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Corruption in Social Services and Human Development Water, Sanitation and Electricity Sectors

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ABSTRACT

Corruption costs the Water, Sanitation and Electricity (WSE) sectors millions of dollars every year, siphoning off scarce monetary resources and diminishing a country's prospects for providing these crucial utilities for all. This paper examines how corruption manifests itself in the WSE sectors in order to identify and design sector programmes aimed at improving the well-being of the poor. It provides a comparative, cross-country study of the experiences of countries in the Asia-Pacific region. Combating corruption in the WSE sector requires action from the public sector, private sector, citizens, civil society organisations and the media to monitor WSE services and promote more ethical behaviour. The authors note that particular attention should be paid to the supply-side of corruption, as consumers' willingness to pay for better service creates a supply-side pressure that perpetuates corruption. The paper concludes with policy pointers and recommendations for successful anti-corruption mechanisms in the WSE sectors.

Keywords: Utilities, Water, Sanitation, Electricity, Supply side, Social services

1. INTRODUCTION

Access to Water, Sanitation and Electricity (WSE) services are important for people's quality of life and thus human development. In cities and towns, where economies of scale prevail, water and sewage systems have network suppliers – generally a public sector provider (local, state or central government). In rural areas, water boards or engineering departments have traditionally been responsible for delivering water services to rural communities. However, community and self-provision are also common in the Asia-Pacific region; this can include household systems (wells and hand pumps as in large parts of rural Asia, Bangladesh in particular), small independent providers (water vendors, small network providers, and cooperatives), and community-managed sanitation systems in urban settlements (for example, Orangi in Karachi, Pakistan, and Parivartan in Ahmedabad, India).

TABLE 1: OECD Multinational Electricity Companies Active in Asia-Pacific

Company	Activity	Countries Active
AES	Generation	China, India, Pakistan, Sri Lanka
EDF	Generation	China, Lao People's Democratic Republic, Viet Nam
Tractebel	Generation & supply	China, Thailand, Lao People's Democratic Republic
Enron	Generation	Philippines, Guam
Intergen	Generation	China, Philippines, Singapore, Australia
Mirant	Generation	Philippines
Transalta	Generation	Australia
IP	Generation	Australia, Pakistan, Thailand, Malaysia
CDC	Generation	Bangladesh

Source: Thomas et al. 2007.

Whilst the supply of electricity is generally through a monopoly, attempts to privatise electricity have led to the unbundling of electricity supply into generation, transmission, and distribution components (although transmission and distribution functions remain monopolies) (see Table 1).

In rural areas, off-grid systems have been used in villages, in many cases using renewable energy (wind-powered, solar, tidal, bio-gas, or hybrid) to generate power with fossil-fueled generators as backup. For example, Sagar Island, Sunderbans in India is supplied with electricity generated by solar panels by the West Bengal Renewable Development Authority. A local committee oversees all aspects of operation, including delivery of bills, collection from consumers and monitoring the systems. Theft is almost non-existent and defaults infrequently, thanks to peer pressure and self-monitoring by the user-group (Gulati and Rao 2007).

The provision of water, sanitation and electricity is intended to achieve a number of goals, such as:

- *Human development goals:* Including public health, well being, welfare, security, comfort, convenience, income redistribution, poverty reduction, and enhancing human capital.
- *Economic development goals:* These relate to economic growth, efficiency of economic activities, facilitating trade and creating employment.
- *Environmental sustainability goals:* Including improvements to the environment and conservation of natural resources.
- *Governance goals:* For example, the promotion of good governance, civil harmony and social integration.
- *Financial goals:* Improving the household's ability to generate income and savings, for example, by enabling a

more productive use of women's time, or enhancing the scope of household-based businesses.

The specific benefits of these services for service users at the household and community level are summarised below in Table 2.

TABLE 2: The Benefits of WSE Services

Water supply	The literature published during the International Drinking Water Decade (IDWSSD, 1981–1990) has extensively documented the health, time, and labour benefits of improved reliability, availability, quantity and quality of water.
Sanitation	The benefits of sanitary latrines include improved health, increased productivity, reduced public and private health spending, improved environment, convenience, privacy, prestige, and comfort. However, Pickford (1995) notes that it has proved difficult to demonstrate conclusively that sanitation has direct health outcomes.
Electricity	The benefits of electricity include improving productivity, lighting homes, powering audiovisual appliances such as radios, CD players and televisions, moderating the health effects of extreme climates, and improving security, particularly in terms of violence against women.

Millennium Development Goal 7, target 10 aims to *reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015*. Although there is no specific MDG relating to electricity none of the MDGs cannot be met without affordable, accessible and reliable energy services. However, delivering higher quality and larger quantities of WSE infrastructure services than current approaches provide is still a major challenge for many countries in Asia-Pacific region (UNICEF 2006b).

The East Asia and Pacific regions have the

world's largest numbers of people without access to improved drinking-water¹ sources and sanitation² facilities. Access to improved drinking water and sanitation in East Asia and the Pacific increased from 72 percent to 79 percent. However, population growth represents a key challenge for East Asia and the Pacific: 27 million every year will need to gain access by 2015 or the region will miss the MDG target. The largest urban-rural disparities in drinking-water coverage are found in Mongolia (87 percent urban to 30 percent rural) and Papua New Guinea (88 percent urban to 32 percent rural). While China's rural population enjoys increased access to improved water sources, its urban population is actually losing access: urban drinking water coverage dropped from 99 to 93 percent between 1990 and 2004. In the Philippines, coverage in urban areas dropped from 95 percent in 1990 to 87 percent in 2004. Sanitation coverage rates rose from 30 percent in 1990 to 51 percent in 2004, yet more than a third of the world's population without basic sanitation lives in East Asia and the Pacific. More than two out of three people in rural China live without basic sanitation.

South Asia's sanitation coverage is among the lowest in the world, at 37 percent, about the same as that in sub-Saharan Africa. Although access to basic sanitation throughout the region more than doubled between 1990 and 2004 – from 17 to 37 percent – its starting point was so low that the region is still far from reaching its MDG target of 59 percent by 2015. Nevertheless, Afghanistan, Nepal, Pakistan and Sri Lanka are on track to meet the MDG sanitation target, the latter of which already exceeded its 2015 target by achieving 91 percent coverage. Pakistan has made great progress in expanding access to sanitation. Coverage rose from 37 to 59 percent, and in rural areas it rose from 17 to 41 percent.

South Asia has boosted access to improved drinking-water sources from 71 percent in 1990 to 85 percent in 2004 and has virtually met its MDG target of 86 percent. India and Nepal have already met the MDG water target, and Pakistan has virtually achieved it. Nevertheless, arsenic and fluoride contamination in Bangladesh, India, Nepal and Pakistan threaten to reverse progress made in expanding improved water sources.

Corruption costs the WSE sector millions of dollars every year; it siphons off scarce monetary resources and diminishes a country's prospects for providing water, sanitation and electricity for all. For instance, the recent UNESCO (2006) report on water cites corruption as the primary reason why clean drinking water remains unobtainable for 1.1 billion people.

Corruption has several negative consequences in the WSE sectors:

- It discourages investments within the WSE sectors by undermining the performance and effectiveness of both public and private sectors.
- It creates a bias in decision-making on the allocation and location of water supplies, or biases decisions toward new large investment infrastructure projects rather than operation and maintenance of old ones or rehabilitation of systems, thereby limiting the expansion and effective delivery of electricity, water supply and sanitation services, especially for poor people.
- Corruption skews policymaking or budget allocation towards sectors where social returns (as contrasted to the potential for obtaining private kickbacks) are relatively low (Ades and di Tella 1997a; Ades and di Tella 1997b).
- It undermines the financial stability of utilities and, thus their ability to offer reliable service to all their clients and to extend services to all citizens.
- It decreases and diverts government revenues that could be used to improve water and other services. Corruption can reduce government revenues, in turn eroding the quality of the services provided (Bearse et al. 2000).
- The price and the level of WSE provided are affected by corruption (Shleifer and Vishny 1993).
- Corruption constrains the overall management of water resources, for example, by contributing to increased pollution of freshwater resources and over-abstraction of ground and surface water, encourages inefficient freshwater use and undermines sustainability. Corruption plays a role in intensifying the world's regional water scarcities.

While corruption arises for a variety of reasons, corruption is particularly common in infrastructure service provision (DFID 2002). There are a number of factors in the water, sanitation and electricity (WSE) sectors that increase the likelihood of corruption (UNDP 2006). These include:

- Large-scale construction – construction is the 'most corrupt' sector (see Transparency International UK. n.d.).
- WSE services exhibit economies of scale, or network externalities that make it technically more efficient to have a single distributor of the service. Thus, WSE services involve 'natural monopoly' issues regardless of whether provision is public or private.
- The technical complexity of WSE

services often leads to an asymmetry of information.

- Shortfalls in supply and access to service can provide significant opportunity for rent-seeking.
- The discretionary power of policy makers and front line service providers creates unpredictability and inequalities that can facilitate bribery.

According to Klitgaard (1988), if someone has monopoly power over a good or service and has the discretion to decide whether someone gets the good or service or how much a person receives, and there is no accountability whereby others can see what that person is deciding, then we will tend to find corruption. The World Bank estimates that in highly corrupt countries project corruption accounts for 30–40 percent in the water and sanitation sectors (Water Integrity Network 2006).

The following forms of corruption have been found in the WSE sector:

Bribery

Service providers may request (or wait to be paid) money or a favour in return for a service that they were obliged to provide as part of their duties. According to estimates

2. CORRUPTION: AN OVERVIEW

2.1 Definitions of Corruption

Various definitions of corruption have been proposed (Table 3). By way of general definition, corruption is the misuse of **entrusted power** for personal gain either at one's own instigation or in response to inducements.

TABLE 3: Definitions of Corruption

Author	Definitions
Nye (1967)	'Behaviour which deviates from the formal duties of a public role because of private interests regarding (personal, close family, private clique) pecuniary or status gains, or violates rules against the exercise of certain type of private regarding influence'.
Lays (1965)	Behaviour that breaks some rule, written or unwritten, about the proper purpose to which a public office/institution has been put.
Shleifer and Vishny (1993); Raihan (2000)	Corruption without theft encompasses bribe demands from officials (on top of regular payments for government services), while corruption with theft happens when even the regular payment is not made to the government.
Klitgaard (1988)	<i>Corruption as monopoly power (M) plus discretion by officials (D) minus accountability C = M + D - A.</i> Corruption occurs when an agent betrays the principal's ³ interest in pursuit of one's own.
Werner (1983)	(a) Public office-centred definitions involve a deviation from legal and public duty norms for private benefit, whether in the form of pecuniary, status or influence gains. (b) Market-centred definitions view corruption as a maximising activity in which officials manipulate pecuniary gains according to the supply and demand in the market place of their official domains. (c) Public interest-centred definitions stress the betrayal of public interest by preferring particular to common interests.
Scott (1972)	Market corruption is the selling of government goods and services to the highest bidder. Non-market corruption is where people honour obligations to others, in ways that are considered illegal, improper and/or corrupt by legal or other standards.
Williams (1987)	How corruption is defined depends on the context in which it is located, the perspectives of the definers and their purpose in defining it. For example, in some countries, particular social taboos may lead some individuals to turn a blind eye to corruption.

by the World Bank Institute (World Bank 2004b), more than US \$1 trillion is paid in bribes alone each year worldwide in both developed and developing countries (not including embezzlement of public funds or theft of public assets). This is almost equal to the combined GDP of low-income countries.

- Offering staff money in order to get a faster connection; the need to pay is often indicated by slow service, inaction and/or misplaced documents. The PAM Jaya labour union in Jakarta revealed that over 40,000 customers of state-owned water utility PT PAM Jaya had been connected to the mains illegally by corrupt company staff (Jakarta Post 2002).
- Transparency International Bangladesh's Baseline Survey on Corruption (1997) shows that 60 percent of urban households either pay money or exert influence in another way to get water connections and to correct water bills (on top of their legal payment). The report also says that nearly one-third of urban households have had their water bills reduced through an arrangement with the metre readers.
- In Pakistan, an illegal electricity connection is called 'kunda'. It is simply provided by connecting a wire hook from the main line. This is pretty obvious and can be detected easily. In order for the area inspector of the electricity department to turn a blind eye a bribe is paid through a middleman or agent. Almost every area officer of the electricity department takes such bribes. The payment is made on monthly basis. The amount could be up to Rs. 25,000 per month.

Fraud

An economic crime that involves some kind of trickery, swindle or deceit. For example:

- Indonesian national police detained the

former president director of PT Perusahaan Listrik Negara (PLN), the state electricity company in connection with corruption in the procurement process for two power plant projects, each of which is alleged to have caused losses to the state of as much as 100 billion rupiah (Reuters 2006).

- In Indonesia, Independent Power Producers (IPPs) provided the family and friends of politicians with 'loan-financed' shares in the company (Bayliss and Hall 2000). The loans were to be repaid with the dividends from the shares, but the shares were essentially gifts camouflaged to escape the anti-corruption legislations.
- Gao Yan, former President and CEO of the State Power Corp (China's largest electricity company) fled China to escape arrest on corruption charges scandals in the electricity industry. Reports suggest that stock buybacks and the acquisition of assets from a State Power subsidiary may be at issue, with the company reportedly only paying one-third of what the assets were worth. (McMillan 2002).

Embezzlement

Theft of public or private funds. Embezzlement is a very serious issue in many settings. For example, it has been estimated that former Indonesian leader Suharto embezzled anywhere between US \$15 and 35 billion from his country, while Marcos in the Philippines may have embezzled up to US \$5 billion (Smith et al. 2007). It is very difficult to assess the extent of embezzlement of public funds in the WSE sectors, examples of embezzlement include:

- In the Philippines, as part of a crackdown on corruption, President Gloria Arroyo promised consumers who had been faced with inflated electricity bills that they would get their money back. The

Supreme Court has ordered the Manila Electric Company to reimburse an estimated 28 bn peso (US \$528 m) in overbillings. (BBC News 2002).

- In July 2001, then Prime Minister of PNG Sir Mekere Morauta publicly described both his own party and his government as systematically corrupt. These corrupt elements, he suggested, were attempting to block the privatisation of state assets (which would reduce their opportunities for exploiting public resources) (Sydney Morning Herald 2001).
- The Royal Commission on Corruption Control (RCCC) in Nepal sentenced former Prime Minister Sher Bahadur Deuba to two years in jail after convicting him of embezzlement. Deuba was also fined more than US \$1 million for wrongdoing over a contract to build an access road for the controversial multi-million dollar Melmachi drinking water project. He is the highest-ranking leader in Nepal ever found guilty of corruption. However, Nepal's opposition parties say the corruption commission is carrying out political vendettas. According to the BBC report, the Asian Development Bank (ADB) investigation said it did not find any evidence of collusion or other corrupt or fraudulent practices among those involved in the bidding process for a road contract of in the Melamchi Water Supply Project contract (BBC News 2005a).
- Embezzlement might also take the form of pocketing the money that was collected from households to pay the communal bills and operation and maintenance for a community's water supply.
- In Pakistan, 21 Western companies were investigated by the national anti-corruption agency in 1998 for alleged kickbacks to the government of Benazir Bhutto and

for over-pricing. Bhutto's government had signed so many contracts with power companies – some of which were for installations in totally inappropriate locations – that Pakistan was set to produce far more energy than it could possibly consume until 2010. Yet, the government was contractually bound to buy all the electricity produced, resulting in financial burdens for the utility and the government. Although all the companies filed sworn statements denying corruption, six of them subsequently confessed to offering bribes (Hawley 2000). The IMF made a new package of loans at the end of 1998 conditional on the government's dropping the charges against the companies (Hawley 2000).

Cronyism or Nepotism

Granting offices or benefits to friends and relatives, regardless of merit. Examples include:

- In Indonesia, following the resignation of President Suharto, the Jakarta City Government cancelled an agreement with two companies involved in providing water to the capital. One of the companies was owned by a long time Suharto business partner; the other was controlled by one of Suharto's sons. These companies, together with their foreign partners (Suez Lyonnaise and Thames Water), had illegally procured two long-term concessions in 1997. The two concessions, both for 25 years, came to a total of US \$1.4 billion (Lippe 1999).
- Biased water allocation based on considerations other than optimum service delivery are common, for example, residential suburbs are left without water because the supply has been siphoned off to service the farm of a prominent politician.

- Enron attempted to supply power to the Maharashtra state through a subsidiary, under circumstances disadvantageous to the state. This was achieved through secret negotiations that violated India's Electricity Supply Act. The multi-billion dollar plant was mothballed in 2001 because its electricity was prohibitively expensive (Powers 1995).
- grand corruption in the allocation of lucrative monopolies. Aminuzzaman (1996) finds that the higher the level of bureaucracy the less frequent but higher the amount of bribe paid: the lower the level of bureaucracy the higher the frequency but the less the amount of bribe. These practices differ in scale but contribute to the same results – weak operational and financial performance and, for the poor in particular, declining service quality or reduced chances of ever accessing network services.

2.2 Petty and Grand Corruption

Corruption takes many forms – from petty corruption in metre reading and billing to

Grand corruption involves politicians,

BOX 1: An Infamous Example of Grand Corruption

The US company Westinghouse Electric Corp won a contract in the early 1970s to build the Bataan nuclear plant in the Philippines. It was alleged that it gave President Ferdinand Marcos US \$80 million in kickbacks. The plant cost US \$2.3 billion – three times the price of a comparable plant built by the same company in the Republic of Korea. Filipino taxpayers have spent US \$1.2 billion servicing the plant's debts – even though the plant has never produced a single watt of electricity because it was built at the foot of a volcano near several earthquake faultlines. The Philippine government is still paying US \$170,000 a day in interest on the loans taken out to finance the nuclear plant and will continue to do so up to the year 2018.

After Marcos was overthrown in 1986, the Philippine government brought a US civil action alleging bribery and corruption in 1988 against Westinghouse and put a case before the International Chamber of Commerce in Switzerland. The civil action was rejected, but three months before the International Chamber of Commerce was to make a decision, Westinghouse agreed to pay the Philippines government under President Ramos compensation of US \$100 million (including a cash payment of US \$40 million and two state of the art gas turbines worth US \$30 million). The Westinghouse settlement, however, does not cover even one year's interest payments on the debts the country incurred to build the plant.

In this case, a US district court found clear evidence that commissions were given to the special sales agent, and the agent materially participated in securing awards for the supplier and contractor implicated. However, the agent and the supplier/contractor were cleared of any bribery charges by the US court, as well as the International Court of Arbitration and the Office of the Ombudsman of the Philippines due to lack of evidence that the agent actually distributed part of the commission to former President Marcos, who had supported awarding the contract to the supplier/contractor implicated.

The Government's decision not to operate the Bataan nuclear power plant (partly due to concerns over its operational safety) contributed to the power crisis starting in the late 1980s. The Government's subsequent action in mitigating the power crisis, i.e., signing 42 contracts with independent power producers (IPPs) that were awarded based on negotiation rather than through transparent and competitive bidding, created overcapacity and contributed to the high cost of electricity and the financial insolvency of the sector.

Source: Hawley 2000.

senior officials, policy-makers, leading elites and major companies (Table 4) using large amounts of public resources to maintain their own power, status and wealth. For example, electricity or water and sanitation projects can be used as vote winning opportunities rather than allocated on the basis of priority/availability of financial resources. Increased costs of projects and concessions are typically funded through increased electricity or water tariffs and foreign borrowing. Salvatore Schiavo-Campo, advisor for public sector management and reform at the Asian Development Bank cites the case of one unidentified Asian country where state assets declined by US \$50 billion in 10 years as a result of corrupt officials undervaluing them for sale to local and foreign investors in return for commissions (Evans 1999).

Petty corruption in the water, sanitation and electricity sector is the everyday corruption that takes place where the public officials meet the public, for example, administrative procedures and routine service operations and maintenance. Petty corruption includes *'tea money'*, *'speed money'* or *'grease payments'*, these are a small payment made to secure or expedite the performance of a *routine, legal or necessary action such as getting water or electricity connection*. Staff might also supplement their salary by providing services 'informally' (for example, selling water on, cash repairs, falsified metre reading and illegal connections). This kind of petty corruption might occur on a regular basis and involve collusion between individuals and various departments within the utility.

BOX 2: Petty Corruption in India

Research on petty corruption in India's water sector shows that:

- 41 percent of the customer respondents had made more than one small payment (median payment US \$0.45) in the past 6 months to falsify metre reading to lower bills.
- 30 percent of the customer respondents had made more than one small payment (median payment US \$1.90) in the past 6 months to expedite repair work.
- 12 percent of the customer respondents had made payment (median payment US \$22) to expedite new water and sanitation connections.

The cumulative revenue losses stemming from falsified water metres add up to large sums over time. This is money that alternatively could be spent on improved operation and maintenance, new investments to improve water and sanitation systems for economically weak groups, etc. Such alternative costs are rarely taken into account in corruption equations.

The study also indicates the frequency of side payments from contractors to public officials within the water and sanitation sector: According to public official respondents, side payments occur on a frequent basis:

- 17 percent said that it takes place every time.
- 33 percent claimed it was quite common.
- 8 percent said that it takes place about half the time.
- 17 percent said that it occurs occasionally.
- 25 percent said that it occurs infrequently/never.

The value of kickbacks to public officials normally ranged from six percent to 11 percent of the contract value. The study also suggests that side payments for transfers of staff occur frequently. Interestingly, side payments for promotions were less common.

Source: Davis 2004.

TABLE 4: Petty and Grand Corruption

	Petty	Grand
<i>Which levels</i>	Everyday corruption in administrative procedures and routine service operation and maintenance, etc.	Large scale corruption
<i>Amounts involved under what circumstances</i>	Small amounts of money or gifts where the public officials meet the public	Large amounts of public resources involves politicians, senior officials, policy-makers, leading elites and major companies

According to Davis (2004) corruption can be ‘collusive’ (the willing and planned cooperation of the giver and taker – both parties benefit from striking a ‘deal’), ‘extortionary’ (forced extraction of bribes or other favours from vulnerable people by those in authority), or ‘anticipatory’ (paying a bribe in anticipation of favourable actions or decisions from an authority). The consumers’ willingness to pay for convenience (getting new connections quickly, avoiding time-consuming paper work, etc.) has created a supply side pressure that serves to perpetuate corruption. With respect to electricity, the shortage of generation, transformer, and distribution line capacity provides incentives for fairly widespread corruption in new electric connections and increasing the authorised load.

The sum total of ‘petty corruption’ can be considerable. Petty corruption is one of the reasons for the low payment collection rates reported by many water, sanitation and electricity companies in developing countries – meaning that insufficient funds are available to purchase input fuels or maintain generators or distribution networks. For instance, approximately one half of total system losses (amounting to an estimated US \$100 million) of the Bangladesh Power Development Board (BPDB) and the Dhaka Electricity Supply Authority (DESA) are accounted for by mismanagement and falsified metre reading. In Pakistan, non-technical losses arising from electricity theft

became such a problem, in 1999, that the government mobilised the army to supervise metre reading and billing. While there were many illegal connections by low-income households, the Pakistani army found that significant quantities of electricity were stolen by high-income households, industry, and large commercial establishments such as shopping malls (Lovei and McKechnie 2000; Ruth 2002).

In particular, petty corruption affects the poor. Transparency International’s South Asia survey (2002) (in Bangladesh, India, Nepal, Pakistan and Sri Lanka) found that lower income households spend a larger proportion of their income on bribes for public services such as: healthcare, education, power, land administration, taxation, police and the judiciary and find it to be a heavy financial burden because of both the high frequency and the amounts paid. Report card surveys in Bangalore revealed that approximately a third of the city’s poor had to pay a bribe to get a service or solve a service related problem (Paul 1993).

2.3 Corruption in the Asia-Pacific Region

In India, corruption is under the table. In China, it is over the table, while in Indonesia corruption includes the table (Akya 2006).

The Thais call it gin muong (nation eating). In Chinese, it is known as tan wu (greedy impurity), in Japanese oshoku (dirty job), and

to the Pakistanis, it is ooper ki admani (income from above) (Time 1967).

