

## 3 Water and sanitation

*In this chapter Muhammad Sohail and Sue Cavill explore in compelling detail how corruption exacerbates the challenge to provide safe and affordable drinking water and sanitation to the poor. Their section presents a great wealth of case studies that document how corruption makes drinking water inaccessible, unaffordable and unsafe. The authors also explore the underlying dynamics that sustains corruption in this sector and conclude with a comprehensive set of recommendations for action, drawing on inspiring examples of successful initiatives from around the world.*

*A number of supplementary contributions further deepen the analysis of different aspects of corruption in drinking water and sanitation, which is the water sub-sector most closely linked to health and human development. Bernard Collignon adds case evidence on corruption in water as it affects the urban poor. Jack Moss explains from the industry perspective how corruption affects the day-to-day operations of private water operators. Per Ljung examines the significant corruption risks for drinking water and sewage in industrialised countries and Transparency International discusses the corruption risks for private and public operators. Virginia Lencina, Lucila Polzinetti and Alma Rocío Balcázar report on a successful initiative to strengthen anti-corruption provisions in the public procurement of water infrastructure. Venkatesh Nayak describes how freedom of information legislation is used in India to make water governance more accountable to the poor.*

### Water for the poor: corruption in water supply and sanitation

Muhammad Sohail and Sue Cavill<sup>1</sup>

*The slum is overcrowded, noisy and polluted. Most of its residents live in shacks that hardly resemble decent homes. Ajay has lived in the slum with his wife and children for five years. Getting enough water every day is a constant problem. The Slum Department was supposed to have implemented a water project for the slum-dwellers, but the project exists on paper only; in reality the area is still without water and sanitation. No one knows where all the money went.*

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*A few years ago an NGO set up a water and sanitation project in the slum: Ajay and the other residents formed a committee to look after the water point and sanitation block and collected money to pay the water bills. The mastaan (muscle man) – who also happens to be the local ward councillor – saw the project as competition to his water-vending business, however. The pump was vandalised one night and hasn't worked since.*

*Nowadays Ajay's wife gets up early every morning to collect water for the family: she usually walks to the nearest public water fountain but she also begs for water from the gate staff at the nearby factory or from homes in the wealthy areas of the city. Occasionally she has to buy from water vendors, but she can't afford much because the water is so expensive; the family goes thirsty on those days.*

## Water, corruption and the poor: a specific challenge

More than any other group, the poor are the main victims of the global water crisis. But water poverty is not just an important cause and characteristic of economic poverty; it is also a consequence of it. There is a causal relationship between poverty and the lack of water that flows both ways. Two-thirds of the roughly 1.2 billion people who do not have access to safe drinking water live on less than US\$2 a day. Of the more than 2.6 billion people who lack basic sanitation, a half fall below that same poverty line.<sup>2</sup>

Poor people without water are trapped in a desperate, daily struggle for survival to access water and other basic needs. Without economic resources to improve their situation, poor citizens suffer on multiple levels and become trapped in an inescapable cycle. Corruption is a major force driving these problems and the growing global water crisis. Inadequate access to clean water, combined with the lack of basic sanitation, is a key obstacle to progress and development in the world. Historically water-deprived regions, such as sub-Saharan Africa, are suffering disproportionately under these pressures.

### Political voice and patronage dependencies

Income poverty also goes hand in hand with political marginalisation, low social status and unequal power relationships. All these factors limit the tools and space available for poor citizens to take action against corruption. Poor people may feel the need to reduce their own vulnerability and resort to bribery to obtain a modest level of political protection and financial security, making it even more challenging to break the cycle of corruption in the water sector.

### Water, poverty, health and gender: close linkages

Access to water and sanitation services is a critical factor in the ability of poor households to generate the income and savings needed to exit poverty. Increased access saves households time. It allows them to do other activities – from entering the labour force to studying more

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<sup>2</sup> United Nations Development Programme (UNDP), *Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis* (New York: Palgrave Macmillan, 2006).

in order to get a better-paying job. According to one estimate, some 40 billion hours a year are spent collecting water in sub-Saharan Africa – a figure that is equivalent to the number of hours worked annually by France’s entire labour force.<sup>3</sup> Greater access to water and sanitation also means the reduced risk of missing work from waterborne illnesses. Throughout the whole of Africa, an amount equivalent to about 5 per cent of GDP is lost to illness and death caused by dirty water and poor sanitation every year.<sup>4</sup>

In developing countries, about 80 per cent of health problems can be linked back to inadequate water and sanitation.<sup>5</sup> Across the world, water-related ailments such as diarrhoea claim the lives of nearly 1.8 million children every year.<sup>6</sup> These illnesses exact a different toll on the lucky ones who survive. Poor health hampers income-earning potential and cuts down on education. An estimated 443 million school days are lost each year because of water-related ailments.<sup>7</sup> The same diseases are blamed for costing the Indian economy 73 million working days each year.<sup>8</sup> In responding to these health problems people are forced to waste excessive amounts of time and resources, which are already in short supply. Sickness means a loss of work days, output, wages and savings.

In most societies, women have the primary responsibility for collecting and managing water for their households. In the best cases, water may be found at a local standpipe or nearby river. In the worst cases, getting water may be a day-long activity. It is not uncommon for women and girls in Africa to walk more than 10 kilometres to gather water for their families in the dry season.<sup>9</sup> Girls are often tasked to help with the work and are forced to forgo other activities, such as schooling. Improving household access to water services can reduce these burdens placed on women. It also supplies a reliable and safe water source for a family’s daily necessities.

### Disconnected from the mainstream

The poor often have very limited ability to connect to formal water networks. A legacy of the colonial era in many developing countries, formal water and sewerage networks were often designed to cater to the interests of elites and have outgrown the demand now coming from poor areas. The poor in developing countries typically live in rapidly expanding, poorly planned and illegal settlements that are a manifestation of their political disenfranchisement and corruption’s reach.

Getting the poor connected to formal networks is not a simple task. In some countries, water utilities are legally barred from serving informal settlements. Even when water service is available, poor households may be unable to apply for a water connection without proof of a land title. Other communities may find it difficult to connect to water and sewerage networks because

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3 UNDP, 2006.

4 Ibid.

5 United Nations, *Millennium Report* (New York: UN, 2000).

6 UNDP, 2006.

7 Ibid.

8 P. Swann and A. Cotton, ‘Supporting the Achievement of the MDG Sanitation Target’, Well Briefing Note for CSD-13 (Loughborough: Loughborough University, 2005).

9 UNDP, 2006.

they are geographically isolated, located on steep hillsides or constructed on marginal land. When expanding networks is possible, the formal private sector may be reluctant to provide service to low-income areas. Their perceptions may be that poor customers fail to pay bills or will vandalise the infrastructure once it is built. And, even if all these hurdles are cleared, the costs for directly connecting households to the water network are often prohibitive for poor families. A utility connection in Manila is equal to about three months of income for the poorest 20 per cent, while the equivalent figure is six months in Kenya and more than a year in Uganda.<sup>10</sup>

### Dependence on informal providers

Lack of access to the public water network deprives the poor of what is usually the cheapest source of water. To fill in the gaps, the poor turn to public standpipes or suppliers that include NGOs and informal water vendors. Very often these alternative providers operate in a legal limbo. Their businesses are insufficiently recognised by the authorities, unregulated and dependent on securing access to bulk water resources through informal means.

Being outside the law allows informal providers to charge above public utility rates for water access. A cruel irony results from these circumstances: poor people living in slums unconnected to the water grid frequently pay far more than connected consumers. In Jakarta, Lima, Manila and Nairobi, the poor pay five to ten times more for water than their wealthy counterparts. Residents of Manila without water service rely on kiosks, pushcart vendors and tankers to meet their needs. At a cost of US\$10–20 per month, it is more than what people living in New York, London and Rome pay for water.<sup>11</sup>

### The result: the heightened vulnerability of the poor to water corruption

Lack of access to a formal and legal water connection, limited choice and voice, powerlessness, and a heavy dependence on informal and illicit providers make the poor extremely vulnerable to corruption. Locked into dependency and necessity, they are affected by many types of corrupt practices.

