ACE SOAS Consortium
Anti-Corruption Evidence
Making Anti-Corruption Real

How to guide 001

Case Study

Reducing corruption in climate infrastructure in Bangladesh

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This case study was developed as part of the SOAS ACE "How to" guide, "*Navigating the Political Economy of Corruption: Observing and understanding actors' behaviours, to inform effective policy*". The case study illustrates how the SOAS ACE approach was used to identify feasible and high impact opportunities to reduce corruption in the procurement and construction of climate infrastructure in Bangladesh. The case study is based on research[1] by Mushtaq Khan, Mitchell Watkins, Salahuddin Aminuzzaman, Sumaiya Khair, and Muhammad Zakir Hossain Khan.

The research identified a simple but powerful policy change: requiring climate adaptation projects to have stronger dual-use characteristics, with contractors providing multiple location options for communities to choose from. This change would incentivize greater monitoring by influential locals without triggering opposition from powerful interests at the national level.

[1] Mushtaq Khan, Mitchell Watkins, Salahuddin Aminuzzaman, Sumaiya Khair & Muhammad Zakir Hossain Khan (2022): Win-win: designing dual-use in climate projects for effective anti-corruption in Bangladesh, Climate and Development, DOI: 10.1080/17565529.2022.2027741

Case Study: Reducing corruption in climate infrastructure in Bangladesh

Executive Summary

This case study illustrates the SOAS-ACE approach in action, demonstrating how it was applied to address policy-distorting corruption in climate adaptation investments in Bangladesh. The case follows the SOAS ACE three-phase research process[2] to identify feasible policy changes that could enhance horizontal checking behaviour, reduce corruption and improve development outcomes.

In Phase 1, analysis of Bangladesh's political settlement revealed that while traditional anti-corruption efforts aimed at enhancing enforcement by strengthening vertical accountability would face significant obstacles given the political dynamics at that time, opportunities existed at the sectoral level – including as regards climate adaptation projects – where pockets of horizontal checking might be identified and enhanced.

In Phase 2, the research team mapped out how resources for climate adaptation are supposed to flow and be monitored in theory, and then conducted an economic ethnography to understand how climate adaptation investments actually worked in practice. While this analysis revealed that formal vertical accountability mechanisms were largely ineffective on their own, it also uncovered a promising pattern of positive deviance; in localities where climate projects were better implemented with less corruption, small landholders and petty traders were actively engaged in horizontal monitoring of resource flows and the quality of construction. These individuals had both sufficient power to pressure local politicians and contractors, and self-interest in ensuring effective project implementation because they benefited from the "dual-use" aspects of projects (embankments serving as roads, cyclone shelters functioning as community centres).

In Phase 3, the team conducted a quantitative survey of over 1,900 individuals across four sites, to test the emerging hypothesis about when horizontal checking happens and what difference it makes. The data confirmed that better-built, lower-corruption projects had been subject to enhanced horizontal monitoring by influential individuals who engaged in monitoring because of their immediate self-interest in better roads and community centres. When these more powerful actors monitored projects, their horizontal checking made formal vertical accountability mechanisms more effective, as well as enabling less powerful community members to get involved.

Based on this analysis, the team identified a simple but powerful policy change: requiring climate adaptation projects to have stronger dual-use characteristics, with contractors providing multiple location options for communities to choose from. This change would incentivize greater monitoring by influential locals without triggering opposition from powerful interests at the national level.

This case illustrates how understanding actors' behaviours in terms of power, capabilities and interests can lead to feasible policy proposals that work with the political economy dynamics of a particular context, rather than against them, and have the potential to reduce corruption, support policy implementation and contribute to better development outcomes.

[2] This three phase research process is outlined in Chapter 3 of the SOAS guide "Navigating the Political Economy of Corruption: Observing and understanding actors' behaviours, to inform effective policy".

Bangladesh's "Monsoon Revolution"

This case study of the flow of policy resources for climate infrastructure in Bangladesh was produced in early 2024, based on our research between 2018 to 2020. Although we expect the situation in this sector to have changed to a certain degree following the Bangladesh uprising in July 2024, we believe the opportunities for anti-corruption identified through the analysis in this case study, particularly at the village level, remain valid.

Bangladesh's political settlement and the landscape of corruption

1. Bangladesh is a country with some of the worst governance and anti-corruption scores in the world. During the 1980s it made good progress on different economic and social development indicators prompting talk of the "Bangladesh paradox". During the 1990s, the country's growth was underpinned by the competitiveness of low-technology sectors like garments and textiles along with a competitive clientelistic political settlement that provided political stability at the cost of high levels of corruption.

2. This political settlement delivered a predictable longer-term political environment where investors knew with some certainty that, while parties changed power regularly, there would be no significant policy changes and no interest in harming growth as both parties expected to come back to power. As a result, high levels of corruption and weak governance co-existed alongside high levels of private investment and steady export-led growth.