The Asia-Pacific region represents more than half of the world's population: China, India, Indonesia, Pakistan, Bangladesh and Japan rank among the 10 most populous countries. Whilst corruption takes place internationally, there is the perception that it occurs on a more systematic basis in the Asia-Pacific region and is often seen as a part of how business is done between public agencies and citizens, and between public agencies and the private sector, as well as within the public sector itself. Several reports suggest that corruption has worsened in many countries in Asia. The 2006 Corruption Perceptions Index of Transparency International found that developing countries such as Myanmar, Bangladesh, Indonesia, Papua New Guinea, Pakistan and Cambodia were some of the most corrupt in the region (Transparency International 2006a). Awareness of corruption has been increasing, particularly since the economic crisis that struck a number of countries in Asia. Names like Estrada, Marcos (the Philippines), Soekarno, Suharto (Indonesia) are synonymous with corruption in Asia. In 2002 the convictions of two sons of President Kim Dae-Jung of the Republic of Korea on corruption charges tarnished the president's achievements. Thailand's Thaksin Shinawatra is the most recent addition to the list, and his recent ousting by a military coup was the culmination of corrupt political and business practices. The following summary of anti-corruption initiatives in the region is based on a number of sources (Political and Economic Risk Consultancy Ltd. 2006; OECD and ADB 2005; OECD and ADB 2006).

According to Transparency International's surveys and indices⁴, *Singapore* is perceived to have the least corrupt public

sector among Asian nations, although it has yet to ratify the UN Convention against Corruption. *Bangladesh* is perceived to have the most corrupt public sector. Bangladesh is renowned for its weak accountability institutions, for example, the Ombudsman is still awaiting establishment, 35 years after the Constitution mandated its establishment. Pervasive corruption is present in all branches of government: legislature, executive, judiciary and entrenched in all sectors. Weak governance, manifest in poor public service delivery and development outcomes more generally, has been widely credited with the rise of the Maoists in *Nepal*. The political change in Nepal in April 2006 has created an opportunity to mobilise against the old order and change social and political constraints that had been accepted as given. In the *Philippines*, President Gloria Macapagal Arroyo came to power in 2001 when her predecessor, Joseph Estrada, was swept from office on charges of corruption. Nevertheless, President Arroyo has herself faced allegations of corruption and poll cheating.

The Republic of Korea has also been hit by scandals involving political funding and lobbying. But the Republic of Korea is one of the few OECD countries that can claim to have sent former presidents and leading political figures to jail for corruption. The IMF crisis in 1997 acted as catalyst to create a more effective, efficient, and transparent government in the Republic of Korea and also led to the development of anti-corruption institutions that have teeth. The public's tolerance of the corruption decreased after the IMF crisis. Several of the families behind the country's largest companies (such as Samsung) have also been embarrassed by scandals relating to their attempts to by-pass inheritance taxes and pass on wealth from one generation to the next.

Recently, there have been contract

scandals in the government procurement process, in *Thailand*, involving the construction of Bangkok's new international airport and road building projects. Thaksin Shinawatra, prime minister of Thailand, was indicted by the National Counter-Corruption Commission but was eventually acquitted in a controversial decision by the country's Constitutional Court.

India already has a robust administrative, regulatory and legal framework (rule of law and freedom of speech), which helps to provide a check on corruption and avenues for victims of the problem to voice their grievances. However, implementation and enforcement need to be strengthened to improve regulatory quality and government effectiveness. The biggest governance challenge for India is to reduce the gap between demand and supply of basic public services like water, sanitation and electricity, which implies enhancement of resources and distribution in a more equitable manner.

Prime Minister Abdullah Ahmad Badawi of *Malaysia* made fighting corruption his top priority after taking over from Dr. Mahathir Mohamad in 2003. The Malaysian government is setting up the Anti-Corruption Academy, which aims to serve as a regional centre to study and disseminate information and provide training in anti-corruption practices. The promotion of good governance is Malaysia's priority in preventing corruption in its public institutions. Other preventive measures aim to instill integrity in the society at large by targeting young people through family and education programmes. These and other elements of the Malaysian anti-corruption strategy have been consolidated in the newly launched National Integrity Plan.

In *Viet Nam*, there is currently a considerable degree of political will from both the government and the party to fight

corruption, demonstrated by approval of the Law on Preventing and Combating Corruption (2005) and an action plan to implement the law in February 2006. In addition, in 2006, several institutions specialised in corruption were created (before the accession of Viet Nam to the WTO formally in early January 2007), namely, a Central Anti-Corruption Steering Committee headed by the Prime Minister, an Anti-corruption Bureau in the Government Inspectorate, and a Department of Public Prosecution of Corruption Crimes in the Supreme People's Procuracy. Furthermore, the Press Law is to be amended to strengthen media to play a more active role in the fight against corruption.

Systemic corruption in *Indonesia* was the main factor behind the failure of its economy during the crisis of 1997-1998. Seven years after the economic crisis and the fall of the New Orde Administration, corruption is still an important issue in Indonesia. Under President Yudhoyono, Indonesia has made many reforms and anti-corruption structures and systems have been implemented but progress on combating corruption is slow (the same people from the Suharto era are still in charge of the bureaucracy, economic and political systems). In 2005, the World Bank launched a major report, 'Combating Corruption in Indonesia' with a televised public debate. It is reported that excessive regulation is making it difficult for Indonesian companies to compete on tenders against international ones.

Hong Kong, China (SAR), on the other hand, has a reputation for low corruption, and this has enhanced its credentials as a regional business centre. Independent Commission Against Corruption (ICAC), police and judicial system of Hong Kong, China (SAR) deserve most of the credit for maintaining the territory's good image. The

ICAC admits that the cases involving corruption are becoming more complex. There is a growing cross-border dimension to corruption, which limits the ability of the local authorities to investigate and prosecute certain cases. In addition, many of the forms of corruption that occur in the private sector are extremely difficult to collect evidence in order to proceed with arrests and prosecutions. For example, irregular payments that change hands between groups like building supervisors and maintenance firms occur so frequently that they are almost systemic.

The *Lao People's Democratic Republic* government has acknowledged corruption as an important issue, and has undertaken some promising initiatives in the recent years. A new Anti-Corruption Law was passed in December 2005, and a new governance strategy was shared with donors in November 2006. The main governance challenge in Lao People's Democratic Republic is the general lack of technical, managerial and administrative capacity at all levels. Lao People's Democratic Republic has a significantly decentralised governance system, with provinces responsible for service delivery. Yet, capacity at the sub-national level governments is even weaker than at central levels, and there is little oversight. Law enforcement remains weak; no significant corruption cases have been pursued through the courts.

Since reforms began in 1978, *China* has experienced rapid development: poverty measured at US \$1/day consumption fell from more than half of the population in 1980 to less than 10 percent today. Nevertheless, corruption remains a huge problem in China. Factors contributing to a reduction in corruption in China include the need to adopt certain institutional reforms in order to comply with WTO standards and requirements and the pressures on state-

owned companies to improve their governance and transparency in order to list on foreign stock markets. China has signed the UN Anti-Corruption Convention, and has recently passed an Anti-Money Laundering Law. Strengthened Government commitment to anti-corruption is evidenced in the 11th FYP and the 'Harmonious Society' framework, which focus on addressing corruption and on improving the quality and efficiency of public service delivery.

Opening the new Parliament, Governor-General Sir Silas Atopare, said corruption was one of the most significant factors in reducing five million *Papua New Guineans* to enduring one of the world's lowest standards of living. Politicians had to lead by example and 'shed the corruption tag on leaders', he said. Then Prime Minister of Papua New Guinea, Sir Mekere Morauta lamented that corruption in his country was so deep and widespread that the nation's entire security was undermined by it. Corruption in Papua New Guinea is beginning to be matched by that of the Solomon Islands, Nauru, Vanuatu and Fiji: corruption is perhaps a factor in the challenge, in 2000, to the legitimacy of the democratically elected governments of the Solomon Islands and Fiji. *Melanesia* is notorious as the Pacific's most fertile ground for massive corruption, usually centering on the bribery of political and public service leaders by companies keen to access Melanesia's forest, mineral and fisheries wealth. Regional efforts to combat corruption include the 'Eight Principles of Accountability' for economic and financial management and the Biketawa Declaration (2000), which demonstrates a commitment to good governance.

2.4 Corruption and Culture in the Asia-Pacific Region

The region is very diverse in terms of its cultural, social and political history.

Corruption has been defined as a culturally-accepted phenomenon. Socio-cultural practices such as Chonji (money as a token of appreciation), gift giving⁵, Kwan-Si (acquaintanceship culture), *guanxi*, ('social relationships' or 'social connection') are often cited as one of the causes of corruption in the region. However, *'the art of guanxi cannot be reduced to a modern western notion of corruption because the personalistic qualities of obligation, indebtedness, and reciprocity are just as important as transactions in material benefit'* (Yang 1994). In Vanuatu, and the Pacific in general, it has been reported that people may be reluctant to hold leaders accountable for corrupt behaviour due to the custom that it is against traditional Melanesian values to criticise 'big men' (Ferrieux Patterson 2003). Price (1999) argues that some kinds of corruption in India are the function of belief and the socio-political contexts, which has a major role in influencing people's attitudes to corruption.

Gupta (1995) illustrates the importance of social capital in facilitating corruption in the region. He gives the example of two rural men, who are unable to respond 'correctly' in their attempt to pay a bribe to two state officials. The rural men did not know the correct amount to pay and so were publicly humiliated, making the state officials in an even stronger position to extort a higher bribe the next time round. Gupta notes the frustration of the two young men who were excluded from the 'practice' of bribe giving, noting that: *'When villagers complained about the corruption of state officials, therefore, they were not just voicing their exclusion from government services because they were costly... More importantly, they were expressing frustration because they lacked the cultural capital required to negotiate deftly for those services'* (Gupta 1995).

In some countries (such as small Pacific societies), to break the bond of loyalty and reciprocity⁶ to family and peer groups (primary school, secondary school and college friends) is punished in a harsher manner than breaking the law. In his study of 'rickshaw wallas' in Nepal, Kondos (1987) shows how the word 'favouritism' is seen by westerners to be equivalent to corruption, but for those involved, it is about obligations to family and friends. Ruud (1998) found that in West Bengal corruption is an established strategy of coping with the bureaucracy, with emphasis on the social networks blurring the distinction between private and public. People dedicate time and effort to maintaining networks of contacts and friendships making it impossible to insulate the state from 'corruption' because there is such spillover between the realm of the state and the nature of practices that are embedded in daily life. Ruud criticises the use of the term 'corruption' by western academia and media for its ethnocentrism and failure to understand the importance of moral imperatives to help one's kin. In such cases, Tanzi (1995) argues that special measures must be taken such as a forced, periodic reassignment of civil servants. Military government has also been implicated in creating rent seeking, for example in the Republic of Korea (1961–1987), whereby *chaebols*⁷ were able to make private payments to public officials in order to influence formulation of laws, rules and regulations.

Others view traditional culture as crucial to combating corruption, since social change can only be sustainable if it can be internalised through the behaviour and values of people, i.e. culture is considered a facilitator of development. In contrast to Max Weber's analysis of Protestant ethics, there have been several competing theories that seek to explain the high performance of East

Asian economies in terms of values that are traditional in that region (Buddhist, Confucian or Taoist framework). Interestingly, Bhutan is the least corrupt and most traditional among South Asian nations (SARID 2006).

Nonetheless, cultural difference should never be used as an excuse for poor ethical practice. The causes of corruption are multiple, complex and always contextual. No matter how pervasive bribery may be in some countries, no country openly defends the demand for, nor the payment of, bribes as ethically acceptable. A claim that the practice is 'accepted' locally usually means that it is tolerated when kept secret.

2.5 Corruption and the Poor

The World Bank suggests that 20 to 40 percent of water sector finances are lost to dishonest and corrupt practices (Stålgren 2006). The effect of corruption on the poor can be gauged through both its:

- Direct impact, for example, increasing the cost of water, sanitation and electricity services, which in turn result in increased tariffs, lack of money to expand networks to poor areas, or, alternatively, mounting financial losses leading to deteriorating service. At the household level, corruption is experienced through deficient water service delivery and practices, and contributes to the 40 billion working hours lost annually at a global scale (Stålgren 2006).
- Indirect impact, for example, diverting public resources away from social sectors and the poor, and through limiting development, growth and poverty reduction.

Surveys indicate that those with low income are more vulnerable to corruption than those with higher income levels. Gopakumar (2002) found that bribes were

a heavy financial burden on households, due to both the high frequency of bribes and the large sums paid. For example, in Pakistan, 92 percent of households using public education services reported the payment of bribes averaging Rs. 4,811 (US \$86) – compared to a gross national per capita income of only US \$410 per annum (Transparency International 2002). The findings indicate that those likely to be poor (i.e. unemployed, those with low education, etc.) are more vulnerable to corruption than the better of socio-economic groups. When asked about the source of corruption, most respondents replied that bribes were extorted by public servants: middle and lower level civil servants were the key facilitators of corruption.

Whilst the majority of commentators view such instances of corruption as criminal and morally bad behaviour, there are those who argue that in situations of poor governance and infrequent service delivery, corruption is a way of solving problems with access to infrastructure services. Klitgaard (1988) suggests that corruption can benefit private actors by putting 'goods and services in the hands of people who value them the most, who use them the most'. It has also been reported that corruption may benefit the poor by cutting red tape, making decision-making predictable, motivating underpaid workers and enables some to obtain political power, for example, selling a vote for services.

Nevertheless, the impact of paying bribes for services is enormous for poor slum people, and it directly affects their livelihoods. One respondent to research conducted by the authors said, '*Because of the cost of kerosene, and other extra payments such as giving money to the police and other officials of the law-enforcement agency for their help, we cut off our food cost. Sometimes we did not have enough food to eat*'. Another

reported that because of paying bribes they could not meet their necessities, *'It is really tough for a day labourer to pay a high price for electricity and water. You know it is not possible to get electricity and water connections without bribes or extra money. So, our budget is strained and we cannot afford to meet our needs. We cannot save anything for our future either'*. Others said that they had been deprived of basic foodstuffs, medical facilities, incurred business losses, and interrupted children's education because of having to spend money-paying bribes. Poor people feel powerless and helpless when they experience corruption.

Whilst the poor in developing countries are often exposed to corruption on a daily basis, their knowledge of how to confront corruption and deal with inadequate service provision is limited. Humiliation, exclusion and frustration with corruption and maltreatment is compounded by a sense of being voiceless and powerless to complain, since complaining may result in losing services altogether. Despite a relatively high prevalence of corruption in the WSE sector, few incidents are actually reported due to a lack of knowledge of the procedures or a feeling that it is not worth the trouble. Female-lead and poorer households are likely to be less aware of where to go to file a complaint, the procedures, and more vulnerable to corrupt practices.

2.6 Corruption and Development

Most future scenarios for Asia foresee rapid growth continuing. Over recent decades, Asia has seen dramatic economic growth, first in the East Asian 'Tigers' of the Republic of Korea, Singapore and Taiwan, Province of China, then Thailand, Malaysia and Indonesia, and more recently in China and Viet Nam. There has also been significant progress in South Asia. In the 1990s, eco-

nomie growth helped reduce poverty in the region from just over 40 to around 30 percent (ADB et al. 2005). However, typically, growth has gone hand-in-hand with uneven development and rising numbers of poor urban slum dwellers, migrants, and rural communities in isolated geographical regions, with problems of malnutrition, high maternal and child mortality.

Commentators predominately hold two views on the link between corruption and development:

Corruption does not Always Hinder Economic Growth in the Short-Run

Analysts have suggested that corruption would disappear with economic liberalisation, political democratisation and social modernisation (Kaufmann 1997).⁸ The World Bank's proposed Governance and Anti-Corruption (GAC) strategy, for example, states a close correlation between good governance and improved economic performance and poverty reduction. Although most economists agree that corruption slows development, a corrupt country is nevertheless capable of economic growth. Indonesia's economic miracle occurred in the context of historically unprecedented corruption. White (1996) has analysed the economic liberalisation in China and found that the transition to a market economy has been accompanied by increasingly pervasive and large-scale corruption. Kong (1996) demonstrates how the Republic of Korea economy has also grown steadily despite fairly significant levels of political corruption; donations to political parties in exchange for business favours remains a major form of corruption in the Republic of Korea. Rose-Ackerman (1996a) acknowledges that democracy and free markets are not invariably a cure for corruption, while Leiken (1997) argues that the end of the Cold War has merely led to higher disclosures of

corruption. Indeed, 'Not too many years ago, the economic successes of the countries of East Asia were attributed by some observers to a presumably positive impact of corruption in facilitating decision-making' (Tanzi 1999). This has led to the proposition that what we need to focus on is 'good enough' rather than 'all out' good governance.

Corruption is Bad for Growth

Corruption was once seen as a 'necessary evil' that could 'grease the wheels' of development efforts: bilateral and multilateral organisations and their clients once more or less tacitly accepted corruption service delivery. However, a growing body of research showing that corrupt practices are detrimental to economic efficiency and social equity and thus limits the scope for development opportunities.

Corruption aggravates income inequality and is associated with slower economic growth. There is some empirical research that supports this theory. Mauro (2002), looking at a cross-section of 67 countries, finds that corruption negatively impacts on the ratio of investment to GDP and argues that if Bangladesh were to improve the integrity of its bureaucracy to the level of that of Uruguay, its investment rate would increase by almost five percent of GDP. While there is little hard evidence on the incidence and costs of corruption within or across countries or sectors, there is little disagreement that these costs can be high. For example, illegal payoffs can lower the quality of public works projects, and increase their costs by as much as 30–50 percent (Rose-Ackerman 1996b). And there is reason to believe that the costs of corruption are disproportionately borne by the poor. The World Bank (2000), presented at the Bangladesh Aid Consortium meeting in Paris, 2000 stated that *per capita income*

in a corruption-free Bangladesh could have nearly doubled, to US \$700 instead of US \$350, which reflects the harmful impact of bribery, kickbacks and similar under-the-table payments on investment levels and misallocated resources' (News Network 2003). WBI research suggests that countries that tackle corruption and improve their rule of law can increase their national incomes by as much as four times in the long term, in addition to drastically improving service provision, such as water supply, sanitation and health (Kaufmann 2004).

Girling (1997) demonstrates that corruption does not disappear in highly industrialised, democratic societies, but rather corruption changes as countries develop. Robinson (1998) suggests that corruption is a complex, multi-faceted phenomenon that pervades all societies to varying degrees, which is not amenable to quick-fix solutions. Transparency International Corruption Perceptions Index points to high levels of corruption in many rich countries as well as poor ones.

2.7 Organising Concepts in a Human Development Approach

The affect of corruption in WSE sectors on the poor will always be context and culture-specific. However, a number of organising concepts can help analyse how corruption impacts human development.

Poverty

Poverty has many dimensions. In addition to low income (living on less than US \$1 a day), illiteracy, ill health, gender inequality, and inadequate public services are all aspects of being poor. Corruption impacts on the incomes of the poor by: (a) diverting resources from social expenditure and investment, and (b) minimising the effec-

tiveness of water, sanitation and electricity services. The link between corruption and poverty is a vicious cycle (poverty may lead one to be corrupt i.e. supply bribes in order to access WSE services, which in turn can increase one's level of poverty). The current focus on poverty reduction as a mean to fight corruption and improve governance is not only due to the perception that reduced poverty decreases bribery, but also because reduced poverty promotes a civil society capable of reducing corruption.

Inequality

Poverty is not the same as inequality. Poverty is concerned with the absolute standard of living of a part of society – the poor. Inequality refers to relative living standards across the whole of society. If one social group has better access to water and sanitation facilities this may lead to health inequalities (Stephens 1996).

Inequity

If one group benefits at the expense of another group, this is an inequity. For example, the urban poor often have least access to piped water and are forced to pay more than the wealthy for poor quality and limited quantities of water from vendors. This is an inequity because the wealthy doubly benefit (in health and economic terms) while the poor lose out twice over (Stephens 1996).

Productivity

The absence of income earning or employment opportunities and the associated high unemployment rates are the major cause of poverty. Even if poor people are employed, wages are often so low that they only alleviate the severity of poverty rather than enabling them to maintain a reasonable

quality of life. Corruption leads to wider income disparities because those with influence gain more advantages; and those without, lose out. Corruption affects basic livelihoods. For example in Rajasthan, minimum wages, which were part of a drought relief programme organised by the state, were hardly ever paid due to mismanagement, corruption and the deliberate obstruction of access to information held by local officials responsible for the programme's administration (Roy and Dey 2001).

Rural-Urban Issues

One of the main problems facing the Asia and Pacific countries is rapid urbanisation. Urban growth brings with it a host of infrastructure challenges: increasing population implies increasing demand for infrastructure services such as clean water or sanitation or electricity. Gaps in urban infrastructure sectors tend to affect the poor (who are frequently to be found in peri-urban, informal settlements) more than the rest of the population.

Poverty also tends to be concentrated in rural areas, with significant pockets of rural poverty remaining in a number of generally fast-growing countries in the region. Providing rural infrastructure as cost-effectively as possible is one of the key challenges for service providers since the unit costs of delivering rural infrastructure in sparsely populated areas are often higher than urban infrastructure.

Implications for the Environment

Concerns for sustainability have arisen in the context of an 'urbanising world'. This has necessitated a reassessment of the environmental problems in urban areas that reduce quality of life such as inadequate water and sanitation: the so-called 'brown' agenda' (McGranahan et al. 2001). Corruption in

WSE can affect the brown agenda since inadequate WSE services lead to untreated sewage and poor water quality or burning of biomass fuels, resulting in widespread ill health, low productivity and reduced income and quality of life and preventable death.

Sustainability

The literature finds that services are sustainable if the outputs continue to be realised over the long term (Carter et al. 1999). Parkin (2000a; 2000b) defines the sustainability of infrastructure as the 'capacity for continuance'. Sustainability is, therefore, 'a general measure of successfulness' (Hardoy et al. 1992). For example, with reference to drinking water supply, Abrams (1998) claims that 'if the water flows, then

all of the many elements which are required for sustainability must have been in place. There must have been money for recurring expenses and for the occasional repair, there must have been acceptance from the consumers of the service, the source supplying the service must have been adequate, the design must have been properly done, there must have been sound construction.'

Gender Equality

There is a particular gender aspect to the WSE sectors since improved access to water, sanitation and electricity can improve quality of girls and women's lives – releasing women and children from the time intensive task of gathering traditional biomass fuels or water, raising the productivity of women

BOX 3: Corruption and Water Pollution

Thirty-seven people were indicted on charges of accepting bribes from water reservoir developers in the Republic of Korea according to *The Korea Herald*. In order to avoid paying the costs of reconstruction of underground water sites, water quality testers were bribed to provide fake test results. More than 1,700 water sites were found to have contaminated water including high levels of nitrate-nitrogen, which can cause a condition known as methemoglobinemia or 'blue baby' disease.

Source: Costin 2006.

BOX 4: Tanneries 'Kill' the Buriganga River

Much of the leather exported by Bangladesh (US \$234 million in 11 months of the fiscal year 2005 to 2006) is processed at the Hazaribagh tanneries. The 243 tanneries (located about three kilometre north-east of Dhaka) pour 7.7 million litres of untreated, highly toxic liquid wastes into the Buriganga River everyday. Until 2001, discharge from the tanneries was channelled about 10 km downstream through a canal running along the flood protection dyke around the city. But unscrupulous land grabbers, aided by local politicians, built over the sewer, and this has caused water logging. Rather than evict the encroachers, corrupt Dhaka Water and Sewage Authority (DWASA) officials devised an alternative – to dump the discharge into the Buriganga. The tannery owners there have enough clout to continue flouting the pollution control rules. The 17 kilometre stretch of the river used to have enough stock to support the fisher folk throughout the year but pollution has killed the fish, destroyed land and contaminated groundwater.

Source: Khan 2006.

in household chores or by facilitating study or the operation of home based micro enterprises.

Service providers might be less inclined to demand a bribe from a man as women might be more susceptible to coercion, violence or threats. Women may be more *victimised* by corruption in the WSE sector as a result of gender inequalities regarding political and economic status; human rights, education, health, mobility and choice. Women are also more likely to be subject to sexual harassment by service providers over and above higher costs. Nevertheless, there are significant differences within Asia-Pacific in this regard. Asia is one of the unique regions in the world with the huge gap between the highly educated women who actively participate in the socio-political life of their countries at one end and illiterate women from another.

