Tackling Corruption in the Water and Sanitation Sector in Africa

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Water and Sanitation Program
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1. Review nature and scope of WSS corruption
2. Outline a framework for analyzing corrupt WSS transactions
3. Reflect on some key issues and anti-corruption strategies
4. Present a strategy to help tackle water sector corruption in Africa
High Potential for Corruption in the WSS Sector

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

... is similar to:
- Typical civil service behavior
- Service delivery
- The construction industry (most corrupt sector)

Klitgaard Formula:

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

- WSS SECTOR: HIGH
- HIGH
- LOW
Actual scale is not fully known..

- Leakage range of 20-40%; worst ‘highly-corrupt’ countries
- 30% = US$20 billion could be lost in the next decade.*
- WSS distinctive for the number of corrupt transactions
- Methodology big factor explaining variance

* Based on a 6.7 US$ billion annual estimate for WSS expenditure requirements

WSP findings in South Asia
- 41% customers paid a bribe
- 20% households paid for illegal connection
- 15% contractors admit collusion
- Kickbacks est at 6-11% of contracts value

WSP findings in Kenya
Citizen’s Report Card
- 8-9% customers know of WSS bribe
- 15% said corruption “more rampant” in last year
Growth, Corruption, Reform

What are the Correlations?

- 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
3 Spheres of Corruption in Water

- **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
4 Key Issues in Tackling Corruption in the WSS Sector

- Information, information and diagnosis
- Decentralization & SWAps increase corruption risks?
- It takes 2 to bribe – engage bribe givers & takers
- How can we make anti-corruption efforts pro-poor?
<table>
<thead>
<tr>
<th>PUBLIC PUBLIC PUBLIC interactions</th>
<th>PUBLIC PRIVATE interactions</th>
<th>PUBLIC CONSUMER interactions</th>
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| • Distortions and diversion of national budgets | • State Capture of policy and regulatory frameworks | \* 
| • Administrative fraud          | • Bribery, fraud, collusion in tenders | • Illegal connections 
| • Document falsification        | • Fraud / bribes in construction | • Speed bribes 
|                                 |                              | • Billing/payment bribes |
| **The Hot Spots!**              |                              | • bribery / fraud in community procurement |
|                                 |                              | • elite capture |
What Works?

Some Sector Knowns:

- **Demand side activities**
  - Strengthen transparency and information flows
  - Improve mechanisms of service accountability

- **Supply side activities**
  - Champions and ethical leaders
  - Anti-corruption explicit in institutional reforms
  - Incentives for stakeholders to oppose corruption
Worry about Incentives!

- Corruption driven by Need, Greed & Opportunity
- Key is to change the cost/benefit ratio: lower the gains & increase the penalties

- Reduce incidence of transactions
- Reduce gains from each transaction
- Increase detection probability
- Increase size of penalty
### Many Stakeholder Actions

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Actions</th>
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<tbody>
<tr>
<td><strong>Lead Gov Agencies</strong></td>
<td>Get corruption on the sector/political agenda, develop national integrity pacts and national AC action plans</td>
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<tr>
<td><strong>Service Providers</strong></td>
<td>Clean up own operations, billing systems, performance-related personnel management systems, establish customer liaison, hot lines</td>
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<td><strong>Civil Society</strong></td>
<td>Deepen learning, codes of NGO conduct, support consumer voice, advocacy for transparency and get topics to the media</td>
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<td><strong>Private Sector</strong></td>
<td>Ensure own operations are clean, industry AC integrity pacts</td>
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<td><strong>Donor/IFI Actions</strong></td>
<td>Clean up, support info gathering and diagnosis of corruption</td>
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# Strategy for Africa Anti-Corruption Water Alliance (ACWA)

## Country
- National ACWA Stakeholder Consortia
  - Start in Kenya, Tanzania, Uganda
- Lead Agency Appointed
- Data gathering by various methods
- Internal Stakeholder Action Planning
- Public Launch of Findings
- Lead Agencies Monitor Progress

## Regional
- AMCOW initiates ACWA
  - Political leadership
  - Strength through sharing
  - Comparative diagnosis
- Regional ACWA meetings to share experience
Main Messages

1. Potential for corruption in water sector is high, especially affects poor in low reform countries

2. Analytical framework for corruption in place: needs empirical data and national action

3. Strategy initiated with regional political support focusing in 3 East African countries.