

Americas* **Corruption in the Water Sector**

Countries covered in the GCR 2008: Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Haiti, Jamaica, Mexico, Nicaragua, Paraguay and the United States

Examples of corruption and its impacts related to water issues in the region

- **Ecuador:** Private vendors, cartels or even water mafias have been known to collude with public water officials to prevent network extension or cause system disruptions. These service breakdowns help to preserve their monopoly over provision and increase business for private water vendors in specific neighbourhoods. (P.44)
- **Haiti:** In Port-au-Prince, a group of valve attendants traverses the city every day, opening and closing valves to distribute water. Along the way, rich people bribe them in order to get more water. But they also compete with slum water associations, which also bribe valve attendants to fill their storage tanks for resale. The final payers of the bribes are the slum dwellers – those with the least money to spare. (P.53)
- **Guatemala:** More than 15 per cent of respondents to a national household survey in 2006 reported having paid a bribe for a water connection or reconnection. (P.44)
- **Mexico:** The largest 20 per cent of farmers reap more than 70 per cent of irrigation subsidies. (P.72)
- **Paraguay:** In 2003 the European Commission learned that 90 per cent of EU funds intended to help improve water service in fifty communities had been diverted. The funds were eventually traced to a bank account of a foundation unrelated to the project. (P.45)
- **United States:** In the southern cities of New Orleans and Atlanta, officials were allegedly wined and dined, treated to lavish holiday trips, given apartments and large amounts of cash with the aim of gaining a project or influencing the design of water and sanitation contracts. (P.56)
- **United States:** In San Diego, California households were overcharged on their monthly sewage bills and the excess was unlawfully used to subsidise the sewage costs of industrial users. (P.57)
- **United States:** In Chicago the head of the water department was found guilty in a scheme to extort campaign contributions from subcontractors and use employees from his department to do campaign work. (P.57)

* These highlights only reference specific examples from the region. For more overarching global trends, figures and policy suggestions, that also include the region, please see the executive summary and full report.

Global Corruption Report 2008

Regional Highlights

- **Bi-national Projects:** Joint water projects undertaken by two or more states, may end up in a jurisdictional twilight zone which fosters corruption. The Itaipú Dam, a joint project by **Brazil** and **Paraguay**, made it possible for management to operate a parallel account not declared to either authority. The resulting fraud has been estimated at US\$2 billion. (P.38)
- Bribes and misappropriation of funds have also been reported for the **Paraguayan–Argentinean** Yacyretá Dam, started in 1983 and completed only in 1994. The costs ballooned from US\$2.7billion to US\$11.5billion. (P.88)

Some promising initiatives to clean up water governance

- **Disclosure and shaming:** Initiatives such as the Toxic Release Inventory established in 1986 in the United States, have helped raise public awareness about major polluters and successfully contributed to a sharp reduction in harmful emissions that also affect water resources. (P.27)
- **Rights and entitlements:** In Argentina, community members, with the help of a human rights NGO, took the municipality and state of Cordoba to court over failing to stop daily spillage from a sewage treatment plant that contaminated their drinking water. In 2004 a court ruled in the citizens' favour and both the state and municipality were forced to take action. (P.49)
- **Participation:** In Porto Alegre, Brazil, citizens have participated in open budgeting and spending reviews related to water and sanitation. Within seven years of adopting these measures access to water increased from 80 per cent in 1989 to near-universal coverage by 1996, and access to the city's sanitation system expanded from less than a half to 85 per cent of all citizens over the same period. (P.50)
- **Collective commitments:** Unethical overpricing and sub-standard work quality in Colombia's pipe manufacturing industry led companies to lose public projects. This combined with a recession, pushed pipe companies to boost revenues by any means – blurring the limits between commercial and corrupt practices. In 2005, after a year of talks, pipe companies signed an Anti-corruption Sectoral Agreement and by 2006 bid award prices dropped significantly, reducing the scope for paying bribes. (P.63)