MEASURING CORRUPTION IN PUBLIC WORKS PROJECTS: EVIDENCE FROM CONTRACTORS' INTERNAL RECORDS IN PUNJAB, PAKISTAN

(Summary)

by

Aamer Shahid

National Graduate Institute for Policy Studies

There are anecdotal discourses of rise of corruption in developing countries. There is consensus amongst the researchers and the practitioners that corruption, particularly in low income countries, has the potential to undermine the economic growth and sustainable development. The Transparency International Corruption Perception's Index ranked Pakistan at 116th position on global scale out of out of 180 countries. The policy measures to combat corruption in the developing world have not shown significant success. One of the reasons for less effective anti-corruption policies is said to be rare literature on the objective measurement of corruption due to its secretive nature. This study is an attempt to measure corruption objectively through the holistic approach using both qualitative and quantitative data.

The initial investigation for this study revealed that construction business is notorious for its corrupt practices. Therefore, the Public Health Engineering Department (PHED) of the province of Punjab in Pakistan and the National Accountability Bureau (NAB), Pakistan are chosen for the measurement of bribe in public works and effectiveness

of anti-corruption measures thereto. The uniqueness of this study is that it has managed to access the internal records of bribe payments by the construction firms. For that purpose, out of 48 construction firms, who were requested to give access to their internal records, 28 firms agreed and showed the internal records of bribe payments in 237 contracts executed under PHED. As a second step of research methodology, the interviews with CEOs, executive engineers (XENs) of PHED, officers of NAB, and focus group interviews with the users of water supply projects in Punjab were conducted. On the top of it an expert engineer has physically audited 20 water supply projects to measure the quality and cost of those projects.

This study by utilizing the internal records of bribe payments finds that only 1/3rd of the contracts were awarded competitively and rest with collusion. This study further finds that under collusion the average bribe paid in the construction projects under PHED is 15% of the project budget. Interestingly, PHED officials and politicians are partners in the bribe proceeds and 12% of this bribe is paid to PHED officials whereas politicians grab 3%. However, the level of bribe under competition is 5 percentage points less i.e. on average 10%. Out of this 10% bribe of the contracts awarded under competition on average 8.5% goes to PHED officials and 1.5% to politicians. The average cost of the projects is around 63% and profits are around 15%, irrespective of competition. NAB established a new office in Multan district in 2015 and the study checked the impact of the new anti-corruption office on the bribe payments. Amid the short period of establishment and therefore the lack of data, the results about the impact of NAB on bribe control remain

inconclusive. However, the interviewees' perception and the circumstantial evidence reveal that corruption is ingrained in the public works and there is a need of comprehensive policy intervention to control corruption.

The study is suggestive, through the qualitative evidence, to take measures for political will, transparency, and citizen vigilance as a part and parcel of anti-corruption policy for good governance in developing countries. There is a potential of generalizability of this study to other countries for measurement of different kinds of corruption including rent seeking in licenses and permits and bribe payment in mega contracts or illicit campaign financing. Given the time constraint, this study could not manage interviews with the politicians in Pakistan which remains a scope for future study to control corruption.