.org. Along with the Bangladesh Enterprise Institute (BEI), the CSR Centre is the joint focal point for United Nations Global Compact (UNGC) and its principles in Bangladesh. The UN Global Compact is the world's largest corporate citizenship and sustainability initiative. The Centre is a member of a regional RBC platform called the South Asian Network on Sustainability and Responsibility (SANSAR). Currently, SANSAR has five member countries including Afghanistan, Bangladesh, India, Nepal, and Pakistan.

The government of Bangladesh encourages enterprises to follow generally accepted RBC principles.

11. Political Violence

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 affect businesses by keeping workers away with threats of violence and by blocking transport, resulting in increased costs and productivity losses. Vehicles and other property are at risk from vandalism or arson during such events, and looting of shops has occurred. There were significant periods of political violence and unrest for the first few months in both 2014 and 2015, but this type of violence has diminished significantly in 2016.

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 alleged extrajudicial killings by RAB. Such reports 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 more than 500 small, improvised explosive devices (IEDs) in a coordinated attack in 63 of the 64 districts of Bangladesh. Leaflets demanding the establishment of Islamic law in Bangladesh accompanied the devices. From September to early December 2005, JMB conducted several suicide attacks targeting local judges, courts and district government facilities. The government responded vigorously by arresting several high-ranking leaders of JMB and recovering detonators, explosives and related materials used to construct IEDs. While isolated attacks on several unmarked vehicles of U.S. companies and diplomatic personnel in February and March 2015 have occurred, these incidents appear to have resulted from generalized ongoing political unrest. The current Awami League government has demonstrated a strong commitment to combating terrorism.

Starting in September and October 2015, a new threat stream emerged, culminating in attacks against foreigners, religious minorities and law enforcement personnel. Militants claiming to be affiliated with the Islamic State of Iraq and the Levant (ISIL) claimed responsibility for these attacks, including the murders of an Italian and Japanese national, and several attacks on religious minorities and government military installations.

12. Corruption

Corruption 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 anticorruption efforts and reaffirmed the need for a strong ACC. Efforts to ease public procurement rules and a recent constitutional amendment that reduced the independence of the ACC, however, may undermine institutional safeguards against corruption. Bangladesh is a party to the UN Anticorruption Convention, but it 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 two to three 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.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Bangladesh has signed and ratified the UN Anticorruption Convention. Bangladesh is currently not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Contact at government agency responsible for combating corruption:

- NAME: Mr. Md. Badiuzzaman
- TITLE: Chairman
- ORGANIZATION: Anti-Corruption Commission, Bangladesh
- ADDRESS: 1, Segun Bagicha, Dhaka 1000
- TELEPHONE NUMBER: +88-02-8333350
- EMAIL ADDRESS: chairman@acc.org.bd

Contact at "watchdog" organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption, such as Transparency International):

- NAME: M. Hafizuddin Khan
- TITLE: Chairman
- ORGANIZATION: Transparency International Bangladesh (TIB)
- ADDRESS: House #141, Block-E, Road # 12 Banani, Dhaka -1213
- TELEPHONE NUMBER: +880 2 988 7884, 882 6036
- EMAIL ADDRESS: edtib@ti-bangladesh.org

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Bangladesh has signed bilateral investment treaties with 28 countries, including Austria, the Belgium-Luxembourg Economic Union, China, Denmark, France, Germany, India, Indonesia, Iran, Italy, Japan, Democratic People's Republic of Korea, Republic of Korea, Malaysia, Netherlands, Pakistan, Philippines, Poland, Romania, Singapore, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Uzbekistan and Vietnam.

The U.S.-Bangladesh Bilateral Investment Treaty, signed on March 12, 1986, entered into force on July 23, 1989. The Foreign Investment Act includes a guarantee of national treatment.

The United States and Bangladesh signed a bilateral treaty for the avoidance of double taxation on September 26, 2004. The United States ratified it on March 31, 2006. The parties exchanged instruments of ratification on August 7, 2006. The treaty became 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 meaningfully address worker safety problems in Bangladesh and, more broadly, the ability of Bangladeshi workers to exercise their full range of labor rights. The tragedies of the

November 2012 Tazreen Fashions factory fire and the April 2013 Rana Plaza building collapse demonstrated the severity of the safety problems. If implemented, the plan would provide a basis for the President to consider reinstating GSP trade benefits and also transform the Bangladeshi apparel sector by complying with international standards for 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 (the Compact). The United States works as a full partner with Bangladesh, the EU and the ILO to implement the goals of the Compact, many of which are broadly consistent with the GSP Action Plan. Canada also joined the Compact in 2016.

