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Regional Conference

Public Service Delivery in Arab Countries: Corruption Risks and Possible Responses

Gamart, Tunisian Republic

29-30 September 2011

BACKGROUND NOTE: Anti-Corruption in the Water Sector

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September 2011
Corruption is defined by the UNDP and Transparency International as “abuse of entrusted power for private gain”. Corruption in the water sector is a significant problem and reduces the effectiveness of efforts to attain the Millennium Development Goals (MDGs) in drinking water and sanitation. Poor water provision especially affects women and children. High risks of corruption exist in megaprojects like large-scale irrigation systems, drinking water systems and hydropower dams. Corruption results in higher costs to society, more water contamination and less quality of services. Corruption in the water sector affects the poor harder than the wealthier, because higher costs and bribes for water services affect the poor relatively hard. Also, less infrastructure is built because of over-pricing, often leaving the poorest families without water services.

**Why is the water sector particularly prone to corruption?**

**Institutional and technical aspects**
- A wide range of stakeholders participate in the water sector: construction companies, consultancy firms; large and small operators; consumers; local and international civil society organisations; national and local politicians and all grades of civil servants and utility staff.
- Water sector institutions often have poor capacity with low salaried staff dealing with very large infrastructure investments and large-scale procurement.
- Water is scarce and becoming more so due to climate change, population growth, destruction of sources, changing dietary habits and economic development. The less water there is, the higher its value and the associated corruption risks.

**Low levels of accountability and transparency**
- Often water utilities and irrigation agencies do not have representatives of water users in their boards.
- Large water projects are complex and difficult to standardise, making procurement lucrative and manipulation difficult to detect. Investments involve large flow of public money.
- Corruption in water most affects marginalized communities and poor people, who have the weakest voice and limited ability to demand more accountability.
- There is often a large asymmetry of technical and financial information between user and provider. A lack of transparency is common.

**Political aspects**
- Water management is often viewed by politicians as a largely technical issue, so governance is overlooked.
- Private investment in water is growing in countries already known to have high risks of corruption, posing particular challenges for international investors.
- Informal providers of drinking water, which play a key role in delivering water to the poor, often function in a legal grey zone, making their operations vulnerable to extortion and bribery.
- Politicians and higher officials often have discretion over investment decisions.
- Service provision can be used for vote-buying.

Corruption can be found in all water subsectors: drinking water and sanitation, irrigation, water resources management and hydropower. Different forms of grand corruption include: collusion, policy capture by the elite, embezzlement of government assets and funds, bribery in international deals, bid rigging and nepotism. An important grand corruption case occurred in the Lesotho Highlands Water Project. The Chief Executive of this project was sentenced 15 years in of imprisonment in 2002 because of receiving six million dollars from international construction companies. Many other examples exist, but prosecution rates are low. Petty corruption in the water sector includes extortion of bribes for water
connections and water use licenses. Poor water quality monitoring and low levels of sanctioning water pollution are also often related to corruption.

It is often difficult to detect and measure levels of corruption because of its hidden character. Corruption is complex, multilayered and frequently interwoven with politics and wider social structures. Corruption is often systemic and institutionalized; in the sense that informal rules have developed that reinforce corrupt practices. For example, functionaries might bribe because money has to be raised illegally to pay for entry into the organization, job transfer, to support a political party or other informal agreement. The ‘internal logic’ of a corrupt organization goes beyond the individual moral standards. This makes corruption very persistent.

Anticorruption (AC) measures increase accountability, transparency and integrity. Three types of AC measures are generally identified: increased government oversight, pro-market reforms and increased voice of citizens.

Increased government oversight is a common AC measure. A general anti-corruption agency (ACA) might be installed or financial audits and prosecution might be enhanced. Whistleblowers might be protected. An independent water sector regulator might monitor decentralized and/or privatized water service providers. Different tools exist to curb collusion and bid rigging in tender procedures. In Pakistan and Mexico civil society witnesses have been used successfully to prevent over-pricing.

Within government organizations several measures can be implemented, such as: transparency and integrity in employee appointment and promotion regulations and capacity training and promotion of ethics and integrity. Increasingly, monitoring systems include citizen information (Citizen Report Cards in India, hotlines, etc.) to monitor public and private utilities.

Political will to curb corruption is very important but not sufficient. Political leaders with the will to end corruption should implement concrete reforms, enforce sanctions and mobilize a wide range of stakeholders. Furthermore, anti corruption requires allocation of public resources over a prolonged period.

Pro-market reforms that might curb corruption include privatization of service provision, subcontracting of services, public-private partnerships, tendering of concessions, operation and water use licenses. However, privatization processes are susceptible to corruption. Also initiatives of Social Corporate Responsibility address corruption. For example the national associations of pipe manufactures in Colombia and Argentina have agreed to refrain from price-deals and bid-rigging, thus reducing costs of drinking water and sanitation projects.

Increased voice in management of water utilities implies empowerment of citizens and organized water users. This can be achieved through increased accountability (social auditing), participation in decision making (social budgeting), and awareness campaigns. Democracy, rule of law and free press are essential for attaining high levels of accountability towards consumers. Bolivia and Uganda have implemented forms of decentralized government budgeting where councils of citizens take decisions and can prioritize municipal water projects. In Peru the management of large-scale irrigation systems was transferred to water users’ associations that obtained high levels of financial and water delivery performance. Claims of groups of organized citizens in Riobamba in Ecuador helped to curb corruption in licensing.

Practical anti-corruption measures in the water sector include:

- Information laws and disclosure agreements
- Independent sector regulator that sets sector norms and audits water providers
- Ombudsmen and whistleblower protection
- Install elected representatives of the water users in the boards of water utilities
- Monitoring for tendering, construction and procurement processes by “social witness”
- Taking public complaint mechanisms seriously
- Citizen training in economic monitoring of tenders, stockpiles and construction activity
- Using sustainable water sources that are as close as possible to users, to reduce hardware costs.
- Keeping technologies and designs as simple, practical and relevant as possible.
- Planning water services with the community, involving leaders, poor and rich people, women and men.
- Simplifying information, plans, designs, reports and accounts, so they are accessible and can be copied and used by all stakeholders.
- Participation in auditing, environmental pollution mapping and performance monitoring of water utilities creates checks and balances to ensure contracts are fulfilled and violators punished.

Different studies show that it is important to fight corruption in the water sector with all three types of AC methods: increased government oversight, reform of regulations that stimulate performance and wider stakeholder involvement; and increased voice of citizens.

**International organizations related to anti-corruption in the water sector**

The most important initiative in the area of anti-corruption and water governance is the Water Integrity Network (WIN). Collaborating entities include Transparency International, the World Bank’s Water and Sanitation Program (WSP), the IRC International Water and Sanitation Centre and the Stockholm International Water Institute (SIWI). Other relevant organizations working on anti-corruption in the water sector are the U4 Anti-Corruption Resource Centre, the Asian Development Bank and WaterAid. Two key publications on corruption in the water sector are: ‘Corruption in the Water Sector: Causes, Consequences and Potential Reform’ (Stålgren, 2006) and the ‘Global Corruption Report 2008: Corruption in the Water Sector’ (Transparency International, 2008).