

The degreased palm

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IN recent years we have seen an uptick in anticorruption probes by the National Accountability Bureau (NAB) and other agencies. Scores of criminal cases have been registered against federal and provincial government functionaries for misuse of authority, abuse of discretionary powers and illegal rent-seeking activities.

The superior courts, too, have been mounting pressure on the federal and provincial governments to weed out those among their ranks whose professional integrity is compromised — such as those who signed voluntary return deals with NAB. The admission of guilt and return of ill-gotten wealth, in exchange for being able to continue to serve in government, has allowed these officials to recoup their losses by further plundering and weakening the nation's institutions.

Corruption in government offices is one of the starker manifestations of government failure. James Buchanan, one of the pioneers of public choice theory, argued in favour of shrinking the size of government and curtailing the discretionary powers of politicians and civil servants as a safeguard against institutional degradation and government failure.

Legalising certain kinds of bribe-giving can reduce bribe-taking.

While public-sector corruption comes in multiple shades, acts of financial corruption, such as demanding bribes, ‘speed money’ and commissions are the most pervasive forms. Seeking bribes for performing routine government services is a highly visible form of corruption and affects the common people the most. Another form of corruption is being paid to bend the rules to create an illegal or fraudulent entitlement for the bribe-giver. Yet another is paying to get things done for which one is already entitled. Kaushik Basu, a former chief economist at the World Bank, calls this form of corruption a ‘harassment bribe’.

A member of the public may justifiably need to bribe a corrupt government functionary. For example, a candidate with hard timelines, seeking a domicile certificate or requiring authenticated copies of her education certificates — to which she is entitled — is motivated to bribe to receive her documents in time. People selling and buying property cannot but help greasing palms to keep their files moving at an appropriate speed to have the property deeds transferred.

Basu postulates that decriminalising bribe-giving in such situations will reduce the incidence of bribe-taking. This can be illustrated by game theory, which is used to predict the behaviour of agents in a strategic situation involving various types of incentives and sanctions. Currently, the interests of the bribe-giver and the bribe-taker converge, as both benefit from keeping quiet. Once the law is altered to grant the bribe-giver a competitive advantage, it will benefit them to give evidence against corrupt officials. Thus, such officials will be caught and such corruption will be discouraged, leading to an improvement in public-service delivery.

In addition to improving governance, such a change in anticorruption laws can have another indirect salubrious effect: it can create a positive investment climate as investors see that the nation is serious about improving governance and strengthening institutions. Currently ranking at 117 on Transparency International’s Corruption Perception Index and at 147 on the World Bank’s Ease of Doing Business Index, Pakistan is the second worst performer in South Asia and is placed in the

company of those ranked at the bottom 10 per cent in the world. Consequently, we have to pay exorbitant risk premia on our international debt.

To improve Pakistan's standing, we need to show the world that we are committed to ensuring transparency and meritocracy in our institutions. Even a moderate improvement in Pakistan's standing on the aforementioned indices because of this modification in the law will save us billions of dollars in interest rates and risk premia we owe our international creditors.

People with vested interests will resist such a far-reaching and effective change, as it will sharply increase the odds of being caught for corrupt officials who, in the current system, happen to be highly influential and entrenched in the corridors of power. The nation should be prepared to hear from those who oppose such a change all the usual arguments ranging from religious doctrines to the fundamentals of common law.

If the government is serious in dealing the culture of corruption a devastating blow, it should decriminalise the paying of 'harassment bribes', while substantially enhancing the punishment for demanding or receiving bribes. The measure will not only immediately and considerably reduce the incidence of bribe-taking, it will also engender a culture of overall positivity leading to reduction by a great extent of many types of ills that afflict our government institutions.

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