

Corruption all over the world: Where Bangladesh stands

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CORRUPTION and bribery have become all-pervasive features of countries all over the world. They are no longer the hallmarks of the poor countries alone.

Corruption interferes with corporate governance in at least four ways. First, it creates a shadowy environment in which corporate executives can more easily hide acts of wrongdoing.

Second, governmental corruption allows executives to buy their way around the rules. Amid the current scrutiny of the Yukos procession, the largest oil company in Russia, few recall that its chairman Mikhail Kodorkovsky gained reputation for riding roughshod over the rights of minority shareholders -- a practice facilitated, it is alleged, by the instances of bribery by Yukos.

Third, companies corrode employees' sense of responsibility and accountability when they acquiesce in a corrupt external environment. The decision making process at Enron, for example, was often accountable and undisciplined and decisions were made in the tandem with bribes alleged to have been paid around the world.

Fourth, in its rawest form, private sector corruption consists of theft from the company. In the 1990s Tyco's chief executive Denis Kozlowski in USA, for example, started with by taking a questionable loan from his company and now is charged with receiving millions of dollars in a series of progressively more egregious and undisclosed actions.

Even a corruption on a smaller scale such as when a manager makes various purchasing decisions on buying various stationary articles and other supplies, on the basis of kickback rather than on the strength of the product itself, robs the company of a potential discount.

As has been stated above, very few countries, industries, banks and financial institutions are now immune from corruption. Scandinavian countries tend to have low level of corruption. Even their investors have been rocked by fraud allegations against Scandia executives. The system of kickbacks revealed in Swedish Government alcohol monopoly, Systembolaget and allegations of foreign bribes paid by Norway's Statoil. The story of BOFOR, a Swedish arms manufacturing group allegedly giving bribes to high officials and top ruling politicians in India, is well known all over the world.

Corruption seems to thrive more readily in certain sectors than others. The oil and construction industries, for instance, have long borne a reputation for unaccountable behaviour. The defence industry has a history of illicit activities and the scale and secrecy of defence contracts create an atmosphere in which executives can act with impunity.

In some countries corruption is so endemic that any form of corporate governance is difficult to imagine. Most are developing countries or emerging economies that could benefit from large foreign investment. Yet those who invest in authoritarian, newly emerging or worn torn countries such as Myanmar, Azerbaijan, Kenya and Sierra Leone or so called democratic countries such as Pakistan, Bangladesh, Nigeria, the Philippines, Indonesia etc. most deal with systems predicted or personal relationships, under-funded prosecutors, weak or non-existent regulators and courts, corrupt police authorities that are easily bought.

In Bangladesh, despite existence of Anti-corruption Department, many tiers of judiciary including the Supreme Court, a hierarchical bureaucracy, an elected parliament, thriving banking system with all their laws, regulations and rules, mostly inherited from British Raj, corruption is not only rampant but exists in virulent form. Not only that, it has now reached at all levels including higher echelons of the society. Transparency International in its latest report has included Bangladesh among the three most corrupt countries in the world. The corruption is so virulent in the country that no business today can be done without offering bribes. Bribes are now to be given to get a contract from the government, take a loan from the bank, to seek information from any agency, to get a job, to get a promotion, to get a posting in the so-called "wet" positions (meaning lots of opportunities to get bribes). Dry place means such opportunities are less) to get medical attention and care which are otherwise legally free in government hospital.

Bribes are also necessary in most cases to get loans from banks, to expeditiously receive the proceeds of remittances sent by wage earners abroad. Even to buy airline or train tickets bribes are sometimes necessary. In fact to get an access to anything -- service or public goods -- which is scarce, bribe is a must. In certain institutions and agencies scales at which bribes have to be given has been institutionalised by fixing different rates for various types of favours. In fact, such widespread corruption has created a serious sense of cynicism among general public and given rise to a popular joke. This runs as follows: In Bangladesh, a person is honest who takes bribes and does the job as promised and a person is dishonest who takes money but does not do the job as promised. It is no wonder our rulers, most of whose hands are not clean are the vehement critics of Transparency International.

