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Book Review: Rotting from the Head: Donors and LDC Corruption, edited by Salim Rashid, 2004

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books

***Rotting from the Head**: Donors and LDC Corruption, edited by Salim Rashid: The University Press Limited, Dhaka, 2004.*

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Rotting from the Head is a provocative title and the work intends no less than to expose donor corruption in least developed countries (LDCs). The work raises two themes – the first is the already prominent debate around the effectiveness of international aid in achieving its stated goals of alleviating poverty and, for example, addressing the United Nations Millennium Development Goals. The second theme goes to the institutional practices of country level development assistance – the credibility and transparency in operations, disbursement of funds, and supervision of aid programmes – explored through the lens of a United Nations Development Programme (UNDP) project gone bad in Bangladesh.

This first debate is not a new one. During 2004, with the World Bank and the International Monetary Fund (IMF) reaching their 60th birthdays, there was cause for speculation on their institutional effectiveness to date and their paths into the future.[1] But apprehension around the structure of international aid, loans and LDC debt reaches back into the 1970s. In particular, we might look to the 1975 Lima Declaration or the Brandt Commission's *North-South:A Program for Survival* (1980), but over the years there has been no shortage of critiques[2] – fuelled by each new debt crisis or white elephant development project.

In terms of the second theme, Salim Rashid in his introduction highlights differences between public and private corruption:

> While transparent and efficient markets reward good corporate governance (less private corruption) over time, there is no corresponding "self-correction" mechanism in the public sector... Public corruption undermines the institutions, rules, and regulations that provide the framework within which free markets operate, impeding commerce and inhibiting economic development (16).

A recent World Dialogue on Regulation (WDR) study also considers the damage of public corruption in the context of lack of development in the telecom sector – largely due to a weak telecom regulatory environment.[3] "Regulatory capture" is a form of public corruption and, while Bangladesh's mobile sector is widely famous because of the GrameenPhone phenomenon, the telecom sector overall is characterised by rampant under-investment due to perceptions of risk, resulting in low teledensity and unnecessarily weak telecom infrastructure.

Further, many readers will be familiar with Bangladesh's ranking as the world's most corrupt country, in the corruption perception index (CPI) of Transparency International (TI). How do international aid institutions function in this environment to strengthen civil society and effect projects? According to this study, apparently not always well.

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1 See, for example, Kenneth Rogoff, 2004, "The Sisters at 60", *The Economist*, July 22.

2 An excellent source for debt and financing critiques is Susan George of Transnational Institute, including A *Fate Worse than Debt* (1998); *How the Other Half Dies: The Real Reasons for World Hunger* (1986); *Faith and Credit: The World Bank's Secular Empire* (with Fabrizio Sabelli), 1994; see www.tni.org/george/index.htm; also, the publisher of this volume, The University Press Limited, has a number of works on economics and development studies, www.uplbooks.com/.

3 Harsha de Silva and Abu Saeed Khan, 2004, "Regulation and Investment: Case Study of Bangladesh", *World Dialogue on Regulation for Network Economies, WDR Working Paper*. This work builds on the Telecom Regulatory Environment (TRE) assessment methodology developed by Rohan Samarajiva. See www. regulateonline.org.

Rotting from the Head begins with four short chapters, contributing to the overall debate on structural failure of LDC aid and loan programmes. Following Rashid's introduction, the first three chapters provide background on development aid and corruption and outline some of the questions around the development aid model – with a particular focus in chapter 3 on, "The IMF: Perils of a Multilateral Organisation". However, the book's primary focus (and importance) is the exposé of the UNDP's institutional irregularities around specific programme management. The chapter by Ruben Berrios, "Development Assistance under Contract", opens the discussion on actual practices, and the *business* of development aid. The supporting chapters provide some good context for the Bangladeshi case study but, in the end, the volume is simply too slim to house both the issue of the overarching donor debate *and* the specificity of the UNDP case study of mismanagement and misuse of funds. (The text repeatedly asserts that it is the reader who must determine, based on the evidence provided, whether this is large-scale mismanagement, or something more pernicious, e.g. corruption).

