

Draft Joint Resolution of Call to Action Against Corruption (CAAC) National Summit

Small and Medium Enterprises (SMEs) and the private sector in Bangladesh encounter numerous obstacles when conducting business. Many of these impediments can be attributed to corruption in the approval process, lack of transparency, and bureaucratic lethargy such as corrupt practices of the public officials in providing licenses to the entrepreneurs, customs evasion syndicates, usage of political power or bribes to obtain facilities from the public offices etc. A communication gap between policymakers and SME owners exists, which causes a mismatch between government initiatives and the needs of the private sector. The Covid-19 pandemic has exposed this gap, for example information about procedures related to the stimulus packages for the SMEs were not well communicated.

To address these challenges and unlock the potential of the sector, the Center for Governance Studies (CGS) in partnership with the US-based organization, the Center for International Private Enterprise (CIPE), launched a project on February 2021 titled ***“Bangladesh: Supporting Bottom-Up Demand for Democratic Governance Through Private Sector Mobilization Against Corruption”*** The project's objective is to identify and connect private sector stakeholders, especially SMEs, and economic reformers to create a corruption-free business environment. The project intended to evaluate the nature and extent of corruption at the grassroots level, identify the challenges and roadblocks facing the private sector SMEs, and empower the private sector and economic reformers in creating inclusive governance, maintaining democratic space, and assessing the nature and scope of government support for the private sector and SMEs.

Part 1:

Acknowledging that corruption is pervasive in Bangladeshi society and the economy, that the country was ranked very poorly among 180 nations around the world by various watchdogs and that there is a concerning trend of deterioration of anti-corruption institutions;

Considering that corruption adversely impacts Small and Medium Enterprises (SMEs), which contribute 31% of the country's GDP, employ around 25 million people, engage a lion's share of total industrial employment, and play an important role in alleviating poverty and creating new jobs;

Considering that combating corruption will enhance productivity of the SME sector, increase employment opportunities, contribute to the economic growth and help both short and long terms development of the country;

Considering also that the government has adopted the policy of “Zero Tolerance” against corruption, committed to strengthening the Anti-Corruption Commission (ACC), taken various measures including institutional reform, and enacted the Public Interest Information Disclosure (Provide Protection) Act (popularly referred as the Whistleblower Protection Act) to guarantee legal protection to the whistleblowers, to combat corruption;

Recognizing that the two-year-long project of the Center for Governance Studies, which included interacting with SME entrepreneurs throughout the country and surveying their perceptions and practices, interviewing trade body leaders, and consulting acclaimed experts of the SME sector, found that the overwhelming majority of SME entrepreneurs are directly affected by corruption;

Recognizing also that the grassroots consultations revealed that bribery and political influence are the most common forms of corruption in Bangladesh, and that complex bureaucratic processes of obtaining and renewing trade licenses, securing necessary services, and collusion between public officials and syndicate members create serious hindrances to fair business practices;

Underlining that the project found that many in the SME sector lack internal good governance, evade taxes, engage in corrupt practices as a survival strategy, and face difficulties in securing bank loans, and that women entrepreneurs face discrimination at various steps;

Underlining also the project’s findings that national & regional trade bodies and SME support organizations lack organized anti-corruption advocacy measures;

Highlighting the opinions of SME sector entrepreneurs and other private sector actors concerned that the lack of anti-corruption laws, impunity for corrupt actors, and cash transactions contribute to the widespread corruption;

Reaffirming that widespread corruption deters investment, weakens economic growth, undermines the rule of law, limits inclusivity in the economic sector, contravenes the basic underpinning of a democratic society, and hinders the progress of the entire nation;

Recalling that there is no there is no single or quick fix that can address the deep-seated problem and that a concerted effort of all stakeholders in the private sector, the civil society organizations, and the government is needed to combat corruption in the SME sector, the vital productive sector of the economy;

Reaffirming that entrepreneurs and SME stakeholders underscored a need to develop a professional platform that consists of representatives of the SME sector as well as of the government to combat corruption that affects the SME sector;

Calling upon all concerned to reaffirm their unwavering commitment against all forms of corruption at all stages and to reinvigorate their efforts to combat corruption impacting the SME sector in earnest;

Adopts this declaration on March 21, 2023 as a Call for Action Against Corruption.

Part 2: The National Summit of the Stakeholders of the SME sector declares that,

It is high time that the corruption in the private sector and the SMEs is combatted and an unequivocal commitment is made from today to prevent all types of corruption by

- Raising awareness against all forms of corruption; Addressing all the issues and factors that hinder the anti-corruption effort; Holding the stakeholders promoting corrupt activities accountable; Engaging the like-minded to stand together against corruption
- Efforts and measures are to be taken to ensure accountability and transparency in all the sectors that may be affected by corruption
- Existing laws which slow down the process to ensure justice and which hinder the opportunity to promote ethical behavior in the sector should be reformed
- The private sector must act together as a single entity to stand against corruption and create pressure on the relevant stakeholders for making the reporting system efficient, to take measures to punish corrupt behavior and to ensure the prevention of possible corrupted behavior in the future.

