

Poverty And Corruption In South Asia

An article written more than ten years back (FORBES Poverty and corruption) highlighted the nexus between corruption and poverty. The article stated “poverty invites corruption, while corruption deepens poverty. Corruption both causes and thrives upon weaknesses in key economic, political and social institutions.” Trust—essential to financial markets and effective governments everywhere—is difficult to build in poor and corrupt societies. Poor people and economically strapped businesses have few economic alternatives, and where serious corruption is the norm, they are even more vulnerable to exploitation. In that sense, there is no such thing as “petty” corruption: all types of corruption help keep poor people poor. In poor societies, low-level officials are often underpaid, when they are paid at all, and must provide a stream of payments to patrons at higher levels. In such settings, bribery, extortion and theft become matters of survival. But if we draw back from that isolated transaction, the deeply damaging dynamics become evident. A firm that pays up is telling those underpaid or unpaid officials that they can make money by dragging their feet, “losing” paperwork or contriving new requirements, forms and delays.” Such payments flash quickly through an economy and a bureaucracy, particularly where legitimate opportunities are scarce, making for even more corruption. In corrupt markets and public bidding processes, inefficient firms and dishonest bidders have major advantages over honest competitors. Connections and cash, rather than innovation and excellence, become the ways to win contracts.” Such practice discourages investors leading to lack of employment and deepens poverty in the economy. The victims are invariably the poorest of the poor and the beneficiaries are the political establishments in the country. The scenario remains unchanged in all developing and under-developed countries.

Poverty And Corruption Nexus

Ebenezer Obeng-Afroki in his article (The Nexus Between Poverty and Corruption Project Management| Political Analysis| Published Feb 5, 2018) has given the picture of Ghana which can be replicated in all poor countries where the poor have to pay for services which should be available to them free of cost because illiteracy and gender discrimination forces the poor to go through middlemen who have political connection and are basically front men of the powerful politician. It is an elite activity writes Ebeneger Obeng-Akrofi. In Bangladesh when we read newspapers almost every day we come across stories of stolen money from banks, financial institutions, and projects approved by the government with price escalation every few years. Many of these “governments” are run by armed gangs who refuse to tolerate any dissention among the people because the price of dissention, more often than not, ends in kidnapping and murder.



Corruption In Bangladesh

A review by (Transparency International Overview of corruption and anti-corruption in Bangladesh 07-11-22) gives a clearer picture of poverty in Bangladesh. The report says that though Bangladesh's economy has steadily expanded in the last decade, with a 6% economic growth in 2010. It however remains one of the poorest countries in the world. Indeed Bangladesh has made significant improvements in a number of social sectors such as gender parity in education, reduction of child mortality etc. However, corruption, patronage networks, misallocation and wasted funds have slowed down the economy and prevented the country from making a developmental leap (Bertelsmann Foundation, 2012).

Bangladesh is the 22d most corrupt country in the region. Transparency International's Global Corruption Barometer 2011: almost half of the respondents consider that corruption has increased in Bangladesh. Consistent with these findings, the World Economic Forum's Global Competitiveness Report 2012-2013 states that business executives perceive corruption as the second most significant obstacles to doing business in Bangladesh. According to the WEF Global Competitiveness Index, inefficient government bureaucracy has always been high up on the list of obstacles for doing business in the country. According to Transparency International's Global Corruption Barometer 2011, 72% of the surveyed citizens admit having paid a bribe in recent years, with the police, the judiciary the registry and permit service and the land services being the top recipients. The household survey conducted by Transparency International Bangladesh in 2010 shows that the average

amount of annual per household bribe is about US dollar \$40, compared to \$22 in 2007. The Transparency International report adds that Bangladesh is the 22d most corrupt country in the region, out of 35 countries.

Corruption And Investment

World Economic Forum’s Global Competitiveness Report 2012-2013 states that business executives perceive corruption as the second most significant obstacles to doing business in Bangladesh just after infrastructure. The Bangladeshi administration is burdensome and ineffective due to corruption, politicization and lack of resources (Bertelsmann Foundation, 2012). According to the WEF Global Competitiveness Index, inefficient government bureaucracy has always been high up on the list of obstacles for doing business in the country, which encourages the use of bribery to speed up or “grease” administrative processes. According to Transparency International’s Global Corruption Barometer 2011, 72% of the surveyed citizens admit having paid bribes in to the police, the judiciary the registry and permit service and the land services being the top recipients. The household survey conducted by Transparency International Bangladesh in 2010 shows that the average amount of annual per household bribe is about US dollar \$40, compared to \$22 in 2007.