### Corruption in access, service delivery and maintenance

Country studies provide a graphic overview of how corruption corrupts the provision of water services. A groundbreaking 2004 survey in India found that 40 per cent of water customers had made multiple small payments in the previous six months to falsify meter readings so as to lower their bills. The findings were based on more than 1,400 interviews and meetings with customers, utility staffers, elected officials, development workers, activists and journalists. Customers also said they had paid bribes to speed up repair work (33 per cent of respondents) or expedite new water and sanitation connections (12 per cent of respondents).<sup>12</sup>

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> J. Davis, 'Corruption in Public Service Delivery: Experience from South Asia's Water and Sanitation Sector', *World Development*, vol. 32, no. 1 (2004).

Other countries have shown a similar extent of corruption occurring at the level of water users. More than 15 per cent of respondents to a national household survey in Guatemala said they paid a bribe when they sought a water connection or reconnection.<sup>13</sup> In Kenya, over 50 per cent of households surveyed in Nairobi felt their bills were unfair, 20 per cent said they paid their bills regardless of the accuracy (in order to avoid disconnection) and 66 per cent said they had had a water-related corruption experience in the past year.<sup>14</sup>

Fee collection is also vulnerable to corruption when additional middlemen are involved. Local water committee members may steal money that has been collected from residential customers to pay the community's water supply and sanitation bill. In the case of Namibia, the result of the theft of fees was that some residents suffered a disconnection in service.<sup>15</sup>

Extortion in the repair and maintenance services is also common. In Zimbabwe, a resident of Harare was told the broken pipe that leaked sewage into his house would not be fixed unless he 'dropped a feather' – paid a bribe. A woman who was wrongly billed sixty times more than her normal monthly rate for water was told that to have her service turned back on she would have to make the full payment. The elderly widow refused and instead began having the renters she took in collect water from a nearby church.<sup>16</sup>

The pressure to extract bribes from customers is further compounded by another form of corruption in the sector: superiors in public services charge 'rents' from their subordinates in exchange for preferential shifts, locations or responsibilities. In Mauritania, standpost (e.g. water point) attendants are known to pay bribes to obtain these important community jobs.<sup>17</sup> The ability of staff to purchase these choice posts in turn depends on their ability to collect bribes from customers. The poor make an easy target.

### Collusion to corner the market

In Bangladesh and Ecuador, private vendors, cartels or even water mafias have been known to collude with public water officials to prevent network extension or cause system disruptions. These service breakdowns help to preserve their monopoly over provision and increase the business for private water vendors in specific neighbourhoods.<sup>18</sup>

Collusion limits the choice of the poor and forces them to rely on potentially unsafe and overpriced water from cartels that often are operating illegally. The stark human consequences of this manifestation of corruption are vividly described by one survey respondent in Bangladesh: 'It is really tough for a day labourer to give a high price for . . . water. So, our

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13 Acción Ciudadana, 'Indicadores de Percepción y Experiencias de Corrupción de Guatemala – IPEC' (Guatemala City: Acción Ciudadana, 2006).

14 TI Kenya, 'Nairobi Water & Sewerage Company Limited: A Survey, April–May 2005' (Nairobi: TI Kenya, 2006).

15 IRC International Water and Sanitation Centre, 'Zimbabwe, Namibia: Examples of Corruption', 21 September 2007.

16 IRIN News, 'Zimbabwe: As Services Collapse, Corruption Flourishes', UN Office for the Coordination of Humanitarian Affairs, 28 May 2007.

17 See article starting on page 52.

18 E. Swyngedouw, *Social Power and the Urbanization of Water: Flows of Power* (Oxford: Oxford University Press, 2004).

budget is strained and we cannot afford to meet our needs. We cannot save anything for our future either.<sup>19</sup>

### Corrupted policy design also hurts the poor

Corruption occurring higher up the water supply chain, where policies are set and infrastructure projects designed and managed, also affects the day-to-day struggle of the poor for water. This grand corruption reinforces inequitable water policies, diverts resources away from pro-poor projects and stymies infrastructure build-outs to meet user demand. The economic and financial costs are difficult to quantify but the sizable amount of funding the water sector receives makes the opportunity for siphoning off resources great.

In 2003 the European Commission, for example, learned that 90 per cent of EU funds intended to help improve water service in fifty communities in Paraguay had been diverted. The funds were eventually traced to a bank account of a foundation that was not involved in the project. As a result of these findings, Paraguay launched a criminal investigation into the affair.<sup>20</sup> Rather than shadow companies, collusion was found to be a problem on a World Bank water project in Albania.<sup>21</sup> In 2005 the multilateral lender debarred six companies and five people after it was found that they had colluded on a project to improve failure-prone pipes, wells and pumping stations across the country.<sup>22</sup>

Fraud in bidding and the award of contracts is another hot spot for grand corruption. Corrupt procurement can take on many forms, including tailoring project specifications to a corrupt bidder, providing insider information, limiting bid advertising, shortening bid periods and breaching confidentiality. Contractors may 'sweeten up' the review committee with lavish entertainment in exchange for certifying their work or turning a blind eye to construction shortcomings.

### Political corruption

As in most other public works sectors, political corruption also tarnishes water service. Various forms of corruption may lead to policy capture that sways project selection. Politicians may be bribed to divert resources away from improving rural water supply networks and using them in urban areas where influential constituencies are based. Politicians may back expensive and high-tech infrastructure projects to maximise opportunities for extortion or to steer lucrative business contracts to cronies.

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19 Institute for Development Policy Analysis and Advocacy at PROSHIKA, *Accountability Arrangements to Combat Corruption in the Delivery of Infrastructure Services in Bangladesh* (Loughborough: Loughborough University, 2007).

20 European Anti-Fraud Office (OLAF), 'Report of the European Anti-Fraud Office, Fifth Activity Report for the Year Ending June 2004' (Brussels: European Commission, 2004).

21 IRC International Water and Sanitation Centre, 'Albania: World Bank Debars Fraudulent Firms Involved in Water Project', 8 April 2005.

22 World Bank, 'Albania: Water Supply Urgent Rehabilitation Project', (Washington, DC: World Bank, 2004).

Bribes can also be used as a means to shore up the political power of individuals and groups. Contracts with private sector companies for building and managing water networks can be padded to provide slush funds for political campaigns and parties. Contracts may also be awarded in order to favour a specific constituency or friend in return for votes.<sup>23</sup>

When projects are built, there is an all too common mismatch between their design and sector needs that leads to poor management and infrastructural maintenance. The resulting infrastructures are likely to fall quickly into disrepair, neglect and irrelevance. A study in one rural district in Malawi showed that three-quarters of new village water points relied on expensive drilling technologies even though two-thirds of the population lived in high water table areas where hand digging and other simple technologies could have been used.<sup>24</sup>

## How corruption in water and sanitation can be tackled

Fighting water corruption while focusing on the needs of the poor presents a tremendous challenge. It means changing a system that favours powerful vested interests and making it more – if not primarily – accountable to the needs of society’s weakest citizens (economically, politically and socially). It also requires designing anti-corruption strategies carefully to ensure that they do not harm the intended beneficiaries in the process.

Approaches also must be targeted to break the cycle of corruption. Grand corruption at the sectoral level nurtures petty corruption at the street level. Manipulated policies and botched infrastructure create and perpetuate the very shortages and lack of choice, voice and accountability the poor face in dealing with water suppliers. To ensure anti-corruption reforms work for the poor, action is needed both upstream and downstream and at different levels along the supply chain.

### Strategies must build and match the capabilities of all water stakeholders

The effective linking of capabilities to anti-corruption activities is essential at all levels and among different players.

At the national level, anti-corruption work needs to match governance capabilities. For certain countries, general government reforms may be a more useful starting point than establishing anti-corruption commissions. If overall governance is weak and the incidence of policy capture high, setting up regulatory or oversight agencies could leave them vulnerable to the corruption they were created to combat.<sup>25</sup>

At the sector level, the sequencing of private sector engagement must be assessed. Private sector involvement has been found to be less effective and accountable when it is brought in

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23 See article starting on page 55.

