



Integrity Management Toolbox for Kenyan Water Service Providers

Description WSP Integrity Risks 1.0



BMZ



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for Economic Cooperation
and Development

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WIN Water
Integrity
Network
Fighting corruption in water worldwide

cewas
international centre for water management services

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List of Abbreviations

ACID	Anti Corruption Internet Database
BoD	Board of Directors (of Water Service Providers)
cewas	International centre for water management services
GIACC	Global Infrastructure Anti-Corruption Centre
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ICAC	Independent Commission Against Corruption
KEWI	Kenyan Water Institute
NWCPC	National Water Conservation and Pipeline Corporation
SIWI	Stockholm International Water Institute
TI	Transparency International
TI-K	Transparency International Kenya
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNDP	United Nations Development Programme
UNDP-WGF	United Nations Development Programme, Water Governance Facility
WAG	Water Action Group
WASREB	Water Services Regulatory Board
WIN	Water Integrity Network
WSB	Water Service Board
WSP	Water Service Provider
WSS	Water supply and sanitation service
WSTF	Water Service Trust Fund



Customer Relations

1. Bribery to postpone disconnections

Category	Customer Relations
Description	In case a customer doesn't pay his/her bills, a common practice is to disconnect the customer. In order to avoid disconnections bribes may be paid to field staff, who are supposed to disconnect the customer, or to administrative staff to prevent that the customer is listed for disconnection.
Examples for Red Flags	<ul style="list-style-type: none"> • High levels of non-revenue water • Few re-connections in comparison to reported disconnections
Example	<p>Global Corruption Report, TI & WIN, 2008:</p> <ul style="list-style-type: none"> • In New Jersey (USA) in 2007 a water agency employee pleaded guilty to colluding with a landlord to extract money from poor households that sought to avoid water disconnection due to outstanding bills. • A woman who was wrongly billed sixty times more than her normal monthly rate for water was told that to have her service turned back on she would have to make the full payment. The elderly widow refused and instead began having the renters she took in collect water from a nearby church.

2. Customers have a negative image of WSP

Category	Customer Relations
Description	The responsibility of a WSP is the provision of water and sewerage services to customers. In return customers have responsibilities towards the service provider, which include payment of bills, as well as the obligation to not damage the supply network or to temper with the meters. Customers may not be willing to fulfil their obligations anymore or may collude with WSP staff to avoid paying bills or to setup illegal connections if they have a negative image of the WSP (e.g. because of quality of services, experiences in the interaction with the WSP, etc.). Furthermore a bad reputation of the WSP makes it difficult to tap into the potential for cooperation with customers reporting illicit practices of staff or illegal connection in their neighbourhood.
Examples for Red Flags	<ul style="list-style-type: none"> • Negative reports about the WSP in local newspapers and radios • Field staff complains about harassment in certain parts of the service area
Examples	<p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • Residents claim that there is a deliberate confusion created by members of staff who previously worked for the ministry of water but have been absorbed by SIBO. • The non-involvement of community members in negotiations for the projects that affect them is seen as one of the main factors that promote corruption in the water sector in the district. In all the projects under study, community members were not aware of the scope and conditionalities of the projects. In most cases, there was minimal consultation with the rights holders leaving committee members and the sponsors of the project with the role of implementation without the



	<p>requisite checks and balances for transparent management of the projects.</p> <p>Corruption in Public Service Delivery: Experience from South Asia’s Water and Sanitation Sector [Davis 2004]:</p> <ul style="list-style-type: none"> • [Half of the customers did not file complaints had] problems such as leaks or sewer blockages, but felt that complaining to their service provider would not result in the problem being solved. Instead, 52% of these respondents hired someone to fix the problem while 48% made the repair themselves. • [Petty corruption] involves customers directly, it shapes public perception in important ways. One former director of an urban water board places great emphasis on addressing petty corruption because we must try to improve our public image. [the] people must perceive us as honest. Otherwise, how can we make a case for increasing the tariff? The customer says am having to pay an extra 100 rupees just to have my repairs made on time.’ We cannot have this kind of image and expect public support. <p>Nairobi Water & Sewerage Company Limited: A Survey, April–May 2005 [TI-Kenya 2006]:</p> <ul style="list-style-type: none"> • Over 50 per cent of households surveyed in Nairobi felt their bills were unfair, 20 per cent said they paid their bills regardless of the accuracy (in order to avoid disconnection) and 66 per cent said they had had a water-related corruption experience in the past year.
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3. Staff benefitting from illegal connections

Category	Customer Relations
Description	Utility staff knows how to setup water connections and has good knowledge of the distribution network. Based on this knowledge they may engage in setting up illegal connections against payments. Furthermore, bribes are paid to avoid disconnection or reporting of the illegal connections. Such connections to the WSP’s network can increase the level of unaccounted for water; can reduce efficient billing and the overall resources available to the service provider.
Examples for Red Flags	<ul style="list-style-type: none"> • No illegal connections are reported in areas with high non-revenue water and where illegal connections could be expected
Examples	<p>National Water Integrity Study, TI-Kenya, 2011:</p> <ul style="list-style-type: none"> • Corruption in various forms is also manifest at community level as seen in [...] aiding illegal connections. <p>Global Corruption Report [TI & WIN, 2008]:</p> <ul style="list-style-type: none"> • In Sierra Leone, a director of the Freetown utility was killed in 2007 during a clampdown on fire fighters over their illegal resale of water. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • One of the main challenges is the case of illegal connections which may involve both staff of the water service providers and other private plumbers. The connections can be done at various points in the water pipe or by-passes fitted before water meters by metered consumers. <p>Corruption in Public Service Delivery: Experience from South Asia’s Water and Sanitation Sector [Davis 2004]:</p>



	<ul style="list-style-type: none"> In one city, we learned about a vigorous private plumbing market in which a household can obtain a water supply connection for roughly half the official fee charged by the public provider. Recurrent costs of service for an illegal connection are simply the costs of maintaining it and concealing its existence, perhaps including payment to a line worker who discovers it.
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4. Insufficient complaints management & customer orientation

Category	Customer Relations
Description	Without proper complaints management, WSPs lose their ability to control and manage risks because failures, unethical behaviour and illicit practices don't reach those responsible. Furthermore, consumers are unable to seek redress due to the lack of effective complaint mechanisms and lack of awareness about the rights and responsibilities of providers and consumers.
Examples for Red Flags	<ul style="list-style-type: none"> Low responsiveness of WSP to customer complaints No regular reporting about complaints from customer care to management
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> Consumers [...] find it difficult to access complaint desks or to secure information on WSP investments and performance. Although many companies have received substantial funding and capacity building [...] they still fail to adequately respond to complaints. Without effective complaint mechanisms, and where awareness about the rights and responsibilities of providers and consumers is lacking, poor householders are unable to seek redress. <p>Investigation into corrupt conduct of Sydney Water employees and others [ICAC 2011]:</p> <ul style="list-style-type: none"> Sydney Water's ability to exert and control authority was obstructed by a deficient complaint system and inadequate risk management processes. Audit plans are influenced by the examination of existing records. In the absence of a robust process of complaint capture, Sydney Water Internal Audit was hampered in its development and prioritisation of audit plans.

5. Non-cooperative customers

Category	Customer Relations
Description	While WSPs have roles and responsibilities towards its customers and potential customers, so do the customers in their relationship with the WSP. Nevertheless, customers may refuse to cooperate with the service provider, for example if they don't allow meter readers to access meters or if customers simply refuse to pay their bills.
Examples for Red Flags	<ul style="list-style-type: none"> Field staff complains about harassment in certain parts of the service area Field staff reports that customers deny access to water meters
Examples	



6. Petty corruption to expedite connections or repair work

Category	Customer Relations
Description	Small bribes, also called a ‘facilitating’, ‘speed’ or ‘grease’ payments, are made to secure or expedite services from the WSP to which the customer has legal or other entitlement, like household connections, repair work, information or other [based on The Anti-Corruption Plain Language Guide, TI, 2009]
Examples for Red Flags	<ul style="list-style-type: none"> • Preferential treatment of certain customers
Examples	<p>Global Corruption Report, TI & WIN, 2008:</p> <ul style="list-style-type: none"> • Administrative corruption for speed (or preferential treatment) – irrigation canal repairs, new connections • In a 2004 survey in India ‘[c]ustomers also said they had paid bribes to speed up repair work (33 per cent of respondents) or expedite new water and sanitation connections (12 per cent of respondents). <p>National Water Integrity Study, TI-Kenya, 2011:</p> <ul style="list-style-type: none"> • Speed-up money was also indicated by some as being useful to get connections and repairs done and may even help to reduce meter reading. <p>ACID, http://www.antigraft.org/pages/definition-corruption-1:</p> <ul style="list-style-type: none"> • Low-level extortion, such as the payment of “speed money” in order to ensure timely consideration and decision-making of minor matters by officials is widespread in many countries. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • Applications for connections present a clear opportunity for corruption with no proper follow-up mechanisms to ensure that those who have applied and paid the requisite fee are served on a first come first served basis. The customer reference system is based on the sequence of customer application for new connections but there are not properly referenced numbers given to customer to allow for a systematic follow up. These, they attribute to lack of capacity rather than corruption among water service providers. <p>Corruption in Public Service Delivery: Experience from South Asia’s Water and Sanitation Sector [Davis 2004]:</p> <ul style="list-style-type: none"> • [informal payments for public service delivery ... and payments to junior staff of public W&S agencies by household members] are made in exchange for expediting applications for new connections; quick attention to water supply and sewer repair work; the falsification of water bills; and the provision or ignoring of illegal service connections • Customers who need service repairs or who desire a new service connection—services to which they are entitled—have the option of repeatedly requesting assistance, perhaps involving senior staff who can apply pressure for line workers to respond, or they can pay “speed money” directly to employees. Such payments [...] for a new connection, are typically made in field offices or in customers’ homes, and virtually always in cash. Those unwilling or unable to pay speed money often do not seek help for genuine service problems, knowing that agency staff will ration their time among bribe-paying customers.