2.8 Causes and Motivations

In its survey of corruption in South Asia, Transparency International (2002) documented the perceived reasons for corruption in public services, including the WSE sector. The majority of the respondents rated lack of accountability as the most important reason. Second, was the monopoly power enjoyed by the utility, followed by lack of transparency and the discretionary powers of the utility staff. It is significant that the low pay of staff came only fifth in order of importance. Other causes identified in the report include acceptance of corruption as a way of life, the ineffectiveness of the judiciary in punishing corruption and inadequate training and orientation of officials. A previous survey (Transparency International Bangladesh's (1997) Nationwide survey cited the main reasons for corruption as a desire 'to get rich quick' (76 percent), 'moral degradation' (58 percent)

and 'lack of accountability' (51 percent). Other causes and motivations for corruption in the WSE sector include:

Shortage of Service or Unequal Access to Services

Where services are in short supply or are badly administered, and where discretion is possible in the provision of services, then there is considerable scope for corruption. Corruption may offer an important means of accessing WSE services for poor people living in slums in the absence of more 'formal' means of accessing the service. For example, *mastaans* (muscle men) often control slums in South Asia and they facilitate 'illegal' connections to essential services like electricity and water. Even though the services that *mastaans* supply are limited, and, generally perceived to be of low quality, low-income residents and neighbourhoods may be the worst affected by anti-corruption clampdowns; attempts to prevent or close down illegal connections may mean even less access to water. For example, in Dhaka, Bangladesh, the poor have been caught up in a catch-all anti-corruption drive by the new interim government against all forms of illegality (Sudworth 2007) which has led to the demolition of slums and imprisoned many leading politicians, business people and others, including the son of the last Prime Minister of the country, on charges of corruption.

Private Sector

The private sector often represents the 'supply' side of corruption. Bribe suppliers are frequently not simply victims of extortion, but active partners in corruption. Gunnar Myrdal (1968) wrote in *Asian Drama*: '*One problem of considerable importance requiring specific attention is the role of Western business in feeding corruption*

in South Asia. He argued that Western businessmen undermined the integrity of politicians and administrators through bribes, and that this effect was strengthened by aid. Indeed, the former World Bank Chief Economist Joseph Stiglitz once referred to privatisation as 'briberisation'.

The World Bank's strategy on Governance and Anti-Corruption (World Bank 2007a) identifies the energy and infrastructure sectors as key focus areas for corruption. Concerns for commercial performance and profitability are said to create incentives in the private companies to control corruption. However, privatisation might create new opportunities for corruption related to the award of franchises, negotiation of commercial contracts, and approval of tariff increases. The standard kickback paid in infrastructure projects, for instance, is often quoted as 10 percent of the value of the contract. However, a number of studies in public service delivery in the Philippines estimated that the misuse of resources in public works was between 20 percent and 40 percent with multiple bribes and unofficial payments at each layer of government involvement (Afzar et al. 2000). Corruption can also be more subtle, however, for example, where a private company invites municipal staff to come and visit its headquarters – ticket and stay paid – but the company expects a contract to be awarded and a trade relationship in return for all this hospitality.

The IFIs have been heavily involved in experimentation with privatisation of electricity and water over the past two decades, with mixed results. Privatisation of water, which involves the selling of formerly publicly or commonly-owned waters to private multinationals may not be 'corrupt' in some strict sense, but when it involves deals between national governments and multinationals that do not take into account

the voice or interests of the poor or women – and imply a direct rise in water fees and a reduction in access to women and the poor – the common perception is one of corruption. Recently, a World Bank loan to reform the Delhi Water Board was cancelled because of the political opposition it elicited.

Nevertheless, private utilities have been serving the cities of Kolkata and Mumbai in India, for decades. Despite changes in management, their commercial procedures are much better than those in state-owned utilities. Accountability is enforced and theft is strongly discouraged. Commercial losses, including losses from theft are about 12–15 percent, half as large as those incurred by the state-owned utilities, which are typically in the range of 30–35 percent (Gulati and Rao 2007).

Orissa, an Indian state, privatised its electricity distribution in 1999 and since then there have been significant improvements, including in billing and collection. Even so, a review of the performance of the utilities conducted by the Orissa Electricity Regulatory Commission for the year ending March 2005 showed that the aggregate technical and commercial losses were about 46 percent. The purely technical losses accounted for about one-third of the losses. The commission attributed the remaining losses primarily to corruption (mainly stolen electricity but also some inefficiency in metering, billing and collection). The cost of the corruption was estimated at about US \$240 million (Gulati and Rao 2007).

Social Complicity, Fatalism and Acceptance

Higher levels of exposure to corruption in daily life may promote tolerance and acceptance of corruption that is reflected in norms of behaviour.

Patronage Politics

Poor citizens have a weak voice because water and electricity are particularly vulnerable to patronage politics. The trade of services for votes is a major way that the poor acquire local infrastructure. Beall's (1997) study of waste management in Faisalabad demonstrates the custom of providing a service or favour in return for political loyalty, where communities trade their votes for basic services and land tenure. The communities of the poor are often run by local leaders who act as brokers between the people and the major political parties. In Bangalore, it was reported that ward councillors use their connections with lower level bureaucrats to favour poor groups in return for electoral support. Whilst this process reinforces dependency and clientism, the poor have been able to use these mechanisms to obtain essential services (Benjamin 2000). Yet, despite widespread participation by the poor in this system, it is generally resented.

Low Salaries

Low salaries are one of the main reasons given for corruption at the municipality level. In Asia, civil servants typically start their careers at almost below subsistence levels. For example, salary scales in Lao People's Democratic Republic are amongst the lowest in the world with civil servants earning between US \$30–60 per month (US \$1–2 per day). The less bureaucrats are paid, the more it pays for them to be corrupt (World Bank 2007a). In Nepal, the salary scale of municipal employees is lower than, for example, comparable employees in the private sector. Such employees then use bribery to meet their basic livelihood needs. Civil service reform, particularly

addressing salaries and performance, is therefore a priority. In China increased pay for civil servants (who have had three pay rises in three years) is intended to encourage public officials to be honest, and will also plough a bit of extra cash back into the economy. In previous years, officials ended up on average with an extra 80 to 100 yuan (US \$9.60–12) per month.

Power and Social Mobility

James Scott (1972) observed that in developing nations where civil servants have higher status than most citizens, corruption (by which he means extortion) will thrive as these officials can leverage their official status to extort money. Conversely, the lower status of the official would make it easier for him to accept a bribe, but not to demand a bribe. Corruption is not simply the desire for money. It is both an exercise of power and gives those who are corrupt a sense of power.

Centralised Management

Centralised decision-making, procurement, management and construction of infrastructure is said to foster corruption. A USAID study (World Bank 2006c) has shown that the cost of road works in developing countries has been inversely proportional to the distance from the capital city. Such findings have created support for local governance and accountability structures. However, decentralisation can either facilitate or hinder corruption. On the one hand, it is argued that decentralised decision-making is more transparent, making corruption more difficult to conceal. (Lederman et al. 2001). On the other hand, if law enforcement is largely in the hands of a centralised authority, this may limit its effectiveness (Green 1997).

Mind-Set of 'What's in it for Me?'

People working for WSE service providers may be intent on gaining profit or benefit from their position ('it is our turn to eat' mentality) rather than be guided by altruism. This mind-set can lead to a patron-client relationship geared to control of public resources so as to share out jobs, contracts and patronage to members of one's family, ethnic group/region, etc. This type of thinking is very hard to change and becomes a way of life for many.

A Legacy of Colonialism or Globalisation

Certain commentators view corruption as an outside, essentially Western, influence – the product of multinational corporations using bribery and kickbacks to buy contracts (Chowdhury and Khaled 1984; Bhattacharya and Rahman 1994; Chowdhury 1985; Umar 1994). Corruption is not perceived as indigenous to developing countries, and does not reflect the true cultural heritage of the people in developing countries. Lewis (1996) notes that corruption is typically viewed ethnocentrically: 'western' corruption is often interpreted as individualised, deviant, pathological behaviour, while corruption in developing countries is typically seen as structurally generated and generic.

Gender

Evidence suggests that: (a) in hypothetical situations women are less likely to condone corruption, (b) women managers are less involved in bribery, and (c) countries which have greater representation of women in government or in market work have lower levels of corruption.

A survey of enterprise owners and managers in the Republic of Georgia indicates that firms owned or managed by women pay bribes on approximately five percent of occasions when coming into contact with a government agency. The percentage is twice as high for firms with a male owner or manager (11 percent) (Dollar et al. 1999; Schimmel and Pech 2004; Swamy et al. 2000). But this might simply be because women usually have less opportunity to be corrupt. For example, in WSE institutions there may be an informal auction for top posts, which involves bribing for a job transfer. But the ability of women to pay the bribes needed to purchase choice posts are limited by gender relations (i.e. insufficient power to demand or pay bribes).

Materialism

It is on the rise in the Asia-Pacific region and there is now more and more respect for money and people who have it; irrespective of how they may have earned it. Corruption

BOX 5: Lifestyles of the Rich and Infamous

- A Ledger Keeper in Dhaka Electricity Supply Authority (DESA), a very low level employee, became the envy of many when he purchased a house in a middle-income residential area of Dhaka for Tk 3.8 million and a plot in a shopping arcade.
- Many Assistant Engineers of Bangladesh Power Development Board (BPDB) own private cars, which would be unaffordable on their official salary.
- A metre reader who was placed under suspension joined the ruling political party, got his job back, became a Collective Bargaining Agent leader, and is now the happy owner of two houses and a shop.

Source: Transparency International Bangladesh n.d.

is also associated with growing livelihood expenses and the breakdown of traditional social systems and mechanisms such as caste and class distinctions. For instance, in Nepal, large extended or joint families were once common. Under the joint family system, social expenses for events like wedding receptions were shared. Now with the break-up of the joint family, household heads have to bear their expenses themselves.

System of Award and Punishment

Where there are few rewards for excellent performance (meaning that bribes are necessary to get promotions) and bad performance is seldom formally punished this provides incentives for corruption. Corruption in recruitment and promotion can lead to low levels of competence and skills in the public service including: (a) lack of professionalism in job performance; (b) poor recruitment policies-lack clear employment criteria and recruitment; and (c) poor work conditions, including procedures for appointment and promotion of public officers (Mukherjee et al. 2001). However, there is also a lack of effective action against beneficiaries of stolen electric power or water. In Bangladesh, World Bank Country Director Frederick T. Temple said in a workshop that, *'One of the reasons that corruption flourishes is that hardly anybody is ever punished for it. We all know that there is massive loan default, tax and customs evasion, power theft, procurement corruption, and extortion in Bangladesh. Yet detection and punishment of these offences is very rare. The weak application of sanctions reflects the deficiencies of the anti-corruption machinery and a judicial system in which justice is easily deferred'* (News Network 2003).

Red Tape

Unduly complicated, lengthy or tedious

procedures for getting a new electricity, water and sanitation connection may mean that ordinary citizens need a 'facilitator' or a 'fixer' to negotiate the system. Long queues to pay bills can also discourage honest consumers from paying bills, and encourage existence of 'middle men'. Or else, unclear processes of issuing water vendor permits and licences to operate water kiosk, can lead to exploitative cartels. Moreover, where the procedures for acquiring services are not transparent the consumer does not know whether s/he is paying a bribe or a required fee. Montiero (1966) writing on India concludes that ambiguity is a key characteristic, which helps to facilitate corrupt behaviour. He points out that corruption can sometimes thrive precisely because people do not know what it is. This suggests the need for clear and agreed knowledge of 'the rules' for transactions (good knowledge of the rules by those with power can facilitate knowledge of how to 'bend' them). As Wood (1992) has pointed out, there may be 'parallel rationalities', including different sets of rules, which govern behaviour in different spheres and at different levels. Nevertheless, whilst the literature suggests that there are more opportunities for corruption in large public sectors, experience shows that Canada, Denmark, Finland, the Netherlands, and Sweden all have large public sectors but are the least corrupt.

Lack of Public Accountability

The civil service system can make government employees more accountable towards their senior supervisors at the ministry than they are to the public they are serving. Wade's (1982) work in South India showed how local government canal irrigation systems regularly involved personal accumulation by managers, who were then transferred to another area just before

the resulting complaints and conflicts became disruptive. This way the system remained largely immune to remedial interventions.

2.9 Gaps and Difficulties in Assessing Corruption

Diagnosis of corruption is important in order to have a baseline against which to measure the impact of anti-corruption interventions and track the effectiveness and cost of specific anti-corruption strategies. The objectives of monitoring/measuring corruption include understanding the patterns and causes of corruption, quantify the costs of corruption to citizens, increasing public interest in the issues surrounding corruption and providing a basis for actions and reform.

A number of indexes exist to measure either the perception of corruption in the sector (as developed by TI and others) or the level of actual corruption in the sector (Olken 2005). Other tools look at anti-corruption policies and mechanisms⁹. Transparency International has developed the Public Contracting Monitoring System (PCMS) and the Project Anti-Corruption System (PACS) specifically for the construction industry. These tools monitor public contracting systems in terms of transparency, corruption prevention, and control. The World Bank also has a number of governance tools for measuring corruption that could be of relevance to the WSE sector: Public Expenditure Tracking Survey (PETS) and Quantitative Service Delivery Surveys (QSDS) diagnose corruption (in terms of the leakage of funds and bribery) and other problems relating to basic service provision in developing countries.

To be effective, diagnostic tools that assess the performance of institutions require continued monitoring in order to

measure changes over time and the pattern of such changes. One way of ensuring that survey/diagnostic tool's outcome raise awareness and focus efforts is to work in cooperation with the respective institution issue to develop guidelines for specific anti-corruption initiatives to bring about positive change.

3. CORRUPTION IN WATER, SANITATION AND ELECTRICITY SECTORS

3.1 Overview of WSE in the Region

East Asia's strong growth and rising incomes are outpacing infrastructure development. For example, Indonesia alone will need 2,000–2,500 MW of newly installed capacity annually to sustain a six percent growth rate. While electricity access has increased significantly in the EAP region (from 56 percent in 1990 to 88 percent in 2002), rural access in many countries is still low relative to urban areas. Unequal access to WSE infrastructure reinforces urban-rural (Table 6) and intra-urban inequality. Access to power services ranges from six percent in Afghanistan to 64 percent in Sri Lanka. And within the EAP region's cities, the poor have significantly less access to piped water supply; an estimated 38 percent of households in informal settlements compared with 66 percent citywide (ADB et al. 2005). Within India, access to water is intermittent in all major cities (e.g. no city with a population of more than one million has a 24 h supply), and access levels range from below 60 percent in states like Mizoram and Kerala to close to 100 percent in Punjab and Delhi (ADB et al. 2005). Moreover, per capita freshwater in the Asian region is among the lowest in the world. Water-related conflicts have also arisen in Central Asia, the Near East, and in the tropical

region of Southeast Asia (conflicts between Singapore and Malaysia).

The situation in South Asia differs significantly from that in East Asia (Table 5). First, economic growth has been much weaker; although India, Bangladesh and Pakistan have seen recent improvements in growth. Second, the pace of urbanisation has been slower although rapid urbanisation remains a major feature. Third, levels of current infrastructure provision and of human capital are generally much weaker

(and probably more unevenly distributed) than in East Asia. Sustained and substantial reduction in poverty (as has been achieved in China and Viet Nam) will depend on overcoming infrastructure constraints that currently limit growth.

In Papua New Guinea, few schools (15 percent) are connected to the public electric grid – virtually none (three percent) in remote areas. One-third of schools (44 percent in remote areas) depend on rivers/springs/lakes as their main source of

TABLE 5: Overview of Access to WSE Services in the Asia-Pacific Region

Region	Population (millions)	GDP (US \$ billions)	Electric Power Consumption per Capita (kWh)	Access to Improved Water Source			Access to Improved Sanitation		
				% of Total Population	Rural (% of rural population)	Urban (% of urban population)	% of Total Population	Rural (% of rural population)	Access (% of urban population)
South Asia	1,444.6	880.2	394	84	80	94	35	23	64
East Asia and Pacific	1,869.5	2,650.9	1,184	78	69	92	49	35	72

Source: World Bank 2006b.

TABLE 6: Summary of WSE Access Indicators

Country	Electric Power Consumption per Capita (kWh)	Access to Improved Water Source			Access to Improved Sanitation		
		% of Total Population	Rural (% of rural population)	Urban (% of urban population)	% of Total Population	Rural (% of rural population)	Urban (% of urban population)
Afghanistan	...	13	11	19	8	5	16
Bangladesh	128	75	72	82	48	39	75
Cambodia	...	34	29	58	16	8	53
China	1,379	77	68	92	44	29	69
India	435	86	82	96	30	18	58
Indonesia	440	78	69	89	52	38	71
Myanmar	101	80	74	95	73	63	96
Nepal	68	84	82	93	27	20	68
Pakistan	408	90	87	95	54	35	92
Sri Lanka	325	78	72	99	91	89	98
Viet Nam	433	73	67	93	41	26	84

Source: World Bank 2006b.

drinking water. Forty-two percent of schools report need for one or more additional toilets for boys and 49 percent for girls (Filmer 2005).

Common issues in poorly performing service providers include: finance, insufficient capacity, lack of manpower/capacity (engineers versus managers), low tariffs, weak financial structure (high rate of non-revenue water, low water fees, over staffing), irregular and inadequate supply (poor supply of water, the services' low quality, load shedding, voltage fluctuation, low voltage, power outages, over-billing). The Connecting East Asia study identified three main challenges for infrastructure provision in the East Asia and Pacific region:

1. The servicing and financing of infrastructure needs associated with rapid growth, where the ability of private finance to meet infrastructure needs have largely not been met.
2. Address particular challenges associated with structural change in the demand for infrastructure particularly associated with rapid urbanisation and environmental problems.
3. Ensure that infrastructure is used effectively to make the pattern of growth more inclusive (growth in Asian countries has tended to be highly concentrated, geographically particularly around major cities and zones that provide the bulk of export production).

3.2 Typology of Corruption in Water, Sanitation and Electricity

A general definition of corruption in the context of water, sanitation and electricity services is the increase or decrease in access or quality of WSE services for personal gain

either at one's own instigation or in response to inducements.

Globally, the results of the Global Corruption Barometre (Transparency International 2006b) show that utilities are considered to be relatively less corrupt compared with most other sectors (Table 7). The perception remains that political parties and parliament are most corrupt, followed by business and police.

TABLE 7: International Perceptions of Corruption in the Utility Sector

Total Sample	3.0
Africa	3.5
South East Europe	3.4
Latin America	3.3
North America	3.1
Asia-Pacific	2.9
Newly Independent States	2.9
EU and other Western Europe	2.7

Note: 1: not at all corrupt ... 5: extremely corrupt
Source: Transparency International 2006b.

Nevertheless, infrastructure service provision is traditionally a high-risk sector for corruption (DfID 2002). The monopoly structure of supply can provide significant opportunities for corruption (Table 8). For example, with reference to electricity, the acute shortage of generation capacity and its consequent effects – frequent load-shedding, low voltage and low frequency – on different economic sectors, as well as on essential services such as water supply can increase corruption. The political protection and intervention given to infrastructure often blurs financial accountability, and provides cover for a range of corrupt activities in allocating scarce services, overstaffing, excessively high wages and so forth. Finally, the large scale of infrastructure can often create opportunities for infrastructure providers to inflate levels of capital spending, or hide under-investment, as well

TABLE 8: How Corruption Differs/Compares in Water, Sanitation and Electricity Sectors

Similarities	Differences
<p>Similarities in where corruption occurs</p> <p>Customer interface (reconnection, disconnection, metre reading, new connection, payment of bill, repairs). Procurement, (biased technical specifications, non-transparent qualification/evaluation criteria for bidders, non-competitive process, collusion) Government policies, investment decisions Human resources (recruitment, transfer of staff, senior level appointments, no disciplinary action taken for corruption)</p>	<p>Water companies have a high cost of capital (3-4 times) compared to the electricity sector (Kirkpatrick et al. 2004). Perhaps reflecting greater scope for corruption.</p>
<p>Areas vulnerable to corruption</p> <p>In many countries water/electricity have been considered as a 'free commodity' for generations rather than economic goods with distribution costs that have to be paid if the service is to remain sustainable.</p>	<p>Better governance and lower corruption have been found as statistically significant determinants of efficiency of water provision (Estache and Kouassi 2002).</p>
<p>Who does it</p> <p>Corruption might be conducted by a range of service providers from metre readers, commercial staff, maintenance staff, politicians and senior staff. The poor bear the brunt of corruption peri-urban, slum or rural areas, where topography is more difficult, per capita consumption is less, and most importantly, incomes are lower.</p>	<p>Sanitation is generally a lower priority than water and electricity and thus seems to offer less scope for corruption. Sanitation is often considered to be household responsibility and outside the public domain. It seems that people are reluctant to invest in sanitation – they do not offer bribes to build toilets or to connect to the sewerage network – no incentives for corruption. Governments appear more interested in building big infrastructure projects, i.e. sewerage rather than VIP latrines.</p>
<p>What makes corruption possible</p> <p>Monopoly structure/inability to keep pace with the increasing demands for supply can provide significant opportunities for corruption Sector corruption and inefficiency are closely intertwined Numerous opportunities for discretionary decisions and rent-taking The large flow of public money; Large & lumpy expenditure easier to hide bribes; poor cost recovery, problematic tariffs and subsidies, and the increasing role of the informal marketthe political economy of infrastructure which skews infrastructure development towards large-scale, centralised, capital-intensive projects</p>	<p>The energy sector generates substantial cash transactions compared with other infrastructure sectors, not only in both small and large capital-intensive investments but also in revenues, which tend to be higher than those for such services as water and sanitation or use of roads. The amounts involved are large enough to drive a utility and sometimes governments to near bankruptcy.</p>
<p>The consequences of corruption across the sectors are similar, for example:</p> <ul style="list-style-type: none"> • increase of prices • decrease of government output • reduced investment in human capital 	<p>Private participation in electricity distribution is higher than in the water and sewerage sector. While there is scope for introducing some competition into billing and metering and into construction, replacement and repair work within water services, competition in the actual provision of water supplies is normally ruled out by the scale of the investment in fixed assets or network assets that are needed to deliver the product.</p>

as for large kickbacks associated with procurement. There are many examples of these kinds of practices in the region.

Contractors work together or with politicians to win projects with their local W&S service providers on favourable terms. They also cooperate with technical staff to increase their profit margin once a contract is secured. Through complex arrangements funds budgeted for construction are 'skimmed' and shared by a number of different actors. Contractors often pay either a percentage of the contract value or a lump sum amount to one or more actors within the agency. The payments are almost always made in cash, in the W&S offices or in the field (Davis 2004).

Kaufmann et al. (2004) consider the performance of infrastructure services

(water, sewerage, electricity and telephones) in 412 cities in 134 countries. The authors find that corruption has significant and substantial effects on both access to services and on the quantity and quality of service delivery. This in turn can lead to a 'vicious circle' (Alesina et al. 1999), in which users choose not to use publicly provided services, further reducing a country's tax base and its ability to improve the quality of the services. Empirical research has shown that bad governance and corruption reduce the quality of publicly provided services and investment in the public sector and also reduces the ability and incentives of policymakers and users to monitor providers (Gupta et al. 1998; Davis 2004; World Bank 2004a).

Corruption has a number of consequences: for examples see Table 9.

TABLE 9: Consequences of Corruption

Bottleneck for development	Broadman and Recanatini (2002); May et al. (2002); Anderson et al. (2003); Qizilbash (2001); Hope Kempe and Chikulo (2000)
Distorted commercial and industrial enterprise development, creation of unnecessary barriers to entry, reduces competition and innovation and growth of the unofficial economy	Djankov and Murrell (2002); Friedman (2000); Hellman, Jones and Kaufmann (2000); Hellman, Jones, Kaufmann and Schankerman (2000); Johnson et al. (2000); Svensson (2003); Batra et al. (2003)
Undermines political stability and leads to ineffective government	Mauro (1997a); Mauro (1997b); Rose-Ackerman (1999); Anechiarico and Jacobs (1996); Seligman (2002); Williams (2000)
Undermines legal and judicial systems and people's confidence in the state and the legal system	Feld and Voigt (2003); Polinsky et al. (2001); Rose-Ackerman (2004)
Sparking civil unrest	[Iran, Nicaragua, Sierra Leone and former Zaire]
Lower quality of public infrastructure and effective provision of public goods and services	DfID (2002); Esfahani and Ramirez (2003); Henisz (2002); Bo Dal and Rossi (2004)
Reduces the effectiveness of social spending by preventing public services reaching those in need	Hellman, Jones and Kaufmann (2000); Hellman, Jones, Kaufmann and Schankerman (2000); Anderson et al. (2003); Deininger (2003); Del Monte and Papagni (2001); Ye and Canagarajah (2002)
Reduction of per capita GDP	Narayan et al. (2000); Gupta et al. (1998)
Decrease in foreign direct investment	Alesina and Weder (2002); Smarzynska and Wei (2001)
Infringement of civil and political rights	Persson et al. (2003)
Prosecution, fines, blacklisting and reputational risk, imprisonment, loss of professional status/employment	Stansbury (2005)

TABLE 10: Corruption-Prone Project Cycle Areas

Project selection

- Corruption can negatively affect the selection of projects. For example, corruption can divert resources away from social sectors and towards defence and major infrastructure projects.
- Corruption may also encourage the selection of uneconomical projects because of opportunities for financial kickbacks and political patronage.

