Tackling Corruption in the Water and Sanitation Sector

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Outline

1. Corruption in the WSS sector
2. Anti-corruption strategies
3. Concrete activities in LA
1. Corruption in the WSS sector
Actual scale of the problem...

Global estimates (WB)

- 1 Trillion US$ wasted every year overall
- Leakage range of 20-40% in worst ‘highly-corrupt’ countries
- Example: For the WSS sector in Africa 6.7 billion US$ per year is needed, but 20 billion US$ will be in corruption in next 10 years

Findings in South Asia (MIT Study)

- 41% customers paid a bribe
- 20% house holds paid for illegal connection
- 15% contractors admit collusion
- Corruption estimation at 6-11% of contracts value
Some of its impact

- Less financing available for investments in the sector
- Poverty first affected because projects not “attractive”
- Bribes increases transaction costs
- Could impact on ecosystem if bribes are paid to make illegal discharges
- At consumer level, WSS systems are not efficient
- Corruption worsens the world water crisis
High Potential for Corruption in the WSS Sector

**Distinctive characteristics of the WSS sector:**
- Monopolistic behavior
- Large flow of PUBLIC money, high cost of sector assets
- High level of Sector Failure
- Asymmetry of information
- Sector complexity

Klitgaard Formula:

\[
\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability}
\]

- **WSS SECTOR**
  - HIGH
  - HIGH
  - LOW
Where is corruption happening?

- **Public to public**
  - Allocation distortions – chosen projects with kick-backs
  - Corruption in public service management e.g. buying jobs

- **Public to private**
  - Contract procurement
  - Marked up pricing
  - Fraud in construction – poor quality of building

- **Public to consumer**
  - Speed money
  - Illegal connections
  - Falsifying bills and meters

Corruption occurs between 3 different sets of actors.
### PUBLIC PUBLIC interactions
- Distortions and diversion of national budgets
- Administrative fraud
- Document falsification

### PUBLIC PRIVATE interactions
- State Capture of policy and regulatory frameworks
- Bribery, fraud, collusion in tenders
- Fraud / bribes in construction

### PUBLIC CONSUMER interactions
- Illegal connections
- Speed bribes
- Billing/payment bribes

### Consumer interactions
- Fraud / bribes in construction
- Distortions and diversion of national budgets
- State Capture of policy and regulatory frameworks

### The Hot Spots!
- Elite capture
- Corruption in community procurement
- Distortions and diversion of national budgets
- Administrative fraud
- Document falsification
2. Anti-corruption strategies
Growth, Corruption, Reform

Any correlation between them?

- Countries with advanced water reforms have lower sector corruption
- Countries with advanced reforms and lower levels of corruption have higher levels of service access
- Growth correlated with reform and corruption

Caution: much inter and intra country variation
Strategic issues to consider

**Public awareness and capacity building**
- Involve the civil society
- Establish code of conduct
- Training of staff

**Legal & financial reform**
- Procurement processes
- Monitoring & regulation
- Economic competition
- Better communication

**Service delivery by public officials**
- HR management / salary
- Accountability / transparency

**The private sector**
- Business principles and integrity pact
- Reporting and “black” list
Governance indicators (WB)

1. Voice and accountability
2. Political stability and absence of violence
3. Government effectiveness
4. Regulatory quality
5. Rule of law
6. Control of corruption
Key recommendations

- Align anti-corruption measures with governance reforms
- Mobilize political support and engage leaders
- Corruption is the symptom, target the system!
- Be preventive rather than reactive
- Don’t stand alone.

- And, how can we make anti-corruption efforts pro-poor?
3. Concrete activities in LA
Examples of Regional initiatives

**UNCAC** (UN Convention Against Corruption) since December 2005

**OECD Convention** on combating bribery in International Business

**Inter Agency Alliance** established between the WB, BID and Transparency International

**Regional Dialogue** “Access to information, Transparency and Good Governance”, established by the GDLN of the WB
What’s happening in LA?

**Haiti** (2005) WB Sector Reform Grant with anti corruption component involving civil society

**Colombia** (2005) Anti corruption Agreement between pipe manufacturers
WB support to Uribe’s anti corruption programme

**Other activities**
- WB Training for local leaders in Andean Countries (Good governance)
- TILAC *(Ford Foundation)*: Regional Communication Programme
- WB Country dialogue and CAS
a. Establishment of a general code of conduct
b. Entrepreneurial principles to counteract bribery
c. Specific guidelines concerning price policy, distribution and sales schemes, purchases
d. Ethics Committee and penalties policy
e. Promotion of the Agreement

Factors of success
Leadership    Keeping objectives clear
Building consensus through dialogue
Efficient validation process
Conclusions
Conclusions

- Corruption in the WSS sector affects efficiency and poverty alleviation
- Analytical framework for corruption in place: needs national action
- Establishing a dialogue involving all is relevant
- Longer term actions involve sector reforms
- Inter Agency initiatives are important
2. Corruption in the Water Sector (SIWI Report 2006)
3. Anti-corruption Agreement with pipe manufacturers in Colombia, 2005
4. World Bank Governance Indicators 2006
5. Corruption in the WSS sector of South Asia, study done by MIT