7. Tempering with meters and falsified meter readings

Category	Customer Relations
Description	Customers who are unwilling to pay for the water they consumed may collude with meter readers to reduce the volume of water recorded which will have an effect on their bill. This may also happen to cover-up high consumption resulting from illegal water reselling. Falsified meter readings require collusion that is difficult to detect in many communities because of both chronic technical problems with meters and lax oversight of field staff.
Examples for Red Flags	<ul style="list-style-type: none"> • High levels of non-revenue water • Large number of customers with surprisingly low consumption in certain areas
Examples	<p>National Water Integrity Study, TI-Kenya, 2011:</p> <ul style="list-style-type: none"> • Corruption in various forms is also manifest at community level as seen in [...] tampering with water meters [...]. <p>Global Corruption Report, TI & WIN, 2008:</p> <ul style="list-style-type: none"> • A [...] 2004 survey in India found that 40 per cent of water customers had made multiple small payments in the previous six months to falsify meter readings so as to lower their bills. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • There has been improvement in the billing system in Bondo even though it has not been sufficiently computerized to cover all water users in the town water supply system. Customer details are still captured in consumer ledger books. Even with the computerization there are cases of incorrect data capture partly due to capacity of staff or incorrect information provided by the field staff. <p>Constraints such as shortage of staff and inadequate transport sometimes lead to incorrect billing or even delays in delivery of bills to consumers. Because there are cases where there is a shortage of meters, estimates of consumption are used and this purely relies on the goodwill of the water official. This is an obvious loophole that leads to corruption as the consumers want to pay less and the official is not sufficiently remunerated to refuse bribes to charge them less. [...] This obviously affects many other aspects of the development of the water supply system including the improvement of the infrastructure and staff development.</p> <ul style="list-style-type: none"> • Tampering with water meters to give low readings is a common problem encountered and this does not necessarily involve staff members. However cases where consumers bribe meter readers to either compromise meter readings or to stop disconnections where bills are not paid have been reported. <p>Corruption in Public Service Delivery: Experience from South Asia's Water and Sanitation Sector [Davis 2004]:</p> <ul style="list-style-type: none"> • Falsified meter readings require collusion that is difficult to detect in many communities because of both chronic technical problems with meters and lax oversight of field staff. As one supervisor noted: 'With the meter reading, the men are in the field and we have no control over them. Most of our meters do not work properly. It is accepted for the meter reader to give an estimate when there is no proper meter reading. We cannot go and check all the meters ourselves. . . [W]e must accept



	<p>what they tell us. . . We cannot punish the worker but we can tell him to go and do the job without a payment of any bribes.’</p> <p>Improving Transparency, Integrity and Accountability in Water Supply and Sanitation [González de Asís et al 2009]:</p> <ul style="list-style-type: none"> • The type of corruption reported most frequently were payments for falsifying meter readings. Some 41 per cent of the respondents said that they had made at least one such payment during the preceding six months. Of the interviewed staff from the water agency, nearly three-quarters said that falsification of meter readings “happens about half the time,” “is very common,” or “happens virtually all the time.”
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8. Collusion of staff with informal and private water providers

Category	Customer Relations
Description	<p>Informal service providers are providing water and sanitation services to a large share of the population in Kenya. Water vendors often sell water from (sometimes illegal) connections to the distribution network of a WSP. Frequently WSP staff colludes with informal service providers enabling them to do business and receiving a share of the profits. Company staff may also engage directly in providing private services through illegal connections or board members might rent out water tankers for private service provision (and oppose network extensions to these areas to keep their business going).</p>
Examples for Red Flags	<ul style="list-style-type: none"> • High levels of non-revenue water • Few household connections in certain areas despite available network coverage
Examples	<p>National Water Integrity Study, TI-Kenya, 2011:</p> <ul style="list-style-type: none"> • Corruption in various forms is also manifest at community level as seen in under reporting of daily sales at water points by vendors [...]. <p>An analysis of water governance in Kibera, Kenya [Birongo, J.M. et al. 2005]:</p> <ul style="list-style-type: none"> • Meter readers are paid ‘protection money’ by ‘independent’ water vendors and some members of MBK so that the later are able to hawk water that by-passes the meter. The meter readers are then able to allow and facilitate illegal water connections. <p>Urban water conflicts [UNESCO, 2012]</p> <ul style="list-style-type: none"> • The number of water retailers [in Kibera, Kenya] is estimated at around 2.000, generating turnover of US\$ 15.000 to \$ 39.000 per day. Corruption and criminal practices, stimulated by fierce competition, are commonplace among players in the water sector. The cascade of pressure exerted ranges from the most powerful, including the employees of Nairobi water service (the conversion of which from a direct municipal service to a publically owned company has not stopped the corruption), to the most vulnerable [...] For example, water vendors, both legal and clandestine, suffer from constant racketeering of water services staff (bribes to obtain connection or avoid disconnection) [...] • [Customers in a city in Mexico] claimed that ‘private water vendors have organised a black market for potable water in the popular districts taking advantage of the service interruption affecting a large part of the city’s southern area’. They added that the service interruptions were planned in collusion with municipal officers in order to create a market for private vendors [...] <p>Global Corruption Report, TI & WIN, 2008:</p>



	<ul style="list-style-type: none"> • In many situations elevated costs [for poor households / informal areas] can be attributed to the corrupt transactions between informal providers and utility officials. • In Bangladesh and 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 the business for private water vendors in specific neighbourhoods. <p>National Geographic News [2008]</p> <ul style="list-style-type: none"> • [W]ater is often delivered in trucks or pushcarts by entrepreneurs, who in some cases secure supplies illegally from a bigger water company [...] mafia-like groups often collude with public water officials to prevent access to cheap water services. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • “How do you explain the variations in water prices.....why should it be five shillings today and ten shillings when you come tomorrow? All we have asked the management is for the cost per jerry-can to be fixed and standardized so that we don’t feel that we are being cheated by the kiosk operators,” <p>Definition of ‘Collusion’ from The Anti-Corruption Plain Language Guide [TI, 2009]:</p> <ul style="list-style-type: none"> • A secret agreement between parties, in the public and/or private sector, to conspire to commit actions aimed to deceive or commit fraud with the objective of illicit financial gain.
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Operation and Maintenance

9. Operation and Maintenance not carried out properly

Category	Operation and Maintenance
Description	<p>Operation and maintenance are the backbone of a functioning water supply and sewerage system. In order to operate and maintain this system, investments are required in the form of work of field staff as well as payments of sub-contractors hired to handle certain tasks. Both types of ‘investments’ carry integrity risks:</p> <ul style="list-style-type: none"> • Staff may lack motivation to carry out their tasks (repair work, checks or cleaning of pipes, etc.). To cover this up they may collude with colleagues – e.g. with staff receiving complaints about service quality in their work area – to avoid that their under-performance is noticed. • Staff may also misuse their position to force customers to pay bribes for receiving the maintenance services that they are entitled to (e.g. repairs of burst pipes that affect their water supply, etc.). • Sub-contractors on the other hand may collude with staff to cover-up that they haven’t fulfilled their contractual obligations (e.g. that they have only done parts of the repairs/measures/cleaning tasks/etc. that they were supposed to do or even that they may not have done anything at all).



Examples for Red Flags	<ul style="list-style-type: none"> Large amount of complaints and technical problems in certain parts of the network
Examples	<p>Global Corruption Report, TI & WIN, 2008:</p> <ul style="list-style-type: none"> Extortion in the repair and maintenance services is also common. In Zimbabwe, a resident of Harare was told the broken pipe that leaked sewage into his house would not be fixed unless he ‘dropped a feather’ – paid a bribe. <p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> Prices may be inflated when procuring goods and services; kickbacks may be paid to decision makers; and collusion can occur in bidding processes. Frequently, projects are awarded to the officials’ ‘preferred’ contractor, regardless of the bid quality or price. This results in poor quality work, which can lead to high maintenance costs or dysfunctional infrastructure. <p>Examples from the Global Infrastructure Anti-Corruption Centre [GIACC, 2008]:</p> <ul style="list-style-type: none"> A plumbing sub-contractor is requested by the contractor to repair a toilet. After inspecting the toilet, the plumbing sub-contractor ascertains that the repair could be completed by the supply of a replacement washer. The plumbing sub-contractor, with the intention of securing a higher price, falsely informs the contractor that several new parts are necessary. The contractor agrees. The plumbing sub-contractor replaces the parts and invoices the contractor for the work carried out. The invoice is higher than it would have been had only the washer been replaced. The contractor pays the invoiced amount. <p>In Africa, corruption dirties the water [Odiwuor 2013 http://newsite.irinnews.org/Report/97642/In-Africa-corruption-dirties-the-water]</p> <ul style="list-style-type: none"> “Because the revenue that is collected from the water sector is not ring-fenced, it is not ploughed back in to improve services. It is not uncommon to see leaking and broken pipes and water pumps in many parts of urban and rural regions of Africa countries,” Barrack Luseno, a Kenyan water sector analyst, told IRIN.