How this situation can be reme-

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did? I have no clear-cut answer to this question. I am just narrating some measures taken in other countries for combating corruption. They are:

1) Sarben-Oxley Act recently passed by US Congress makes it obligatory for public companies on pain of penalty to come out with fuller disclosure of their financial position to enable the public, shareholders and others concerned to judge their net-worth. Security and Exchange Commission has been mandated to be more vigilant in their supervision and bring to book persons and institutions violating rules and regulations. Additionally, this Act also requires the chief executive and chief financial officers to certify the adequacy of their internal controls and the outside auditors to attest to that opinion (Section 404).

2) Certain voluntary steps have been taken to increase the powers of minority shareholders by introducing more directors in the Board from outside, regulate the remuneration of chief executive officers, separating the function of the chairman and banning the chief executive officer becoming chairman.

3) Steps are being taken so that each business concern prepares mission statement and makes it widely known to its employees and to the public. MCI, a giant telecommunication company, coming out of temporary liquidation has already formulated certain guiding principles as follows:

- & Build trust and credibility
& Develop respect for the individual
& Create a culture of open and honest communication
& Set the tone at the top
& Uphold the law
& Avoid conflicts of interest
& Set metrics and report results accurately
& Promote substance over form
& Be loyal
& Do the right thing

In addition the company has appointed an executive vice president for ethics and business conduct. It has also started training its employees in ethics. Some 55,000 staff and contractors have watched a video tape and completed a one hour ethics course online. The financial staff have been through a daylong course. MCI authorities also recognize that the key is the tone at the top. People look to see what type of behaviour is rewarded.

4) Efforts are afoot to draw up a "governance consultation" for business concerns which may only be changed with shareholder's consent.

5) Some business concerns have included women in their board of directors and discovered to their surprise that this step alone have kept the directors away from backstage intrigues in the close door

board room and brought more transparency in the discussion.

6) In UK corporate governance is administered through voluntary code of conduct. There is no penalty provision if some provision of the code of conduct is not practiced by a particular company. In such case the company is merely required to explain publicly why this is not followed. In the light of recent financial market scandals these voluntary codes have been revised on the lines of recommendation of a committee chaired by Sir Derek Higgs. Among the changes in the Code are the recommendation that at least half the board should comprise of non-executive directors and that a chief executive should not go to become chairman of the same company.

7) To formulate some simple slogans on "Ethics in Banking" and flashing them through radio and television and promoting them on the official envelopes of banks.

8) To introduce a short talk on ethics in the beginning of each of the training courses of Training Institutes of various banks as well as BIBM.

9) To set up a system in Bangladesh Bank to keep record of all bank employees who have been charged or punished for serious misconduct like defalcation of bank's money, accepting bribes, tampering bank accounts, deceiving customers with nefarious intentions, withholding or delaying various services in order to squeeze money from customers, divulging secrets of the bank without proper authorisation.

10) Introducing a paper on "Eth-

ics in Banking" in the Masters Course in BIBM.

The campaign started with a bang and great enthusiasm. The first Nurul Matin Memorial lecture was delivered by Justice Shahabuddin, the then President of Bangladesh; the second lecture was delivered by Justice Habibur Rahman, former Chief Advisor of caretaker government of Bangladesh. The third and fourth lectures were delivered by Professor Rehman Sobhan and Mr Syeduzzaman, former Finance Minister. But during the last few years the momentum of the campaign seems to have ebbed and lost its steam. Not only Nurul Matin lectures were not delivered for two years during the period of last four years, but also other elements of the programme have not made much headway. Neither the Institute of Bankers nor BIBM has yet been able to introduce a paper on "Ethics in Banking" so far even though considerable time has elapsed.

A lack of intent and enthusiasm seem to have set in, creating an impression among the people watching the progress of the cam-

pany that top bankers in our country, barring a few exceptions, are not prepared to put their shoulder to the wheel, either because they do not have much faith in the efficacy or utility of the programme or they are preoccupied with other things.

If this is the case then it is very unfortunate, not only for our bankers but for our country as a whole. I would only expect that our new generation of bankers will willingly come forward to help this campaign in their collective interest and prove to the public that they are equally concerned to cleanse banking profession of corruption and malpractices in order to improve their personal and collective image. Some people have to do this. We should not merely ask, "Who will bell the cat?" and try to close the debate. All of us, individually and collectively have the option to act or not to act. But none has the option to escape from the consequences of his/her actions. In my long life I have learnt that no goal is achieved in life unless we clinch the first two letters of the word and say, "Go."