24 S. Sugden, ‘Indicators for the Water Sector: Examples from Malawi’ (London: WaterAid, 2003).

25 A. Shah and M. Schacter, ‘Look before You Leap’, *Finance and Development*, vol. 41, no. 4 (2004); J. Plummer and P. Cross, ‘Tackling Corruption in the Water and Sanitation Sector in Africa: Starting the Dialogue’, in E. Campos and S. Pradhan (eds.), *The Many Faces of Corruption* (Washington, DC: World Bank, 2007).

too early or if strong regulatory capacities are not yet in place.<sup>26</sup> The negative experiences that many developing countries have had with privatising their water services signal what can happen when proper government oversight powers are not established.

At the local level, creating transparency and consultative mechanisms will work only if poor communities have the resources, information and mobilisation structures to take advantage of them. This highlights the need for complementary capacity-building efforts. Watchdog functions in South Africa, for example, were found to be neither premised on partnerships with the poor nor geared to reporting at this level.<sup>27</sup>

### Anti-corruption efforts for the water sector need to be intentionally pro-poor

Most successful anti-corruption measures in the water sector directly or indirectly benefit the poor. But some initiatives need to be designed more carefully to ensure that the intended beneficiaries are not hurt in the process of combating corruption.<sup>28</sup> Cost recovery, for example, can strengthen budgetary discipline and the financial independence of water providers – important building blocks for more accountability which have been successfully deployed in many reform projects. Nevertheless, this strategy can work only if pro-poor targets for expanding networks and keeping tariffs affordable are clearly recognised and incorporated into financing plans and tariff-setting schedules.

The OECD estimates that, in the absence of targeted subsidies, increased cost recovery through tariffs would force more than a half of households in many Eastern European and Central Asian countries to spend more than 4 per cent of their income on water. This is considered the maximum sustainable level of household spending on water.<sup>29</sup> In Bolivia, Honduras and Nicaragua, the UNDP anticipates affordability problems for more than a half of the population, and for a staggering 70 per cent of households in sub-Saharan Africa, if cost recovery were introduced without accommodating measures.<sup>30</sup>

### Some corruption in water is best fought through legalisation<sup>31</sup>

Informal providers offer important bridging services – as well as capital and expertise – that make water and sanitation available where official networks fail the poor. In many

26 C. Kenny, 'Infrastructure Governance and Corruption: Where Next?', Policy Research Working Paper no. 4331 (Washington, DC: World Bank, 2007).

27 G. Hollands and Mbumba Development Services, 'Corruption in Infrastructure Delivery: South Africa', case study (Loughborough: Loughborough University, 2007).

28 J. Plummer, 'Making Anti-corruption Approaches Work for the Poor: Issues for Consideration in the Development of Pro-poor Anti-corruption Strategies in Water Services and Irrigation', Report no. 22 (Stockholm: Swedish Water House, 2007).

29 OECD, 'Keeping Water Safe to Drink', Policy Brief (Paris: OECD, 2006).

30 UNDP, 2006.

31 T. M. Solo, 'Independent Water Entrepreneurs in Latin America: The Other Private Sector in Water Services' (Washington, DC: World Bank, 2003); M. Kjellén and G. McGranahan, *Informal Water Vendors and the Urban Poor* (London: International Institute for Environment and Development, 2006); S. Trémolet and C. Hunt, 'Taking Account of the Poor in Water Sector Regulation', Water Supply and Sanitation Working Note no. 11 (Washington, DC: World Bank, 2006).

developing countries, 20–30 per cent of urban households depend on independent vendors as their main water providers. Attempting to stamp out these indispensable yet informal services would drive them deeper into illegality and hurt their main clients: poor communities.

Bringing informal providers into the legal fold – through licences, ‘light touch’ regulations and their formal recognition as alternative suppliers – is a more viable strategy. This could protect both vendors and customers from corruption and exploitation.<sup>32</sup> Authorities in countries as diverse as Senegal, Vietnam, Mozambique and Ghana have already licensed informal vendors (or are considering doing so) and established guidelines for tanker operators and independent entrepreneurs.<sup>33</sup>

### Box 2 System reform: routes to accountable water utilities

The Phnom Penh Water Supply Authority has achieved significant progress in combating a culture of corruption and improving service delivery to the poor. Among the poorest families in the city, the number of household connections rose from 100 in 1999 to 15,000 in 2006.<sup>34</sup> Key components of Phnom Penh’s success include the following.

- Replacing often corrupt bill collectors with public offices where customers can pay their bills directly.
- Offering training and performance-related bonuses for staff, fast-track promotion for young dynamic staffers and profit-sharing.
- Subsidising connection fees and bills for the poorest people.
- Installing meters for all connections.
- Establishing inspection teams and stiff penalties for illegal connections.

Serious challenges remained in the area of procurement, however. Due to corruption, the World Bank suspended a contract and withheld US\$1.8 million (€1.4 million) in June 2006 from a water project in Phnom Penh intended to expand water service to targeted towns and peri-urban communities. The suspension was lifted only after the authorities agreed to delegate procurement of World-Bank-financed projects to an international firm.<sup>35</sup>

32 Competition is found more important than ownership for performance in many sectors. See D. Parker and C. Kirkpatrick, ‘Privatisation in Developing Countries: A Review of the Evidence and Policy Lessons’, *Journal of Development Studies*, vol. 41, no. 4 (2005).

33 UNDP, 2006; S. Trémolet and C. Hunt, 2006.

34 M. C. Dueñas, ‘Phnom Penh’s War-torn Water System Now Leads by Example’, *Asian Development Bank Review*, vol. 38, no. 4 (2006); World Bank, ‘Rehabilitating the Urban Water Sector in Cambodia’, 2006; see [go.worldbank.org/DRCGF75J80](http://go.worldbank.org/DRCGF75J80).

35 World Bank, ‘World Bank Lifts Suspension of Projects’, 7 February 2007; World Bank, ‘Rehabilitating the Urban Water Sector in Cambodia’; World Bank, ‘Cambodia: World Bank Releases New Statement and Update’, 6 June 2006.

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## Towards integrity and professionalism for water services

Service providers can promote codes of conduct and citizen charters as a means of improving the professionalism and integrity of their operations. Once finalised, these commitments should be publicly displayed in local languages and in a way that respects community norms. In the Indian state of Tamil Nadu, efforts to promote the sector's integrity have involved engaging the community in the decision-making process. Internal reforms of the water utility are being led using a *koodam*, a traditional body that treats everyone equally, including women and Dalits (or 'untouchables'). As a result of involving local citizens, water access has increased by 10 per cent each year and efficiency measures have driven down investment costs by more than 40 per cent. Tamil Nadu's experience is now helping other public utilities in India replicate their success.<sup>36</sup>

## Making the right to water an enforceable entitlement

Rights are the ultimate guarantor of equality. When enforced, a legal right to water can be an important mechanism for poorer communities. It can help them outflank local power relations and hold authorities to account for corrupt water policies and dysfunctional delivery systems.

Existing international mechanisms are already in place that outline the obligation of countries to provide water for their citizens. Access to sufficient, safe and affordable water for personal and domestic use is recognised as a human right by the United Nations. The UN Committee on Economic, Social and Cultural Rights gave access to water this status in 2002 and outlined the duties of governments to respect, protect and fulfil their commitments. To date, however, no international treaty exists to enforce or monitor compliance.

At the country level, states can create their own legal commitments by incorporating the right to water into specific sectoral policies and government laws. Once passed, the court system can be used as the channel for enforcement. In Argentina, for example, community members, with the help of a human rights NGO, took the municipality and state of Cordoba to court over failing to stop daily spillage from a sewage treatment plant that contaminated their drinking water. In 2004 a court ruled in the citizens' favour and both the state and municipality were forced to take action.<sup>37</sup>

## Shedding light on corruption in the water sector through access to information

As in many other sectors, making corruption – or at least its impact – visible can provide a strong impetus for change.