10. Poor performance of contractors

Category	Operation and Maintenance; Procurement and Contract Management
Description	<p>Requirements for services (e.g. installations, repair work, measurements etc.) and goods (e.g. equipment like pumps, pipes etc.) are defined to enable the WSP to provide adequate services. Contractors can ‘save’ money and time if they provide lower quality work or products. Usually collusion between staff and contractors is required to cover this up, and favours or kickbacks are exchanged. Failure to meet agreed standards of services and goods means that the WSP doesn’t receive value for money. Insufficient quality may significantly increase costs for operation and maintenance or, in the worst case, the entire task and investment has to be redone.</p>
Examples for Red Flags	<ul style="list-style-type: none"> Complaints regarding quality of goods and services Continued acceptance of poor quality goods and services and unfinished tasks
Examples	<p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [KWAHO/UNDP 2009]:</p> <ul style="list-style-type: none"> One of the areas where residents allege corruption thrives is in the procurement of contractors and of equipment. They point to the fact that



	<p>some of the contractors for the projects are known for their incompetence but are still awarded projects either because they bribe those with the responsibility of identifying contractors or because of their connections to the political leadership.</p> <ul style="list-style-type: none"> • Indeed in one of the projects, there was a pump installed that was meant to be new but even a casual glance shows one that it was an old pump that had just been painted. “If we had good representatives, these are things that should not be accepted”. <p>Integrity pacts in the water sector [WIN/TI 2011]:</p> <ul style="list-style-type: none"> • [If a contractor or operator] won a bid with a very low price, but once the contract is signed, charges higher fees, withholds delivery or performs poorly to compensate for low income or uses substandard materials or out-dated equipment, to offset costs. • [Suppliers or w]inning bidders/contractors offsetting bribes and other payments with work that is poor quality, defective or to different specifications than those contracted. Faulty or sub-specification work may require early repairs or expensive correction. • Supervisors and auditors fail to play their role – they are bought or biased. <p>Examples from the Global Infrastructure Anti-Corruption Centre [GIACC, 2008]:</p> <ul style="list-style-type: none"> • A concrete supplier is obliged to supply concrete to a particular specification. The concrete supplier deliberately supplies concrete of a cheaper and inferior specification, but invoices the contractor for the required specification. • An earth-moving sub-contractor signs a contract with the contractor to remove unsuitable material from site and to replace it with suitable material. The earth-moving sub-contractor will be paid by the load. The contractor appoints a quantity surveyor to count on site the number of loads removed and replaced by the earth-moving subcontractor. Each load will have a written load certificate which will be signed by the earth-moving sub-contractor and counter-signed by the quantity surveyor. The manager of the earth-moving sub-contractor agrees with the quantity surveyor that the quantity surveyor will falsely certify more loads than the earth-moving sub-contractor actually undertakes. In return, the earthmoving sub-contractor will pay the quantity surveyor 30% of the payment received by the earth-moving sub-contractor for each false load. The quantity surveyor certifies 20 false removals and 20 false replacements. The earth-moving sub-contractor submits both its genuine and its false certificates to the contractor for payment. The contractor pays in full, resulting in an illicit profit to the earth-moving subcontractor. The earthmoving sub-contractor pays the quantity surveyor his share.
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11. Theft of utility assets by staff

Category	Governance, Management and Controls
Description	Insufficient monitoring of utility assets and the lack of an inventory system to keep track of utility assets provides opportunities for theft and misuse of assets.
Examples for Red Flags	<ul style="list-style-type: none"> • Lots of material and assets go missing
Examples	Examples from ‘Enhancing water integrity in the provision of quality water and sanitation services in Kenya’ [KeWI/GIZ 2012]:



	<ul style="list-style-type: none"> • Requisition of fittings which are later on sold back to the supplier • Colluding with petrol attendants to exchange fuel for money
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12. Vandalism, theft and interference by external actors

Category	Operation and Maintenance
Description	Theft and vandalism of assets and material by external stakeholders can have severe impact on the performance of a WSP. Furthermore political actors may interfere with a WSP's operations, tasks or strategic decisions breaching their role and undermining the management of utilities.
Examples for Red Flags	<ul style="list-style-type: none"> • Frequent instances of theft and vandalism in certain parts of the service area • Local politicians involve themselves in decisions related to the operational management of the WSP
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • [C]hallenges in low-income areas are vandalism and the theft of hardware (often carried out by informal water vendors fearing competition). • Councils and local authorities [resist] to accept the fact that WSPs are now commercial, autonomous entities governed by the Company Act and are subject to regulation. Local politicians attempt to manipulate public consultations on tariff adjustment in order to maintain low tariffs and receive popular support at election time. <p>AllAfrica [http://allafrica.com/stories/201208070333.html , 2012]:</p> <ul style="list-style-type: none"> • As droughts become more frequent and water shortages worsen, Kenya is seeing an increase in water thefts and other water-related crime, police records show. The most common crimes are theft, muggings and illegal disconnections of water pipes by thieves who collect and sell the water. Many of the crimes occur in urban slums, which lack sufficient piped water. [...]Police statistics show that in Kibera – Nairobi's largest slum with over one and a half million inhabitants – there are as many as 75 reported incidences of water-related theft daily. <p>Daily Nation [http://www.nation.co.ke/News/Water-company-loses-Sh200m-pipes-to-thieves/-/1056/1700784/-/siasam/-/index.html , 2013]:</p> <ul style="list-style-type: none"> • A water company has lost pipes and valves worth more than Sh200 million to vandals. The thieves are making a fortune by selling the pipes to unscrupulous scrap metal dealers. Last year the Mombasa Water Supply and Sanitation Company lost hundreds of pipes, valves, bolts, manhole covers and a large volume of water, all valued at Sh200 million. Managing director Alome Achayo said on Thursday that this year alone the vandals had struck 10 times, causing damage to infrastructure worth Sh10 million and water losses of Sh10 million. In the recent incidents, pipes covering six kilometres in the upmarket Nyali suburb had been stolen. The vandals also made away with pipes covering one kilometre along the Makupa Causeway. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • A project that was meant to serve North Sakwa stalled after pipes had been laid and the infrastructure was almost completely laid because of political sabotage and due to interference by the local leadership who wanted changes in design to serve their areas of interest.



Financial Management

13. Error-prone accounting system

Category	Financial Management
Description	Using manual or inadequate electronic systems for billing, meter reading and accounting makes it easier to manipulate data and embezzle funds. This is further aggravated if fraudulent documentation, accounting and reporting by those managing finances aren't controlled and audited properly. An error-prone accounting system makes it easy to cover-up irregularities and thereby creates opportunities for theft of utility money and assets.
Examples for Red Flags	<ul style="list-style-type: none"> • Manual accounting or old electronic accounting system • Inadequate documentation of payments
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • Using manual or inadequate electronic systems for billing, meter reading and accounting makes it easier to manipulate data and embezzle funds. This was demonstrated by a recent case which saw 25 million Kenyan shillings (EUR 225,000) stolen from a utility's bank account. <p>Firm Accounting Practices, Accounting Reform and Corruption in Asia [Wu]</p> <ul style="list-style-type: none"> • On one hand, firms may find it convenient to have murky accounting practices because they can easily tamper with their accounting books to evade extortion or to shield them from unfair discrimination by the government. On the other hand, bad accounting practices also make it difficult to detect and prevent other business flaws that are detrimental to the firms. <p>Investigation into corrupt conduct of Sydney Water employees and others [ICAC 2011]</p> <ul style="list-style-type: none"> • An organisation's financial controls are central to strong governance. This inquiry revealed that Sydney Water's financial controls had a number of weaknesses that allowed [a contractor] to obtain money from Sydney Water. The controls did not reveal Mr Harvey's misuse of his financial delegations, order splitting to hide large transactions within his delegation or his submission of questionable invoices for payment. [...]Sydney Water's systems allowed Mr Harvey to request, approve and certify delivery of services purportedly provided by [the contractor]. Mr Harvey was not required to involve any other Sydney Water person, including his supervisor, in these transactions. [...]Mr Harvey was able to circumvent the safeguard of delegation limits by splitting a large order into smaller components that fell within his largely unmonitored delegations. Order splitting effectively removes the cap on potential losses inherent in the delegation limit. With a heavy reliance on manual checks, rather than a more sophisticated automatic analysis of payment patterns, Sydney Water was not able to detect this behaviour.

