

Tackling Corruption in the Water and Sanitation Sector in Africa

Piers Cross

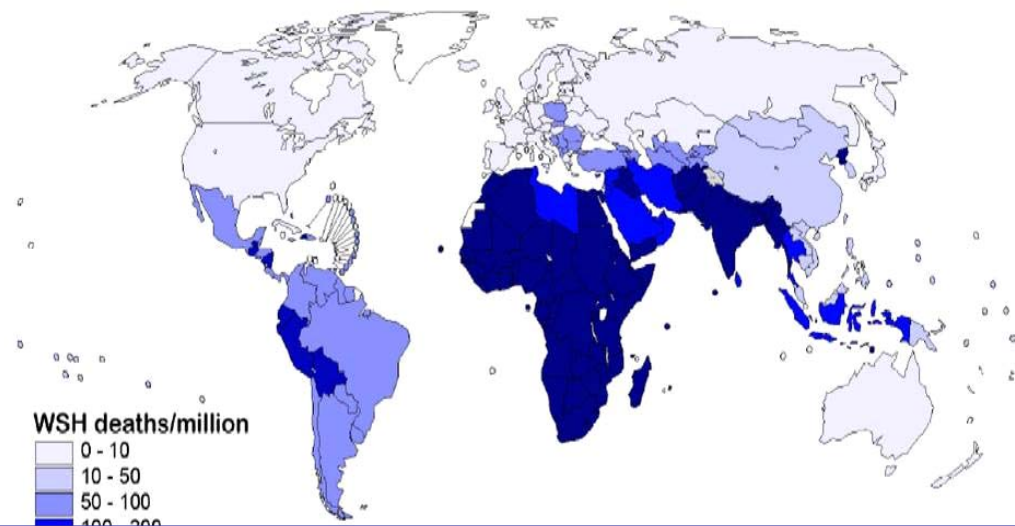
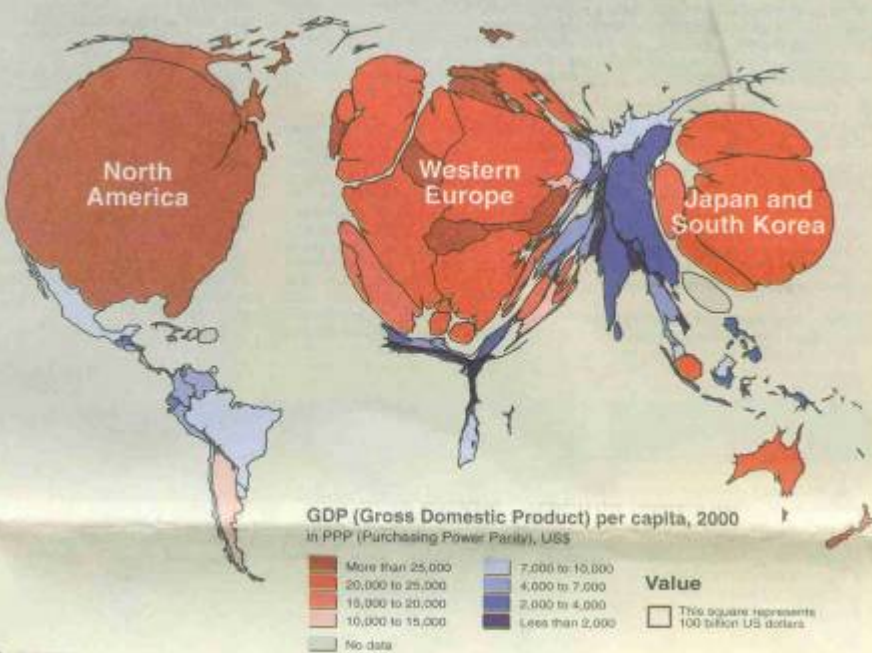
Water and Sanitation Program

