

Anti-corruption in Bangladesh: towards feasible governance improvements



Image courtesy of Bangladesh Bridge Authority

Key messages

- Anti-corruption efforts based on vertical enforcement and prosecution have not delivered results in Bangladesh and have sometimes been counterproductive. It is important to supplement these approaches by identifying opportunities for action at a sectoral level, where powerful players will want to behave in more productive and rule-following ways *in their own interest*.
- Research is unlikely to have any immediate impact on interventions in sensitive areas like political corruption: a more productive focus may be on achievable improvements in vital productive and service delivery sectors which are less controversial and are likely to be supported by powerful interests within these sectors and within government.
- Bangladesh, with its thriving enterprise economy and civil society, presents many opportunities at the sectoral level for ACE interventions.

What is ACE?

The Anti-Corruption Evidence (ACE) research programme takes an innovative approach to anti-corruption policy and practice. Working with a multi-country coalition of 12 partners over five years, ACE is responding to the serious challenges facing people and economies affected by corruption by generating evidence that makes anti-corruption real and using those findings to help policymakers, business and civil society adopt new, feasible, high-impact strategies to tackle corruption.

Anti-Corruption Evidence
SOAS, University of London

www.ace.soas.ac.uk
@ACE_soas

The ACE approach to anti-corruption and political settlements

What is the ‘political settlement’ and why does it matter for anti-corruption efforts in Bangladesh? The political settlement, as we use the term, describes the distribution of power across political and economic organisations. It helps us to understand how resources are being formally and informally (sometimes corruptly) allocated, based on the bargaining power of different groups. The political settlements approach is important because it helps us to distinguish between different types of corruption and identify the types of corruption that are both more feasible to address, and which can contribute to the broader economic development of the country. Development in turn makes other types of corruption possible to address. Our approach helps to explain why ambitious anti-corruption programmes that try to address all types of corruption immediately with transparency and vertical enforcement strategies have failed to deliver results in developing countries like Bangladesh.

Instead we propose a new approach, based on detailed sectoral analysis, identifying opportunities where some of the powerful players within sectors will support interventions that allow them to be more rule-following and productive *in their own interest*. This will have to be backed by improvements in enforcement at the national and sectoral level, but on its own, enforcement improvements cannot address the problem.

The political settlements framework also tells us that addressing some types of political corruption has to be balanced against maintaining stability, seeking reform and easing development bottlenecks. However, as economic development creates a more diversified society with many centres of power, political corruption becomes easier to address.

The ACE research consortium proposes a new approach to anti-corruption. While formal anti-corruption measures, such as legal frameworks and enforcement by state agencies, are vital ingredients, they must sit alongside more nuanced and pragmatic approaches that take the political settlement into account. ACE looks for feasible, incremental strategies

that are embedded in specific economic sectors – such as the garments sector, power generation, the health sector, and so on - and engages with powerful stakeholders within or affected by those sectors. We look for the changes in policies, institutions, coalitions and conflict resolution processes that are likely to be both feasible, and that can change incentives so that enough powerful players *want* to behave differently, in their own interests. Only then can the weak formal enforcement capabilities of developing countries begin to work to reduce corruption.

This briefing paper sets out the ACE analysis of the political settlement in Bangladesh, and looks at the ways that the contemporary situation constrains efforts to tackle corruption, and the opportunities that it presents to tackle it. Based on our assessment of the context, we propose a set of research projects to explore new, high impact approaches to anti-corruption relevant for Bangladesh. This brief is based on [Working Paper 003, ‘Anti-corruption in Bangladesh: A political settlements analysis \(Khan 2017\)’](#), which explores the political and economic context in greater detail.

The economy: steady growth and its limits

Economic growth in Bangladesh since the 1980s has been driven by a combination of fortunate factors that include: the emergence of the garments and textile industry as a globally competitive export sector; the steady growth of remittances; steady growth in agriculture; and a political environment with a supply of innovative NGOs that ensured that foreign aid had a positive effect on poverty reduction. Since the 1990s, the economy has been growing at between 5 and 7 percent per year. This growth has been driven by a variety of productive sectors, with private investments in manufacturing playing an important role.

Sustaining growth, however, requires increasing the investment share, developing new competitive sectors, improving regulatory structures, health, education and skills and overcoming serious limitations in infrastructure. Corruption of different types is involved in all these processes, and therefore constitutes a serious threat to the sustainability of growth in Bangladesh.

