

Tools and methods for mitigating corruption

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What's corruption?

Definition: The abuse of public power for private gain, of which:

Petite: Direct theft, e.g., police bribes from an individual

Grande: Indirect theft, e.g., kickbacks rob citizens

Subjective: Making choices for all based on personal preference

All three exist in the water sector. Each needs a different solution.

Information matters

The principal-agent-beneficiary problem arises when information and accountability are unclear.

The personal preferences of managers and politicians (agents) play a bigger role when:

- ▶ Customers' needs are unknown
- ▶ Agent choices or actions are unclear
- ▶ Outputs are hard to connect to outcomes

Paper: <http://tinyurl.com/ksmk62u>

Basic information

- ▶ Dad's bill: 37 CCF? (=3,200 liters/day @ \$3.80/day)
- ▶ Micro: Water bill should be clear
- ▶ Macro: Clear financial and flows accounting
- ▶ Quality: Test at the plant and the tap
- ▶ Operations: Inspections and performance (ib-net.org)

Complex incentives

Use complex systems for complex situations

How much information is in... a wedding ring or price?(Hayek)

Markets: Choices (e.g., kiosks vs. mains) can focus attention on outcomes (quality, cost, etc.)

Auctions: Bidding by potential operators. Avoid monopoly (e.g., Cochabamba) or duopoly (e.g., France)

Benchmarking: Rank (ib-net.org) and reward performance (paper <http://tinyurl.com/c254amg>)

Q & A plus advertising!

Time for discussion!

Blog: aguanomics.com

Book: endofabundance.com

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