Outline presentation

- What is corruption?
- Corruption in the water sector
- Costs and impacts of corruption
- Corruption and human rights
- Drivers and incentives of corruption
What is corruption?

Corruption is the abuse of power for private gain (TI).

- Corruption is an **exchange** of either economic or social resources.
- Corruption is **active**, for instance when political influence is used to get preferential treatment e.g. in the review of contracts during procurement of a drilling contract. It is **passive** when, say, a public official overlooks the pollution of a water source.
Petty Corruption is often small payments made to secure or expedite the performance of routine, legal or necessary action such as getting a water connection or having a repair attended to expeditiously.

Staff might also supplement their salary by providing services “informally” (e.g. “selling” water to water vendors or tanker operators, or helping install illegal connections). Common are also small bribes for falsified meter reading.

While petty corruption might involve very small amounts, the frequency of such transactions means that the aggregate amounts can be very large.
Grand corruption is seldom as visible as petty corruption. This is because it involves much larger amounts and both parties usually go to great lengths to conceal the transaction. While petty corruption typically involves low level utility staff, grand corruption tends to involve politicians, senior officials and higher level engineering staff.

Grand corruption does not only exist in construction. It is also frequent in the purchase of equipment and materials.
Forms of corruption (1)

- **Bribery:**
  the giving of some form of benefit to influence some action or decision. Bribery can be initiated by the person soliciting the bribe or the person offering the bribe.

- **Complicity:**
  an arrangement between two or more parties designed to achieve an improper purpose. E.g. bidders agree among themselves on prices and “who should win.”

- **Misuse and theft:**
  the taking or conversion of money, property or other valuables for personal benefit.
Forms of corruption (2)

- **Fraud:**
  the use of misleading information to induce someone to turn over money or property voluntarily, for example, by misrepresenting the amount of people in need of a particular service.

- **Favouritism, nepotism and clientelism:**
  the act is governed not by the direct self-interest of the corrupt individual, but by some less tangible affiliation, such as a political party, or of an ethnic, religious or other grouping. These practices occur often in **hiring and promotion of staff**. However, they can also take the form of building a new water system in “the minister’s village.”
Driving forces of corruption

• **Individual choice:** Actors engage in corruption when the expected net benefit is positive and risk is low. The following cost/benefits are considered: externally imposed tangible cost/benefit ratio; social expectations, norms and actors’ social identities.

• **Institutions:** Institutional structures and systems of governance play out on the realm of corruption. Low level of economic competition and a high level of discretion tend to increase corruption.

• **Norms:** Corruption can be an intrinsic part of social systems where the distinction between the public and private spheres is not well established.
Corruption in the water sector

The water sector is characterised by a number of factors that increase the likelihood of corruption:

- Large-scale construction and monopolies.
- High level of public sector involvement.
- Technical complexity, which decreases public transparency and leads to an asymmetry of information.
- High demand for water services, which reinforces the power position of suppliers and encourages bribery.
- A high frequency of interrelations between suppliers and consumers, which fosters an atmosphere of discretionary action.
Corruption originates in multiple interfaces between public and private actors

<table>
<thead>
<tr>
<th>Interface</th>
<th>Water Supply &amp; Sanitation (WSS)</th>
<th>Water Resources Management (WRM)</th>
<th>Hydropower</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public – Public</strong></td>
<td>Inter-departmental complicity in selection and approval of water projects</td>
<td>Inter-departmental collusion to cover up pollution of water resources. Bribery to obtain water permits.</td>
<td>Silence accusations. Bribes to cover up embezzlement of public supplies for an official’s private use.</td>
</tr>
</tbody>
</table>
The costs of corruption (1)

1) Waste of financial resources: Corruption serves to diminish the total amount of resources available for public purposes.