3. In 2006, as a result of a failure by the two major parties to institutionalise credible electoral rules, the prevailing political settlement experienced a shock, culminating in a two-year Emergency and elections in 2008 that brought in the Awami League government. As a result of the shift from a settlement characterized as a competitive clientelism settlement towards one that was on the road to "vulnerable authoritarianism", it was clear that impunity and the growing politicization of the administration would make the pursuit of anti-corruption efforts at the national level difficult (For more on types of political settlement, see Mushtaq Khan, 2010, particularly figure 17).

4. Vertical enforcement of Bangladesh's governance and anti-corruption measures – many of which looked good on paper – was unlikely to be effective in such a context for three reasons:

    - Previous attempts to improve vertical enforcement through changes in formal policies – such as setting up an anti-corruption commission or the Emergency government's "Big Bang" attempt at eradicating corruption from 2006 to 2008 – had been largely unsuccessful. The latter arrested many politicians and entrepreneurs but failed in the courts as other actors did not come forward to give evidence and judges did not convict in most cases;

- As the political settlement evolved to a single-party regime after 2008, horizontal checks on the ruling party became even weaker and the administration became more politicized; and

- In an attempt to consolidate power, the regime was likely to use its power to systematically appoint and promote people and award contracts in ways that would reward supporters for the ruling party.

5. In such a context, attempts to address systemic anti-corruption using formal vertical accountability systems were likely to be futile and could even be dangerous as they would provoke a strong reaction from a vulnerable government, even if they were unlikely to deliver significant results. In this context, identifying pockets of effectiveness where rule-following was taking place and might be encouraged, offered a more promising way forward. Overall, the analysis of Bangladesh's political settlement revealed that while system-wide anti-corruption efforts would face significant obstacles, there might be opportunities at the sectoral level to identify and build on existing horizontal checks by actors with the capabilities and interests to support greater rule-following, and the (relative) power needed to help make that happen.

Analysing sectoral political economy dynamics

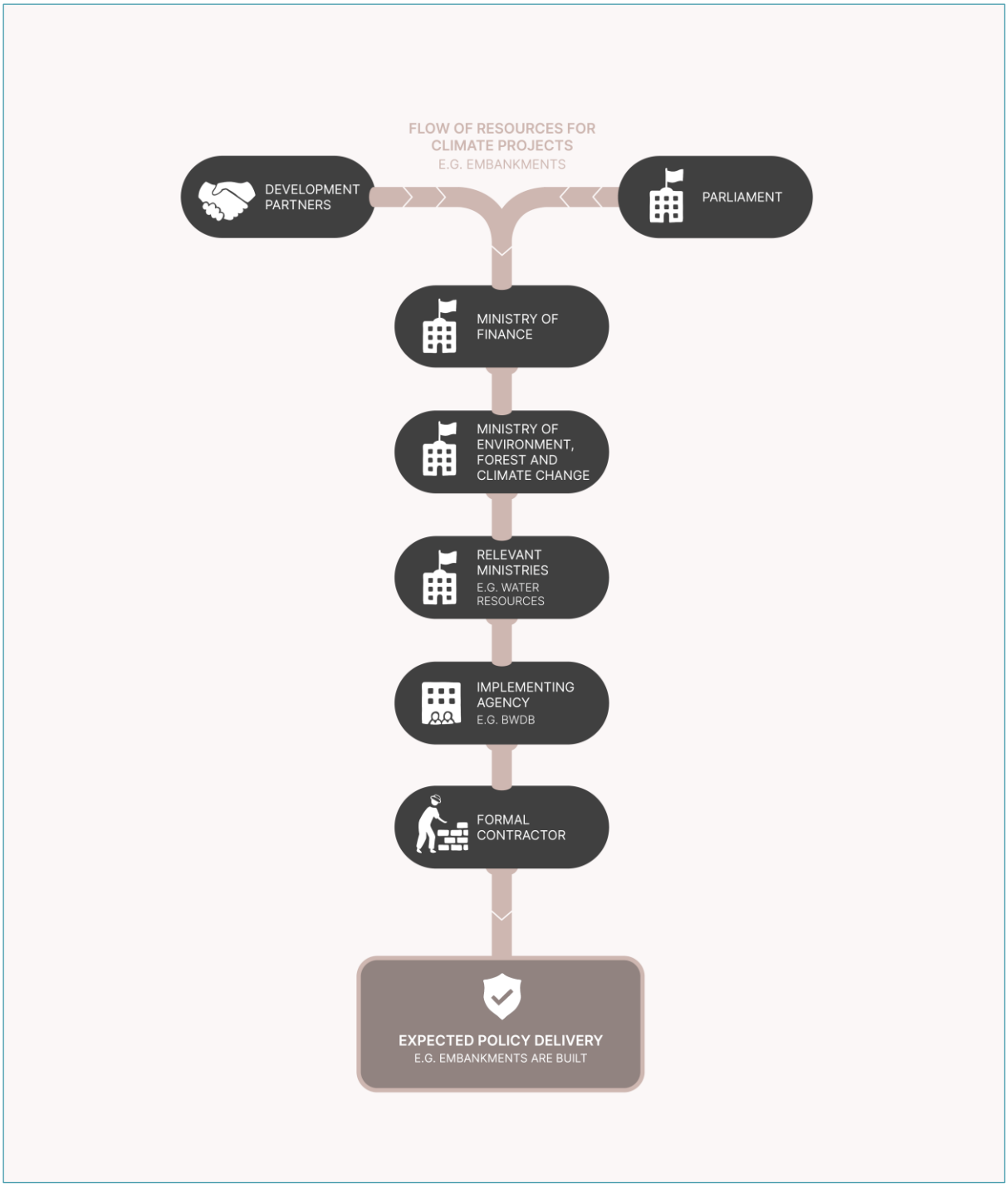
6. As the team shifted to consider priority sectors within the broader context – Phase 2 of the research process – climate investment funds came up as a possible area for consideration. This is a sector with a lot of international support but, despite climate change being a pressing priority for Bangladesh, the country is often unable to access many global funds due to high levels of corruption.

