

Tackling Corruption in the Water and Sanitation Sector in Africa

Starting the Dialogue

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“Kenya was the first country to sign the UN Convention Against Corruption: we have made an international commitment to tackle this scourge. Corruption leaks valuable finance that could be used elsewhere; it undermines our institutions and puts a burden on the poor. The Government of Kenya has committed itself to reforming the water sector through introducing new water laws and restructuring the governance of its water institutions. Increasing transparency and accountability and fighting corruption are integral to these reforms. Now the reforms are in place, national anti-corruption efforts must be stepped up, fast. Corruption has no place in the water sector and we need to scrutinize all transactions, large and small, in cities, towns and rural areas.”

Hon. Mutua Katuku, Minister for Water and Irrigation,
Kenya (Water Week, Stockholm, Sweden, August 2006)

For the past three decades, a substantial number of governments, donors, and nongovernmental organizations (NGOs) have focused efforts on a range of institutional, financial, technical, and social interventions aimed at bringing about much-needed improvements in the delivery of water and sanitation services in rural and urban areas in developing countries. Recognizing the adverse impacts of low levels of access for the poor, approaches have become increasingly targeted and service-oriented: responding to demand from users, identifying entry points with clients, reacting to signals in a developing water and sanitation market, and of course steering this course with the ebb and flow of donor funding. In more recent years, governments have embarked upon a process of establishing road maps that plot the long paths of sector reform and service improvement needed to meet the Millennium

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Development Goals (MDGs). In a number of well-performing states, it looks like steady progress is being made.

Yet the attainment of the water and sanitation MDGs is unlikely in the majority of African countries, where the stability, investment, and capacity needed to meet significant and growing demand is inadequate (JMP 2002). Even if additional finance were to become available, an unacceptable level of leakage of existing resources brings into question current processes, and perhaps the wisdom, of increasing resource flows to the sector. Much of the funding available in ministries, local governments, utilities, and village administrations is being used by public officials for private gain. Whether in decision making on the allocation of water resources, or bribery and fraud in procurement or construction, corrupt practices are endemic to most water supply and sanitation (WSS) institutions and transactions in Africa. This corruption varies substantially in size and incidence, but it is clear that significant WSS sector finances are being lost to those charged with making decisions about, and delivering, water and sanitation services.¹ If the estimated \$6.7 billion needed annually to attain the water and sanitation MDGs in Sub-Saharan Africa were actually mobilized, a 30 percent leakage would represent a loss of more than \$20 billion from the sector over the next decade.²

The struggle with corruption in the water sector is of course fundamentally part of a broader governance problem and is characterized by the dynamics of reform processes at both the sector and national levels. Policy reform promoting decentralization and private sector participation, as well as new funding paradigms such as sectorwide approaches (SWAps) and direct budget support (DBS), may have provided a more fertile environment for new (sometimes higher) levels of corruption involving national or donor funds. Simultaneously, however, WSS sector reform in many African countries has removed conflicts of interest in sector management, improved transparency and accountability, and created the potential for models and the promise of change. Placing sector-specific anticorruption initiatives in the broader context of governance and anticorruption reform is therefore key to understanding the opportunities and limitations of sector anticorruption reform.

Notwithstanding the importance of the governance framework, the sector also needs to focus on diagnostics and solutions specific to WSS service delivery if it is going to improve progress toward the MDGs. The dysfunctionality and failure of the water and sanitation sector in Africa is distinctive. The sector is characterized by widespread financial disorder, few service providers are accountable to their customers, and resources are frequently not separately ring-fenced to create transparent financial management. Sector providers are also characterized by diversity: formal and informal, large and small, delivering different types of services in small and large towns and villages. In addition, the sector shares high-risk vulnerabilities to corruption with a number of other sectors. Because the sector provides a basic service, is predominantly public, and frequently requires expenditure on capital-intensive infrastructure, corruption in WSS is multifaceted. Evidence suggests that the WSS sector is vulnerable to massive distortion in resource allocation and significant procurement-related corruption (as a construction sector), to the daily opportunities for petty corruption (as a service delivery sector), and to the opaque

budgeting and financial management practices of weak institutions, typical of the civil service.

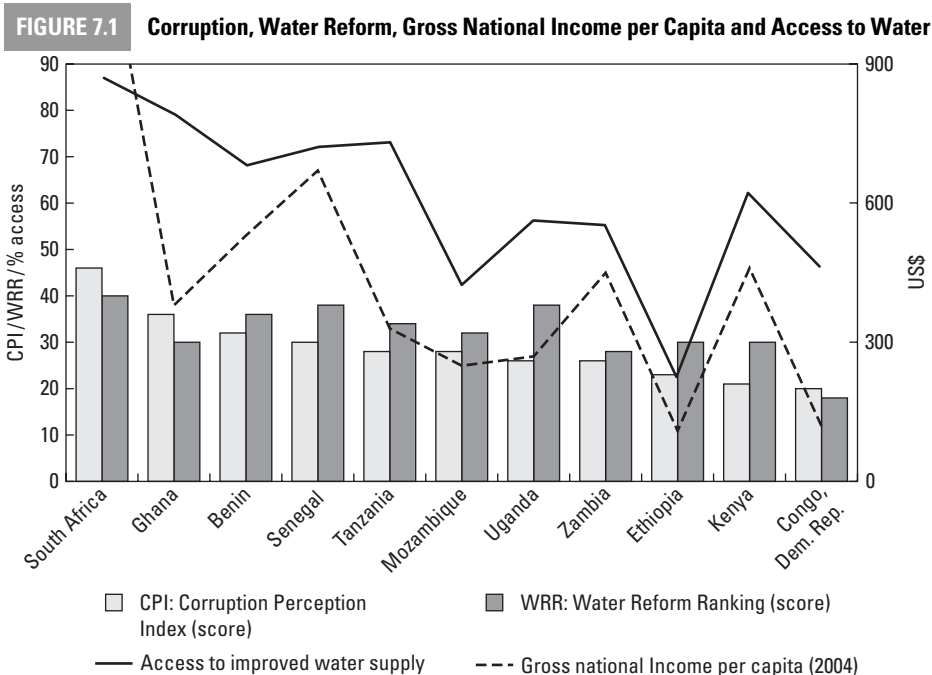
Despite this complexity, leakage, and the potential impacts on the poor—and despite significant reform efforts by a range of supporting agencies—the current understanding of the extent and nature of corruption in the water and sanitation sector in Africa is limited, as is knowledge of the policies and mechanisms that are required to tackle it. There are virtually no data, and the data that do exist are piecemeal, often produced for other purposes. The need to launch the dialogue and begin the required diagnostics and reforms is urgent.

This chapter synthesizes the known dimensions of sector corruption and anti-corruption activity. It first gives an overview of the water sector in Africa, looking specifically at access to water supply, perceptions of corruption in the sector, and reforms. It then describes the plural nature of corruption in the sector, setting out in a structured framework the network of corrupt practices prevalent in the sector. This framework categorizes the many types of WSS corruption into a typology of *public-to-public*, *public-to-private*, and *public-to-consumer* interactions and considers these interactions at each stage of the WSS value chain. The chapter then describes the range of anticorruption policies and mechanisms that have emerged over recent years, maps these over the corrupt interactions, and thus links the framework of corrupt practices to a menu of existing solutions. The chapter concludes with a discussion of key concerns the WSS sector will need to address as it moves forward with the anticorruption agenda.

Notwithstanding this effort to promote a comprehensive understanding of corruption in the sector in Africa, the chapter emphasizes the need for sound diagnostics to identify areas of concentrated corruption, as well as a focus on understanding appropriate and viable anticorruption strategies for the sector. It suggests that more targeted efforts should be made to improve mechanisms for instilling greater transparency and accountability in the sector, and it argues for more data and learning, for context specificity, and for efforts to develop appropriate methodologies and models for interventions tailored to the different economic, governance, and sector contexts of the African region.

ACCESS, CORRUPTION, AND REFORM IN THE WSS SECTOR

More than 42 percent of all Africans—some 300 million people—lack access to an improved water supply, and 64 percent, or 477 million Africans, lack access to adequate sanitation (JMP 2002). Averages for the continent hide a wealth of problems and gaps. In Ethiopia, for example, only 22 percent of the population has access to improved drinking water and 6 percent to adequate sanitation. Many of the poorest African states recovering from natural disasters and humanitarian crises are still politically and economically unstable and have few functioning assets, little capacity, and high levels of corruption; in these countries, access to WSS services is propped up by relief measures that are highly susceptible to leakage, or service delivery is nonexistent. Yet the story of corruption, reform, and limited access in the WSS sector in Africa is not restricted to these postcrisis countries. At any one time, 30 to 50 percent



Source: Transparency International (2005); WSP-Africa (2006); JMP 2004; World Development Indicators database (2004).

of rural water supplies are out of order, and 80 percent of urban water utilities in Africa are considered financially unviable.³

Corruption in Africa is significant, unabated, and country specific, driven by conditions ripe for unaccountable and less than transparent behavior. Of the 34 African countries ranked in the Corruption Perception Index (CPI) published by Transparency International in 2005, only six were ranked in the least corrupt half of the 146-country index, 15 countries were ranked in the next 25 percent, and 13 countries, many of them postconflict states, were ranked among the most corrupt in the bottom 25 percent.⁴ In Africa, the correlation between corruption (as measured by the CPI) and growth (as measured by gross national income per capita) is variable.⁵ While South Africa and Ethiopia show correlations at either end of the scale, in an (unrepresentative) basket of countries, the country-by-country correlation between corruption and growth is less steady, perhaps supporting the thesis that a range of country-specific factors determines the growth-corruption relationship.

In this set of African countries, a general correlation is also found between perceived corruption levels and water reform. Notwithstanding the range of other influencing factors, countries with less corruption seem to have made better progress in WSS sector reform.⁶ Figure 7.1 shows the CPI together with a water reform ranking for 11 African countries (WSP-Africa forthcoming).⁷ While South Africa leads the region in water sector reform, Benin, Senegal, and Uganda also show significant progress, whereas the Democratic Republic of Congo has only recently initiated the reform process and struggles with postconflict levels of corruption.

Stronger water reforms and lower corruption correlate with higher levels of access to water supply. The limitations of the indexes or the existence of a range of factors influencing access notwithstanding, the available information shows an expected correlation between higher levels of access to water supply and countries that have made progress in WSS sector reform. Analysis also reveals that it takes time for reforms to be translated into better outcomes. Uganda stands out as an example of a country where water reforms have not yet been reflected in increased levels of access.

The correlation among sector reform, lower corruption, and higher rates of access is supported by utility-specific studies and cross-cutting global studies. Evidence provided in investment climate surveys that measure the perception of petty corruption in WSS delivery (Kenny 2006) supports the finding that corruption seems to be strongly correlated with lower levels of WSS coverage.⁸ In their assessment of the efficiency of African utilities, Estache and Kouassi (2002) found that corruption is significant. Controlling for other variables, they estimated that if water utilities were operating in corruption-free environments, efficiency would be 64 percent higher (or costs would be reduced by 64 percent).⁹

The vast differences in the African continent suggest the need for country specificity and better understanding of regional patterns and trends. Regional typological differences are apparent in terms of economies (be they coastal, landlocked, or resource-rich), governance (be they fragile, emerging, or capable) and political systems (authoritarian, established democracies, and emerging democracies). This variation creates a multitude of contexts and suggests a mixed basket of solutions. The variation is also evident at the WSS sector level. Institutional capacity and frameworks vary (national and decentralized, regulatory and provider agencies with and without autonomy), as do service delivery models (public or privately managed utilities, municipal and district water departments, large and small towns, small local providers, and community management). Understanding what can be done in the best and worst economic or governance cases, and how these differences affect potential action at the sector level, will be useful lessons for the region.

DIAGNOSING CORRUPTION IN THE WSS SECTOR IN AFRICA

The corruption that occurs in the WSS sector can generally be understood in terms of bureaucratic, or *petty*, corruption, in which a vast number of officials abusing public office extract small bribes and favors; *grand* corruption, involving the misuse of vast amounts of public sector funds by a relatively small number of officials; and *state* capture, seen in the collusion between public and private actors for private benefit (Shah and Schacter 2004). In the WSS sector, these corrupt practices, big and small, take the form of abuse of resources—*theft and embezzlement from budgets and revenues, corruption in procurement, administrative corruption in payment systems, and corruption at the point of service delivery.*

Corruption in the WSS sector varies by country (and regions within a country), by governance, by WSS systems, and by a multitude of other local conditions. In urban areas, the type, size, and incidence of corruption in service delivery may be a

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function of the path of legislative reform or of the leadership that the sector has seen. Or it might be an outcome of decentralization and the role of social structures and civil society, or the nature of the water market in difficult locations. In rural and periurban areas, similar factors, plus the structural shift toward community-driven development approaches, the highly opaque construction and management processes, the isolated nature of remote areas, and the nature of traditional social structures potentially contribute to local-level corruption, capture, and collusion.