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A moment of moral clarity

After unconscionable foot-dragging by the White House, we're beginning to get to the bottom of the most searing event of our time.

JONATHAN ALTER

ON Sept. 14, 2001, I was in the press pool at Ground Zero and stood five feet from President Bush, who had mounted a crushed fire truck, slung his arm around an exquisitely wizened firefighter and told the world through a bullhorn that the terrorists would soon be hearing from the United States. It was more than a defining political moment for this president; it kicked off a period of bracing moral clarity. Whatever his stumbles on September 11 or before, Bush understood that a wounded nation needed clear lines drawn in the dust of the Twin Towers. He went on to deliver one of the finest speeches to Congress in modern memory.

Sadly, Bush has never understood that moral clarity is rooted in what might be called constitutional clarity. That's another way of saying accountability, which is itself a bureaucratic way of saying that for more than 200 years we've thrived on airing our messy, dirty and often tangled linen in public. It's an important part of who we are. Last week was a great one for constitutional clarity, not just at the 9/11 hearings on Capitol Hill but at the Supreme Court, where Michael Newdow, a nonlawyer dad atheist, got a chance to hold the government accountable for what he sees as its legal contradictions over the Pledge of Allegiance.

Whether one thinks Dick Clarke is an American grandstander, a Frank Capra hero or some mixture of the two, his appearance was, as Martha Stewart used to say, a good thing. He took responsibility for the failures of antiterrorism policy ("your government failed you"),

which did more than provide some relief for the families of the 9/11 victims. It set the tone for an important national debate. Don't hold your breath waiting for Bill Clinton or Bush to admit they failed; beyond "mistakes were made" -- Ronald Reagan's response to the Iran-contra scandal -- presidents can't fall on their swords without weakening themselves. But after unconscionable foot-dragging by the White House, we're beginning to get to the bottom of the most searing event of our time. After years of arguing about sex and a million other passing dustups, it's the right argument at the right moment.

Elections are supposed to be about big things like this.

Before the cameras, the commissioners and witnesses, Democrats and Republicans acted with a seriousness of purpose befitting the occasion. The many failures of Clinton administration policy -- including the distractions of the Lewinsky scandal -- should be fully documented in the final report. As former senator Bob Kerrey (and potential veep candidate on an all-Vietnam Kerry-Kerrey ticket) put it in questioning the Clintonites: "If we're attacked and attacked and attacked and attacked, why (did) we continue to send the FBI over?"

The bush leaguers were the Bush political operatives, who sent everyone out except Barney the dog to trash Clarke, even speculating that he might be a perjurer for simply having been a good soldier when he appeared before Congress back in 2002. He said nice things about Bush antiterrorism policy when he was in government. Big deal. The fact that he was not a whistle-blower then hardly destroys his credibility now.

Especially when others in the administration are siding with Clarke. His basic claim is that fighting terrorism was "important" but not "urgent" to Bush before 9/11. Condoleezza Rice insists: "We acted on these ideas very quickly." Unfortunately for Rice, Deputy Secretary of State Richard Armitage conceded at the hearings: "We weren't going fast enough."

This should hardly be a surprise, considering that the Bush administration's first big meeting on a new antiterrorism plan wasn't held until Sept. 4, 2001. But conceding as much would undermine Bush's rationale for re-election -- that he is the only one who can be trusted on terrorism. So the smearing continues. Robert Novak even played the racism card, asking Rep. Rahm Emanuel, "Do you believe that Dick Clarke had a problem with this African-American woman, Condoleezza Rice?"

But that was a small blot on an uplifting week in Washington. As both a pragmatist and a believer, I don't have a lot of patience with trying to remove "under God" from the Pledge of Allegiance. It doesn't seem a lot different than "In God We Trust" on the back of currency. But Michael Newdow, the atheist plaintiff who wowed the Supreme Court audience last week with his little-guy legal talents, was acting in the same spirit as the 9/11 commission, forcing the highest government officials to explain themselves. Making justices justify and presidents preside in a spirit of openness and accountability -- that's what gives us moral clarity when we need it.

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