Planning stages

- Projects can be used as vote winners/opportunities for personal gain rather than on the basis of priority/availability of financial resources.
- Planning in favour of high value infrastructure (white elephant projects) and against the interest of the poor.
- Project requirements may be overstated or tailored to fit one specific bidder.
When firms bidding for contracts offer 'training' or 'entertainment' to officials.

Inspection stages

- Weak oversight and supervision mechanisms that prevent the detection of fraud and corruption.
- Kick-backs can be given to persuade inspectors to turn a blind eye to slow implementation of projects, unfulfilled contract requirements, and other instances of malpractice.
- Mutually corrupt relations among construction companies, inspection teams and government authorities continued, with inspectors overlooking the improper construction.

Design

- Project design or timing of the project might be manipulated to benefit particular suppliers, consultants, contractors and other private parties.
- Bribes for favourable environmental impact assessment/planning proposal/approval.
- Over-designed and overpriced projects can increase potential corrupt earnings during implementation.
- Kickbacks to government officials for rapid privatisations of utilities.

Bid and contract signing stage

- Political parties levy large rents on international businesses in return for government contracts.
- Kickbacks for construction and supply contracts.
- Officials receive excessive 'hospitality' from contractors and benefits in kind.
- Inadequate advertising of tender.
- Excessively short bidding time.

Construction

- Provision of equipment or goods of lower quality than specified (typical examples include less cement or steel reinforcements).
- Corrupt contract amendments to a contract's scope of work and costs.
- Outright theft of materials, equipment or services.
- Corrupt diversion of allocated project funding.
- Duplication of payments, alteration of invoices, lack of supporting records, ineligible payments, over billing, misuse of funds, unauthorised payments, etc.
- Concealing substandard work.
- Bribe the relevant official to certify that the work was done according to specification.

Service delivery

- Superiors in the public service charge 'rents' from their subordinates.
- Siphoning off supplies to market.
- Ghost/absent workers – accepting a salary and not being at the job.
- Use of contacts/money to get better/faster service or to prevent delays.

Maintenance and management stages

- Corruption in procurement of equipment and spare parts.
- Withholding needed approval/signatures for gifts/favours.
- Bribes to win O&M contracts/personnel appointments.
- Lower standard of construction to create the need for expensive repair and maintenance.

Contd. . .

Table 10 Contd. . .

Subscription process

- Extra-legal payments for new connections.
- Consumers pay money in order to speed up the process.
- Officials are paid to turn a blind eye to unauthorised connections.

Billing system

- Opaque system of billing.
- Irregularities in ledger of paid bills.

Disconnection

- Disconnecting customers in good standing.
- Extorting money to reconnect customers.
- Extorting money to prevent disconnection.

Fault redress

- Extorting money for repairs that are meant to be free.
 - Gift-giving in return for favours in fault redress.
-

Source: Compiled by authors.

Detailed information on corruption in infrastructure – as in any activity – is difficult to obtain, and is always likely to be anecdotal, given its intrinsically covert nature. Nevertheless, Table 10 describes instances of corruption in the project cycle. In research conducted by the authors, one contractor in Bangladesh described the kinds of corruption in the procurement process; he said that at every stage of the process contractors have to pay money. Generally, new tenders are published in obscure newspapers, particularly during festival times, so that potential bidders fail to hear of them – contractors are expected to pay to be informed of new tenders. If a bid is submitted, the Executive Engineer demands money for the bid to be successful. In addition, one has to pay bribes to the local *mastaans* (muscle men that control local areas) to implement a project. When completed work has to be inspected by an engineer, a good inspection report depends on making a payment to the engineer (the amount of bribe depends on the budget of the work). If s/he refuses to pay, then s/he will not get the report on time and there is the risk of harassment. After completing the work, some companies put *khushi kora*

money into the budget as incidental costs (bribes are known as *khushi kora* – making happy. The term comes from the promise ‘do the work we will make you happy later’). The need to pay bribes to the authorities and *mastaans* means that the contractors are obliged to engage in *dui numbari kaj* (illegal activities).

At each stage of the project cycle, corrupt practices can occur either with bidders and contractors or with individuals of executing agencies, government, and financing agencies. For example:

- A contractor with insider connections can influence the specification of the project – project identification, preparation, and design.
- Collusion typically occurs at the tendering and bidding stage, where a group of bidders place coordinated bids in such a manner that one of them will win the project and others will be selected to be the designated winners for future projects. In some cases, officers in the project executing agency are aware of the bid rigging and the rigging of the contract price. When this happens, the project costs include the ‘grease money’ to be

BOX 6: Accountability in Sector Reconstruction

Conflict or disaster-prone regions of the world, i.e. the six tsunami-affected countries (India, Indonesia Aceh Province, Malaysia, Maldives, Sri Lanka and Thailand) are particularly prone to corruption.

Even before the tsunami, civil-war-ravaged Aceh was rated as one of the most corrupt provinces in Indonesia. Abdullah Puteh, the former governor, was sentenced to 10 years in jail for so-called 'self-enrichment' after he misused state funds in 2002 for the purchase of a Russian helicopter. Following the Tsunami, some international organisations scaled back their relief work in Aceh. UK-based NGOs Oxfam and Save the Children both suspended key projects in Aceh after being fleeced by building contractors who improperly used the money to build substandard structures. Oxfam had earlier committed to spend US \$97 million in the region but pulled back on those plans after discovering financial irregularities in its operations. An outside auditor recently recovered US \$20,000 of US \$22,000 paid for construction materials that had been booked but not delivered.

Source: Guerin 2006.

paid by the pre-agreed winner, and a certain percentage goes to the agency's personnel, known as 'for the boys'.

- During project implementation, several forms of corrupt practices might occur, including fraud in billing, right-of-way acquisition, and construction quality. Ghost or substandard deliveries, or submission of supplemental billings (cost overruns), or change orders could be used with the knowledge of project engineers, auditors, examiners, and supervisors.
- A prevalent form of corruption during the operation and maintenance phase is the padding of delivery receipts or payrolls, ghost deliveries, etc. If a project is substandard due to corruption, repairs and maintenance costs are also inflated after the turnover of the project. Theft of electricity, metre tampering, illegal connections, and theft of materials such as fuel are other forms of corruption during this phase.

3.3 The Consequences of Corruption in Water Supply for Human Development

Water supply is crucial to human develop-

ment, and can be seen with reference to the MDGs:

MDG Goal 1: Eradicate extreme poverty and hunger: Survey evidence indicates the lives of poor people to be most affected by corruption. It is not only those who can afford it who are asked to pay bribes, but those who are thought to have no other options. One World Bank survey (2002) found that poor city residents in Bangladesh pay two to three times more than their more affluent counterparts for water. The report cited this as an example of the inevitable consequences of poor governance and systematic inefficiencies. Lack of clean water and adequate sanitation is a major cause of malnutrition and a significant contributor to extreme poverty. Safe, available water and improved sanitation would enable increased food production and create livelihood opportunities by freeing large amounts of time currently used for water carrying and recovering from disease. Adequate basic services such as water and sanitation can also be key factors in determining the level of private investment.

Accessing infrastructure services is crucial for a poor household's ability to generate

income and savings. For example, water-related diseases cost the Indian economy 73 million working days each year (DfID 2004). Better water supplies enable a more productive use of women's time, or enhance the scope of household based businesses. The supply of basic services has a profound effect on quality of life including health, well-being, welfare, security, comfort, convenience, poverty reduction and enhancing human capital.

MDG Goal 2: Achieve universal primary education: Corruption in the WSE sectors can be both a cause and effect of low levels of literacy and education. Where corruption in the WSE sectors reduces access to these services by the poor this can have consequences for school attendance. The time required to collect and transport water over long distances prevents millions of girls from attending school. In addition, water-related diseases cost hundreds of millions of school days each year throughout the world.

MDG Goal 3: Promote gender equality and empower women: Water is necessary not only for drinking, but also for food production and preparation, care of domestic animals, personal hygiene, care of the sick, cleaning, washing and waste disposal. In most societies, women have primary responsibility for management of household water supply. Better water supplies can immediately reduce this burden and help more girls to go to school. Women's health also benefits from not having to carry heavy water containers over long distances. It also allows women more time to earn money and to look after their families. Having a water point or a latrine close to the home means women and girls are less likely to be attacked. Women's participation in community managed water and sanitation has been found to be essential – women know much

about the quality and quantity of available water sources over the course of the whole year and promote the links between water, hygiene and improved health which is critical to the required household behaviour changes.

MDG Goal 4: Reduce child mortality: Poor quality water and inadequate sanitation is the second largest direct cause of child mortality and also contributes to many other deaths by stunting growth and contributing to malnutrition.

MDG Goal 5: Improve maternal health: Disease associated with maternal health can be reduced by the provision of clean water and adequate sanitation.

MDG Goal 6: Combat HIV/AIDS, malaria and other diseases: Large numbers of poor people are at risk of debilitating illness because of lack of access to safe drinking water and basic sanitation. Diarrhoea is the leading cause of death of children under five in developing countries. The result is higher levels of infant and under-five mortality rates, lower life expectancy and higher levels of morbidity (illness) among poor people than among other groups (UNICEF 2006a). At any one time, half the population of the developing world is suffering from a water-related illness (UNICEF 2006b). Poor health negatively affects people's income-earning and capacity because they must invest a disproportionate amount of time and other resources in dealing with illness.

Improved sanitation reduces diarrhoea morbidity on average by 37 percent (UNESCO 2003) and when hygiene education and promotion of hand washing are included can lead to an additional reduction of diarrhoeal diseases by an average of 43 percent (Curtis and Cairncross 2003). A study on the health benefits of total

sanitation and improved water facilities in Bangladesh reports that the positive health impacts were considerable (AusAID 2006).

- Diarrhoea reduced by 99 percent, dysentery by 90 percent and other stomach-related problems (for example, intestinal worms) by 51 percent.
- Monthly medical costs for common illnesses decreased by 51 percent. Working days lost due to illness fell from 77 to 35 per year.
- School days lost due to illness fell from 16 to seven days per year.

MDG Goal 7: Ensure environmental sustainability: Ecosystems suffer because of corruption. Bribes might be paid to local officials to cover up the discharge of industrial or agricultural waste, wastewater or toxins into water resources, damming or diversion of river water for personal use at the expense of downstream users (flora and fauna) or to allow for excessive abstraction from rivers and groundwater reservoirs. The resulting pollution, soil degradation, destruction of ecosystems, and loss of productive land seriously impacts water security as well as the sustainable socio-economic development and political stability – with the potential for conflict over freshwater between upriver and downriver communities within national boundaries. In the water sector, observers estimate that 20 to 70 percent of resources could be saved if transparency were optimised and corruption eliminated (Water Integrity Network 2006).

An Example of Corruption in the Water Sector

Based on research in a South Asian country, corruption was found in the following aspects of service delivery by a Water and Sewerage Board:

Bulk Water Supply to various residential, commercial and industrial units: The quantity of water to be supplied is regulated by gate valves. The person responsible for controlling these valves is called ‘key-man’ or ‘line-man’. As he is the person with control over the water supply, he has supreme power. He can open the valves for longer durations than scheduled or open valves to allow larger quantity of water to certain areas at the expense of some other areas, depending on the relations between the people in the area and the line-man. If he receives bribes from the people in one area then the supply is prompt. Moreover, the line-man can also provide an additional connection to one’s housing, industrial or commercial units for a bribe depending upon the volume of supply.

In addition, in many settlements, water is supplied by donkey carts that tap Water and Sewerage Board water lines. They are permitted to do this because they pay a bribe (*bhatta*) to the Water and Sewerage Board supervisory staff.

Accounts and Recoveries Department is responsible for preparing bills for payment either for work carried out by the contractor or the preparation of water supply bills to the consumers. Where water metres are not in use, officials may intentionally issue overpriced bills to consumers in order to receive a bribe to correct the bill. This kind of black mailing is rampant and only influential people can by-pass this practice.

Purchase Department is involved in the purchase of a range of imported heavy machinery to minor fixtures. Taking commissions or kickbacks in procurement is a common way to earn easy money.

New Water Connection Department: Getting a water connection is often an

intentionally complicated process, making it much easier to obtain an illegal water connection. For example, if the connection application is submitted through a middle man (an approved contactor or someone from the department), the application will be issued within days thus making for a speedy water supply connection. A deal might also be negotiated (under the table) to provide a larger size connection at the price of a smaller size.

Construction, Design and Civil Maintenance Department: The function of the department is to construct pumping stations, reservoirs, underground and overhead tanks and laying of water supply lines. The work is executed through private contactors for which open tenders are invited. The work is generally awarded after underhand negotiations and deals. Usually 25 to 30 percent of the tender amount is taken as a bribe. Furthermore, an extra amount of money is normally obtained by the lead engineer by recording additional forged measurements. Recording of forged measurements is easier for items which are

difficult to verify such as supply of earth, excavation, etc. This additional amount is usually equally divided among the contractor and the officials.

Mechanical Maintenance Department: The replacement of components of machinery like pumps and vehicles is a potential source of corruption. For the purchase of components officials invite tenders, but this is often done in collusion with suppliers. Fake requests for purchase are raised by the department, but instead of supplying the components the supplier puts in fake bills for approval. Fake entries are made in the stock registers. The payment to the contactor is shared between the supplier and the officials. It was reported that there is significant corruption in the maintenance of municipal vehicles, whereby municipal officials produce fake bills for maintenance, fuel, etc.

It is often assumed that community-managed services or small independent providers are more demand-responsive and less corrupt than public utilities. Nevertheless, the high prices that low-income

BOX 7: Corruption in Water Supply in the Philippines

Examples from the Philippines demonstrate how corruption manifests itself include:

The US \$1.4 million Magdalena Water Project granted by the World Bank promised the availability of clean and potable water for the community, the bidding process itself was highly questionable, and worse, the people had to pay higher prices for water that experts declared unfit for drinking. The residents and some local officials organised and set up the 'People's Watch for Potable Water' and launched protest actions that resulted in them being allowed to source water from their old system, and file graft and corruption charges against the town mayor. Still the community is left with the burden of the loan.

Another case of the Leyte Water District (LWD) illustrates the high risks of anti-corruption work. The local labour union filed graft and corruption charges against the general manager of the Leyte Water District after questionable transactions were discovered, and which resulted to an almost 300 percent increase in water prices in this poor Southern Philippine province. Two labour union officials have since been shot dead, seen as moves to silence the union.

Source: Water Integrity Network 2006.

BOX 8: Reform of Hyderabad Metropolitan Water Supply and Sewerage Board (Metro Water)

A number of studies have documented the impact of a series of customer-focused service delivery reforms undertaken at the Hyderabad Metropolitan Water Supply and Sewerage Board (Metro Water) in Hyderabad City, Andhra Pradesh state, Southern India at the end of the 1990s.

Metro Customer Care (MCC)

MCC was launched in February 1999 as a dedicated office (open 24 hours) at the Metro Water Head Office in the city centre to receive and coordinate the response to water and sewerage complaints lodged by citizens using a specially designated telephone number (1916). After officially registering a customer's complaint (and issuing a complaint token number through which they could track the redress of their complaint over time), MCC operators forward each complaint by telephone to section managers based in the neighbourhoods where the complaints originated. Once the complaint has been addressed section staff are required to call MCC operators in order to clear complaints from the MCC Complaints Database. The use of computerised application procedures limits the scope for employees to manipulate information in an effort to extort payments from applicants.

An important innovation with regard to the MCC reform was the establishment of an online computer-based programme, called the Complaints Redressal Efficiency (CRE), to monitor section staff performance. This programme calculated the percentage of complaints that were solved within the service norms outlined in Metro Water's Citizen's Charter. This tool transformed the supervisory role of senior managers as they now had accurate quantitative performance data with which they could hold section managers to account for poor complaints service delivery performance (low CRE percent).

The Single Window Cell (SWC)

In April of 1999, the Board consolidated applications for new connections into its Single Window Cell (SWC) and Green Brigade (plumbing installation corps – a previously corruption-prone area) located in the Board's headquarters. Customers now go to the SWC rather than filing an application in their local district office, and all other aspects of the application are managed by the Board – such as obtaining a road-cutting permit, land surveying, etc. The fee schedule for various plot and connection sizes is published in the press and posted in the SWC office, limiting the opportunity for staff to levy excess charges on applicants. As the process has been designed as a one-visit endeavor, the customer rarely leaves the SWC without having received an application token number, which is the equivalent of a receipt for acceptance of the application.

Metro Water's Citizen's Charter

The customer-focused reform also involved the launch (by the Chief Minister) of a Citizen's Charter in January 2000. This outlined measurable service delivery norms for a range of services. Included in the Charter were the obligations of citizens, such as paying bills on time, reporting illegal activity, and maintaining a working water metre. The publication of the Charter was important as it publicly acknowledged Metro Water's commitment to improving the delivery of services for citizens throughout the Municipal Corporation of Hyderabad.

Sources: Caseley 2003; Davis 2004.

households pay for water from vendors or water kiosks attract corrupt practices. Water kiosks owners might be cartel members that have paid City Council officials to establish a water connection for a water kiosk. In

Jakarta, in the 1990s, it was alleged that the public utility was holding back on improving water supplies in the areas where the kiosks (or hydrants) operated, for fear of losing the side-payments that the hydrant

operators paid to utility officials (Lovei and Whittington 1993).

Cairncross and Kinnear (1991) report on an Oxfam project facilitating the purchase of donkeys and carts for water vending among Southerners living in a squatter area in Khartoum. The aim was to assist in income generation, as well as to allow certain control over the price of water. However, the Southerners were effectively barred from using the water source, which was controlled by Northern Sudanese. Moreover, in another area, existing vendors lobbied (unsuccessfully) against the extension of piped water into the area (reported in McGranahan and Satterthwaite 2006).

Furthermore, water tankers that should provide water to residents of slums and villages where there are no water pipelines are often controlled by powerful mafias that capitalise on the city's inept water distribution system and effectively privatised the water supply. For example, such mafias in Delhi sold their water to hotels, guest houses and banquet halls and paid corrupt officials to turn a blind eye (Marketplace 2007).

3.4 The Consequences of Corruption in Electricity Supply for Human Development

Quality of life is greatly improved by the availability of electricity. In South Asia, only 30 percent of the rural population has access compared with 68 percent of the urban population. This situation entrenches poverty, constrains the delivery of social services, limits opportunities for women, and erodes environmental sustainability at the local, national and global levels. Much greater access to electricity is essential to address this situation and to support the achievement of the MDGs in terms of both the direct impact of electricity on raising incomes and the indirect impacts on

education, health, environment and gender issues.

MDG Goal 1: Eradicate extreme poverty and hunger: Electricity can support income and employment generation. Poor urban people spend a much greater share of their household income on energy than the share spent by higher income groups. This is because they have smaller and less predictable incomes than higher income groups, and their appliances use fuel less efficiently. This situation applies particularly to poor households headed by women. Kerosene provides lighting for the urban poor at a higher cost than electricity used by higher income groups. The poor's cost of acquiring energy is increased by having to buy fuelwood, charcoal and kerosene in small amounts because they lack cash resources needed to buy these fuels in larger quantities. In Bangladesh, where voltage in distribution networks is unstable, observers in rural villages have noticed light bulbs lasting only a few days because of voltage surges. A low-income rural household might spend as much on light bulbs as on electricity. (A Bank-funded survey revealed that power outages in Bangladesh cost about US \$1 billion a year and reduce GDP growth by about half a percentage point.) (Lovei and McKechnie 2000)

Productivity: Most economic activity is not possible without electricity; economic growth creates jobs and raises incomes, even for the small and medium-scale enterprises that are the main source of jobs for the poor. Access to electricity increases household incomes and reduces the burden of time-consuming domestic labour. Electricity supply enables poor households to engage in activities that generate income – by providing lighting that extends the workday, providing telecommunications and by

powering machines that increase output. Energy services can help children to attend school by boosting the productivity of adult labour to substitute for child labour. By boosting agricultural production and household incomes, electricity can help reduce the malnutrition that is such a big factor in child mortality. The use of electricity in economic production can improve social welfare, since people are more able to afford health and other social services when they have better paying jobs.

MDG Goal 2: Achieve universal primary education: Electric lighting in homes enables both adults and children to study after their daytime activities, and thereby increases the likelihood that women will read and children will attend school regardless of their income class. Electricity supply in schools enables the use of educational media and communications, including information and communication technologies. In rural areas, electricity helps retain teachers by improving their quality of life.

MDG Goal 3: Promote gender equality and empower women: The lack of electricity reinforces gender inequalities. Most of the poorest households are headed by women. Women and girls are disproportionately burdened by lack of access to electricity since they are responsible for fuel gathering (firewood, charcoal and so on), cooking and food preparation at the expense of economic activities and studies. Corruption aggravates these problems further. Electricity frees women from the physical stresses of carrying large loads of fuel wood and from exposure to fumes from traditional cooking stoves. Electricity for lighting and motive power enable women to develop productive activities that increase their incomes. Better health, higher income and improved literacy all help to empower

women. Women in households with electricity are more likely to have access to information about gender issues from radio and television than women in households without electricity.

MDG Goal 4: Combat HIV/AIDS, malaria and other diseases: Lack of electricity directly influences human health; there are numerous instances of paraffin poisoning of children, serious burns and respiratory ailments in households that burn wood and dung (the fourth leading health risk in developing countries). This switch would reduce the number of women and children that die from indoor air pollution. Providing heat to boil water also reduces these diseases – the leading cause of child mortality. Electricity also has indirect health impacts, for example by powering equipment for pumping and treating water, these services contribute to a clean water supply which reduces the incidence of waterborne diseases, especially in slums.

MDG Goal 5: Ensure environmental sustainability: Electricity is generated from depletable energy resources (coal, natural gas, petroleum fuels and geothermal energy) and renewable energy resources (solar, wind, hydropower and biomass).

Corruption in the Electricity Sector

Globally US \$8 billion in capital expenditure in electricity is likely lost each year to corruption, and losses due to electricity theft cost the sector around US \$33 billion per year (Gulati and Rao 2007).¹⁰ A variety of corruption exists in the electricity sector, from illegal connections, bribing metre readers to reduce bills or tampering with metres, collusion in procurement to grand corruption in the selection of projects. Corruption in the procurement process may

take the form of unsolicited bids, supplier's credits, and collusion in procurement, where there is little or no competition among suppliers. Even where competitive bidding processes are used, side payments may be made to ensure favourable bid specifications, terms, and conditions, and favourable bid evaluations or endorsements. Side payments may also facilitate the issuance of work orders, the opening of letters of credit, and all stages of project.

In Bangladesh, revenues are collected for only 55 percent of the power generated. By one estimate, about half the total system losses of the Bangladesh Power Development Board (BPDB) and Dhaka Electricity Supply Authority (DESA) are accounted for by mismanagement and petty corruption surrounding electricity metering. Anecdotal evidence from electricity consumers and articles in the local press suggest pervasive corruption by some power sector employees. A recent survey by the Bangladesh chapter of Transparency International (Transparency International 2002) revealed that public utility employees were regarded as the most corrupt officials after the police and lower judiciary. For instance, metre readers frequently delegate the actual task of metre reading to informal operators and focus their own efforts on developing a business in illegal connections. Petty corruption in Bangladesh is often well organised – trade unions protect corrupt workers, and politicians protect the unions.

There are also instances of grand corruption in the electricity sector in the region. A power purchase agreement was negotiated for an Enron project (Dabhol power company) in the state of Maharashtra, India. After the agreement drew widespread protests and litigation, it was renegotiated by the successor government, which was headed by a different political party that was highly critical of the original PPA. During

litigation over the project, the High Court of the state of Maharashtra observed that the state committee involved in the renegotiation 'forgot all about competitive bidding and transparency'. The annual cost of this project to the state was competed at Rs 60 billion (US \$1.3 billion). A settlement was reached among Indian financial institutions, offshore lenders, and foreign investors, and claims of foreign investors settled. The plant was turned over by a consortium of government-owned companies, but it continues to remain idle because of the high cost of generation (Gulati and Rao 2007).