Who Is Involved?

Corruption in the water and sanitation sector involves a vast range of stakeholders. The list includes international actors (donor representatives, private companies, and multinationals), national and local construction companies, consultancy firms and suppliers, large and small operators, a range of middlemen, consumers, and civil society organizations, national and subnational politicians, and all grades of civil servants and utility staff. Corrupt activities between these stakeholders occur at a range of institutional levels, with different stakeholders often involved in one or more types of corruption.

What Are the Causes?

Like all corruption in developing and transitional economies, corruption in WSS in Africa is founded in historical, political, and social realities—the causes of corruption are not sectoral. Corrupt practices take hold and are manifest in different contexts in very different ways, and legal frameworks, institutional structures, and bureaucratic systems strongly influence how elected, managerial, and technical officials behave. Klitgaard's (1988) definition of the factors that cause corruption: *Corruption = Monopoly + Discretion – Accountability*—is very relevant to an understanding of the WSS sector in Africa in that it highlights the aggregate effect of monopoly and discretionary power.¹⁰ The WSS sector has long grappled with its monopolistic past and the traits (such as high capital costs and economies of scale) that tend to keep it that way. A strong characteristic of agencies and officials involved in the sector is their enormous discretion in the planning, design, contracting, implementation, and monitoring of water and sanitation service delivery (compounded by a lack of clarity of rules and regulations). To this it must be added that demand for accountability for services, although improving in many contexts, is typically a missing element in service provider (Gray and Kaufmann 1998) and water user relationships in Africa.

Is the Water Sector Prone to Corruption?

It is difficult not to follow the lead of other sectors and emphasize the enormity of the problem of corruption in the WSS sector.¹¹ While corruption in water and sanitation is known to be significant, it is not clear whether the sector is currently more or less prone to corruption than other sectors, or whether such a generalization should even be made when country contexts, institutions, and policies vary so greatly.¹² Nevertheless, it is possible to posit a number of characteristics that make WSS services susceptible to corruption and a cause for grave concern for all stakeholders.¹³ Many

of the fundamental characteristics, such as low institutional capacity, low wages, dysfunctional institutions, and large-scale procurement, are common to delivery of all sorts of public services, but the WSS sector is also part of the construction sector, globally thought to be the most corrupt of all sectors (Transparency International 2005), and it encompasses several other dimensions that suggest high potential for corruption. These include, among other things, a large flow of public money, often including uncoordinated donor, national, and local funds; the opacity of, political interference in, and discretion for investment decisions; the monopolistic nature of service delivery, coupled with the failure of sector financing and cost recovery, problematic tariffs and subsidies, and the increasing role of the informal market; the cost of sector assets;¹⁴ the asymmetry of information between user and provider; and the complexity of sector stakeholders, systems, levels of service, and institutional roles and functions.

How Much Is Corruption Costing the WSS Sector?

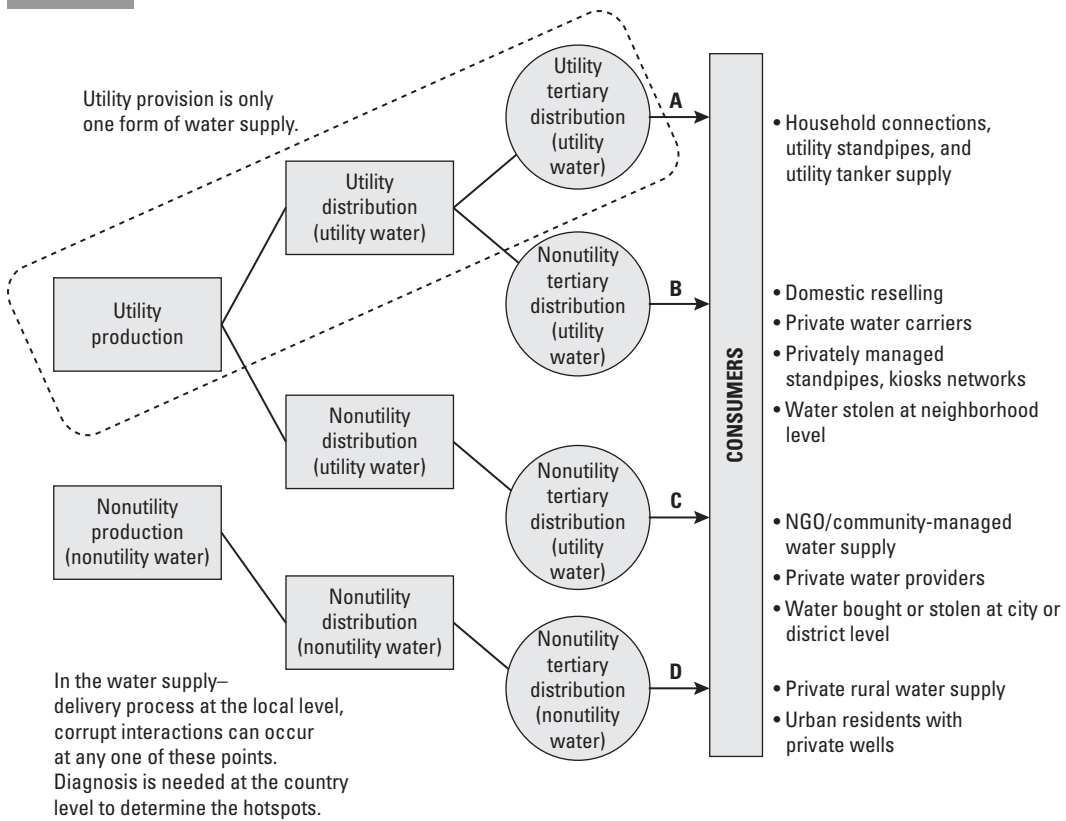
Hypotheses on the cost of corruption in the WSS sector in Africa are largely untested. Leakage can be roughly estimated through comparative and limited sector studies, but to date it has not been measured in the WSS sector in Africa in any systematic way.¹⁵ As a proportion of sector expenditure, the high levels of petty corruption, in the aggregate, constitute a substantial figure across the continent, but there are no regional or country estimates based on empirical studies. The figure of 20–35 percent provided by Davis (2003) for service delivery in South Asia provides a sectoral, not a regional, indication, and it should be noted that this estimate is limited to petty corruption and does not account for high-level abuse or diversion of resources. Measuring corruption is an urgent area of future work.

Promoting a Comprehensive View of Sector Corruption

A comprehensive approach to sector diagnosis and action first requires recognition that water service delivery is heterogeneous at the sector, city or district, and household levels, and it involves a number of formal and informal stakeholders from the public and private sectors and civil society. Figure 7.2 provides a simplified picture of the water marketplace. While a utility may be producing half of the water consumed, only a proportion of the population is connected formally from source to consumption (illustrated by the top arrow to point A), which might represent the means by which a majority of nonpoor are served in urban areas. In practice, however, water produced by a utility might be distributed either by the utility or bought or stolen during the secondary or tertiary distribution (illustrated by the diversion to point B).

Alternatively, water might be diverted immediately after production, being bought or stolen by other providers willing to distribute it from the point or near the point of production and following a series of lines along a route of nonutility distribution to point C. Under the fourth alternative, shown by the arrow at the bottom of the diagram reaching point D, the water source and production are from individual or private producers, typical of wells and rural boreholes that might have no

FIGURE 7.2 The Spectrum of Utility and Nonutility Water Providers



direct public role after construction. The typical forms of delivery for each of these supply chains are shown at the right-hand side of the diagram. They include the utility, community-managed provision, formal intermediate providers, informal providers, and household self-supply. Corruption can occur at any interaction on these supply lines.

One of the problems this chapter addresses, and the key issue motivating its structure and content, is that perceptions of corruption among WSS stakeholders tend to be very narrow. Individual stakeholders seem to hold subjective views on what corruption is, often focusing more on one type of corruption than another; the formal corruption debate has mostly focused on procurement and the operational inefficiencies of utilities, leaving aside a range of other forms of corruption and failing to address the linkages between them.¹⁶ This narrow understanding limits the development of effective reform. To move forward with a pro-poor strategy for anti-corruption action in WSS in Africa, it is necessary to consider the whole network of corrupt practices. Notwithstanding the need for project-level intervention, the need for *sector-level* analysis and action is key to a coordinated and meaningful sector response.¹⁷

DEVELOPING A CORRUPTION INTERACTION FRAMEWORK

To help meet this objective, the following comprehensive framework is set out to unbundle and differentiate types of sector corruption. This framework can be used to identify the corrupt practices that exist in different settings, who is involved, and at what stage of WSS service delivery they occur. The framework can also be used in each country context to locate concentrations of corruption, to identify unknowns, to plot shifts in corruption activity, and to identify links within the corruption matrix. Ultimately, the goal of this sort of information-organizing exercise is to provide a robust framework that is relevant and applicable to the sector, integrates project-level and cross-cutting governance diagnostics, and is usable as a tool for understanding and promoting change.¹⁸

The corruption framework, illustrated in table 7.1, is structured around *interactions* and a *value chain*. This interactions approach is driven by a need to build broad stakeholder commitment and a coalition for change and by a strong belief that the corruption problem in the WSS sector should be articulated in terms of the actions of all public, private, and civil society actors and institutions. It is also pursued knowing that policy actions are more likely to influence the public sector than other actors and that more policy options are available to this end.¹⁹ Beginning with the definition of corruption as *the use of public office for private gain*, the approach places the public or entrusted office at the core of the interaction framework and notes that the public officer or agency interacts with three types of actors: other public actors and agencies; private actors and companies; and consumers, civil society, and its representative organizations.²⁰ The framework highlights these interactions as they relate to functions to be performed in water and sanitation services—a cycle of policy making and regulation, budgeting and planning, financing, program design and management, tendering and procurement, construction, operation and maintenance, and monitoring functions.

Public-to-Public Interactions

The public actor in WSS includes actors from international, national, and subnational governmental departments and agencies in both water and nonwater functions. Corrupt practices within government typically involve interactions between public actors, although in rare cases, an individual may act alone. These interactions can be described as vertical, when they occur within the hierarchy of water institutions, and as horizontal, when they involve various line departments and agencies at a similar level of government (table 7.2). At the higher levels of government, corruption is opaque and complex, but distortions in the allocation of resources can be achieved only by collaboration within water departments and between line departments such as finance, planning, and water affairs or public works. Officials are expected to “play the game,” and their status and power base are dependent on their willingness to work within the established system.

Public-to-public corrupt practices are often concentrated in *policy-making* functions. Politicians and officials responsible for water sector policies seek to set up future opportunities for rent seeking by influencing the focus of policy and

Table 7.1 Value Chain Framework: Corrupt Interactions in the Water Sector



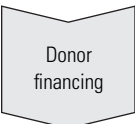
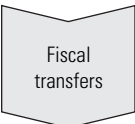

	<i>Public-to-public</i>	<i>Public-to-private</i>	<i>Public-to-consumers</i>
 <p>Policy making and regulation</p>	<ul style="list-style-type: none"> • Policy capture (competition and monopolies) 	<ul style="list-style-type: none"> • Policy capture • Regulatory capture (waivers to regulations and licensing) • Extortion over licensing 	
 <p>Planning and budgeting</p>	<ul style="list-style-type: none"> • Distortions in decision making by politicians (affecting location and type of project investments) • Corruption in national and sector planning and budget management (misuse of funds, interministerial bribery for fund allocation, collusion or bribery in selection and project approval) • Corruption in local budget management (fraud, falsification of accounts or documents, village-level collusion) 	<ul style="list-style-type: none"> • Bribery to influence allocation of resources • Bribery in sector budgeting management (influencing, distortions in funding allocation) at national and local level 	
 <p>Donor financing</p>	<ul style="list-style-type: none"> • Donor-government collusion in negotiations to meet spending/funding targets • Donor-government collusion/fraud with respect to progress and quality. 	<ul style="list-style-type: none"> • Donor and national private operator collusion (outside legal trade agreements) 	
 <p>Fiscal transfers</p>	<ul style="list-style-type: none"> • Bribery, rent seeking, and kickbacks to ensure fund transfers between finance ministry and WSS sector ministries, or subnational levels 		
 <p>Management and program design</p>	<ul style="list-style-type: none"> • Corruption in personnel management, such as payments for preferred candidates (e.g., utility directorships); payments for promotions, transfers, and salary perks • Distortionary decision making (collusion with leaders in selection and approval of plans) • Corruption in local government in program design 		<ul style="list-style-type: none"> • Influence project decision making • Bribery for preferential treatment, elite capture • Distortionary decision making (project-level site selection, equipment, construction)

Table 7.1 (Continued)

	<i>Public-to-public</i>	<i>Public-to-private</i>	<i>Public-to-consumers</i>
Tendering and procurement	<ul style="list-style-type: none"> • Administrative corruption (fraud, falsification of documents, silence payments) • Interdepartment or agency collusion over procurement 	<ul style="list-style-type: none"> • Bribery to influence contract/bid organization • Corruption in delegating management: fraud involving over/underestimating assets; selection, type, award of concessions; decisions over duration, exclusivity, tariffs, subsidies • Corruption in procurement: inflated estimates for capital works, supply of chemicals, vehicles, equipment • Falsification of documentation 	
Construction	<ul style="list-style-type: none"> • Administrative corruption (fraud, falsification of documents, silence payments) 	<ul style="list-style-type: none"> • Corruption in construction: bribery and fraud involving failure to build to specification; concealing substandard work materials; failure to complete works; underpayment of workers — Fraudulent invoicing, including marked-up pricing, overbilling by suppliers 	<ul style="list-style-type: none"> • Corruption in community-based construction (with similar types of practices as for public-private interactions)
Operation and maintenance		<ul style="list-style-type: none"> • Overbilling by suppliers, theft/diversion of inputs (chemicals) • Avoiding compliance with regulations, specifications, health and safety rules • Extortion to gain permits and licensing (speed money) • Falsification of accounts 	<ul style="list-style-type: none"> • Administrative corruption to obtain access to water, such as installing or concealing illegal connections, avoiding disconnection, illicit supply using utility vehicles • Administrative corruption for speed (or preferential treatment) in obtaining repairs or new connections
Payment (for services)			<ul style="list-style-type: none"> • Administrative corruption regarding payment and billing: fraudulent meter reading, avoidance or partial payment, overcharging

Source: Authors.

investment priorities. In those countries where a regulatory function has been defined, politicians and other stakeholders may pay regulators to formulate biased or favorable standards and regulations (a practice known as regulatory capture) or to allow projects to bypass established standards or procedures.

