Making Anti-Corruption Approaches Work for the Poor

Issues for consideration in the development of pro-poor anti-corruption strategies in water services and irrigation

SWEDISH WATER HOUSE

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Note to the Reader:

The malice of corruption in the water sector has only recently been identified by policy makers and researchers. There is an eminent need to build a deeper understanding of the scope and nature of this problem and several knowledge creating initiatives are already underway. This report, Making Anti-Corruption Approaches Work for the Poor, aims to explore issues for consideration in the development of pro-poor anti-corruption strategies in water services and irrigation. It also intends to contribute in general to the identification of key areas for further knowledge generation and policy development.

This is a work in progress and the views expressed are those of the author and not necessarily the Swedish Water House (SWH) or its administrator, the Stockholm International Water Institute (SIWI). The Swedish Water House supports international policy development and co-operation through knowledge generation and dissemination and partnership building primarily within the areas of sustainable river basin management and integrated water resources management.

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Table of Contents

Introduction 5
Corruption Around the World 6
Corruption and the Poor: Impacts and Costs 7
Corruption in Water for the Poor: What is it, Who is Involved? 11
It All Matters, How Can We Identify What Matters Most? 15
Concluding Remarks 27
Notes 28
References 30

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Photo: WSSCC

Introduction

Anti-corruption activity has intensified in recent years but noticeable in its absence has been specific discussion about how this activity is to bring benefit to the poor.[1] The assumption made in most efforts to date, be it through mainstream institutional or targeted anti-corruption reform, is that any anti-corruption activity – macro or micro – will automatically improve the flow of funds for development, improve efficiency and the delivery of services to all citizens. This is indeed an assumption. There has been little analysis of the impact of these reforms on the poor and little consideration given to how these reforms might be developed to ensure pro-poor outcomes. This is not necessarily a surprise: the links between broad governance reform and poverty reduction are not as well understood as they might be; and the entire anti-corruption movement has struggled in its efforts to know what works best (Kaufmann, 2003; Shah and Schacter, 2004; Campos, 2006).

This new level of anti-corruption activity, while welcome, is also the cause for some concern. The lessons of the last decade have told us unambiguously to 'look before we leap': that anti-corruption interventions that are misapplied, misunderstood or mismatched have the potential of hardening and shifting corrupt practices to less detectable, more robust forms (Shah and Schacter, 2004; World Bank 2003). This sobering finding has opened the debate among those interested in the impacts of corruption on the poor. Not only is there a concern that ad hoc activity may make corruption more endemic across the board, but also that interventions may have adverse impacts on the poor or ignore the goals of poverty reduction.

And yet despite these lessons and potential fall back, at present there is little focus on the nature of pro-poor anti-corruption policies and mechanisms for the water sector (a sector very much concerned with basic services for the poor), little debate that aims to ensure that anti-corruption approaches in the sector are pro-poor and no guidance available for government and non-governmental stakeholders on the nature of pro-poor anti-corruption strategies. There is an urgent need to develop clarity on pro-poor anti-corruption strategies: to clarify the nature of the corruption-in-water problem, to highlight the pre-conditions for reform, to provide guidance on priority interventions, and perhaps most importantly, to point toward any policy blunders that may have negative impact on the poor.

The purpose of this paper is twofold. The first is to raise awareness of the need for greater attention to the poor in the development of anti-corruption strategies; and the second is to provide some pointers as to how pro-poor anti-corruption strategies might be developed in the water sector. To this end, the paper will first consider how the poor interact with corruption how they are affected by it and how they use it to their benefit. It will then consider some of the key factors that determine corruption-in-water as it affects the poor, and how this landscape creates experiences different from those of non-poor citizens and users. Finally, borrowing from the efforts of other sectors, it will explore some of the key ingredients that might be considered in the development of a pro-poor anti-corruption water sector strategy. This represents the first stage of an effort to tackle a relatively unchartered part of the corruption-in-water debate.[2]

Photo: WSSCC

Corruption Around the World

In a steep hillside squatter settlement in **Latin America**, poor households have waited for utility water for decades. With little confidence that the local council would extend the network, most communities opted for water provided by a informal service providers, who stole or bought the utility water and delivered it in tankers. The price varied substantially as the providers were susceptible to the demands of municipal water officials, paying them for the water they used and periodic silence payments. When one of these officials came to the squatter settlement and saw a huge new market, he decided to begin delivering water to the settlement himself – moonlighting at night using a utility tanker. He sold water at the same price as the local private provider, and in developing such a lucrative personal business, he made no further recommendations that the network be extended.

In a country in **Africa**, rural water development projects in the poorest part of the country are proposed by the states but selected by the national ministry, who then calls 'approved' contractors to carry out the works. This procurement procedure is without competition or justification. The state level is given no role in the process, despite being the recipient, and despite the projects providing much needed water for animals and nomadic households. Under the terms of the contracts the companies are advanced somewhere in the region of 30% of the project cost on commencement to cover start-up costs. About 15-20 private companies with close political connections win all government contracts. In many instances, the contractors have disappeared with the mobilization payment. While penalties are defined in the contract, there has been no effort to enforce them, as the remote contracting agency in Khartoum is neither the owner nor the beneficiary and does not monitor progress. This approach to the funding of rural poverty projects has meant that virtually no funds reach the nomadic people in one of the most remote areas of Africa.

In a rural village in **East Asia** a water user group was established under a donor funded canal rehabilitation program. The purpose of the WUA was to operate and maintain the lower levels of the irrigation systems. The project was established with cost recovery principles and farmers paid fees to WUA leaders. In the early stages of the project the participation of the community was weak. Leaders misused their roles, and were expected to divert part of the user fees to the township for kickbacks. The WUA executive were also village leaders at the same time, and their performance in tax and levy collection was closely related to their bonus payments by the local government. The problem also extended into procurement with collusion between local contractors promoted by public officials and resulting in much higher price structures in some sections of the canal. Later stages in the project solved some of these problems by empowering communities with the knowledge and information they needed to hold their own leaders to account.

In **South Asia**, a donor-funded poverty reduction project included the construction of septic tanks in locations selected by communities. Following a competitive tender, the municipality noted that the bids received were all 3 times the standard unit rate. To get around what was perceived as collusion amongst the tenderers, and high prices, the chief municipal engineer proposed to the community that they take on the construction of the project – it would also provide work for community members. This was agreed and two community leaders, the most educated, were given the task of managing the finances. Initially there was some concern that the accounts were not open to the rest of the community, but when one leader started smoking imported cigarettes rather than the local ones, the community lost faith and in a public meeting involving donor representatives, demanded that the accounts be made public. The costs of materials and payments for labour were posted at the entry to the slum at the end of each week for the remainder of the work.

Corruption and the Poor: Impacts and Costs

Despite the lack of focus on the impacts of anti-corruption policies and instruments on poverty, there is broad agreement that corruption[3] disproportionately affects the poor. The diverse impact of corruption on the poor and on poverty reduction processes has been widely discussed in both direct and indirect terms.[4] Impacts have been described from an economic, political and social perspective: lowering investment and growth, reducing the poor's share of that growth, reducing access to basic services as well as structurally affecting democratic and human rights and the rule of law.

In an attempt to summarise key poverty issues, Kaufmann encapsulated the impacts of corruption on the poor in relation to economic and service delivery impacts: lower investment and growth, a smaller share of growth, impaired access to public services and a lack of basic services (see table 1). This is further quantified in Bank research that reveals the extent of impact that control over corruption can have on growth: reducing corruption from a high to median level can result in a 400 percent improvement in per capita income (Kaufmann, 2000).

Analysis of the distributional effects of corruption has found a significant correlation between corruption and increased inequality. Gupta, Davoodi and Alonso-Terme (1998) demonstrated that high and rising corruption increases income inequality and poverty by reducing economic growth, the progressivity of the tax system, the level and effectiveness of social programs, and by perpetuating an unequal distribution of asset ownership and unequal access to education.[5] With notable exceptions[6], highly corrupt countries tend to under-invest in human capital by spending less on education (Mauro, 1997).

The growing body of literature on the growth-governance nexus is a useful supplement to the growth-corruption literature in its focus on the importance of governance in growth, and on the issue of causality. Rose Ackerman narrows this down in her discussion over the correlation between growth and corruption: low levels of corruption produce strong economic growth (while noting that the reverse is also true but asking if a focus on growth is enough). Researchers have tested various instrumental variables to ascertain whether the relationship between corruption and inequality is a case of reverse causality and while the issue remains contested[7] (Rose Ackerman 2004, Kaufman and Kraay 2002), statistical evidence suggests that poor governance is itself one of the factors making countries poor.

