



Mitigating the Costs of Corruption in Water for the Poor

The water crisis, exacerbated by corruption, is exacting a high human toll on the lives of the poor and vulnerable. Corruption makes water undrinkable, inaccessible and unaffordable. In developing countries, about 80 percent of health problems can be linked to substandard water and sanitation services, claiming the lives of nearly 1.8 million children every year.

Corruption in water is skewing access to precious and scarce resources away from the citizens who need them most. It is hindering the water sector's potential to serve as a catalyst for national development and instead has made water the source of stagnation in the lives of many. Every year, students suffering from water-related ailments around the world miss an estimated 443 million school days. For the poor, the loss of an education turns into lost opportunities for jobs, college and the future. The cycle of poverty becomes one that is increasingly difficult to break.

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1. Tallying corruption's costs for the poor

Whether it is corruption in drinking water and sanitation, agriculture, or power generation, poor citizens bear its high costs: political, financial, social and cultural. Corruption contributes to polluted drinking water, altered water flows and flooding patterns, reduced crop yields and inadequate infrastructure — all problems that worsen the already precarious lives and livelihoods of the poor.

Existing vulnerabilities — due to gender, age or ethnicity, or all of the above — are reinforced and aggravated when the control of water is corrupted. When corruption plagues hydropower projects, the poor tend to lose rather than benefit from the intended improvements in irrigation services, power generation and development. Mechanisms are rarely in place to safeguard against government and project officials abusing dam resettlement funds, which are meant to compensate the displaced communities. In the case of China's Three Gorges Dam, documented claims of corruption in disbursing its US \$26 billion resettlement fund reflect the depth of the problem. In one province alone (Hubei), an estimated US \$36.4 million was stolen from beneficiaries over a two-year period, which resulted in protests by residents over the loss of promised funds.¹

Even irrigation initiatives trying to improve food security and reduce poverty can increase marginalisation. For example, participatory management strategies can fail when all voices — particularly those of women — are not respected equally in decisions on how to use water. Other problems occur when corruption enters the policy process, leaving subsistence farmers and the poor last in line to receive water and state subsidies. Evidence from Mexico has shown that farmers falling within the top 20 percent of the country's largest agricultural producers receive more than 70 percent of state irrigation subsidies. From Asia to the Americas, similar cases of large landholder capture have led to the draining down of precious groundwater supplies and the impoverishment of small farmers.

Corruption's tax on sector resources is also unevenly shouldered, with the heaviest burden falling on the poor. In developing countries, corruption is estimated to raise the price of connecting a household to a water network by as much as 30 to 45 percent. Corruption can lead to policies and projects that favour the middle and upper-classes and leave the poor with high prices and insufficient access. Such elevated costs and distorted policies inflate the overall costs for achieving the Millennium Development Goals (MDGs) for water and sanitation, cornerstones for remedying the global water crisis, by more than US \$48 billion.

When private actors step in to meet the service shortfall, the challenge of promoting pro-poor solutions to the problem takes on different dynamics. Private operators can inject much needed capital, technology and organisational capacity into the sector, but they are also not free from corruption risks. Abuses may occur in the awarding and oversight of contracts. And if pricing as well as investment does not come with clear pro-poor provisions, biases and problems

will only persist once private operators take over. The cost of connecting to a formal water network may still remain prohibitive for poor families. For example, the price of connecting to Manila's privatised water system is estimated at nearly three times the monthly income of the poorest 20 percent of the country's citizens and more than what the average resident in London, New York or Rome pays. In Bolivia, Honduras and Nicaragua, the United Nations anticipates affordability problems for more than half the population, while a staggering 70 percent of households in Sub-Saharan Africa are expected to go without water if cost recovery initiatives are introduced without accommodating measures.²

Lacking clean and safe water, the poor in many developing countries often look to informal providers to meet their need for this life-giving resource. From Brazil to Sri Lanka, these operators function as a bridge, offering the poor essential access and often compensating for a corrupted service. However, informal providers usually operate in a legal grey zone and may indirectly add to the problems of extortion and bribery, the costs of which are once again passed on to the poor. As is evident in Ecuador and Bangladesh, water mafias may arise and limit water service competition and the system's expansion, drawing the poor further into corruption networks.