7. To better understand the nature of corruption in the area of climate funds, how widespread policy-distorting corruption is and whether there were feasible opportunities to strengthen the way such funds are implemented without causing too much of a backlash, the team began by exploring the formal and informal relationships within the sector. To do this, they mapped out how resources and rents from climate investment funds are meant to flow in theory, and how formal checks and balances are meant to operate.

Formal policy and institutional framework

8. Resources from taxation and development assistance are allocated by the Ministry of Finance to the Climate Change Trust Fund located in the Ministry of Environment, Forest and Climate Change. From there, different ministries involved in climate-related projects are allocated or claim funds. Embankments fall under the Ministry of Water Resources, and cyclone shelters come under the remit of the Ministry of Local Government. The respective implementing agencies in each case are the Bangladesh Water Development Board (BWDB) for embankments, and the Local Government Engineering Department (LGED) for cyclone shelters.

Figure 1: Formal flows of policy resources for climate adaptation projects[3]



9. Once the resources are allocated to BWDB and LGED, the next stage involves tendering of projects to contractors. This happens through a formal e-procurement process, but in practice the evaluation process allows for substantial corruption and kickbacks. Securing contracts is known to require kickbacks of up to 30 percent of

[3] Figures 1, 2, 3 and 4 were skillfully put together by Liddy Greenaway.

the contract value, with contracts normally granted to bidders with established relationships with the contracting bodies.

10. Contractors who can bid in the e-procurement system have to be licensed and, as a result many locally powerful contractors cannot directly bid as they do not have the appropriate paperwork. However, there are established informal arrangements for subcontracting to contractors who have sufficient local muscle to carry out the local construction activities, as Figure 3 will show. For now, Figure 2 illustrates how policy resources for climate adaptation, are meant to flow, from the Ministry of Finance, through relevant ministries and implementing agencies, to formal contractors, who have the task of delivering effective projects in line with the Government's policy.