- Money leaves the investment cycle and enters private domain, goes abroad or becomes ‘black money’.
- The prospect of payoffs can lead officials to create red tape, encourage the selection of uneconomical and unsustainable projects in order to manufacture opportunities for financial kickbacks and political patronage.
- Corruption raises the price of administration and inefficient public expenditures.
- Corruption can lead to the acquisition of inappropriate technologies were public expenditures are based on financial returns (for the decision-maker) rather than appropriateness or sustainability.
2) Corruption distorts allocation

- Corruption causes **decisions to be weighed in terms of money, not human need**. For example, water provision in the slums, which is designed for the poorest families, may not be taken into account, while the needs of those who can pay the most are immediately met.

- A corrupt act is a failure to achieve public sector objectives. Infrastructure projects can also be motivated by their potential to attract votes, rather than on the basis of priority/availability of financial resources.

- Reduced competition: Cancelling the invisible hand.
3) Failure to lead by example

• If the elite politicians and senior civil servants are widely believed to be corrupt, the public will see little reason why they, too, should not indulge in corrupt behaviour.

• Corruption in government lowers respect for constituted authority and hence leads to diminished governmental legitimacy.
The costs of corruption (4)

4) Loss of natural resources

Economic and cultural losses to societies from environmental degradation.
Corruption in the water sector hurts the poor the most

**Corruption discourages investments**, undermines efficient water resource management and service provision.

**Poor people have few means to enter alternative markets** when corrupt public systems fail to deliver. Acting within such a system, poor people typically cannot afford to pay bribes, and when they do, they have to pay a higher amount relative to their income.

If a scarce resource or service is only delivered to the one offering the highest bribe, the poor will lose out. Typically, poor people also lack the influential contacts and relationships that determine delivery and allocation of public offices in corrupt systems.
Corruption keeps the poor in poverty and makes the MDG’s impossible to achieve. To date, clean drinking water remains unobtainable for nearly 884 million people around the world. It indirectly diverts public resources away from social sectors and the poor, and limits development, growth and poverty reduction. The poor are easy targets for being subjected to extortion, bribery, double-standards and intimidation. Corruption reduces the access of the poor to basic services, including water.
• Where unofficial payments are required to access health, education or water services, the poor are most negatively affected.

• In many countries where the justice system is affected by bribery, the poor are unable to access the protection of the law and in some cases even threatened and therefore unable to realise their water rights.

• Corruption creates ‘water poverty’ by reducing water coverage and effectiveness and efficiency of water resource management.

• Corruption, in all its forms, directly decreases access to and quality of water assets, management and services and leads to increased costs.
Corruption and the poor: pro-poor anti-corruption strategies

A key first step in developing pro-poor anti-corruption approaches in the water sector is to identify the meaning and intention of ‘pro-poor’:

1. Pro-poor institutional water reform.
2. Providing safety nets for those that are marginalized.
4. Putting information in the hands of citizens/users is the key to holding government and providers accountable.
5. Empowering the poor to act and addressing the lack of knowledge.
Corruption and the poor: pro-poor anti-corruption strategies

6. Improving the poor's knowledge of their rights to water, of institutional roles and responsibilities through:
   a. Citizen’s actions such as participatory planning.
   b. Budgeting, promoting open and transparent publication of information.
   c. Public expenditure tracking and reporting.
   d. Monitoring of expenditures and outcomes – social audits.

6. Need to find out what money is flowing in, where it is meant to go, verify it is getting there.

7. Civil society may play such above roles on behalf of poor citizens but they need to be engaged.

8. Knowledge of corruption hotspots affecting the poor in the water sector.
Socio-cultural aspects of corruption

Social

On a systemic level, corruption diverts funds away from social services that provide vital assistance to the most in need.

Economic

Improved water supply and sanitation and water resources management boosts countries’ economic growth. Corruption undermines economic growth. Low levels of corruption produce strong economic growth.

Cultural

A lot of literature about the cultural roots of patronage, clientelism and rent-seeking is also typical of the water sector.