16 November 2006

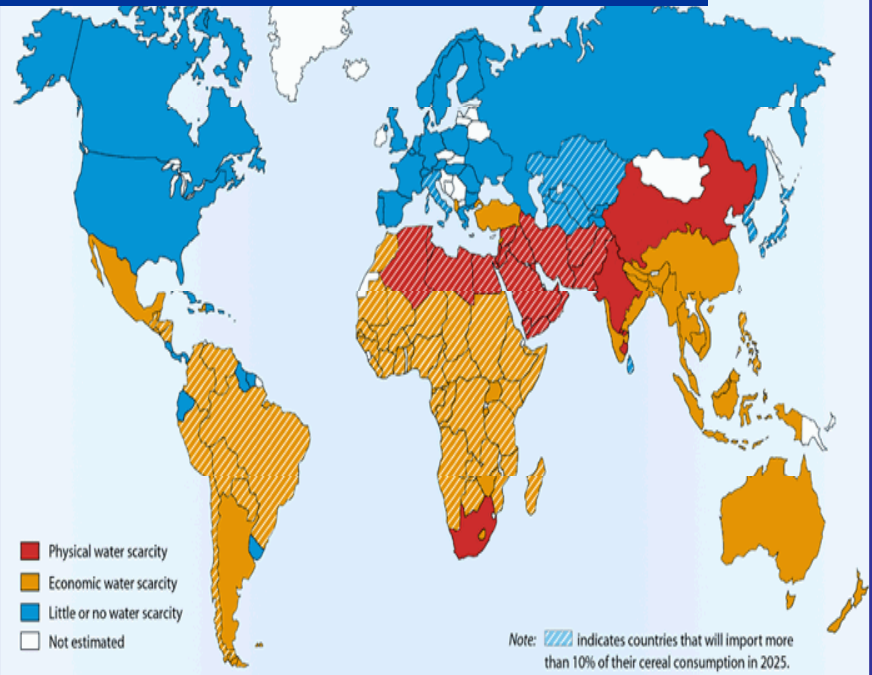


- 1. Review nature and scope of WSS corruption**
- 2. Outline a framework for analyzing corrupt WSS transactions**
- 3. Reflect on some key issues and anti-corruption strategies**
- 4. Present a strategy to help tackle water sector corruption in Africa**

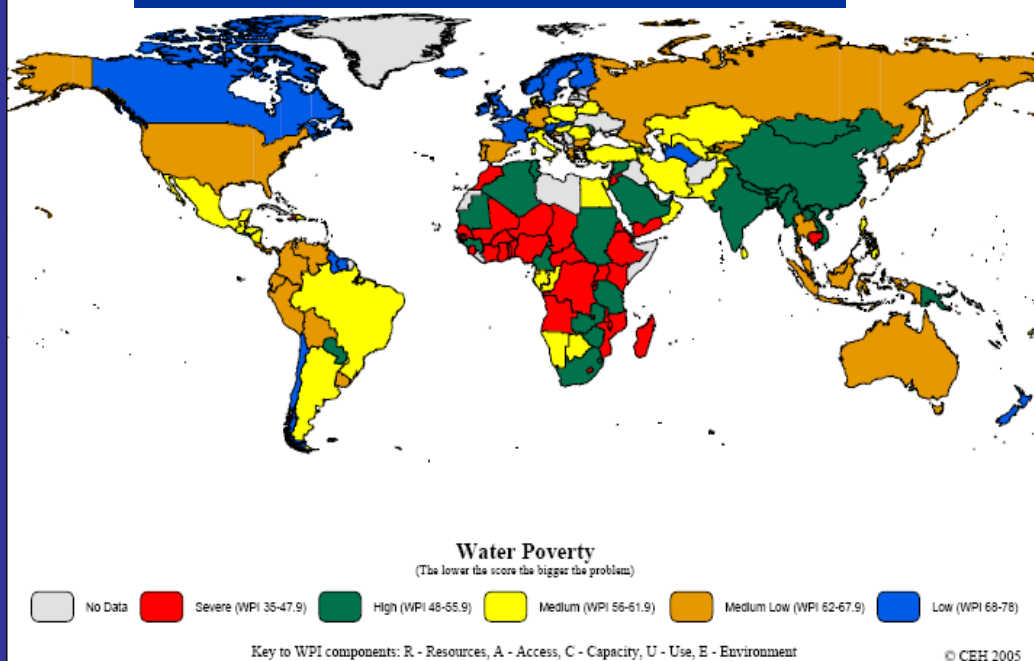
Deaths from unsafe water, sanitation and hygiene



water scarcity - 2025



water poverty index



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:

