

# Corruption Threatens Development and Sustainability – Report

*Corruption in the water sector is a root cause and catalyst for the global water crisis that threatens billions of lives and exacerbates environmental degradation, according to the Global Corruption Report 2008: Corruption in the Water Sector, released by Transparency International earlier this year.*

The report, the first of its kind to explore the impact and scope of corruption in different segments of the water sector, identifies a range of problems, from petty bribery in water delivery to procurement-related looting of irrigation and hydropower funds; from covering up industrial pollution to manipulation of water management and allocation policies.

“Water is a resource without substitute. It is paramount to our health, our food security, our energy future and our ecosystems. But water corruption plagues water management and use in all these areas,” said Transparency International Chair Huguette Labelle.



*The poor, especially women, are affected most by corruption in the water sector.*

The water crisis is undeniable and the corruption challenge it faces is urgent. More than a billion people worldwide have no guaranteed access to water and more than two billion are without adequate sanitation, which has devastating consequences for development and poverty reduction.

## GLOBAL RESPONSE TO CLIMATE CHANGE THWARTED

“Climate change requires the world to come up with what is likely to be the most far-reaching and complex global governance framework ever devised. Without addressing the corruption risks, especially as they relate to water, such plans stand on shaky ground,” said Labelle. The report demonstrates corruption’s potential to obstruct effective enforcement of water-sharing pacts and resettlement arrangements, both key to confronting the fallout from climate change.

Irrigated land helps produce 40% of the world’s food, but corruption in irrigation is rampant. Addressing this risk is fundamental to increasing food production and tackling the global food crisis. “Massive new investments have been announced worldwide to help counter the food crisis, yet water shortage means food shortage and if corruption in irrigation is not also addressed, these efforts will fall short,” explained Labelle.

For the Philippines, which has allocated close to US\$1-billion for irrigation and related agricultural improvements, the report presents case evidence of how corruption has hindered the building and performance of irrigation dams. In India, corruption is estimated to add at least 25% to irrigation contracts and the proceeds help maintain a corrupt system of political handouts and compromised oversight. In the end, investment costs rise, systems are rendered inefficient and small farmers are left especially vulnerable to water shortage. In turn, in Mexico, the largest 20% of farmers reap more than 70% of irrigation subsidies.

## POOR CARRY THE GREATEST BURDEN

When corruption occurs, the cost of connecting a household to a water network increases by up to 30%, raising the price tag for achieving the Millennium Development Goals for water and sanitation by US\$48-billion, according to expert estimates in the report. Corruption in drinking water and sanitation emerges at every point along the water delivery chain; from policy design and budgeting to building, maintaining and operating water networks. It drains investment from the sector, increases prices and decreases water supplies.

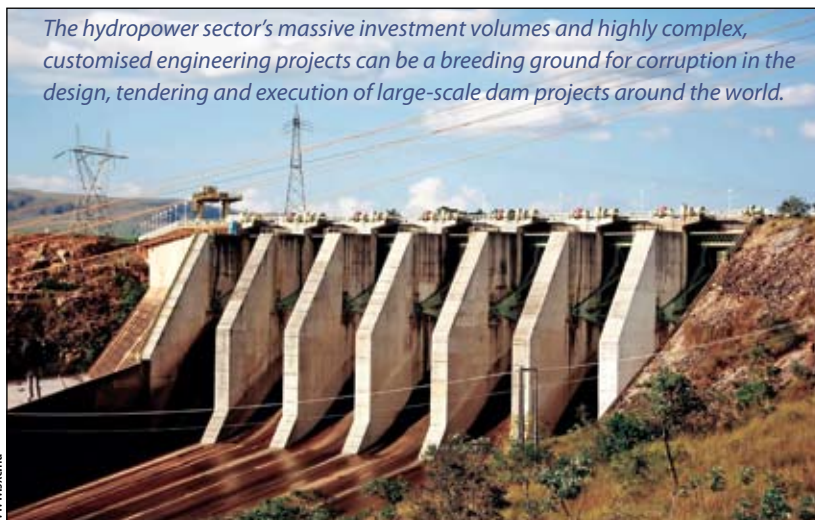
Industrialised countries are not immune. Corruption has plagued the tendering of water contracts in cities such as Grenoble, Milan, New Orleans and Atlanta. Likewise, cases of bid-rigging and price-fixing in water infrastructure provision have surfaced in Sweden, while in Chicago water budgets fell victim to misuse for political campaigning.

