

**CORRUPTION  
IN THE  
WATER  
SECTOR**

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**WHO IS RESPONSIBLE FOR THE CRISIS?**



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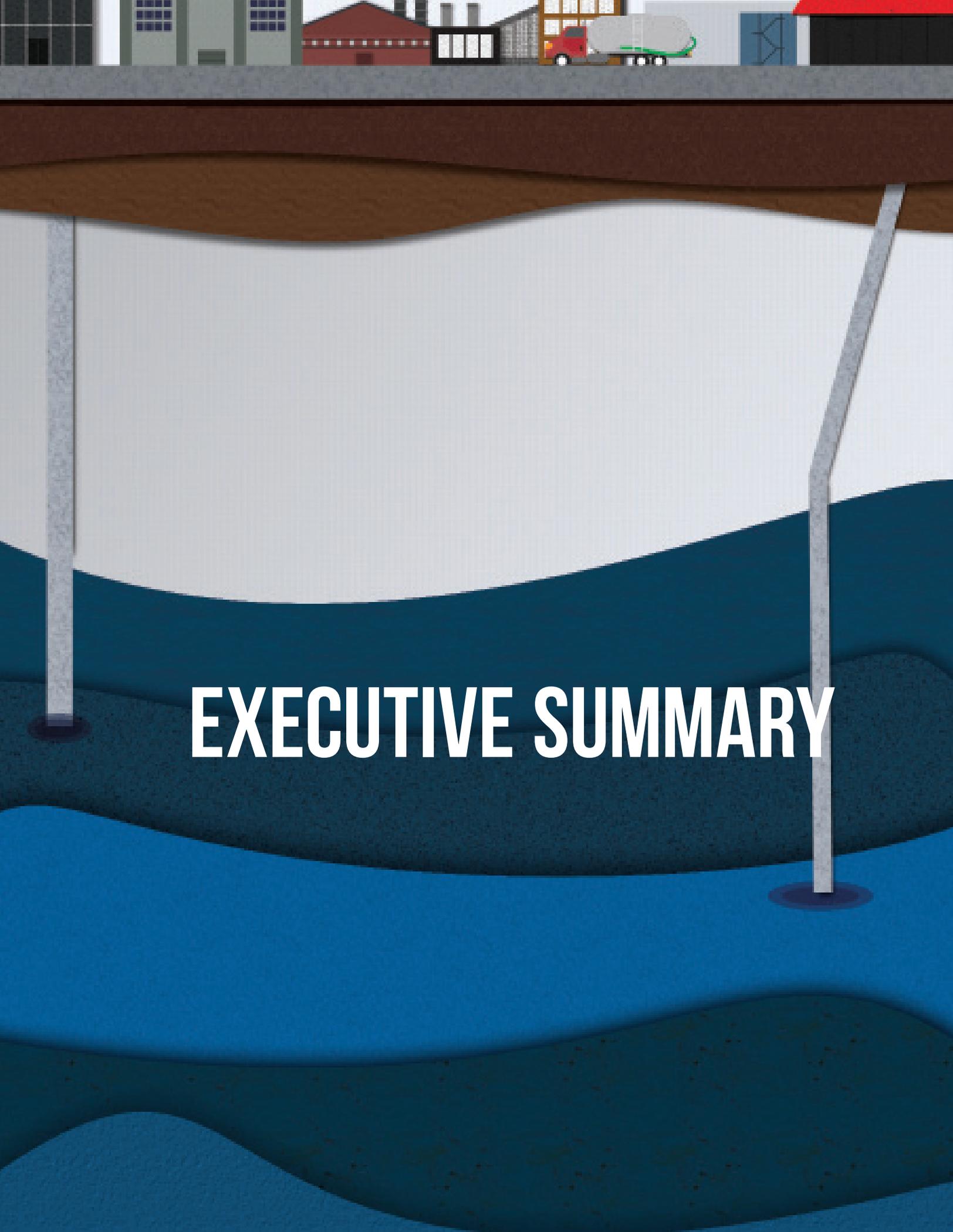
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*The sources of the cited information herein are available in the original text. The translation was done by our own and to the best of our knowledge. The full report is available at: <https://ethos.org.mx/es/ethos-publications/corruptcion-en-el-sector-agua-quien-es-responsable-de-la-crisis/>*