Table 1
Synthesis Matrix on Poverty and Governance developed by the World Bank in 2000

'Immediate' causes of poverty	How corruption affects 'immediate' causes of poverty
Lower investment and growth	• Unsound economic policies due to vested interests • Distorted allocation of public expenditures/investment • Elite corporate interests capture laws and distort policymaking • Absence of rule of law and property rights • Governance obstacles to private sector development
Poor have smaller share of growth	• State capture by elite of government policies • Regressiveness and resource allocation of bribery 'tax' on small firms and the poor • Regressiveness in public expenditures and investments • Unequal income distribution
Impaired access to public services	• Bribery imposes regressive tax and impairs access and quality of basic services for health, education, and justice • Political capture by elites of access to particular services
Lack of health and education	• Low human capital accumulation • Lower quality of education and health care

Sources: Kaufmann, 2000; World Bank 2000

Photo: Manfred Matz, SIWI

There is also substantial evidence that corruption severely affects service delivery – particularly the delivery of basic services to the poor. Efforts to consider the health and education sectors (currently studied in more detail than water) indicate the sizeable impacts that corrupt impacts have on budget flows in service sectors, on the quality and targeting of services provided, and the ability of the poor to access services. In the education sector, the leakage of non-wage funds in primary education exposed through public expenditure tracking was found to be a major issue in the countries studied: in Ghana this was as much as 49%; Peru 30%; Tanzania 57%; and Zambia 76% from primary capital budgets, widely considered to be pro-poor budgetary allocations. In the health sector, a range of practices are now known to hinder the attainment of health MDGs and to provide cause for grave concern (TI, 2006; World Bank, 2007). A survey conducted in Uganda noted the words of one poor householder, "my son was vaccinated with water because we were too poor to pay the health worker the extra fee."[8]

There is much evidence however that the impacts of corruption are much broader than economic growth and service delivery, undermining social capital, human and democratic rights and the rule of law, all of which otherwise empower the poor. In addition to the impacts on economic growth, FDI and the diversion and misallocation of government revenues, the UNDP describes a number of non-economic consequences. In particular, it reiterates: (i) the concern that corruption breeds impunity and dilutes public integrity implicating officials and judges in strengthening the hold and influence of criminal and corrupt elements of society, creating uncertainty and unpredictability for those who seek recourse to justice, in particular the poor; and (ii) the concern that corruption violates human rights – the vicious circle in which the state quickly loses its authority and ability to govern for the common good. Corruption makes it possible for the critics to be silenced, for justice to be subverted and for human rights abuses to go unpunished – basic human rights and liberties come under threat and social and economic contrasts become unpredictable (UNDP, 2004).

Participatory poverty assessments which document the poor's perceptions of poverty also bring the issue of corruption to the fore. The World Bank's 'Voices of the Poor' initiative that collects together experiences of 60,000 poor

people reported hundreds of incidents of corruption as the poor seek basic services, social assistance, salaries, access justice or police protection (Narayan, 2003). Supporting these qualitative assessments, the results of the 2003 Global Corruption Barometer[9], while limited in its coverage, indicates corruption hits the poor hardest: 41% of respondents on low income felt their lives were "very significantly" affected by corruption, as opposed to 27.5% of those on medium income and 25.4% of those on high income (TI, 2003).

While this body of literature points toward the general consequences of corruption on the poor, it seems to implicitly suggest that these effects are homogeneous across countries, cultures and people. In particular, the literature lacks any systematic disaggregation of the effects in different poor households. There is little discussion that the different capabilities, assets and livelihoods of poor people will mean differences in the way that they engage with, and be impacted by corruption. In a basic service such as water, understanding the differentiated impacts on poor households in any one context is essential for the development of effective pro-poor anti-corruption strategies. It requires differentiated understanding of the multi-faceted nature of deprivation and poverty reduction, and analysis of the types of corrupt interactions experienced. The great variation in livelihoods and assets amongst the poor suggests that corruption will not have a common effect but it will result in a range of experiences and shifts.

One useful way of considering the impact of corruption on the poor is to consider the effects on the various assets that determine their lives. Drawing on a livelihoods framework UEA (2004), describes the corruption in poor HH's livelihoods in terms of the change to social, human, physical, natural and financial assets. All types of corruption result in a degradation of social assets, the loss of confidence and trust in institutions, and the weakening of democracy and legal frameworks. Furthermore when a poor householder pays a bribe or indirectly suffers from the diversion of resources, one or more of these assets change. If we consider forms of corruption in which the poor do not participate (such as embezzlement of funds intended for irrigation or WSS projects) it is physical assets that the poor lose,[10] with knock-on effects on their human assets (their health may be affected by a lack of water), and financial and natural assets (their income from agricultural activities might be severely affected). They might also lose natural assets through public–private interactions, for instance the bribery of officials to dump waste and the subsequent contamination of water sources, or contractor fraud in the construction of canals). But when the poor bribe officials to enable their access to drinking water this means that their financial assets decline and their human and physical assets increase. In this case they choose (or demand) a corrupt service because they value the asset it brings to their lives, trading off their financial assets.

This type of illustration helps focus on the complexity of the micro reality of corruption involving poor people and hopefully encourages advocates to measure and consider all effects (asset erosion, activity restriction and increasing vulnerability) of corruption and anti-corruption on the poor. It highlights the intricate ways in which the poor survive and manoeuvre their way through a system which is, at its roots, disenfranchising. Accepting this finding is not synonymous with

Photo: Mats Lannerstad

accepting corruption, but it means accepting the complexity of the problem to be tackled. It is the net effect on assets at the household level, when compared with their alternatives, and their incentives to act, which ultimately describes the impact of a bribe or action, and determines the decision the poor household makes. Seen in this way, bribing may be extortive but it is also part of poor householders coping strategies. The incentives of the poor are complex and contradictory and linked closely to expenditures. Understanding when, why and how much they pay in total (formally and informally) for basic services in different situations at different times, is key to developing a pro-poor approach and is critical to a better understanding of what the impacts of an anti-corruption strategy will be.[11]

Empowerment and marginalization are likely to be key to understanding the different impacts of public-citizen corruption. Yet there is still much to learn. The poor are not a homogenous group and their heterogeneity is exposed in any one setting in the way they interface with the corruption that surrounds their lives. While corruption is said to erode social capital, it is important to learn how poor households perceive their ability to enter into a corrupt transaction. Is it a way of circumventing their marginalization, or do they see it as a part of this marginalization? Is bribing an official empowering or disempowering for an impoverished household in search of water? Why should the poor not participate in a network they know is open to other citizens?

Corruption creates 'water poverty' by reducing the coverage, effectiveness and efficiency in services and water resource management, with greater impact occurring at the lower levels of income where water is more scarce. Corruption, in all its forms, directly decreases access to and quality of water assets, management and services and increased costs; and indirectly diverts resources away from the sector, away from the poor, limiting the contribution water makes to economic growth and the poor's livelihoods. But the micro-level questions raised above are equally relevant when applied directly to water services. The poor adjust to the situation to obtain the water they need for productive and domestic use. Corruption can, in instances, get water to poor households and farmers that they would not otherwise get. So, how does corruption function as a part of the poor's coping strategies? What are their views on eradicating corrupt options in the context of widespread service failure? At what level does the payment of repeated bribes for water affect the accumulation of assets and their ability to escape poverty?[12] Understanding the specific impacts of corruption on water poverty is essential for sector action and so we need to know more about how these impacts vary across a range of governance, political, economic and water contexts.

Photo: Getty Images

Corruption in Water for the Poor: What is it, Who is Involved?

Getting to know the nature of corruption-in-water as it affects the poor is critical if greater clarity on the most appropriate types of anti-corruption approaches are to emerge. While the measurement of the impacts of corruption on the poor is difficult (and may explain why measurement efforts are limited) it is nevertheless possible to develop a better qualitative understanding of the poor's interactions with corruption by observing the types of corrupt interactions which involve and/or affect them. Drawing on the value chain framework, this section considers the various the types of corruption which involve or affect the poor.[13]

Disaggregating the types of corruption involving the poor

Corruption-in-water which directly involves the poor includes situations where a poor householder, farmer or water-user acts as the bribe-giver, bribing officials to obtain water for irrigation or domestic use, to speed up the access to that water, or the predictability or reliability of the supply. These transactions may be extortive (the poor pay under threat of diversion or being cut off) or they may be collaborative (the poor choose to pay to get the service, to see the water in nearby canal). This collaboration may also be one where the poor householders(s) approach public officials who have the power or authority to change the water flows/access. While these poor householders allocate limited household incomes to the payment of corrupt officials, they do so to get the water they need for household and productive uses. Many very small transactions mount up for a household or village to ensure water is available in local canals for irrigation, or to ensure standpipes are built correctly and provide sustainable water supply. Evidence from rural development projects and governance assessments suggests that this type of petty corruption is significant (Utstein, 2007). A parallel scenario directly involving poor households is one where they do not pay the bribe and are marginalised from a corrupt system that controls their access to local water. In many situations (be they seasonal or long term) poor householders cannot afford the price at which the bribe is set[14], or they lack the contacts and networks to enter the corrupt system. These poor householders do not get access to the water they need. In these situations it is rare that they would seek redress or depend on a legal framework to deliver them their rights.