Corruption = Monopoly + Discretion – Accountability

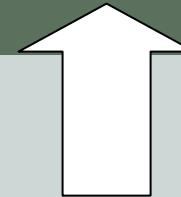
**WSS
SECTOR**



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

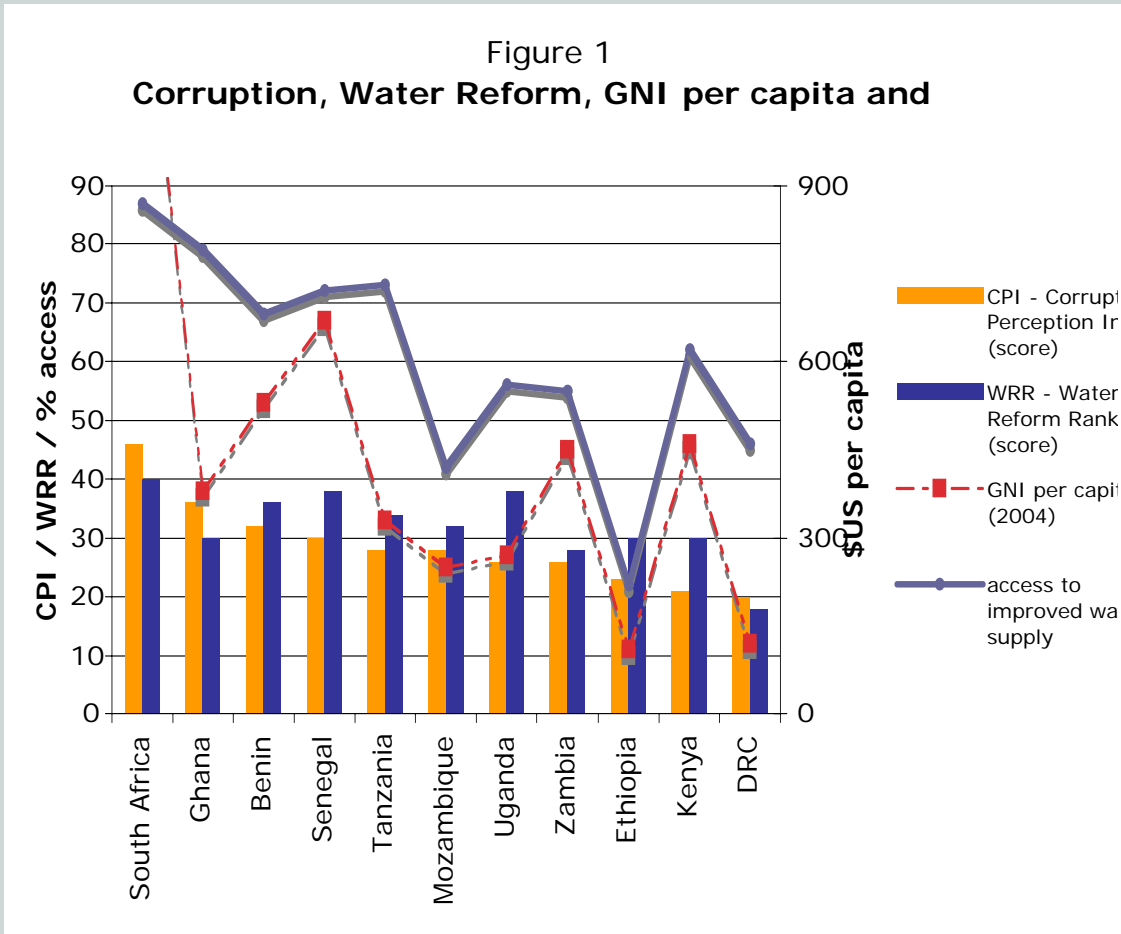
WSP findings in South Asia

- 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

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

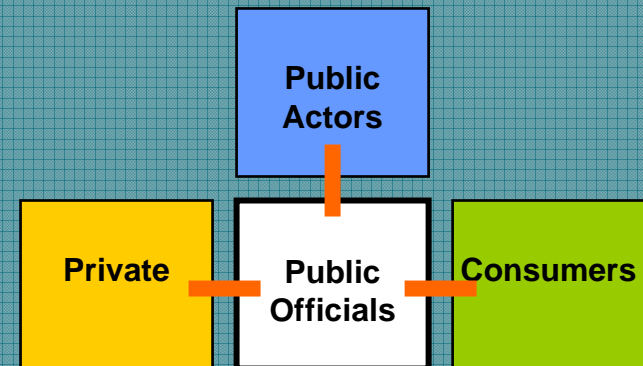
❖ Public to **private**

- Contract procurement
- Marked up pricing
- Fraud in construction – poor quality of building

