



The Nature of Corruption in the Water Supply and Sanitation Sector

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Combating Corruption in Municipal Water Supply and Sanitation (WSS) Services
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**Per Ljung
PM Global Infrastructure, Inc.
perljung@pmglobalinfra.com**





Outline of the Presentation

- The many faces of corruption in the water supply and sanitation sector
- Diagnostic tools and impact indicators
- Quick summing-up





What Is Corruption?

The World Bank:

Corruption is the abuse of public office for personal gain

Transparency International:

Corruption is the abuse of entrusted power for private gain





Why Do We Care?


General:

- Systemic corruption slows down overall economic growth, reduces local and foreign investments and increases income inequalities.

In the water and sanitation sector:

- Water agencies in South Asia spend 20-35% too much on construction contracts (Davis, 2004)
- Nearly 2/3 of the operating costs for 21 water companies in Africa were due to corruption (Estache and Kouassai, 2002)
- The poor pay more in bribes and are discouraged to seek service (Kaufman et al, 2005)
- 2 million people die each year because of from diarrhoeal diseases each year—mostly due to inadequate water supply and poor sanitation (WHO 2004)





Forms of “Corruption”?

- Bribery
- Collusion
- Embezzlement and theft
- Fraud
- Extortion
- Abuse of discretion
- Favoritism, nepotism and clientelism





A Simple Corruption Typology

Magnitude:

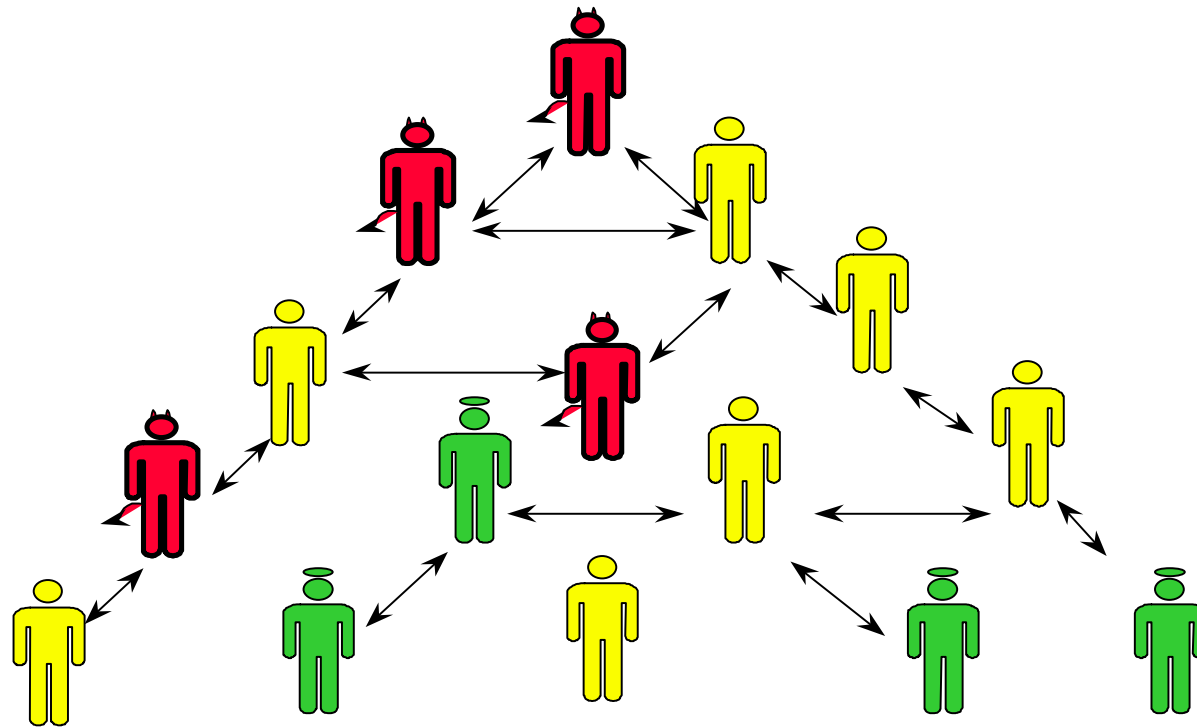
- Grand Corruption
- Petty Corruption

Depth:

- Individual
- Systemic



Systemic Corruption





What Breeds Corruption?

Klitgaard's "Corruption Formula"

$$C = M + D - A$$

Corruption equals
Monopoly power plus
Discretion by officials minus
Accountability.