The political settlement in Bangladesh today

The period of multi-party democracy in Bangladesh from 1990-2006 was marked by high levels of private sector investments and steadily rising growth rates. The garments sector achieved its global presence during this period. But it was also marked by growing political corruption and increasingly fractious conflicts between the two major parties. The period ended with the Emergency of 2006-08 after the system of organising elections through Caretaker Governments broke down. The Emergency government that followed attempted an ambitious programme of vertical enforcement of anti-corruption that largely failed to achieve sustainable results.

The Awami League came to power on a popular mandate after winning a landslide in the 2008 elections. Later, it amended the constitution to do away with the Caretaker System that it had earlier campaigned to introduce, provoking much social unrest and leading to the opposition BNP boycotting the 2014 elections. The current government has arguably not been 'elected' to power because voting did not take place in a majority of constituencies in 2014. The distribution of power in Bangladesh has significantly changed as a result, with the BNP becoming organisationally weaker, and many of its supporters feeling unrepresented. This is a potentially destabilizing position and it is universally agreed that Bangladesh somehow has to organise an inclusive election that is perceived as legitimate by all sides. A sustainable return to multi-party democracy would be the best outcome for growth and political stability in Bangladesh. We characterise this situation as 'competitive clientelism': a political settlement defined by weaker control by ruling organisations over their members, and competition from other groups who may offer better deals. Competitive clientelism can appear to be unstable but the alternatives are likely to be more destabilizing for Bangladesh in the long run.

Anti-corruption efforts in this context have been highly politicized and this has made vertical enforcement efforts even more difficult than before. The government sees allegations of political corruption as politically motivated as it is sensitive to the overall political context. Our assessment of the political

settlement is that directing the focus of anti-corruption at high-level allegations has not been helpful and indeed has been counterproductive, as the Padma Bridge episode demonstrated.

Padma Bridge

In the late 2000s, a World Bank-led consortium agreed to fund a \$3 billion bridge that would improve connectivity with southern Bangladesh and deliver significant development benefits. Shortly before the project was to begin, an unconnected investigation in Canada revealed documents that suggested that a Canadian company, SNC-Lavalin, had been planning to bribe ministers in Bangladesh to get a \$50 million dollar engineering contract. The World Bank insisted that the minister referred to in the documents should be included in a full investigation, and though the government eventually agreed to an investigation by the Anti-Corruption Commission (ACC), it insisted that the minister would not be included. The World Bank eventually withdrew from the project in January 2013, in the absence of a satisfactory investigation, and the Bangladesh government found more expensive financing from Chinese and other sources, in order to construct the bridge. The cost of construction was also inflated several times in the absence of any credible external monitoring of contracting and costs. Even if the bridge is eventually built, Bangladeshi citizens will have paid a heavy price in terms of the overall project cost and the interest charges. Regardless of the truth of the allegations, this exercise in anti-corruption did nothing to reduce corruption, and may even have strengthened the government in future allegations, by demonstrating that criticism from international partners could be resisted.

However, corruption of different types is seriously constraining Bangladesh's economic development, and many of these areas can be tackled without politicizing the corruption process. While powerful interests are involved in all corruption processes, in many cases other powerful sectoral interests are hurt by them. Where they exist, the latter constitute potential coalitions that can support incremental improvements in governance and anti-corruption in particular sectors and activities.

Possible future directions for Bangladesh's political settlement

The overall political context remains vulnerable in Bangladesh. Changes in the overall political settlement constitute risk factors which can affect the implementation of sectoral anti-corruption efforts, and indeed other development activities in the country.

There are three possible ways in which the political settlement may evolve in the coming years.

Scenario 1: No legitimate elections and greater authoritarianism >50% probability

The most likely scenario is unfortunately the least appealing for Bangladesh: more of the same but probably with increased restrictions on civil society and political activity, as the legitimacy of the government declines further. While this is the most likely outcome in the medium-term, it is not a sustainable outcome over the longer term. The historical evidence on political settlements in Bangladesh shows that governments who stay in power using restrictions on political activities do not last very long. The real danger is that non-electoral transitions are disruptive and set back development. If this scenario materializes, we can expect quite a lot of uncertainty in Bangladesh from 2019 onwards.

Scenario 2: Legitimate elections and a return to multi-party democracy <40% probability

The second scenario is unlikely, but by far the best one for Bangladesh. In this scenario, the political settlement reverts back towards competitive clientelism and a multi-party democracy, either as a result of an effective challenge by excluded groups, divisions within the ruling party or a combination of both. This would be strongly resisted by sections of the Awami League, who may be fearful of reprisals by opposition parties if the latter win. Managing any transfer of power without reprisals will be important if the Awami League loses. If the Awami League wins a fair election that is perceived by everyone to be fair, stability will not be affected.