Large power sector losses due to theft have been a major cause of the bankruptcy of Indian state electricity boards. These losses mean that little funding is left for expansion of networks to improve access – in South Asia less than half of households have electricity service. The beneficiaries of the subsidies are the relatively affluent households that have electricity service. The poor lose from the budget subsidies to the power sector in two ways: lower rates of economic growth and less social expenditure from which they would benefit directly. Since the 1990s, the private sector has taken on the provision of electricity as well as water services in Asia. Often, this is part of economic reforms that equate the entry of the private sector and competition with efficiency and a way to put an end to the huge financial losses of state electricity enterprises.

A Transparency International India (2005) report on corruption in India found:

- Nearly three-fifths of households claimed to have interacted with their respective power utilities in the past year. Interaction was higher in urban households (70 percent) than in rural households (55 percent).
- More than 12 percent of households

in the country claimed to have paid bribes to obtain services in the past year.

- 65 percent of those who sought a service perceived that the utility was corrupt.
- Even private utilities are perceived as corrupt. Nearly three-fifths of the households are served by private power utilities think their respective utilities are corrupt.
- Nearly half (49 percent) of those who interacted with the utility felt that the corruption in the utility had increased in the past year.
- More than one-fourth (27 percent) of those who had approached the utility had adopted means like paying bribes, using influence and approaching middlemen.
- More than one-third (35 percent) of those who had claimed to have paid a bribe had paid money to linemen, while one-fourth (25 percent) had paid money to an agent or middlemen.

An Example of Corruption in the Electricity Sector

Based on research in a South Asian country, corruption was found in the following aspects of service delivery by an anonymous Electric Supply Corporation:

The process of obtaining a Permanent Light Connection from the company is described as follows:

1. Application is submitted to Electric Supply Corporation through an approved contractor and copies of documents like site plan of the plot, approved plan of the building, National Identity Card of the plot owner, lease of the plot, sale deed for the plot are submitted to the Planning Department along with agreement to self-finance the connection. The owner has to pay for a connection. For a medium size residential complex the developer has to undertake an amount of approximately US \$833 equivalent.
2. Load Regularization Agreement (LRA) is issued by the Planning Department in favour of the land owner.
3. LRA sent to Chief Engineer of the Electric Supply Corporation for approval. Typically, a bribe of US \$3333 equivalent is paid to the Chief Engineer for the approval of LRA.
4. Approved LRA is then sent back to the Planning Department.
5. Supplementary Estimate Requirement is prepared by the Planning Department. At this stage another bribe of US \$2500 equivalent is paid to the Planning Department.
6. Estimate is given to the approved contractor for payment of official charges.
7. Estimate is paid through an approved bank.
8. The payment receipt is submitted to the Planning Department and the application along with other documents in a file is transferred to the Underground Department. A bribe of US \$833 equivalent is paid at this stage for transfer of the file to the Planning Department.
9. A list of material required is prepared by the Underground Department according to supplementary estimate requirement. Normally the official material cost is around US \$11667 (Table 11) equivalent but if proper payment is not made the material list is prepared in such a fashion that the owner ends up paying several times

TABLE 11: Proportionate Distribution of Legal and Illegal Money for Obtaining a Regular Connection

Activity	Official Fee (US \$ equivalent)		Bribe (US \$ equivalent)		
	Residen- tial	Commer- cial	Residen- tial	Commer- cial	
Application submitted to Planning Department Electric Supply Corporation through an approved contractor.	None		50		
Load Regularisation Agreement (LRA) issued by Planning Department.	None		83		
LRA sent to Chief Engineer for approval.	None		3,333		
Approved LRA sent back to Planning Department.	None		None		
Supplementary Estimate Requirement prepared by Planning Department.	None		2,500		
Estimate is given to the approved contractor for payment of official charges.	None		17		
Estimate is paid through an approved bank for the purchase of material.	11,667		None		
File transferred to the Underground Department.	None		833		
Material list prepared by the Underground Department.	None		833		
Electric Supply Corporation approved contractor fee paid.	5,000		None		
Final estimate prepared by the Underground Department.	None		417		
Security money per metre deposited through an approved bank.	Single-phase		Three-phase		None
	Residen- tial	Commer- cial	Residen- tial	Commer- cial	
	33	58	83	167	
Another Test Form obtained from Government Electric Inspector.	8		25		
Electrical contractor install metres.	None		None		
Metres connected to pole mounted transformer by the Operations Department of Electric Supply Corporation.	None				
	Single-phase		Three-phase		
	Residen- tial	Commer- cial	Residen- tial	Commer- cial	
Total official cost	16,708	16,733	16,750	16,842	11,425
Total cost with bribe	28,133	28,158	28,175	28,267	

Source: Sohail 2007.

more than the required amount and procure excessive material.

10. Electric Supply Corporation approved contractor charge an official fee of US

\$5000 equivalent for installation of material at the site.

11. A final estimate is prepared by the Underground Department.

BOX 9: Corruption in the Power Sector in South Asia

According to a survey by Transparency International (2002) in South Asia more than 60 percent of the users report irregular connection processes. Direct payment to office staff was quoted across the region as the most common irregular practice. Bribes paid to get a proper supply and over-billing emerged as other common forms of corruption. Metre readers and linesmen were identified as the key facilitators of corruption. Direct extortion was the most reported type of corrupt interaction. A lack of accountability was cited as the key perceived reason for corruption. Almost every second respondent in Bangladesh cited monopoly power as the main cause of corruption.

In Sri Lanka securing an electricity connection through irregular channels was found to be very common (63 percent); most of these connections were made by paying bribes to the office staff. A similarly high number of respondents (63 percent) reported encountering corruption in regular interaction with the power department, with 42 percent of the victims paying bribes to ensure proper power supply. Repairmen and department officials were identified as the key facilitators of corruption in the power sector. An equal number (33 percent) of cases of extortion and voluntary bribery was reported. Monopoly power and low salaries were cited as the major factors contributing to corruption in the power sector.

In Pakistan a very high percentage (65 percent) of users with access to electricity reported irregular processes in acquiring it; a much higher percentage reported corruption in regular interaction with the department (96 percent). Metre readers and billing employees were identified as the key facilitators; extortion was reported by 72 percent of the victims. A lack of accountability and low salaries of employees were identified as major contributory factors.

In Nepal about a quarter of respondents with access to electricity reported getting connections through irregular means. Interestingly, the percentage reporting corruption in their regular interaction with the power service was quite low at 12 percent. Paying extra for an uninterrupted supply of electricity and bribes to correct over-billing were the most common forms of corruption. Linesmen were cited most often as the main facilitators of corruption, followed by metre readers.

In India improper supply of electricity' and 'payment of excessive bill' were the key forms of corruption faced by users of the power sector. About 50 percent respondents who had interacted with the power sector in the past year had to pay bribes to office staff. Of these, money was directly demanded in 67 percent of cases. The key facilitators in corruption in this sector were linesmen (37 percent) and officers (24 percent).

In Bangladesh more than one-third of the total users of the public power utility report irregularities in accessing the services; the percentage was significantly higher in rural areas (45 percent) than in urban areas (23 percent). Of those respondents reporting irregularities in getting energy connections, almost all of them report that they paid bribes. A third of regular users report corruption in their dealings with the department. Metre readers (26 percent) and department officers are identified as the major facilitators of corruption. Almost 80 percent of the victims of corruption cite extortion as the main form of graft. Lack of accountability (57 percent) and a monopoly power (47 percent) are identified as the key factors contributing to corruption in the power sector.

Source: Transparency International 2002.

12. Security money of US \$33 equivalent per meter for residential unit and US \$58 equivalent per meter for commercial unit like shops, offices etc. is then deposited through an approved bank – this is the official fee.
13. Another Test Form is obtained from the Government Electric Inspector,

BOX 10: Electricity Connections in Bangladesh

Getting an electricity connection from the Bangladesh Power Development Board (BPDB) and Dhaka Electricity Supply Authority (DESA) is a very difficult process, involving hassles, delays and, for the average consumer, bribery. The application form for a service connection asks for details of property ownership, lease deeds, and, for industrial connections clearance certificates from the fire department and the Health Division are required. It is easy to find faults in the dozen or so attachments, unless the appropriate palms are greased. Six signatures of various BPDB officials are required for the approval (shortened from the previous 30), while the time involved for moving the case from one office to another is inversely related to the amount of gratification paid.

A new domestic consumer may pay between Taka 5,000 to 10,000, but a commercial or industrial connection would cost a lot more. For example, a small factory requiring a bulk low-tension connection of 45 KW capacity could easily spend Tk 50,000 or more. For small and medium enterprises, a connection 'surcharge' of Tk 1,000 per KW is the norm. Bangladesh Power Development Board (BPDB) and Dhaka Electricity Supply Authority (DESA) employees offer their services for arranging new connections, thereby avoiding the hassle of doing the complete desk round. Very large high tension consumers have a much easier time of it, as they generally are generally more influential.

Apart from metre readers, supervisors, ledger keepers and other positions connected with billing and consumer accounting, many Assistant Engineers and some high level officers are involved-making supervision impossible.

On the consumer side, people across the economic spectrum are said to be involved in dishonest practices. The number of illegal connections is enormous. Although no one knows the actual figure, it could be as high as 300,000. Theft also takes place by way of tapping distribution lines, bypassing metres, 'fixing' the metres, and misusing free electricity supply for BPDB employees. High-tension consumers, particularly some textile mills, jute mills and chemical plants, often remove the fuses from instrument transformers in order to disable the energy metres.

Source: Transparency International Bangladesh n.d.

BOX 11: Corruption Jacking Up Electricity Cost

An ADB study found that 'deeply rooted' corruption is increasing costs of power projects in the Philippines, delaying their implementation and providing Filipino households and businesses with expensive but unreliable electricity services. The ADB study said corruption was contributing directly to higher costs of electricity. It noted that household electricity rates in the Philippines were two to three times more expensive than in most other countries. It said corruption was involved in almost all phases of a project, from tendering and bidding to operation and maintenance as well as privatisation and awarding of independent power producing contracts. The bank said business and residential customers, particularly the poor, should not pay for corruption through higher electricity rates and taxes.

The efforts to circumvent procedures designed to prevent corruption by some individuals within executing agencies, financing agencies, government and contractors also lead to project delays, the study added. The relatively low conviction rates in corruption cases in the Philippines provide little deterrence to potential offenders, the study said.

Source: Dumlao 2005.

and a total amount of US \$33 equivalent is charged for issuance of Test Form – the official fee is US \$8 equivalent and a bribe of US \$25 equivalent.

14. Once work is completed by the electrical contractor and all meters are installed, they are connected to a near by pole mounted transformer (PMT) by the Operations Department of Electric Supply Corporation. This is called '*energizing of line*' – a bribe of US \$3333 equivalent is paid to the Operations Department team for this.

The time it takes to get a connection depends upon the area and the availability of the load, although once the bribe is paid it takes approximately 30 to 45 days to receive the connection provided there are no other problems with the application papers. Without a bribe or good contacts it is impossible to obtain a connection.

3.5 The Consequences of Corruption in Sanitation for Human Development

Of the 2.6 billion people worldwide without adequate sanitation, two billion live in the Asia-Pacific region. Most of the people with poor sanitation – 1.5 billion – live in China and India. Corruption in sanitation has huge health and hygiene implications and adds to cost of healthcare by increasing infectious disease loads, more so among the poor who are not well-nourished.

MDG Goal 1: Eradicate extreme poverty and hunger: Health gains from sanitation reduce individual healthcare costs and lost earnings related to poor health. In addition, reduced worm infections and diarrhoeal disease enable improved nutritional status.

MDG Goal 2: Achieve universal primary education: Gender differences are of particular importance with regard to sanitation initiatives. Simple measures, such as providing schools with water and latrines, and promoting hygiene education in the classroom, can enable girls to get an education, especially after they reach puberty, and reduce health-related risks for all. For example, in Bangladesh, a school sanitation and hygiene education programme increased girls' attendance rates by 11 percent (Sen 2000). Health gains from sanitation enhance attendance and achievement in schools.

MDG Goal 3: Promote gender equality and empower women: Household sanitation protects women and girls from the risks of sexual harassment and assault otherwise faced when going beyond the household after nightfall. Access to sanitation for female householders brings time-savings, reduced healthcare costs and care-giving to other household members (especially children), allowing time to be spent on alternative activities. Involvement in sanitation projects can bring greater self-esteem and status for women within their homes and communities.

MDG Goal 4: Reduce child mortality: Sanitation together with hygiene (in the form of hand washing) can reduce the two main causes of death for children, acute respiratory infections and diarrhoea. Reductions in worm infections can help in mitigating cases of extreme malnutrition.

MDG Goal 5: Combat HIV/AIDS, malaria and other diseases: Lack of adequate sanitation and hygiene exposes people with HIV/AIDS to increased risk of infection. Poor sanitation increases the risk of malaria.

Improving water and sanitation would reduce costs of water and hygiene-related illnesses, therefore, making available additional resources to treat other diseases.

MDG Goal 6: Ensure environmental sustainability: The pollution of surface water also has environmental implications by sewage include eutrophication and oxygen depletion with potentially severe impacts on the whole eco-system and the subsequent contamination of water sources. Sustainable treatment of human waste is critical to improving environmental management, especially in areas of dense population.

Corruption in the Sanitation Sector

Corruption in the sanitation sector is not well understood and is poorly documented. The lack of sanitation in the Asia-Pacific region may be a consequence of corruption, i.e. a result of biased policy and budgetary decision-making in the allocation of resources away from the poor and to investment in large capital-intensive infrastructure (such as sewerage networks in high income neighbourhoods rather than ventilation improved pit latrines in slums). According to Crook and Ayee (2003), in Ghana public toilets became, in effect, politically protected business opportunities

BOX 12: Combating Corruption in Sanitation

In sanitation programmes in general, there are several points where funds and resources can be diverted for personal gain. Corruption and dishonesty can be seen when: Undeserving people benefit from subsidies; over-charging for construction, which stops poorer families from getting good quality toilets; poor construction and inferior materials (e.g. incomplete pits are built or cement contains too much sand); funds and materials are diverted from sanitation for other, unrelated purposes. It is estimated that 20 to 30 percent of funds and materials are diverted from sanitation programmes due to corruption and dishonesty.

In 2003 in India the Socio-Economic Units Foundation (SEUF), a non-profit organisation in the state of Kerala in southern India, worked together with the local government to carry out a sanitation programme serving poor families. SEUF's sanitation programme used the following strategies to prevent corruption:

- Ensuring access to information and knowledge for households and local governments.
- Monitoring or extra checks by different groups such as water/sanitation committees, women's groups, youth groups as well as the households and local government.
- Action should be taken at the lowest level possible, with provision for upward referral of complaints until action is taken; participation and capacity building for all stakeholders.

The programme used different ways to control spending such as joint bank accounts; independent audits; double signatures on receipts (the person giving and taking funds); tenders (three tenders required with public and open selection); and surprise spot checks of suppliers.

Monitoring and mapping exercises need cross-checking to ensure validity and to stop the flow of subsidies to ineligible households. This experience showed that triangulation is essential in ensuring the honest allocation of subsidies. Overall, up to 20 percent could be saved on construction costs in comparison to other programmes while improving quality of sanitation facilities.

Source: Water Integrity Network 2006.

which, like taxis or bars in other cities, were given out as political favours. The authors found that a 'household toilets' policy was shelved because of the interest of the city government in using public toilets as revenue-raising (and hence patronage) devices, which also suited the interests of those who benefited from a policy of private franchising of toilet management. The revenues generated by public toilets were siphoned off by politicians who either owned or protected them, in order to buy the support of crucial opinion leaders and community 'vote-brokers'. The provision of reasonable sanitation facilities may require: full public provision of basic infrastructure; transparent, independent and rigorous regulation of any contracts for service provision given to non-state agencies; and the enforcement of 'conflict of interest' laws applying to elected local representatives.

4. ANTI-CORRUPTION MEASURES

Davis (2004) identifies two elements common to all of the successful anti-corruption strategies encountered:

- Changes that increased accountability.
- Changes that increase the moral cost of misconduct (or the benefits of good conduct).

Governments, private sector and CSOs in the region have all developed a number of mechanisms for combating corruption. In particular, public pressure to combat corruption has been built from the grass-roots and civil society groups play an important role in supporting efforts to create public awareness to not tolerate corrupt practices. Such preventative efforts against corruption are generally more sustainable than corrective action.

4.1 Best Practices in the Region

Internationally, a number of trends have become apparent in cross-sectoral efforts to combat corruption (Table 12). These mechanisms include vertical style arrangements such as elections, civil society activity, the media, public meetings, and formal grievances procedures and horizontal style arrangements characterised by 'the capacity of state institutions to check abuses by other public agencies and branches of government (O'Donnell 1999) such as reporting systems. More recently, citizens have also been involved directly in the workings of horizontal accountability institutions, for example through, participatory auditing, participatory evaluation of public spending such as Women's Budgets, or citizens' juries on public policy (Goetz and Jenkins 2001). In addition, there are now increased opportunities for citizens to call providers directly to account, for example, through choice, competition and freedom of information, information technology, and user accountability, the ability of users of services to make demands on services.

Some countries like India, Indonesia, and Pakistan use 'integrity pacts' to protect procurement processes from corruption. All potential suppliers that bid for a contract have to sign such pacts with the procuring agency; both parties pledge to refrain from any form of corrupt practice and to establish an external monitoring system. The pacts may call for deposits and sanctions that apply in case of a breach of the provisions. Indonesia requires the use of integrity pacts in all government procurement, while Pakistan's national procurement framework requires the use of integrity pacts for public purchases worth more than Rs 10 million (about US \$170,000). An example of the Integrity Pact in use is the Greater Karachi Water Supply Scheme (KIII Project) project.

TABLE 12: Trends in Controlling Corruption

Economic Measures	Evidence
Liberalisation of markets	Treisman (2000); Kaufmann (1998); OECD (1999)
Privatisations/de-monopolisation of public services	Bengoa and Sanchez-Robles (2003)
Tax reform	Kaufmann (1998); Johnson (1997); Tirole (1996)
Supervisory institutions	Shihata (1997)
Stringent aid conditionality	Lanyi (2004); Azfar and Gurgur (2004); Meagher (2004)
Better financial management	Francis (2003); Reinikka and Svensson (2004); Rivera-Batiz (2002)
Administrative reform	
Civil service reform	Rose-Ackerman (1997); Colazingari and Rose-Ackerman (1998)
Clear rules, laws and processes	Pope (2000); Ruud (1998); Ruzindana et al. (1998)
Reducing public sector size	Tanzi and Davoodi (1998); Elliot (1997)
Transparent administrative procedures	Avgerou and Walsham (2000); Heeks (1998); Wallace (2000)
Reducing discretionary powers	Schleifer and Vishny (1993); Kaufmann et al. (2000)
Abolish unnecessary procedures/licences	Rose-Ackerman (1978)
Competition into civil service	Bliss and di Tella (1997); Clarke and Lixin (2002)
Public sector wages	Van Rijckeghem and Weder (2001); Di Tella and Schargrodsky (2000)
Meritocratic recruitment and promotion	Das (1998); Evans and Rausch (1995)
Legislation, oversight and auditing on public procurement	Kang (2000); Kelman (2002)
Oversight bodies and offices, i.e. Ombudsman	Anechiarico and Jacobs (1996); Bowles (2000)
Anti-corruption agencies (for example, Hong Kong, China (SAR) and Singapore)	Quah (2001); Weder and Brunetti (2000); Wescott (2003)
Incentives to perform	Muir and Saba (1995); Ostrom et al. (1993); Goulet (1989)
Political reforms	
Decentralisation	Huther and Shah (2001); Ostrom et al. (1993); UNCHS (2001)
Supporting elections	Rose-Ackerman (1978); Persson et al. (2003)
Privatising government functions	Leiken (1996-1997); Kaufmann and Siegelbaum (1995)
Centralise political authority	Holbrook and Meier (1993)
Increase auditing capacity by higher levels of government	Klitgaard (1988)
Political will	Dilulio et al. (1993)
New public management	Hood (1991); Rausch and Evans (2000); Jabbara and Dwivedi (1989)
Institution building	Bardhan (1997); Nugent and Robinson (2002); Tanzi (1998)
Good governance	Esfahani and Ramirez (2003); Fisman and Gatti (2002)

Economic Measures	Evidence
Reduce monopoly in the provision of public services	Acemoglu and Verdier (2000); Broadman and Recanatini (2000); Clarke and Lixin (2002)
Legal and judiciary measures	
National anti-corruption action plans	Ruzindana et al. (1998); Stapenhurst and Kpundeh (1999)
Law enforcement capacity strengthened	Becker (1983); Becker and Stigler (1974)
Criminalisation of <i>payment</i> of bribes	Svensson (2003); Heimann (1995)
Streamlining laws	Rose-Ackerman (1999)
Judicial independence	Rose-Ackerman (1978); Ades and di Tella (1997)
Information Technology	
Automation	Hafkin (2000); Heeks (2001)
e-government	Bellamy and Taylor (1998); Raab (1998)
Investigation and monitoring	Reinikka and Svensson (2004); Korac-Kakabadse et al. (1999)
Direct democracy methods	
Participatory budgets and spending reviews	Abers (1998); Devas (2001); Goetz and Jenkins (2001)
Co-production of service delivery	Ostrom (1996); Tandler (1997)
Direct democracy and citizen participation	Schilderman (2002)
Taking measures to increase public debate and transparency, especially in the media	Avgerou and Walsham (2000); Benjamin (1998)
Empirical backing for increased accountability	Hafkin (2000)
	Ebrahim (2003); Feld and Voigt (2003); Batra et al. (2003)
Socio-cultural	
Strengthen ethical codes	Paldam (2001); Miller et al. (2002); Lambsdorff (2002); Halpern (2001)
Strict sanctions	Holbrook and Meier (1993); Quah (1999); Rose-Ackerman (1978);
Increase risk of being caught	Kaufmann et al. (2000); Rose-Ackerman (1978); Klitgaard (1988)
Change culture of public tolerance of corruption	Paldam (2001); Getz and Volkema (2001); Heilman et al. (2000); Halpern (2001)
Public's awareness of rights to services and knowledge on how to report corruption	Paul (2002); Alam (1995)

Source: Adapted from Haarhuis 2000.

An integrity pact, with a formal no-bribery commitment, was signed by KWSB, consultant bidders and TI Pakistan. It resulted in a successful bid of Rs 62 million (US \$1.04 m) against the reserved fees of Rs 249 m (US \$4.2 m). The project adopted the least costly selection method. The bidding process was monitored by Transparency International Pakistan to ensure it is clean and transparent. In the event of a breach of the Integrity Pact, sanctions come into force against the bidders and officials, including liability for damages, and blacklisting from future tenders. The procurement process is to be followed by monitoring of the contract by civil society, specifically TI Pakistan. In Indonesia, an IP in local government, the

BOX 13: The Partnership for Transparency Fund

The Partnership for Transparency Fund (PTF), is primarily focused on supporting civil society engagement in national anti-corruption and good governance projects. The PTF makes micro-grants of US \$25,000 or less to CSOs engaged in specific projects, such as monitoring public procurement or government service delivery, media campaigns, preparation of legislation, whistleblower protection, promotion of freedom-of-information and other activities to enhance transparency and integrity in public service. Examples of PTF grants to the Asia and Pacific region include:

- The Centre for Social Development (CSD), a leading local NGO in Cambodia, was funded to develop anti-corruption legislation and an anti-corruption strategy.
- Transparency International India (TIN) undertook an advocacy programme with Delhi Government on Citizens Charters as an instrument for reducing corruption in public administration.
- The CSO Environmental Cooperation and Linkages, Inc. (ECOLINK) implemented a project in Oroquieta City, the Philippines aimed at addressing corrupt and inefficient practices in the procurement, use and maintenance of government vehicles.
- Forum Against Corruption and Turmoil Nepal (FACT Nepal) received a grant to broadcast a local radio programme on anti-corruption and good governance for an hour every Friday. The name of the programme was Hamro Chaso (our concern).

Source: <http://www.partnershipfortransparency.info/>.

BOX 14: Slum Networking Project (SNP) in Ahmedabad

The Slum Networking Project (SNP) in Ahmedabad involves a partnership between the Municipal Corporation (AMC) and three partner non-governmental organisations (NGOs), one of whom acts as a financial intermediary between community members and the AMC, holding the community's financial contributions until all construction work is satisfactorily completed by the contractor. Staff of the NGOs have trained community leaders on how to measure and weigh pipes, how to evaluate the quality of masonry work, and how to document and report any problems they discover during construction.