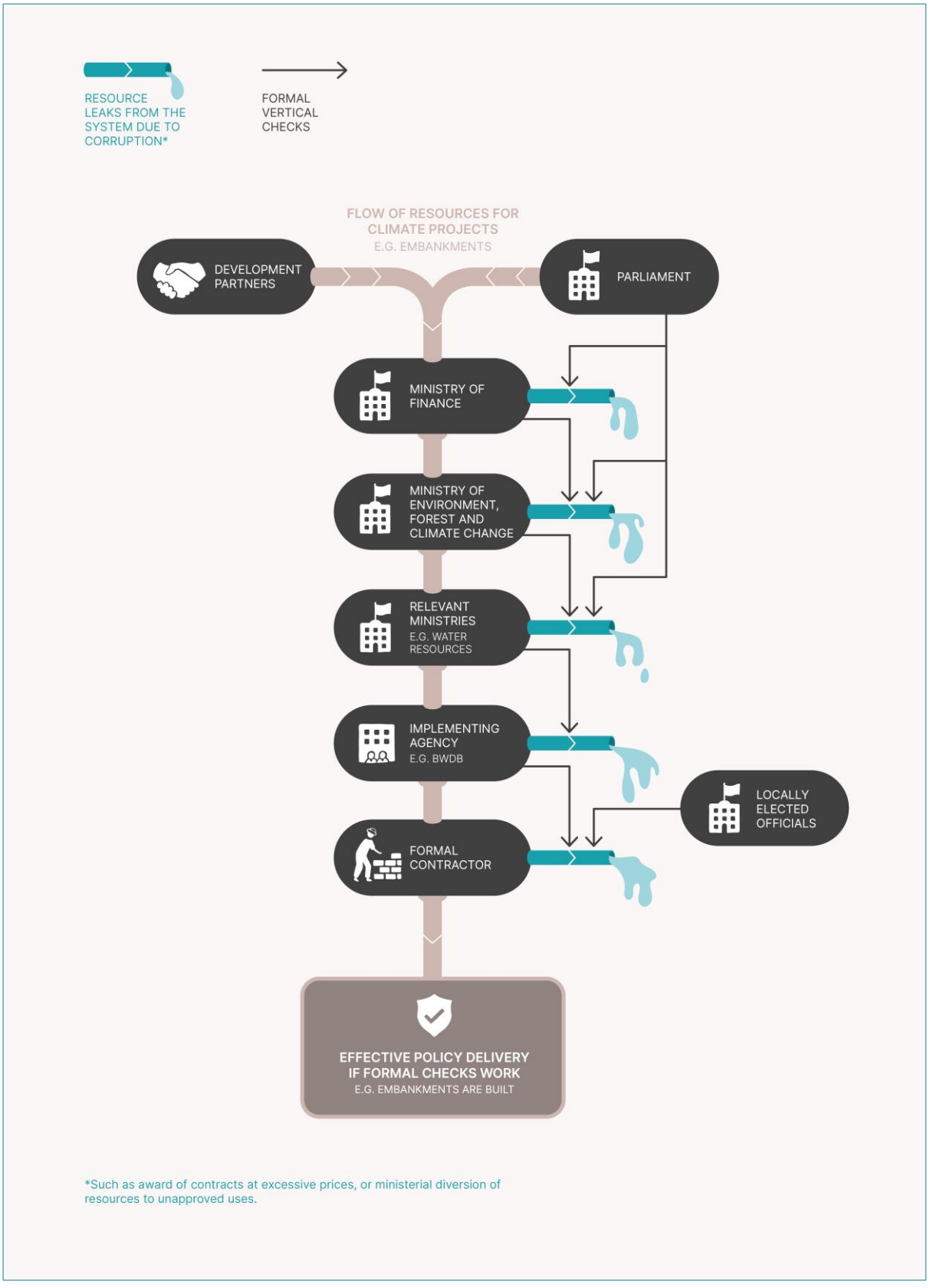
Formal checks and balances

11. The formal checks and balances for monitoring the flow of climate adaptation funds involves multiple actors and accountability relationships, as illustrated in Figure 2. Formal monitoring relationships – shown as black lines in Figure 2 – involve actors checking to see whether specific flows of policy resources are diverted from their intended use, and holding other actors to account if this is the case. These checking activities involve time and resources, which is why the self-interest of the actors involved in checking, or the pressure which other actors might put on them to play their checking roles effectively, is important.

12. The first set of formal checks comes from Parliament, which is supposed to keep track of the amounts allocated to the Finance Ministry, and the amounts subsequently allocated to different ministries. However, as can be seen from the blue pipes departing to the right, there are potential resource diversions, or "leakages'" from the system, reflecting the fact that Parliament has not been able to provide the accountability it is supposed to ensure.

13. The ministry in charge of the climate adaptation project (the Ministry of Water Resources or the Ministry of Local Government depending on the project) and the relevant implementation agency under these ministries (the BWDB or LGED) are expected to directly monitor the allocation of contracts to contractors and the subsequent implementation of the projects. If the contracts are overpriced, or if they are poorly implemented, this implies that resources are being diverted (again shown by blue pipes departing to the right). The implementation agencies (BWDB or LGED) are supposed to monitor and check these potential leakages. At the implementation point, local government authorities – "locally elected officials" on Figure 2 – also have a role in checking the delivery of projects that they approved, and which are being implemented in their area.

Figure 2: Formal monitoring and potential corruption leaks



14. However, as Figure 2 – an overlay on top of Figure 1 – shows, the formal accountability processes are largely ineffective. There are significant leakages of resources at all points, including in particular through the overpricing of projects and poor implementation. Both result in poor quality embankments and cyclone shelters. For simplicity, we do not show how the resources exiting the formal flows in blue pipes are subsequently shared between the parties. But in general, these resources are not claimed by a single actor but are shared in different ways across multiple actors including both those who delegate (principals), and those who are expected to take effective action (agents).

Economic ethnography: Observing and understanding actors' behaviours

15. With a clear sense of how resources are supposed to flow and be monitored in mind, the research team began a process of "economic ethnography"– the direct observation of actors' behaviours to understand how resources flow and are monitored in practice and to identify instances of horizontal checking, as described in Chapter 3. Working in partnership with Transparency International Bangladesh (TIB), the team made extended visits to local villages where TIB had monitored the implementation of climate projects and levels of corruption, and was supporting village committees to use information in the hope that this would improve accountability.