Political Corruption

Political corruption is widespread in Bangladesh: citizens perceive political parties and the Parliament as some of the most corrupt institutions of their country (Transparency International, 2011). The main political parties’ internal governance frameworks are inadequate; there is a lack of internal democracy and their practices are insufficiently transparent. The principal political parties are further characterized by the dominating influence of a small number of families and their functioning has been qualified as dynastic (Bertelsmann Foundation, 2012). The legal safeguards guaranteeing the integrity of political party financing are not sufficient. A 2009 study on political party financing by Transparency International Bangladesh showed that while Bangladesh has a reasonable set of legal provisions to promote transparency in political finance compared to other regional countries, enforcement of the legal provisions is the weak. Although the electoral law provides that in course of nomination of candidates for national election, preferences of party leaders and supporters at the local level should be taken into consideration, the candidate selection system of the main parties tends to favor wealthy individuals who can buy their nomination through covert financial contributions to the party (Bertelsmann Foundation, 2012). According to Freedom House 2011, Bangladesh is an electoral democracy, and it has adopted universal suffrage and the right to campaign. The 2008

elections were considered free and fair (Bertelsmann Foundation, Overview of corruption and anti-corruption in Bangladesh 2012).

Bartelsmann Foundation Reports

The Bertelsmann Foundation established in 2008, was created to promote and strengthen the transatlantic relationship. The foundation is an arm of the Germany-based Bertelsmann Stiftung. The Foundation is not an enemy of Bangladesh nor of poverty-stricken countries of the world. Like IMF, IBRD and Asian Development Bank Foundation is dedicated to help the poverty-stricken part of the world to hope for better future. Maria Gumerov writes in The Atlantic magazine the obvious truth i.e. that poverty remains a blockade in the path of Bangladesh transiting into a developing country. As a low-lying country situated on the Bay of Bengal, Maria Gumerov explains Bangladesh is one of the most vulnerable countries to violent weather patterns that regularly destroy crops, homes and lives. Since agriculture supports almost half the population, the losses can be especially devastating. Furthermore, lack of infrastructure stands in the way of growth. Dhaka, the capital city alone, creates severe traffic that chokes more than three million hours of productivity in a day, which costs the country millions of dollars lost in GDP per year. Bangladesh is the 22d most corrupt country in the region, out of 35 countries. Bangladeshi citizens also perceive corruption as an increasing problem in their country. Almost half of the respondents consider that corruption has increased in Bangladesh in the past 3 years and adding those who think that the level of corruption stayed the same bringing the number to 64%. Moreover, 72% of the surveyed citizens reported having experienced bribery in recent years. Consistent with these findings, the World Economic Forum's Global Competitiveness Report 2012-2013 that states business executives perceive corruption as the second most significant obstacles to doing business in Bangladesh. Forms of corruption are varied. The Bangladeshi administration is burdensome and ineffective due to corruption, politicization and lack of resources (Bertelsmann Foundation, 2012). According to the WEF Global Competitiveness Index, inefficient government bureaucracy has always been high up on the list of obstacles for doing business in the country which can encourage the use of bribery to speed up or "grease" administrative processes. According to Transparency International's Global Corruption Barometer 2011, 72% of the surveyed citizens admit having paid bribe in recent past to the police, the judiciary the registry and permit service and the land services being the top recipients. The household survey conducted by Transparency International Bangladesh in 2010 shows that the average amount of annual per household bribe is about US dollars \$40, compared to \$22 in 2007. Corruption in Bangladesh is all pervasive. People ask: is there a way out?



Image: World Bank

World Bank On Bangladesh Recovery

World Bank Report of April 12 2021 states that Bangladesh's economy is showing nascent signs of recovery backed by a rebound in exports, strong remittance inflows, and the ongoing vaccination program. After being severely affected by the COVID 19 pandemic—which slowed growth and for the first time in two decades reversed the poverty reduction trend—the economy is recovering gradually. Over the first half of FY21, factories reopened and exports rebounded. However, the economy faces elevated risks in the context of the ongoing COVID-19 pandemic. In Dhaka and Chittagong, the country's two largest cities, recent surveys pointed to a recovery in the labor market in the first half of FY21. With gradual restoration of livelihoods, food security in poor and slum areas improved. In Chittagong, the percentage of adults working had returned to pre-COVID levels by February 2021. "Despite the uncertainty created by COVID-19, the outlook for Bangladesh's economy is positive. Much of the pace of recovery will depend on how fast mass vaccination can be achieved," said **Mercy Miyang Tembon, World Bank Country Director for**

Bangladesh and Bhutan. “The World Bank will support a resilient recovery, helping Bangladesh achieve green, smart, and inclusive growth.” In FY21, growth will be supported by a recovery in manufacturing as export demand strengthens, a rebound in construction supported by accelerating public investment, and robust service sector growth as the vaccination campaign progress. Inflation is projected to remain close to Bangladesh Bank’s 5.5 percent target, and the fiscal deficit is projected to remain at 6 percent of GDP. But risks to the outlook remain. A fragile global economic recovery could dampen demand for RMG products and limit job opportunities for migrant workers. The COVID-19 pandemic has exacerbated financial sector risks stemming from nonperforming loans and weaknesses in bank governance and risk management. Improving logistics performance could help accelerate the recovery and improve competitiveness. The report outlines opportunities to modernize the logistics system to ensure business continuity and build resilience. This can be achieved through a system-wide strategy to increase logistics efficiency; improve the quality, capacity, and management of infrastructure; improve the quality and integration of logistics services; and, achieve seamless integration of regional logistics services.