In Malawi, geographic information systems (GIS) have been used to show how much water spending actually reaches the poor. The results are startling and graphically simple to understand. The mapping of new water points constructed between 1998 and 2002 found that

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<sup>36</sup> See World Development Movement, [www.wdm.org.uk/campaigns/water/public/india.htm](http://www.wdm.org.uk/campaigns/water/public/india.htm).

<sup>37</sup> M. Gorsboth, 'Identifying and Addressing Violations of the Human Right to Water', (Stuttgart: Brot für die Welt, 2005).

a half of them were in areas that had already reached the recommended coverage density and that more equitable siting could have lifted almost all districts above this threshold. In some communities, this disparity in coverage was linked to political affiliations determining whether and where water points would be built.<sup>38</sup>

Sectoral budget analyses also provide a quick overview to show who actually benefits from water subsidies intended for the poor. After examining Tanzania's water budget, the World Bank found that a poor rural citizen received only one-fifth of the water subsidy that a rich urban resident garnered. Moreover, up to 41 per cent of all subsidies went to the country's wealthiest 20 per cent of households.<sup>39</sup> Likewise, in Bangalore, India, and Kathmandu, Nepal, the richest 10 per cent of households were found to receive more than twice as much in water subsidies as the poorest 10 per cent.<sup>40</sup>

Techniques and tools that shine the spotlight on corrupt policies are straightforward, but the resources to apply them at regular intervals or greater scale are difficult to mobilise. And excessive secrecy on the part of governments hinders their application. A survey of fifty-nine countries found that more than a half do not release to the public budgetary information produced for their own internal use or for donors.<sup>41</sup>

### Strengthening the voice and participation of the poor in water governance

A variety of innovative initiatives show how empowerment can translate into greater participation and a more powerful voice for the poor. At the same time, special efforts are needed to overcome the traditional exclusion of women and other vulnerable citizens from participatory processes. Their inclusion in activities needs to be targeted and a common respect created for their contributions.

Setting water policy and budget priorities is one area for a more inclusive approach. Greater public participation and transparency in budget-setting activities can contribute to a more equitable distribution of resources for the poor. In Porto Alegre, Brazil, citizens are directly involved in participatory budgeting and spending reviews on water and sanitation. Within seven years of adopting these measures access to water increased from 80 per cent in 1989 to near-universal coverage by 1996, and access to the city's sanitation system expanded from less than a half to 85 per cent of all citizens over the same period. To ensure a pro-poor focus, the votes of the poorest people were weighted to give them greater voting power in budget-setting and spending reviews.<sup>42</sup>

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38 S. Sugden, 2003.

39 'World Bank, 'Tanzania: The Challenge of Reforms: Growth, Incomes and Welfare' Report no. 14982-TA, cited in F. Naschold and A. Fozzard, *How, When and Why does Poverty Get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Tanzania* (London: Overseas Development Institute, 2002).

40 C. Brocklehurst, 'Reaching out to Consumers: Making Sure We Know what People Really Think and Want, and Acting upon It' (Washington, DC: World Bank, 2003).

41 The International Budget Project, Open Budget Initiative, Open Budget Index, Survey Questionnaire 2005/6.

42 O. M. Viero, 'Water Supply and Sanitation in Porto Alegre, Brazil', presentation at WaterTime workshop, Cordoba, Spain, October 2003.

Participatory approaches have also been used and found successful among rural communities. Ghana has experienced a dramatic improvement in rural water service by decentralising responsibilities and funding from the central government down to the village level. Communities have established village water committees to decide how best to manage their water systems to meet local needs.<sup>43</sup>

Tracking and auditing expenditures for water can also be carried out with community input. To ensure that budget priorities are implemented fairly and transparently, public expenditure tracking and service delivery surveys have become the favoured tools for diagnosing corruption and other problems in developing countries. They were pioneered in 1996 to assess Uganda's primary education system and resulted in exposing the theft of funds and inspiring a wave of effective anti-corruption reforms in the country. Community involvement in audits can also be useful when corruption is suspected in public works. An analysis of corruption in village-level infrastructure projects in Indonesia has confirmed that audits can be highly effective in curbing corruption, but that auditors also need auditing.<sup>44</sup> In the Philippines, public auditing has been taken a step further. Civil society organisations, such as the Concerned Citizens of Abra for Good Governance, have partnered with government agencies to monitor public works projects. In one instance, monitoring discovered a river control structure was being built on an unstable foundation and helped to avert a potential disaster.<sup>45</sup>

Monitoring the performance and impact of water provision is another important area for civil society engagement. First used in Bangalore in 1993 and since replicated in more than twenty countries, citizen report cards capture feedback from the poor and other marginalised groups about the quality of public service delivery. This focus allows personal stories about corruption to be scaled up into a powerful collective body of evidence that an endemic problem exists. Report cards have helped to benchmark the performance of Bangalore's water board and other public utilities and produce significant improvements in service provision since the first round of surveys.<sup>46</sup>

## Towards a new future: the least should come first

For water and sanitation services to be effective and accountable to all, poor citizens must be placed at the centre of service provision. Poor citizens must be enabled to monitor and discipline service providers. There must be space for them to raise and have their concerns heard. Poor people's greatest strength lies in their numbers. Combining their limited time and resources (skills, labour and money) has been shown to have a positive impact on combating corruption. At the same time, incentives must be strengthened for service providers to engage

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43 UNDP, 2006.

44 S. Guggenheim, 'The Kecamatan Development Project: Fighting Corruption at the Grassroots', presentation at World Water Week, Stockholm, August 2007.

45 M. Sohail and S. Cavill, *Accountability Arrangements to Combat Corruption: Synthesis Report and Case Study Survey Reports*, WEDC (Loughborough: Loughborough University, 2007).

46 See article starting on page 106.

with the poor. Both private and public utilities should be encouraged to take steps that increase transparency and the role of independent oversight by auditors and regulators.

While the solutions seem simple, these have not been easy tasks in the past nor will they be in the future. Water corruption that harms the interests of the poor is based on a complex system of unequal power relationships and interlocking incentives that is difficult to tackle. It took many years for this system to be built, and it will likely take many years to tear it down.

A wide range of promising initiatives and instruments are at hand. None of them can single-handedly stamp out water corruption and make the system more accountable to the poor. But together they can provide the mix of incentives and sanctions, choice and voice, and checks and balances that will help to break corrupt power relationships and make water more accessible and affordable for the poor.

## Corruption in urban water use by the poor

Bernard Collignon<sup>1</sup>

In addition to a host of day-to-day insecurities, the informal status of most slum dwellers makes them especially vulnerable to corruption. Though they have the right to vote and the responsibility to pay taxes, they are often denied the official documents and legal standing they need to compete with other customers for access to water. A simple way to overcome these handicaps is to pay an overhead.

In most large cities in developing countries, water is normally provided either by standpipes or household connections – both of which present many corruption challenges for the poor.

Securing an individual in-house connection can be an almost insurmountable challenge for the poor, as described in chapter 3 of this report.<sup>2</sup> Poor households, especially in slum areas, lack not only legal entitlements and political clout, but also the money to pay for or bribe their way into obtaining a household connection. This leaves public standpipes and informal providers as the main water source for millions of poor households in the developing world. The incentives for corruption are as diverse as they are powerful.

## Corruption to capture the market and ways to counter it

Securing a local water monopoly can boost profits at the expense of the poor, and operators often resort to corrupt practices to stave off competition. Such ‘water mafias’ have been reported in South and South-east Asia, but rarely documented in detail.<sup>3</sup>

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1 Bernard Collignon is the chairman of Hydroconseil, a consulting firm in the water sector (Avignon, France).

2 See article starting on page 40.

3 Regional Institute for Research on Human Settlements Technology, ‘Small Scale Water Providers in Metropolitan Jakarta’, PPIAF-funded study for WASPOLA Working Group, 2005; *BBC* (UK), 19 August 2004.

Nonetheless, effective competition can grow from the informal sector. In Maputo, Mozambique, inefficiencies on the part of the main utility have given rise to a flourishing informal water market. More than 200 small-scale alternative suppliers channel water from private, unregulated boreholes through self-built networks to thousands of clients, covering 40 per cent of all city districts. Most providers are competing for additional customers, and networks commonly overlap.<sup>4</sup> These competitive, alternative markets can play an important role in extending network coverage and curbing predatory water pricing.