Contractors who have worked with the SNP said that they have far fewer opportunities to 'fudge' construction work as compared to typical contracts with the Municipal Corporation. 'The community have been told to watch us', one foreman explained. In short, a cadre of monitors has been established in neighbourhoods where the Slum Networking Programme has been initiated. Assuming sufficient skills between community members and/or NGO advocates, this strategy is likely to be more workable than that of 'independent technical audits' of projects. In Ahmedabad, contractors reported that they are not expected to pay the standard kickbacks to technical staff for SNP contracts because 'everyone knows we cannot get that money back from the project'. The reduction of kickbacks in Ahmedabad is not only a result of the intense monitoring of contractors, SNP staff report that exposure to NGO staff and community members has strengthened their commitment to supplying poor households with network services.

Source: Davis 2004.

BOX 15: Bangladesh Rural Electrification and Renewable Energy Project

In Bangladesh a bank-financed project is supporting the work of the Rural Electrification Board and its rural electric cooperatives (Pally Bidyut Samities or PBS) to expand electricity services in rural areas. The REB and the PBS have protected themselves from corrupt practices commonly seen in other power sector utilities through a number of innovative arrangements:

- Administrative arrangements – the Board of each PBS is selected by consumers. This Board and REB management approve the salary structure for the PBS, which is usually market-based (de-linked from the government salary scale). Because metre reading is a common source of corruption, metre readers are hired on contracts of only one year. With a good performance record, the contract may be extended, but it can never exceed three years-after which the metre reader will have to seek a different career. A good performance record as a metre reader can lead to a linesman or other job with a PBS, and this job expectation is a good incentive to maintain a good track record as a metre reader.
- Operational arrangements – every year the management of each PBS negotiates a results agreement with REB. This is known as a Performance Target Agreement (PTA). If a PBS meets the PTA, its management receives a bonus. Not meeting the PTA target results in penalties. A standard PTA has about 20 targets, with high weights given to system loss, collection efficiency, revenue per kilometre of line, cost of supply per kilometre of line and debt repayment.
- Investment Decisions – PBSs use independent consulting forms to survey rural areas to identify potential consumers and to design the electricity distribution network. These firms also calculate the revenue that is expected to be generated by each proposed line and the lines generating the highest revenue are selected first for construction. The list of lines to be constructed next year is disclosed to the public on the notice board of each PBS. These practices reduce the risk of corruption and nepotism in investment decisions and help PBSs to avoid constricting uneconomical lines.

Cooperatives have developed management practices to reduce theft, such as not allowing staff to be metre readers for more than three years and staffing billing departments with women, who have a better reputation for integrity in these jobs than men do. Empowering the poor to demand better service has seldom been tried in the power sector, yet holds promise for the future. Bangladesh has also awarded independent power producer contracts through transparent international competitive bidding based on the price of electricity supplied. This has resulted in prices of less than US \$0.03 a kilowatt per hour, roughly half the price of directly negotiated deals in such countries as Indonesia and Pakistan (Lovei and McKechnie 2000).

Source: World Bank 2006a.

District of Kabupaten Solok was designed between three actors: the public (not only officials involved in contracting, but all civil servants under the jurisdiction of the Kabupaten government) and the private sectors as well as civil society. Thus, it is more comprehensive than the traditional IP. In addition to applying criminal and disci-

plinary sanctions in case of a violation of rules, civil servants can be punished for absence during working hours.

In Andhra Pradesh, India, revenue losses of 38 percent due to theft and inefficiency prompted authorities to establish special courts to punish electricity theft and to install millions of new metres for customers.

BOX 16: Kecamatan Development Programme, Indonesia

Indonesia's Kecamatan Development Programme provides block grants to eligible sub-district governments, which in turn, use the funds to finance proposals from their villages for small scale public goods infrastructure (such as roads, well, bridges) and for economic activities. It was scaled up from a successful pilot of 40 villages in 1998 to tens of thousands in 2005, and became the largest network of community-driven development projects in the world. Its approach to combating corruption is two-pronged. First, it aims to change the conditions that breed corruption in villages by breaking existing monopolies over information, resources, and access to justice. Second, it aims to prevent corruption in the project itself by skewing the incentives of the project structure against corrupt behaviour.

At the heart of KDP's anti-corruption approach is the principle that villagers themselves have decision-making power over planning, procurement and management of funds. Some of the concrete measures of its approach include:

- 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.
- 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.
- Independent monitoring of the project by NGOs and local journalists.

The elements of the project most effective in limiting corruption are transparency, community participation, and the provision of independent channels for resolving complaints.

The World Bank-funded Kecamatan Development Programme (KDP) in Indonesia, (which supports village-level community-based infrastructure) utilises a 'corruption map'. This mapping tool walks through the project cycle, considering the design, implementation and monitoring stages, and setting out the incentives of actors, the forms of corrupt behaviour and the risks associated with each potential leakage. This map is then used for the project to develop specific responses to each medium to high-level risk, and later for facilitators to structure their oversight of the various processes. The mapping process has been critical in establishing transparency and empowering communities to monitor implementation (and ongoing operation and maintenance) at the project level.

Recent research has demonstrated that infrastructure built through the programme is substantially less affected by corruption than the more traditional service delivery arrangements. The best results were achieved where the allocation of resources by sub-district governments was subject to professional scrutiny from above (through audits ordered by higher level government officials) and public scrutiny from below (through village level organisations).

Source: Plummer and Cross 2007.

BOX 17: The Phnom Penh Water Supply Authority (PPWSA)

The Phnom Penh Water Supply Authority (PPWSA) experience has been heralded as exemplary in Asia and the Pacific. The PPWSA is the largest water supply utility in Cambodia serving the Phnom Penh metropolitan water. The Phnom Penh Water Supply Authority has improved hugely over the last decade. Coverage has gone up from 25 to 90 percent over the past 10 years. The number of household connections for the poorest people in the city has risen from 100 in 1999 to over 13,000 in 2006. There are a number of elements to Phnom Penh's reforms, including:

- Transparency and autonomy from government.
- Developing the organisation's workforce, e.g. giving more responsibility to higher management, promoting promising staff, giving higher salary and incentives to staff, fostering the spirit of teamwork, management team remuneration based on incentives on financial performance, collection rates, and reduction of unaccounted for water.
- Increasing water tariffs to cover maintenance and operating costs, whilst subsidising connection fees and bills for the poorest people.
- Minimising illegal connections and unaccounted for water, e.g. setting up inspection teams to stop illegal connections, penalising those with illegal connections, giving incentives to the public to report illegal connections, etc.
- Improving collection levels, e.g. installing metres for all connections, computerising the billing system, updating its consumer base, confronting high ranking non-payers and cutting off their water if they refuse to pay, automated accounting and management information system, etc.
- Rehabilitating the whole distribution network and treatment plants, e.g. hiring locals instead of international consultants for the job, manually looking for the pipes as all blueprints were destroyed during the civil war, mobilising the communities to report leaks, etc.
- Good customer service such as a free-phone number and a 24-hour repair team for water leakages.

All stages of PPWSAs reform were accompanied by capacity building efforts, including a twinning arrangement with Brisbane City Enterprises, regulatory training for government officials, and seminars on water sector reform.

Most of the illegal connections in the past were linked to PPWSA employees; they were installing illegal connections at US \$1,000 per connection. The public were encouraged to report illegal connections, and a discipline committee was set up to investigate cases involving PPWSA staff. Any staff associated with illegal connections was removed or punished immediately. In addition, automated billing and collection system to replace often corrupt bill collectors. More importantly, where PPWSA staff used to cause problems, they are now a major part of the solution.

Source: ADB 2006.

As a result, 2.25 million unauthorised users were brought into the billing records, collection dues reached 98 percent, and a large number of electricity thieves were successfully prosecuted (Newbery 2006).

Instead of waiting for citizens to approach local government with their

concerns, the Seoul Metropolitan Government took the initiative and approached citizens directly. It is important to process reports promptly and notify the result of the investigation to the public accurately and fairly. Public information campaigns are essential for the initiative to be successful.

The IFIs have a key role in combating corruption in the region. The IMF addresses corruption issues in its policy advice, surveillance activities and technical assistance, and in the conditionality attached to its programmes, as in the Republic of Korea, Thailand, and Indonesia. In this respect, financial assistance could be suspended or withheld unless corrective measures are taken. The World Bank's anti-corruption work consists of four pillars:

1. Prevention of corruption in World Bank projects.
2. Helping countries that request assistance from the World Bank to curb corruption at the national level (for example, the World Bank helped Papua New Guinea to create the Independent Commission Against Corruption).
3. Integrating anticorruption concerns in the World Bank's country assistance strategies (Indonesia, the Philippines, and Thailand are among the countries in the region where current assistance strategies specifically mention anti-corruption as objectives of the World Bank's assistance).
4. Supporting international efforts such as the OECD anti-bribery convention and other initiatives.

In the Philippines, USAID's work focuses on policy and regulatory reforms to reduce the scope for discretionary decisions on the part of officials in areas where corruption incentives have traditionally been strong: (i) abuses in public procurements; (ii) unfair taxation and customs; (iii) inefficient regulation of key infrastructure and general business; (iv) non-functioning and incompetent judiciary; and (v) contested local elections.

4.2 Accountability for Water, Sanitation and Electricity

By way of general definition, Schedler et al. (1999) state 'A is accountable to B when A is obliged to inform B about A's (past or future) actions and decisions, to justify them and to suffer punishment in the case of eventual misconduct'. Accountability has two elements: answerability (making power holders explain their actions) and enforceability (punishing poor performance).

Jabbara and Dwivedi (1989) present a number of themes in the study of accountability. These are:

- Organisational or administrative accountability: hierarchical relationships of reporting between bureaucracy and politicians, and internal reporting.
- Legal accountability: legislative and judicial checks on politicians and officials.
- Professional accountability: professional codes of conduct.
- Political accountability: enforced by legislature, competitive political parties and elections.
- Moral accountability: moral and ethical principles in accordance with prevailing societal norms and behaviour.

Accountability has also been analysed in terms of 'voice' and 'exit' (Hirschman 1970). Public sector users can show their approval of services through voice (protest) or exit (by finding alternative sources of supply). Voice can work through both formal and informal institutional channels. Formal channels include the electoral process, which provides an established mechanism by which to evaluate and re-elect public officials. Informal channels include social,

cultural and religious associations as well as the media through which citizens form and express public opinion. In particular, voice can play a role in motivating public officials to work for the poor, to improve delivery of public services and to be user-oriented among others. The literature suggests a negative association between voice and corruption – the higher voter turnout and the higher civic participation, the lower the levels of corruption and the greater the effectiveness of public service delivery (Putnam 1993; Crook and Manor 1998).

The World Development Report (World Bank 2004a) conceives service delivery as a relationship among providers, clients and policymakers. There are three key actors in service delivery: service providers, citizens and policymakers. The relationships among these actors are important to consider when improving services:

- ***Citizens and Service Providers:*** Although citizens directly interact with service providers, they often feel helpless in influencing changes in service provision. The lack of a competitive market in service provision makes it difficult for citizens to hold service providers accountable.
- ***Citizens and Policymakers:*** In theory, citizens could communicate with policymakers, who then in turn could change policies or apply pressure on providers. However, the means of communication between users of services and policymakers are often few or ineffective. In addition, policymakers may be interested or equipped to influence service providers.
- ***Policymakers and Service Providers:*** Even when policymakers are interested in bringing about improvements in services, they may not have the ability to do so. Well-intentioned and

knowledgeable policymakers may be able to make policy-level changes, but still lack the resources or leverage to bring about on-the-ground implementation of policies.

Accountability can be differentiated into the short route (a contract between citizen and provider) and long route (from citizen, to policymakers, to provider). WDR 2004 states a preference for the short route and proposes a number of ways to give the poor a greater voice in service delivery.¹¹ To be effective, these mechanisms must reduce the cost and increase the rewards of voice. It is stated that if the poor had a say in service delivery they would be more likely to get access to affordable and appropriate services – either directly or via government.

4.3 Community-Based Accountability Mechanisms

Citizens can play a vital role in anti-corruption initiatives; as they reside at the level of infrastructure project implementation, they are often the most appropriate people to gather views, opinions and feedback and to act as a watchdog on the process. Supply responses include more transparency and right to information, ethics education, and address shortages in WSE supply.

With reference to Bangladesh, Wood (1994) has developed a 'resource profile' of the poor, specifically covering four categories of resources: material, human, social and cultural (Wood 1994). He suggests that it is by strengthening these profiles that poor people's capacity will be developed to a level at which they will be able to access the basic services provided by the state and develop greater voice that builds checks and balances (Wood 1994). Evidence also suggests, in rural India (Plummer and Cross 2007), that higher levels of education and literacy

correlates with lower corruption, more accountability, better targeting, and less political capture.

There are a number of successful examples of citizens' action and these are discussed below:

Supporting Civil Society Initiatives

Civil society organisations have worked successfully against corruption; for example by:

- Carrying out surveys of businesses, consumers and public opinion to provide feedback for delivery of public services and fostering competition.
- Acting as advocates for clean government.
- Stakeholder consultations and public hearings.

- Exposing abuses and creating public awareness to build awareness about the problems and solutions.
- Acting as service provider in areas where (corrupt) governments fail to deliver services.
- Formulating and promoting action plans to fight corruption.
- Monitoring government action and decisions.
- Providing leadership to remove corrupt leaders.

Non-Governmental Organisations can promote integrity and combat corruption by, for example, raising awareness of corruption and its costs, mobilising citizen support for clean government, and documenting and reporting cases of corruption. For example, in the Republic of Korea, NGOs, such as TI Korea and the Citizens Coalitions

BOX 18: Satyagraha in Delhi Vidyut Board to Get the Bill Rectified

Gandhi developed satyagraha, a form of non-violent resistance, to fight against injustice. Parivartan use satyagraha as a mechanisms to fight corruption.

A consumer in Delhi Vidyut Board received an incorrect electricity bill. A Parivartan volunteer helped this consumer to rectify the bill. For two months, the volunteer and the consumer had made several visits to the Board but nothing happened. Every time, the officer would politely apologise for the delay and seek more time.

Finally, the volunteer went with a resolve to not to leave until the bill had been corrected. He met the concerned Executive Engineer (EXEN) again. The EXEN, as usual, again apologised for the delay and requested the volunteer to come after a few days.

The volunteer replied – 'Sir, I am not in a hurry. I have told my people at home that I will come back in a week. So, you complete all your work and then, when you get time, you may like to attend to my work'.

The EXEN said – 'But I have to go now for a meeting with my Chief Engineer. I am already late. The meeting is expected to last until late in the evening. So, I will go home straight from there'.

The volunteer said – 'Sir, please don't worry. I will keep sitting here. When you come to the office tomorrow, you will find me sitting here. You may go ahead with your meeting without worrying about me'.

Believe it or not, the EXEN first attended to the volunteer, got the revised bill issued and then went for the meeting.

Source: <http://www.parivartan.com/satyagraha.asp>

for Economic Justice, have pressured for law reform as well as campaigning for the disclosure of political funds; and launched a 'losing campaign' against corrupt candidates fighting the 2000 General Elections. Another NGO Peoples Solidarity for Participatory Democracy has launched a minority shareholder campaign to increase the transparency of corporate management, and monitor freedom of information and budget misuse under the Sunshine Project.

NGOs have used TV and radio broadcasts to communicate their messages and campaigns to the widest possible audiences. Transparency Thailand (TT) produced a series of radio shows dealing with the problems of corruption and the lack of transparency in government and business circles. The shows were aired on a major Bangkok radio station with an audience of over one million people. Later, TT was invited to broadcast an additional 15 minute radio slot on the country's military radio network covering many more remote and rural areas of Thailand. In 2000-2001, the Partnership for Governance Reform in Indonesia and the World Bank jointly organised and developed an action research project called 'Corruption and the Poor'. The project was undertaken in three urban slums in Makassar, Yogyakarta and Jakarta and aimed to explore how corruption affects the urban poor in Indonesia through use of the Participatory Corruption Assessment (PCA) techniques.

The Electricity Governance Initiative (EGI) has developed a framework of indicators of good governance in the electricity sector, the EGI Indicator Toolkit, and has completed assessments in India, Indonesia, Thailand and the Philippines (conducted by coalitions of NGOs, government, utility, and other private-sector representatives).

In Nepal, residents of squatter settlements have been able to get services with

the help of the local ward chairman and by exerting pressure in unison on service providers. This is normally done by taking a 'delegation' of residents to the local service provider office and demanding services. Officials reciprocate by promising to provide service (a water or electricity connection) to save embarrassment or commotion in front of other consumers. In the case of water, protest marches to the Nepal Water Supply Corporation by housewives brandishing empty water pots proved to be very effective in eliciting prompt responses from the water service providers.

Training Communities as Monitors

Training communities to monitor the delivery of infrastructure and control of quality of construction creates direct accountability to communities. If the users, and particularly the poor, can monitor and discipline poorly performing service providers, this is said to result in better infrastructure services. Service users are considered best placed to monitor the services on which they depend, due to greater incentives and information, as well as face-to-face interaction with frontline providers. Community pressure can also create incentives for zero corruption where front-line service providers are a permanent member of the community. There is a need to provide free training for key members of interested advocacy groups in aspects such as procurement, so that in the future the comments of such groups are based on a more sound knowledge of the actual systems. In the Philippines, a study conducted by one of the watchdog NGOs indicated that there are only 500-700 trained observers against a demand of 8,000 observers (World Bank 2007b).

Work has also been done on monitoring the location of water points and public site

selection with user and community involvement. Water Point Mapping is intended to address inequities in access resulting from the political nature of resource allocation and the failures of targeting. Where decision-making on where and how to allocate resources is not transparent, it often leads to unequal outcomes and makes it hard to gauge where budgets are being spent. Mapping water points is intended to make investments in the water sector transparent. A study in India found that real coverage in piped water systems increased for poor people when socio-economic mapping and site selection for water points was carried out with the public (particularly women) and local government (Shordt and Stravato 2005). Duflo (2003) has also analysed how variability in water flows, poor design and construction and poor maintenance were distortions that resulted from corruption in a canal irrigation system in South India.

In Bangalore, the Children's Movement for Civic Awareness surveyed the quality of the city's roads. The children were given checklists in order to monitor the presence of side drains, evenness of surface of the footpath, obstructions to pedestrians, number of potholes, number of cracked areas, presence of signs or painted lines to indicate a road hump, and unfilled or un-compacted diggings for electrical or telephone cables. The children presented the findings on quality of roads to the Bangalore municipal commissioner at a public hearing and the findings were reported to newspapers. Such surveys have helped to make public officials more accountable and to improve the quality of infrastructure (Public Affairs Centre).

The Right to Information (RTI) has been recognised around the world as an important instrument for checking corruption and misuse of power. An NGO called Parivartan,

along with a number of people living in slum areas in Delhi have been accessing records of public works in various parts of Delhi, where corruption is suspected in the delivery of public works. Community-based audits have been conducted where corruption is suspected in the delivery of public works. This mechanism has mobilised public opinion on local government policies and practices and helped establish transparent decision-making practices. The NGO has also provided training and support for community vigilance during construction projects to provide a useful safeguard against corruption, for example by explaining projects, interpreting technical details, relaying concerns to engineers. The RTI had made some impact but government officials/public servants were slow to be sensitised to it and the majority of population, particularly the poor, has low awareness levels of rights and entitlements under the Act.

First used in Bangalore in 1993, report cards use citizen feedback (from the poor and marginalised sections of society) to rate the performance of public services agencies, such as the electricity board, water board, telecommunications, and public banks amongst others. The underlying premise of the report card is that urban services fail because of lack of competition in services delivery. Information can be used to signal that the service provider needs to take corrective action (adopt client friendly practices and policies, introduce performance standards and improve transparency in operations) as well as to enable comparisons between agencies and locations. Organised public feedback in the form of report cards can be used to challenge service providers to be more efficient and responsive to consumers. Exposing public administrations to pressures and demands from citizens has a major impact on improving

BOX 19: The Concerned Citizens of Abra for Good Government, the Philippines

The Concerned Citizens of Abra for Good Governance (CCAGG) is a non-governmental organisation that monitors government projects in the Abra region of the northern Philippines. CCAGG was formed in 1986 when new opportunities were created for civil society organisations to participate in development programmes by President Corizon Aquino. Under the new community participation policy, CCAGG members signed a memorandum of understanding with the National Economic Development Authority and received training from the agency in project monitoring. CCAGG members used the local media (radio, newspapers) and organised community meetings to inform residents about public infrastructure projects.

While monitoring community employment and development projects, CCAGG members were shocked to see a newspaper advertisement by the Ministry of Public Works and Highways (MPWH) declaring that it had successfully completed 27 projects in Abra province. Knowing that this declaration was untrue, CCAGG members decided to take action against the agency's misinformation. To make a strong case against the agency, the members of CCAGG developed detailed documentation of the actual state of projects that had been declared as completed – but in fact were only just beginning or were mid-way through the construction stage – including affidavits composed by residents of project areas and photographs of the project sites. CCAGG submitted these findings to the national government and demanded that the Department of Public Works be investigated. An official government audit concurred with CCAGG's findings and several officials were charged with corruption. While several officials were convicted, the prosecuting lawyers argued for leniency on behalf of the government officials and asked that they receive only official reprimands as punishment. Outraged by this development, CCAGG members mobilised public opinion and the Office of the Secretary of MPWH was bombarded with telegrams from concerned citizens demanding that the convicted officials receive more severe punishment.

The Secretary finally relented and 11 government officials found guilty of dishonesty and misconduct were suspended. In addition, the Chief and the Deputy Chief Engineer of MPWH in Abra were not only suspended without pay but were also debarred from serving in the province in the future. This was probably the first case in the history of the Philippines in which a civil society organisation's vigilance had resulted in the conviction and punishment of government officials on charges of corruption. Further, as a result of this case, the Regional Director of the MPWH issued a directive requiring that projects in Abra province be funded only after they had obtained clearances from CCAGG.

Subsequently, CCAGG consolidated its activities and its members developed a unique technique for monitoring government projects. Members of CCAGG – primarily housewives, students, and other youth members – observe road construction projects and report their findings to specialist colleagues, such as engineers and accountants. These staff members in turn conduct detailed investigations on project sites. CCAGG investigations monitor a variety of corruption in government projects, especially road construction projects, including the use of sub-standard materials (cement mixtures) and/or poor construction techniques, and fraud in contracting procedures (such as rigged contracts). In one road construction project, for example, CCAGG members found that contractors had embezzled project funds. In response to these findings, the government forced the contractor to pay from its own resources to expand a road.

Recognising the critical role the organisation plays in preventing corruption, as well as the expertise it has developed in monitoring public works projects, the national Commission on Audit (COA) – the SAI of the Philippines – entered into a partnership with CCAGG to conduct

participatory audit exercises in the Abra region. The exercises focused on assessing the impact of the audited government programme/project to determine whether the programme/project achieved its desired results. This exercise was sponsored by the UNDP and was described as successful by all the concerned parties. The chairman of the COA described the results of the exercise as 'very focused and efficient'. The lessons from the audit process were later incorporated into a manual on the Conduct of Participatory Audit published by the COA. While successful, the experience of the COA-CCAGG participatory audit highlights several challenges that need to be addressed for future cooperation between civil society organisations and public auditors.

Audit Methodology: The COA staff objected to demands made by the CCAGG staff to discuss preliminary audit findings with community members. In turn, CCAGG staff were concerned that restricting official audits to the post-project period increased the likelihood of losing potentially valuable findings.

Sustainability: Even though the participatory audit exercise was declared a success by all participating organisations, it was discontinued with a change in the COA administration. The new COA commissioner had other priorities and shelved participatory audit exercises. This raises serious questions on the sustainability of participatory audits.

Source: Ramkumar and Krafchik 2005.

service delivery and public administration effectiveness. Modelled on the private sector practice of conducting client satisfaction surveys, report cards solicit user perceptions on the quality, efficiency, and adequacy of the various public services that are funded by tax-payers. The Lihok Filipina's 'scorecard project' has been used in the Philippines, where trained volunteers pose as clients to gauge government's efficiency and responsiveness in the delivery of services (World Bank 2004b).

