



Ministry of Agriculture, Water
Resources, and Fisheries



Arab Anti-Corruption
and Integrity Network



UN
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Corruption in the Water Sector and the Socio-Economic Costs

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Presentation Topics



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- The concept of corruption generally and how it manifests in the water sector
- The biggest corruption risk areas in the water sector
- Social and economic costs of corruption in the water sector, including the impact on the environment

General Concept of Corruption



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- *Transparency International* (TI) defines corruption as the abuse of entrusted power for private gain.
- TI's *Corruption Perceptions Index* (CPI) ranks 180 countries and territories around the world by their perceived levels of public sector corruption, scoring on a scale from 0 (highly corrupt) to 100 (very clean).
- The # 1 ranked country is Denmark , with a score of 90, which is followed by Finland, New Zealand and Norway with scores of 87, 85 and 84.
- Some scores in the Middle East and North Africa (MENA) include UAE with a score of 68 and a ranking of 26. Some other countries include Jordan and Kuwait (46-63); Tunisia (40-87); Morocco (38-97); Algeria (36-104); Egypt (35-108); Lebanon (24-149); Iraq (23-154); Libya (18-170) and Syria (13-177).
- According to TI, major causes of corruption are weakening justice systems and increasing impunity.

Manifestation of Corruption in the Water Sector



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- Complex sector impacting water supply and sanitation (WSS), food and energy
- Stakeholders involved from the private sector, the public sector, civil society orgs (CSOs); and the media
- Requires substantial financial resources
- Involves civil works contracting – substantial corruption risks

- Corruption in civil works contracting can show itself in:
 - Biased feasibility/design studies
 - Non-transparent procurement, including bidder collusion
 - Unjustified contract 'variations' during project implementation

NOTE. Public procurement can account for up to 70% of a government's budget, particularly in poorer countries

Manifestation of Corruption in the Water Sector (2)



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- A special corrupt feature in the WSS sector is what is known as 'unaccounted-for water' (UFW), which includes technical and 'non/technical' losses, the latter being major quantities of water used by consumers not being billed or charged for.
- Other possible sources of 'petty corruption' include bill-collection periods and connection charges.
- Corruption in dam design, procurement and implementation can affect projects in the WSS, irrigation and energy/electricity sectors as well as in multipurpose projects

Social and Economic Costs of Corruption in the Water Sector



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- Because the water sector constantly requires major investments and is prone to corruption, it is necessary to take into account some of the negative macroeconomic impacts of corruption:
 - GDP growth and international trade
 - Inflation, with impacts on estimating project costs in local currency as well as resource mobilization
 - Leads to resource misallocations
 - Harms a country's international reputation;
Makes the private sector less likely to invest in it, including in public-private partnerships
- Final Comment; The water sector is important enough to deserve the optimum mix of public- and private-sourced financing. This requires constant top-level attention to fighting corruption in the sector.

Social and Economic Costs of Corruption in the Water Sector (2)



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- In the WSS sector, there are some special issues:
 - Violation of human dignity
 - Increases in health risks
 - Robbing people of their livelihoods
 - Lack of access to network-supplied water
- **Case study in Mexico**

A water utility collaborates with private-sector water-tanker owners to supply water to inhabitants who are not linked to the water network, at prices up to 30 times the prices paid by those who are linked to the water network

Social and Economic Costs of Corruption in the Water Sector (3)



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Impacts on the Environment

- In the WSS sector, insufficient funds for building and operating municipal water supply and sewerage systems can have detrimental environmental impacts on the neighborhoods where the sewerage is generated and the rivers where the sewerage is ultimately disposed of.
- More generally, the implementation of environmental action plans, linked with the permits to construct single-purpose or multi-purpose dams, may be affected negatively by shortage of available funds caused by corruption.
- This could be particularly negative, if corruption leads to shortages of funding allocated towards the setting up and management of biological diversity conservation areas

Other Issues



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- Human rights
- In larger civil work projects, involving overseas contractors, lack of cultural sensitivities can affect the human rights of local workers and the local population
- Addressing/flagging corruption issues can lead to the loss of a job or one's life
- Lack of multi-stakeholder vigorous communication strategies, particularly by relevant government agencies/utilities is a key to enabling corruption
- 'Corruption Thrives in Darkness'
- 'Corruption Hurts the Poor the Most in the Water Sector'

Bibliography



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Final Slide



Thank you for your attention