Photo: UN-HABITAT

Corruption in relation to water might also indirectly affect the poor. At the highest level of government this might involve the misallocation, diversion, or embezzlement of resources. It may be legal (politicians and senior bureaucrats investment making decisions that misallocate resources to capital projects that bring little benefit to the poor may not be itself illegal. Corrupt actions that indirectly affect the poor are likely to be illegal (seen in the embezzlement of funds from sector budgets, or regulatory capture involving multi-national corporations).[15]

Of course the poor may be involved in forms of corruption other than bribery.[16] When given the opportunity, they too act as low level officials do, taking advantage of quasi-public (entrusted) positions, entering into fraud and embezzlement for private gain, or supporting relatives to do so through nepotism and other forms of favouritism. There is strong incentive for the poor to defraud projects, and thereby strengthen the structure of corruption at the lo-

cal level (Jenkins and Goetz, 2000). Indeed poor people often re-elect corrupt officials or leaders because they return or promise them some gain through an unofficial economy. Conversely, there is also often a cost to the poor not entering into such corrupt practices, and high stakes for them to blow any whistles. Understanding these conflicting perspectives helps us understand why civil society can be so divided on the issue of curbing corruption and why some key actors are unwilling to confront it.

Identifying corrupt practices and opportunities on the value chain

These different types of direct and indirect corruption are an inherent part of the corruption occurring along the water value chain. An analysis of the poor's interaction with water services and resources along the route of policy-making, financing, production, distribution (for irrigation), treatment and service delivery (for water supply), and billing and payment, helps locate some of the areas where corruption might be concentrated and have impact on the livelihoods of the poor. Figure 1 illustrates a simplified water sector value chain (predominately focused on irrigation and WSS services) from financing and policy-making to bribery at the point of the water service.

In poor countries where the aid budget is a primary contributor of finance to the water sector, the value chain is strongly influenced at its starting point by the type of financing: different opportunities are created by the different sources of funds and the conditions on their use. Donors make many of these decisions for reasons other than reducing corruption. A number of studies have pointed towards the high levels of corruption in donor-financed poverty-focused projects (Woodhouse, 2002). The high inflow of funds and disproportionate levels of financing create opportunities and distortions in government and in villages. Efforts to mainstream projects to improve government ownership and accountability increased the number of officials involved and decreased donor oversight of some (not all) parts of the value chain. More recently the focus has been diverted from project-based financing to more structural concerns about direct budget support (DBS) and similar instruments that provide greater discretion in budget allocations. Ironically – in countries with

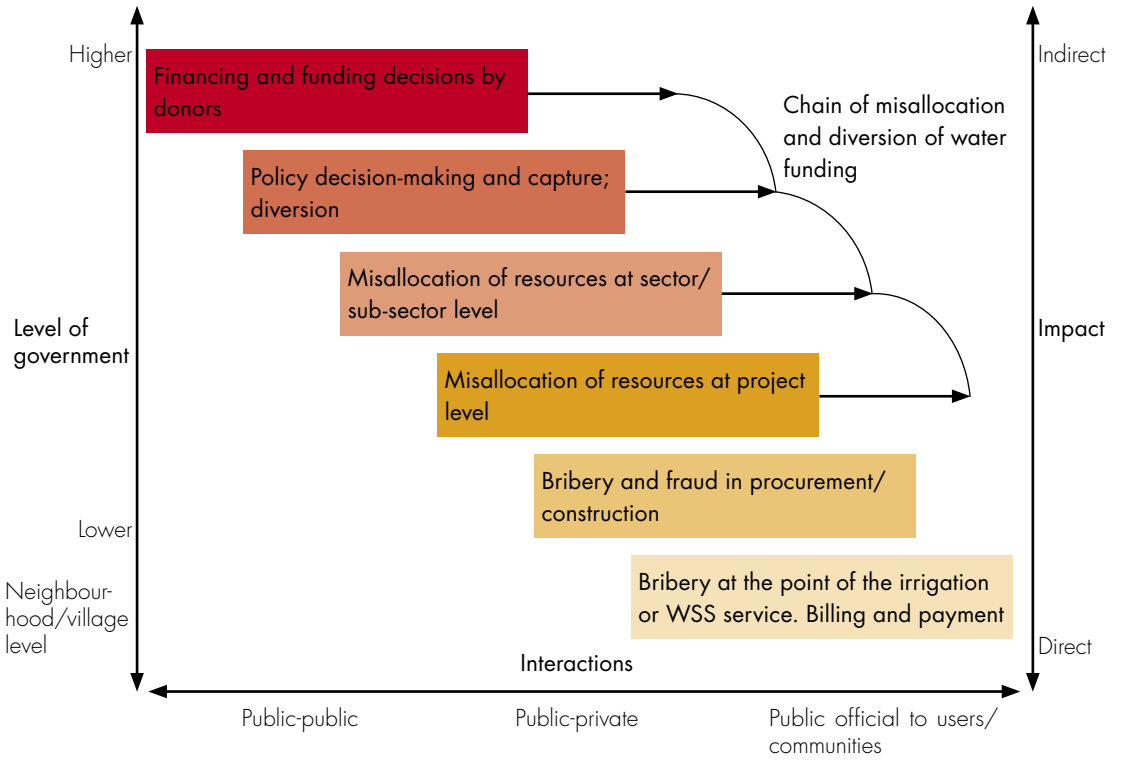


Figure 1. Simplified Water Sector Value Chain (and chain of misallocation)

Photo: Manfred Matz, SIWI

high levels of corruption – the gains from greater ownership and discretion and greater efficiency in coordinated funding may be outstripped by the resultant corruption opportunities for decision-makers to distort budgetary allocations away from intended poor beneficiaries (Kolstad, 2005).

The processes of policy-making, planning and budgeting are a hotspot of indirect impact on the poor. A chain of misallocation of financial resources away from the poor starts at the highest level of policy and budgetary decision-making in the allocation of resources (e.g. for military spending rather than basic services); at the next (sector) level in policy decisions over water resource management, the construction of irrigation canals or in the development of water and sanitation services; in planning and budgeting that leads to investment in large capital-intensive infrastructure where potential gains are higher (e.g. developing solutions for bulk (primary) supply rather than improved supply networks or (secondary/tertiary) canal systems in poor areas). It might also include misallocation of resources away from poor areas e.g. the prioritization of urban areas, rather than rural/village water development, and away from the types of water and irrigation services that benefit the poor most, away from potential role in safety nets (e.g. labour-based construction).

Closer to the point of service delivery, particularly in basic services such as water and sanitation, decentralisation has provided local government with a new set of opportunities. But local government is often entrenched within a hierarchical framework of systems and processes (e.g. procurement, information, appointments and transfers), and local governance, which can provide a demand side framework for action is frequently missing or undeveloped. The incentive structures for the staff within local government departments and agencies responsible for water, as well as the interactions with higher and lower levels of government lie at the heart of the problem and are the keystone for change. Nowhere is this more the case than in relation to poverty-focused initiatives exacerbated by the lack of skills and competencies of officials which, when compounded with incentives (e.g. low pay), can result in high levels of corruption, inefficiency and a breakdown in service delivery.

Further down the value chain, those entrusted with taking forward investments in projects are also on the chain of misallocation. Entrusted with the management of infrastructure projects (construction) or service delivery (operations and maintenance) be it at a national, regional and local level, they are also in a strong position to distort the allocation of funds, remove funds from the system through embezzlement or fraud, or extract bribes to bias decision-making. Often too there is a degree of resource allocation within projects – the site selected for a dam, pump, water point or canal, and the types of services provided at different levels and locations. All result in winners and losers.

The corruption occurring at this point in the value chain might involve the contractors appointed to construct (irrigation systems, water points), operate or deliver water in poor areas. Be they private, state-owned or community – their motives can be similar and are rarely biased toward poor. The poor can be involved at this stage indirectly and directly in their efforts to influence the design and construction of infrastructure to improve the benefit it brings to them. If interventions are targeted in poor areas or aimed at benefiting the poor, sustainability is often compromised by the fraudulent use of poor quality (not to specification) materials, cutting corners in construction (of canals, water points, bulk supply lines), and immediate benefit reduced by the payment of lower wages to poor labourers. This type of fraud

is compounded by collusion and bribery of public official's for their silence. The impact on the poor in other sectors such as rural development and roads is well documented – lower levels of service, unsustainable infrastructure, and marginalisation of the poorest from project benefits.

Many water projects targeting the poor will have adopted participatory principles and been designed to maximise the involvement of the community. For years participatory projects have proceeded without the necessary checks, and without the integration of accountability mechanisms on those entrusted with the office of decision-making and management on behalf of the community. Poor households are often directly involved in bribery, fraud and other collusive transactions that bring benefit to some and marginalise others.

Identifying key actors and their incentives in transactions involving the poor

Including the poor in the analysis of stakeholders involved in corruption in WSS highlights a number of characteristics that differentiate their interactions from those of the non-poor. For instance, many poor citizens live and function predominately in the informal economy, many have much lower access to formal basic services and significantly less access to resources, many are subject to much greater intimidation, and many have less access to justice than other citizens. Their marginalization from formal processes is therefore a key descriptor and determinant of their interactions in the value chain. As a party in bribery to get access to water resources or services, their primary incentive is need – for money or water. This strongly differentiates their incentive from officials, businesses and the non-poor citizens whose motives may be greed or opportunity (Klitgaard, 2000).

