

Policy Brief

National Integrity
System Assessment
Bangladesh

BUSINESS



TRANSPARENCY
INTERNATIONAL
BANGLADESH

Social movement against corruption

Business

In Bangladesh, government policies recognize the private sector as a key driver of industrialization. After four decades following independence, the economy is poised for accelerated growth with the private sector playing a lead role. Almost 76 percent of the total investment in Bangladesh is contributed by the private sector. The private sector has entered into almost all spheres of the economy from education to manufacturing to public infrastructure development. The private sector has become the major employer, service provider and skills developer in the country.

While each business has its own style and structure of management, the entire business sector is coordinated by the Federation of Bangladesh Commerce and Industries (FBCCI), which is the apex representative organization safeguarding the interests of the private sector in trade and industry in Bangladesh. The establishment, operation and independence of private businesses have a mixed experience given that nearly 64 per cent of the Bangladeshi economy remains informal. Although the legal framework is generally supportive of the business sector, weaknesses in public governance and the judicial system severely affect the business climate.

The business sector's formal engagement with integrity movements, though critical, have so far been scanty and passive. Corruption has been identified as the second most problematic factor for doing business in Bangladesh among a total of 16 factors. Besides corruption, inadequate supply of infrastructure, access to finance, inefficient government bureaucracy and inflation followed by policy instability are also found to be top problematic factors.

Strengths

- Lead contributor to the national economic growth.
- Engaged in almost all spheres of the economy from education to manufacturing to public infrastructure development.
- Basic information of most registered companies are available on-line.

Weaknesses

- No legal safeguards against undue interference of public officials.
- Private sector corruption is widespread. Ineffective mechanisms to deal with business sector corruption.
- Ethical behaviour of companies in relation to public officials, politicians etc is question.
- "Informalism" is a regular process in managing relationship with Government and other stakeholders.

Recommendations

- The Companies Act 1994 must be amended to streamline business start-up procedures, reduce constraints on company structure, facilitate the transition of large informal businesses to the formal sector and necessitate appropriate reporting mechanism.
- Pragmatic strategies must be adopted to enforce reporting and disclosure requirements prescribed in existing laws.
- A national business portal should be established at the office of the Registrar of Joint Stock Companies and Firms or Board of Investment to self-record basic business information on mandatory basis.
- Large public/private contracts and business deals of certain thresholds must be subjected to a systemic mandatory disclosure and monitoring. Business houses and their association should adopt voluntary practice of "publish what you pay" in their dealing with public institutions.
- Business persons in position of politics and public representation must not use such positions for profit-making.

About Policy Brief Series

One of the key strategic areas of TIB's research has always been the institutions of democracy and specialized pillars of governance and accountability, which constitute the National Integrity System (NIS), a collective of institutions and practices that are crucial to maintaining integrity and accountability in government, non-government and private sector. The NIS in Bangladesh broadly consists of the following institutions: Parliament, Executive, Judiciary, Public Administration (bureaucracy), Local Government, Police (law enforcement agency), Comptroller and Auditor General (supreme audit institution), Election Commission, Anti-Corruption Commission, National Human Rights Commission, Information Commission, Political Parties, Civil Society, Media, and Business.

TIB has conducted a series of research, surveys and diagnostic studies on many such institutions, by which it has not only created demand, but also catalysed a number of significant legal, institutional and policy changes. Against this background, this policy brief series attempts to diagnose and analyse the strengths and weaknesses of the NIS in Bangladesh and recommend implementable measures to strengthen these institutions.

This policy brief draws on *National Integrity System Assessment Bangladesh 2014* available at: <http://ti-bangladesh.org/nicsa/2014/en/>

Policy Brief 39/September 2014

© Transparency International Bangladesh (TIB)



TRANSPARENCY
INTERNATIONAL
BANGLADESH

Social movement against corruption

House # 141, Road # 12, Block # E

Banani, Dhaka 1213, Bangladesh

Phone: +880-2-9862041, 8826036, 9887884, Fax: +880-2-9884811

E-mail: info@ti-bangladesh.org, Website : www.ti-bangladesh.org

Facebook: www.facebook.com/TIBangladesh