## Competition between customers when resources are under stress

When water becomes scarce, customers compete to obtain as much of it as possible. This creates more incentives to resort to corruption to grab more than one's fair share. This problem is common in Kathmandu, Delhi, Algiers, Nairobi, Port-au-Prince (Haiti) and many other large cities in the developing world with water shortages.

When water companies are unable to provide sufficient water pressure throughout the entire city at the same time, they resort to rationing – making water available only for portions of the day or week in each district. Utility staffers charged with opening valves and distributing water are in a very sensitive position, and find themselves with very good opportunities to pad their income illicitly. High-income households and water resellers that serve slums are prepared to pay bribes for access, driving up prices and skewing water allocation further towards the rich and influential.

Water shortages are normal in Port-au-Prince. A group of valve attendants traverses the city every day, opening and closing valves to distribute water – district by district and even street by street. Along the way, rich people bribe them in order to get more water. But they also compete with slum water associations (*comités de l'eau*), which also bribe valve attendants to fill their storage tanks for resale. The final payers of the bribes are the slum dwellers – those who, obviously, have the least money to spare.<sup>5</sup>

## Local jobs for loyal voters

Filling local water jobs provides yet another opportunity for corruption. Standpipe attendants, sometimes known as *fontainiers*, who resell water to local communities have low turnover (US\$3–10 per day) and very low net revenue (US\$1–4 per day). Nevertheless, as job opportunities in the slums are limited, competition for the position is intense.

Because a late bill payment can result in a water company swiftly cancelling a *fontainier's* contract, they have been known to offer bribes to keep their jobs.<sup>6</sup> In addition, in Mauritania,

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4 Seureca and Hydroconseil, 'Projecto de Reabilitação das Redes de Água Potável da Aglomeração de Maputo', Final Feasibility Report to FIPAG, Government of Mozambique, 2005.

5 B. Collignon and B. Valfrey, 'La Restructuration du Service de l'Eau dans les Bidonvilles de Port-au-Prince', presentation at the second Rencontre Dynamiques Sociales et Environnement, Bordeaux, 9–11 September 1998.

6 B. Collignon and M. Vézina, 'Independent Water and Sanitation Providers in African Cities: Full Report of a Ten-country Study', Water and Sanitation Program (Washington, DC: World Bank, 2000).

fontainiers have been known to get their jobs in return for a bribe.<sup>7</sup> One way or another, these bribes are ultimately paid by standpipe customers. Finally, many water companies allow local governments to select standpipe attendants, opening the door for these officials to abuse their power by providing friends and ‘good voters’ with jobs. This practice has been reported in Indonesia, Mali and Senegal.

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<sup>7</sup> Hydroconseil, ‘La Gestion des Bornes-fontaines Publiques dans la Commune d’El Mina’, l’Atelier de l’Agence de Développement Urbain de Nouakchott, Mauritania, 2003.

## Building water integrity: private water operators’ perspective

Jack Moss<sup>1</sup>

From a business perspective, corruption increases costs, reduces efficiency and threatens the ability to deliver required results. A private operator’s *raison d’être* is to deliver high-quality water services in a businesslike and committed manner. This means understanding and satisfying the needs of its customers and meeting the obligations set by clients and regulators, while ensuring adequate returns to investors and owners. Keen to escape the scourges of coercion and corruption that limit their performance, operators have taken action to combat these practices.

### What corruption risks do private water operators face in their day-to-day operations?

Legacy practices of corruption in dealing with customers, subcontractors and suppliers can be a challenge. Tracking, monitoring and quality control systems, as well as training for subcontractors and a separation of functions such as decision-making, operations and cash management, are designed to eliminate opportunities for petty corruption. But implementing adequate processes often calls for strong management at the start of contracts, in order to change the staff culture inherited from former management and eradicate corrupt internal practices.

Companies also have adopted codes that usually start with a clear and simple set of ethical principles. These principles are supported by operational procedures that generate audit trails, and also may contain web-based checks and whistleblower protection.

Another difficult challenge is to resist extortion by low-level officials responsible for issuing local permits and licences or approving completed work. This involves issuing documents such as ‘digging permits’ or ‘works completion certificates’. Combating this kind of corruption often

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<sup>1</sup> Jack Moss is senior water adviser for AquaFed, the International Federation of Private Water Operators.

puts operators at risk of non-compliance with contractual or regulatory targets. This challenge can be even more difficult when petty officials are seeking bribes in collusion with senior officials who may be involved with the operator's client. Preventing an operator acting alone from engaging in this kind of coercion and extortion can be very difficult. Support is needed from the community, the industry and organisations such as the Water Integrity Network.

In all these ways, private operators are engaged in the fight against corruption for the benefit of the communities they serve. This is especially the case for low-income customers, who suffer the most from corrupt practices. Aquafed's Code of Ethics encourages member companies to take care of vulnerable groups,<sup>2</sup> and the organisation supports the Right to Water for all.<sup>3</sup>

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2 See [www.aquafed.org/ethics.html](http://www.aquafed.org/ethics.html).

3 Aquafed, 'Water and Sanitation for Women', 8 March 2007. Available online at [www.aquafed.org/documents.html](http://www.aquafed.org/documents.html).

## Water corruption in industrialised countries: not so petty?

Per Ljung<sup>1</sup>

Western Europeans and US citizens, who generally enjoy high-quality water service, might only rarely have to consider paying a bribe for a falsified water meter reading, an expedited repair or an illegal connection.<sup>2</sup> But the virtual absence of petty corruption does not mean that the water and sanitation sector in industrialised countries is free from governance problems and corruption. It takes place at another level.

### Rigging competition in building water infrastructure

Water and sanitation networks require more than double the capital investment relative to revenue than other utilities such as electricity, gas or telecommunications. In 2007 total worldwide capital expenditures for municipal water and sanitation were estimated at US\$140 billion.<sup>3</sup> These investments primarily involve public works construction, a sector in which corruption risks are high.<sup>4</sup>

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1 Per Ljung is chief executive of PM Global Infrastructure.

2 A notable exception occurred in New Jersey in 2007, when a water agency employee pleaded guilty to colluding with a landlord to extract money from poor households that sought to avoid water disconnection due to outstanding bills. See A. MacInnes, 'A 6th Official in Passaic Corruption Sweep is Guilty', *Bergen County Record*, 27 July 2007.

3 Global Water Intelligence, *Global Water Market 2008: Opportunities in Scarcity and Environmental Regulation* (Oxford: Global Water Intelligence, 2007).

4 In the United Kingdom, for example, a two-year investigation by the Office of Fair Trading (OFT) had by 2007 uncovered evidence of bid-rigging in thousands of tenders in the construction industry. See OFT, Press Release, 22 March 2007, [www.of.gov.uk/news/press/2007/49-07](http://www.of.gov.uk/news/press/2007/49-07).

Collusion among bidders appears to be the most prevalent corrupt practice in industrialised countries. Perhaps the best known is Japan's 'dango' system, in which bidders for public works projects politely decide amongst themselves who will win contracts. The 'winning' firm as well as its 'rivals' submit choreographed bids to public agencies to maintain the illusion of competition.<sup>5</sup>

In Australia, three suppliers of valves and fittings used for water, irrigation and sewage systems were fined a total of A\$2.85 million (US\$2.5 million) in 2000 for engaging in price-fixing, tender-rigging and market-sharing.<sup>6</sup> Two years later three Swedish suppliers of water and sewage pipes were convicted of price-fixing and market-sharing.<sup>7</sup>

### Corruption in awarding water contracts

Water agencies often award high-budget contracts to private companies to operate and maintain public water and wastewater systems. The larger of these contracts have long durations and involve complex provisions, making the tailoring of contracts to preferred suppliers hard to detect. Moreover, such contracts are often awarded in the context of soft budget constraints. The possibility of drawing on public subsidies or adjusting user fees emancipates water managers from strictly commercial cost pressures and provides additional discretion in designing and awarding contracts.

