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Beyond Leakages: Quantifying the Effects of Corruption on the Water and Sanitation Sector in Latin America and the Caribbean

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Description / Abstract

The importance of transparency and governance as determinants of efficiency, effectiveness, and quality of service undoubtedly occupy a key place among the most relevant lessons learned from the reforms implemented in the Water and Sanitation sector (W&S) in Latin America and the Caribbean in the last two decades. In order to support data-driven policy reform aimed at increasing efficiency in public investments, the present analysis focuses on estimating direct financial costs in terms of contract award prices and direct social costs in terms of project delivery quality (measured as frequency of delays and cancellations).

The following questions are explored: i) What are the scale and types of corruption affecting W&S services?; ii) What is the effect of corruption in terms of tender completion?; iii) What is the financial impact of corruption for W&S services providers, such as high cost of infrastructure development?

Considering limitations of data and measurement, the analysis suggests that a decisive policy reform reducing risks by about two-thirds (aggressive scenario) could result in substantial savings across the sector: 7-16% of prices for standardized (e.g. chairs) as well as unique goods (e.g. pipes), and 10-19% lower incidence of cancellations and delays. While these may sound modest in percentage terms, total savings from effective anticorruption reforms are substantial, given the high value of total spending in the sector.

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