



DFID's Anti-Corruption Strategy for Bangladesh

January 2013

Introduction

1. Corruption can broadly be defined as the abuse of entrusted power for private gain. The word can cover a whole range of abuses. On one level it can refer to the risk of taxpayers' money in DFID programmes being fraudulently spent or stolen. On another level it can refer to corruption within a country and its institutions, with the negative impact that this has on development prospects. DFID sets the highest standards for the manner in which its own money is spent. Through its development programmes, DFID also works to reduce the prevalence of corruption in each of its partner countries.
2. In November 2011, the **Independent Commission on Aid Impact (ICAI)** reviewed DFID's approach to tackling corruption. It found that DFID had a good awareness of the fraud risks and seeks to safeguard UK funds through appropriate choices of funding channels and programme design, and often played a leading role within the donor community on anti-corruption work. It did however recommend that in any country assessed as having a high risk of corruption, DFID should develop an explicit anti-corruption strategy. As part of its response, DFID is producing anti-corruption strategies for each of its main partner countries. This strategy sets out how DFID will (a) safeguard UK taxpayers' money and (b) support efforts in Bangladesh to reduce corruption and its impact on development over the next three years.
3. The UK Government is committed to **transparency, results and value for money**. To make it easier for taxpayers and citizens in its partner countries to 'follow the money', DFID now publishes details of all its new programmes and of all transactions over £500 on the DFID website (<http://www.dfid.gov.uk>).

Protecting UK Aid funds in Bangladesh

4. In 2012, Transparency International ranked Bangladesh **144 out of 174 countries** in their corruption perceptions index (with 1 being the least corrupt). This is a slight decline on recent years but nonetheless an improvement on 2005, when the country ranked last¹. The World Bank Control of Corruption index shows similar improvement from 2005 to 2009, but not thereafter². In a recent survey covering one aspect of corruption, 63.7% of households

¹ Transparency International Corruption perception Index 2012 <http://cpi.transparency.org/cpi2012/results/>

² Worldwide Governance Indicators <http://info.worldbank.org/governance/wgi>

reported having to pay bribes or being harassed when accessing basic services (compared to 85% in an equivalent survey two years earlier)³.

5. DFID Bangladesh's budget is **£787 million** between 2012/ 2013 and 2014/ 2015. DFID uses a **variety of channels** and partners to address a range of issues across many sectors. The funding channels chosen are based on thorough analysis of which can achieve the best results. In the 2012 to 2015 period we project that:

- 17.5% of DFID aid will be channelled through mechanisms controlled by the government, nearly all in support of health and education services. These are financed by many other bilateral donors as well as DFID, with funds provided on a reimbursable basis, only after key results have been met. Oversight of the finances and reporting is conducted by the World Bank and the Asian Development Bank.

The rest of DFID aid will be spent through non-government channels as follows:

- International organisations such as different UN agencies, the World Bank and the Asian Development Bank (25%). DFID supports initiatives managed by them in areas like police reform or regulatory reform to reduce red tape and corruption, where they have particular technical expertise, where they are well placed to manage pooled funds of a number of donors, and where they have a particularly strong track record or relationships (e.g. with Government) which will enable them to achieve the best results. An additional 5% of DFID aid is channelled through other donors, for similar reasons – for example in market development for small and medium enterprises, or reducing prison overcrowding.
 - Local and international non-governmental organisations (40%). These organisations advocate for reform and work particularly effectively at the community level to deliver basic services, improve livelihoods, manage local resources and demand better services from government. They have vital knowledge of the reality 'on the ground' and access to the communities.
 - Commercial service providers (12.5%). These are experts contracted following rigorous and transparent international competitive tendering. They provide dedicated specialist expertise – local and international – that is needed to achieve specific outcomes and is not available elsewhere to either the government or DFID. This may be to provide technical expertise and share experience from other countries (e.g. in tax administration), or to deliver services directly (e.g. English language training) or to manage funds channelled to NGOs.
6. DFID has a range of standard **controls and measures in place to protect UK aid**. These include rigorous risk assessments and monitoring requirements for all projects and programmes. Regular internal and external audits add a further level of assurance that money is spent on the purposes for which it is intended. DFID is continually strengthening its risk management procedures, and has recently brought in additional measures including: more detailed fraud and corruption risk assessments in programmes; enhanced pre-funding 'due diligence' checks on partners; and specialised training for staff. Where there is suspicion of corruption and fraud DFID will always follow up; and if fraud or corruption is uncovered DFID will always take action and work to recover UK taxpayers' money.

In Bangladesh, DFID will continue to ensure integrity and value for money through the above, and in areas such as:

- Closer monitoring of fraud and corruption safeguards through programme annual reviews and an office-wide review to identify which are most effective.

³ Transparency International Bangladesh, National Household Survey 2012. Services covered by the survey include health, education, law enforcement, land administration, justice, local government and labour migration, agriculture, income tax and customs. The survey also covered financial services provided by banks and non-governmental organisations (micro-finance).

- Providing more accessible information to Bangladeshi citizens on aid spending and improving avenues for them to monitor and report back on what they receive, to ensure money is reaching the right people and for the right activities. DFID Bangladesh is testing the use of mobile phone technology for slum dwellers for this purpose.

Supporting efforts to reduce corruption in Bangladesh

7. Over the next three years, DFID will support Bangladesh's government, civil society and the private sector in tackling the different types of corruption, from administrative ("petty") corruption where people have to pay bribes for services they are entitled to, to the grand corruption involving large scale diversion of funds. DFID will tackle corruption by:
 - Stepping up its efforts to address corruption issues in its dialogue and influencing in Bangladesh, agreeing common messages as the UK and with other development partners.
 - Strengthening core government systems for public financial management, including budgeting, accounting and audit, tax administration, support for Bangladesh's Public Accounts Committee, and increasing their accountability for aid flows into the country.
 - Support organisations outside government to enable citizens and communities to hold service providers to account, obtain services and assets that are theirs by right, and reduce the need to pay bribes.
 - Seeking opportunities in its programmes to make more information available to citizens under Bangladesh's Right to Information Act (2009).
 - Introducing automated and internet-based systems for key government services relevant for businesses. Processes automated to date are business registration; payment of income tax, VAT, and custom taxes; and clearance of goods at the Dhaka Custom House.
 - Supporting local partners to make more use of evidence about the incidence and impact of corruption (e.g. from Transparency International surveys). Where surveys show the burden of corruption has been reduced, DFID will work with local partners to understand why, and learn lessons to build on that success.
 - Supporting monitoring by local and international civil society organisations of the use of the internal and external funds that the Government of Bangladesh will use to support climate change adaptation.

More information

On the country programme is available on the DFID website at: www.dfid.gov.uk/bangladesh.

Media enquiries: pressoffice@dfid.gov.uk

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