

FROM KLEPTOCRATIC STATE CAPTURE TO BUSINESS INTEGRITY IN BANGLADESH

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Bangladesh emerged independent in 1971 in the wake of a massive national liberation war with the vision of a democratic state of equality, human dignity and social justice. Among key factors that articulated the independent national ethos was the protest movement against a politico-governance eco-system of exploitation and disparity imposed upon the people of then East Pakistan by an oligarchic power structure of 22 Pakistani families that controlled over two-thirds of national wealth and income. Resistance movement against economic injustice transformed into aspirations of political independence.

Cost of Crony Capture of State

Bangladesh has since performed arguably well by many socio-economic indicators including private sector business, trade and investment at comparable if not higher levels with many others in South Asia and beyond¹. However, our aspirations of democratic and economic emancipation again became gradually hostage to the same business model of politico-bureaucratic-business cronyism that in little over half a century reproduced similar exploitation and discrimination. Engineered by a similar ecosystem of state capture it led to the worst possible form of authoritarian kleptocracy during 2009-24 at massive costs to the polity, economy and society which catalysed the historic July Movement to create another transformation opportunity.

By 2024 the richest 10% in Bangladesh controlled over 58.4% of national wealth and the top 1% held 23.8% while the bottom 50% only 4.7%². Marred by this distributive injustice, Bangladesh's current \$2800-plus per capita annual GDP compared to \$134 in 1972 has been accompanied by pervasive corruption and poor performance in nearly every governance index³. According to credible estimates Bangladesh's per capita income could be doubled if corruption was moderately controlled, while annual cost of corruption is at least 2-3 percent of GDP⁴. Public sector corruption reached alarming level during the kleptocratic regime costing 20 to 40 percent of the value of infrastructure projects that were systematically plundered by collusive corruption of politicians, their private sector cronies and public officials.

¹ These include rise of per capita income from \$134 in 1971 to over \$2,820 in 2024-25, which is higher than India and Pakistan; better score in Human Development Index than Nepal, Pakistan, Afghanistan; higher position than any other country of South Asia in Global Gender Gap Index; success in maternal and child health, Polio eradication, Diarrhoea control; and life expectancy at birth ahead of Bhutan, Nepal, India, Pakistan, Afghanistan.

² World Inequality Database: <https://wid.world/country/bangladesh/>

³ In Democracy Index 2023, Bangladesh was ranked 100th out of 167 countries, third lowest in South Asia after only Pakistan and Afghanistan; by Rule of Law Index 2025, it was 125th among 143 countries, 3rd lowest in South Asia after Pakistan and Afghanistan; in terms of Regulatory Quality Index 2023, 157th among 193, second lowest in SA after Afghanistan; Global Governance Index 2024, 132nd among 191, 3rd lowest in South Asia after Pakistan and Afghanistan; Political stability index 2023, 161st among 193, 3rd lowest in the region after Pakistan and Afghanistan; Voice and accountability index 2023, 138th among 192, 3rd lowest in South Asia after Pakistan and Afghanistan; Press Freedom Index 2025: ranked 149th among 180, in the "Red" category in terms of freedom of media and freedom of expression; Transparency (or Corruption Risk) Index 2024: 94th among 143, 2nd lowest in South Asia; and Corruption Perception Index 2024: having scored 23 in 100 ranked 151st in 180, second lowest in the region followed only by Afghanistan.

⁴ A former Finance Minister, drawing upon a World Bank study is quoted to have recognized that at least 2-3 percent of GDP is annually lost to corruption, The Daily Star, 10 July, 2015.

Nearly 40 percent of estimated allocation for publicly funded projects to procure goods and services in such sectors as roads and bridges, power and infrastructure, hospitals and education were lost to bribery and extortion, of which 50 percent went to politicians and their accomplices while the remaining to others in the collusion syndicate⁵. The value of assets laundered out of the country through illicit financial transfers is estimated to be about US\$ 234 billion, during 2009-2024 at an average annual rate of about USD 16 billion, more than twice the net inflow of foreign aid and FDI taken together over the corresponding period⁶. The lion's share of such money laundering takes place via collusive misinvoicing in export and import and disguising illegality in banking, finance and investment through beneficial ownerships secrecy. At the core of this criminality is the business-politics-bureaucracy collusion.

