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Corruption in the water sector is an overlooked threat for development and sustainability

New report shows how corruption undermines the global response to climate change and food shortages

June 2008, Berlin / New York — Corruption in the water sector is a root cause and catalyst for the global water crisis that threatens billions of lives and exacerbates environmental degradation, according to the *Global Corruption Report 2008: Corruption in the Water Sector*, released today by Transparency International (TI).

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

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

“Corruption’s impact on water is a fundamental governance problem, yet it is not sufficiently addressed in the many global policy initiatives for environmental sustainability, development, and food and energy security. This must change,” added Labelle.

The water crisis is undeniable and the corruption challenge it faces is urgent. More than 1 billion people worldwide have no guaranteed access to water and more than 2 billion are without adequate sanitation, which has devastating consequences for development and poverty reduction.

Corruption thwarts global response to climate change and global food shortage

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

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

For the Philippines, which has allocated close to US\$1 billion for irrigation and related agricultural improvements, the report presents case evidence of how corruption has hindered the building and performance of irrigation dams. In India, a country at the centre of the crisis, corruption is estimated to

add at least 25 per cent to irrigation contracts and the proceeds help maintain a corrupt system of political handouts and compromised oversight. In the end, investment costs rise, systems are rendered inefficient and small farmers are left especially vulnerable to water shortage.

Drinking water and sanitation: the poor carry the greatest burden

When corruption occurs, the cost of connecting a household to a water network increases by up to 30 per cent, raising the price tag for achieving the Millennium Development Goals for water and sanitation by a staggering US\$48 billion, according to expert estimates in the report.

Corruption in drinking water and sanitation emerges at every point along the water delivery chain; from policy design and budgeting to building, maintaining and operating water networks. It drains investment from the sector, increases prices and decreases water supplies. One result is that poor households in Jakarta, Lima, Nairobi or Manila spend more on water than residents of New York City, London or Rome.

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

Risks for the environment and energy security

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

Corruption in hydropower inflates the cost of dams and related projects. It also makes re-settlement more challenging by preying on compensation funds and initiatives meant to aid displaced people. The stakes are high: hydropower accounts for one-sixth of the world's electricity production and investment volumes are projected to reach US\$60 billion annually over the next 20 years.

A time for action: solutions to clean up the water sector

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

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

- **Establish transparency and participation as guiding principles for all aspects of water governance:** From transparent budgeting and participatory policy-making to public mapping of water pollution, public audits of projects and access to contract terms and performance reports, transparency and participation strengthen integrity in water governance, but need to be adopted globally.
- **Strengthen regulatory oversight:** Government and the public sector continue to play the most prominent role in water governance and should establish effective regulatory oversight, whether for the environment, water and sanitation, agriculture or energy. Institutional reform and capacity-building are essential to bring oversight in water up to the standards already achieved in other sectors

- **Ensure fair competition and accountable implementation of water projects:** All stakeholders have a role to play. Contracts should incorporate anti-corruption measures. Governments and contractors can enter into agreements for fair public procurement. Lenders and donors must strengthen anti-bribery provisions in their due diligence requirements.

Transparency International, along with the [International Water and Sanitation Centre](#), the [Stockholm International Water Institute](#), the [Swedish Water House](#) and the [Water and Sanitation Program-Africa](#) founded the [Water Integrity Network \(WIN\)](#) in 2006. Today WIN is a growing network of organisations and individuals that fights corruption in all parts of the water sector. The *Global Corruption Report 2008* benefited from expert and financial support from WIN.

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Transparency International is the civil society organisation leading the fight against corruption.

GCR 2008 full report <http://www.transparency.org/publications/gcr>

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