World Bank Advice Recovery

“The COVID-19 pandemic has led to an unprecedented global recession,” said **Bernard Haven, World Bank Senior Economist, and co-author of the report.** “Protecting households affected by the pandemic remains an urgent priority, while structural reforms can help accelerate the recovery.” The Bangladesh Development Update is a companion piece to the South Asia Economic Focus, a bi-annual World Bank report that examines economic developments and prospects in the South Asia Region, and analyzes policy challenges faced by these countries. The Spring 2021 edition titled South Asia Vaccinates, launched in March 2021, shows that economic activity in South Asia is bouncing back, but growth is uneven, recovery remains fragile, and the economic outlook is precarious. Another World Bank report of April 13 2022 gives a hopeful picture. The report states that Bangladesh has made a strong economic recovery from the COVID-19 pandemic, but growth faces new headwinds as global commodity prices increase amid the uncertainty created by the war in Ukraine. In Bangladesh, a rebound of manufacturing and service sector activities led strong growth in FY21 and in the first half of FY22. In the medium term, GDP growth is expected to remain strong. Headline inflation rose to 6.2 percent in February 2022, driven by a rise in both food and non-food prices. The war in Ukraine and associated sanctions may lead to a higher current account deficit and rising inflation as global commodity prices increase. Public debt remains sustainable, and the March 2022 joint World Bank-IMF Debt Sustainability Analysis assessed that Bangladesh remained at low risk of external and public debt distress. “Following a strong economic recovery from the

pandemic, estimated poverty declined to 11.9 percent in FY21 from 12.5 percent in FY20, as per the international poverty rate,” said **Mercy Tembon, Country Director for Bangladesh and Bhutan**. “Going forward, close monitoring of inflation and the potential impacts of the war in Ukraine will be important for the country’s sustainable and inclusive growth. The World Bank stands ready to help Bangladesh address structural reforms to support recovery and strengthen resilience to future shocks.”



Image source: Asian Development Bank

A Way Forward For South Asia

The Update is a companion piece to the latest South Asia Economic Focus-Reshaping Norms: A Way Forward *which* notes growth in South Asia, already uneven and fragile, will be slower than previously projected, mostly due to the impacts of the war in Ukraine. The report projects the region to grow by 6.6 percent in 2022 and by 6.3 percent in 2023. The 2022 forecast has been revised downward by 1.0 percentage point compared to the January projection. Countries in South Asia are already grappling with rising commodity prices,

supply bottlenecks, and vulnerabilities in financial sectors. The war in Ukraine will amplify these challenges, further contributing to inflation, and deteriorating current account balances. “South Asia has faced multiple shocks in the past two years, including the scarring effects of the COVID-19 pandemic. High oil and food prices caused by the war in Ukraine will have a strong negative impact on peoples’ real incomes,” said **Hartwig Schafer, World Bank Vice President for South Asia**. “Given these challenges, governments need to carefully plan monetary and fiscal policies to counter external shocks and protect the vulnerable, while laying the foundation for green, resilient and inclusive growth.” The war and its impact on fuel prices can provide the region with much-needed impetus to reduce reliance on fuel imports and transition to a green, resilient and inclusive growth trajectory. The report recommends that countries steer away from inefficient fuel subsidies that tend to benefit wealthier households and deplete public resources. South Asian countries should also move towards a greener economy by gradually introducing taxation that puts tariffs on products which cause environmental damage. “The introduction of green taxation can have multiple quantifiable benefits for South Asia, including improved energy security, environmental gains and increased fiscal revenues,” said **Hans Timmer, World Bank Chief Economist for the South Asia Region**. “These revenues could be utilized for adaptation against climate-related disasters and to strengthen social safety net systems.” Another challenge the region faces is the disproportionate economic impact the pandemic has had on women. The report includes in-depth analysis of gender disparities in the region and their link with deeply rooted social norms, and recommends policies that will support women’s access to economic opportunities, tackle discriminatory norms, and improve gender outcomes for inclusive growth. This article demonstrates that the future for Bangladesh is not all bleak but rather flickering hopes of better days are to come. I am tempted to conclude with a poem of Jalauddin Mohammed Rumi, more popularly known simply as **Rumi** (September 1207 - December 1273), a 13th-century Persian poet, theologian and Sufi mystic. Rumi’s influence transcends national borders and ethnic divisions: including the Muslims of the Indian subcontinent.

Quote

*“I am so small I can barely be seen.
How can this great love be inside me?
Look at your eyes. They are small,
But they see enormous things “Unquote.*

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