(Klitgaard, MacLean-Abaroa and Parris, 2000)





Framework for Analyzing Corruption

	Public- Public	Public- Private	Public- Consumer
Policy Making Regulation Planning and Budgeting Donor Financing Fiscal Transfers Management and Program Design Tendering and Procurement Construction Operation and Maintenance Payment (for services)			





Mapping Corruption

- Warning signals or “red flags”
- Quick Analysis
- Detailed Analysis:
 - External diagnostic tools
 - Internal diagnostic tools





Examples of Warning Signals

- Unaccounted for water
- Number of staff per 1,000 connections
- Long waiting lists for service
- Newspaper articles, letters to the editor, complaints from community groups





Quick Analysis

- When to use:
 - Limited budget
 - Small and medium sized utilities
- How:
 - Participatory workshops with civil society and utility staff
 - Well prepared agenda but flexible process
- Complement with:
 - Review of internal documents, procedures
 - Development of action program






External Diagnostic Tools

- Corruption Survey
- Citizen Report Card
- Participatory Corruption Assessment





Corruption Survey: Objectives

- To identify the organizations, institutions or sections within institutions, where corruption is prevalent,
 - To quantify the costs of corruption to the average citizen,
 - To increase public interest in the issues surrounding corruption, and
 - To provide a basis for actions to be taken in the light of the findings of the survey.
 - To provide an objective yardstick against progress can be measured.
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Issues Covered in a Corruption Survey

- Frequency of Interaction
- Purpose of Interaction
- Bribery Incidence
- Bribery Transaction
- Corruption Trend





Citizen Report Card (Community Score Card)

- Aimed addressing broader governance problems
 - limited access to water
 - poor quality of the water
 - unreliable supplies;
 - many billing errors
 - slow response times to service problems
 - long waiting lists for new connections
 - poor esteem for the utility staff
- Main objective: Increase Accountability





Citizen Report Card Methodology

- Identification of issues through focus group discussions
- Designing the instruments and testing them
- Identifying the scientific sample for the survey
- Survey by an independent (and credible) agency
- Collection and analysis of the data
- Placing the results in the *public domain*
- *Advocacy* & partnerships





Participatory Corruption Appraisal

- Objectives:
 - To understand the harmful effects of corruption on the lives of poor people
 - To communicate such information widely to policymakers and the general public
 - To help the concerned communities to plan and act to reduce corruption
- Methodology
 - Managed by a “trusted” NGO
 - Focus groups
 - In-depth individual interviews
 - Review conclusions with community
 - Present results to a wider audience (local government officials, local NGOs, local traditional leaders, local journalists)
 - Action planning





Internal diagnostic tools

- Utility Checklist
- Vulnerability Assessment
- Performance Benchmarking
- PROOF: Public Record of Operation and Finance





Topics Covered in a Utilities Checklist

(A tool for participatory self-assessment)

- Ethical Framework, e.g.
 - Is there a code of conduct for the senior managers?
 - Is it used and thought to be effective?
 - Are the assets and incomes of senior managers disclosed annually to the public?
- Public Complaints
- Leadership
- Human Resources
- Service Levels & Targets
- Budgeting
- Procurement
- Audit Procedures





Vulnerability Assessment

A. Is the general control environment permissive of corruption?

- To what degree is management committed to a strong system of internal control?
- Are appropriate reporting relationships in place among the organizational units?
- To what degree is the organization staffed by people of competence and integrity?
- Is authority properly delegated and limited?
- Are policies and procedures clear to employees?
- Are budgeting and reporting procedures well specified and effectively implemented?
- Are financial and management controls – including the use of computers – well established and safeguarded?

B. To what extent does the activity carry the inherent risk of corruption?

- To what extent is the program vague or complex in its aims; heavily involved with third-party beneficiaries; dealing in cash; or in the business of applications; licenses, permits, and certificates?
- What is the size of the budget? (The bigger the budget, the greater the possible loss).
- How large is the financial impact outside the agency? (The greater the “rents”, the greater the incentives for corruption.)
- Is the program new? It is working under a tight time constraint or immediate expiration date? (If so, corruption is more likely.)
- Is the level of centralization appropriate for activity?
- Has there been prior evidence of illicit activities here?

C. After preliminary evaluation, to what extent do existing safeguards and controls seem adequate to prevent corruption?

Comment: Private Sector has more elaborate vulnerability assessments (eg <http://www.coso.org/>)





Utility Benchmarking: Service & Performance Indicators

- Service Coverage
- Production and Consumption
- Water Production
- Water Consumption
- Non-Revenue Water
- Metering Practices
- Network Performance
- Quality of Service
- Continuity of Service





Utility Benchmarking: Efficiency & Financial Indicators

- Cost and Staffing
- Tariffs, Billing & Collection
- Financial Performance, Assets & Investments
- Affordability

For detailed indicators, see for example:

The International Benchmarking Network for Water and Sanitation Utilities (IBNET) that also has comparison data

Website: <http://www.ib-net.org/>





Utility Benchmarking: Process Indicators

- What best describes the utility's planning process?
- The management of your utility undertakes the following
- Who has general oversight of the utility's services and prices?
- What are the main sources of finance for investment?
- Does the utility offer service and payment choices for its customers?
- How does the utility find out the views of its customers?





Public Record of Operation and Finance (PROOF)

- Objective: Transparency & Accountability
- Make public:
 - Quarterly revenue and expenditure statements compared to original budget figures;
 - Indicative balance sheet, with detailed information about current and long term assets in addition to short and long term liabilities;
 - Key performance indicators
- Forms the basis for an informed and open discussion among public officials, NGOs, community groups and interested citizens





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