14. Falsification of invoices and accounts

Category	Financial Management
Description	Order splitting, falsification of invoices and manipulation transfers are typical examples of means to circumvent procedures and delegated authority in order to embezzle funds. Moreover, falsification of accounts, invoices or other financial documents are common practices to cover up fraud and theft of money or assets. This usually involves staff tasked with financial management.
Examples for Red Flags	<ul style="list-style-type: none"> • Questionable invoices • Inadequate payment documentation • Lots of corrections in manual cash books or pristine records – ie a manual cashbook that looks as if they have been written on the same day • Records not being kept up to date • Budget monitoring reports showing inconsistent behaviour between line items
Examples	<p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • Lack of records to provide information on issues of procurement, staffing, billing and revenue collection, maintenance and work schedules, inventories and customer complaints make it difficult to authenticate expenditures and projections. There is no proper record keeping in place to ensure transparency in the process. <p>Investigation into corrupt conduct of Sydney Water employees and others [ICAC 2011]:</p> <ul style="list-style-type: none"> • The invoices [...], totalling \$25,500, which Mr Makucha submitted to Mr Harvey for payment by Sydney Water, were a ruse concocted between Mr Makucha and Mr Harvey so that Mr Makucha could obtain money from Sydney Water for his personal use. To the knowledge of both Mr Harvey and Mr Makucha, the invoices falsely represented that they were for the sale of buildings to Sydney Water. <p>Improving Transparency, Integrity and Accountability in Water Supply and Sanitation [González de Asís et al 2009]:</p> <ul style="list-style-type: none"> • Corruption in local budget management (fraud, falsification of accounts or documents, village level collusion)

15. Inefficient revenue generation

Category	Financial Management
Description	Common problems are, for example, collusion between meter readers and customers in order to receive side payments for under-billing, or the involvement of company staff with local water cartels to cover up illegal connections, leading to higher water losses and low efficiency in revenue generation.
Examples for Red Flags	<ul style="list-style-type: none"> • High levels of non-revenue water • Low billing efficiency
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • Common problems are, for example, collusion between meter readers and customers in order to receive side payments for under-billing, or the connivance of company staff with local water cartels to cover up illegal



	<p>connections, leading to higher water losses and low collection efficiency.</p> <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • It becomes difficult for consumers to know who deal with even in revenue collection as staff do not have a clear system of identification. They say it is not unusual to get one official presenting himself as a ministry official in one month and a SIBO staff the next. Such confusion creates loopholes that allow corruption to thrive as it makes follow-up difficult.
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16. Lacking integrity in Financial Management

Category	Financial Management
Description	Financial staff is responsible for handling cash processing transfers and documenting financial flows, which puts them in a delegate position from an integrity perspective. Supervisors or managers may pressure them to help embezzle funds, to make procedural payments or to manipulate financial data to cover-up corrupt practices. At the same time financial staff may themselves misuse their position for private gain.
Examples for Red Flags	<ul style="list-style-type: none"> • Change of lifestyle of financial staff – spending patterns do not match their income • Lots of bilateral meetings between financial staff and the same other people without clear purpose
Examples	<p>Examples from ‘Enhancing water integrity in the provision of quality water and sanitation services in Kenya’ [KeWI/GIZ 2012]:</p> <ul style="list-style-type: none"> • Fiscal transfers i.e. cheques being manipulated in the Banks or WSS counters • Cashiers using company money to loan colleagues • Cashiers exchanging money for favours <p>Based on Independent Commission on Anti-Corruption New South Wales [http://www.icac.nsw.gov.au/preventing-corruption/knowning-your-risks , 2013]</p> <ul style="list-style-type: none"> • A risk assessment of cash handling may identify some or all of the following corruption risks [that can occur – but are not limited to – the financial department of a WSP]: <ul style="list-style-type: none"> ○ An employee failing to record purchases properly in order to misappropriate cash. ○ An employee misappropriating cash from a machine or whilst cash is in transit. ○ An employee accepting or soliciting money or a benefit to provide cash to a third party. ○ An employee accepting or soliciting money or a benefit to provide a good or service to a third party without taking a cash payment from that party. ○ An employee being bullied or threatened to misappropriate cash or avoid proper payment for a good/service by a third party. ○ An employee artificially inflating the value of a good/service to misappropriate cash.

17. Shortcut payments

Category	Financial Management
Description	Loopholes for embezzlement and theft may open up if available procedures and delegation of authority for payments are not followed.
Examples for Red Flags	<ul style="list-style-type: none"> • Inadequate payment documentation • Missing supporting documents for payments • Lots of payments just under the amount that requires additional signatures
Examples	<p>Examples from ‘Enhancing water integrity in the provision of quality water and sanitation services in Kenya’ [KeWI/GIZ 2012]:</p> <ul style="list-style-type: none"> • Fiscal transfers i.e. cheques being manipulated in the Banks or WSS counters <p>Audit splashes more scandals at water agency [Siringi, 2010]:</p> <ul style="list-style-type: none"> • An audit has exposed more rot in the Water ministry that could have led to the loss of about Sh200 million through questionable deals. The National Water Conservation and Pipeline Corporation (NWPC) might have lost Sh137 million in a year through unprocedural payments for goods and services. The Efficiency Monitoring Unit (Emu) says about Sh60 million more may have been lost through irregularly drawn cheques, undelivered goods, theft and double payments to suppliers. • [The Emu report] identified double payments for goods and services, forgery of cheques, and collusion as some of the ways through which money may have been lost from the agency.

Procurement and Contract Management

18. Illicit practices in bidding, procurement and contracting

Category	Procurement and Contract Management
Description	Fraud in bidding and the awarding of contracts is a hot spot for corruption. Corrupt procurement can take many forms, for example tailoring project specifications to a corrupt bidder, providing insider information, limiting bid advertising, shortening bid periods and breaching confidentiality. In the implementation process contractors may ‘sweeten up’ the review committee (or staff in charge of the selection process with lavish entertainment) in exchange for certifying their work or turning a blind eye to construction shortcomings. (TI & WIN, 2008)
Examples for Red Flags	<ul style="list-style-type: none"> • Manipulation of procurement thresholds • Unreasonable prequalification requirements • Contract specifications too narrow or too broad • Failure to make bidding documents available to all bidders • Short or inadequate notice of bidders • Complaints from losing or excluded bidders • Too many contract awards to the same company • Rotation of winning bidders • Qualified companies fail to bid • Award to other than the lowest qualified bidder • Poorly supported disqualifications • Winning bid is very close to budget or cost estimate
Example	Examples from the Global Infrastructure Anti-Corruption Centre [GIACC, 2008]:



	<ul style="list-style-type: none"> • A procurement manager is managing a competitive tender between contractors. One of the contractors offers a free holiday to the procurement manager if the procurement manager awards the contract to the contractor. The procurement manager does so. • A procurement manager is required to organise the hire of dredges [example adapted for WSP context] for the network extension of the WSP. Dredges hire companies are at that time giving discounts of approximately 25% off their published hire prices for long-term hires. The procurement manager and two friends set up a company ('Dregeco') which is registered in the names of the two friends. Half the shares in Dregeco are secretly held as nominee for the procurement manager. Dregeco obtains a quote including discount from a dredge hire company. The procurement manager obtains the published rate sheets (excluding discounts) from two other crane companies. Dregeco supplies a written quote to the contractor to supply the cranes at a rate slightly lower than the published rates of the two other dredge companies, but at a higher rate than the rate quoted to Dregeco. The procurement manager uses the two rate sheets and the quote from Dregeco as three competitive quotes, and awards the contract for the supply of dredges to Dregeco. These documents are placed on the procurement file, creating the false impression that there has been genuine competitive pricing, and that the hire contract has been awarded to the cheapest supplier. Dregeco makes a profit. The procurement manager does not disclose to the contractor his interest in Dregeco. The contractor pays more for the hire than it would have done if the contract had been awarded, including discount, to one of the other crane hire companies. <p>Global Corruption Report, TI & WIN, 2008:</p> <ul style="list-style-type: none"> • Bribery/kickbacks to influence procurement manager • Kickbacks to win large scale projects: to secure contracts, to influence negotiations, for information <p>Corruption in Public Service Delivery: Experience from South Asia's Water and Sanitation Sector [Davis 2004]:</p> <ul style="list-style-type: none"> • [I]n W&S service provision ... field staff often pointed to the procedures by which professional engineering staff award and implement construction contracts with private firms. Two processes operate to subvert fair and honest contracting in W&S services: contractor cartels and political influence in contractor selection. [...]One contractor described the process as follows: 'A group of [contractors] meet on the weekend in the office. We have a list of contracts being offered by. We draw names out of a bag to see who will be the winner for each contract. That person decides what he will bid for the contract, and everyone else bids something higher than that.'
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19. Inflated prices for procured services and material

Category	Procurement and Contract Management
Description	Inflated prices for services and material may be accepted if staff and suppliers collude to exclude other bidders (for example because of 'non-compliance' or other reasons that are difficult to verify). During the design stage, required materials for projects or repair contracts may be intentionally estimated higher

	so that those involved can keep the extra money. Kickbacks may be paid to receive approval for the delivery of insufficient services or materials.
Examples for Red Flags	<ul style="list-style-type: none"> Prices paid for materials and equipment are above the price at shops and markets
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> For example, prices may be inflated when procuring goods and services; kickbacks may be paid to decision makers [...] <p>Corruption in Public Service Delivery: Experience from South Asia’s Water and Sanitation Sector [Davis 2004]:</p> <ul style="list-style-type: none"> The quid pro quo for the contractor kickback system is complicity of agency staff in the use of substandard materials, falsified materials invoicing, and the use of construction “shortcuts” in the field. For example, if a 20-kg manhole cover is noted in the design specifications, a contractor might use a cheaper 12- or 15-kg cover. In a repair contract, staff may report that 200 m of pipe need replacement when only 100 m are actually faulty. Funds are budgeted for the full length, and the cost of the extra 100 m of pipe can be pocketed.

