

## **Structural Adjustment Participatory Review Initiative, Bangladesh**

### ***A Summary Report on the Focus Group Discussion on Corruption held on Wednesday, November 29, 2000***

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The focus group discussion on Corruption held at the Conference Room of the WVA on Wednesday, November 29, 2000. Twenty four participants representing entities such as political parties, public service commission, academia, watchdog organizations and professional groups as well as NGOs working in the countryside -- attended the tripartite collaborative exercise. Transparency International, Bangladesh Chapter organized the FGD. Mr. Manzour Hassan, Executive Director Transparency International, Bangladesh chaired the session while Dr. Debapriya Bhattacharya, Study Director, Bangladesh SAPRI moderated the session. Prof. Muzaffer Ahmad presented findings of his research undertaken for SAPRI.

SAPs incorporated outward orientation, liberalisation and private sector-led growth in the economy. It has been argued that orthodox policies ignored structural and institutional arrangement of a country. One of the major institutional problems in the country as it was noted in one of the RCMs held in Chittagong that corruption should be included in the SAPRI's research agenda.

A summary of the deliberations that followed the presentation is given below:

The participants said that corruption had shown coexistence with growth, privatization, liberalization, deregulation etc. Corruption or rent seeking is an institutional failure. This is caused by market and/or political failure and may reside in both public and private organizations.

It has been presented there are two different aspects or approaches to conceptualise corruption. One view is to perceive the phenomena as a cultural one. Thus corruption is generated from the existence of power, position of power, protection of the power in the hand of few, and deliberate use of this power for personal or parochial gain. Such practice is facilitated in absence of accountability and watchdog agency.

Another view looks at corruption as standard principal-agent problem. There are many categories of practices that are involved with corruption. It is very important to distinguish between gifts, tips, prices and bribes. It has been put forwarded that without an appropriate system of remuneration and monitoring the agent would find it rational to create alternative channels of income. The SAPs never addressed this situation. Instead it has repeatedly emphasised to downsize the government role in the economy by cutting public expenditure. There can be many forms of bribery and multiple bribers and few bribers. Using this dichotomy four polar cases have been identified: Kleptocracy, bilateral monopoly, competitive bribery and Mafia domination. Buying political influence and buying votes are common manifestation of political corruption in many countries including Bangladesh.

It was stated that accountability of the electoral process is very important. The expenditure during the election by the nominees and buying votes through money and

mussels are major issues. The participants observed that the corruption is so pervasive that even the higher judiciary may be influenced through bribes as press reports suggest.

In recent times there has been alleged corruption in oil and gas sector. This corrupted practice was aggravated by the presence of the multi-national enterprises. Thus, liberalisation may pave the way to more institutional maladies in the form of corruption.

It was also noted that workings of the NGOs are themselves are not accountable. Thus, there have grown some questionable events that may fall into example of corruption. So private initiatives in the development sector may bring in malpractice of international fund that are brought into the country.

As it has been noted that status of the government servants has deteriorated over time. The real wage of the government worker has not risen and they are now finding alternative way to augment their income. Thus, some said that the extra payment can be regarded as service charge.

One sector where there has been widespread corruption is the state owned enterprises. Mismanagement has been responsible for this. The mandatory appropriation of these factories has led to a revengeful attitude in the mind of the former mill-owner that has accentuated corruption. There is a absence of *fair play* between the public and the private sector which caused rampant corruption in these areas.

Economic reforms that have been pursued in Bangladesh are poorly designed and these have been more counter-productive. Efficient working of any organizations call for a conducive political environment and institutional reforms. So political will is required. There must be more emphasis on the participatory aspect of reform. How people should monitor must be an important question to be answered. Their views and findings must be incorporated in the policy design. Corruption as any other crime is inversely proportionate to the punishment.

The international agencies themselves are not transparent enough. The privatisation and the bad loan culture has been developing side by side. This suggests that reforms and corruption may have some positive relationship.

Commitment is absent from all sections of the society. Deregulation has made foreign goods available that has aggravated the situation. The union leader claimed that everybody is taking benefits from the system. SAP can not work in such system.

It was stated that SAP has not brought any good to general people concerning corruption. Corruption starts form the very beginning of the student level. Students are getting lessons of corruption. Political leaders are cherishing corruption. It was suggested that higher political bodies should work fairly and without nepotism.

Corruption is failure of governance. Any study on corruption must include earlier practices that have persisted in the system. People have always been kept aside from the political decision making process as a result a sort of resistance grew. Cultural factors are also important and negotiation processes concerning the multinational and foreign bodies must be strengthened. Experiences must not be blindly imitated.

*Response of World Bank*

Whenever there is scope to command over any scarce resource like licensing or import permit there will be a tendency for corruption to grow. Scarcity premium is most likely to grow from monopsony and if it is state protected. If World Bank policy aimed at all these problems then policy design would be more complicated.

*List of Participants*

Syed Nijamuddin	World Bank
A.B. M. Mahbubul Main Khan	Former Deputy Governor
Rashed A. M. Titumir	SAPRI
Tarek Choudhury	Prashika
Kazi Golam Tousif	Deputy Money Controller
Bodrul Hasan	Proshika
M. R. Siddiqui	Asst. Editor, The Envoy
Nurul Haq	Retired Member, Planning Commission
M. Hafizuddin Khan	Retired CSAG
Manzour Hasan	ED, TIB
Muzaffer Ahmed	Professor, IBA/DU
Debapriya Bhattacharya	ED, CPD
Mohammad Mohabbat Khan	Member, BPSC
M. K. Anwar	MP
Dr. Mohiuddin	Researcher, TIB
Dr. M. Enamul Huq	Rt. I. G. Police, Resident ACPF
Zulfiqar Ali	Research Associate, BIDS
M. I. Khan	Former Deputy Governor
Atonu Rabbani	Research Intern, CPD
A. B. M. Ziauddin	Director, Dhanmondi Rotary Club, Dhaka

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