Political

The water-community should be encouraged to stop trying to keep politics out of the water sector. Stakeholders in the water sector could draw on the political potential of water and convert it into a powerful weapon.
Impacts of corruption on water governance

The impact of corruption can be described in financial, economic, environmental and sociopolitical terms, and can also involve issues of security.

Corruption:

1. Drains much-needed investment from the sector and distorts prices and decisions.
2. Affects both private and public water services and hurts developing and developed countries alike.
3. Leads to contaminated drinking water and destroyed ecosystems.
4. Aggravates social tensions, political frictions and regional disputes.
5. Increases operating costs.
Impacts of corruption on water governance

- **Limits water supply**, diverts resources meant for the water sector.

- **Increases spread of disease and poor water service delivery.**

- In the water sector, observers estimate that **20% to 70% of resources could be saved if transparency was optimised** and corruption eliminated.
Corruption in water and human rights


2. The principle that every individual is equal before the law and has the right to be protected on an equal basis is affirmed in all the main human rights treaties. Discrimination on any ground is prohibited by these treaties.

3. By definition, corruption has both a discriminatory purpose and effect.

4. Discrimination is a major catalyst that can lead to violation of people enjoying various rights.

5. Corrupt practices produce unequal and discriminatory outcomes.

6. Corruption restricts a person’s access to water (IHRC 2009).

7. Corruption violates people’s rights to the extent of hindering them from accessing water if the perpetrators control water resources.
Corruption in water and human rights

8. When bribes are requested from water users or when water development projects are abused access is severely restricted.

9. Similar entitlements to water and sanitation are contained in the Convention on the Rights of the Child (CRC) and the Convention on the Elimination of all forms of Discrimination against Women (CEDAW).

10. Rights to water call for universal access to water and sanitation, without discrimination. Nondiscrimination means no exclusion or restriction is made based on any ground.

11. Vulnerable and/or marginalized groups that must not be discriminated against include children and children that require special attention in light of their traditional or current exclusion from political power.

12. Therefore corruption that occurs in the water sector directly infringes on peoples rights’ entitlements.
Drivers of corruption:

1. Increased monopoly and discretionary power, which are common in water institutions.

2. Failure of monopolistic state delivery that creates opportunities for petty corruption.

3. Limited demand for accountability in developing countries in relation to the service provider/consumer accountability.

4. Weak civil society and undeveloped concept of customer rights.

5. Water’s many linkages to other sectors that are particularly vulnerable to corruption.
Drivers of Corruption

4. As a high-risk construction sector, water displays the resource allocation and procurement-related abuses which arise when the public and private sectors meet.

5. Low capacity, low wages, lack of clear rules and regulations, and dysfunctional institutions.

The drivers for change can enable institutions and the public to make informed decisions that improve the accountability of governments and reduces the scope for corruption.
### Demand and supply side of corruption in the water sector

#### SUPPLY SIDE
Those who depend on authorities to obtain access and/or advantages and who seek to influence decision-making for personal gain through bribery or other incentives through:

- Preferential treatment (private sector driven).
- Bribery and fraud in licensing, procurement and construction.
- Depends on authority seeking to influence decision-making for private gain i.e. bribery or other incentives.

#### DEMAND SIDE
Those with authority over decision-making processes and are willing to dispense advantages for personal gain through bribery or other incentives such as:

- Demand for bribes in exchange for services (Public Sector).
- In water as it occurs in resource allocation, procurement, construction such as diverting funds for a water supply network.
Incentives and disincentives for corruption to occur

Corruption Prevention
An incentive is a reward that induces stimulates, or encourages a desired action. Corruption flourishes when the incentives exist for it to do so. Disincentives can be introduced to counter balance corrupt incentives and to prevent corrupt behavior.

Disincentives
- Codes of Conduct that are enforceable
- Mechanisms for participation of users/citizens/consumers
- Sanctions against corruption

Incentives
- Weak internal systems
- No complaint mechanisms
- Monopoly
- Discretion

Level of Corruption