Table 7.2 Key Public Actors Involved in the WSS Sector

	<i>General public actors</i>	<i>Public actors within water sector</i>
<i>National political actors</i>	Government leadership Policy makers Judiciary	
<i>National agencies</i>	Enforcement agencies Anticorruption forums	Regulators
<i>National line departments management</i>	Directors in finance, planning, health, interior/home departments	Directors in public works, water ministries
<i>National planning and implementing staff</i>	Deputy directors (finance, planning)	Deputy directors (finance, operations, customer support) Departmental heads at national or provincial levels (planning and budgeting) Procurement staff
<i>Provincial/local Political actors Management</i>	District/ local-level leaders Mayors/town clerks	Public works officials Municipal engineers
<i>Utility staff Midlevel local implementing staff</i>	Municipal procurement staff Engineering staff	Utility directors Utility procurement and project management staff Senior operations staff Technical managers Engineers, technicians, supervisors, facilitators
<i>Community leaders and quasi-government officials</i>	Village leaders Lower-level public officials	Management user committees Lower-level public officials

Source: Authors.

Grand corruption occurs among politicians and senior officials in the selection of WSS projects: during *planning and budgeting* processes, capital investment projects may be favored over more effective and lower investment alternatives; sector investments that guarantee higher levels of personal return are favored over those that do not. In other words, public resources may be being diverted to WSS projects with greater potential for kickbacks at the lowest possible risk. Experience suggests that, more often than not, these projects are regressive in their impact—benefiting the rich more than the poor. Sourcing water from surface rather than groundwater alternatives where they are available is a typical illustration of decision making that, while legal, creates opportunities for both grand and petty corruption. Surface water projects that require the construction of costly water treatment plants and ongoing procurement of chemicals (as seen in Kinshasa, for instance) can provide opportunity for bribery, extortion, and fraud and are characteristic of the types of decisions made within the water sector that have long-term effects on corruption. The use and abuse of resources found in the manipulation of budgets and in dubious decision making in planning processes is exacerbated by a disconnect between policy objectives, planning, and implementation. In delivery agencies (or communities), this type

of corruption might involve the diversion of the inputs themselves (such as the chemicals for water treatment) for resale or other use. All these practices result in lower quality or quantity of water supply.

In some countries, *fiscal transfer* systems present a series of opportunities for fraud and extraction of funds from the system, as well as extortion by public departments and units that have funding approval authority for WSS spending. In some cases, approval must pass through several units in a number of ministries, such as planning, finance, public works, and water departments, before passing through a similar series of subnational agencies and their own subdepartments.

Corruption between the tiers of government, irrespective of the sector, frequently concerns *personnel management*: bribes paid for promotions, appointments, transfers, and a multitude of perks. Buying senior appointments is thought to be common throughout the region, and the prices paid for utility directorships or municipal engineers are often common knowledge and calculable, based on sector norms.²¹ Corrupt politicians and managers might also appoint willing personnel to lucrative positions on the condition that they pass back a portion of the illegal income the office earns. Many argue that these types of practices, common throughout the civil service, lie at the core of the incentive and patronage system and propagate other forms of corruption.

Public-to-public interactions might also include collusion between government officials and international donor representatives in the targeting of *donor financing*.²² International donors are under pressure to disperse loans or grants and to maintain relationships with government partners. In the water sector, this pressure can lead to an emphasis on quantity over quality and speed over specification. Furthermore, donor representatives, like all employees, have incentives to deliver and to be seen to be managing successful projects delivered on time and on budget. On the government side, donors channel large levels of funding through inadequate financial management systems, often dwarfing annual budgets and the capacity of recipient departments, utilities, or district offices. Funding for capacity building can also have a multitude of perverse personnel management effects, giving senior public officials discretion to top up staff salaries with donor-funded allowances, often by an order of magnitude, and developing unhealthy incentive structures and relationships within recipient agencies and departments.

Public-to-Private Interactions

Procurement requires interaction between the public and private sectors and is the most publicized face of corruption. Every level of government and every type of government agency has to purchase goods and services, normally from the private sector. In WSS, a number of public actors may be involved, depending on the size and type of project: national and local government politicians and managers, municipal engineers, operations staff, project managers, and procurement officers. The set of private actors might include suppliers, contractors, utility operators, and local and national consultants. In the case of large loans or grants, procurement corruption might also involve the collusion of donors seeking preferable terms for donor-country firms or operators.²³

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It is a norm of economic life for private actors to seek to reduce competition, and private stakeholders do so in the WSS sector at all levels. It is also clear that the supply chain creates a number of concentrated opportunities for private and public actors to gain from public-to-private transactions.²⁴ (The Lesotho Highlands project provides useful insights into procurement-related corruption in the water sector, see Darroch 2004; Earle and Turton 2005.) Corruption in public procurement seeks to influence the selection of contracts for WSS services and supplies, payment schedules, profit margins, and the outcomes of the regulatory process. In urban water supply, much of the attention given to public-private interactions has focused on transactions for operating water and sanitation services. The practice of creating public-private partnerships behind closed doors has created unworkable agreements in Africa and elsewhere, has muddied incentive structures, and has undermined the possible benefits of reform attained through private sector efficiency and effectiveness.

The *design, tendering, and negotiation* phases in the procurement of WSS infrastructure and facilities offer substantial opportunities for corrupt action.²⁵ High-level officials can influence the way a contract is let, determining the nature of the project and then the type of contract. Purchasing officials for a utility, municipality, or district office can tailor specifications to suit favorite suppliers. During tendering, corrupt practices can either restrict or influence the flow of information to favored and unfavored competitors, create excuses for sole sourcing or uncompetitive selection, breach confidentiality or disqualify suppliers, and accept or solicit bribes to influence tender lists or selection procedures. Contractors and operators may falsify records and documentation to ensure that bids look competitive, and officials may either encourage them to do so or turn a blind eye. It is also common for private contractors, consultants, and suppliers of pipes, chemicals, and other inputs to collude in taking turns in bid winning or to mark up pricing. Collusion and the falsification of records are often known to the public procurement official who receives a kickback for silence.

Corruption in *construction* can also be concentrated at several points. Those responsible for licenses and permits can demand bribes or slow down licensing procedures affecting the performance of contractors. Oversight officials are bribed or extort payments to provide fraudulent documentation when specifications (such as the depth of pipe work) are not met, when works are not completed, or when lower-quality materials are used. Typically, these practices help contractors minimize costs and result in substandard works, affecting sustainability and quality of WSS service delivery. Supervising officials may also be bribed or extort payments to agree to falsified claims or accounts and to facilitate the speedy approval of payments. Regulators may be bribed or extort payments to keep silent or permit waivers of works not completed to standard.

Corruption in *operations and maintenance* can occur in all service arrangements; the practices vary according to the actors involved. Be it in large or small towns, the public sector is responsible for operating and maintaining most if not all of the water treatment and distribution systems and the sewerage or sanitation services.²⁶ Public utilities, municipalities, district governments, and lines departments interact with the private sector through the supply of goods (chemicals, pipes, meters, and other hardware) or in the delegation of services that can be unbundled from the main water supply function. These include earthworks, billing and collection, security, cleaning,

BOX 7.1 Utility Officials Extort Bribes from Small Water Providers in Nairobi

The sprawling squatter settlement of Kibera lies in an area of Nairobi not served by the city water utility. Instead, small private providers buy water from the utility and sell it from water kiosks. These tanks with taps provide a neighborhood source of water for Kibera's half-million residents. Householders queue for water during the times it is available. The price is fixed and competitive within the squatter settlement, although at 3–20 shillings a vessel, it is many times the price of utility water, and it varies according to the season and availability of water.

Water bills for the private providers are erratic and hugely inconsistent, and the irregular delivery of the bulk water supply gives utility officials leverage over the providers, who have little choice but to “tip” the officials in order to receive their water or to get their bills revised to something approximating the true charges. The losers are the poor who pay a higher price for their water each time this “surcharge” is levied.

The small-scale private providers are becoming increasingly organized and have now formed an association and developed a code of ethics to ensure that they all follow a set of agreed rules; the association also gives them a platform with the capacity and leverage to interact effectively with the utility. The private providers see their association as a critical vehicle to counter the regular petty corruption engaged in by Nairobi Water Utility officials.

Source: WSP-Africa (2005); author interviews with Kibera providers (May 2005).

and the like. The interactions between the contractors and suppliers providing these goods and services can fall prey to the same types of corrupt practices seen in procurement and construction.

In large cities where the water supply function itself has been delegated to private operators, opportunities for bribery and fraud are created by the way the deal is structured at the outset and played out throughout the duration of the contract. Experience suggests that public-private negotiations can influence the types of contract (design-build-lease contracts, concessions, leases, management contracts), the concession area and bundle of services, and their duration and conditions (such as exclusivity), all areas in which the potential for corruption is high. The capacity needed can be over- or underestimated, assets over- or undervalued, the level and process of tariff setting manipulated, and the targets and subsidies for serving the poor determined through public-private deals that benefit the deal makers.

In large and small towns and periurban areas, an alternative set of corrupt interactions may occur in the water market involving local government and utility officials and small private providers of water. Investigations into the actions of small private water providers in squatter settlements reveal that their ability to function is often dependent on the deals they make with local officials. For example, as box 7.1 reports, legal water kiosk operators in squatter settlements in Nairobi say they must bribe utility officials to keep billing inconsistencies at tolerable levels (Plummer, Collignon, and Mehrotra 2005). Legal operators bribe officials to obtain more reliable and longer daily bulk supply, while those functioning illegally pay officials to connect into the network or deliver bulk water that they then distribute in a competitive market. In the sanitation sector, small-scale private operators pay local government officials to allow them to dump waste on inappropriate sites irrespective of health and environmental consequences.

Public-to-Consumer/Civil Society Interactions

Corrupt interactions between consumers and public officials, mostly in the form of bribery, are typically petty, frequent, and systemic. For the consumer who pays the bribe, water is the desired outcome, and the incentive is to obtain a much-needed basic service. The public official may extort the payment from consumers, or the consumer may voluntarily pay the bribe to gain access to the service.²⁷ Common corrupt practices at the point of service delivery in the operations and maintenance of water services include providing illegal connections, reselling utility water and utilizing utility vehicles, and giving preferential treatment for repairs or new services in exchange for so-called “speed money.”

In rural areas, corruption affects the delivery of community-based and NGO-supported water supply and sanitation projects in their design, implementation, and ongoing maintenance.²⁸ Although systematic assessment in Africa is lacking, collusion between village leaders and government overseers is frequently visible and adversely affects the poor. Pumps or tanks may be located where they benefit the elite, or efforts by community leaders to increase profit may reflect typical public-private fraud such as theft of materials and failure to build to specification. Project management may involve fraudulent documentation or accounting and reporting by the same people charged with managing finances. The cost of rural boreholes in Africa—at up to four times the cost in some parts of Asia—is considered by sector professionals to be a prime hotspot for further investigation (WSP-Africa 2005).