20. Poor performance of contractors

See page 13.

21. Preferential treatment of some contractors and partners

Category	Procurement and Contract Management
Description	Clientelism in company relations entails preferential treatment of contractors and suppliers as well as in the relations of the WSP with other external stakeholders. Such preferential treatments aren’t linked to higher quality work or qualifications, but result from vested interests of individuals within the WSP or BoD. Clientelism in company relations can lead to poor value for money in construction of infrastructure, in the implementation of maintenance contracts and in the supply of other services and goods.
Examples for Red Flags	<ul style="list-style-type: none"> Too many contract awards to the same company Qualified companies fail to bid Unreasonable prequalification requirements in procurement Poorly supported disqualifications Winning companies are owned by relatives of company staff
Example	<p>Definition of ‘Clientelism’ from The Anti-Corruption Plain Language Guide [TI, 2009]:</p> <ul style="list-style-type: none"> An unequal system of exchanging resources and favours based on an exploitative relationship between a wealthier and/or more powerful ‘patron’ and a less wealthy and weaker ‘client’. <p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> Frequently, projects are awarded to the officials’ [or decision-makers] ‘preferred’ contractor, regardless of the bid quality or price. This results in poor quality work, which can lead to high maintenance costs or dysfunctional infrastructure. <p>AWIS facilitator’s Guide [WIN, 2011]:</p> <ul style="list-style-type: none"> Tender procedures may be well organised, but we found an example in which everything seemed legitimate because three companies were bidding for a project. In fact this was not the case because the three

	companies, which had different names, belonged to members of the same family and were not independent.
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Governance, Management and Controls

22. Auditing process without Integrity

Category	Governance, Management and Controls
Description	An audit is meant to evaluate the WSP, its (financial) system, processes, projects or services. It can therefore also be used as a control mechanism that can help to unveil illicit practices, and corruption or weaknesses in the system. Nevertheless, audits themselves are prone to corruption. Individuals who are engaged in corrupt practices or who simply performed below expectations may seek to influence the results of the audit to their benefit. This can result in collusion with the auditor or lead to the selection of an auditor who is known to turn a blind eye on certain issues when being offered a 'favour'.
Examples for Red Flags	<ul style="list-style-type: none"> • Audit report is positive despite obvious shortcomings
Examples	<p>Integrity pacts in the water sector [WIN/TI 2011]:</p> <ul style="list-style-type: none"> • Supervisors and auditors fail to play their role – they are bought or biased. • Acceptance of false certificates or cost misallocations • Duplicate invoicing for goods and services is allowed • Fraudulent or false certification of the project's successful completion • Auditors and accountants doing final accounts are biased or 'bought', and are therefore willing to support false certificates • WSP staff or BoD members can count on being able to use corrupt means to obtain favours from auditors and supervisors who can ignore the under-performance that will help save costs. • During the contract execution stage [for projects], most corruption risks are associated with bribery and kickbacks to secure positive audit and oversight reports, so it is good to have a third party watching. <p>Definition of 'Audit' from The Anti-Corruption Plain Language Guide [TI, 2009]:</p> <ul style="list-style-type: none"> • An internal or external examination of an organisation's accounts, processes, functions and performance to produce an independent and credible assessment of their compliance with applicable laws, regulations and audits.

23. Discretion in important decisions

Category	Governance, Management and Controls
Description	Corruption thrives in situations with important decisions (high volume of money, decisions that affect people with different interests etc.) being made and uncontested discretion cover expenditures and reasoning from the eyes of colleagues and the public. Such discretionary power can be used as an opportunity and incentive to gain illegal benefits. Discretion in important decisions generates loopholes for corruption at the management and BoD levels but can also jeopardise integrity at lower levels. Research shows that the higher the degree of discretion, the higher the incidence of bribery [UNDP-WGF/SIWI/WIN/Cap-Net/WaterNET 2011].

Examples for Red Flags	<ul style="list-style-type: none"> • Staff is informed only after important decisions have been taken • Some staff can take important decisions (e.g. concerning investments, hiring or procurement) without having to consult with colleagues
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • Decision makers or powerful stakeholders seek to protect their interests and maintain their positions of power by, for example, withholding information and excluding other relevant stakeholders from dialogue and decision making. <p>Water Integrity Training Manual [UNDP-WGF/SIWI/WIN/Cap-Net/WaterNET 2011]:</p> <ul style="list-style-type: none"> • Corruption is about making choices: accepting a bribe, falsifying water meter readings, allowing excessive abstraction of water, overlooking wastewater dumping or the use of substandard material in dam construction. Technical solutions and control decreases the discretion of individual actors, thus making such choices more difficult and risky. Although aiming for water integrity is more an ethical matter than a technical, such solutions turn into a very efficient tool, which serve to limit opportunities for unethical practices to arise. • Abuse of discretion: the abuse of office for private gain, but without external inducement or extortion. Patterns of such abuses are usually associated with bureaucracies in whom broad individual discretion is created. It might involve, in a situation of water scarcity, giving preferential treatment to one neighbourhood over another.

24. Improper reporting

Category	Governance, Management and Controls
Description	<p>Some WSPs have not appreciated that having proper data on their performance is useful in facilitating good management. There is deliberate tampering with the data provided to WASREB to suit different purposes. When it is being presented for purposes of Impact reports, there is a tendency to over-report. When it is being submitted for tariff negotiations, there is a tendency to under-report. Moreover, WSBs don't validate data from WSPs, which is a systemic non-performance on their oversight role given that WSPs are their agents. The mechanisms for checking the reliability and completeness of data submitted, and for ensuring timely reporting to WASREB, are weak. Reporting within the WSP can be flawed if staff reports for example that problems have been fixed even though no action was taken, or if no effort is made to collect information in the field and estimates (e.g. on consumption, coverage, continuity of services, etc.) are reported.</p>
Examples for Red Flags	<ul style="list-style-type: none"> • Different figures are reported to WASREB, WSTF, donors and the public • Staff provides information very quickly when it comes to WSP internal reporting requests (indication for estimates rather than e.g. actual meter readings) • WSBs do not validate data from WSPs
Examples	<p>Improving Transparency, Integrity and Accountability in Water Supply and Sanitation [González de Asís et al 2009]:</p> <ul style="list-style-type: none"> • In one major water utility in Asia, for example, nearly half of the flow and pressure gauges installed in the network were not in working order. The low-level staff responsible for reading and recording these data entered "estimates" rather than actual readings in the record books. Some data



	<p>might be wilfully misrepresented by linemen and meter readers. A service problem might be reported as “fixed” even if no action has been taken.</p> <ul style="list-style-type: none"> • [L]ack of trust between the utility and the public is often a problem. People simply do not believe the data provided by the water company <p>A performance review of Kenya’s Water Services Sector – 2010/11 [WASREB 2012]:</p> <ul style="list-style-type: none"> • The increasing number of WSPs who submit data indicates a growing appreciation of the importance of accurate information in the planning and operation of water services. Challenges, however, remain in terms of data quality and the timeliness of data submission. • [S]ignificant challenges on quality, completeness and the timeliness of reporting still remain. This can be attributed to various factors: 1) Some WSPs have not appreciated that having proper data on their performance is useful in facilitating good management. As a result, the task of collecting and capturing data on performance is left to IT personnel, with little supervision from Managing Directors who end up giving approval without interrogating the data. In turn, data submitted lacks institutional ownership. 2) There is deliberate tampering with the data provided to suit different purposes. When it is being presented for purposes of Impact report, there is a tendency to over-report. When it is being submitted for tariff negotiations, there is a tendency to under-report. 3) WSBs do not validate data from WSPs, which is a systemic non-performance on their oversight role given that WSPs are their agents. 4) The mechanisms for checking the reliability and completeness of data submitted, and for ensuring timely reporting, are weak.
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25. Manipulation of documents

Category	Governance, Management and Controls
Description	Falsification of documents and facts can happen easily if no proper record keeping and controls are in place. Records and information on issues of procurement, staffing, billing and revenue collection, maintenance and work schedules, inventories and customer complaints may be manipulated by staff, management or BoD members to cover up illicit practices.
Examples for Red Flags	<ul style="list-style-type: none"> • Lots of corrections in hand written documents or pristine records – ie a file on a project that looks as if the whole project documentation has been written on the same day • Records not being kept up to date • Operational and project monitoring reports showing inconsistencies
Examples	<p>Water Integrity Training Manual [UNDP-WGF/SIWI/WIN/Cap-Net/WaterNET 2011]:</p> <ul style="list-style-type: none"> • Manipulation of documents and facts to cover up use of uncertified material in construction • Corruption to manipulate information for auditing authorities <p>Global Corruption Report [TI & WIN, 2008]:</p> <ul style="list-style-type: none"> • [In India a grass-roots organisation found out] that people listed as labourers on public works projects never got paid, and that large payments were made for construction projects that were never built.