Corruption has adversely affected Bangladesh's development and democracy. But that it also deprives people of nearly every category of human rights and justice including right to life in particular were graphically exposed many a times, mostly in the private sector during the kleptocratic period. The Rana Plaza tragedy in Savar is one of the worst examples of corruption-induced deaths that took nearly 1200 innocent lives, mostly women.⁷ The same is true about series of fire "accidents" like Tazreen Garments, Nimtoli and others that are responsible for loss of lives and property which was normalized by corruption, collusive abuse of politically connected power and poor governance.⁸

Business as the Victim and the Perpetrator

Corruption is a major obstacle to healthy business in Bangladesh, with 67.6% of businesses citing it as a significant barrier⁹. Victimization of business by bureaucratic rent-seeking, bribery, extortion and embezzlement has been almost normalized irrespective of regime change. The business environment remains "high-risk" especially in terms of licensing, land acquisition and management, income tax and customs, utility connections and supplies, public contracting and project implementation. Corruption is also perceived to be the biggest hurdle for investment and ease of doing business.

However, business also plays the supply side role of corruption in various ways. The linkage between business and politics is a primary driver of collusive corruption through a win-win game and a "play-by-pay" enmeshed with "pay-to-play" practices. As a result, business success depends on political and bureaucratic connections, patronage, clientelism and lobbying rather than efficiency and fairness. Competition in market is distorted while regulatory and institutional integrity are undermined by the practice of "revolving door" between public and private office which feeds the curse of conflict of interest and "rule of informality". Everything from licensing, investment, government contracts, bank loans, rescheduling of defaults, tax exemptions and various policy support can be leveraged by using informal transactions and connections undermining rules and regulations. An analysis of 666,474 procurement activities across 66 ministries and divisions between 2012 and 2024 revealed that since the launch of e-GP system, the top 5 percent of contractors in the top 10 ministries secured 61.31% of the total contract value, whereas the bottom 10% got less than 1%. It also showed how fair competition is undermined through unethical manipulation of legal loopholes. Even when leadership changes at the ministry or government agency level, market control persists with only change of hands¹⁰.

These have led to inefficient resource allocation and promotion of less competent companies where quality, innovation and fair competition suffers. Ethical, fair and genuinely competitive business practice has become increasingly rare under severe challenge of navigating the adversities of uneven playing field. Public trust in business and fair value for customer's money have eroded as the burden of bribery, extortion, tax evasion and money laundering are shifted to ever-increasing price of products and services.

⁵ White Paper on the State of Bangladesh Economy: Dissection of the Development Narrative, 2024, p. 109

⁶ Ibid. p. 330.

⁷ <http://www.thedailystar.net/beta2/news/corruption-the-killer-in-savar-thoughts-for-international-response/>, https://www.ti-bangladesh.org/images/2014/es_ffs_RMG_follow_up_14_en.pdf

⁸ https://www.ti-bangladesh.org/images/2020/report/Churihatta-Nimtali/Churihatta_&_Nimtali_Study_EX_EN.pdf

⁹ <https://asianews.network/corruption-remains-main-hurdle-for-businesses-in-bangladesh/#:~:text=DHAKA%20%E2%80%93%20Similar%20to%20previous%20years,46.5%20percent%20complaining%20about%20it.>