In urban areas, community-based WSS projects suffer from similar patterns of behavior. Where the poor are served by utilities, they frequently pay bribes to officials to obtain access to services, household connections, sewage disposal services, and repairs off the utility books. In squatter areas, the bribe may be pitched at a level the poor can afford—it may be similar to the cost of obtaining other informal forms of water supply. In other situations, where the poor live in mixed-income settlements and the water market is differentiated, higher-income households are prepared to pay more, and the bribe price can be higher, marginalizing the poor and placing them at the end of the queue.

Other common public-consumer interactions concern administrative corruption in *payment systems*, irregular billing, falsification of meter readings, and overcharging are typical utility practices that can be avoided or mitigated by the payment of bribes (Davis 2003). Typically, where poor consumers are involved, the bribe is demanded rather than offered. Most of these practices result in commercial leakage, adding to the inefficiencies of dysfunctional agencies. In surveys conducted in Mozambique, 12 percent of households reported that they always had to bribe officials for services, more than 20 percent of user-enterprises reported that they paid bribes in more than 25 percent of transactions, and almost half reported that it made no difference which official was involved, suggesting an institutional norm (Austral Consultoria 2004). Moreover, these figures appear to be low. In a Transparency International survey conducted in Nairobi, more than 60 percent of households and institutional customers reported they had dealt with corrupt utility officials (Transparency International Kenya 2006).

Public-to-consumer corruption is a part of a series of failures. Weak policies and institutions lead to a lack of services and inevitably create a market for corruption at the point of service delivery. It is vital that this corruption be viewed as a part of this broader, failed system because the problem is far more complex than a simple picture of officials forcing consumers to pay bribes to obtain a service they are entitled to obtain free of charge. Where there is no alternative water supply (and especially where no informal supply market has developed), it is common for poor and non-poor households to create a demand for “corrupt water.” They need the water and are not so concerned with the terms that unofficial providers set. Similar to costly “informal” water (water provided by informal suppliers), corrupt water fills a gap created by ineffective agencies: corrupt officials, acting as informal providers, provide the poor with services they may not have otherwise obtained (Plummer and Cross 2005).²⁹ This presents the sector with a dilemma, at least in the short term, that needs to be carefully managed to ensure that poor households continue to have access to water even as sector corruption is reduced.

Identifying Concentrated Areas of Corruption

In practice, each water and sanitation context will experience different areas of concentration or vulnerability to corruption in policy making, planning and budgeting, fiscal transfers, procurement, personnel management, construction, and service delivery, all of which respond to the factors determining the local and sector corruption scene. Rather than advocate for a total system of reform, this section promotes the need for comprehensive diagnosis, to provide a picture of the range of corrupt practices in WSS, on which vulnerable spots can be located, and to stress the importance of links and connections.

In practice, too, corruption varies significantly between countries, within countries, between agencies and institutions, and within sectors.³⁰ Understanding the weighting (intensity and incidence) of corruption at any one point in this matrix in the sector, as well as the institutional context, is vital to ensure that anticorruption efforts concentrate on major points of leakage. Good policy and effective mitigation efforts can therefore come only from good diagnosis. Country-level diagnosis specifically in the WSS sector is vital.

TACKLING CORRUPTION IN THE WSS SECTOR IN AFRICA

Over the last decade, a number of theories and mechanisms have been developed and tested to tackle corruption in its various forms. Policy changes that support anticorruption activity generally range from removing trade barriers, to more targeted actions streamlining or eliminating unnecessary regulation and licensing, and strengthening accounting and auditing standards. Institutional reform strategies have included the strengthening of judicial and legal systems; improving budgeting procedures and financial management; mainstreaming civil service reform; and focusing on incentives, competition, and internal checks. More specific anticorruption strategies have dealt with enforcement, watchdogs and ombudsmen, awareness

campaigns, and anticorruption commissions. Despite this menu of options and the increasing resources from development agencies devoted to the fight against corruption, many commentators highlight the lack of rigor and specificity in the development of anticorruption programs (Shah and Schacter 2004).

This section briefly considers the array of instruments for tackling corruption and positions them in relation to the WSS corruption interaction framework. To focus the discussion, it concentrates on the most prevalent area of corruption for each of the public-to-public, public-to-private, and public-to-consumer/civil society interactions. This is done with some caution, knowing that generic lessons are continually emerging, that sector lessons are few and far between, and that any anti-corruption strategy would inevitably need to be developed at the country level to respond to the country-specific nature and causes of corruption.

Understanding and Addressing Incentives: A Key Starting Action

Irrespective of the actors involved, corruption flourishes when the incentives exist for it to do so. Corruption is driven by need, greed, or opportunity for money or power (Klitgaard, Maclean-Abaroa, and Parris 2000); for poor consumers, it may be driven by the simple need for water (Plummer and Cross 2005). Public incentives might suggest that lower-level, poorly paid officials have a need to supplement their income; midlevel managers have ample opportunity; and politicians, senior managers, and directors are driven by greed. Yet public officials at all levels shoulder a range of responsibilities and must meet the obligations that come with their position. Individual and organizational incentives are complex, closely aligned with sociopolitical and institutional structures, and often driven by factors outside the sector.

An understanding of incentive structures developed in governance and civil service reform initiatives (Huther and Shah 2000) can be applied to water sector institutions and relationships. The key concern for any corrupt official is that the potential gains from the corrupt actions outweigh the potential losses. To change behavior of officials, the expected gains must be lowered and the expected penalties increased. Expected gains can be lowered by reducing both the incidence of corrupt transactions and the gain from each single transaction. The incidence of corrupt transactions can be lowered through policies and organizational reforms that reduce discretion, monopolies, and bureaucratic procedures and that clarify functional responsibilities for regulation, policy making, and delivery. Increasing service standards and decentralizing government services can also help lower the incidence of corruption. The gain to be had from a transaction can be lowered by scaling down large projects or improving the contract management of those projects (through transparent decision-making processes, for example), by demonopolizing public services, and by promoting competition in the sector.

The probability of detection or penalty can be enhanced by clarifying procedures and streamlining operational roles, increasing accountability and transparency through citizen or consumer participation and monitoring of WSS services, establishing citizen charters, specifying standards, ensuring media independence, promoting transparency in interactions between public and private sectors, and providing support for whistleblowers. The magnitude of the penalties for corrupt

actions should also be increased. The key to enforcement is meaningful penalties, but these are currently rare at the sector level in developing countries.

Key Dimensions of Good Governance in WSS Sector Anticorruption Activity

Experience with anticorruption activity has provided a set of mechanisms fundamental to good governance and applicable to anticorruption reform in the water sector. Best practice suggests that demand-side efforts are needed to support the technical approaches to improved sector performance carried out in many countries over the last decade (UN-Habitat and Transparency International 2004). Careful consideration must be given, however, to the applicability and impact of these various approaches within any given context in the water sector, as well as to their blending and sequencing. Key areas of action include the following.

Diagnosis and Measurement

Effective anticorruption policy depends on sound diagnosis and understanding of the sector context, as outlined earlier. In addition, measurement systems that enable sector benchmarking and that monitor relative progress can be used to raise awareness and focus efforts. There is much debate over the appropriateness and accuracy of corruption indexes. Possible approaches for sector consideration include the Global Corruption Perception Index (Transparency International 2006), the corruption measurement approach (Olkren 2005), and the measurement of anticorruption instruments and policies such as the Global Integrity Index, which is similar in objective to the water reform ranking system developed by WSP-Africa (2006).³¹

Transparency and Access to Information

On the demand side, promoting greater transparency around the actions of politicians and water sector officials creates disincentives for their engagement in corrupt transactions. Transparency can be developed in various forms at the project, community, and sector levels—publicizing utility accounts, budgets, contracting arrangements, and annual reports, and holding public hearings by regulators are all tangible mechanisms for improving transparency. Access to information is essential to improve demand for accountability. Typically, consumers have no knowledge of recurrent and capital costs, making it possible for public officials to deliberately misallocate resources or tap into limited budgets without detection. Consumers also should be able to access information about complaints mechanisms and their rights as consumers and citizens. A significant contribution to political accountability and a transparent operating environment can also be made by increasing the role of the media (Stapenhurst 2000) and by utilizing e-government for transparent record management.

Accountability

The development of accountability, be it through transparency, professionalism, honesty, or competence, is central to tackling corruption in WSS and applies to all parts of the service delivery framework.³² Efforts focused at improving accountability occur on both supply and demand sides. On the demand side are the

institutionalization of surveys, mechanisms to strengthen civil society's role in monitoring (such as the Bangalore citizen report card), and consumer associations (Thampi 2005). These efforts must be supported by building the capacity of the government officials involved and by educating consumers about the role they can play in thwarting corruption. This is particularly important in Africa, where civil society tends to be relatively immature, struggles to be heard, and is low in capacity.

Education and Advocacy

Lack of awareness is currently a key factor preventing action in Africa. Politicians, high-level officials, the media, and the general public all need to be more aware of the causes and consequences of corruption. But a truly effective means for generating that awareness in countries with weak governance has yet to be found—most advocacy campaigns have failed.³³ Evidence from rural India also suggests that higher levels of education and literacy correlate with lower corruption, more accountability, better targeting, and less political capture.³⁴

Institutional and Policy Reform

Anticorruption efforts need to look beyond the demand side, however. Reforms addressing the complexities and ambiguities of country policy, regulatory, and institutional frameworks and decentralization are vital and must be underpinned by civil service reform, particularly in the areas of organizational and financial management. Efforts to create an environment of accountable service provision are central to these reforms, all of which will create the structural change needed in WSS service delivery systems and reduce opportunity for corruption. These technical approaches include better sector planning and policy making; alignment of the functions of different tiers and departments; separation of provider, regulatory, and financing responsibilities; improvement of corporate governance within water utilities; improvement of internal procedures, such as contract management; addressing monopolistic and uncompetitive systems; establishment of partnerships with private operators to improve efficiency; and adopting results-based performance approaches. Among these steps, efforts to strengthen the accountability between WSS service providers and policy makers, better allocation of functions, and adoption of results-oriented approaches (such as output-based aid mechanisms) are gaining momentum in Africa (Halpern and Mumssen 2006; Trémolet and Halpern 2006).

Leadership

The need to embed the anticorruption struggle in broader reform, strong leadership, and good management is critical.³⁵ Central to the anticorruption institutional reform agenda is leadership: the struggle will be carried by leaders who cast the drive against corruption as a part of their effort to expand and improve services. One outstanding example is the successful attack against corruption led by the mayor of La Paz from 1985 to the late 1990s as part of municipal reforms (Maclean-Abaroa 2006).

Integrity

Efforts to promote integrity and ethical behavior among government officials, utility managers, and others working in the water sector have been developed and tested

with some success in developed countries and are gaining momentum in developing countries. The integrity pact promoted by Transparency International pledges contractors, suppliers, and government agencies to refrain from offering or accepting bribes in connection with public contracts. Government and professional associations have developed codes of conduct or ethics and training on ethics issues with the aim of binding members to corruption-free behavior. Other mechanisms include establishment of business principles, laws and rules governing conflicts of interest, and protection for whistleblowers. Most of these approaches are potentially useful for cleaning up the multinational private sector that operates in developing-country water sectors, but they may have limited applicability in developing countries until transparency and accountability frameworks are established.

Enforcement and Regulation

A large number of countries have introduced anticorruption legislation, regulations, rules, and procedures aimed at controlling corruption. In most developing countries, however, these sanctions-based approaches are rarely accompanied by effective enforcement, and many have proven ineffective, in part because the police and judiciary are themselves riddled with corruption. Ombudsman and complaints offices, oversight committees, watchdog agencies, independent auditing introduced to formalize processes and enforce punishment, and special anticorruption and fraud agencies have all been tested but have had little success in the context of weak governance (Shah and Schacter 2004). At the international level, the UN Convention against Corruption offers a common framework for countries to tackle corruption and provides for cross-border cooperation. International finance institutions have also established rules and sanctions, but to date a lack of harmonization between financiers and donors has made efforts less than effective.³⁶

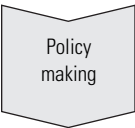
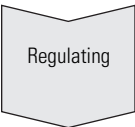

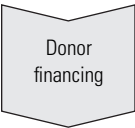
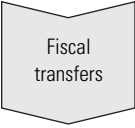

Aligning Potential Anticorruption Mechanisms to Corruption in the WSS Sector

Anticorruption instruments work at and across general, sector-specific, and project levels. They often improve governance generally and may be effective in creating an enabling environment that discourages corruption in all sectors. To provide an overview of the tools available and their relevance, the following discussion describes the types of mechanisms that might be applicable to each of the corrupt interactions mapped in the WSS sector (see table 7.1) at each of the relevant points in the value chain.