Photo: UN-HABITAT

At the local level it is also the power relations between the poor and the elite that strongly determine the nature and bias of corrupt practices in poor areas. Understanding of the hierarchical structure of villages and slums and the impacts of status on livelihoods helps to describe how actors perceive their rights, and how incentive structures work. While these structures may be a result of different political, historical, legal and administrative influences, evidence suggests it is the places where poor people live and the roles of different actors that create the setting for the corruption that directly impacts on the poor. The role of village heads and their remuneration, the role of community leaders involved in project decision-making, the informal or formal justice system for dispute settlement, the level of equality, the education gap and the participation of women, for instance, all affect incentives and accountability.

The village infrastructure work carried out in Indonesia on the Kecamatan Development Program (See Box 3) provides insight into actors (the village elite, project facilitators and the project beneficiaries) and the forms of corruption in community-managed projects: mark-ups on prices, the use of inferior materials, collusion among user groups, bribes and kick-backs (to officials to process papers, to prioritise one activity over another), embezzlement of project funds by signatories, and nepotism in the selection of technical advisors (Woodhouse, 2002). Identifying which aspects matter most in any one setting and the drivers of change is crucial to tackling corruption at the local level.

Tracking the flow of corrupt transactions (illustrated in Figure 1) also provides some clarity as to the shifting role and presence of actors along the value chain: from public to private to social leaders to consumer actors; and a shift in impacts – from indirect to direct. Most of the interactions involving the poor directly will occur at the delivery end of the water value chain. While efforts to tackle corruption at the earlier stages are likely to impact on the quantity of overall resources and infrastructure in the system, these are general benefits that trickle down to the poor rather than those that are genuinely guaranteed. More immediate impact of anti-corruption strategies is likely to be felt in the field where the impact of corruption is most direct, and the interaction with institutions most direct.

Photo: Mats Lannerstad

It All Matters, How Can We Identify What Matters Most?

If corruption disproportionately affects the poor, affects them in different ways, and if the corruption in which they are involved is composed of different incentive structures, then it is vital that anti-corruption strategies in the water sector address these differences and seek pro-poor ends. Without applying this knowledge on the most relevant forms of corruption, and the key actors and incentives, the policies and mechanisms developed can only be blunt instruments that improve by chance or trickle down, possibly miss or, at worst, adversely affect the poor.

Another critical reason why anti-corruption strategies should specifically consider the poor in relation to water is the widespread move toward cost recovery. Sector development policies today are frequently focused on user pay models that result in the poor paying for capital infrastructure and recurrent costs more than ever before. When they cost-share however, the poor are paying for the leakages caused by corruption throughout the system (e.g. for the high prices of construction and procurement of materials and for the capture of assets by the elite), and they pay for this from scarce household resources.

At this time however, there have been few efforts on which to base the development of pro-poor strategies or to understand what will bring the greatest benefit to the poor. The sector has little understanding of the impacts of short- and long-term strategies. Learning from other sectors however we have learnt that tackling both direct and indirect impacts of corruption requires different types of policies and instruments, aligned with different types of corruption, different levels of action and potentially different methods of execution. We have learnt that trickle down is not enough. The following section considers some key issues for consideration in the development of pro-poor anti-corruption strategies.

What is 'pro-poor'?

A key first step in developing pro-poor anti-corruption approaches in the water sector is to identify the meaning and intention of 'pro-poor'. The debate around for 'pro-poor' strategies generally is now well developed. There has been much discussion for instance about pro-poor growth or pro-poor institutional reform, the latter within the water sector. In the context of the water sector, it might be asked is a water intervention 'pro-poor' when it benefits the poor? or when it benefits the poor proportionately more than it benefits the rich? Given the limited engagement in any type of pro-poor scenario the anti-corruption debate is somewhat less

Photo: Manfred Matz, SIWI

defined and the following discussion assumes that a pro-poor strategy is one that will simply increase (not decrease) poor householders access to water supply/sanitation and irrigation services and infrastructure. This means first, it will do no harm.

The key to 'pro-poor' efforts might loosely be categorized into: (i) getting the poor tied into the benefit, e.g. of widespread growth or of improvements in institutional efficiency; (ii) targeting interventions on the poor, e.g. targeting aspects of institutional reform on the poor; and (iii) providing safety nets for those that are marginalized or negatively affected by a reform, e.g. a water price hike. For the following discussion concerning pro-poor water sector anti corruption efforts, this gives rise to three basic principles: integration, targeting and mitigation.

Integrating the poor into macro- and institutional reforms

The implementation of anti-corruption approaches which focus on the development of institutions, laws and policies (such as the establishment of ombudsman or anti-corruption commissions, or the development of water policy and institutional reforms) to combat corruption are increasingly common in developing countries as a point of departure in the fight against corruption. But it is really not yet clear if or how such high level enabling environment efforts can be made to work for the poor. To date there is little evidence to support these broad anti-corruption instruments make a difference in poor and weak institutional contexts, and if these efforts deliver little change to the whole environment, one could argue with little trickle down that this is likely to mean very little change to the sector and probably no change for the poor.

Schacter and Shah (2004) have provided some insight into the relevance of these mechanisms in low income countries in their one-size-does-not-fit-all table which argues for greater recognition of the broader institutional environment in the development of anti-corruption approaches. Only in those countries with lower corruption and higher quality of governance is the establishment of anticorruption agencies or the reliance on anti-corruption pledges recommended. In countries with weak governance the focus suggested lies more with establishing better capacity of all institutions, stronger rule of law and accountability through citizen participation and charters (Shah and Schacter 2004; Stalgren, 2006).

Notwithstanding the need for integrating the poor into any potential wins, the efficacy of supply-side reforms in combating corruption has also been raised by Kaufmann and others at the World Bank Institute in an important study of the relative benefits of voice or public sector management which finds that while vital to long term sustainability and governance, public sector management reform has had less effect than anticipated on corruption and may have been overemphasized. Conventional public sector management reforms such as rule enforcement, separation and autonomy of agencies (common in water sector reform) and increased civil servant wages have not reduced corruption to the same degree as other demand-side activities (Kaufmann, Mehrez and Gurgur, 2002).

Yet at the sector level, and closely linked to decentralization, efforts in water sector policy and institutional reform have gradually succeeded to improve sector outcomes in a number of countries – enhancing efficiency and improving capacity of institutions to extend coverage (WSP, 2007). Some of these institutional reforms, in Africa for instance, have been pro-poor, aimed at better understanding of the needs of the poor and the structures, systems and processes most likely to improve access to water resources and services. These pro-poor reforms of water sector institutions have involved both broad (management, leadership, structure and

systems, transparent financial management) and targeted strategies (poverty cells, communications strategies) may provide important models for linking the poor into integrated pro-poor anti-corruption initiatives. However while financial management reform is likely to have curtailed some leakage there has been no guarantee that any financial benefits then supported poverty-related sector investments. Civil service reforms in one country in south east Asia, which included pay increases, but rejected the need for pro-poor systems and structures, have had no impact at all on corruption at the point of service delivery (World Bank, 2003).

Although there is much to suggest that the most pro-poor efforts will be local efforts, and the closer the better to the activities involving the poor there is also a strong argument for donor poverty-focused anti-corruption efforts in the water sector to start in donor countries. Cleaning up the corruption that benefits the private sector in developed countries is inevitably a pro-poor strategy and donors must acknowledge that the problem of corruption has to be addressed at home as well as in developing countries. There is a long way to go in developing broader alliances of consultants and contractors working against corruption in water sector development projects in developing countries.

Targeting interventions on the poor

While targeting interventions on the poor may be an easier starting point for pro-poor efforts, and is likely to bring about more immediate benefit, effective targeting requires better understanding of those factors affecting the poor, their water and the corruption context. The following discussion considers some of the issues in determining what matters most and in developing anti-corruption strategies in the water sector. This includes key problem areas such as measurement (how much), tracking and locating areas of concentration, on the type of water, and on best efforts in implementation (how).

Measurement

In order to achieve any targeted intervention it is necessary to know how much is being lost in different situations and to identify those hotspots of activity with disproportionate impact on the poor. To date however there are few indicators that 'measure' corruption effectively. Fewer still have integrated poor people's perceptions of corruption, and there is no systematic approach to understanding the extent of corruption-in-water be it in relation to prevalence, level and/or impacts. The limitations of the current methods of surveying and measuring corruption are well documented (Arndt 2006; Lanyi 2004; Galtung, 2006). For instance, the CPI, the well known Transparency International indicator, is primarily a bribe-payers index providing a snapshot of the views of business people and country analysts (TI, 2005) with little inclusion of the poor, and the Global Corruption Barometer, which provides a snapshot of citizen perception, includes few poor countries.[19] The World Bank Institute's (Kaufmann, Kraay, Zoido-Lobaton and Mastruzzi, 2006) Control of Corruption indicator is also reliant on perception surveys (including the CPI) and collates a range of inputs as a survey of surveys. Even with a more inclusive intention, in the absence of good survey data there is no attempt to ensure that the surveys are representative of the income profile of the population.