On November 25, 2013, the United States and Bangladesh signed the Trade and Investment Cooperation Forum Agreement (TICFA) 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. Successful TICFA Council meetings were held in Dhaka on April 28, 2014 and Washington, D.C., from November 23-24, 2015.

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. Since November 2011, under SAFTA Bangladesh can export goods duty-free to India, with the exception of alcohol and tobacco. India is also providing duty-free and preferential tariff treatment to Bangladesh under the Duty Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs) effective from August 13, 2008. As a founding member of the World Trade Organization (WTO) and as a Less Developed Country (LDC), Bangladesh has been an active advocate for LDC interests in WTO negotiations. Bangladesh was the WTO LDC coordinator for 2015.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

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 also operating a separate and 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. Investors have begun to view intermittent services and increasing costs as making the EPZs less attractive.

In 2010, Bangladesh enacted the Special Economic Zone Act that allows the creation of privately-owned special economic zones (SEZs) that can produce for export and domestic markets and is still current. The IFC assisted 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. BEZA has already started the process to establish the first SEZ at Mongla (Khulna).

The government has recently announced that up to 100 new SEZs will be formed and that they will be available for private companies to develop. Approximately 10 new SEZs are moving forward under this initiative: http://www.beza.gov.bd/

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$195,159	2014	$172,900	http://data.worldbank.org/country/bangladesh
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	$224	2014	$465	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=631
Host country's FDI in the United States ($M USD, stock positions)	2014	$.45	2015	N/A	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=631
Total inbound stock of FDI as % host GDP	2015	1%	2015	1%	N/A

*http://www.bbs.gov.bd/PageWebMenuContent.aspx?MenuKey=363

Table 3: Sources and Destination of FDI

Source: Foreign Investment & External Debt (FIED) Division, Statistics Department, Bangladesh Bank, http://www.bb.org.bd

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	$9,662	100%	Total Outward	$158	100%
United Kingdom	$1,184	12%	United Kingdom	$51	32%
Australia	$918	9%	India	$29	18%
South Korea	$728	8%	United Arab Emirates	$24	15%
Netherlands	$689	7%	Nepal	$18	11%
Malaysia	$620	6%	China, P.R.: Hong Kong	$13	9%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	$2,406	100%	All Countries	$31	100%	All Countries	$2,374	100%
United States	$398	17%	Saudi Arabia	$19	60%	United States	$398	17%
Germany	$359	15%	Sri Lanka	$8	25%	Germany	$359	15%
United Kingdom	$241	10%	Pakistan	$5	15%	United Kingdom	$241	10%
France	$143	6%	N/A	N/A	N/A	France	$143	6%
Spain	$134	6%	N/A	N/A	N/A	Spain	$134	6%

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

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 UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) 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)

DISCLAIMER

Part of this report contains material sourced from third party websites. This material could include technical inaccuracies or typographical errors. The materials in this report are provided "as is" and without warranties of any kind either expressed or implied, to the fullest extent permissible pursuant to applicable law. Neither are any warranties or representations made regarding the use of or the result of the use of the material in the report in terms of their correctness, accuracy, reliability, or otherwise. Materials in this report do not constitute financial or other professional advice.

We disclaim any responsibility for the content available on any other site reached by links to or from the website.

RESTRICTION OF LIABILITY

Although full endeavours are made to ensure that the material in this report is correct, no liability will be accepted for any damages or injury caused by, including but not limited to, inaccuracies or typographical errors within the material, Neither will liability be accepted for any damages or injury, including but not limited to, special or consequential damages that result from the use of, or the inability to use, the materials in this report. Total liability to you for all losses, damages, and causes of action (in contract, tort (including without limitation, negligence), or otherwise) will not be greater than the amount you paid for the report.

RESTRICTIONS ON USE

All Country Reports accessed and/or downloaded and/or printed from the website may not be distributed, republished, uploaded, posted, or transmitted in any way outside of your organization, without our prior consent. Restrictions in force by the websites of source information will also apply.

We prohibit caching and the framing of any Content available on the website without prior written consent.

Any questions or queries should be addressed to: -

Gary Youinou

Via our Contact Page at KnowYourCountry.com