As many well-documented cases show, the temptation to engage in corrupt practices in such a context is very strong. Not only are industrialised countries not immune from these problems, many of the more notorious corruption cases have occurred in Europe and the United States.

In cities as diverse as Grenoble, Milan, New Orleans and Atlanta,<sup>8</sup> officials were allegedly wined and dined, treated to lavish holiday trips and even apartments and given large cash amounts, all for the purpose of awarding or influencing the design of water and sanitation contracts.

In Milan, for example, an executive of a private water company was imprisoned in 2001 for planning to bribe local politicians with L4 billion (US\$2.9 million) to win a L200 billion (US\$145 million) wastewater treatment contract. The city council president was also convicted and jailed.<sup>9</sup>

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5 J. McMillan, 'Dango: Japan's Price-fixing Conspiracies', *Economics and Politics*, vol. 3, no. 3 (1991).

6 Australian Competition and Consumer Commission, 'Penalty of \$100,000 against Watergear Brings Penalty Total to \$2.85 Million for Collusion in Fittings, Valves for DI/CL Pipes', 21 July 2000. See [www.accc.gov.au/content/index.phtml/itemId/87433](http://www.accc.gov.au/content/index.phtml/itemId/87433).

7 Swedish Competition Authority, *Konkurrens Nytt* (newsletter), no. 1 (2002).

8 M. Sohail and S. Cavill, *Accountability Arrangements to Combat Corruption: Synthesis Report and Case Study Survey Reports*, WEDC (Loughborough: Loughborough University, 2007); J. Godoy, 'Water and Power: The French Connection', (Washington, DC: Center for Public Integrity, 2003); 'Ex-New Orleans Political Figure Pleads Guilty', Associated Press, 5 January 2006; US Department of Justice (Northern District of Georgia), 'Former Atlanta Mayor Sentenced to Prison on Federal Felony Tax Charges', 13 June 2006.

9 M. Sohail and S. Cavill, 2007; Public Citizen, 'Veolia Environment: A Corporate Profile', Washington, DC, February 2005.

## Corruption for political power

Bribes can also be used to shore up political power through supporting political campaigns and parties, steering contracts to political cronies or making sure water policies favour a specific constituency. In San Diego, for example, an audit in 2006 found that households were improperly overcharged on their monthly sewage bills, with the excess being unlawfully used to subsidise the sewage costs of large industrial users.<sup>10</sup> In Chicago, the head of the water department was found guilty in a scheme to extort campaign contributions from subcontractors and use employees from his department to do campaign work.<sup>11</sup>

## What's at stake?

In developing countries, the main effects of corruption are reduced access for the poor and low-quality service for those who have it. Though less related to death and disease, corruption in industrialised countries is no less real. Cost escalation due to corruption is borne primarily by consumers and, to some extent, by local and/or national taxpayers. These direct costs are difficult to quantify, but the stakes are huge. Western Europe, North America and Japan spent an estimated US\$210 billion on municipal water provision and wastewater treatment in 2007, and this will climb to more than US\$280 billion by 2016.<sup>12</sup> Even a small corruption factor can translate into formidable losses for the public.

But the real social costs of corruption cannot simply be boiled down to money. When corruption raises the price of water provision and utilities face severe budget constraints, 'less urgent' environmental investments, primarily in sewage treatment, may be cancelled or postponed. This shifts the burden to future generations. Perhaps more gravely, corruption to secure political power fuels widespread public cynicism about local institutions and undermines the trust in political legitimacy.

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10 A. Levitt Jr. *et al.*, 'Report of the Audit Committee of the City of San Diego: Investigation into the San Diego City Employees' Retirement System and the City of San Diego Sewer Rate Structure' (New York: Kroll Inc., 2006).

11 US Internal Revenue Service, 'Former Chicago Department of Water Management Official Sentenced in Federal Corruption', FY2007 Examples of Public Corruption Crimes Investigations (see [www.irs.gov/compliance/enforcement/article/0,,id=163040,00.htm](http://www.irs.gov/compliance/enforcement/article/0,,id=163040,00.htm)); *Chicago Sun-Times* (US), 30 July 2005.

12 Global Water Intelligence, 2007.

## The public and private faces of corruption in water

### Transparency International

Does business or government do a better job supplying water to the people and keeping corruption in the sector low? In almost no other policy area has the public versus private controversy been waged with as much fervour and ideological zeal. This is not surprising. No other resource is so fundamental to our notion of life and living on what is aptly called

the 'blue planet'. For some, this makes water the ultimate social good, a moral no-go area for private profit. For others, the very urgency of the global water crises calls for efficient management and a mobilisation of capital that, in their view, the private sector can provide best.

But there is more agreement in this debate than initially meets the eye. First, affordable, effective access to a sufficient amount of safe drinking water is an uncontested human right that establishes a clear responsibility for governments, and, if they fail, the wider international community must ensure that the social minimum is incorporated in any kind of water provision system, be it public or private.<sup>1</sup> Second, basic decisions about water supply, allocation, cost, quality and use directly or indirectly affect everyone in society in fundamental ways. This establishes a clear right for every citizen to have a say in these decision-making processes and a duty for the state, donors and private players to put such mechanisms in place.

In the 1990s the failure of large-scale, state-led infrastructure development to deliver accountable water systems and resolve water crises led to an upsurge in water privatisation. But many of the more exuberant hopes have been frustrated. Several large privatisation initiatives collapsed amidst high-profile political acrimony. They failed in the daunting task of aligning their own commercial interests with the public sensibilities, social objectives or changing economic contexts of water policies. By 2006 the investment volume of cancelled or 'distressed' private water contracts had risen to almost a third of all private sector participation in low- and middle-income countries between 1990 and 2006.<sup>2</sup>

## Growing pragmatism in the debate

Two lessons have been learned. First, effective water provision depends more on the quality of governance, both for the provider and the sector, than on the ownership structure. Second, no one can go it alone. Even if water infrastructure is financed and managed by the public sector, the system will still depend on products and services delivered by private entrepreneurs. The task is to harness the private sector's expertise and capital for a specific local context. As table 2 shows, there are many different ways to do this.

## The public and private faces of corruption

Public and private operators share many common corruption challenges. Any large-scale organisation that interacts with multiple suppliers and customers must ensure that employees do not take advantage of their entrusted powers and solicit bribes. Codes of conduct and promoting integrity – alongside effective customer complaint, whistleblowing and financial tracking systems – have been applied successfully in both settings.<sup>3</sup> Incentives for reform may

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1 United Nations, Economic and Social Council, Committee on Economic, Social and Cultural Rights, General Comment no. 15, E/C.12/2002/11, November 2002.

2 World Bank, 'Private Activity in Water Sector Shows Mixed Results in 2006', PPI data update note no. 4, July 2007.

3 M. Sohail and S. Cavill, *Accountability Arrangement to Combat Corruption: Synthesis Report and Case Study Survey Reports*, WEDC (Loughborough: Loughborough University, 2007); and see articles starting on pages 40 and 54.

**Table 2 Public–private sharing of water provision**

Option	Ownership	Management	Investment	Risk	Duration (years)	Examples
Service contract	Public	Shared	Public	Public	1–2	Finland, Maharashtra (India)
Management contract	Public	Private	Public	Public	3–5	Johannesburg (South Africa) Monagas (Venezuela), Atlanta (United States)
Lease (affermage)	Public	Private	Public	Shared	8–15	Abidjan (Côte d’Ivoire), Dakar (Senegal)
Concession	Public	Private	Private	Private	20–30	Manila (Philippines), Buenos Aires (Argentina), Durban (South Africa), La Paz-El Alto (Bolivia), Jakarta (Indonesia)
Privatisation (state divestiture)	Private	Private	Private	Private	Unlimited	Chile, United Kingdom

Source: Adapted from United Nations Development Programme (UNDP), *Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis* (New York: Palgrave Macmillan, 2006).

be stronger when internal corruption directly hurts the profits of private owners, rather than when losses are dispersed across a larger community of public taxpayers.