While the problem is gradually being recognised (e.g. the recently published TI Governance and Corruption Indicators paper on Latin America (2006) makes reference to the need to disaggregate the poor) there is currently no index that creates a measure that is remotely adequate or useful in the development of a targeted pro-poor anti-corruption strategy, and there is a worrying trend and interest in some indicators that measure policy, laws and institutional presence and not their efficacy.[20] This is both a lost opportunity and problem area for pro-poor governance and policy development. Governance indicators are a tool for promoting transparency and accountability and they facilitate the participation of poor groups (Corner, 2004). Moreover, despite objections from some authors and critics, perception indexes are extensively used for policy-making and aid conditionality. Indexes that provide more accurate messages for policy-makers about corruption and the poor are much-needed if anti-corruption approaches are to be better targeted.

A measure that provided information on the poor would be one disaggregated by income and other non-income dimensions to draw out differing perceptions and disproportionate impacts on the poor. It would be constructed without bias to public-private interactions or any other part of the value chain, instead capturing the areas of corruption experienced by the poor versus the non-poor. This would pick up corruption in informal delivery, rural supply chains and community management, as well as formal delivery systems. Surveys would seek to include the areas (often without addresses) where the poor live.

Photo: David Molden

Benchmarks could also be developed at a sector level, taking forward the innovative work done in various countries. Exploratory efforts are needed to take this forward in the water sector by exploring the types of surveys that properly measure the impacts (on the poor and non-poor) in any one situation. (A measure which helped understand impacts might link levels of corruption to the outcomes at the income quintile level over time). In Bangalore for instance the Citizen's Report Card has become a useful tool to identify utility corruption among other service delivery failures, and to lay a foundation for the process of change by benchmarking one utility/service delivery agency against another. When applied in Kenya however where 50% of the poor are water and housing tenants and do not interact with utility officials, the tool was less effective in properly identifying the levels of corruption.[21]

The problems of measurement have also been addressed in various World Bank related initiatives. The project level work of Olkren (2005) in Indonesia for instance, in the context of a poverty-focused rural village development project, has highlighted the uncertainty over the degree to which subjective perceptions of corruption accurately reflect true corruption levels, and the subsequent impact on policy and practice. The study first measures 'missing expenditures' (engineer measurements of price and quantities of inputs constructed) and comparing these with the estimates of official expenditure reports. It then compares this real corruption measurement with the perceptions of the villagers. The findings of this study note inter alia that while on average there is a correlation, this average does not indicate the varied results obtained, that villagers' perceptions of corruption contain relatively nuanced information about actual corruption levels, and that findings did not correlate in villages populated by a mix of ethnic groups.[22]

Another study by Reinkka and Svensson (2004) aimed at identifying survey techniques that measure quantitative micro-level data on corruption points toward the promising new tools available. Focused on ascertaining independent estimates of how much the government actually spent compared with the amount the government claimed it spent, the work includes public expenditure tracking surveys, service provider surveys and enterprise surveys, that cover the range of actors public, private and consumers. They also permit the study of mechanisms responsible for corruption (including the capture of public funds and bribery) and identify behaviours and impacts of reforms among service providers and firms. Given the broad focus of these surveys they were able to include key factors affecting the delivery of basic services to the poor.

Although there is hesitation around expanding the measurement debate into the water sector, the reality is that despite significant limitations and biases, the current indexes and measurement systems are being used for monitoring and policy-making purposes, and if there is not greater attention placed on measurement, it will be impossible to monitor, and to ascertain what matters in the development of pro-poor anti-corruption strategies.

Tracking water funds

Anti-corruption efforts need to also ascertain where corruption occurs by tracking funds as they move along the fiscal transfer system toward water projects/services for the poor. There are a range of reasons why funds don't make it to the poor. Making sure as much money as possible gets through the system from national and state levels to the local service delivery platform is critical to a pro-poor strategy. In some marginalised states of Sudan, for instance, there seems to be little corruption in irrigation and water supply services at the local level simply because there is no development or recurrent expenditures getting through to the state, and even less to the local levels of government. But in other states where large development projects are taking place, there is massive siphoning and fraud by quasi-private sector companies.[23] The hotspot is clearly located in national transfer and procurement systems, and in the curious party ownership of large construction companies awarded contracts. In Uganda, the well known Public Expenditure Tracking Survey (PETS), the identification of the points of leakage, and the subsequent government information campaign, resulted in a clear finding related to the corrupt practices of local officials and, subsequently, a significant increase in the amount of funds reaching their intended users (see Box 1).

Box 1

Tracking Public Expenditure in Education in Uganda – Lessons for the water sector

The first Public Expenditure Tracking Survey (PETS) was carried out in Uganda in 1996. According to official statistics, 20 percent of Uganda's total public expenditure was spent on education in the mid-1990s, most of it on primary education. One of the large public programs was a capitation grant to cover schools' non-wage expenditures. Survey data reveal that during 1991–1995, the schools, on average, received only 13 percent of the grants. Most schools received nothing. The bulk of the school grant was captured by local officials (and politicians). The study was motivated by the observation that despite a substantial increase in public spending on education, the official reports showed no increase in primary enrollment. A PETS was conducted to compare budget allocations to actual spending through various tiers of government, including frontline service delivery points, that is, primary schools

The survey collected five years of data on spending (including in-kind transfers), service outputs, and provider characteristics in 250 government primary schools, 18 local governments (districts), and 3 central government ministries. The initial objective of the PETS was purely diagnostic, that is, to measure leakage in school funding, but the a PETS also provided quantitative data to explain variation in the leakage, as well as serve as a tool to obtain data for impact evaluation. The first Ugandan school survey provides a stark picture of public funding on the frontlines. Eighty-seven percent was captured by local officials for purposes unrelated to education, yet there was no evidence of increased spending in other sectors. Most schools received nothing. Based on yearly data, 73 percent of the schools received less than 5 percent, while only 10 percent received more than 50 percent of the intended funds.

After receiving the PETS findings, the government launched a publicity campaign to inform citizens about how much money should be spent on education, a mass information campaign requiring published data on monthly transfers of grants to districts in newspapers and on radio, and primary schools and district authorities were required to post notices on all inflows of funds. Schools and parents now have access to information needed to understand and monitor the grant program. There was a major improvement subsequently. Primary school enrollment in Uganda rose from 3.6 million students to 6.9 million between 1996 and 2001. Share of funds reaching schools increased from 20% in 1995 to 80% in 2001.

Although there is indirect evidence that part of the observed leakage was theft, as indicated by numerous newspaper articles about indictments of district education officers after the survey findings went public, anecdotal evidence suggests that funds were largely used for patronage politics and the funding of political activities. For example, information collected during the survey suggests that funds were used to increase allowances for councilors and local officers and that on the day funds actually arrived in the district, well-connected citizens and local politicians got together with the district officials to decide how these should be used. While the PETS data can usefully quantify capture of funds in a public program and shed light on where in the hierarchy such capture takes place, the data do not, however, allow us to determine what actually happened to the funds after they have been captured.

(Ablo and Reinikka 1998; Jesper, Reinikka 2001)

Tracking the funds is vital along the whole value chain. An extended value chain indicating a typical flow of funds in the water sector of a developing country with limited resources is provided in Figure 2. Building on the idea of hotspots of corruption affecting the poor – it shows from the highest level, the intended flow of public funds and the leakage that occurs between the national and local levels and the leakage through public-private interactions. In the corruption field it illustrates the flow of poor household funds to officials where they have captured assets, distribution and payment systems. This value chain suggests four key areas of concern in a pro-poor strategy tackling direct impacts: fund transfers, procurement, the local capturing of assets in the community and, in urban areas, petty corruption at the point of service.

The corruption illustrated along the chain refers to three different types of money/assets – public, private or citizen's. Public money is diverted, leaked and misallocated, leading to