¹⁰ <https://www.ti-bangladesh.org/en/articles/press-release/7212>



Criminalizing effect of Business-Politics-Bureaucracy Triad

Business is also a victim of the extortionist political and campaign finance culture where money is the most important political capital which also determine political position and that of public representation which have been normalized as license for profit-making. Though not all politicians nor all businesspersons are in the same category, a major qualitative transformation has taken place over the years in the political space. In the first Parliament of Bangladesh the proportion of MPs who had business as primary occupation was below 18 percent. Rising steadily since then, the ratio had reached 57 percent in the 9th Parliament, 65% in the aborted 12th and 60 percent in the current 13th.¹¹ This does not include indirect and beneficial ownerships. While there can be no disagreement that businesspersons like any other professionals have the right to be involved in politics or elected MPs, this phenomenal transformation of the composition of the parliament raises concerns about the political rationale and process involved and implications thereof on the key institution of democracy, accountable governance and law making.

Like all other professional organizations business associations at national, sectoral and local levels have allowed themselves to be under partisan political influence which compromised their professional cause, especially fundamentals of corporate integrity and undermined the scope of a competitive, open and fair business environment. The same is true of most of the business-related labour organizations often influenced by corporate interests undermining stated organizational purpose of promoting workers' rights and welfare. Similarly, captured by partisan political control, associations of owners and workers in sectors like roads and highways as well as producers, vendors, retailers and wholesalers' organizations of various consumables and intermediate goods have been enjoying impunity with no accountability for passing the burden of corrupt business practices to consumers.

Business-politics-bureaucratic syndication has led to widespread criminalization of business where political and bureaucratic linkage prevails over rules and regulations of fair, open and competitive business, investment and procurement rules. One example of criminalization of business as a key source of political capital was shockingly brought to focus by the killing in India of a three times "elected" MP accused of murder, smuggling of arms, explosives, drugs and gold, extortion, tender manipulation, and sheltering extremists. Another example is the former Bangladeshi "lawmaker" who has been suffering jail sentence of seven years in Kuwait for human trafficking, torture and money laundering. Thanks to politics-business patronage there were hardly any crimes that the law enforcement agencies, especially RAB, were not involved in. In one of the worst such crimes, RAB were the perpetrators in the grotesque contract killing of seven people on April 27, 2014 in Narayanganj, to eliminate of rivals in politically connected abuse of power.¹²

In a specific example of protecting and providing state-sponsored impunity to grand corruption and money laundering the politically biased Appellate Division issued a directive to stop investigations against one of the top money launderers and kingpins of kleptocracy¹³. It is also no secret that in collaboration with regulatory authorities including the Central Bank a security agency enabled the forced takeover of a handful of banks by the same group of companies that eventually used the dysfunctional banking oversight system to plunder billions out of the country¹⁴, one of the key factors that brought the country's banking sector to the brink of collapse.

Distorted and Uneven Playing Field in Business

The business-politics linkage transformed corporate sector as the key pillar of authoritarian kleptocracy as the state power was captured by politically linked business lobbies causing immeasurable damage to business environment. The sustained impunity though policy compromise to non-performing loans has normalized scandalous high level corruption in the form of deliberate loan default, tax evasion, swindling, and money laundering with the politically connected corporate leaders as the kingpins.

¹¹ <https://www.ti-bangladesh.org/images/2026/report/election-process-tracking-affidavits/Presentation-on-13th-Election-Process-Tracking-and-Affidavits-TIB-Bn.pdf>, <https://ti-bangladesh.org/images/2024/report/pw/Parliament-watch-11th-Parliament-Presentation-Bn.pdf>, <https://ti-bangladesh.org/images/2024/report/pw/Parliament-watch-11th-Parliament-Presentation-Bn.pdf>

¹² <https://en.prothomalo.com/bangladesh/vkoi5vigswh>; <https://www.bbc.com/bengali/articles/c0v0z2w5x1ro>; <https://www.dhakatribune.com/bangladesh/crime/86913/do-we-know-the-whole-story-behind-the-narayanganj>

¹³ <https://www.tbsnews.net/bangladesh/appellate-division-scrap-hc-order-investigate-money-laundering-allegations-against-s>