Public utilities are very vulnerable to political interference by corrupt policy-makers intent on awarding lucrative public sector jobs to cronies, tweaking water provision and pricing in favour of influential supporters or diverting money from public budgets into their own pockets.<sup>4</sup>

With private sector involvement, corruption hot spots include bid-rigging, collusion and bribery. These practices occur when private contractors vie for large water contracts and infrastructure assets are privatised in complex deals.

Be it public or private, strategic collusion can game the system and exploit corruption opportunities if additional checks and balances are weak.

### Achieving transparent and accountable water provision

Developing contracts for private sector involvement faces the challenge of *double delegation* – shifting the responsibility for water provision from public provider one step further away from citizens to a private operator. But such contracts also provide an opportunity to lay down

<sup>4</sup> See article starting on page 55.

transparency objectives and clear lines of responsibility, information that may be buried in a patchwork of administrative rules in a public agency. Unfortunately, such agreements often remain under lock, making collusive behaviour and manipulation difficult to detect.<sup>5</sup>

What is more, private operators' penchant for commercial confidentiality limits the public's access to key operational information. Clarifying disclosure obligations is therefore essential.<sup>6</sup> Investment plans, management contracts, rate-setting data and financial and operational performance indicators must be open to public inspection and monitoring.

To make public management more transparent and autonomous, and prevent political interference, water utilities should be incorporated as separate entities. Their budgets and operational management should be clearly separated from the wider administration, overseen by a multi-stakeholder board and audited independently.

Water utilities in Porto Alegre, Brazil,<sup>7</sup> Phnom Penh, Cambodia,<sup>8</sup> and Dakar, Senegal,<sup>9</sup> have improved performance and network coverage significantly with this strategy. Likewise, a study of more than twenty water utilities in Africa, Asia and the Middle East found that more autonomy typically comes with better performance.<sup>10</sup>

### Strong regulatory oversight and performance-based monitoring: a must for both public and private

Both private and public utilities must abide by clear pro-poor objectives, and be subject to independent oversight by auditors and regulators with investigative authority and enforcement power. Straightforward as these requirements sound, much remains to be done. By 2004 not even a fourth of developing countries had introduced independent regulatory agencies in the water and sanitation sector, lagging far behind electricity and telecommunications.<sup>11</sup> And, where regulators are in place, their dealings are often not very transparent. In 2005 fewer than a third of water regulators assessed in a survey published contracts and licences, and only a half published results of consultations.<sup>12</sup>

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5 In Malaysia, for example, the government even classified a water concession as an official secret, in order to keep it from public scrutiny; see *Malaysiakini*, 14 June 2007.

6 P. Nelson, 'Multilateral Development Banks, Transparency and Corporate Clients: "Public-Private Partnerships" and Public Access to Information', *Public Administration and Development*, vol. 23, no. 3 (2003).

7 United Nations Development Programme, *Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis* (New York: Palgrave Macmillan, 2006).

8 See article starting on page 40.

9 In Dakar, the newly incorporated public water utility has gone one step further and engaged a private operator, also with great success in expanding coverage and efficiency. C. Brockelhurst and J. Janssens, 'Innovative Contracts, Sound Relationships: Urban Water Sector Reform in Senegal', Water Supply and Sanitation Sector Discussion Paper no. 1 (Washington, DC: World Bank, 2004).

10 O. Braadbaart *et al.*, 'Managerial Autonomy: Does It Matter for the Performance of Water Utilities?', *Public Administration and Development*, vol. 27, no. 2 (2007).

11 A. Estache and A. Goicoechea, 'A "Research" Database on Infrastructure Economic Performance', Policy Research Working Paper no. 3643 (Washington, DC: World Bank, 2005).

12 L. Bertolini, 'How to Improve Regulatory Transparency: Emerging Lessons from an International Assessment', Public-Private Infrastructure Advisory Facility Gridlines Note no. 11 (Washington, DC: World Bank, 2006).

Excessive secrecy also limits the benefits of audits. Nearly a half of fifty-nine surveyed countries delayed publishing their public sector audit findings by more than two years, if they published them at all. For ten countries, audit findings were not even made available to legislators.<sup>13</sup>

Performance indicators are a prerequisite for output-oriented accountability. In the water sector, indicators for operating efficiency, equity and service effectiveness are well established, widely recognised and rather easy to benchmark.<sup>14</sup> They include coverage rates, portion of system leakages and uncollected fees, employee per connection ratio, service uptime and water quality indicators.

But operations are not always governed by clear *performance* targets. A study for Australia found, for example, that the contractual arrangements for public water utilities on average include fewer performance criteria than contracts with outsourced private providers.<sup>15</sup> Even worse, performance is often difficult to inspect by the public, even in industrialised countries. For example, both in the privatised water sector in the United Kingdom and in the publicly organised sector in Germany, information on water quality is collected and published online. But in both cases the information is very difficult to find, understand or compare, limiting its usefulness for public oversight.<sup>16</sup>

### Mechanisms for citizen participation and monitoring

Citizens can provide essential input to water policies and check the performance of both private and public water utilities. Local initiatives range from social contracts between providers and citizens to social scorecards, citizen surveys and social audits.<sup>17</sup> More grassroots water democracy, through formal institutional mechanisms for public hearings and participation in water regulation, would appear to be easier to establish where utilities are publicly owned and operated. But reality points to formidable challenges in either setting.

Despite some shining examples,<sup>18</sup> formal mechanisms for consultation and participation are still an exception in both spheres (see table 3). Even in Colombia and Peru, where such measures are in place, they are rarely implemented.<sup>19</sup>

The conditions for corruption in water have both a public and a private face. Official secrecy and commercial confidentiality can both make it difficult to create the transparency that is

13 V. Ramkumar, 'Expanding Collaboration Between Public Audit Institutions and Civil Society', International Budget Project (2007).

14 See, for example, the International Benchmarking Network of Water Utilities: [www.ib-net.org](http://www.ib-net.org).

15 J. Davis and G. Cashin, 'Public or Private "Ownership": What's in a Name?', *Water Science and Technology: Water Supply*, vol. 3, no. 1/2 (2003).

16 D. Zinnbauer, 'Vital Environmental Information at your Fingertips?' (Berlin: Anglo-German Foundation, 2005).

17 See article starting on page 40.

18 *Ibid.*

19 V. Foster, 'Ten Years of Water Service Reform in Latin America: Toward an Anglo-French Model', Water Supply and Sanitation Sector Board, Discussion Paper no. 3 (Washington, DC: World Bank, 2005).

**Table 3 Mechanisms for participation and consultation**

Country	Complaints office	Public hearings	Consultative committees
Argentina	Yes	None	None
Bolivia	Yes	Optional	None
Chile	Yes	None	None
Colombia	Yes	None	Comités de Desarrollo y Control Social
Panama	Yes	Optional	None
Peru	Yes	None	Comités Consultivos Regionales

Source: V. Foster, 2005.

needed for accountable water provision. Regulatory oversight often lags behind other sectors, and limited means for broader public consultation further hamper accountability. This often fuels public suspicion that, no matter who calls the shots, corruption will continue to influence the supply of water.

## Pipe manufacturers in Colombia and Argentina take the anti-corruption pledge

Virginia Lencina, Lucila Polzinetti and Alma Rocío Balcázar<sup>1</sup>

Lacking transparency and plagued by mistrust, Colombia's pipe manufacturing industry faced a crisis of confidence in the 1990s. Several factors were conspiring to intensify corruption pressures. Because of unethical overpricing and substandard work quality, pipe companies were losing public projects. This, combined with a recession, pushed companies to boost revenues by any means – 'to the extent that the limits between commercial and corrupt practices blurred'. In the government sphere, job instability and low salaries made public employees more inclined to solicit bribes. By 2000 the situation had become unmanageable.<sup>2</sup>

1 Virginia Lencina is the co-ordinator of the Business Sector Programme at Poder Ciudadano Foundation; Lucila Polzinetti is a programme assistant at Poder Ciudadano Foundation; Alma Rocío Balcázar is director of the Private Sector Programme at Corporación Transparencia por Colombia.

2 A. R. Balcázar. 'The Establishment of an Anti-Corruption Agreement with Pipe Manufacturing Companies: A Colombian Experience', presentation at World Water Week, Stockholm, August 2005; P. Stålgren, 'Corruption in the Water Sector: Causes, Consequences and Potential Reform', Policy Brief no. 4 (Stockholm: Swedish Water House, 2006).