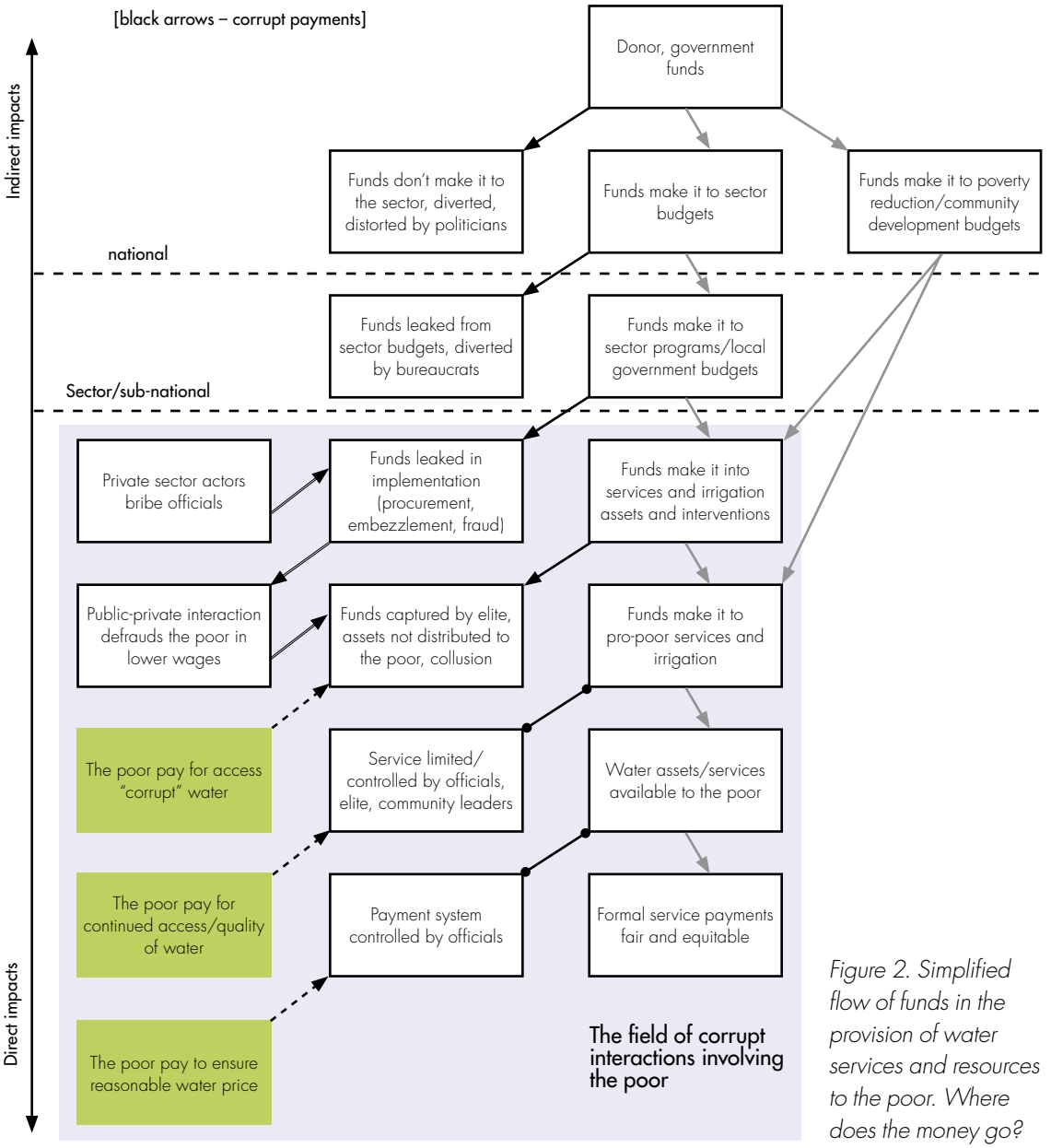
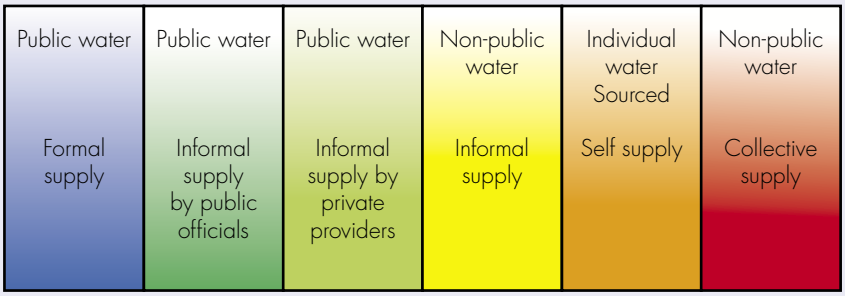


Figure 2. Simplified flow of funds in the provision of water services and resources to the poor. Where does the money go?

Box 2

Sector interventions may make the sector more effective…but will not immediately support the poor to get services.

In Indonesia, for instance, about 15% of the population obtain network drinking water from utilities, somewhere in the region of 20% (and many of these will be poor) use utility water (obtaining it illegally or through other providers) and 65% use non-utility water (they obtain water from private suppliers or provide it for themselves). Corrupt transactions might occur within the 35% band that have formal or informal access to utility water, but for the remaining 65%, corruption is linked to community-managed systems, self-supply and small-scale providers. These lie outside the scope of the utility. Understanding what this means for anti-corruption strategies is critical to target the poor more effectively. In this case focusing anti-corruption efforts on improved management and efficiency of the utility would miss the majority of the poor (and benefits for the poor are not guaranteed). Cleaning up the illegal band would probably hurt the poor in the short term if alternatives were not provided. A strategy which tackled the points affecting the poor directly, would not limit efforts to the utility band, but would tackle the corruption in informal systems, community-managed systems and in the construction of wells and on-site sources.



underinvestment in the sector and in assets that do not always benefit the poor. Private money which mostly changes hands during procurement and construction (apart from state capture), results in lower level and lower quality intervention and service. When we speak of corrupt water practices that directly involve the poor, we are often speaking of the poor allocating their limited household money to the bribery of officials. They do this for market reasons: entry (to access a service or asset), quality (to ensure its continuation at a certain level), and cost (to ensure they are paying the right price for it).

Focusing on the Poor's Water

Targeting is also about identifying those areas of the water sector which involve the poor. This means focusing on the water systems the poor use, and the locations where they live, farm or work. The different types of water services made available to poor households and farmers varies in urban and rural areas, large and small towns, and core and peri-urban zones will also result in a different focus as the constraints facing each are likely to determine the emergence and opportunity for public to consumer corruption. The poor always live and farm in the worst locations (at the weakest or last point in the irrigation system) , often illegal (such as railway and road encroachments) and geographically challenging (remote rural villages, low-lying flood prone areas, or down stream of contamination sources). In these locations there is more likelihood that resources are poor, services are not available, and that communities will constitute a sizeable market for corrupt water. In such cases, it is more likely that the poor will pay 'access' money rather than 'speed' money, although they may do the latter to simply remain on the list to be served at some time. Addressing the real constraints blocking the formal provision of services – such as land tenure – surely forms one component of a pro-poor anti-corruption strategy.

In water and sanitation services the poor get their water predominately from alternative or marginal systems (community-management, rural self supply, small scale providers), and not the formal service of utilities. In Indonesia for instance, out of the hundreds of utilities (PDAMs) in the country, only a handful had signed up to a pro-poor approach, and many were openly against taking on a role in serving the poor water. In this context, pro-poor anti-corruption efforts in the sector would be better to focus on self-supply, community managed systems and informal providers – simply because this is where the poor's water comes from (see Box 2).

Focusing on implementation

If the funds get through the system to the right types of interventions, efforts are needed to increase the efficiency in water projects/services implemented. Local and project level responses are vital where accountability is minimal, demand for accountability is low and capacity of local government and other implementing organisations is weak.

Local government (or local offices of national or state line departments) is key to making targeted interventions effective. A central part of developing local level accountability is learning about the incentive structures for the staff within local government departments and agencies responsible for water, as well as the interactions with higher and lower levels of government.[24] The key arguments for decentralization of basic services such as water are improved accountability and responsiveness to the needs of citizens: effective local governance sets up a demand and supply side framework that can provide a strong basis for getting the targeting right.[25] A first and difficult step will be building greater transparency in decision-making and budgeting.[26] Local government will need enormous support to take on the levels of transparency and accountability envisaged: to provide information and work with communities through a range of social accountability mechanisms; to organize a competitive water market and provide the enabling environment for it; to restructure accountability relationships, establishing downward accountability to the citizens as well as upward accountability to higher levels of government; to embrace

Box 3

Tackling incentives … a progressive project-based anti-corruption strategy

The KDP approach to combating corruption is based first on an analysis of the political economy of corruption in Indonesian villages and is two-pronged. It aims to (i) change the conditions that breed corruption in villages by addressing marginalization and breaking existing monopolies over information, resources, and access to justice; and (ii) prevent corruption in the project itself by skewing the incentives of the project structure against corrupt behavior.

KDP's anti-corruption approach originally relied on the principle that villagers themselves have decision-making power over planning, procurement and management of funds. Some of the concrete measures included: 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 regular village meetings are held to account for project funds at which villagers have the right to suspend further disbursements of funds if irregularities are found. This was joined up with local government, project management and other parts of civil society by providing village-level sources of information and channels for complaints independent of local government, intensive field-level supervision by elected village facilitators and sub-district level project facilitators, and independent monitoring of the project by NGOs and local journalists.

Although these measures had some success, ongoing reviews indicated that corruption in KDP was primarily a problem of incentives, fought only by changing the costs and benefits attached to corrupt behavior at the vulnerable points. Apart from confirming Klitgaard's long standing view that incentives lie at the core of corruption, the review also emphasized that local context and social norms are key to understanding how these incentives can be changed in order to reduce corruption. The elements of the project 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 KDP have hinged on publicizing anti-corruption 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 they are backed by the central KDP structure, they have more protection from threats and intimidation than ordinary villagers. Instruments were introduced aimed at 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. And finally the project relied heavily on an auditing system. The pre-announcement of audits in targeted villages resulted in a 40-50% decrease in the missing percentage of materials, leading to better quality and increase in the wages paid to villagers.