Scenario 3: The emergence of an authoritarian developmental state <5% probability

Some ruling party spokespeople have raised the possibility that the Awami League can emulate Malaysia or the East Asian developmental states, achieving development first and democracy later. This is a fallacious assessment based on our analysis of the Bangladeshi political settlement. The distribution of power that allowed somewhat authoritarian ruling coalitions to play a developmental role in those contexts does not exist in Bangladesh. The probability of the ruling coalition imposing discipline on its own party and gaining enough legitimacy to implement difficult and transformational developmental changes is well under five percent.

Anti-corruption in Bangladesh: Strong laws, weak implementation

The validity of our analysis is borne out by the fact that Bangladesh has extensive formal legislation supporting anti-corruption, most of which is hardly implemented. The country acceded to UNCAC (the United Nations Convention against Corruption) in 2007. A 2008 study to identify gaps in existing laws and capacities that would need to be addressed to bring Bangladesh in line with requirements of the Convention concluded that Bangladesh was already largely compatible with UNCAC's standards. The country's comprehensive legal regime includes an anti-corruption law and the Anti-Corruption Commission Act, 2004, created a formally independent anti-corruption body. Furthermore, a comprehensive procurement regime exists with the Public Procurement Regulations, 2003 and the Public Procurement Act, 2006. A regulatory regime also serves to promote public sector integrity, and governs issues of public sector recruitment, hiring, retention, promotion and retirement. The problem of course is that like other developing countries, Bangladesh has informal processes and power relationships that prevent the implementation of these laws.

How should corruption be addressed?

Bangladesh is at a critical point in its governance and developmental evolution. It faces significant challenges in diversifying its economy and maintaining its growth rate in a context of a global slowdown and its own growing population. Bangladesh is still lacking a broad-based productive economy with many power centres, that could have generated strong demand for the enforcement of a rule of law, paid for through taxes. Many powerful organisations are still largely outside the productive sector, and they do not have a significant interest in the enforcement of a rule of law.

Anti-corruption efforts that are based on vertical enforcement are therefore weak, despite a robust civil society and a relatively active media. Direct investigative attacks on allegations of high-level corruption in the current political settlement are likely to have little effect and may even be counterproductive. When anti-corruption laws are enforced from above, they are likely to be applied selectively to individuals and organisations currently out of favour with those in power.

In this context, supporting the diversification of the economy and sustaining inclusive growth requires a more nuanced approach to anti-corruption. The ACE approach looks for opportunities in specific sectors for feasible governance improvements, that can reduce corruption, without immediately taking on the most sensitive types of political corruption.

Our political settlements analysis suggests that implementable anti-corruption activities should have a low profile, and be based on an outcome-oriented and incremental set of policy proposals. The emphasis should not be on prosecution and punishment, but rather on finding policy combinations that create incentives for stakeholders in particular sectors or activities to behave in more productive ways.

In consultation with DFID, other development partners, our country research partners, and using our own knowledge of the country and of past research, we have identified a series of evidence-based research projects that will aim to identify feasible and high-impact anti-corruption opportunities. Find out more about our strategies and the sectors where we will engage by visiting www.ace.soas.ac.uk.

About the Anti-Corruption Evidence (ACE) Research Consortium:

ACE takes an innovative approach to anti-corruption policy and practice. Funded by UK aid, ACE is responding to the serious challenges facing people and economies affected by corruption by generating evidence that makes anti-corruption real, and using those findings to help policymakers, business and civil society adopt new, feasible, high-impact strategies to tackle corruption.

ACE is a partnership of highly experienced research and policy institutes based in Bangladesh, Nigeria, Tanzania, the United Kingdom and the USA. The lead institution is SOAS, University of London. Other consortium partners are:

- London School of Hygiene and Tropical Medicine (LSHTM)
- Palladium, London
- University of Birmingham
- University of Columbia, New York
- BRAC Institute of Governance and Development (BIGD), Dhaka
- Transparency International Bangladesh (TIB), Dhaka
- James P. Grant School of Public Health BRAC University (JPGSPH), Dhaka
- Research on Poverty Alleviation (REPOA), Dar es Salaam
- Economic and Social Research Foundation (ESRF), Dar es Salaam
- Ifakara Health Institute (IHI), Dar es Salaam
- Nigerian Institute of Social and Economic Research (NISER), Lagos
- Centre for Democracy and Development (CDD), Abuja
- Health Policy Research Group, University of Nigeria

ACE also has well a established network of leading research collaborators and policy/uptake experts.

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Anti-Corruption Evidence (ACE) Research Consortium

SOAS, University of London, Thornhaugh Street, Russell Square, London WC1H 0XG

T +44 (0)20 7898 4447 • E ace@soas.ac.uk • W www.ace.soas.ac.uk