¹⁴ <https://www.tbsnews.net/economy/dgfi-helped-force-takeover-leading-banks-bb-governor-tells-ft-978021>; <https://www.thedailystar.net/business/economy/banks/news/how-islami-bank-was-taken-over-gunpoint-3691281>

The Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act, 2010, granted indemnity to systematic violation of the normal procurement processes by politically connected investors in the name of speedy approval of rental power projects. The law prevented transparency, promoted corruption and violation of people's right to raise voice for accountability of abuse of power and barred judicial redress¹⁵. This unabashed policy capture enabled local and foreign investors which also led to unjustified surplus capacity and legalized unbearable capacity charge, estimated to be \$1.5 billion a year according to the national committee formed to review unsolicited power contracts signed during the kleptocratic rule, which also estimated that the country could face about \$7.2 billion in excess payments if the contracts of over forty such power plants were not renegotiated.

To promote the vested interest, the Power System Master Plan (PSMP) was deliberately subjected to conflict of interest designed to favour the coal and LNG lobby. Energy projects were implemented in ecologically critical areas by influential quarters undermining competition and compliance. In many cases, power projects were implemented without any regard to regulatory obligations for environmental and social protection. Environmental activists were subjected to human rights violations with impunity.

The success story of ready-made garment (RMG) sector, genuinely recognized for decades as the icon of business success and the largest source of foreign exchange earnings has been bedevilled by compromised labour rights, low wages, factory safety standards, and sustained state protection through tailor made subsidies, tax holidays, cash incentives, and bonded warehouse facilities. Like their peers in other critical sectors, the RMG glory is also a story of policy capture often prioritizing corporate interests over regulatory compliance. The sector is also perceived to be among key actors in tax evasion and illicit financial transfers through manipulated over-invoicing in import and under-invoicing of exports, the main channels of money laundering.

The banking sector was pushed to the brink of disastrous collapse by policy capture maneuvered by politically connected corporate oligarchs to ruthlessly enable "lending for plunder" and evade accountability, resulting in normalization of loan default to the tune of nearly 40 percent. This crony capture crippled regulatory independence of the central bank that allegedly facilitated massive plunder and illicit transfer of funds that left several banks with disastrous insolvency.

The Global Economy of Corruption and Money Laundering

The high level collusive corruption and related money laundering are also often an international problem which is systematically exacerbated by the external demand side of the global economy of corruption and illicit financial transfers. This has been evident as corruption has been systematically enabled by some multinationals from the country's international trade and investment partners.

Credible research shows that Bangladesh's leading foreign trade partners are among those categorized as badly failing to enforce their committed action against foreign bribery.¹⁶ For instance, Bangladesh's one of the top-ranking trade and investment partner, China has failed to initiate any investigation into foreign bribery, though Chinese companies have been allegedly involved in multiple scandals. This is also the case of other top trade partners like Hong Kong and India. Even Singapore, listed among the least corrupt authorities, shows little or no respect to enforcement against foreign bribery.

Many foreign companies and their local partners in Bangladesh have been implicated in various corruption scandals, particularly regarding large infrastructure projects, government procurement, and banking. In a prominent case, the Canadian construction firm SNC-Lavalin was blacklisted by the World Bank for 10 years for involvement in a conspiracy to bribery scandal concerning the Padma Multipurpose Bridge Project in 2011. In another high profile international corruption case, Niko Resources of Canada admitted to bribing Bangladeshi politically exposed persons and officials, leading to a fine of \$9.5 million by a Canadian court. An international tribunal has also separately ordered Niko to pay Bangladesh \$42 million in compensation for gas field explosions at the Chhatak field in 2005.

¹⁵ Section 9 of the Act, repealed only after the fall of the regime, provided that no question can be raised before any court regarding the validity of any action, or any action deemed to have been taken regarding investment or procurement in the sector for which sweeping powers were vested in the Energy Ministry under the control of the head of the government.