Transparency International Bangladesh created grassroots pressure groups called Committees of Concerned Citizens (CCCs) to 'promote integrity and curb corruption in public sector service delivery systems in selected sites of Bangladesh through grassroots participation of the recipients of public services'. CCCs are intended to establish Islands of Integrity in public services, generate debate on infrastructure provision, and lobby for higher quality public services through a variety of means – report cards, citizens meetings, newsletters, research papers, peoples theatre groups, essay and

cartoon competitions for school, seminars and press campaigns.

Involving Women in WSE Service Delivery

Two studies show that corruption is less severe where women hold a larger share of parliamentary seats and senior positions in government and that women are less involved in bribe-taking (Bailey 2003). NGOs emphasise the importance of ensuring equitable representation of women, as the main users and managers of water. There is anecdotal information, for example, about the advisability of having women serve as treasurers on local water committees to prevent theft of operation and management funds. It is hoped that their involvement in the committees will also increase women's confidence and strengthen their roles in their communities. Moreover, female water-kiosk attendants appear to be fairly common, and at times are preferred, having a reputation of being less corrupt than their male peers (Kjellen and McGranahan 2006).

Tracking of Public Funds and Expenditure

Public services often fail poor people if budgets are misallocated or misappropriated, this means that service quality, quantity and access suffer. Discrepancies between policy statements and actual delivery can trigger civic action against corruption in the public sector, thus contributing to improved accountability.

Public awareness of the goods and services they should receive and citizen engagement in budget processes has been increased through public hearings. There are many examples of such initiatives, such as those conducted by Mazdoor Kisan Shakthi Sangathan (MKSS), or the Workers and Peasants Power Association, a grassroots organisation based in India, which has helped to improve transparency in the financial administration of local authorities and contributes to a more equitable distribution of resources.

A gender-sensitive budget analysis can reveal whether men profit more from public expenditure than women, but can also reveal whether a cut in public spending caused by corruption means that women are more likely to be more affected. At local levels in particular, gender-oriented participatory budgetary planning and analysis is a way of strengthening accountability, transparency and gender responsiveness and stemming corruption.

Public expenditure tracking surveys have been used in Thailand to follow the flow of funds through tiers of government and to determine whether the funds actually reach their intended destination. The survey looks at the cost structure of the project and monitors who is doing what, where, when and how funds are channeled in practice to beneficiaries. Tracking surveys not only highlight the uses and abuses of public

funds, but also give insights into capture, cost efficiency, decentralisation and accountability. Having a reference price list for infrastructure projects in the region could be helpful.

PROOF (Public Record of Operations and Finance) is a public campaign launched in 2002, in Bangalore. The PROOF campaign aims to institute systems to ensure quarterly financial disclosure by the city Municipal Corporation and ensure that citizens participate in the process of evaluation of local government performance. The Municipal Corporation supplies quarterly financial performance in a user-friendly format.

Using the Media to Detect and Prevent Corruption and Highlighting Good Practice

The media can do much to disseminate information about public services. For example, higher newspaper circulation in Indian districts is associated with better local-government performance in distributing food and drought relief (Besley and Burgess 2002). The media (and especially the independent media sector – including Internet, informal journals and newsletters) can control corruption by informing public policy and decision makers, raising public awareness about corruption, its causes, consequences and possible remedies, investigating and reporting incidences of corruption, exposing corrupt officials, and prompting investigations by official bodies. Many anti-corruption initiatives, such as the Report Cards in Bangalore, have been launched in high-profile press conferences, and efforts made to ensure that the media coverage is wide. For example, with the preparation of press kits with small printable stories, media-friendly press releases, and translation of the main report into local

languages. The media can also reinforce the work and legitimacy of both parliaments and their anti-corruption bodies and create pressure for change to laws and regulations. The role of radio to disseminate relevant information has increased, especially with the introduction of community radio stations.

Transparency International Bangladesh (TIB) developed the 'News Scan Database', a database of corruption stories from newspaper archives. This tool is intended not only to measure the nature and extent of corruption in Bangladesh, but also to encourage the media to further investigate and report instances of corruption.

Freedom of the press is negatively correlated with the level of corruption: 'Official Secrets Act' censorship and anti-libel laws/

criminal libel actions have been used to muzzle and intimidate journalists. But information is not enough. People must also have the legal, political and economic means to press demands against the government.

In the Indian city of Hyderabad, the Metropolitan Water Supply and Sewerage Board (HMWSSB) established a weekly press briefing with local reporters in which he discussed the progress of the Board's reforms. The MD also participates in a weekly television programme called 'Face to Face' in which representatives of the city's service agencies field questions and complaints from customers during a live broadcast. Finally, the HMWSSB uses local press and news programmes to publicise its new toll-free complaints hotline and Citizen's Charter (Davis 2004).

BOX 20: The Media in Papua New Guinea

In Papua New Guinea (PNG) Transparency International PNG, the Ombudsman Commission, and the Media Council runs a hotline through which members of the public can report suspected cases of corruption directly to the media. A task force of senior journalists and editors has been appointed to investigate public complaints and, if they are verified, to publish them in the press. The Media Council has built an extensive network of community groups. The council itself consists of members from all of PNG's mainstream media – the national broadcasting corporation, three national newspapers, the country's only television station and both FM radio stations – as well as associated members of advertising agencies and smaller commercial and non-commercial publications. Council members also invited various NGOs and business groups to form an independent working committee. More than 20 public and private groups have pledged their support, including Transparency International PNG, the Ombudsman Commission of PNG, youth and women's groups, the Business Council of PNG, the Institute of National Affairs and a number of private businesses. These groups provide resources in areas such as manpower, networking, law, business, insurance, finance, administration and national affairs. Besides reducing the scope for intimidation and harassment, the Media Council network is a source of support for whistleblowers, while the campaign provides a platform of solidarity for reporters covering corruption. The campaign also focused on the June 2002 national elections, beginning with a series of training workshops for journalists on how to cover the candidates' campaigns. They were also asked to keep a watchful eye on practices such as 'ghost voting', which Prime Minister Sir Mekere Morauta had identified as a major threat to free and fair elections. Young journalists are taught how to investigate and report on corrupt practices in general. In the weeks leading up to the June 2002 elections, newspapers published full-page ads calling on voters to be critical of candidates and to stop selling their votes.

Source: Keaekae 2003.

BOX 21: Radio Against Corruption: To Be Alive

Stalin K, a human rights activist, created the radio programme to expose corruption in India's western Gujarat province. *To Be Alive* is a community-focused programme broadcast on state radio in the poor, rural region of Kutch, Gujarat's largest district. The programme, broadcast through the government network All India Radio, has become something of a 'public watchdog' that warns those tempted to abuse their position that somebody is watching. *To Be Alive* has exposed a range of corrupt practices. For example, it sparked a government inquiry into primary health centres across the country where illegal charging was believed to be taking place.

High illiteracy makes printed media inaccessible to most of the population, while televisions are prohibitively expensive and their signals rarely reach the country's more remote regions. Community radio stations play an important role in educating their audiences on issues including human rights, politics and the environment. Such programming is essential in a country where many children are unable to attend school due to financial constraints. Community radio stations aim to provide information about issues that the mainstream communication media tend to ignore. The radio show *To Be Alive* aims to:

- Play an important role in educating its audience on major issues including corruption and human rights.
- Educate poor people about their rights.
- Encourage citizen participation.

The programmes are made by local people. 'They are poorly educated but they are extremely creative and intelligent people', says Stalin K. 'They write, record and edit the programmes'. Despite their lack of formal education, for both women and men, the medium of radio proved liberating and they learned quickly. Community radio has changed people's expectations of the accountability of the authorities – they actually expect more from authority figures now.

Source: BBC News 2005b.

Access to Information

Access to information is one of the most effective tools for curbing corruption. Information is central to effective civil society participation and monitoring of government activities. An informed citizenry can considerably enhance accountability of public officials on their conduct and on decisions made on matters affecting the public such as service delivery.

One of the basic underlying principles of public servants is transparency of their work. Public servants are obliged to provide their superiors, state control agencies, with information about their work. Around the world, the introduction of greater transparency in the functioning of government and

public bodies has increased access to information. Information mechanisms include routine regular production of reports and similar documents, the use of the Internet and computer networks, radio and television broadcast media, Public Service Announcements (PSAs), print media such as newspapers, and personal appearances by government officials.

The provision of information about the WSE sectors to consumers is crucial to combating corruption. For example:

- Information boards can be erected at the water point site, showing the total project cost, who contributes, amounts of contributions, contractor by name, prices, expected date of completion.

- Publish technical information such as utility performance levels for public information. For example, the Australian Institution of Engineers publish Report Cards on the nation's infrastructure that rate the asset condition, asset availability and reliability, asset management and sustainability.
- The Republic of Korea, Australia and Hong Kong, China (SAR) publish procurement plans and provide ample information about previous and ongoing procurement on Internet sites.
- Under India's Right to Information Act 2005, citizens have access to information on procurement processes.
- Australia, China, India, the Republic of Korea, and Singapore make audit reports publicly available for scrutiny.
- Some countries, like India and Thailand, also empower individuals who are not involved in procurement to bring allegations of corruption to the attention of specialised audit or anti-corruption bodies.

When a service provider can compare its performance with others, this information will trigger internal reforms in terms of policymaking and monitoring, better resource planning, better accounting, auditing and procurement and better performance. Service users and NGOs can also make comparisons about the performance of different operators in different regions,

BOX 22: Parivartan: People Get Sewers after 20 Years through Right to Information

Sundernagari is a slum colony in East Delhi. The sewer system in this area was laid out in 1983, but has not been made operational. A number of residents of the area approached the politicians and Water Department (Delhi Jal Board) officials requesting them to make the sewers operational. They were told that action was being taken, papers were moving and the sewers would become operational very soon. However, these were empty promises. Nothing happened for 20 years. In the absence of sewers, the people faced immense suffering. They are forced to use public toilets. There were a number of attacks on women in the area.

Noshey Ali, a social activist living in the area, filed an application under the Right to Information Act in March 2002. He sought to know the status of the sewer system and when it would be made operational. The Jal Board officials replied that when the system was taken over by Jal Board from Delhi Development Authority (DDA), they did not hand over any maps. However, the Jal Board stated that they had conducted a survey of the area and the system was expected to be operational by June 2003. However, nothing happened for another year. So, another application was filed by Noshey Ali in March 2003 to inspect the relevant files of Jal Board. However, Noshey Ali was told that there were no files connected with this issue. This meant that the Jal Board officials provided false information under the Right to Information Act the previous year. Under the Delhi Right to Information Act, there is a provision for deduction of salary of concerned officials who provide false information. When threatened with this sanction the concerned Executive Engineer promised to get the survey done on an emergency basis.

The survey was completed within a week and the proposal has been sanctioned by the Jal Board, the expenditure of this amount has been approved and contracts awarded. The work on sewers has already started and the sewers will become operational very soon.

Source: <http://www.parivartan.com/story.asp?id=60>.

to use voice in an informed way and create a competitive pressure for service providers to improve. In cases where no reporting exists, freedom of information laws may also enable service users to access to internal emails and memos.

However, public agencies are often not effective in communicating information to the public, or dealing with enquiries on what they are doing. This could be due to incompetence or negligence, but it may also serve as a result of bureaucrats seeking to use their control over information to strengthen their power.

Poor people often lack access to information that could assist them. This includes information on rights protected under law, where to get legal assistance, information on service delivery, how to gain access to ser-

vices, and development initiatives. Improving access of poor people to libraries, internet, advice offices, government offices and constituency offices is recommended so that they can get the information they may need in order to mobilise or create organisations that enable them to access resources as well as to develop a personal sense of capability and entitlement. Access to information legislation provides citizens with a statutory 'right to know'.

4.4 Operator Accountability Arrangements

The accountability arrangements targeted to WSE service providers are often linked to anti-corruption programmes and ongoing programmes such as public service reform

BOX 23: Characteristics of Well Performing Utility

Well-performing utilities have a number of characteristics that assure high quality performance and minimise the risk of corruption, which include:

- Citizen role in oversight and monitoring, auditing, public hearings, planning and budgeting, participatory corruption assessments.
- Information and awareness campaigns for example through the media.
- De-monopolising service delivery.
- Staffing reforms promote performance/merit based career structures.
- Reform to customer interface: metering billing, collection, complaint mechanisms.
- Complaint redressal.
- Transparent hiring and promotion to help avoid abuses of patronage, nepotism and favouritism.
- Systems to provide appropriate oversight of discretionary decisions and of personnel with authority to make discretionary decisions.
- Remuneration and incentives and benefits package benchmarks against the prevailing market.
- Training staff for their professional and personal development.
- Regular and timely rotation of assignments.
- Procurement reform/Transparency in public tenders/Integrity pacts.
- Benchmarking utility performance through survey and feedback mechanisms.
- Legitimation of illegal connections.
- Reforms to improve the integrity of business (professional associations, codes of conducts).
- Separation of regulator and provider roles.
- Public oversight of negotiations with operators.
- Development and publication of minimum standards.
- Audits and reporting.

programmes, procurement and audit reforms. These tools are intended to achieve a variety of objectives ranging from mechanisms to protect whistleblowers, checks on staff, effective complaints mechanisms and procedures for appeals, staff training in areas such as ethics and reducing discretion in service delivery.

Disclosure

Most forms of corruption involve the loss of funds from the treasury or company and a gain of funds into private bank accounts. Thus, audits, the disclosure of assets and better systems of public sector financial management can decrease the likelihood of corruption and detect it when it does occur. The monitoring of, for example, personal assets and liabilities (such as investments, bank accounts, pensions, as well as domestic and foreign property), income, and lifestyles of those who hold positions where they transact with the public or are otherwise well-placed to extract bribes can significantly reduce corruption. Many countries – recognising that assets may be hidden in the bank accounts of friends and family – extend asset monitoring to close family members. Penalties for failing to disclose as required, or for making false or misleading disclosure, must be severe enough to act as a significant deterrent, i.e. discharge and other disciplinary sanctions.

Debarment

Efforts to fight the supply side of corruption need to be strengthened; debarment is a stronger sanction than the termination of a single contract. Firms found to be paying bribes can be debarred from eligibility for public contracts for a certain period. However, while debarment might deter corruption, it could also be part of a corrupt scheme of competitors or corrupt officials

to extort bribes. Otherwise, qualified and honest companies consider may abstain from bidding to avoid being subject to debarment. The possibility of debarring companies found guilty of corruption or collusion from tendering for public contracts has been integrated in different ways and to varying degrees into the legal framework of Bangladesh, China, India, Indonesia, Japan, the Republic of Korea, Pakistan, the Philippines, Singapore and Viet Nam. The debarment periods are often – but not always – defined: one year in the Philippines; two years in the Republic of Korea; up to three years in China, the Kyrgyz Republic, Mongolia, and Palau; at least five years in Singapore. A contract won through corrupt practices may be terminated in Bangladesh; Hong Kong, China (SAR), China; the Republic of Korea; the Philippines and Singapore.

Information Communication Technology (ICT)

ICT can facilitate easy access to information by the public and can also ensure that individual civil servants can be held accountable for their actions. The use of ICT has transformed the delivery of public services and reduced corruption as well as improved efficiency and transparency in public transactions and services (such as closed circuit TV in service provider offices). Pilot projects have demonstrated the usefulness of ICT in tax collection, election monitoring, public procurement, maintaining land records. The Internet can be used for on-line public tendering, opening the information flow, and reducing opportunities for making potentially corrupt personal contacts. The OPEN (Online Procedures Enhancement for Civil Applications) is a web portal that publishes information relating to permits and licences issued by the Municipal Government of

Seoul (n.d.). The aim is to increase the transparency and accessibility of administrative procedures to the public, decreasing public-client interactions and thereby reducing corruption. OPEN is facilitated by the Republic of Korea's advanced information technology infrastructure, which has been used to modernise services and increase the convenience for citizens. In the Republic of Korea an e-procurement system was introduced by the government in 1998, for purchasing goods and services and arranging contracts for construction projects online. All procurement from purchase requests to electronic tendering and payment is processed on line. Automation has simplified the bidding procedure, improved competition, avoided preferential treatment, and eliminated non-arbitrary behaviour. Officials take a 'pledge of integrity' which, together with punitive measures for wrongdoing, has led to an open and transparent procurement process. Portals are open to public access and allow feedback. Similarly India has computerised registration and records (computerisation of land records in Karnataka; property registration in Andhra Pradesh and inter-state border road checks in Gujarat). These systems require a good level of IT literacy and access to the internet. There is, therefore, a risk that this might result in a widening societal gap between those with access and capability and those without, the latter generally being the poorer elements of society.

Blowing the Whistle

Whistle-blowing reports of malpractice can enhance the detection of fraud and corruption. Whistleblower protection encourages officials, employees and aggrieved citizens to report instances of ethical misconduct, waste, fraud and other forms of corruption. Whistleblowers inside service delivery insti-

tutions can be encouraged to complain to institutions such as anti-corruption commissions or Ombudsman offices, or through telephone 'hot-lines' (operated at a central level or departments of the government).

The Republic of Korea's whistleblower and witness protection mechanism takes a three-pillar approach. First, it guarantees the confidentiality of the whistleblower's identity and provides for employment protection to prevent discrimination or dismissal at the workplace. Second, both mechanisms are enforced by means of disciplinary and penal provisions. Third, the whistleblower is granted physical protection if the matter so requires. In addition to these passive incentives, the Korean Anti-Corruption Act also establishes a financial reward system for whistleblowers.

Indian law also contains regulations on whistleblower protection, consisting essentially of a guarantee of confidentiality and certain provisions for the physical protection of the witness and for awards. The field of application of these regulations is limited to tax and customs fraud, however.

Codes of Conduct

Codes of conduct provide guidance on avoiding the misuse of official position and resources for improper advancement of personal or financial interest, i.e. advantage to family, close friends and persons or organisations with whom they have business or political relations. Likewise, Codes of Conduct prevent the use of public property, facilities, services and financial resources for private purposes except when permission is lawfully given. The principle of 'zero tolerance' is often embodied in such codes-obliging individuals to report suspicion or evidence of corruption committed by colleagues or others.

A number of countries (Australia, Hong

Kong, China (SAR), China, Indonesia, Japan, the Kyrgyz Republic, Mongolia, the Philippines, Singapore and Viet Nam) have codes of conduct for public officials that specifically address corruption and conflicts of interest. Such codes often reflect the UK Committee on Standards in Public life (the Nolan Committee) principles of ethical behaviour such as: fair reward, integrity, honesty, objectivity, accountability, reliability, fairness. The code can be monitored through public complaints systems and enforced through disciplinary boards. Breaches to the Code may have implications for career or employment.

The Republic of Korea has adopted a Code of Conduct for Maintaining the Integrity of Public Officials. This code, enacted by Presidential Decree in February 2003, specifies the standards of conduct to be observed by both state and local public officials. It covers areas related to the prevention of conflict of interest, the prohibition to use public office for private purposes, and the obligation of neutrality and impartiality. It also regulates the legitimate acceptance of gifts from persons related to public duties and other unfair advantages, which is of particular importance in a context in which the presentation of gifts forms an integral part of the national culture. Reports suggest that, since the code came into force, the number of duty-related offerings of gifts and hospitality have reduced substantially.

Companies and subcontractors that wish to participate in public tenders in the Republic of Korea must set up codes of conduct for their employees and prevent whistleblowers within the company from being disadvantaged. The Codes of Conduct must contain clauses that prevent undue influence on the procurement process.

Different schemes are employed to identify, avoid and manage conflicts of interest

in the region. Australia, the Cook Islands, Japan, Palau, Samoa, Viet Nam, and to a limited extent the Republic of Korea and Pakistan require public officials involved in procurement to avoid conflicts of interest and to disclose them when they occur. Samoa excludes from procurement proceedings officials with declared conflicts of interest. Other countries support the adoption of high behavioural standards with systematic training that addresses corruption risks. The Republic of Korea has also set up a mechanism for regularly monitoring compliance with these codes.

Citizens Charters

Citizen Charter is a document which publishes service standards that customers are entitled to expect across an entire organisation or service area. It is a set of measurable and auditable promises made to customers. Charters change service provision by defining service standards, ensure that users are consulted about their needs and set targets for response times, waiting times, charges and fees. Charters increase accountability through the publication of information about and requirements for government services. Officials can be trained in good practice and threatened with negative consequences if they fail to meet at least minimum standards. However, charters normally have a non-statutory basis.

Complaints Mechanisms

Just as in the private sector, open and effective complaints channels and complaint handling procedures in the public sector serve to raise levels of performance and to identify those responsible for malpractice. Complaints can be used as a management tool to monitor corruption in service delivery. Complaints about corruption

BOX 24: Seoul: Report Card to the Mayor

The financial crisis in 1997 acted as a catalyst to create a more effective, efficient, and transparent government in the Republic of Korea. Seoul Metropolitan Government (SMG) adopted a package of anti-corruption measures in 1999 under mayor, Goh Kun. The 'Corruption Report Card to the Mayor' was initiated in Seoul in 1999. Officers in-charge of civil affairs and citizens who have submitted a civil application (or signed a contract with Seoul Metropolitan Government in a corruption-prone area such as sanitation or construction) receive a postcard, which they mail back if they have experienced wrongdoing in their dealings. Report cards to the Mayor have been mailed to:

- Construction companies as well as individuals involved in the construction industry (such as the drafter, architect, supervisor and sub-contractor) who have entered into a contract with the city government. These stakeholders receive a postcard every month until construction is completed.
- Water-supply construction companies that have been hired, as well as individuals involved in the water-supply construction.
- Individuals or architects who have obtained a new building permit or approval.
- The owner/manager of environmental waste related to businesses that are undergoing inspection, for example, in relation to regulations for discharging pollutants, wastewater, or waste materials.

Report cards are also available from 727 locations across the city including City Hall, city offices, local district (*gu*) offices and application counters at the local neighbourhood (*dong*) offices. If a report card is returned to the Mayor's office, the mayor orders an investigation. If the investigation finds that there has been misconduct appropriate punitive measures are imposed. A reward may be offered to the person who filed the report. The average processing period is 10 days, with seven days for simple issues.

The types of corruption reported to the Mayor include incidents of attempted bribery and companies/individuals offering payments in return for a service. Disciplinary action resulting from the 'Corruption Report Card to the Mayor' includes warnings, training, suspension or early retirement.

Nevertheless, the rate of receipt/distribution of the card is said to be low. Some people don't show the Report Card to the Mayor because they have nothing to report; didn't believe that it would curb corruption or were afraid of the consequences of reporting corruption – they were concerned that the reporter's details would not be kept confidential.

Source: Seoul Metropolitan Government 2001.

should trigger investigation, prosecution or other sanctions.

Law

National law in almost every country in the region prohibits corruption and the taking of bribes. The kinds of laws include:

- Laws and regulations governing public licences, government procurement contracts or other public undertakings.

- Legislation to eliminate any indirect support of bribery such as tax deductibility of bribes.
- Anti-money laundering legislation that have substantial criminal penalties for the laundering of the proceeds of corruption.
- Legislation requiring transparent company accounts and financial statements – providing for penalties for omissions and falsifications, or hiding such bribery.

BOX 25: Singapore: An Exemplary Case for Urban Water Management

Public Utilities Board (PUB) invariably ranks in the top five percent of all the urban water utilities of the world in terms of its performance. Only a few of these indicators will be noted below:

- 100 percent of the population has access to drinking water and sanitation.
- The entire water supply system, from water works to consumers, is 100 percent metred.
- Unaccounted for water as a percentage of total production was 5.18 percent in 2004.
- The number of accounts served per PUB employee was 376 in 2004.
- Monthly bill collection efficiency: 99 percent in 2004.
- Monthly bill collection in terms of days of sales outstanding was 35 days in 2004.

Corruption is endemic in most Asian utilities. However, it is not an issue at PUB, which emphasises staff integrity as a key organisational requirement. It has taken measures to prevent corruption by staff training on Code of Governance and Code of Conduct, effective internal control processes, regular audits and strong and immediate sanctions against those who may prove to be corrupt. Staff members are required to make annual declarations, which include Declaration of Assets and Investments and Declaration of Non-indebtedness.

Complaints of corruption are promptly investigated and reported to Singapore's Corrupt Practices Investigation Bureau. PUB is a part of the overall Singapore milieu where there are strong anti-corruption laws at the national level with appropriate sanctions that are regularly implemented. In addition, in recent decades, the Government has consistently shown its strong political will to curb all forms of corruption, and take firm actions against all and any form of corruption. With a good remuneration package, functional institution, and a strong anti-corruption culture, corruption is not an issue at PUB.