The central chapter of the book concerns a US$ 26 million Sustainable Environment Management Programme (SEMP). Eighteen months after its launch, an investigation was instigated to assess allegations of large-scale misuse of funds. Mamun Ur Rashid,[4] in detailing evidence around the SEMP case study, makes claims that have already raised the ire of donor community institutions. As noted above, there is an ongoing and well documented debate on the effectiveness of foreign aid. What is less documented – officially and systematically – is what actually happens at the local level. As in any workplace, there are efficient and less-efficient practices, there are effective managers and the other kind, etc. And hopefully, there are evaluation and assessment structures in place to ensure that the organisation does not become rampant with bad practices and, indeed, promotes good practices and processes. *Rotting from the Head* provides an illustration of this not happening.

The book wavers between the grainy details of investigative journalism – in its exposé of institutional practices at ground level – and scholarly debate around the issues of reconceptualising donor assistance overall. The case study chapter risks devolving into he-said she-said bickering, punctuated by endless acronyms. Indeed, the evidence provided is a tediously close reading of the UNDP's Project Support Document, and a blow-by-blow account of sequences of events – a painstaking approach required to avoid accusations of allegation and casting of aspersions. The case study is an "insider" document; the detail will no doubt be of most interest to those who know the players. A very engaging inclusion – of more interest to the general reader – is a subsequent chapter devoted to follow-up correspondence relating to SEMP. Rashid includes written exchanges with both the UNDP and World Bank (as well as other actors) regarding details of the allegations, and requests for comment on a final draft of the chapter. His observations on the carefully worded content of these letters and emails are sharp.

However, after reading (and rereading) the case study chapter, this reviewer was left with the uneasy feeling of only having read one side of the story of misfortune in a very complex and difficult terrain. There was no easy way to verify the events or claims made; there is no real way to assess the veracity of the tale. And it is precisely because of this uneasiness that this book is so important. Corruption is generally understood to be entrenched in particular nation states and thus to be targeted at that level and, conversely, donor institutions are assumed to be above such practices.

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4 Mamun Ur Rashid is the brother of the editor, Salim Rashid, and was directly involved in the events of the case study.

UNDP requires project evaluation – but in this case, it is argued that both evaluation and dispute resolution mechanisms were inadequate. The critiques made with regard to TI are then of particular importance. Rashid considers some methodological limitations to TI's CPI for Bangladesh, on different levels, and TI's resistance to considering donor agencies in the model.

> While TIB [Transparency International Bangladesh] provides such penetrating accounts of domestic corruption, how critical a stance does it take when it comes to the foreigners in Bangladesh? Why is there no study, or even any public curiosity, about the transparency of donors? (220).

Rashid makes a clear case that TI assessment methodology should cast its net wider to capture the effects of *all* actors who have bearing on perceptions of corruption within the country – including humanitarian and donor agencies. Until 1999, many countries allowed a corporate tax write-off for bribes incurred while operating in countries such as Bangladesh – these expenses being included in the routine cost of doing business. Particular initiatives to curtail these practices, such as the Organisation for Economic Co-operation and Development *1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (which came into force in 1999), have been understood as sending an important message about the unacceptability of bribery as a routine business practice – indeed, identifying bribery and corruption as two parts of the same crime. This has helped to stem some of the more high level corruption. A similar demand for transparency around mismanagement or corrupt donor practices, as they arise, is also essential. Rashid states this better than I do: "Does this not raise the suspicion that a new watchdog [TI] has come over from the West to watch over the 'natives,' while turning a blind eye to the activities of the 'colonists'?" (225).

This is clearly a work that needed to be published, and warrants good circulation within UNDP, the World Bank and TI. These are the people who *should* read the book and consider their own "perception index". Other readers will include people who have been subject to bad, indifferent or inept donor practices, resulting in, for example, misuse of funding, promised project funding being disbursed too late to be properly absorbed into projects' frameworks, and lack of project or programme evaluation, follow-up or exit strategies, and so forth. These readers will take heart from dialogue on the need for scrutiny of donor practices.

Funding institutions certainly are not the enemy here. The UNDP SEMP objectives, as noted in the book, are stellar:

i. Reversal of environmental degradation in stages;
ii. Strengthening sustainable development efforts;
iii. Poverty alleviation and enhancement of the prospects for livelihood at the local level and strengthening environmental management skills at the national level (83).

But, funders do come with their own biases and failings. And *Rotting from the Head* argues that we need to expect an example of better transparency as a model for reform.