Tackling Corruption within Government (Public-to-Public Interactions)

To date, there has been little *direct* effort to tackle corruption involving water sector officials. In the past, corrupt interactions internal to the public sector—within or between government tiers, departments, WSS agencies, and individuals—have generally been addressed through *indirect* initiatives aimed at civil service reform and improved accountability through decentralization and other political reform processes.³⁷ While the extent to which these efforts have been successful in

Table 7.3 Tackling Hotspots in Public-to-Public Corruption

	<i>Public-to-public interactions</i>	<i>Early warning indicators</i>	<i>Potential responses</i>
	<ul style="list-style-type: none"> • Bribery of decision makers to influence policy priorities 	<ul style="list-style-type: none"> • Low tariff structures • Monopolies and a resistance to competition 	<ul style="list-style-type: none"> • Policy and tariff reform
	<ul style="list-style-type: none"> • Influencing regulations and licenses • Bribery to bypass constraining regulations • Influencing appointment of regulator 	<ul style="list-style-type: none"> • No division of regulator and provider roles • Renegotiation of contracts (frequency and timing) 	<ul style="list-style-type: none"> • Separation of regulator and provider roles, including private sector participation. • Development and publication of minimum standards. • Public oversight of negotiations with operators
	<ul style="list-style-type: none"> • Distortions in decision making by politicians (affecting location and types of project investments) • Corruption in national and sector planning and budget management (interministerial bribery for fund allocation, collusion/bribery in selection, and project approval) • Corruption in local budget management (fraud, falsification of accounts, village-level collusion) 	<ul style="list-style-type: none"> • Lack of coordination between ministries of planning and finance (number of inconsistencies) • Speed and complexity of budget allocation (number of approving plans and budgets, time taken) • Overlapping roles and responsibilities in delivery stage • High share of spending on capital-intensive and large projects • Use of inappropriate discretion by finance and planning officers 	<ul style="list-style-type: none"> • Independent auditing of decisions made • Organizational and procedural change in budgeting and finance functions • Decentralization of functions • Review options for alternative delivery systems (such as, PSP community) • Citizen involvement and demand for accountability in planning and budgeting • Media involvement
	<ul style="list-style-type: none"> • Donor-government collusion in negotiations to meet funding targets • Donor-government collusion/fraud in progress and quality 	<ul style="list-style-type: none"> • Unexpected change in donor support/choice 	<ul style="list-style-type: none"> • Transparency in negotiations, budgets, and proposed plans
	<ul style="list-style-type: none"> • Bribery and kickbacks to ensure fund transfers 	<ul style="list-style-type: none"> • Long process time for fund transfers • Unexpected release of funds 	<ul style="list-style-type: none"> • Performance standards • Auditing
	<ul style="list-style-type: none"> • Corruption in personnel management • Appointments and transfers, salary perks • Distortions in decision making (at and between central, local, and village levels) 	<ul style="list-style-type: none"> • High number of unqualified senior staff • Poorly paid staff with significant extras, living beyond means • High number of unplanned transfers • Lack of local government and utility management autonomy • Conflict of interest on management board • Increase in price of informal water 	<ul style="list-style-type: none"> • Staffing reforms promote competition, performance/merit-based career structures. • Disclosure of assets • Transparent appointment of qualified administrative leaders (and election of political leaders) • Ring-fencing finances of utilities, separation of roles between local government and utilities

Source: Authors.

combating corruption in the water and sanitation services is unclear, action has been focused in four areas (table 7.3).

- *WSS sector restructuring, policy reform, and organizational change.* Specific actions include openness to leveraging private sector and other local stakeholder involvement; increased competition; reduced civil service size; stronger leadership; better sector coordination; separation of policy, regulation, and implementation; and more clarity in the allocation of functions.
- *Decentralization reform and improving accountability.* Reforms have aimed at improving political accountability and the adoption of mechanisms to emphasize the need for accountability for basic services among service providers and local government. Specific efforts include citizen report cards, service surveys, and increased public awareness, as well as improved accountability among tiers of government.
- *WSS planning and financial management.* Specific actions include more rational financial policies; ring-fencing; increased transparency; and cost recovery and improvements in metering, billing, and collection as well as stepped-up oversight, reporting, and auditing processes.
- *Personnel management reforms.* Staffing reforms include pay structures; processes to regularize promotions, appointments, recruitment, and transfers; adoption of performance-based management approaches, standardized terms and conditions of employment, and enforcement and sanctions for noncompliance.




These instruments may have mixed impact in reforming sector agencies, especially where authority is limited. In practice, the hierarchies of officials from a ladder of agencies within and outside water agencies (illustrated in table 7.2) interact with each other at various points in the value chain. In many countries, trying to build capacity and accountability in service delivery agencies such as utilities, district administrations, and village water committees will be futile without also tackling reforms at higher levels of government or among influential local government local leaders. Similarly, it may be unproductive to work on developing accountability in a ministry of water without the implicit agreement or participation of political leaders and the ministry of finance.

Tackling Corruption between the Government and the Private Sector

In its tendering, supply, construction, and operating roles, the private sector is a key actor with the potential for involvement in corruption in the WSS sector. Cleaning up the interface between the public and private sectors is paramount in corruption reform. Corrupt interactions between government and private sector companies have been addressed implicitly in the sector through reform efforts that strengthen the policy and enabling environment and through specific contracting and procedural mechanisms within the construction sector in public procurement, construction, and operations (table 7.4).

To date general efforts to curb corruption in *procurement* have focused on prescriptive improvements to procurement environments: introducing anticorruption

Table 7.4 Tackling Hotspots in Public-to-Private Corruption

	<i>Public-to-private interactions</i>	<i>Early warning indicators</i>	<i>Potential responses</i>
 <p>Tendering and procurement</p>	<ul style="list-style-type: none"> • Bribery to influence contract/bid organization. • Corruption in delegating management: fraud to over/underestimate assets; selection and type, award of concessions; decisions over duration, exclusivity, tariffs, subsidies • Corruption in procurement for: <ul style="list-style-type: none"> — capital works — supply of chemicals, vehicles, equipment — marked-up pricing • Falsification of documentation 	<ul style="list-style-type: none"> • Same tenderers short-listed, selected (possible cartels) • Dropping out of bidders • Share of sole-source suppliers • Share of standard design unchanged • Share of higher unit costs • Lowest tender repeatedly not selected • Share of immediate renegotiation of contracts 	<ul style="list-style-type: none"> • Transparency in public-private interactions • Independent tender evaluation • Integrity pacts and sanctions • Simplification of tender documentation • Review role of middlemen and local consultancy commissions • Audits and reporting • Reduce size of contracts • Citizen oversight • Support for improving integrity of business (professional associations, codes of conduct)
 <p>Construction</p>	<ul style="list-style-type: none"> • Not building to specification, concealing substandard work, materials • Failure to complete works • Underpayment of workers • Fraud and bribery in invoicing: marked-up pricing <ul style="list-style-type: none"> — Overbilling by suppliers 	<ul style="list-style-type: none"> • Resistance to meeting standard specifications • Number of changes in specification • Number of variation orders in site works 	<ul style="list-style-type: none"> • Citizen role in oversight • Technical auditing • Citizen auditing, public hearings • Performance-based management contracts
 <p>Operations and maintenance</p>	<ul style="list-style-type: none"> • Corruption in operations • Corruption in supply chain (e.g., fraud and bribery in the supply of chemicals, vehicles, and other inputs) • Avoiding compliance with regulations, specifications, health and safety rules • Falsification of accounts, evidence • Small, informal providers • Inconsistent, irregular billing to small-scale providers • Extortion to enable businesses to continue 	<ul style="list-style-type: none"> • Share of sole-source supply • Share of change in quality or coverage • Increase in informal price of water 	<ul style="list-style-type: none"> • Integrity pacts (in countries with capacity for sanction) • Demonopolizing operations and maintenance • Financial and technical audits and reporting • Performance-based contracts with defined minimum standards • Transparency in operations and management • Citizen role in oversight • Benchmarking utility performance • Small/informal providers • Improve interface between formal and informal • Legitimization • Formal bulk supply, pricing, competitive tenders for franchises

Source: Authors.

laws, charters, and performance standards, and establishing rules, principles, and practices dictating procurement procedures and auditing (see chapter 9; Transparency International-Pakistan 2003). Ideally, these efforts would mean that public and private project and procurement staff are working at a new level of professionalism, with less discretion, in a commercial environment where actions are overseen and sanctions enforced if necessary. In practice, however, reform of the procurement environment is difficult and takes a great deal of time to become effective (box 7.2).

BOX 7.2 Institutional Reforms Improve Utility Performance in Nairobi

For decades, the Nairobi City Council Water and Sewerage Services Department was responsible for delivering water and sanitation services to the city's residents. In 2002, after corruption in the department caused widespread public outrage, the water service functions and assets were turned over to a newly founded private company, the Nairobi Water and Sewerage Company (NWSC). The NWSC is run by a board of 12 directors drawn from private sector organizations and professional bodies and a number of officials from the former city water department.

Supportive national legislation (the Water Act of 2002 as well as the provisions of the Local Government Act) provided for the reform of the institutional framework and enabled the establishment of an independent entity for water supply in the city. The essential institutional reforms separated policy, service provision, and accountability, creating seven autonomous water boards who appoint water service providers. The new private company in Nairobi inherited 2,200 staff and the operational structures from the old water department, but creation of the new company brought new leadership, clearer accountabilities, introduction of a commercial culture with improved service conditions, greater transparency of operations, and better communication policies.

Despite these improvements, the new company's management still saw corruption as a major obstacle to efficiency and profitability and wanted more information about the scale and incidence of corruption. Although the sample was small, an assessment conducted by Transparency International exposed a number of potential corruption hot spots:

Corrupt practices involving consumers. The assessment revealed that consumers were still being solicited for, and paying bribes, at two points. The first was at the point of service delivery, where bribes were sought and paid to avoid being disconnected or to get reconnected, or to establish illegal connections. The second was in relation to billing and collection, where bribes were solicited and paid to adjust inflated bills or resolve billing disputes. About 65 percent of those domestic and institutional customers surveyed said they experienced corrupt practices with the NWSC, mostly with low-level employees. Inflated billing was also found to be a major reason why domestic consumers sought illegal connections. Survey respondents routinely charged that the NWSC, like the city water department before it, took advantage of its monopoly status and insisted on payment of inflated bills without record or justification. The assessment pointed toward the need for immediate improvement in record keeping and in accuracy and frequency of water meter reading and practical steps toward better dispute resolution over inflated bills. To this end Transparency International recommended the design and implementation of a consumer liaison process and strategy.

Corrupt practices involving private suppliers. Transparency International also surveyed NWSC suppliers to see how they were faring under the new company in comparison with the old water department. Overall, suppliers indicated that the incidence of corrupt practices has decreased since the NWSC took over operations, but that there were still a lack of transparency and possibly corruption in the way tenders were awarded. Some of the suppliers admitted to having inside information. As a result of the assessment, the NWSC was urged to reform its procurement procedures, to ensure that all staff comply with the company's code of ethics and conduct and to take upfront action concerning conflicts of interest.

Source: Transparency International-Kenya (2006).

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A second set of efforts focusing on either the project or departmental level aim to improve the localized procurement “space.” These include the introduction of integrity pacts dissuading contractors and officials from offering and accepting bribes, together with sanctions for noncompliance. Transparency in public-private interactions, such as the publication of tender documentation and tenders received, independent evaluation of tenders, auditing, monitoring of unit rates, and public participation in negotiations, creates a different environment from the opacity that characterized private sector participation in the 1990s. In Pakistan, a clean and open bidding process promoted by the Karachi Water and Sewerage Board and monitored by Transparency International showed how the application of a no-bribes integrity pact could be applied to contracts for consultancy services and all physical works and supplies. It resulted in an estimated net saving of about 75 percent of the cost of the contract (Transparency International-Pakistan 2003).

A third set of efforts, initiatives with multinational companies and national companies operating in developing countries, have focused mainly on achieving a greater level of integrity and professionalism among members through professional associations, codes of conduct, monitoring and benchmarking, and integrity pacts. (In Latin America, the integrity pact has been used successfully in the water sector in Argentina and Colombia and is being adopted by other countries in the region.) Transparency International has spearheaded efforts to establish minimum standards for public contracting. The World Economic Forum’s Partnering against Corruption Initiative (PACI), the Extractive Industries Transparency Initiative (EITI), and construction industry initiatives in the United Kingdom and Europe seek to improve integrity in private companies, national governments, and construction companies, respectively.³⁸

Anticorruption measures to clean up the corrupt practices associated with *construction* in the water and sanitation sector have been limited in developing countries, where “looking the other way” is still common practice. Contractors are mostly, although not all, domestic (large or small) and working within sector norms. There is little possibility that either corrupt contractors or public officials would be brought to justice, and those exposing fraud or bribery often find themselves in a worse position by doing so. Some efforts to measure and control corruption in construction provide lessons for African village water supply. Evidence from Indonesia suggests that technical audits such as spot checks on pipe work, community oversight and monitoring, and even the simple announcement or threat of an audit (when combined with community participation) seem to reduce corruption in rural development projects (Olkren 2005). In both small and large projects, urban and rural, the introduction of performance-based projects that define minimum standards and requirements and reimburse only after the water is flowing show promise in improving accountability and outcomes (Halpern and Mumssen 2006).