Source: Tortajada 2006.

Such legislation requires sanctions to effectively combat corruption. The enforcement of these laws usually falls to three bodies: The Criminal Courts, the Administrative Courts (or Tribunals) and the Civil Service Membership Associations.

The Republic of Korea, for instance, has seen the reform of laws and institutions including the 'Real Name Financial Transaction System, 1993 (a ban on the use of false names in all financial transactions to prevent tax evasion and hiding of illegally collected money); Freedom of Information Act (1996); Election Campaign Law (1995, 1997) and the Anti-Corruption Law (2002). The law was reformed as a result of media, petitions, demonstrations and grassroots lobbying.

International Legislation and Conven-

tions are additions to national legislation. They are often binding and ratified by a number of countries, and attempting to increase the political will to curb corruption and corruption-related crimes such as transnational bribery, international crime, money laundering and extradition. The most comprehensive international conventions are:

- The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions exerts further pressure on companies to uphold integrity by rendering corrupt business practices risky by criminalising bribery of foreign public officials, improving accounting and auditing practices,

increasing transparency in public procurement procedures, and denying tax deductions for bribe payments. Moreover, the OECD adopted the Recommendation on Improving Ethical Conduct in the Public Service in April 1998.

- In 2003, the United Nations Convention against Corruption was adopted by the General Assembly in 2003. A major breakthrough of the Convention is that countries agreed on asset recovery, which is a particularly important issue for many developing countries and demand binding agreements with governmental and private partners. However, Australia, China, Indonesia, Mongolia and Sri Lanka are the only five countries in Asia-Pacific to have ratified the UN Convention Against Corruption to date, suggesting a lack of government determination in the regional to tackle corruption.

Cost Recovery

In the WSE sector, an important mechanism for monitoring corruption is to take action against unpaid bills and illegal water connections. Corrupt management practices typically lead to increases in supply costs, which in turn result in increased tariffs or,

alternatively, mounting financial losses leading to reduced service.

Low water tariffs, far from ensuring that low-income households can afford piped water, turn water distribution into patronage (e.g. politicians have preferred to keep domestic water prices artificially low), which often contributes to utilities' financial difficulties, inhibiting investment, and preventing water and sanitation networks from being extended to low-income settlements (even when residents are willing to pay) (McGranahan and Satterthwaite 2006).

Mechanisms to ensure cost recovery include:

- Fix water tariffs in blocks according to the quantity used. This reduces opportunities for corruption and guarantees access by the poor.
- Use water metres in each household (low levels of tariffs are not compatible with metering).
- Set up centralised, 'one-stop' application/approval points for household water connection.
- Frequent, responsible inspections.

An interim solution to petty corruption in bill collection has been to create workers co-ops or to hire a private collection agency on management contracts. Contracts of this kind normally include collection targets and

BOX 26: Cooperatives in Dhaka, Bangladesh

An employees' union were awarded the contract to run the water system in one part of the capital city Dhaka, with another zone given to a local private company. After the first year of this experiment, the employees' co-operative had produced results so good that the water and sanitation authority handed over the private sector's contract to the union. The employees' co-operative achieved substantial improvements not only in customer services, billing and collection of fees, but also in reducing water loss. Corruption was reduced as staff were paid a real living-wage. Overall, the co-operative out-performed not only the private company, but also the existing public utility which suffered from over-bureaucratisation and inertia.

Source: <http://www.wdm.org.uk/campaigns/water/public/bangladesh.htm>

stipulate sanctions for failure to meet these targets, including contract termination. The few management contracts implemented so far in have led to noticeable improvements in collection rates, but have encountered opposition from trade unions.

One distribution utility in India took steps to tighten procedures and plug the leakage of revenue by metering. Unions of linemen and section officers saw the steps as a move to victimise their members by making them specifically responsible for the energy received and sold. They argued that accountability should be ensured across the utility at all levels and not confined to a few low-level employees. It took the utility two years and a change in the management to get all the feeders metered (Gulati and Rao 2007).

4.5 Regulator Accountability Arrangements

Proper regulation of utility companies which operate with a monopoly is important to reducing corruption. In the absence of any regulation of price, quantity and quality, monopolies could restrict the service supply or charge an excessively high price to consumers. Establishing independent regulators for WSE services can allow significant improvements in governance of public services, as long as such institutions operate with transparency (access to information, public involvement and public hearings), simplicity (well-defined, rules-based principles), and accountability (election of regulators, term limitations, avoid political intervention) (Ogus 2003; Estache and Martimort 1999).

The issue of regulation has been widely debated in the literature on corruption. It is tempting to conclude that tightening of regulations is needed to reduce opportunities for corruption. However, this might

be counterproductive since many opportunities for corrupt transactions can also arise from excessive regulation. The literature suggests that combating corruption requires less regulation, simpler procedures, and greater transparency (Bowles 2000; Platteau 1996; Lederman et al. 2001). However, paradoxically, increased discretion of officials can also create more corruption opportunities. Furthermore, those individuals who are most influential in bringing about change (e.g. political elites, bureaucrats, chief executives) are often also the ones who may lose most if corruption is curtailed.

With infrastructure privatisation, many countries are creating new regulatory institutions to monitor the behaviour and performance of newly privatised infrastructure monopolies. The report 'Connecting East Asia: A New Framework for Infrastructure' (ADB et al. 2005) notes that companies investing in infrastructure, both inside and outside of the region, say they are keen to invest where government policies and regulations are predictable. Among the constraints to investment, the companies cited the lack of enforcement of contracts, inconsistencies in regulations and in the courts, and corruption.

A recent study of bribes paid to utilities in a number of transitional economies in Central Asia found that the replacement of public ownership by private ownership reduced the amount of corruption, due to the change in incentives to control corruption (Clarke and Xu 2001). Nevertheless, other studies of these phenomena have shown that the process of privatisation may make corruption worse (China, for example, White 1996; Duckett 2001). As such, privatisation in itself is not a panacea for corruption – corrupt companies may gain market access and power, and thus out-compete 'noncorrupt' firms. In the private sector,

efforts should be made to develop and implement business ethics programmes and codes of conduct, with a view to encouraging self-regulation.

There are a number of mechanisms that regulators of the WSE sector may adopt in their on-going efforts to ensure accountable and responsive infrastructure delivery. These mechanisms are focused on 'combating corruption' by establishing audit institutions and anti-corruption commissions as well as by ensuring social regulation of the sector.

Audit Institutions

Corruption can be combated by enhancing institutions for public scrutiny and oversight. An audit's primary purpose is to provide a third-party view about whether a public sector manager's claims about the financial performance of a budgetary entity are reported in the time period they are claimed to be in, in the budget category they are reported to be in, that figures cover all transactions in a particular budget category *given some level of audit risk*.

Most countries in the region recognise the role of regular independent external and internal auditing in the infrastructure sector. For example, Bangladesh, the Cook Islands, the Fiji Islands, the Republic of Korea, Nepal, Pakistan, the Philippines, Samoa, and Singapore all require regular yearly or half-yearly audits of procuring agencies.

Audit institutions play a major role in auditing government accounts and operations and in promoting sound financial management and accountability in their governments. Appropriate auditing procedures applicable to public administration and the public sector, and measures and systems can provide timely public reporting on performance and decision-making. Conventional mechanisms for investigating corruption, such as audit and auditor gene-

ral, may not be adequate when the institutions are weak, as is common in many smaller developing countries.

Anti-Corruption Commissions

Independent anti-corruption agencies are established to:

- Investigate corruption cases and initial prosecutorial function.
- Educate and raise awareness about the harms of corruption as well as possibly to train government employees and elected and appointed officials (in cooperation with the civil service college).
- Provide analysis, policy briefs and even propose draft legislation to policy-makers.

An anti-corruption agency is more likely to be established where corruption is, or is perceived to be, so widespread that existing institutions (such as conventional law enforcement agencies) are less able to detect and prosecute complex corruption cases. As such, an anti-corruption agency often has greater public credibility. All countries in South East Asia have at least one anti-corruption agency. But the ones that work best are centralised, independent agencies such as Thailand's National Counter Corruption Commission. Malaysia's Anti-Corruption Agency reports to the government, and so is subject to political control (Economist 2004). Often cited successful commissions include:

- well established Independent Commission against Corruption (ICAC) of Hong Kong, China (SAR), which is the main body responsible for implementation of the anti-corruption strategy and activities. Its three-pronged approach focusing on prevention, punishment and educa-

tion has proven to be very effective. ICAC also launched a newspaper to encourage further public participation. It was concerned with all levels of officials as well as private sector corruption. The Prevention of Bribery Ordinance was used effectively to: (i) encourage companies to adopt codes of conduct, (ii) set up the Hong Kong Ethics Development Centre, and (iii) carry out surveys on ethics and the public's perceptions of corruption.

- Pakistan's National Anti-Corruption Strategy (NACS) was launched in 2002. While commitment to implementation of the strategy is still to be seen, the strategy is a comprehensive document and was drafted using a combination of local (the National Accountability Bureau) and international expertise.
- The Republic of Korea has the Korea Independent Commission Against Corruption (KICAC).
- Singapore Corrupt Practices Investigations Bureau (CIPB).
- Whilst Fiji and the Solomon Islands have an Ombudsman's office, Papua New Guinea is the only Pacific Island country with an effective anti-corruption institution in the form of a powerful investigative Ombudsman Commission. Vanuatu has an Ombudsman's office that has produced many reports on prime ministers, cabinet ministers and senior public officials, many of them are still in office.

Nevertheless, organisations in the region face fundamental problems due to important shortages of staff, training and adequate financial resources especially in the area of law enforcement. Whilst such institutions

seem to be important but they are not enough – just setting up new institutions is not going to solve the problem.

Social Regulation

Wade (1992) compares local irrigation systems in the Republic of Korea, where public servants are networked into their local communities, with those in India, where care is taken to ensure they are not, and notes that this may be a factor contributing to the far greater efficiency of irrigation systems in the Korean case. The Korean officials take more responsibility for carrying out their duties properly within the wider community, while their Indian counterparts are presented with a low risk strategy for personal gain. Social embeddedness creates social pressure to do a good job, so that any wrongdoing on their part that causes harm to the local community could lead to social ostracism. A mix of local public pressure, expectation, competition, information and publicity ensure accountability is shared between users and service producers. Davis (2004) highlights the need to bring engineers face-to-face with the daily hardships of customers in order to increase the moral cost of misconduct and to develop a sense of duty.

5. CONCLUSION

5.1 Major Findings

The experience in the Asia-Pacific region is diverse: countries can be found that provide best practice models for combating corruption (Hong Kong, China (SAR) and Singapore) and other countries where corruption is relatively entrenched (Papua New Guinea and Bangladesh).

Access to Water, Sanitation and Electricity (WSE) services is important for

people's quality of life and thus human development. Water-related diseases cost the Indian economy 73 million working days each year (DfID 2004). Of the 2.6 billion people worldwide without adequate sanitation, two billion live in the Asia-Pacific region. Most of the people with poor sanitation – 1.5 billion – live in China and India.

The inability to access these services is primarily a crisis of governance; corruption affects the governance of the WSE sectors by affecting who gets what, when, where and how (Stålgren, 2006). In particular, the monopoly structure of water, sanitation and electricity sector (either public or private) and shortages in the quality or quantity of WSE services can provide significant opportunity for rent-seeking. Corruption in the WSE sector results in the misappropriation of resources and hindering the attainment of the MDG targets for water supply and sanitation.

The World Bank estimates that in highly corrupt countries project corruption accounts for 30 to 40 percent in the water and sanitation sector (Water Integrity Network 2006). In Bangladesh, more than 30 percent of urban household respondents got their electric and/or water bills reduced by bribing the metre readers (World Bank et al. 2002). The World Bank suggests that 20 to 40 percent of water sector finances are being lost to dishonest and corrupt practices (Stålgren 2006). A recent case study from India's water sector indicates that side payments occurred in 50 percent of all transactions (Davis 2004). At the household level, corruption is felt in deficient water service delivery and practices, contributing to 40 billion working hours lost annually at a global scale (Stålgren 2006). Where the great majority of poor households lack connections – as is the case in most developing countries – the costs of petty corruption are likely to fall disproportionately on the poor.

Transparency International's (2002) South Asia survey (in Bangladesh, India, Nepal, Pakistan and Sri Lanka) found that lower income households spend a larger proportion of their income on bribes public services. In the water sector, observers estimate that 20 to 70 percent of resources could be saved if transparency were optimised and corruption eliminated (Stålgren 2006).

The core themes in most of the anti-corruption initiatives are transparency, accountability and access to information. These are achieved through a number of mechanisms, which can be broadly grouped into three main categories:

1. ***Providing a legislative framework*** that establishes the right of access to information. These are generally government initiatives, for example the Delhi Right to Information Act and the Seoul e-procurement system.
2. ***An organisation (e.g. NGO) or enlightened government office*** that works to obtain and disseminate information from and for citizens, for example, Report Cards on public service delivery in India, the Radio Against Corruption initiative in India to educate citizens on issues of corruption, the Committees of Concerned Citizens in Dhaka and Parivartan in Delhi, which both enable the grassroots organisations to participate in discussions about public services and also disseminates information to raise awareness.
3. ***A process is put in place***, whereby citizens can express their views or provide feedback on the performance of public services, for example, Report Cards in India, which uses citizen feedback to rate public services and the Citizen Evaluation

System in Seoul, which allows citizens to express their satisfaction/dissatisfaction with services.

Anti-corruption measures exist; concerned actors can learn from experiences in other sectors (corruption in the WSE sectors is facilitated by general inadequacies in governance systems), as well as from a few successful reforms already undertaken by private, public, local, national and international stakeholders in some countries in the Asia-Pacific region. The success of anti-corruption mechanisms in part depends on the simplicity of the mechanism or process, both in terms of the level of technology required and what, if any, specialised skills or resources are needed. Those initiatives that require less sophisticated technology, skills and resources are likely to be more easily replicable in other countries and other parts of the country. A number of the mechanisms require a high level of ICT infrastructure and skills, which would be impractical and problematic to sustain in many developing countries.

Some of the initiatives described in this paper require technical capacity or specific skills to be successfully implemented. For example, a number of the mechanisms require an ability to carry out quantitative research techniques and to be able to manage the data generated, such as the Report Cards.

An appropriate regulatory/legislative framework is important in the success of an initiative, for example the Right to Information Act in India. However, this needs to be adhered to by the relevant authorities with a strong civil society providing a check on these authorities. Many of the initiatives require not only political will, but also a strong civil society. In the absence of this, it is unlikely that citizens will demand accountability from the authorities.

Some of the initiatives rely on dissemination of information through various media. Depending on the context, this can be done through the internet, publications, public theatre and radio. One of the most accessible means of dissemination is the radio as demonstrated by the Radio Against Corruption Initiative in India. In many developing countries, radio is the main, and in rural areas the only, source of information.

Initiatives can be purely a government activity (such as e-procurement, the OPEN system and Report Card to the Mayor in Seoul, or the Independent Commission Against Corruption in Hong Kong, China (SAR)), partnerships between government and NGO/civil society (such as the Concerned Citizens of Abra, PROOF in India and the Integrity Pacts in Seoul) or purely NGO/civil society initiatives (such as the Radio Against Corruption). IFIs have promoted good governance and anti-corruption for some time and in a number of ways, for example, by funding action research, for example, the World Bank in Indonesia, in order to gather information on the types of corruption confronted by poor people and its harmful effects on their livelihoods.

Many of the case study initiatives depended on a 'champion', for example, a civil rights activist or an enlightened mayor, for sustainability and a level of success. This has implications in terms of replicability and also explains why an initiative can work in some places but not others despite similarities of conditions and environment, for example in different areas of the same city. Collective action appears to be a necessary element to: (a) enforce access to information, (b) provide effective dissemination of available information, (c) advise and raise awareness of citizens on their rights and responsibilities, and (d) press for action when evidence of corruption is found.

In many instances poor people do not perceive corruption as wrong, because they have always experienced things in such a way or else they see the holders of certain positions as having rights to do things and to enjoy privileges different from ordinary people. As a result, they are disinclined to question the behaviour, decisions or treatment meted out by government officials amongst others. WSE service delivery might be regarded as a gift or favour with certain obligations to be loyal and thankful. Poor people's greatest strength lies in their numbers. If poor people mobilise around issues such as corruption they can exert a degree of pressure and influence on the structures of governance. Such combined action can go a long way to overcome resource constraints (time, skills, labour and money). In this way, the poor can establish and assert their own sense of worth, claim the right to equal treatment irrespective of their social or economic circumstances. The subcontinent has a tradition of local level institutions that could help in combating corruption and implementing and monitoring service delivery such as the Panchayati Raj Institutions. Sen proposes the co-production of appropriate public services whereby, 'we can think of people participating along with governments in defining needs, in making choices appropriate to those needs, and in enforcing accountability.' Sen has described the success of public services in Kerala as due to the 'willingness of people to join together to demand accountability from the systems and their employees' (Wuyts et al. 1993).

5.2 Policy Pointers

A number of policy implications have been developed to inform and influence anti-corruption policies in the WSE sector that support and encourage human development concerns.

Civil Society

- Mobilise civil society (media, NGOs, community based organisations, business, labour, and professional associations) to monitor corruption in the Water, Sanitation and Electricity sector (WSE).
- Create anti-corruption network of NGOs involved in infrastructure service delivery to share information on anti-corruption initiatives.
- Conduct surveys of WSE service providers and public opinion to provide feedback for delivery of WSE services.
- Foster general anti-corruption education programmes in society, for example, put corruption on the curriculum in schools.
- Improve the capacities of NGOs and civil society organisations to understand sector technicalities in WSE service delivery – for example, training sessions or seminars can be held on procurement principles.
- Ensure the media exercise public scrutiny on WSE issues, for example, by writing letters to the editor.

Public Sector

- There are a number of mechanisms that aim to reinforce good practice on transparent governance across sectors; these include establishing competitive **public procurement procedures** and encouraging the adoption of international rules, improving transparency and accountability in **budget preparation, execution, and oversight of expenditure**; strengthening procedures for an **effective and merit-based civil service**, particularly recruitment, promotion and pay; developing **codes of ethics** in WSE service provider institutions based on 'zero tolerance' of corruption and to be enforced by strong sanctions.

- At the national level, mechanisms such as **comprehensive national strategies** for combating corruption and **strengthened law enforcement** mechanisms can also have a direct impact on the WSE sector.
- It is important to recognise gender differences in WSE service delivery and the use of accountability arrangements.
- Enact Right to Information Laws and provide access to public information, for example, on water and sanitation projects in slums, to ensure transparency.

Private Sector

- Establish public-private partnerships to develop anti-corruption strategies.
- Promote international standards and principles.
- Management commitment to implement anti-corruption strategies.
- Develop and implement codes of conduct and ensure their effectiveness through internal control mechanisms, training of personnel and sanctions.
- Adhere to accounting and auditing rules to ensure transparency in business transactions.
- Monitor foreign partners and their collaborators.
- Build coalitions for business integrity.

Regulators

- Strengthen independent audit and investigative bodies, for example, with sufficient human and financial resources, to monitor the WSE sector.
- Mobilise civil society to exert informal regulation of WSE service delivery.

5.3 Recommendations for Ways Forward

A number of recommendations can be

made for the success of anti-corruption mechanisms in the WSE sector:

- Anti-corruption measures should be realistic and backed by **sufficient resources**, combating corruption requires financial, human, capital, and **time**, major anti-corruption efforts take time and long-term commitment. Combating corruption requires **political will** as well as consequences of failing to meet public expectations; however, political cycles and the desire for immediate improvement in a crisis situation often lead to the development of time frames that are too short; **public support** (professional groups, the private sector, political will, trade unions, religious institutions and other civil society groups) is also important in ensuring long-term sustainability and commitment.
- **Programmes should be tailored to each country context:** Reform efforts can be encouraged by outside partners (e.g. donors), but they have to be home-grown and locally-driven if they are to be successful. There is no 'one size fits all' solution.
- **Focus on creating islands of excellence:** Islands of excellence are pockets of clean practice in either geographical areas or the WSE sector in a local government setting. Actors (the public and the private sectors as well as civil society) agree to renounce corrupt practices and adopt a code of ethical conduct. Whistle-blowing mechanisms as well as internal policies sets out clear guidelines for employees and business partners.
- **Address poverty issues:** Levels of tolerance for petty corruption may be high, particularly if salaries are low and infrastructure services are inaccessible. Inadequately paid public servants are

more vulnerable to temptation than those who are paid well. Proper compensation and incentives, within a comprehensive package of civil service reform, and legalising WSE service delivery in slums can play a role in combating corruption.

- **Demand and supply side issues:** Corruption has to be dealt with from both the demand and supply sides of the equation. The literature generally focuses largely on the 'passive' corruption of government officials who accept bribes, rather than the 'active' corruption of the companies or service users who pay them. Public sector agencies usually have a code of conduct, ethics training, whistle blowing procedures and whistleblower protection mechanisms that sets out in clear terms those values and standards of behaviour that are to guide public officials in their daily work. There are also numerous ways to raise awareness among the general public of the effects of offering bribes as well as to trigger civic action in the WSE sectors. Anti-corruption messages have been disseminated via television and radio to reach a broad audience in a wide variety of countries. Regular annual events have also been organised – such as an anti-corruption day or week at schools or town halls, media briefings, public hearings and marches, contests and competitions. Street theatre is another popular means for sensitisation in many countries. Participatory research and its dissemination such as report cards and surveys can also mobilise the public against corruption.
- **Policing is not an answer to institutionalised corruption:** Corruption can be so institutionalised that it is not necessarily the responsibility of those that carry it out. For example, contractors may cut corners because their company

has underbid in order to get the job and then have to 'make up' through skimping on materials. This is not just the contractor's fault; it is due to a system that takes the lowest bid even if it's below what is reasonable. As such, reform programmes in the infrastructure sector should focus on making 'the system' right rather than removing corrupt individuals. It is important to remove the root causes of the problem where corruption is systemic. In fact, prevention can be more effective and more economic than investigation and prosecution.

- **Education, especially at tertiary and professional levels:** Education can play a key role in combating corruption, for example, by promoting professional ethics, changing public expectations and attitudes, and developing public understanding of the consequences of corruption. Efforts should be made to promote professional ethics in the WSE sector; for example, by inclusion of anti-corruption education on the curriculum of professional education related to the sector.
- To ensure that basic services reach all poor people combating corruption alone is not enough; more resources are needed to achieve the Millennium Development Goals. Attention will also have to be paid to creating institutions that increase the range of service providers, permit greater access to services to the poor, empower users of services, and expand the reach of public services through decentralisation and improved local governance.

ENDNOTES

1. Improved drinking water sources include household connection, public standpipe, borehole protected dug well, protected spring, rainwater collection (UNICEF,

- 2006b). Unimproved drinking water sources are unprotected well, unprotected spring, rivers or ponds, vendor-provided water, bottled water or tanker truck water.
2. Improved sanitation facilities are a connection to a public sewer, connection to a septic system, pour-flush latrine, simple pit latrine, ventilated improved pit latrine. Unimproved sanitation facilities include public or shared latrine, open pit latrine or a bucket latrine (UNICEF 2006b).
 3. In economics, the principal-agent problem refers to the issue of how to get the employee or contractor (agent) to act in the best interests of the principal (the employer) when the employee or contractor has an informational advantage over the principal and has different interests from the principal.
 4. Examples include the Corruption Perceptions Index, Global Corruption Barometre, Bribe Payers Index, as well as regional and national surveys and Indices.
 5. Judgements of what is 'excessive' and 'appropriate' are finely tuned to local culture and circumstance. Darr's study (2003) of upstate New York electronics salesmen, reports that they often took customers to lunch, and that this was considered appropriate in an ongoing relationship. But offering lunch to *prospective* buyers was considered a 'bribe' because it was excessive, i.e. not called for given the lack of a previous relationship in which reciprocity was expected.
 6. Reciprocity allows individuals to make claims on others: if I do something for you, I then expect to be able to call on you in a time of need at some point in the future.
 7. A conglomerate of businesses, usually owned by a single family.
 8. An example would be the development of Singapore since the 1970s.
 9. For more information see the Global Integrity. Website: <http://www.globalintegrity.org/>.
 10. This is based on a simple assumption that 10 percent of capital investment, and potential revenue from operations lost in bribes. The assumption is based on anecdotal evidence rather than rigorous analysis of data.
 11. Increasing clients' choice in services through private sector delivery and voice in policymaking and service delivery processes.

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