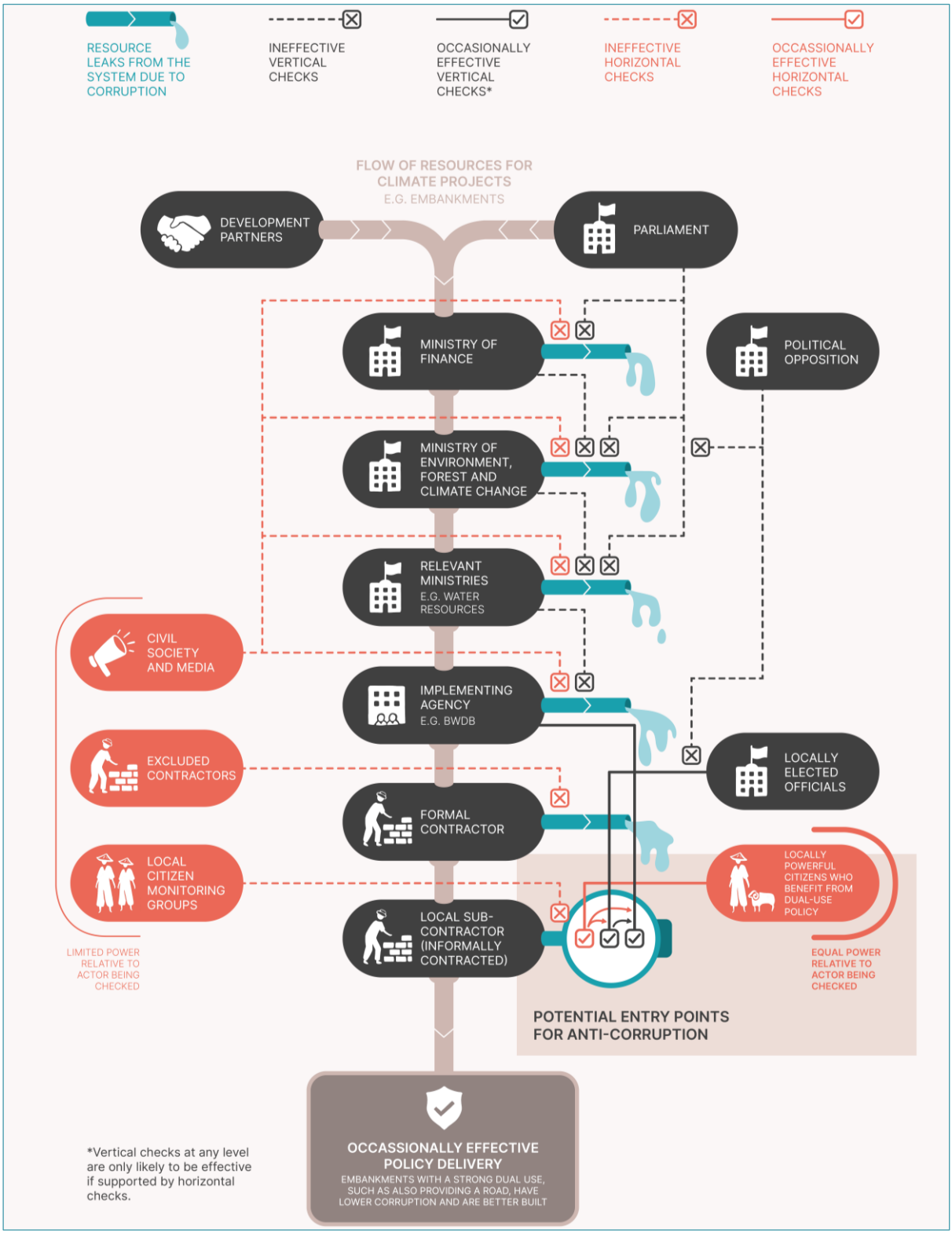
16. Over time, the team developed a map of actors involved in the climate adaptation space, noting how the dense network of informal relationships either checked or facilitated leakages, resulting in better or worse constructed climate projects. By better understanding how resources rents are managed in practice, and how actors behave and why, the research team would be better placed to suggest feasible entry points, and strategies, to support sustainable change. Figure 3 summarizes the results of this stage of analysis.

17. In addition to the black lines showing formal checking responsibilities noted above, Figure 3 – another overlay – adds informal or horizontal checking activities as red lines. As explained in Chapter 2, horizontal checks occur when actors such as civil society organisations, the media, citizens or business owners themselves assess leakages from the flow of policy resources or monitor the quality of implementation, and attempt to put pressure on principals and agents – those actors who are counterparts in the formal accountability structure – to take corrective action.