Box 4

Labour-based approaches need oversight…fraud in social safety net initiatives

Although high level corruption distorting the sector toward high cost high capital infrastructure makes it difficult to instigate labour-based construction, when funds are allocated and available for safety net programs, a broad range of corrupt activities divert and remove the potential gains for the poor.

In a large irrigation project in South Asia, labour based civil works were typical manipulated by managers and community leaders. In concrete terms this meant gangs recording a number of ghost workers on the wage sheets – dividing the payments among a collusive group (including those responsible for approvals, those making the payments and the gang or village leader). When payment was applied by task – these were set artificially high and did not reflect the much lower manpower used to achieve outputs. Measurements are falsified to inflate quantities or adjusted to show higher proportions to more lucrative tasks.

Poor labourers are threatened with dismissal if they do not hand over an agreed part of their wages to their gang leaders, or to accept lower wages than reported in accounts. They do not know their rights and have little chance of redress. Despite efforts to use local labour, cheaper labourers are brought in from other locations.

Conventional auditing does not always manage to detect the types of practices that arise (it is difficult to ascertain what is built below the ground). The fear of reprisal amongst the poor makes the most effective anti-corruption strategy one focused on social mobilization, rights awareness and participation, but also transparency in making payments and more experienced and skilled staff.

the community role in and the development of participatory planning, budgeting and monitoring, including the establishment of complaints redressal.

In many countries with high levels of donor support, irrigation and water development programs are now frequently replicated using community-based approaches. Governance reforms are however rarely addressed at community-driven development or focused at tackling the widespread corruption that takes place in water (and other) sector development projects at the community level. Evidence suggests corruption in CDD projects takes several forms, (budget mark-ups, collusion, bribes and kick-backs to local officials), at key points in the project cycle (proposal preparation, release of funds and procurement of labour (see Box 4). Despite this being an unexplored are in the water sector, very successful initiatives in rural development, such as the KDP in Indonesia described in Box 3, provides a model for changing sector wide norms: testing new areas of disclosure, mitigating collusion and publicized auditing in community-based projects through better assessment, understanding incentives, promoting information and transparency, and establishing community participation in the decision-making over project resources.[27] Mainstreaming this type of effort takes time and will. Project responses can help build pressure from below, and experience suggests that establishing a balance of power and information is more likely at the local level over specific service goals, where there is individual and community interest.

Photo: Mats Lannerstad

Strengthening information and participation of poor citizens

In addition to the development of more capacity among service providers, targeted interventions can be made more effective through better citizen information/awareness and by empowering the poor to get involved in decisions that affect them. The poor need greater awareness that corruption is harmful. Armed with this, they need information on the flow of funds, on rights and responsibilities, and at the local level on mechanisms which empower them to take action (e.g. complaints mechanisms). In Rajasthan in the late eighties, a group of economically marginalized people got together to demand accountability around proper wages in project construction. Empowered by information on their rights when compared with what workers were being paid, they were able to hold key actors to account and established the public hearing in which accounts are read aloud to the whole village (see Box 5).

Demanding better accountability of government and service providers by strengthening citizen voice has since emerged in some countries as a key aspect of improving accountability for basic services. Putting information in the hands of citizens/users is the key to holding government and providers accountable. It is vital to addressing corruption, empowering the poor to act and addressing the lack of knowledge and power that makes the poor so vulnerable to the corrupt practices of others. This might be achieved by improving the poor's knowledge of their rights to water, of institutional roles and responsibilities, through citizen's actions such as participatory planning and budgeting, promoting open and transparent publication of information and budgets, public expenditure tracking, reporting and monitoring of expenditures and outcomes, as well as public or social audits. Communities need to find out themselves what money is flowing in, where it is meant to go, verify it is getting there, that it is making a difference to service outcomes, and then have the resources and confidence to act on the information. This area of work – restricted in the past while supply side interventions have been pursued – is a key vehicle to be explored in emerging pro-poor anti-corruption efforts in the sector.

To this end, a key role in a pro-poor anti-corruption strategy will be played by civil society. Mobilising civil society is not always easy, although far more so in those countries with a tradition of advocacy and a mature civil society. While there is a strong precedent of the poor participating in water sector improvements, the understanding of the

Box 5

Demanding information at the local level – the MKSS grass roots initiative in Rajasthan

In the late nineties an innovative movement in the state of Rajasthan fundamentally changed the approach to combating those forms of corruption that impact the poor. The MKSS Mazdoor Kisan Shakti Sangathan (MKSS), or the Workers and Farmers Grass Roots Power Organization is a grass roots organisation of poor people based in a severely economically underdeveloped district of Rajasthan. As early as the late 1980s the MKSS developed an interest in the right to information to ensure minimum wage regulations on water and other infrastructure employment generation programs in drought prone areas. During this process they discovered that the local authorities were billing the central and state governments for amounts that far exceeded what the workers were paid, exposed inflated estimates, the use of poor quality materials and over-billing of suppliers. To expose this fraud, MKSS pursued information, balance sheets, tenders, bills, employment records – all technically out of the reach of the citizen. Getting hold of information and then using it to expose or change the behavior of officials involved in construction and welfare programs provided a strong lesson of the need for the civil society to find ways to hold government to account. Although it is far from being the norm, the publication of annual reports, of project accounts is established as best practice. The key though is not just the information, but empowering the poor to demand the information. They will then work out how to use it.

The primary innovation of the MKSS approach was the 'public hearing' in which expenditure statements obtained from official records are read aloud in an orderly setting, to the whole village. Local people are invited to give testimony which identifies discrepancies between the official record and their own experiences as labourers on public works projects. Through this process people found they were listed as beneficiaries, but did not receive payments; that large payments were made for construction projects that had not been executed. Although rare, these hearings showed the importance of access to information and the localized level of activity that enables where very small diversions of funds occur.

Photo: Rebecca Löfgren, SIWI

vehicles to make sustainable change to institutional rules and practices that lead to pro-poor resource allocation is less than precise (Jenkins and Goetz). In practice, a water sector in crisis cannot miraculously change just because civil society organizations start to demand accountability. How do they develop the relationships with government that enable them to make transparent something that has never been transparent? How do service delivery CSOs shift to advocacy CSOs? And how can citizens in countries where water services have failed be empowered to enter the anti-corruption movement when, by definition, they are marginalised and disempowered.

Unpacking the lessons from other sectors and applying them to water is helpful. Efforts that started at the project community level, focused on information, incentives and village level complaints mechanisms, have been successful in bringing immediate benefit to the poor (Box 3); sector efforts that have linked outcomes and outputs in the community to budgeting at the national level have exposed leakages (Box 1); and reporting on outcomes benchmarking sectors against one another through citizen report cards with significant input from the poor, have driven a spirit of competition in local level service delivery.

Mitigating harmful effects of anti-corruption interventions

Even with better information and understanding on the key dimensions of a pro-poor strategy, it is inevitable that some anti-corruption interventions will reduce the access some marginalised groups have to water. Given what we know about the water sector in many parts of the world, the relative levels of complexity of the water sector, and the reports of corruption (be it bribery, fraud, embezzlement) involving the poor in simple farming, village and slum situations, it is likely that when 'corrupt water'[28] stops flowing it will stop flowing to the poor first; and the poor will probably not have an alternative source or access. A pro-poor anti-corruption strategy in the water sector needs to grapple with the likelihood that many poor households will lose the water that they have.

Unfortunately the idea of mitigating against harmful effects of anti-corruption activity is rarely discussed – and getting the issue on the agenda means understanding the effects

Photo: UN-HABITAT

much better than we do. But it also means understanding any resistance at the outset. Typically anti-corruption strategies, where they exist, are developed by anti-corruption advocates not specifically concerned with the poor – many see the poor as tapping in illegally to systems and part of the inefficiency problem to be tackled, while others blindly pursue an advocacy agenda. Including a pro-poor agenda and tapping into resource people (skilled in livelihoods for instance) in strategy development may help create space for pro-poor discussions.

Recognition of the households and communities that may lose water as a result of cleaning up some aspects of a sector means recognition of the rights of those communities in the first place. Factoring the costs (of improvements to reinstate water or mitigate against water loss), into the costs of corruption strategies might enable more direct action, but more often than not, the problems are deeply engrained in other factors that determine the lives of the poor. Land tenure for instance is one contentious and largely unresolved issue strongly influencing corruption in water, which cannot be resolved with money alone.

Currently, the poor are not involved in the development of strategies that affect them. Efforts to involve them in the identification of corruption maps (through participatory corruption assessments), the understanding of the mechanisms of corruption, and then the strategies for tackling it, will enable poor households where possible to find their own ways of dealing with any loss they might experience, and to see the long term benefit in new approaches. The poor's contribution to anti-corruption strategies is crucial to fill gaps in knowledge about how corruption works in practice and the best timing and sequencing of anti-corruption activity in the context of institutional reform and sector investment.

In the future identifying appropriate interventions that mitigate against any harmful side-effects of anti-corruption interventions need to be considered in conjunction with efforts to predict and monitor impacts. Mitigating activities could on the one hand, mean adding a service back – implying the need for funds that can be channelled into WSS and irrigation service improvements to accompany anti-corruption efforts. Or it could mean that anti-corruption activities carefully sequenced – applied when sector investment is also possible. Alternatively it could mean legitimizing and protecting the service that is already being provided by informal providers especially where they are the primary source of water supply/provision for poor householders.