❖ Public to **consumer**

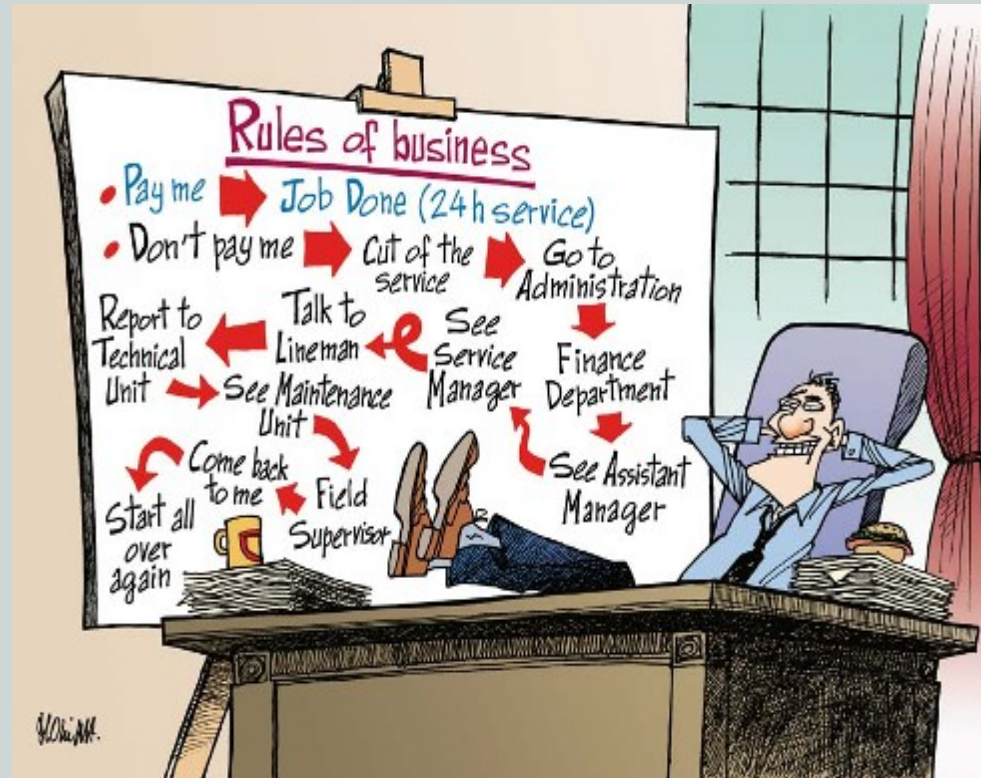
- Speed money
- Illegal connections
- Falsifying bills and meters

Corruption occurs between public officials and 3 different sets of actors



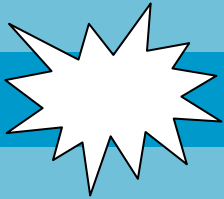
4 Key Issues in Tackling Corruption in the WSS Sector

- ❖ 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?



**PUBLIC
PUBLIC**
interactions

- Distortions and diversion of national budgets



- Administrative fraud
 - Document falsification

The Hot Spots!

**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

- bribery / fraud in community procurement
 - elite capture



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

❖ **Lead Gov Agencies**

- Get corruption on the sector/political agenda, develop national integrity pacts and national AC action plans

❖ **Service Providers**

- Clean up own operations, billing systems, performance-related personnel management systems, establish customer liaison, hot lines

❖ **Civil Society**

- Deepen learning, codes of NGO conduct, support consumer voice, advocacy for transparency and get topics to the media

❖ **Private Sector**

- Ensure own operations are clean, industry AC integrity pacts

❖ **Donor/IFI Actions**

- Clean up, support info gathering and diagnosis of corruption

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.**