18. At the bottom right of Figure 3, we also show the informal subcontracting process at where licensed contractors who initially acquire contracts very often subcontract to local contractors, keeping a margin for themselves. This is technically illegal but is a widespread practice. It reflects the social reality that construction work can only be carried out by contractors who are locally connected. The enforcement of contracts for purchases of materials, the management of local workers and ensuring security during construction requires the support of local politicians. In many instances the local subcontractors are local politicians involved in local government. They often do

not have the registrations and licenses to bid for the contracts directly but are usually the only ones who can deliver. As we will see, the direct involvement of local politicians in local construction activities turns out to be very significant for the effectiveness of some types of horizontal checks.

Figure 3: Identifying entry points where horizontal checking is effective



19. Figure 9 shows both the effectiveness of horizontal and vertical checking relationships. As the diagram shows, when a horizontal checking relationship (shown as a red line) is ineffective – indicated by a cross at the end of the dashed red line – the corresponding formal vertical checking relationship (shown as a black line) targeting the same potential leakage is also typically ineffective or collusive, and similarly marked with a cross. This visual representation illustrates an important finding: the effectiveness of formal vertical accountability mechanisms is often dependent on the presence and effectiveness of informal horizontal checking relationships focused on the same potential points of resource diversion.

20. The qualitative observations of behaviour make it possible to infer the relative power, capabilities and interests of the actors involved – the three key characteristics that shape actors' behaviour as outlined in Chapter 1. Horizontal checking seemed to work when actors observing and trying to stop a leakage had both a real interest in doing this (usually because they had productive capabilities and benefited from enforcement) and sufficient power to impose costs on rule violators and principals who are not taking action. This enabled the team to assess the feasibility of changing incentives and rules to make checking activities more effective.

21. The research team’s observations, and understanding of what drives certain behaviours, provided the beginnings of a hypothesis about what an impactful change might look like in the sector. In this case, qualitative observations revealed patterns of unexpected, but effective, horizontal checks in some localities. When a large number of locally powerful individuals (mainly small landholders and petty traders in these poor communities) were interested in the proper implementation of a project because a well-constructed embankment or cyclone shelter would have clear benefits for them, they get directly involved in monitoring themselves. Their involvement sets up effective horizontal pressures on local politicians and implementation agencies.

22. Unlike opposition parties or civil society NGOs, small peasants and traders are an organic and important part of the economic and social life of a village. Local politicians cannot rule, cannot exercise authority and cannot implement projects without their support, even if they can manipulate elections and formal political processes. So, when a large number of such individuals are involved in monitoring out of self-interest, local politicians start taking notice. They can see that the small farmers and traders, who have a similar economic and social status to themselves, are acting out of self-interest and are therefore unlikely to give up very easily. The small farmers and traders also know that if they keep applying pressure, they will be able to impose costs on local politicians and contractors over time.

23. As local politicians are closely connected with the contractors who are constructing these projects (and may even be contractors themselves), this creates effective pressure on them to reduce some of the leakages that result in poorly constructed projects. The vertical enforcement of quality control by the LGED and BWDB, and the

formal checking of contracts by local government, suddenly appear to become effective in these contexts.

24. Our explanation for this is that now the horizontal checks by individuals with the power, capabilities and interests to threaten principals and agents with serious costs are effective. When the horizontal checks are effective in putting real pressure on principals and agents, the formal vertical checks (the black lines) also become more effective – solid rather than dashed – and together the result is that the leakages of resources due to corruption decline.

25. In contrast, the village citizen monitoring committees, often organised by NGOs, usually fail to generate effective horizontal pressure on a sustained basis. This is because NGOs usually mobilize local citizens who have neither the power or sustained self-interest to exert real pressure on relevant principals and agents. This was confirmed in meeting with village monitoring committees where attendees appeared to be less powerful members of the local community, such as landless and other disadvantaged groups who attended because an NGO was incentivizing them to do so. While these efforts are important for voice and representation, such meetings did not seem to provide a long-term way to promote accountability through exerting sustained and effective horizontal pressure on relatively powerful colluding actors.

26. This case study provides an example of Strategy 1 (see Figure 6, in Chapter 3), “Enhancing horizontal checks”. The research team identified pockets of effectiveness – instances of positive deviance – where horizontal checking was already taking place in some localities, and seemed to enhance the effectiveness of some aspects of vertical checking too. The key insight was that these horizontal checks were most effective when locally influential citizens with productive capabilities (small landholders and traders) had personal interests in the proper implementation of climate adaptation projects.

