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!

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