2. Finding the right responses

The global promises set out in the MDGs will not be fulfilled without changes in the way corruption in water is prevented and punished. The following policy recommendations are targeted at addressing these dimensions while suggesting certain anti-corruption efforts form an integral part of development planning.

To mitigate the costs of corruption in water for poor citizens, TI calls for actions that are:

Preventative

- 🌐 Initiatives must be used to identify and stop corruption in the water sector before it begins. This includes revisiting how projects are designed, establishing monitoring mechanisms and creating rewards and incentives. In the case of hydropower projects, this can involve delegating resettlement responsibilities and funding to the affected communities.

Pro-poor

- 🌐 Public and private efforts need to focus on the types of service provision that matter most to the poor, such as public standpipes or rural wells. If they do not, interventions may be at odds with the needs of the poor and undermine their livelihoods. A crackdown on informal water providers in an urban squatters' settlement may leave the poor without water or paying high prices to get it. Initiatives to bring informal providers into the legal fold through light-touch regulation and recognition are being explored in several countries and merit wider attention by water policymakers elsewhere.

Water and Corruption: The TI Global Corruption Report

This policy position draws on the *TI Global Corruption Report 2008: Corruption in the Water Sector*.

The Report brings together more than twenty leading experts and practitioners to examine the corruption risks in all areas of the water sector, including water resources management, drinking water and sanitation, irrigation and hydropower.

Case studies and research reports from all around the world are used to demonstrate that corruption is a catalyst and consequence of the global water crisis. The Report also offers a wide range of practical suggestions for policy reform and stakeholder engagement to tackle corruption in the water sector.

For more on the Report, go to: www.transparency.org/publications/gcr.

To purchase this GCR and others in the series, please visit Cambridge University Press at www.cup.cam.ac.uk.

Mitigating the costs of corruption in water for the poor

This TI Policy Position is part of a series on preventing and responding to corruption in the water sector.

The three topics covered look at different impacts and policy responses related to corruption in the water sector: climate change and the environment, integrity in water governance, and the costs of corruption for poor citizens. All three policy positions are based on the *TI Global Corruption Report 2008: Corruption in the Water Sector*.

To learn more about the GCR 2008, please visit:
www.transparency.org/publications/gcr.

Additional details on global efforts to combat corruption in water can be found at:
www.waterintegritynetwork.net/.

For more information about this policy position and others in the series, please contact Craig Fagan at the TI-Secretariat: [plres \[at\] transparency.org](mailto:plres@transparency.org).

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Inclusive

- Participation by marginalised groups in water budgeting and policy development can provide a means for including their concerns in the agenda. Community involvement in selecting the site of rural wells and managing irrigation systems can help to ensure that small landholders are not last in line when it comes to getting water for drinking and growing crops. Civil society participation in auditing, water pollution mapping and performance monitoring of public utilities creates important additional checks and balances.
- Initiatives targeting participation should be complemented by capacity building efforts that equip the poor and other marginalised groups with the means to effectively engage and make their claims.

Informative

- Access to information is a key step and preventive tool for combating corruption in water. Tendered bids should be read aloud in community meetings, planning blueprints publicly posted, donor documents and water quality indicators uploaded to websites, and materials produced in a simple and accessible language — from service contracts to audit reports.
- Even when initiatives — such as hydropower projects — are technical or require specialised expertise, citizens should have the opportunity and voice to demand basic information and explanations about infrastructure specifications, experts hired, contractors selected and prices set.

References:

¹ See: *The Audit Findings on the Funds for Resident Relocation from the Reservoir Region of the Three Gorges Project, no. 1, General Serial no. 19* (Beijing: National Audit Office, 2007). See also: W. Jiao, 'Annual Financial Reports for Dam', *China Daily* (China, 9 September 2007).

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

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Transparency International (TI) is the civil society organisation leading the global fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption, and works with partners in government, business and civil society to develop and implement effective measures to tackle it. For more information go to: www.transparency.org