Crafting and validating feasible policy proposals

27. Moving to Phase 3 of the research process, the team spiraled in more closely, seeking to test hypotheses to inform the design of policy proposals. Now armed with a clearer idea of how the system operated in practice – who the actors were and how their relative power, as well as their capabilities and interests, influenced their capacity and willingness to engage in horizontal checking – the team aimed to validate their emerging hypotheses using quantitative data. The two nested hypotheses to be tested were:

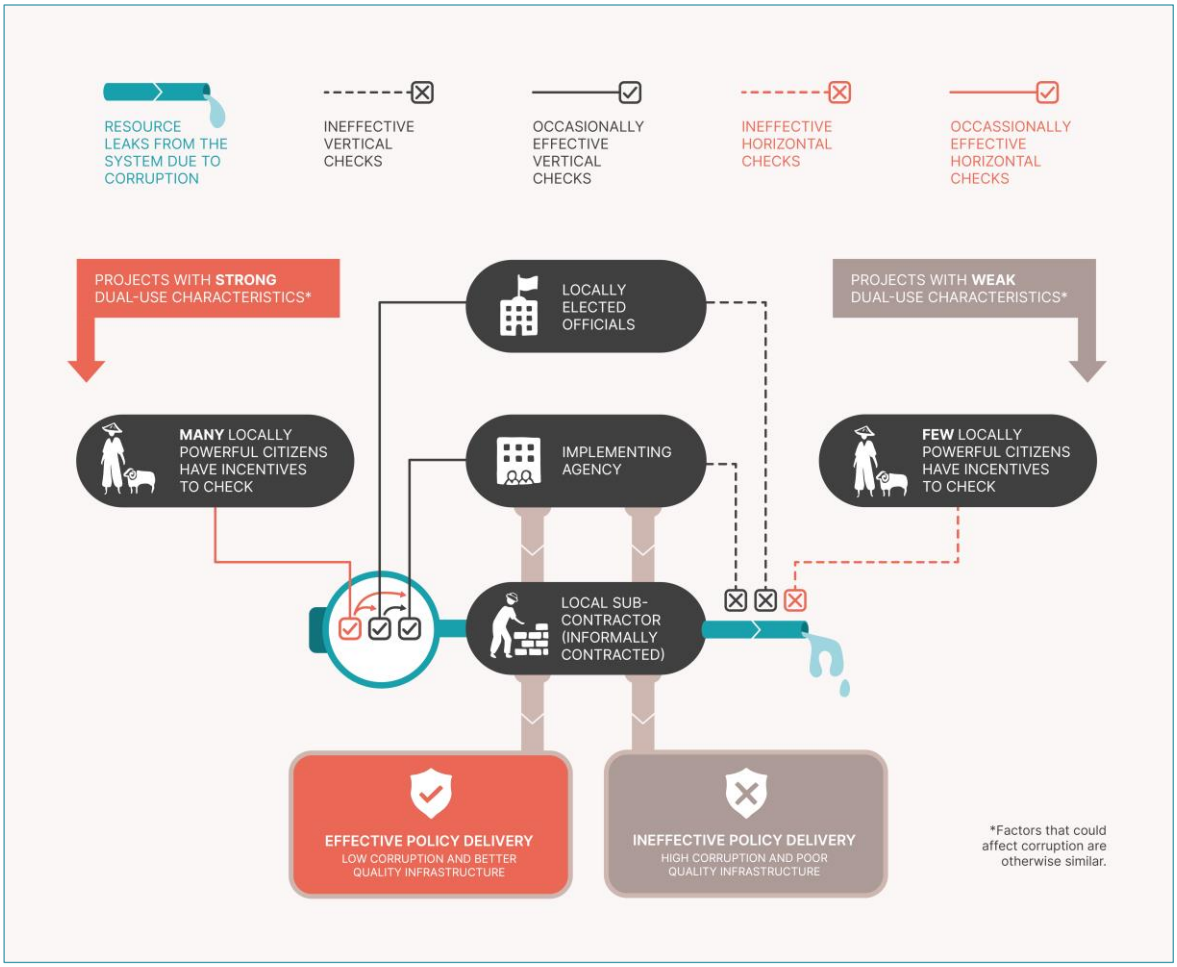
    - When more powerful villagers engage in horizontal checking, corruption is lower; and

    - A larger share of powerful villagers can be incentivized to engage in horizontal checking by improving the dual use – embankments that are also roads, cyclone shelters that are also community centres – characteristics of projects.

28. Using a database of corruption and implementation quality of climate adaptation investments that had been tracked and monitored by TI Bangladesh, the team set out to confirm whether variations in corruption across these projects could, in fact, be explained by differences in horizontal monitoring by more powerful villagers, as the qualitative observations had suggested. The team selected four sites – two cyclone shelters/community centres and two embankments/roads, with virtually identical completion dates, taking care to select projects and localities to ensure that differences in project-level corruption could not be simply attributed to overall levels of corruption in the locality.

29. The hypothesis was that better constructed and lower-corruption projects would have significantly greater proportions of locally influential citizens (small farmers and traders) engaged in monitoring activities, and they would be engaged in these costly monitoring activities out of self-interest because they expected to benefit significantly from the dual-use characteristics of these projects. Using a detailed stratified sample survey of over 1900 individuals, the research team identified the numbers and types of individuals who were engaged in monitoring during the construction phase, and captured information about their motivations in each of the project sites. The results of this comparative testing are presented in Figure 4, on the left and right sides of the diagram respectively.

