A Strategic Framework for Anti-Corruption in the Water and Sanitation Sector in Africa

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## Outline

- Corruption in the water sector – how big a problem?
- Myths about corruption
- Typologies of corruption
- How does corruption affect the poor?
- Do we have the tools to analyze corruption?
- Emerging solutions and lessons of experience
- A framework for anti-corruption in Africa
Corruption in the Water Sector: How Big a Problem?

The water and sanitation sector prone to corrupt practices given:

- Capital intensity – construction is the “most corrupt” sector (TI index)
- Inherent limits to competition – monopoly power
- Discretionary power of policy makers and regulators
- Substantial shortfalls in supply and access to service

WSP findings in South Asia (Davis, 2004):

- Based on interviews to 350 staff and 730 customers in South Asia, plus meetings with 320 elected officials, researchers, activists, journalists and development professionals
- **False readings:** 41% of customers had paid a bribe in last 6 months – On average $0.45 per transaction
- **Illegal connections:** 20% of households admitted paying a bribe to utility staff – On average $22 per transaction
- **Contractors:** 15% excess cost because of collusion
- **Kickbacks:** 6-11% of contracts value
## Myths about Corruption

- Decentralization will solve corruption problems
- Donors can ring-fence projects in highly corrupt countries and sectors
- The culprit is mainly ‘bad’ officials in the public sector
- Tackling corruption ruins relationships between donors/IFIs and government
- We know the basics of corruption (dynamics, political economy, pressure points, impacts) - Analysis is not needed
- We understand the impacts on the poor…
Myths About Corruption – Quick Fix
Typologies of Corruption

- The nature and mode of corruption is not uniform across countries, regions, or time.

- It includes:
  - **Bribes** - payments to public officials to persuade them to do something (quicker, smoother or more favorably)
  - **Fraud** - the falsification of records, invoices
  - **Embezzlement** - theft of public resources by public officials
  - **Favoritism, Nepotism**
  - **Distorted project selection**
  - **Distorted procurement processes**

- **Grand versus petty corruption**
- **Structured/controlled versus unstructured**
Typologies of Corruption

- **Public - Public**
  - Appointments
  - Transfers
  - ‘Loans’ that are not paid back

- **Public - Private**
  - Contract procurement
  - Marked up pricing
  - Fraud in construction – results in lower quality building

- **Public - Consumer**
  - Speed money
  - Illegal connections
  - Falsifying bills and meters

Another way of classifying corruption is by the type of parties involved:

**Public Actors**

**Private**

**Public Officials**

**Consumers**

Types of corruption vary, the impacts vary, the solutions vary.
How does corruption affect the poor?

- **Misallocates, distorts and diverts resources – Results in increased fiscal subsidies (often “financed” by the poorest)**
  - Diverts water and sanitation services towards the rich
  - Deterrent to project developers, investors, IFIs, leading to less investment in the sector
  - Deterrent to reputable consultants and contractors, leading to higher costs and lower quality
  - Encourages large capital investment projects, reduces pro-poor investment
  - Results in inappropriate planning / design, inflated costs, low quality

- **Dilutes public integrity, creates/strengthens social injustice/exclusion**
  - Services captured by those who pay more (in principle)
  - However, in practice some corrupt activities fill gaps in the services available to the poor by providing services outside the official channels

- **We do not entirely know the true impacts and net effects of corruption and anti-corruption activities on the poor**
## Do We Have the Tools to Analyze Corruption?

- **Need to understand and collect empirical evidence on:**
  - How big is the corruption problem?
  - What are the worst components/types of corruption?
  - How much does “corrupt” water cost?
  - How does corruption affect the poor?
  - What are the key “pressure” points that can lead to most effective interventions?
    - Procurement policies, systems and procedures – from design to construction, operation and maintenance
    - Relationships between utilities, regulators, government, civil society and clarity of roles
    - Tariff policies and subsidies
    - Distribution, metering and revenue collection systems
    - Internal audit mechanisms, systems and capacities
    - Many more…

- **How to measure progress?**
Emerging Solutions and Lessons of Experience

- **Building ownership is key**
- **A holistic strategy is required**
  - An investigative approach is insufficient
- **Broad participation is essential**
- **Promoting good governance**
  - Access to information
  - Institutional reform – civil service reform, decentralization
  - Enabling environments – regulation, justice, competition
  - Strengthened civil society role
- **Developing incentives and mechanisms leading to new ways of working**
  - Procurement processes, civil society participation, integrity pacts
- **Combining generic and sector-specific remedies**
  - Water and sanitation sector initiatives do not operate in a vacuum
- **Eliminating corruption is a process – no magic bullet or recipe**
A Framework for Anti-Corruption Activities in Africa
Regional Advocacy

Regional partnerships
- Set up Africa WSS AC AMCOW task group
- NEPAD, WUP, MDP, TI, WSP ++

Agreement on anti-corruption program in water and sanitation
- Develop regional program of activities
- Focus country selection (high on corruption index, influential, willing donor, willing client)
- Host regional meetings
- Set up benchmarking process

Linking to strategic global alliances

Donor action and strong linkages
- Get corruption on bi- and multilateral sector agenda
- Support diagnosis of corruption in water and sanitation sector
- Harmonization, consistency, joint programs
- Action in own-funded projects
Local Action

- **Establish country Steering Group or working groups:**
  - Lead water and sanitation agency(ies), private sector, civil society, donors, WSP, TI, ++

- **Anti-corruption environment assessments**
  - Other AC initiatives, champions, consumer action…

- **Diagnostic studies and intervention evaluation**
  - including specific pro-poor interventions

- **National water and sanitation anti-corruption strategy development**
  - Link to planning processes – from water and sanitation MDG roadmaps to PRSPs

- **Country specificity – avoid “one size fits all”**
Information/Diagnosis Tools

- Adapt and expand existing diagnostic tools
  - Corruption mapping, WDR accountability framework, surveys, corruption participatory assessments, project cycle corruption assessments
- Develop empirical evidence
  - Specific country and regional level evidence and information for advocacy, analysis and strategy design
- Fill knowledge gaps
- Develop models and document good practice examples to guide intervention and strategy design
Not an easy process...
Thank You!

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