The report found that in wealthier countries corruption risks are concentrated in the awarding of contracts for building and operating municipal water infrastructure. This market is worth US\$210-billion a year in Western Europe, North America and Japan alone.

**RISK FOR ENVIRONMENT AND ENERGY SECURITY**

Corruption in water resources management undermines the sustainability of water supplies, fuels highly unequal water sharing which can incite political conflict and fosters the degradation of vital ecosystems. In China, for example, corruption has weakened the enforcement of environmental regulations, abetting the pollution of aquifers in 90% of the cities and making over 75% of urban rivers unsuitable for drinking or fishing.

Corruption in hydropower inflates the cost of dams and related projects. It also makes re-settlement more challenging by preying on compensation funds and initiatives meant to aid displaced people.



*The hydropower sector's massive investment volumes and highly complex, customised engineering projects can be a breeding ground for corruption in the design, tendering and execution of large-scale dam projects around the world.*

www.sxc.hu

**EXAMPLES OF CORRUPTION IN AFRICA AND ITS REPERCUSSIONS**

**Egypt:** Dire water shortages triggered widespread public protest and roadblocks in the summer of 2007. The outcry was fuelled by the perception that corruption had been a major factor in this water crisis.

**Kenya:** A survey of Nairobi households in 2006 found that 50% considered their bills to be unfair and 66% had experienced water-related corruption in the previous 12 months.

**Lesotho:** In the multibillion Rand Lesotho Highlands Water Project, the Chief Executive of the project was found guilty of accepting bribes worth millions of Rand from multinational companies vying for contracts.

**Malawi:** The mapping of new water collection points constructed between 1998 and 2002 found that half of them were in areas that had already reached the recommended coverage and that more equitable distribution could have lifted almost all districts above this threshold. In some communities, the disparity was linked to political affiliations determining the construction and location of water points.

**Mauritania:** Stand-post attendants who open and close water pipes for public use are known to pay bribes to obtain these important community jobs and pass the costs on to the service users (usually the poor).

**Tanzania:** A World Bank analysis of the national water budget found that a poor rural citizen received only a fifth of the water subsidy that a rich urban resident garnered. Moreover, up to 41% of all subsidies went to the country's wealthiest 20% of households.

**Zimbabwe:** Extortion in the repair and maintenance service has been reported. A resident of Harare was told the broken pipe leaking sewage into his house would not be fixed unless he 'dropped a feature' i.e. paid a bribe.

*Source: Global Corruption Report 2008*

**TIME FOR ACTION**

Corrupt conditions in water persist because their greatest impact is exacted on those with the least chance of redress, disproportionately affecting women, the poor and those with no voice at all: future generations and the environment.

Nonetheless, as the Global Report shows, taking action against corruption in the water sector is both timely and feasible. Key recommendations of the report include:

**Establish transparency and participation as guiding principles for all aspects of water governance:**

From transparent budgeting and participatory policy-making to public mapping of water pollution, public audits of projects and access to contract terms and performance reports, transparency and participation strengthen integrity in water governance.

**Strengthen regulatory oversight:**

Government and the public sector continue to play the most prominent role in water governance and should establish effective regulatory oversight, whether for the environment, water and sanitation, agriculture or energy. Institutional reform and capacity building are essential to bring oversight in water up to the standard already achieved in other sectors.

**Ensure fair competition and accountable implementation of water projects:**

All stakeholders have a role to play. Contracts should incorporate anti-corruption measures. Government and contractors can enter into agreements for fair public procurement. Lenders and donors must strengthen anti-bribery provisions in their due diligence requirements. 