26. Misuse of key positions

Category	Human Resources Management and Employment
Description	<p>Managing directors and chief engineers have access to utility resources and can take decisions fairly independently. Weak utility governance, the lack of oversight through BoD, discretion in decision-making and collusion with procurement officers, human resources or financial staff, are some of the factors that can allow managers to siphon and embezzle funds or pursue private interest through unethical decisions.</p> <p>In institutions where corruption is rampant at the decision-making level, the day-to-day behaviour of staff is also affected. Employment conditions (for example salary or location of the WSP) or inadequate selection procedures may result in a lack of commitment and capacities of staff in management positions (including the managing directors). Employees are strongly influenced in their own behaviour by the way their managers and immediate supervisors behave. Managers are in a particularly strong position to either encourage or minimise corrupt conduct.</p>
Examples for Red Flags	<ul style="list-style-type: none"> • Change of lifestyle of staff in key positions – spending patterns do not match their income • Lots of relatives of staff in key positions are employed by the WSP or work as contractors for the WSP
Examples	<p>Examples from ‘Enhancing water integrity in the provision of quality water and sanitation services in Kenya’ [KeWI/GIZ 2012]:</p> <ul style="list-style-type: none"> • Embezzlement of funds by Chief Engineers • Provision of utility vehicles for other non-utility uses / Use of utility vehicles for personal travel • Fuelling and maintenance of private cars owned by company members (mostly BoD, councillors, management, drivers) • Risk that commercial manager is influenced by ext. stakeholders in negotiating agreements with customers e.g. on repayment of arrears <p>Global Corruption Report 2008 [WIN/TI 2008]</p> <ul style="list-style-type: none"> • [I]mplementing adequate processes often calls for strong management at the start of contracts, in order to change the staff culture inherited from former management and eradicate corrupt internal practices. <p>Improving Transparency, Integrity and Accountability in Water Supply and Sanitation [González de Asís et al 2009]:</p> <ul style="list-style-type: none"> • Staff, including senior managers, are often selected because of their political connections rather than their management abilities or technical skills. • Managers often do not have the skill to manage, even if they had autonomy and authority to manage, which often they do not.

27. Non-transparent selection and biased constitution of BoD

Category	Governance, Management and Controls
Description	<p>The BoD has an oversight and steering role to the management of a WSP. Consequently BoD members are in a position to exert influence on certain decisions related to the operations of a WSP. Nomination procedures may not be enforced which can open the door for undue influence. In many instances, the appointment of WSP board members continues to be a political matter for local authorities and is therefore prone to patronage and nepotism. As a</p>

	consequence, the composition of the BoD may be biased towards certain political interests.
Examples for Red Flags	<ul style="list-style-type: none"> • Constitution of BoD not in line with WASREB corporate governance guidelines • Nomination procedures are not enforced
Examples	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • In many instances, the appointment of WSP board members continues to be a political matter for local authorities and is therefore prone to patronage and nepotism <p>Deepening Governance in Water and Sanitation Services [GIZ 2012]:</p> <ul style="list-style-type: none"> • [The following risks and issues were identified regarding the] Nomination and Appointment of BoD Members: 1) Current nomination procedures are not enforced and therefore prone to abuse, 2) It was stated, that in one case candidates for the BoD needed approval from Council (contrary to CG Guideline provisions) and 3) Composition of the BoD does not match provisions of CG Guideline in some cases. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • The South Sakwa Water project was steeped in controversy pitting the WSP against the Catholic Church which were the originators of the project. While there were clear cases of mismanagement, the church insisted on selecting those who could be in the management committees. The project ended up with a committee that could not question some of the practices that only stalled the project.

28. Over-abstraction and pollution of water sources

Category	Governance, Management and Controls
Description	Decrease in water availability – either because of over exploitation or pollution of sources – opens avenues for corruption to be practiced. It increases opportunities for bribery and collusion between customers and staff to get connected (legally or illegally) to the network. Overexploitation and pollution also increase the likelihood of kickbacks to regulatory officials to cover up wastewater discharge and over-abstraction. In general, it becomes more challenging to operate a WSP under scarcity and increased demand without stretching regulations and breaching service agreements.
Examples for Red Flags	<ul style="list-style-type: none"> • Water levels in sources lower than usually • Higher levels of contamination is source water
Examples	<p>National Water Integrity Study, TI-Kenya, 2011:</p> <ul style="list-style-type: none"> • Further decreases in water availability due to rapid population growth will drive competition for access to water resources and provide opportunities for bribery and collusion to facilitate illegal abstraction. Thus, the impact of changing environmental dynamics on Kenya’s water resources will exacerbate existing governance risks. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • The scarcity and demand for water opens too many avenues for corruption to be practiced. The projects serve huge populations and are

	<p>therefore not able to meet the huge demands for water. This gives rise to illegal connections and people bribing for faster connections.</p> <p>Examples mentioned by sector expert:</p> <ul style="list-style-type: none"> • Informal service providers and other actors may extract too much water without licences affecting a WSP's sources resulting in insufficient water available for water provision in the service area. <p>Water Integrity Training Manual [UNDP-WGF/SIWI/WIN/Cap-Net/WaterNET 2011]:</p> <ul style="list-style-type: none"> • Kickbacks to regulatory officials to cover up pollution of water resources • Bribes to cover up wastewater and pollution discharge
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29. Theft of utility assets by staff

See page 14.

30. Unfavourable political framework

Category	Governance, Management and Controls
Description	The political framework defines and regulates how WSPs are supposed to be governed and operated to provide services. While a sound, transparent sector framework offers guidance for service providers, lacking clarity and gaps in water sector and other (e.g. procurement) policies, regulations and guidelines open loopholes for illicit practices and undue influence of sector institutions and third parties that affects service providers negatively.
Examples for Red Flags	<ul style="list-style-type: none"> • Transition from an older water policy to a new one on-going (major shifts of responsibilities planned but not yet implemented fully) • Lots of laws and regulations finalized but not gazetted
Examples	<p>National Good Water Governance Workshop 2012 – Draft report [WIN/TI-K 2012]:</p> <ul style="list-style-type: none"> • Too many water institutions are legally established in both 2002 and draft 2012 water bill • No mechanism defined to evaluate governance in water sector • Other Bills and Acts of parliament are conflicting and overlapping with the draft water policy and water bill • Draft water policy and bill do not define the Public Private Partnership approach accurately • Operational legislation has proved inadequate • Freedom of information legislation has not yet been enacted • The COK 2010 possess a challenge to continuation of water reform processes • COK 2010 does indicate the right to water supply, but not the responsibility that goes with it. • Informal water providers are not recognised by the law • Non-compliance with policies and legislations that have not been gazetted • WAGs lack adequate capacity • Small and weak WSPs that cannot sustain themselves • Inadequate implementation of pro poor legislation • Lack of knowledge and awareness of the transitional plan among key stakeholders • Insufficient knowledge and understanding of policy and legislation in Water Sector Institutions

	<ul style="list-style-type: none"> • Participation of consumers (e.g. through WAGs) and other stakeholders in development process of new water policy and bill is insufficient • The Parliamentary Select Committee for Land and Natural Resources whose mandate includes water is not sufficiently aware of the issues regarding the water sector • Role of Water Tribunal vis-à-vis jurisdiction of National Land Commission and environment and land court is not defined • Inadequate communication of P & L documents • Inadequate representation of the poor in policy making <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • Political interests inform decisions such as location and design of the projects; costs; contractors and management of the projects without the requisite checks that would allow for transparency. There is no accounting to community members who do not have access to the relevant records for the projects.
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31. Use of staff, vehicles and assets for private purposes

Category	Governance, Management and Controls
Description	BoD members, managers or the managing director may misuse their authority to pressure staff to handle tasks that are private business ventures or that are favours to friends and partners. They can also access utility assets like vehicles or land to use them to support political campaigns, for private travel or to hold events, for example.
Examples for Red Flags	<ul style="list-style-type: none"> • Vehicle log books not maintained in an appropriate level of detail • Staff always claims to be busy with other tasks for the same person
Examples	<p>Deepening Governance in Water and Sanitation Services [GIZ 2012]:</p> <ul style="list-style-type: none"> • [The following risks and issues were identified regarding the] Interference of BoD in WSPs operations: [...] Directors pursue private interests in influencing operational decisions: In one case, the BoD put pressure on the Management to permit an ally to plant maize on the area of a treatment plant, arguing this would not interfere with the operation of the treatment plant, 5) In one case, a Director demanded from the technical manager to reconnect a commercial customer due to vested interests/ relationships. <p>Examples from 'Enhancing water integrity in the provision of quality water and sanitation services in Kenya' [KeWI/GIZ 2012]:</p> <ul style="list-style-type: none"> • Use of public assets for illicit non-network supply (water tankers) • Staff used for non-utility business

