

The Role of the World Bank in Enhancing Water Sector Integrity

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World Bank Water Sector Portfolio

1. Lending Portfolio
 - 12 projects with approximately \$2.5B committed
 - Subsectors: irrigation, water supply and sanitation, and integrated water resource management
 - Coverage: Egypt, Iraq, Jordan, Lebanon, Morocco, Tunisia and West Bank & Gaza
 - Most of these projects have internal risk ratings of High or Substantial
2. Innovative Project – Tunisia Sanitation PPP Support Program
 - Private sector contributing to wastewater management
3. Analytical Work and Capacity Building
 - \$4.5M of Bank funding
 - Provides technical assistance, capacity building and builds analytical basis for future lending

What are the WB Sanctionable Practices?

FRAUD

Any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

CORRUPTION

Offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

COERCION

Impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

COLLUSION

Arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

OBSTRUCTION

- (i) Deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or
- (ii) acts intended to materially impede the exercise of the Bank's contractual rights of audit or access to information.

Integrity Risks By Project Cycle

1. Design

- Large complex or bundled contracts

[Large infrastructure or construction projects]

- Medium-sized contracts (many post-review)
- Indicators can be quantity rather than quality (e.g., no. of pipes versus quality of water)

[Management/privatization of public utilities]

- Small contracts (post review) awarded to local firms.

2. Implementation

- Bribe/fee solicitation by suppliers and providers in return for water supply

[Management/privatization of public utilities]

Integrity Risks By Project Cycle 2

3. Supervision

- Limited pool of qualified international consultants
- Water specialists may lack engineering or construction expertise

[Large infrastructure or construction projects]

- Water and sewage conduits are underground.

[Urban supply/sewage, agricultural irrigation]

- Lower capacity at local level

[Rural water/community-driven projects]

4. Suppliers

- Preference for local companies and lack of skilled suppliers and competition
- Limited pool of multinational firms, which work with consulting companies and agents.

5. Governance

- Elite capture, or involvement of organized crime in utilities management or water supply

Water Supply & Sanitation Subsector Risks

Water utilities can be used as vehicles of corruption in different ways:

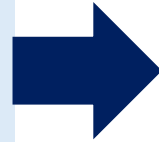
- Bribery of utility officials to evade water fee payments or allow illegal connections
- Political mismanagement of utilities to win votes with low tariffs - risks can increase near elections
- Nepotism and kickbacks in the appointment and promotion to lucrative positions
- Officials profiting from giving 'licenses' to informal water providers
- Central and/or local level elite capture of water provision services and committees

Case Study: Bait and Switch Experts



Wastewater pollution and utility improvement project valued over \$100 million.

PIU issues technical contract: develop “Feasibility study & design for reconstructing and expanding sewage infrastructure”



International consulting firm, with local partner, wins contract (over \$500,000)



Winning firm has submitted a roster of key local and international experts in bid.



Receives complaint:

- International consulting firm is replacing key local staff without their knowledge, and is not confirming their availability to work once contract was signed
- PIU staff demanding: (a) bribes from consulting firm, and (b) consulting firm replace its key local staff with their own nominated staff



1. What would you do if you are the PIU, and you hear about these complaints?
2. What could you have done to spot this earlier?

Case Study: Bait and Switch Experts



Investigation:

- INT reviews all documents connected to the bid
- INT interviews consultants proposed in the bid

Finding

Fraud

Winning firm informed PIU that 3 proposed consultants, including Project Engineer, were unavailable to take their positions, so needed to be substituted with alternates.

INT confirmed that these proposed consultants were available to take the positions, but they had not even been informed about bid win.

Winning firm proposed alternate consultants, and lied, exaggerating their qualifications. Consultant also failed to verify experience of alternates.

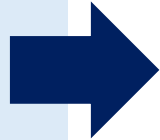
Alternate consultants are supposed to have equal or better qualifications than originally proposed consultants. Alternates' experience needs to be verified.

Case Study: Ghost Experts

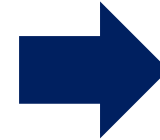


Water Project for rural connectivity valued over \$100 million.

PIU invites proposals to “Prepare Design, and Assistance in procurement and supervision of waterworks,” to be evaluated by a Procurement Panel (PP)



Joint Venture (JV) of international consulting firms submits proposal, which is unsuccessful



- JV proposal proposed a PP member (without his knowledge) as staff member for multiple ‘non-key positions’ in proposal
- This emerged during the PP’s review of the proposals.



1. What would you do if you are the PIU and encounter this situation?
2. What could you have done to spot this earlier?

Case Study: Ghost Experts



- PP member was included in the proposal without his knowledge/permission. He had to recuse himself from PP evaluation to avoid conflict of interest
- JV proposal was disqualified



Investigation review triggered due to recusal:

- Why has a PP member been proposed as a staff member/expert by a bidder?
- INT reviewed all consultants in the bid proposal

Finding

Fraud

JV included the names (and CVs) of two other local non-key consultants in the same proposal without their knowledge or permission.

JV blamed unauthorized individuals for the inclusion of consultants without their knowledge.

Steps to Improve Integrity in Water Sector

1. Assess and identify risks to integrity
2. Identify institutional changes that could improve integrity
 - Separation of regulation/oversight from producers/suppliers
 - Decentralization
 - Increase outside entities role (private sector)
3. Focus on governance improvements
 - Regulating and monitoring the water sector
 - Building required capacity – human resources, finances, technology
4. **Goal – To shrink the area available for corruption to take hold or flourish**
 - Identify preventive measures wherever possible
 - Requires ability to investigate/prosecute corruption

Thank you!



Water treatment or Hydropower Plant Construction

- Large infrastructure projects
- Construction of water treatment or hydropower plants
- Management of public utilities
- Privatization of public utilities

Areas of Risk

Design

Large complex contracts

Bundled contracts

Supervision

Limited pool of qualified international consultants

Water specialists may lack engineering or construction expertise

Suppliers

Limited pool of multinational firms, which work with consulting companies and **agents**.

Urban Supply & Sewage

- Complex infrastructure projects
- Management of public utilities
- Privatization of public utilities

Areas of Risk

Design

Medium-sized contracts
(many post-review)

Indicators can be quantity
rather than quality (e.g.,
no. of pipes versus quality
of water)

Implementation

Bribe/fee solicitation by
suppliers and providers
in return for water
supply

Supervision

Water and sewage
conduits are
underground.

Governance

Elite capture, or
involvement of
organized crime in
utilities
management or
water supply

Agricultural Irrigation

- Small infrastructure projects

Areas of Risk

Design

Small contracts (post review) awarded to local firms.

Supervision

Water conduits can be underground.

Suppliers

Local suppliers, preference for local companies and lack of skilled suppliers and competition

Disaster relief or flood mitigation

- Improvements in drainage infrastructure

Areas of Risk

Supervision

Water conduits can be underground.

Suppliers

Local suppliers, preference for local companies and lack of skilled suppliers and competition

Rural water access

- Community driven projects

Areas of Risk

Design

Small contracts (post review) awarded to local firms.

Supervision

Small transactions with many actors

Water conduits underground

Lower capacity at local level

Suppliers

Local suppliers, preference for local companies and lack of skilled suppliers and competition