In *operations*, little explicit focus has been given to reducing corruption but significant effort has been made to improve efficiency. Reforms at the sector and utility levels have focused on improving leadership and management, financial management, and ring-fencing; clearly defining and delegating roles for operations and maintenance; and increasing citizen participation in planning, budgeting, and

monitoring to improve accountability. Separation of providers from policy makers and regulators has been pursued in conjunction with decentralization to some degree, although roles are still cloudy at the local level, where local government and utility boundaries are less than defined. Monitoring and measurement has improved, and benchmarking approaches that compare utility performance (as seen in Uganda) aim to promote efficiency through competition. All such mechanisms aim at establishing an environment less susceptible to corruption.

Although it forms a relatively small segment of the WSS sector in Africa, privately operated utilities provide some lessons for consideration. In Côte d'Ivoire, for example, the delegation of operations to a privately operated utility in the late 1980s led to a shift in investment from capital-intensive production units to the rapid extension of distribution networks; what had once been 100 percent debt financing became 100 percent cost recovery; and public-private deal making was replaced by commercial procedures (WUP 2003).

Efforts at the interface between local private providers and those operators authorized to provide service delivery have begun to emerge in different forms in many cities in Africa and are central to developing more effective and efficient links between public and local private water sector actors. Efforts to form associations of suppliers, develop constitutions and mechanisms for dialogue, install formal bulk supply and other technological solutions that result in better access for the providers (and revenue for the utility), and implement competitive tender processes for area franchises formalize the interface between utilities and municipal water departments and create more predictable environments for honest water businesses to flourish (WSP-Africa 2005; Plummer, Collignon, and Mehrotra 2005). The local private sector is also the home of the middlemen who facilitate bribes between large national and multinational companies and governments. Much greater focus is needed on understanding and developing the integrity of the local private sector.

Tackling Corrupt Interactions between Public Officials and Consumers

To date, anticorruption mechanisms tackling corrupt interactions at the point of service delivery have largely focused on improving the efficiency of the utility or delivery agency. The sector has long been aware of the various types of corruption that occur "at the tap." The problem of illegal connections has been addressed through efficiency drives or, in more innovative situations, legitimization programs, while a focus on improved meter reading, billing, and collection has implicitly addressed some of the leakage that occurs through payment systems.

Interactions between public officials and consumers over operation and maintenance of the water system can be tempered by citizen oversight and monitoring as a part of water governance efforts aimed at stimulating accountability of service providers. On the consumer side, the important work on report cards developed by the Public Affairs Centre in Bangalore (Thampi 2005) has been applied specifically to the WSS sector in Nairobi, Mombassa, and Kisumu in Kenya (WSP-Africa forthcoming). Still in the development stage, this consumer report card initiative, sponsored by Water and Sanitation Program–Africa (WSP-Africa), encourages households, both poor and nonpoor, to provide public feedback on the quality of water

supply, sanitation and solid waste services, and, with the results in hand, then underpins a national campaign to publicize and advocate for change. A critical aspect of the report card approach is the existence or development of an effective complaints redressal system. At a broader level, corruption surveys such as those conducted by the World Bank Institute, have provided some insights into community perceptions of bribery between officials and consumers in the water services sector (Austral Consultoria 2004; Center for Democracy and Development 2000). These are invaluable inputs for policy makers.

Despite efforts by utilities, only an estimated 23 percent of the African population is served by utilities, and few of these are poor (WSP-Africa 2006). Community-based delivery systems, the preferred donor approach to water and sanitation service provision, has escaped the attention of sector efficiency drives and has been bypassed in the debate over sector corruption. This model of WSS service delivery has suffered from a somewhat naive assumption that community involvement will, by definition, produce accountable and efficient outcomes. Investigations into community-managed rural development programs with sizable WSS components have found, however, that community management often results in high levels of corruption. Poorly paid, quasi-public officials frequently act in a nontransparent and unaccountable manner; collude with the project overseers, contractors, and suppliers; and engage in a range of practices and decisions regarding procurement, construction, and payment that distort project benefits (Woodhouse 2002).³⁹ Surveys, report cards, and other forms of citizen monitoring can also be applied to community-managed water supply.

The innovative introduction of corruption mapping, community monitoring, and complaints redressal in the Kecamatan Development Program (KDP) in Indonesia provides a model for strengthening citizen voice, improving accountability, and reducing corruption (box 7.3). This initiative raises important issues for WSS public-consumer interactions and community-based service delivery in all continents. Assessments have shown that corruption varies depending on whether the goods and services bring public (common) or private benefit. For private goods (such as rural water supply) with mainly individual benefits, information and participation have proven successful in reducing corruption. For public goods (such as sanitation and roads), the use of audits, sanctions, and enforcement has proven more effective. The KDP has also raised the understanding of “corruption horizons” in community-managed development programs: as corruption is tackled in observable spheres, it moves elsewhere. In the case of the KDP, corruption shifted to less detectable but perhaps also less profitable forms of nepotism (Olkren 2004).

The development of more effective payment systems in WSS delivery has been an integral part of utility efficiency improvements. These include meter replacement programs and professionalization of billing and collection systems. Designed to reduce fraud and bribery, these programs change the nature of the customer interface. In some utilities, efforts have been made to ensure that these systems are appropriate to poor households (battery meters, collective billing, localized payment offices). Taking the corruption out of payment systems requires better-informed consumers, however. More effort is needed to provide households and communities with the information and capacity they need to know if billing is correct, and the systems for appealing if it is not.⁴⁰ Some innovative approaches in

BOX 7.3 Intensive Efforts to Curb Corruption in Village Infrastructure Development: Lessons from Indonesia

The Kecamatan Development Program (KDP) is a \$1.2 billion World Bank-financed and community-driven development project in Indonesia, begun in 1998 during the East Asia financial crisis. It now funds significant infrastructure development and provides small loans to villages. The program has been rapidly scaled up and now serves more than 20,000 villages nationwide.

The two-pronged approach to combating corruption in the KDP is based on an analysis of the political economy of corruption in Indonesian villages. First, it aims to change the conditions that breed corruption in villages by breaking existing monopolies over information, resources, and access to justice. Second, it aims to prevent corruption in the project itself by skewing the incentives of the project structure against corrupt behavior. The KDP experience is useful for understanding what works to limit corruption in a large, rural development project in a country with endemic corruption, a weak legal system, and a history of top-down political control by a powerful state bureaucracy.

At the heart of the KDP's anticorruption approach is the principle that villagers themselves should have decision-making power over planning, procurement, and management of funds. Some of the concrete measures of its approach include:

- simplifying financial formats so that they can be understood easily by villagers
- transferring funds directly into collective village bank accounts
- insisting that all financial transactions have at least three signatures and that at least three quotations are found for the procurement of goods, to be shared publicly at village meetings
- insisting that details of all financial transactions are posted on village notice boards
- requiring that project funds be accounted for at regular village meetings, at which villagers have the right to suspend further disbursements of funds if irregularities are found
- providing village-level sources of information and channels for complaints independent of local government
- providing intensive field-level supervision by elected village facilitators and subdistrict project facilitators
- providing independent monitoring of the project by NGOs and local journalists.

Although these measures have had some success, corruption in KDP projects persists. Assessments (including in-depth ethnographic interviews, field experience reviews, and analysis of the incentive structures throughout the project cycle) determined actors' interests, motivations, and constraints. The study found that corruption is primarily a problem of incentives and can be fought effectively only by changing the costs and benefits attached to corrupt behavior; local context and social norms are key to understanding how these incentives can be changed.

Corruption in KDP projects takes several forms, including budget markups, collusion, bribes, and kickbacks to local officials. The elements found to be most effective in limiting corruption are transparency, community participation, and the provision of independent channels for resolving complaints. Information and local control are key elements in both preventing and fighting corruption: the most successful strategies for fighting corruption in the KDP have hinged on publicizing anticorruption activities, garnering wide local support, and using sanctions credibly. Project facilitators are also key to fighting corruption: they provide a channel of information to villagers that is independent of local government and, because facilitators are backed by the central KDP structure, they have more protection from threats and intimidation than ordinary villagers. There is also evidence that villagers have used their experience with KDP projects to protest against corruption in other projects.

The incentives analysis of the project cycle identified three stages of the project cycle most vulnerable to corruption. These were proposal preparation (formation of false borrower groups for small loans), release of funds (collusion among bank account signatories to embezzle funds), and implementation (collusion and corruption in procurement). The analysis highlights several ways in which corruption could be better prevented, including improving information dissemination; working with social sanctions to make the incentive structure less conducive to corruption; increasing incentives for KDP staff to fight corruption; instituting measures at specific stages of the project cycle intended to limit monopoly, clarify discretion, and improve accountability; and supporting the capacity of project facilitators to come up with flexible local solutions to their problems.

Source: Woodhouse (2002).

Table 7.5 Tackling Hotspots in Public-to-Consumer/Civil Society Corruption

	<i>Public-to-consumer interactions</i>	<i>Early warning indicators</i>	<i>Potential responses</i>
Construction	<ul style="list-style-type: none"> • Community-based construction and management: <ul style="list-style-type: none"> — Fraud and bribery — Theft of materials by village leaders — Fraudulent documentation, accounting, and reporting 	<ul style="list-style-type: none"> • High loss of materials • Resistance to meeting standard specifications 	<ul style="list-style-type: none"> • Citizen role in oversight and monitoring • Technical auditing, spot checks of infrastructure constructed • Performance-based contracts
Operations and maintenance	<ul style="list-style-type: none"> • Bribes for access to water: installing or concealing illegal connections, avoiding disconnection, non-network (tankers) illicit supply using public assets • Bribes for speed or preferential treatment for repairs, new connections 	<ul style="list-style-type: none"> • Changes in unaccounted-for water • Unofficial usage of tankers • Lack of interest in connection campaigns • Low reporting of faults • Number of faults reported • Number of connections versus increase in water consumed • Unexplained zonal variations 	<ul style="list-style-type: none"> • Legitimization of illegal connections • Legitimization of public officials extending services • Review of connection costs • Performance contracts for speed of repairs • Citizen participation in monitoring and oversight • Transparency and reporting of performance requirements • Report cards and other survey and feedback mechanisms • Complaints redressal
Payment systems	<ul style="list-style-type: none"> • Billing corruption: fraudulent meter reading, avoidance or partial payment, over-charging 	<ul style="list-style-type: none"> • Unexplained variations in payment • Complaints from consumers • Complaints from small-scale providers 	<ul style="list-style-type: none"> • Information and awareness campaigns • Citizen participation in monitoring and oversight • Participatory corruption assessments, corruption mapping • Commercialization • Reform to customer interface: metering billing, collection • Performance contracts • Complaint redressal • Women cashiers

Source: Authors.

Benin and Côte d’Ivoire have delegated billing and collection to private firms that work on a performance contract (although their use of entrusted office is equally susceptible to corruption); these systems also have introduced women cashiers, who have shown they are less inclined than men to accept bribes or defraud the utility (WUP 2003).

A Cautionary Tale for the Water Sector

Despite the variety of anticorruption instruments relevant to the sector, there is still much debate over what works and what does not in developing countries. Cross-cutting activity over the last decade has provided lessons, but a much greater understanding of how it will all work at the sector level is still needed.⁴¹ Models and pilot programs are needed in the WSS sector to test approaches that promise change in the context of weak African institutions and civil society.

Meanwhile, a number of anticorruption mechanisms have failed or backfired in developing countries. The World Bank Institute and others have analyzed the performance of specific anticorruption instruments. Overall, this work has found that the proliferation of anticorruption commissions, corruption watchdog agencies, and ethics agencies across Africa and the drafting of new anticorruption laws, decrees, and codes of conduct have had little impact, being more appropriate in countries where public accountability and transparency have already been established (Kaufmann 2005). A second key lesson is that a focus on the public sector alone is not enough; the private sector must be included in any anticorruption effort. The problem with “getting it wrong” is that anticorruption activity, if wrongly focused, can result in significant “fallback” in the reformed institutions because corruption adapts, reestablishes elsewhere, and even grows more robust when old opportunities are closed down (Shah and Schacter 2004).⁴² For instance, stepped-up enforcement might lead to less incidence of bribery, but the bribes might be larger. Or firms adhering to integrity mandates might be marginalized within the market, providing strong disincentive for others to follow suit.

More constructively, experience has illustrated that the level of governance is key to making decisions about what anticorruption activities to undertake (Kaufmann 2005; Shah and Thompson 2004); different anticorruption mechanisms are applicable in different governance contexts (Shah and Schacter 2004). Prescriptive anticorruption efforts need to be treated with caution in countries where the rule of law is weak, the state has little legitimacy, institutions responsible for service delivery are not accountable, and the commitment of national leaders is questionable.