Generally, corruption in Colombia is no small problem. More than two-thirds of entrepreneurs surveyed recently said public procurement processes have little or almost no transparency. On average, a competitor must pay an additional 12 per cent of a contract's value in order to win the deal.<sup>3</sup>

In 2003 the Colombian Sanitary and Environmental Engineering Association approached Transparency International's local chapter, *Transparencia por Colombia*, to try to find a remedy. The organisation, known as ACODAL, represents pipe manufacturing companies that account for 95 per cent of the national pipe market and 100 per cent of the public bids for water supply and sewer projects.

Negotiations ensued between *Transparencia por Colombia* and eleven of ACODAL's seventeen affiliated companies, which have combined annual revenues of more than P540 trillion (US\$266 million). Problems on the table included the lack of a corporate anti-corruption culture, an absence of internal ethical standards, the permitting of bribery and a lack of transparency in public procurement. In April 2005, after a year of talks, the parties signed an Anti-corruption Sectoral Agreement.

By signing the pact, the companies agreed to define clear rules of the game among competitors, set minimum ethical standards, prevent corrupt practices, promote a culture of transparency and contribute to society by consolidating the country's economic and social development. Based on TI's Business Principles for Countering Bribery (BPCB), the agreement contains specific measures to deal with bribery, facilitation payments, political contributions, pricing and purchasing, and internal controls and audits. Protection for whistleblowers was also instituted.

To help ensure compliance, an Ethics Committee was established to act as an arbitrator in the event of a conflict. Its decisions are binding on all parties, and those who fail to abide by the committee's rulings can be reprimanded or suspended from bidding on contracts.<sup>4</sup>

Improvement was swift. By 2006 bid award prices had dropped significantly, reducing the scope for paying bribes. 'We never before have had a code to guide us. Now we have parameters for action,' said one of the signatories. 'With this agreement, we . . . will act differently amongst ourselves, since the same rules and regulations apply to all.'<sup>5</sup>

Seven months after the Colombian pact took effect, pipe manufacturers in Argentina signed a similar agreement with the help of TI's local chapter there, *Poder Ciudadano*. In December 2005 nine companies, representing 80 per cent of the nation's water and drainage infrastructure market, signed the first Business Sector Transparency Agreement in the country.

As in Colombia, the agreement is based on TI's Business Principles for Countering Bribery. The companies agreed to implement an internal transparency policy to guide business

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<sup>3</sup> A. R Balcázar, 2005.

<sup>4</sup> Ibid.

<sup>5</sup> P. Stålgren, 2006.

transactions and their dealings with the government. Specifically, the companies have pledged to:

- promote transparency in bidding;
- refrain from all forms of corruption and bribery;
- make no political contributions;
- deal with sales intermediaries in a clear, transparent manner; and
- fight tax evasion.

In addition to the pipe companies, the agreement was also signed by the Argentinean Association for Sanitation Engineering and Environmental Sciences (AIDIS). And it was supported by the Avina Foundation, an alliance of social and business leaders working to promote sustainable development in Latin America.<sup>6</sup> As in Colombia, an Ethics Committee will be formed to monitor compliance and sanction companies that breach the agreement.

The parties have also agreed to present a consensus regarding transparent biddings to state and public organisations and multilateral organisations that participate in this kind of public bidding process and as financiers to achieve its adhesion and present proposals of modifications in the procedure. As a result, the local government of Rosario, in Santa Fe Province, has signed a Framework Agreement recognising the agreement for future activities in public bids and purchasing.

Hoping to build on their success, the companies that signed the agreements in Colombia and Argentina may submit similar proposals elsewhere in Latin America.

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<sup>6</sup> TI, 'Leading Argentinian Water-sector Companies Say No to Bribery', 15 December 2005.

## Clearing muddied waters: groups in India fight corruption with information

Venkatesh Nayak<sup>1</sup>

Throughout India, citizens are using the power of public information not only to fight corruption, but to enhance their stake in the political system.

In the small village of Keolari in the central state of Madhya Pradesh, citizens used India's new transparency law, the Right to Information Act (RTI Act) of 2005, to prevent a local politician from claiming a public water well for his own personal use. The man, an elected *Pancha* (member) of the local government, was building a home in December 2006 when he erected a wall around a well that his father had donated to the community nine years earlier. The well is one of only two sources of potable water available to the village's 2,500 residents.

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Local citizens asked the *Pancha* not to cut off their access to the well, but he refused. They then filed complaints with the village chief and higher levels of government, to no avail. Not even getting local newspapers to write about the problem was enough to move officials to action.

A few weeks later, while attending an awareness camp organised by a regional transparency group, one of the citizens learned about India's new Right to Information Act. The group, Madhya Pradesh Suchana Adhikar Abhiyan (MPSAA), along with the Commonwealth Human Rights Initiative, provides free help to citizens trying to obtain public information under the law. With the group's help, citizens requested copies of the gift deed for the well signed by the *Pancha's* father, as well as information on any public money spent to maintain the well. Within two days citizens obtained documents confirming the gift and showing that the local government had spent Rs11,608 (US\$293) to strengthen its platform and walls.

Residents then wanted to use the RTI Act to find out what had happened to their original complaint. But, when they went to the local government office, they were told the information was exempt from the law, so there was no point filing the request. When an MPSAA representative returned and asked for the refusal in writing, he was told the matter would be investigated.

As for the well, when residents went there in February 2007 they saw revenue officials inspecting the disputed property and measuring the *Pancha's* encroachment. They confirmed that the *Pancha's* wall was illegal and ordered him to demolish it within a week. Today the wall is gone, and villagers once again are able to draw water from the well.<sup>2</sup>

This is not an isolated case. Freedom of information legislation is also being used as a way to fight for greater transparency by many other groups in India. In Delhi, a transparency group called Parivartan is using the power of information and employing Gandhian tactics to fight corruption in local public works projects.

Parivartan uses the RTI Act to obtain documents on water, sanitation, electricity, road, waste management and other projects – from work orders to sketches to completion certificates. Then they hold street-corner meetings to tell residents how much money has been spent on local projects and they inspect the projects to see if the money went toward its intended purpose.

Finally, Parivartan holds public hearings (*jan sunwai*), at which government officials have the opportunity to explain where the money went. In several cases, they had trouble coming up with an explanation. When residents of Patparganj fell ill from drinking sewage-fouled water, Parivartan asked for the status of residents' complaints and the names of responsible officials. Repairs were made two days later and water testing was conducted throughout the area. Parivartan obtained similar results in the case of a leaking water pipe, which was fixed three days after the group filed an information request.

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<sup>2</sup> A more detailed version of this story may be accessed on the website of the Central Information Commission of India; see [cic.gov.in/Best%20Practices/rti\\_restores\\_peoples\\_right.htm](http://cic.gov.in/Best%20Practices/rti_restores_peoples_right.htm).

When the government refuses to release information, Parivartan members engage in *satyagraha* – a form of passive resistance developed by Gandhi. Citizens wait at government offices as long as necessary, until officials give them the information they want.<sup>3</sup>

A similar organisation that pioneered this strategy has long been active in the state of Rajasthan. There, Mazdoor Kisan Shakti Sangathan – or Workers and Farmers Grass Roots Power Organisation – exposes fraud by obtaining balance sheets, tenders, bills, employment records and other government records. The group discovered, for example, that local officials were overbilling the central government for work on a water project in a drought-prone area. They also found out that people listed as labourers on public works projects never got paid, and that large payments were made for construction projects that were never built.<sup>4</sup>

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3 M. Sohail and S. Cavill, *Accountability Arrangements to Combat Corruption: Synthesis Report and Case Study Survey Reports*, WEDC (Loughborough: Loughborough University, 2007).

4 J. Plummer, 'Making Anti-corruption Approaches Work for the Poor: Issues for Consideration in the Development of Pro-poor Anti-corruption Strategies in Water Services and Irrigation', Report no. 22 (Stockholm: Swedish Water House, 2007).