32. Personal interests and enrichment of Board of Directors

Category	Governance, Management and Controls
Description	Due to capture and conflicts of interest, boards do not professionally fulfil their oversight role. Directors may try to influence decisions related to recruitment or the operations of a WSP pursuing private interests. By communicating directly with utility staff, BoD members may divide employees and management or demand preferential treatment of customers (e.g. reconnection of households



	<p>or commercial users that did not pay their bills). Unjustified enrichment of directors may occur if they receive bribes or benefits in exchange for certain actions or decisions or if they maximise the number of meetings and the allowances they receive.</p>
<p>Examples for Red Flags</p>	<ul style="list-style-type: none"> • BoD expenditures represent a high share of operating costs (according to WASREB impact report) • Fancy lifestyle of members of BoD – spending patterns do not match their income • Blocking or promoting certain decisions without sound arguments
<p>Examples</p>	<p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • Due to capture and conflicts of interest, boards do not professionally fulfil their oversight role. • In comparison with other African countries, board expenditures in many Kenyan WSPs go beyond acceptable and justifiable levels. However [...]there are significant differences between the WSPs in terms of board expenditures [...]Excessive board expenditure may, for example, result from an unreasonably high frequency of board meetings. <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • According to an administration official, “the problem begins when committee members are selected and serve not the interests of the community they are supposed to represent but instead start working in collusion with project funders. Community members are shunted aside, project design is not followed, poor equipment are bought, prices are inflated, and incompetent contractors are brought on board. The result is a costly project that does not serve people because of frequent breakdowns, costly repairs and maintenance.” [Similar problems may occur with BoD members] • Residents point at cases where infrastructural development has been compromised because of collusion between contractors and committee members who are charged with the responsibility of overseeing expenditure. They point to a case in South West Sakwa where a water pipe burst on testing because of structural problems that could have been avoided had the design been adhered to. <p>Deepening Governance in Water and Sanitation Services [GIZ 2012]:</p> <ul style="list-style-type: none"> • [The following risks and issues were identified regarding the] Interference of BoD in WSPs operations: 1) It was stated, that councillors/ politicians represented on BoD behave as WSP was their property, 2) Directors communicate directly with staff members of WSP (e.g. provide manipulated information partly to divide staff and management, share confidential content of BoD meetings), 3) Directors attempt to influence recruitment decisions of HRM to ensure that a particular person is employed (nepotism), 4) Directors pursue private interests in influencing operational decisions: In one case, the BoD put pressure on the Management to permit an ally to plant maize on the area of a treatment plant, arguing this would not interfere with the operation of the treatment plant, 5) In one case, a Director demanded from the technical manager to reconnect a commercial customer due to vested interests/ relationships. • Internal proceedings: 1) In one case, the BoD chairperson sits also in the BoD committees (contrary to recommendations made by the Auditor General), 2) Directors attempt to maximize the number of BoD meetings

	<p>in order to maximize their allowances: e.g. Directors come late to meetings and leave early to be able to postpone agenda items and demand additional meetings. For some BoDs up to 20 meetings per year were observed. 3) Self-evaluation of BoD members is often not done</p> <ul style="list-style-type: none"> • Bribery: Directors receive a benefit in exchange for certain actions taken or decisions made <p>Regulation: Catalyst for Better Governance and Enhanced Integrity in Water Utilities? [WIN, 2013]:</p> <ul style="list-style-type: none"> • [In the case of some Kenyan WSPs], directors convene up to 20 board meetings per year in order to pocket allowances; the resulting excessive expenditure drains resources from the utilities. <p>An analysis of water governance in Kibera, Kenya [Birongo, J.M. et al. 2005]:</p> <ul style="list-style-type: none"> • Membership of the board is valuable because of the many ‘perks’ that come with it for those willing to use their positions to line their pockets from the cartel already mentioned above. <p>Definition of ‘Embezzlement’ from The Anti-Corruption Plain Language Guide [TI, 2009]:</p> <ul style="list-style-type: none"> • When a person holding office in an institution, organisation or company dishonestly and illegally appropriates, uses or traffics the funds and goods they have been entrusted with for personal enrichment or other activities.
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33. Issues with Water Service Board

Category	Governance, Management and Controls
Description	Water Services Boards (WSBs) are mandated to ensure the provision of efficient and economical services by developing water and sanitation infrastructure. This includes the objective to progressively expand water and sanitation coverage. Through investment decisions WSBs have huge influence on the WSP ability to extend and upgrade (and maintain) their network. Influences by political interests and the constitution of a WSB can lead to preferential treatment of certain WSPs over others when it comes to investment decisions. Moreover lacking integrity in investment planning and procurement at the level of WSB can result in low quality of works that directly affects the performance of WSPs.
Examples for Red Flags	<ul style="list-style-type: none"> • WSB scores low for sector benchmarks in WASREB’s impact report • No comprehensive data reported in WASREB’s impact report for investment realisation • High level of personnel cost as percentage of operating cost in WASREB’s impact report • WSPs business plans do not find consideration in WSB’s five-year business and capital works (investment) plan • Passive role played by WSBs in the tariff application and implementation process
Examples	

34. Unclear roles, responsibilities and processes

Category	Governance, Management and Controls
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Description	<p>Clearly defined roles, responsibilities and processes (administrative, management, supervision, operation, checks and balances, etc.) provide the basis to hold those who engage in illicit practices responsible – this applies particularly for boards and senior management. They provide guidance on authorisation for decisions of staff in different positions within the WSP or board members as well as how and where others (e.g. colleagues) need to be involved to take decisions. Gaps (e.g. how is the board accountable to the shareholders, missing, unclear or double reporting lines, etc.) in the governance of a utility provide opportunities for individuals to misuse their positions for their personal benefit. At the same time such gaps can result in a situation where individuals are not held accountable – e.g. if it is not clear who needs to evaluate the sanctioning or not of somebody. The core problem of utility governance is that these contracts or agreements are often violated or incomplete. This provides leeway for opportunistic behaviour, i.e. actors may maximise their individual benefit at the expense of the utility and/or the public.</p>
Examples for Red Flags	<ul style="list-style-type: none"> • Listing of the WSP as refusing to comply with corporate governance guidelines in WASREB’s impact report • WSP in process of compliance with corporate governance guidelines in WASREB’s impact report • Several processes are not clearly defined / no guidance or standard operating procedures available for key processes • Roles and responsibilities of several employees are not defined clearly • Split supervision arrangements / responsibilities for supervision are not clearly assigned to specific positions
Examples	<p>Regulation: Catalyst for Better Governance and Enhanced Integrity in Water Utilities? [Nordmann, WIN, 2013]:</p> <ul style="list-style-type: none"> • The core problem of utility governance is that these contracts or agreements are often violated or incomplete. They provide leeway for opportunistic behaviour, i.e. actors may maximise their individual benefit at the expense of the utility and/or the public. <p>Although transparent and accountable governance arrangements and practices are favourable to utility performance, poor governance practices prevail in many situations. This frequently results in a failure of utility management, i.e. activities and processes related to the planning, organising, staffing and leading of the utility in order to produce goods and deliver services efficiently. Management systems may also provide loopholes for the misappropriation of resources or manipulation of information, i.e. opportunities for the ‘abuse of entrusted power for private gain’.</p> <p>Corporate governance guidelines [WASREB 2009]</p> <ul style="list-style-type: none"> • Corporate governance refers to the establishment of an appropriate legal, economic and institutional environment that allows companies to thrive as institutions for advancing long-term shareholder value and maximum human-centred development while remaining conscious of their other responsibilities to stakeholders, the environment and the society in general. • In the Water services sector good corporate governance requires that boards and senior management of the Services Boards and water service providers must govern their entities with integrity and enterprise in a manner which entrenches and enhances the objectives agreed under the license and the service provision agreement. • Financial delegations are essential to the efficient functioning of an organisation and allow managers to make quick decisions to approve



	<p>payments to a certain limit, without having to wait for approval. Use of delegations is controlled in two ways: 1) individuals are prevented from being able to request, approve and certify delivery of the same procurement, preventing end-to-end control of any given procurement process and 2) an individual's usage of his or her delegations is routinely checked to ensure that they are not being misused.</p> <p>A performance review of Kenya's Water Services Sector – 2010/11 [WASREB 2012]:</p> <ul style="list-style-type: none"> • Poor governance, which continues to be experienced in the water services sector, directly translates to poor management and subsequently underperformance. The sector continues to be characterised by inefficiencies in operations, poor customer service, and low cost coverage. Thus, there is need to strengthen governance with specific focus on leadership and management. <p>Deepening Governance in Water and Sanitation Services [GIZ 2012]:</p> <ul style="list-style-type: none"> • The core problem of Corporate Governance is incomplete/lack of enforcement of contracts between stakeholders (BoD, employees, management, suppliers, consumers, shareholders, etc.). Each stakeholder pursues its own interests which are not necessarily in line with the company/sector interest. Incomplete/not enforced contracts provide leeway for stakeholders for opportunistic behaviour (i.e. corrupt practices) to maximise their individual benefit at the expense of the company/public. This leads to a deadweight loss and undermines sector performance. <p>Accordingly, rules of corporate governance have the objective to reduce the leeway and motivations for opportunistic behaviour. A strong corporate governance framework: 1. Provides proper incentives for the BoD and Management to pursue objectives in line with the company's and public interest, 2. Strengthens the accountability and integrity of staff, suppliers and consumers on the day-to-day transaction level, i.e. it makes it hard to give and receive bribes, 3. Injects transparency and accountability at the decision-making level.</p> <p>Definition of 'Corporate Governance' from The Anti-Corruption Plain Language Guide [TI, 2009]:</p> <ul style="list-style-type: none"> • Procedures and processes for how private sector organisations are directed, managed and controlled, including the relationships between, responsibilities of and legitimate expectations among different stakeholders (Board of Directors, management, shareholders and other interested groups).
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Human Resources Management and Employment