Part 3: The conference call makes the following recommendations to various stakeholders of the SME sector to be implemented for generating a corruption-free business environment in Bangladesh:

To the Government

- Establish an administrative unit and conduct media campaigns to raise awareness of citizens' rights, the Anti-Corruption Act, and ethical standards. Use formal/informal channels to raise awareness against all types of corruption. Introduce educational elements to instill ethical standards and conduct large-scale campaigns to inform people about hidden corruption and ways to combat it.
- Create an enabling environment which discourages corrupt practices in public and private sectors and encourages public to act against corruption, use relevant laws to combat corruption and report to the concerned authorities.
- Ensure accountability within government agencies and require them to inform the public about their accountability mechanisms and activities every six months. Investigate all reported corruption cases, enforce punitive measures, and empower a separate unit within each agency to conduct inquiries and forward complaints to the

ACC. Appoint independent Ombudsmen at each government office to monitor and enforce laws and address the culture of impunity among perpetrators of corruption with lawful measures, regardless of their social or political stature.

- Create an atmosphere for citizens to report corruption without fear, empower the ACC to act independently, and establish a unit within the ACC to receive public information and communicate actions taken within 90 days. Facilitate SME reporting and protect SMEs under the Public-interest Information Disclosure Act (Provide Protection), 2011 (popularly referred as the Whistle-blower Protection Act). Reform laws and reporting mechanisms, implement the Act, provide autonomy to the ACC, and establish accountability and transparency in the public sector.
- Streamline license and certificate processes with reduced points of contact and increased use of technology. Consider issuing licenses for a longer period to avoid annual renewal. Develop a one-stop solution for trade licenses and increase automation to prevent unlawful collusion or extortion. Rationalize various administrative units of the government and semi-government bodies, and consider bringing them under one unit.
- Provide incentives and reduce regulations for small firms. Develop and implement a comprehensive SME policy with support mechanisms. Reform VAT and income tax policies to address issues faced by the SME sector.

To the Private Sector Enterprises

- Establish internal reporting systems to identify and address corruption during interactions with the public. Create a transparent system for informing the public about actions taken to address concerns and publish annual reports. Adopt codes of conduct and ethics, and monitor compliance. Create accountability mechanisms and awareness campaigns for reporting corruption in the public and private sectors.
- Establish a private-sector coalition to promote business integrity and address corruption issues. Develop independent platforms and networks to highlight sector-specific concerns. Create networks of companies adhering to best practices and assist all SMEs victimized by corruption.
- Ensure chambers and associations commit to anti-corruption, hold the government accountable, and take measures to combat corruption. Develop internal governance mechanisms and share best practices with entrepreneurs in the sector.

To the Non-Governmental Agencies

- Design and implement campaigns on the existing laws and regulations and on mechanisms for reporting complaints about corruption in public and private sectors.
- Complement the government's efforts to raise awareness about the rights against corruption under the existing laws. To this end, insist that each ministry and agency make their efforts public.

- Cooperate with the government to identify the inadequacies in the existing laws regarding corruption. Review the existing laws and recommend necessary amendments, new laws, and mechanisms for addressing the weaknesses of the existing laws.
- Gather, document, and inform the public of the nature and scope of corruption in both the public and private sector, and offer remedies of the situation through public campaigns and regular reports via media.

To the Trade Bodies

- Develop specific plans and programs to address the concerns of the SME sector and mechanisms to create a supportive environment.
- Develop research and development programs to help the SME sector;
- Develop plans to address the issues related to governance, corruption, and inclusive policymaking.
- Create a transparent mechanism for reporting corruption and actions against corruption.
- Develop and implement a strict code of ethics in various sectors, including the SME sector, and incentivize adherence to this code.

To Service Providers

- Develop mechanisms to understand the needs of SMEs by engaging in robust dialogue, establishing feedback system to hone in on the needs of SMEs
- Establish a commitment to work with the SME sector to change the lack of confidence in the SME sector by ensuring that due services are provided to them without any hindrances

Part 4:

The evidence gathered by the CGS in its two-year-long project involving various elements of the SME sector clearly suggests that the only way to bring about actual positive change is for all stakeholders to work together with unwavering commitment. As there is an absence of a trade body, CSO, or public forum entirely dedicated to the priorities of the SME sector dealing with systemic corruption, there must be a need for the development of a national SME sector network and an independent platform of the SMEs to act collectively.