Corruption in public service delivery: Experience from South Asia’s W&S sector

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I. Brief overview of study and cases
II. “Speed money”
III. Contracting
IV. The market for transfers
V. Tackling corruption
I. Brief overview of project and cases

- Collaborative research effort of MIT and WSP-SA, funded by Government of the Netherlands
- Objective: Investigate promising institutional reforms within public W&S agencies in the South Asia region
- 9 cases investigated, with 4 in-depth studies; interviews with ~410 staff, ~940 customers, ~120 key informants
## II. “Speed money”

<table>
<thead>
<tr>
<th>Frequency of behavior as reported by…</th>
<th>Median reported payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers (n=411)</strong></td>
<td><strong>W&amp;S agency staff (n=176)</strong></td>
</tr>
<tr>
<td>Expediting attention to repair work</td>
<td>10% “about half the time,” “very common,” or “almost every time” 27% “happens occasionally”</td>
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<td></td>
<td>30% had made ≥1 such payment in past 6 months</td>
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<tr>
<td>Expediting new connections</td>
<td>3% “about half the time,” “very common,” or “almost every time” 14% “happens occasionally”</td>
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<td>12% had ever made such payment</td>
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“Small potatoes” or serious misconduct?

“[W]e must try to improve our public image…[the] people must perceive us as honest. Otherwise, how can we make a case for increasing the tariff? The customer says ‘I am having to pay an extra 100 rupees just to have my repairs made on time.’ We cannot have this kind of image and expect public support.”

“[This type of corruption] is small potatoes. “No one calls this as corruption, even… [Corruption] is happening at the higher levels.”
III. Contracting

- Collusion for "medium-sized" contracts among bidders, between bidders and senior officials

- Kickbacks (6-11% of contract value) financed by "cream skimming" during project execution

- Translates into leakage of at least ~3-5% of contract budget annually

Frequency of side payments by contractors, as reported by W&S staff (n=176)
IV. The market for transfers

- Personnel transfer policies designed to reduce corruption can actually foster it
- Prices for favorable posts ~2.5 to 4 months’ salary
- Non-cash ‘payments’ for assistance with transfers more common

Type, frequency of exchanges for assistance with transfers as reported by staff

<table>
<thead>
<tr>
<th>Type of Exchanges</th>
<th>Non-cash ‘payments’</th>
<th>Cash payments</th>
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<tbody>
<tr>
<td>“Always (~100%)” / “Often (~75%)”</td>
<td>44</td>
<td>13</td>
</tr>
<tr>
<td>“Half time (~50%)” / “Sometimes (~25%)”</td>
<td>46</td>
<td>56</td>
</tr>
<tr>
<td>“Rarely / Never” (~0%)</td>
<td>9</td>
<td>31</td>
</tr>
<tr>
<td>“Don’t know”</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

*Weighted average*

<table>
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<tr>
<th></th>
<th>Non-cash ‘payments’</th>
<th>Cash payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average</td>
<td>51.5%</td>
<td>27.5%</td>
</tr>
</tbody>
</table>
IV. The market for transfers, cont’d.

Staff derive moral justification for corrupt behaviors from the need to generate extra-salary earning for transfer market.

“I started in this job and I wanted to bring water to the people. I was not going to be involved in all those things, but… gradually you are pulled in.”

“Where would you get [the money] if you were in my position?”
V. Tackling corruption

- “New Public Management” tenets such as reduced discretion and increased monitoring are infeasible on their own

- Success observed when some of these approaches were combined with strategies rooted in the social and institutional norms of the region
Case example: Hyderabad Municipal Water Supply & Sanitation Board (India)

- A ‘Single Window Cell’ consolidated the process for households seeking new W&S connections

- Staff have distinctive uniforms, office with AC, computer terminals; competition for SWC positions is intense
V. Tackling corruption, cont’d.

Case example: Local Government & Rural Development Department (AJK, Pakistan)

- Elimination of private contractors, tight controls over materials purchase orders

- Semiannual meetings with senior officials provided monitoring, capitalized on power of pride and shame

“[Our project team] goes will go where no one else will go. The villages in the mountains where they have never had a project—we will go there. We will work late into the evenings. We work on Sundays. We work with the people, we don’t exclude them. This is how we are seen by the people.”
Summing up

- Even in South Asia’s challenging institutional environment, we documented several strategies that appear to have succeeded in reducing corruption.

- Each involved two drivers: one which altered accountability networks in service provision, and one which increased the moral cost to staff of misconduct.

- Most anti-corruption literature focuses on the former to the near exclusion of the latter—suggests that more attention to social and institutional norms could be valuable.