What is the message for future anticorruption activity in the water sector in Africa? The cautionary tale is to look before you leap (Shah and Schacter 2004). Little direct anticorruption reform has been undertaken in the sector, and while it is possible to learn lessons from other sectors, those lessons will need to be tailored to the specific circumstances of country, sector, and even local contexts. The African WSS sector needs to approach the anticorruption agenda cautiously, draw on lessons from the broader governance agenda, continue to expand knowledge about WSS sector institutions, and focus on the means to demand reform.

The sector needs to learn how to identify and prioritize interventions. Before undertaking reforms at the country level, it is important to first understand capacity and governance, as well as incentives and the impact of corruption. Only then can one determine the effectiveness of differing processes (shock or gradual change) and choose the appropriate anticorruption mechanisms (prescriptive, preventive), the combinations of anticorruption mechanisms needed (such as matching transparency

reforms with increased citizen roles), and the sequencing of interventions that will work best.

The sector needs to test, build, and disseminate experience: Working within this broader sphere of governance, accountability and transparency efforts to get sector governance right will be critical in any context. Strategy development should look at the best way to prioritize demand activities such as improving voice and participation, transparency and access to knowledge and information, and institutional reform. Understanding how these areas of activity can be more effectively focused on anticorruption ends seems a critical step for the sector.

MOVING FORWARD

Several issues should be kept in mind as the water and sanitation sector embarks on anticorruption reform.

First, there is a notable lack of information on the scope, nature, impact, and costs of corruption in the WSS sector. For decades, donors and other supporting agencies have carried on regardless of endemic corruption that has distorted decision making and leaked sector investment. As a result of this tolerance, few attempts have been made to define, unpack, or delve into the key dimensions of sector corruption. While there are islands of information, most stakeholders acknowledge that this lack of comprehensive information on the scope and nature of corruption hinders future action. Furthermore, little is known about the impacts and costs of WSS sector corruption. Understanding of the degree of corruption in water supply and sanitation, when compared with other water subsectors such as irrigation, is limited, and no accurate measure has been made of the relative levels of WSS sector corruption between countries in the region. Data are urgently needed to support proposed actions.⁴³

Second, corruption in the water sector is linked with overall and sector governance: few would argue that the main challenges for improving water sector governance and tackling sector corruption do not lie in the water sector at all (Estache and Kouassi 2002) or that corruption is embedded in the problems of a dysfunctional sector. Yet while many dimensions of governance, such as the rule of law and political stability, lie outside the remit of any single sector, many solutions, such as strong leadership and the emergence of social groups demanding change, are common to all. A key to effective sector anticorruption activity thus lies in an understanding of the primary “interaction space” in which corruption takes place—in particular, how far corrupt water interactions extend beyond water institutions and stakeholders.⁴⁴ Developing a better understanding of the scope and content of viable sector action, in particular, what is possible with ring-fenced service providers, will be important to sustainable interventions.

Third, decentralization has created a new set of risks and opportunities, and more effort is needed to develop accountability at the outset. Decentralization provides a window of opportunity for the development of transparency and accountability in subregional governments. To date, the effects of decentralization on water service delivery and on corruption levels in the water sector have been mixed and unpredictable.⁴⁵ This can be attributed at least in part to the heterogeneity of the

reforms in the region. Decentralization in Africa is a mix of political, fiscal, and administrative delegation carried out through very different processes (big bang, gradual, top-down, bottom-up, in different time frames) (Shah and Thompson 2004). In practice, too, local, often poorly skilled, sector officials, previously without access to decision making or budgets, have seized the opportunity for rent seeking created by the delegation of finance and function, and the lack of clarity around functional allocations and relationships and the lack of transparency have created failures in accountability. Better understanding of the links between corruption and decentralization processes is urgently needed at the sector level. In particular, how has decentralization affected sector corruption, which areas are most prone to corruption, and how can the momentum presented by decentralization be harnessed to prevent corruption from reemerging?

Fourth, it takes two or more to bribe: anticorruption efforts need to include the briber(s) involved in WSS transactions. Because of the potential for significant profits, many private WSS sector stakeholders (be they international, national, or local companies or individuals) have strong incentives to ensure that their companies are included in tenders, win contracts, avoid unnecessary delays in construction, and find ways to cut corners to create higher profit margins. But this is not always the case—not all companies and not all individuals join in. Understanding incorruptible behavior might provide pointers for actions to reduce private sector bribing.⁴⁶ More detailed knowledge is also needed about the role of the middlemen who facilitate payments. Anticorruption efforts have generally focused on cleaning up offending governments, but efforts to promote accountability in government are undermined if pressures on staff come from outside government. It is vital to develop anticorruption mechanisms that tackle the actions of bribers soliciting and paying bribes in water sector transactions.

Fifth, the political realities of fighting corruption in the water sector are sobering: many constraints and opposing stakeholders block the way forward. Despite increasing political rhetoric and high-profile commissions and investigations, there is still a reticence in many countries to discuss corruption and anticorruption activity at the sector level in Africa.⁴⁷ Only a few stakeholders are interested in analyzing corruption, sharing their knowledge, or proposing anticorruption tools and techniques, and advocacy is hindered by the absence of a strong civil society in Africa.⁴⁸ Outside government, a strong set of incentives and disincentives affects stakeholders' willingness to engage in anticorruption activity: large construction and engineering companies are concerned with shareholder profit, consultants with their client base; individuals fear reprisals for not going along. Bilateral and multilateral agencies need to meet spending and lending targets and maintain the status quo, but they also fear anticorruption activity will sour their relationships with government partners. At the sector level, in WSS organizations, the advocacy base is also narrow—not everyone in the sector is persuaded that corruption is something that should be confronted. Acknowledging that corruption is a problem, developing a broader platform of advocates, building awareness, and creating a safe space for dialogue will all be critical to effective sector action.

Sixth, the net effects of corruption and anticorruption activity in WSS for the poor are not really known. The structural impacts of corruption on the poor

Table 7.6 Next Steps*Actions at the country and regional levels*

1. Diagnose the sources, extent, and impacts of corruption, especially as it affects the poor. Develop an understanding of the sector context for corruption and its causes and incentive structures that can be used to forge effective anticorruption measures.
2. Establish robust tools and indicators at the sector and subsector levels for measuring and monitoring corruption and setting baselines against which to measure the effectiveness of specific anticorruption strategies.
3. Build a platform of informed anticorruption advocates among public, private, and civil society stakeholders, including working groups at the country and regional levels to promote an anticorruption agenda.
4. Develop country-level anticorruption strategies that are coordinated with MDG road maps and sector reforms.
5. Launch advocacy, awareness-building, and capacity-building drives at all levels to develop committed leaders in the fight against corruption and informed communities. Identify and build capacity of appropriate civil service organizations.
6. Create channels for disseminating anticorruption tools, methodologies, best practices, and lessons learned.

Thematic areas of investigation

1. *Understanding decentralization and corruption in the water service and sanitation sector.* How has decentralization affected the regulatory environment? How can decentralization frameworks mainstream anticorruption objectives?
2. *Unbundling and diagnosing corruption in WSS delivery systems.* What are the areas of concentration and modalities of corruption in public utility supply systems, private concessions, large- and small-town systems, donor-led or community-based projects?
3. *Understanding the impacts of corruption in WSS on the poor.* What types of corruption have the most negative impact on the poor? How much do they pay? What are the net effects on the poor? Are there any benefits in unofficial rather than official supply? How can the detrimental impacts on the poor of both corruption and anticorruption actions be mitigated?
4. *Enhancing transparency in the water sector.* How can current reform approaches be strengthened with a significant focus on transparency? What are the dynamics and constraints of increasing sector transparency in differing contexts? In what situations would transparency in the sector harden corruption?

summarized by Kaufmann and others,⁴⁹ are now well disseminated—lower investment and economic growth, less pro-poor growth, less progress in service delivery and the development of human assets. To this can be added the many noneconomic consequences of corruption—weakening of new and emerging democracies, social injustices, environmental degradation, heightening of insecurity, and undermining trust in public institutions. But at the sector level, more detailed analysis is needed on the short-, medium-, and long-term impacts on the poor. Medium- to long-term impacts on the poor result from distortions and delays created by corrupt officials steering water sector investment away from the poor toward opportunities that are likely to bring them the most personal gain. Typically, this means inappropriate investment in large, capital-intensive infrastructure projects such as water treatment plants, bulk supply, or networks. In the short term, however, corrupt activities by low-level officials who sell or provide illicit utility water might fill gaps in the services available to the poor households, providing them with a service they could not otherwise obtain. In some cases, providing private service with public assets may not necessarily be inefficient when considered at the sector level and in the short term.⁵⁰

Finally, developing pro-poor anticorruption activity within the water sector should be informed by more widespread and detailed demand-side assessment.

Tackling Corruption in the Water and Sanitation Sector in Africa: Starting the Dialogue

Much of the anticorruption activity launched to date has proceeded on the assumption that any anticorruption intervention will automatically improve efficiency and effectiveness and thus create benefits for the poor. But this is not always the case, and while corrupt water is clearly not optimal in the long run, focusing reform on the misuse of assets by low-level officials may have immediate negative effects on those who need water services most. Complementary demand-side assessments and actions are vital to reveal and mitigate against any likely negative impacts of anticorruption mechanisms at the local level. To ensure that reforms are pro-poor, anticorruption advocates need to understand the interactions between long-term structural changes and short-term contingent ones and plan for both positive and negative impacts on water supply to the poor. With this recognition, legitimization rather than eradication or supplementary instruments that provide the poor with water in the short term might, for instance, become an important pro-poor aspect of tackling corruption at the point of service delivery.

Table 7.6 provides a set of country, regional, and thematic actions for anticorruption stakeholders able and willing to take the agenda forward. Donor engagement is essential for funding, harmonization, and creating a stronger motive for reform.

CONCLUDING REMARKS

Although the challenges in tackling corruption in the WSS sector in Africa are significant, a number of opportunities have emerged in recent years that have heightened the issue of corruption on the WSS agenda. First, a growing number of governments are indicating their willingness to discuss corruption openly and engage in discussion of anticorruption programs. Second, the World Bank, the African Development Bank, sector donors, and other sector agencies have strengthened their commitment to addressing corruption in donor-funded initiatives and in their own systems. Third, there is growing commitment to government and donor harmonization on the anticorruption agenda.⁵¹

Most of what is being done now in the water governance agenda—introducing policy, institutional, and financial management reforms; reducing inefficiencies; improving leadership; and building demand-side capacity—is central to anticorruption activity, but so far these activities have had little effect on corrupt practices in the sector. It is vital that the sector come to understand what adjustment is needed to recharge these efforts and focus them more effectively on tackling corruption.

This chapter has aimed to start the dialogue over corruption in WSS in Africa. It has described, through a framework of corrupt interactions among public, private, and consumer/civil society actors, the types of corruption that occur in the various stages of sector policy making, planning and budgeting, financing, delivery, and implementation. It has argued that corruption is neither singular nor homogenous in any one setting, and that understanding the network of corrupt activity and identifying the areas of concentration of corruption within this larger framework are critical to effective policy making and strategy development. Over this framework of corrupt interactions, this chapter has laid out the many and varied anticorruption mechanisms, including those that are generic and create an environment that deters or mitigates against the risk of corruption and those that target specific types of

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anticorruption activity. This menu of actions should be considered with caution, because it is not yet known conclusively what works in which situations, what combinations of interventions are needed, and what sequencing of reforms will optimize anticorruption efforts. This is the task that lies ahead. Most of all, the water and sanitation sector in Africa urgently needs to undertake the diagnosis and testing that can provide the empirical basis for action.