Concluding Remarks

The large map of corruption in the water sector creates a multitude of corrupt practices that can hurt the poor in the short, medium and/or long term. For effective action however the sector needs to know more about the hotspots corruption affecting the poor in the sector and about the relative size of the problem in different contexts. Because of the unknowns it is vital that the sector is rigorous about learning and monitoring: the nature of corruption-in-water, the effects of anti-corruption strategies on the poor, the fallbacks and perverse changes associated with the array of instruments and policies. Getting some figures on the table is critical to developing the engagement we need to move forward. It is also important to be practical about what is achievable in a pro-poor effort. This requires more focus on what the key transactions are in the poor's 'water world' and how they might be better protected. Just as improved efficiency or improved growth does not automatically benefit the poor and needs to be focused to reduce poverty, so too anti-corruption mechanisms can and should be better targeted.

Confronting the corruption that hurts the poor however will only happen if there is commitment to poverty reduction. A pro-poor strategy of any kind requires political will, and corruption is a part of the marginalisation that affects the poor's livelihoods. Resources are always misallocated to the ruling elite, this is not only a problem of corruption, but is deeply rooted in social and political structures. Governance systems determine who gets what and when and how, and corruption networks are synonymous with those networks, structures and systems that create the economic and social marginalisation of the poor. It is therefore likely that many of the strategies developed to tackle corruption will and should tackle the causes of marginalisation.

This paper is an early attempt to raise awareness of the importance of pro-poor anti-corruption approaches for the water sector, to set out some of the issues that need consideration and to discuss some of the efforts that appear to bring benefit to the poor. Looking at the factors that determine 'pro-poor' – integration, targeting and mitigation – it highlights that an understanding of the poor and their 'water world' is critical to anti-corruption efforts, that creating islands of excellence at the project, community, and local government levels are key starting points for sector action, and that a focus on areas and processes (such as community management) where the poor are directly affected, all create the shift that is more likely to bring about pro-poor impacts.

Photo: UN-HABITAT

Photo: Getty Images

Notes

1 There are notable exceptions including UAE, 2003. However, few best practice sourcebooks and reference materials, considering the development of anti-corruption strategies include reference to the poor.

2 I am grateful to Patrik Stålgren for his interest in this topic, commissioning this paper through the Swedish Water House and for helpful comments on an earlier version; and to the reviewers for comments on this version. Comments and questions are welcome, please contact jplummer1@worldbank.org or janelleplummer@gmail.com

3 The definition of corruption adopted here follows Transparency International's definition 'the use of entrusted office for private gain' broadening the World Bank definition 'the use of public office for private gain'.

4 See Utstein Anti-corruption Resource Centre, 2006.

5 Gupta's findings, hold for countries with varying growth experiences, at different stages of development, and using various indices of corruption (used to compare the correlation of corruption with real per capita GDP, Gini coefficient and quintile income shares, etc). It was concluded that a deterioration in a country's corruption index of 2.5 points on a scale of 0 to 10 is associated with the same increase in the Gini coefficient as a reduction in average secondary schooling of 2.3 years.

6 Despite unprecedented levels of corruption Soeharto led Indonesia through its most pro-poor growth period, bringing the country out of chronic poverty. The Soeharto era in Indonesia also saw an unprecedented level of pro-poor spending: massive investment in education, and rural roads and infrastructure. The policies of the regime which ensured the rural poor benefited from the country's oil wealth are thought by some to have far outweighed the 15-35 billion he is thought to have embezzled – and this despite the scandal and later economic crisis. "He paid himself a bonus just as any good CEO" (Timmer, 2006)

7 Kaufman and Kraay (2002) found no positive feedback from higher incomes to improved governance

8 CIET, 2003 quoted in Narayan, 2000.

9 The Global Corruption Barometer is discussed further in Section III.

10 It is probably useful to make the distinction between what the poor lose versus what they do not gain.

11 This description may be limited by its focus on the individual poor household. In reality, there will be a range of asset changes at the collective level, with some households' assets increasing while others are decreasing.

12 The only change in asset due to corruption that can be clearly measured is the poor's financial assets. The poor know how much they pay and need to pay in bribes for all services that they need to survive.

13 This framework is developed in detail for water and sanitation in Plummer and Cross, 2007.

14 Much is made of the fact that the poor pay disproportionately more in bribes than other households. This is surely the case, it is for everything they purchase. It might also be argued that corrupt water is another form of informal water and that many market places will set this price. This is found to be the case in squatter settlements throughout Africa. It is not the disproportionate cost that should be the focus of attention, rather that they disproportionately share the impact of the many types of corruption that limit their access to water.

15 For a description of the nature of Legal Corruption see Kaufmann, 2006?

16 This is well documented in the paper on village corruption in Indonesia. Woodhouse, 2003.

17 See discussion in Plummer and Cross 2007. Public to public refers to those transactions which only involve the vertical and horizontal transactions (bribery, fraud, embezzlement) in the public sector; public to private refers to transactions such as procurement, licensing etc that involve both public and private actors; public to consumer refers to those transactions between public or quasi-public officials and those that use water (or their representatives)

18 Staff are frequently not trained or skilled to take on poverty-focused projects, to work on participatory projects or understand the needs of the poor. Their training often puts value on decision-making not process.

19 The Global Corruption Barometer only includes 4 sub-Saharan Africa countries and the inclusion of low income in any year is still quite limited.

20 The Global Integrity Index (GII) is a facts based indicator that

reflects the de jure realities, but not the de facto realities. In some cases, as can be seen in the case of Ethiopia, this can be problematic as the de facto reality is vastly different from the formal reality – more informal and unwritten, and with noticeable difference between policy and practice, or law and enforcement. For the indicator 'control of corruption' for instance, the GII rates Ethiopia very highly, the opposite of other corruption indicators by TI or the World Bank. For the indicator 'public administration' the Ethiopia score is nearly 90 out of a possible 100, comparable with the United States. The scoring for corruption and integrity can be attributed to the Ethiopia legislative environment to control corruption (not to any implementation), to the establishment of an ombudsman (not to its efficacy or lack thereof).

21 In a newly developed Citizen Report Card work WSP-Africa has included a set of questions around corruption issues. (see WSP, 2005) Unfortunately the results were influenced by a sample that included a high proportion of tenants.

22 Olkren finds that in homogeneous villages the perception of corruption is lower (trust is higher) but actual corruption is higher. In heterogeneous villages (of mixed ethnic groups) there is greater mistrust, greater perception of corruptions but actually lower levels of corruption (because accountability checks are in place).

23 Field trip notes in Governance Cluster Track II. Darfur–Joint Assessment Mission, August 2006.

24 See discussion in Plummer and Cross 2007.

25 While WSS services are increasingly delivered at the local level, the complexities of irrigation and watershed management means that this service is often the responsibility of state/regional or national governments. The thesis still holds however especially where line departments have regional and local level offices and devolved responsibilities.

26 What does not follow however, as we have mentioned earlier, is that this is always pro-poor. If the poor rely on corrupt water (say an illegal connection) as a part of a coping strategy, and that water is not replaced by water from another source, it is difficult to say their poverty has been reduced by the better behaviour of the officials. Indeed they have become water poor when they were not before. This is a dilemma all service delivery sectors must tackle. It suggests that complementary measures (such as providing alternative services) – are a vital component of the anti-corruption strategy.

27 Assessment: participatory corruption assessment to define the types of corruption occurring and its occurrence. Understanding incentives: incentives analysis to identify the stages of the project cycle most vulnerable to corruption. Information and transparency at the community level: Public reporting and reviews of accounts, public tender openings and support to understand procurement systems, advertising audits, and dissemination of the losses to raise awareness. Community participation: ensuring community engagement in the decision-making over project resources, developing local support for anti-corruption activities. Establishing a credible complaints mechanisms, protection of whistle blowers and a local system of sanctions. Independent oversight (audits) and monitoring (with media and project monitors).

28 Corrupt water as noted in Plummer and Cross, 2005.

Photo: JUPITERIMAGES

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Making Anti-Corruption Approaches Work for the Poor

Issues for consideration in the development of pro-poor anti-corruption strategies in water services and irrigation

Anti-corruption activity has intensified in recent years but there has been little specific discussion about how this activity will be formulated to ensure it brings benefit to the poor. The purpose of this paper is to raise awareness of the need for greater attention to the poor in the development of anti-corruption strategies and to discuss some of the key issues that might affect the development of a pro-poor anti-corruption strategy for the water sector. It first considers how corruption impacts on poverty, and how it affects their livelihoods. It then describes some of the key factors that determine corruption-in-water in relation to the poor, and how this corruption field creates experiences different from those of non-poor citizens and users. Finally, borrowing in part from the efforts of other sectors, it suggests three basic principles in the development of a pro-poor anti-corruption water sector strategy – integration, targeting and mitigation – and focuses particularly on how anti-corruption efforts can be better targeted to support poverty reduction.

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