Figure 4: Testing the hypothesis about the effectiveness of horizontal checks



30. This quantitative analysis confirmed the hypothesis that emerged from the earlier qualitative observations. Low-corruption projects were ones in which significantly larger numbers of more influential individuals (small landholders and petty traders, rather than landless peasants) were involved, and they were involved because the design of these projects made the dual-use characteristics of the embankments and cyclone shelters immediately useful to them. The data showed that these locally influential individuals were the main beneficiaries of dual use characteristics of the projects. The dual use characteristics were of particular benefit to them, so their participation in monitoring was triggered by how strong the dual-use characteristics of the projects were.

31. The self-interest of small landholders and traders in ensuring that the embankment could be used to better transport their goods to market, for example, meant that they were prepared to engage in horizontal monitoring by putting pressure on local contractors and politicians. As they were acting out of self-interest and were usually as powerful as the contractors and local politicians engaged in the corruption, their pressure reduced resource leakage and led to better quality infrastructure that benefited the whole community. On the face of it, this looked like formal vertical enforcement working better, but it was working better because of the horizontal pressure.

32. Not surprisingly, the quantitative analysis found that dual-use benefits are disproportionately beneficial for those with above-average incomes from land and businesses. But from the perspective of anti-corruption and building better climate adaptation projects, this is not a bad thing. When climate change projects provide immediate benefits to groups with the effective capacity to monitor, they take a greater interest in monitoring progress. When such actors get more involved, other citizens do too, making anti-corruption efforts even more effective.

33. Less powerful citizens are not likely to take the risk of trying to check resource diversions by more powerful local actors like contractors and local politicians. NGOs may mobilize them in meetings, but they are unlikely to undertake activities that attempt to impose real costs on local contractors or politicians. However, when more powerful local actors get involved in monitoring, the survey evidence shows that larger numbers of less powerful actors also get involved in a sustained way because their risks decline.

34. The team looked at the data carefully to ensure that when slightly more influential village members were involved in monitoring, there was a positive overall development impact because the adaptation projects were of use in protecting the entire village and enhancing its prosperity and well-being. When those with above-average incomes engage out of immediate self-interest, they ensure that infrastructure for “future” crises such as climate change that will affect the whole community is built and built well.

35. The quantitative analysis confirmed the team's hypothesis: better-built, lower-corruption projects had significantly more participation from locally influential individuals with productive capabilities who engaged in monitoring because they had immediate self-interest in the dual-use aspects of the projects.

Finalizing feasible policy proposals

36. The combination of qualitative observation and quantitative triangulation had provided the team with enough insight to suggest a feasible policy change that, if rolled out across the country, could have significant impact. In reality, the additional steps required a simple tweak to the existing policy that requires all climate adaptation projects to have a dual-use character. The tweak is to ensure that this is taken seriously, for instance by requiring contractors to provide two or more alternative locations for the embankment or cyclone shelter and select the one that generates the strongest local support.

37. The research team then assessed the political feasibility of this policy change and concluded that given the mapping of the political settlement at the national and sectoral level, implementing a policy around dual-use, multiple options and local support is not likely to trigger strong opposition by a coalition of powerful interests. Therefore, its adoption is likely to be politically feasible if a campaigning coalition of development partners, civil society and politicians and others can be put together. Some politicians may also support such a policy tweak because it is (in political terms) a relatively low-cost way of freeing up flows of funds from development partners for adaptation projects that have been constrained by fears of corruption losses.

38. Based on this sequential and iterative process of understanding the system, actors and behaviours through qualitative and quantitative searching and analysis, the team felt confident that such a change might provoke a series of important changes at the local level that would: a) amount to significant change, if implemented across the whole country; b) be more effective than transparency-centred approaches that had failed to stop corruption since they did not engage actors with sufficient power or economic potential; and c) be more effective than, while also strengthening, vertical enforcement mechanisms and therefore overall accountability within the system.

39. This case demonstrates the application of the three-phase SOAS-ACE approach. Through analysis of the political settlement, sectoral dynamics, and actors' behaviours, the team identified a feasible policy change that would enhance existing horizontal checks by incentivizing more influential villagers to engage in monitoring climate adaptation projects. The success of this approach depended on understanding how actors' capabilities and interests, along with their relative power, shaped their behaviours and influence in the system, and then designing policy that would work with, rather than against, these dynamics.

ACE SOAS Consortium **Anti-Corruption Evidence**
Making Anti-Corruption Real

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

ACE takes an innovative approach to anti-corruption policy and practice. Funded by UK Intenational Development, 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:

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- Economic and Social Research Foundation (ESRF)
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