¹⁶<https://www.transparency.org/en/blog/exporting-corruption-report-a-timely-alert-for-bangladesh#:~:text=2%25-,2%25,You%20have%20entered%20page%201>



In 2015, reports surfaced that some Bangladeshi accounts of the UK based HSBC were involved in money laundering and tax evasion activities. Numerous Chinese firms are allegedly linked with scandals including those collaborating on infrastructure projects. Companies from India and Turkey have been listed by international organizations, such as the World Bank, for corrupt and fraudulent practices, including cross-debarment by international development banks. Bangladesh's power sector has become hostage to the controversial Adani group by an unequal, opaque and discriminatory contract for 1,600mw electricity at almost three times higher cost than otherwise produced in the country.

While US companies have reported that they face unfair competition due to bid-rigging and bribery in government tenders in Bangladesh, they also don't lag behind. The US company Philip Morris was noted for its local production of nicotine pouches, which drew concerns over regulatory compliance. In another high level corruption and money laundering case, on December 15, 2008, Siemens AG agreed to pay \$800 million to U.S. authorities in connection with improper payments made by numerous of its subsidiaries, including Siemens Bangladesh Ltd. Siemens Bangladesh admitted that it made over \$5.3 million corrupt payments to Bangladeshi government officials and/or their relatives to secure a \$40 million contract for itself and China Harbour Engineering Company to create a nationwide digital cellular mobile telephone network for the government. Part of the related illicitly transferred amount was later repatriated from Singapore.

Intentional Business and investment relations of Bangladesh have also been subjected to high level abuse of diplomatic and political leverages for controversial deals in some strategically important business sectors. Just to mention a few, India's role in Rampal coal-based power project and the Adani deal; Japanese involvement in Matarbari coal-fired power project and Integrated Energy and Power Sector Master Plan; Kremlin involvement Rooppur Nuclear Power Plant; the US diplomacy-business revolving doors for Accelerate Energy's deal in Maheshkhali, Danish APM Terminals deal with the Chattogram Port Authority, and the most recent US tariff deal to promote interests of business companies like Boeing. Bangladesh's continued underperformance in achieving targets of transition to renewable energy is largely due to the collusive policy capture by the local and international fossil-based corporate lobby power.

No less important are the role of host country enablers of money laundering from Bangladesh in which syndicates of consultants including law firms, bankers, accountants, auditors, trust facilitators, offshore company specialists, real estate agents, regulators and financial services counsels representing corporate interests facilitate deals in the multi-layering process that Bangladesh's stolen money is welcomed and made "clean" in some of the richest and so-called least corrupt economies and financial markets like UK, USA, Switzerland, Canada, Offshore Islands and many emerging new competitors in east, southeast and South Asia like Singapore, Hong Kong, Malaysia and India, as well as middle east hosts like Dubai. At both sending and receiving ends business organizations are the prime movers of this globally flourishing industry of high level corruption and money laundering.

Toward Business Integrity

Corruption is a key concern of the people as well as the government of Bangladesh. The newly elected ruling party in its election manifesto has made strong commitments against corruption in general and business sector in particular. BNP's pro-business election pledges include corruption-free and production-oriented business environment replacing plundering and laundering of public resources and building institutional capacity including regulatory authorities like Bangladesh Bank to ensure efficient and partisan influence-free banking, share market and financial institutions. It has also committed innovations in competitive business. If and to what extent the talk will be walked is anyone's guess.

The Prime Minister has particularly pronounced zero tolerance against corruption. If these commitments are to be translated into practice the top priority must be given to addressing the culture of impunity to high level politico-bureaucratic-business corruption and the dysfunctionality of key institutions of democratic accountability. While there are some notable early positive signals from the top, a Minister's sinister attempt to define extortion as transaction of mutual consent, the highly controversial appointment of the Bangladesh Bank Governor, removal of the Chairman and members of the Anti-Corruption Commission and the series of partisan appointments in other state institutions indicate reasons for concern.