35. Lacking integrity of staff

Category	Human Resources Management and Employment
Description	Unethical behaviour of staff can take many forms. Theft of money or resources, collusion with colleagues to cover up underperformance and falsified documents, and use of utility assets for private purposes. Common problems linked to customers and external stakeholders are, for example, collusion between meter readers and customers in order to receive side payments for under-billing, or the connivance of company staff with local water cartels to cover up illegal connections.

Examples for Red Flags	<ul style="list-style-type: none"> • Money, equipment or materials frequently disappear from within the WSP premises • High levels of non-revenue water
Examples	<p>Examples from 'Enhancing water integrity in the provision of quality water and sanitation services in Kenya' [KeWI/GIZ 2012]:</p> <ul style="list-style-type: none"> • Meter servicing by having the readers going back, removing the meter completely in the pretext of it being stolen • Requisition of fittings which are later on sold back to the supplier • Manipulations at the Customer care desk i.e. issuing of water connections forms without having payments directly to the Water Service Sector cash offices • Illegal connections to customers reservoir tanks • Colluding with petrol attendants to exchange fuel for money <p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • In institutions where corruption is rampant at the decision making level, the day-to-day behaviour of staff is also affected. Common problems are, for example, collusion between meter readers and customers in order to receive side payments for under-billing, or the connivance of company staff with local water cartels to cover up illegal connections <p>Independent Commission on Anti-Corruption New South Wales [http://www.icac.nsw.gov.au/preventing-corruption/knowning-your-risks , 2013]:</p> <ul style="list-style-type: none"> • An employee regularly taking resources home for their own use, or to sell for personal benefit. • An employee deliberately over-ordering resources with the intention of misusing the surplus goods. • An employee stealing money from cash takings. • An employee colluding with a client to submit false or inflated invoices. • An employee destroying or distorting records to hide the misuse of resources. • An employee manipulating weak or inadequate log-in procedures for personal benefit. • An employee misusing agency resources for secondary employment. • An employee failing to return company property upon ceasing employment. • An employee stealing a valuable item.

36. Low staff competence

Category	Human Resources Management and Employment
Description	Low staff competence is often linked to nepotism and favouritism in the selection and promotion of staff that increases the probability of incompetent staff. It is easier for colleagues or third parties to take advantage of utility staff if they lack awareness on internal processes and procedures (e.g. for procurement, reconnections, etc.) or technical knowledge.
Examples for Red Flags	<ul style="list-style-type: none"> • Poor quality implementation / performance of tasks in some or many departments or teams within the WSP • Non-compliance with defined procedures and processes or guidelines in some or many departments or teams within the WSP
Examples	

37. Misuse of key positions

See page 25.

38. Relatives and friends preferred in recruitment and promotions

Category	Human Resources Management and Employment
Description	If clientelism and favouritism are entrenched in human resources management, decisions won't be merit based or driven by qualifications of staff/applicants anymore. This could for example mean that BoD members, management or HR staff are exploiting their positions to award jobs and promotions, or to provide favours to friends or family members, even though they may not be qualified or deserving. This results in poorly qualified staff and/or overstaffing and, in some cases, this may go as far as the hiring of 'ghost workers' (friends or relatives who do not work in the WSP but are on its payroll).
Examples for Red Flags	<ul style="list-style-type: none"> • Several staff from the same family • Poorly supported disqualifications of job applications • Lots of staff that does not meet job requirements • Lack of or non-compliance with HR guidelines
Example	<p>Definition of 'Nepotism' from The Anti-Corruption Plain Language Guide [TI, 2009]:</p> <ul style="list-style-type: none"> • Form of favouritism based on acquaintances and familiar relationships whereby someone in an official position exploits his or her power and authority to provide a job or favour to a family member or friend, even though he or she may not be qualified or deserving. <p>Good governance in the Kenyan water sector [GIZ, 2013]:</p> <ul style="list-style-type: none"> • Inadequate human resource management systems allow for discretionary recruitment, 'ghost workers' on the payroll or overstaffing. <p>Examples from 'Enhancing water integrity in the provision of quality water and sanitation services in Kenya' [KeWI/GIZ 2012]:</p> <ul style="list-style-type: none"> • Poor recruitment of employees • Lack of performance appraisal policies • Corruption in payroll by having ghost workers <p>Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:</p> <ul style="list-style-type: none"> • This takes the form of hiring of incompetent workers who are not able to deliver on their mandates. There are allegations of favouritism and nepotism in the hiring of staff from those running kiosks to those responsible for the maintenance of the infrastructure and collection of revenue. One right holder complaining about the frequent interruptions in the PENWA project argues that "nothing can work well here unless the management committee realizes that they have to employ people who are knowledgeable and not just their relatives in the running of this project." <p>Independent Commission on Anti-Corruption New South Wales [http://www.icac.nsw.gov.au/preventing-corruption/knowning-your-risks , 2013]:</p> <ul style="list-style-type: none"> • An employee (convenor/panel member/other) manipulating selection procedures to secure the appointment of a close friend or family member.



	<ul style="list-style-type: none"> • A selection panel member failing to declare a conflict of interest and acting to advance the interests of an applicant who is a close friend or a relative. • The convenor of a selection committee appointing members to the selection panel whom they can influence in order to ensure their favoured candidate will be selected. <p>Improving Transparency, Integrity and Accountability in Water Supply and Sanitation [González de Asís et al 2009]:</p> <ul style="list-style-type: none"> • Staff, including senior managers, are often selected because of their political connections rather than their management abilities or technical skills. • Managers often do not have the skill to manage, even if they had autonomy and authority to manage, which often they do not. • Water utilities are overstaffed, primarily because of political interference and nepotism. Unions are very strong and generally well connected politically. • Accordingly, downsizing is a difficult task because of strong union opposition and explicit or implicit political support. Overstaffing ensures low productivity and low staff morale. • Utilities are not allowed to pay their professional staff members the going market rates for remuneration, which sometimes can be two or three times higher. • This means that they are unable to attract and retain high quality staff. Many staff members moonlight to obtain extra income, and corruption is rife in nearly all levels. • Utilities are dominated by engineers, and the career structure available for other disciplines like accountants, administrators, social scientists, and information technologists is somewhat limited. This is another disincentive for non-engineers to join. • Poor management, overstaffing, and promotions based on seniority or political connections ensure that it is very difficult to recruit good staff, and if some do join, it is equally difficult to retain them because of lack of job satisfaction, poor working environment, and absence of incentives for good performance.
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39. Unsatisfying employment conditions

Category	Human Resources Management and Employment
Description	Lack of motivation of staff makes them prone to engage in corrupt practices. If there is no reward for good performance, staff may seek to 'reward' themselves. The same applies for insufficient salaries that do not allow staff to cover living costs. As a consequence staff may look for opportunities to 'top-up' their salaries. Inadequate employment conditions can foster corrupt behaviour among staff, which is a key underlying factor for poor performance of a WSP.
Examples for Red Flags	<ul style="list-style-type: none"> • Frequent complaints of employees • No system for rewards and incentives in place or lower level staff is excluded from rewards and incentives • Low salary levels
Examples	Corruption practices and the available complaint, feedback and redress tool(s) and anti-corruption tool(s) in water and sanitation sector – Bondo District [Kwaho/UNDP 2009]:



- Lack of motivation of staff makes them culpable to corrupt practices. There is no system in place to reward exceptional performance over and above their monthly dues. There is no bonus for meeting targets say in connections or revenue collection. The attitude of most of the staff has not changed from that of public service making it even more difficult to operate at optimal levels.

Corruption in Public Service Delivery: Experience from South Asia's Water and Sanitation Sector [Davis 2004]:

- One staff member explained his choice of this second type of position as follows: I could have taken the position in [Location A] for [4 months' salary]. But I am trying to save money to build a new house. So I will go to [Location B] and I'll build my house in [Location A]. After three years, I will have saved enough money to get a transfer to [Location A] to be with my family.
- Payments are not simply made at the end of each two- to three-year posting. As one staff member explained: If I want your position I can get help from someone to have you transferred out, even if you have been there less than two years. You will be told that "someone" wants your post and is willing to pay a certain amount for it. If you can pay more than that, you will keep your post.