ENDNOTES

1. A key task in the next stage of work is to ascertain a clearer estimate for different WSS contexts and countries of Africa.
2. This figure is based on an estimate of \$6.7 billion for annual expenditure requirements to meet the MDGs in Sub-Saharan Africa. Of this, \$2.6 billion is intended for capital investments (Mehta, Fugelsnes, and Virjee 2005). Of course, not all these leaked funds would necessarily make their way into sector investment, and there is no way to measure how much would.
3. Depending on the country and regions within each country, hand pump failure rates can be anywhere from 15–50 percent, averaging around 30 percent continent-wide (Sutton 2004).
4. The Transparency International Corruption Perception Index (CPI) ranks countries by the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on corruption-related data in expert surveys carried out by a variety of reputable institutions. It reflects the views of businesspeople and analysts from around the world, including experts who are locals in the countries evaluated. The CPI provides a snapshot, with less capacity to offer year-to-year trends. See, for example, Transparency International (2005, 2006). The limitations of these indexes are recognized in the broadbrush overview provided here, and efforts are needed to develop more robust sector indicators. For limitations on the CPI, see <http://www.transparency.org>.
5. There are many exceptions to the general trend that growth is stronger in less corrupt countries. Indonesia's economic miracle occurred in the context of historically unprecedented corruption and an authoritarian state (Timmer 2006). Kaufmann and Kraay (2003) examine the links between growth and governance and find a strong causal effect of better governance on higher per capita income, confirming the importance of good governance and economic development. But they found no virtuous circle whereby higher incomes result in better governance.
6. These findings are not statistically significant; such analysis has not been systematically carried out in the sector, but should be undertaken.
7. The water reform ranking has been drawn from data obtained from 16 Country Status Overviews in Africa conducted by WSP-Africa to ascertain sector progress toward meeting the MDGs. The criteria for this ranking include sector restructuring to create transparency and to separate policy, regulation, and implementation; financial policies and ring-fencing for viability; openness to leveraging private sector and other local stakeholder involvement; policy toward servicing the poor; and sector coordination and sector financing instruments (WSP-Africa 2006).
8. In 16 recent country-level Investment Climate Surveys carried out by the World Bank, companies were asked if they made informal payments to get a water connection. Although statistically insignificant, results in all 16 countries (controlling for GDP per capita) suggest a strong correlation between corruption and low levels of WSS coverage. Interestingly, however the microlevel survey (with firms, not households) did not confirm that *sector*

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corruption (as measured by bribe payments for a water connection) is correlated with *general* measures of country corruption, but the fragility of the results further highlights the recommendation for improved measurement at the sector and subsector level.

9. This exceeds the total gain achieved from privatization; see Estache and Kouassi (2002), quoted in Collier and Hoeffler (2005).
10. A number of anticorruption advocates including Klitgaard and Rose-Ackerman (1999) have identified the key factors that engender opportunities for corruption. These include monopoly power, wide discretion, weak accountability, and lack of transparency.
11. On health, see Transparency International (2006); on power, see World Bank (2006); on forestry, see the Forestry Integrity Network initiative at <http://www.transparency.org/fin>, and on the construction industry, see Transparency International (2005).
12. There are some comparative findings in the World Bank Institute country governance and corruption surveys. In Mozambique, for instance, water is perceived to be the most corrupt basic service (above health and education, significantly higher than sanitation); see Austral Consultoria (2004).
13. The need to disaggregate water and sanitation is well recognized. Some contend that sanitation in rural projects is subject to less corruption than water because sanitation is a public good (author discussion with Scott Guggenheim, Addis Ababa, January 2006). The Mozambique survey indicates that the public perceives water services as being significantly more corrupt than sewerage (Austral Consultoria 2004). More research is needed before any conclusions can be drawn. Future analysis should disaggregate not only water and sanitation but the type of service delivery system (community-based, utility, or household).
14. The very specific nature of equipment and infrastructure of assets in the water industry makes the cost three to four times than that of the telecommunications and power, and a higher cost when compared with electricity (Kirkpatrick, Parker, and Zhang 2004).
15. The limitation of the figures commonly quoted in the sector is a key concern addressed in this chapter. These figures are often derived only from leakages in utilities, but they are similar to the levels of corruption quoted generally and in similar programs (such as rural development programs, roads projects) elsewhere.
16. This observation comes from discussions with a wide range of stakeholders and sector professionals, who say that few in the sector have acknowledged the many and varied types of corruption that exist. Perceptions of corruption are not homogenous, but they are narrow, limiting the development of effective reform.
17. Governance, sector, and project levels of anticorruption mechanisms were used to describe post-tsunami reconstruction efforts in the WSS sector in Aceh in Plummer (2005).
18. In the absence of meaningful sector data, the purpose of this framework is to open up understanding and areas of investigation. Many corruption documents focus on one form of corruption or another without the data to justify that focus. A broad matrix is needed that can be used in specific settings to identify local areas of concentration. Other diagnostic work has informed the approach. Focusing on areas of activity, the first version of this chapter provided a framework of these interactions structured by the levels of the delivery agency. One very useful initiative developed for the World Bank-funded KDP in Indonesia (which supports village-level, community-based infrastructure) is the "corruption map." This mapping tool walks through the project cycle, considering the design, implementation, and monitoring stages, and setting out the incentives of actors, the forms of corrupt behavior, and the risks associated with each potential leakage. The project uses this map to develop specific responses to each medium- to high-level risk. Facilitators use

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it to structure their oversight of the various processes. The mapping process has been critical in establishing transparency and empowering communities to monitor implementation (and ongoing operation and maintenance) at the project level. Several roads projects have taken a similar approach, using the project cycle as the foundation for assessing potential areas of corruption. The approach is similar to that originally presented by Klitgaard in the participatory diagnosis approach he developed for the municipality in La Paz, Bolivia, that focused on corrupt systems and aimed to identify the size, winners, losers, causes, and cures of the different types of corruption identified through the participatory process (Klitgaard 1998). These maps are not carried out at the sector level, however. Another useful conceptual approach is the adaptation of the accountability framework presented in the *World Development Report 2004* (World Bank 2004), which examines the relationships between key stakeholders in the service delivery process, highlighting the importance of the “voice”-accountability relationship between citizens and politicians, the “compact” relationship between politicians or managers and service delivery agents, and the “service/client power” relationship between the service provider and the citizen/consumer. Each side of this triangular framework explores a set of complex interactions enabling corruption and the key mechanism for improving accountability.

19. This issue is taken up in the evaluation method used in Huther and Shah (2000).
20. While it is possible that private-to-private interactions, such as bribery or fraud between contractors and subcontractors, as described in Rocío Balcázar (2006), are also prevalent in the sector, it is also the case that one private party is entrusted with office and that this type of practice is embodied in public-to-private interactions. For instance, in those situations where the private sector has been granted concessions, they have “entrusted office.” In other cases, the practice may be fraudulent and may be illegal and harmful, but care should be taken before describing it as corruption.
21. Informal feedback in more than one African country suggests that this could be as much as a few years’ salary for large utilities—the larger the utility, the larger the bribe. Bribes for appointments are thought to be made to both politicians and to management staff, although it is not known in what proportion. Davis (2003) found that in South Asia, most bribery of politicians and local leaders was intended to exert influence on decision makers.
22. For a decade or more, governance has led the agenda of bilateral and multilateral development agencies, and support for anticorruption has been recognized as a key concern in meeting both development and risk management objectives. At the same time, few would argue that development assistance, by its nature, does not exacerbate inherent corruption by injecting cash into weak institutional systems.
23. This practice was perhaps more associated with the letting of concessions to international firms during the 1990s, but it still applies to large construction contracts.
24. The lack of detailed knowledge of public-private interactions in the water sector is exacerbated because diagnosis has not always included the right actors—those paying the bribes. There has been inadequate critical analysis of how mechanisms work on the ground and why it is likely they will continue to do so (author conversation with M. Sohail Khan, Water Integrity Network Preparatory Meeting, Delft, The Netherlands, November 2005.). The sector is acutely aware that addressing the bribing and solicitation process that some private firms engage in is as important as addressing government actors, but more diagnosis of public-to-private interactions is needed.
25. Bribery in procurement and construction is described in detail in Transparency International (2005). Much of this information is pertinent to the water sector.
26. Only 5 percent of water delivered in Africa is delivered by the private sector, predominantly in West Africa in concession-type arrangements (WUP 2001).

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27. *Extortive* behavior reflects an imbalance of power and typically can mean officials are exploiting the poor. For the poor, the outcome may be access to water service, but the transaction price is high. This widespread behavior often occurs in a monopolistic situation where consumers are dependent on decision-making officials. *Collaborative* transactions between the poor and public service delivery officials are voluntary transactions that often provide the poor with a service they would not have otherwise, and often at a price that is competitive with local alternatives. In squatter settlements, for instance, officials provide illegal connections or tanker water at a price and arrangement the consumer is willing to pay. See Kaufmann, Montoriol-Garriga, and Recanatini (2005).
28. Although NGOs are more limited in Africa than elsewhere, NGO service delivery is one way to mobilize services to the poor. But one should not assume that all government-NGO transactions are free of corruption; the assumption that NGOs are corruption-free and accountable is naive. Government-to-NGO corruption is emerging as a key area of investigation, as it occurs concurrently with government-to-private corruption in many areas.
29. It is recognized that this practice may in some, but not all, cases also contribute to the inefficiencies of the utilities. To some extent, the problem is caused outside the water sector. Typically, tenants and illegal squatters have fewer WSS options and are more likely to tap into the service a corrupt official (or a landlord) might offer. The illegality of their dwelling makes this group vulnerable and susceptible to extortion and high-priced water. Other households with changing needs and capacities are also susceptible as they may wish to opt in or out of a higher level of service, creating the opportunity for extortive or collaborative bribery.
30. Author communication with Scott Guggenheim, Addis Ababa, January 2006. See also Recanatini, Prati, and Tabellini (2005).
31. The Global Integrity Index provides a quantitative scorecard of governance practices in each country, assessing the institutions and practices that citizens can use to hold their governments accountable to the public interest. It is currently developed in fewer than 30 countries worldwide. See www.globalintegrity.org.
32. The *World Development Report 2004* (World Bank 2004) provides a triangular framework of accountability relationships among policy makers and politicians, service providers, and citizens. It highlights the need to shorten and strengthen accountability relationships of voice, compact, and client power.
33. Shah and Schacter (2004) argue, for example, that corruption awareness campaigns have universally failed in developing countries and that advocacy is useful only in countries where governance is strong.
34. The social accountability movement in India has provided a range of lessons on the constraints and opportunities for strengthening the demand side that are all relevant to anticorruption.
35. Corruption is closely linked to legal but misguided policies such as low tariffs for water sources, and many basic remedies for corruption are synonymous with efforts effective utilities are making to improve performance.
36. For example, not all bilateral and multilateral donors blacklisted the companies found guilty in the Lesotho Highlands corruption case (Earle and Turton 2005).
37. Work by Recanatini, Prati, and Tabellini (2005) highlights a number of features as being characteristic of less corrupt institutions and agencies, including regular audits by external or internal auditors of decision making, open and transparent procedures, and personnel decisions based on merit and professional competence. These features all strongly reinforce reform efforts in the water and sanitation sector.

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38. More information on PACI can be found at <http://www.weforum.org/>. More information on EITI may be found at <http://www.eitransparency.org>.
39. The line between civil society representatives or leaders and village public officials is typically unclear, with individuals frequently playing both roles.
40. The supporting role of consumer associations has been explored in East Africa. A first set of lessons on capacity building of consumer bodies to engage in WSS sector reform has been developed by the WSP-Africa in collaboration with Consumers International (WSP-Africa 2004a).
41. Over the last five years, focus has shifted from supply- to demand-side efforts.
42. See Shah and Schacter (2004), in which they warn against ad hocism in anticorruption work and suggest that the lack of progress in eradicating corruption could be due to misguided strategies.
43. The need for a stronger analytical basis than for anticorruption basis has long been recognized (Kaufmann 1998).
44. There are very mixed views on the level to which anticorruption activity can be ring-fenced within the WSS sector, and models and strategies urgently need to be tested. Some argue that efforts can proceed at the local (delivery agency) level, while others argue that anticorruption efforts are likely to be futile, counterproductive, or at the margins, if sector efforts are not coordinated with the broader governance agenda. The Kenyan experience too is sobering, where reforming one branch of government and not another created serious problems, deepening levels of corruption; see Nussbaum (2006).
45. Fisman and Gatti (2002), for instance, argue that no country has ever solved its corruption problems through decentralization.
46. Author communication with M. Sohail Khan.
47. In other countries (such as Indonesia), the situation is more nuanced; there may be dialogue about corrupt practices, a group of anticorruption champions, and public willingness to speak openly about corruption, but there also might be reticence to speak about installing anticorruption mechanisms that may affect friends, colleagues, or family income.
48. Best practice in anticorruption activity underscores the importance of civil society organizations (CSOs) taking a lead role in demanding change. This is more difficult in the African region, where the CSO movement is weak, especially in the government-dominated water sector. Even where the state cannot deliver, there is the public perception that WSS provision is a state responsibility with no role for civil society. CSO support in the Africa water sector generally consists of scattered, specific projects. These may develop momentum in stimulating public demonstration, as in Ghana, where a CSO led a movement against water privatization, but African CSOs do not play a central role in large-scale service provision as they do, for example, in Bangladesh, and social accountability is only emerging. Efforts will be needed to work with and develop the capacity of nonwater CSOs such as the country chapters of Transparency International.
49. See the Synthesis Matrix on Poverty and Governance in Kaufmann (2000).
50. See the overview of the types of water available to the poor, including corrupt water, in Plummer and Cross (2005).
51. As embodied in the Paris Declaration on Aid Effectiveness, signed in Paris in March 2005. The Paris Declaration is an international agreement under which more than 100 ministers, heads of agencies, and other senior officials committed their countries and organizations to continue to increase efforts in harmonization, alignment, and managing aid for results with a set of monitorable actions and indicators.

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