# EXECUTIVE SUMMARY

# CORRUPTION IN THE WATER SECTOR: WHO IS RESPONSIBLE FOR THE CRISIS?

## EXECUTIVE SUMMARY

Corruption in Mexico is a phenomenon that does not yield. It is **increasingly present in different sectors, including water**. According to Transparency International, the water crisis is a crisis of water governance and corruption is a major factor and a catalyst in this crisis. For example, **one in five aquifers in the country are overexploited, three out of five lakes or rivers do not meet acceptable quality limits, and three in ten households do not have enough water daily**.

The presence of **bribery, clientelism, collusion, conflicts of interest, and embezzlement in Mexico's water management can be explained by several factors**. However, the main causes are the general lack of transparency of the water sector, the ambiguity, omissions and laxity of the regulatory framework, as well as the weak supervisory capacity of the authorities.

In this regard, corruption is present at all stages of water management. At **Ethos Public Policy Lab** we identified **six different risk areas of corruption**: the granting of water rights, wastewater management and pollution, the operation of water utilities, illegal tapings and wells, hydraulic works, and the generation and publication of data.

The authorization of water rights does not always follow the proper procedures, does not guarantee the sustainability of water resources or even the human right to water. In this respect, at Ethos we found that **at least 77 water rights were authorized between April 2015 and December 2018 on**

**overexploited aquifers**, violating the national law. What is worst, only one out of ten of these permits was destined to human consumption (municipal or domestic uses).

Similarly, the inefficient transmissions of rights has created a **black market** where public officers and middlemen (coyotes) make **illegal profits** from the buying and selling of water rights and the regularization of the transaction. Among other consequences, the latter causes the hoarding of water and unrestrained exploitation of groundwater.

In the case of wastewater management and pollution, **corruption** arises as a result of the **lack of personnel and resources** to supervise, the **collusion of inspectors** and laboratories, as well as **regulatory capture**. According to the National Institute of Statistics and Geography (INEGI, by its name in Spanish), the costs of the environmental damage caused by **water pollution** are of **41.5 billion pesos**. However, during 2012-2019, the budget of the National Water Commission (Conagua) and the Federal Attorney's Office for Environmental Protection (Profepa) has reduced by more than half (55 and 53%, respectively).

Besides, Conagua has only 149 inspectors for more than 500 thousand permits. The sum of low budget and limited personnel makes it highly improbable that authorities detect when industries are violating pollution norms. Even when the supervision effectively takes place, confidential inter-

views with public officers reveal that **industries pay up to 20% of the penalty as a bribe** to the inspectors for them to dilute wastewater samples as a way to reduce toxicity levels to the legal standards.

Additionally, Mexico has around 2,688 of water utilities which are in charge of distributing water among the population. Usually, these entities are decentralized public bodies of the municipal governments, although some are of inter-municipal or state character. **Water utilities are vital to guarantee the human right to water**, yet technical, administrative, and financial problems due to corruption **limit their capacity**. Corruption in this respect is caused by the lack of clear regulations that guarantee equality and efficiency in the provision of the service. Also, each of these entities has a natural monopoly of clients who cannot resort to effective counterweights. The latter adds to the opacity in their management and the public resources at their disposal; resulting in a mixture of factors that makes water utilities prone to arbitrary decisions, mismanagement and fraud.

Corruption in water utilities appears in several ways: as **nepotism** in their human resources management, in **differentiated tariffs** to people linked with political groups or unions, or **extortion** to the citizens to provide the service in exchange of bribes or votes during election days. According to INEGI, **14% of the individuals surveyed** report corruption in municipal services, such as the connection to drinking water and sewage service. Similarly, **70 out of 1,000 businesses** report corruption during the application process for the water permits required to operate. Besides, the study of press and documentary sources reveal that a myriad of public employees in several water utilities in Mexico have **embezzlement** charges.

In spite of all this, **opacity in their management** is widely present since only 7% of these entities participate in the main program to measure their efficiency (PIGOO) and on average they deliver only half of the indicators required.

Water theft in Mexico manifests in two different forms: illegal

wells and irregular tapings to the water utilities' networks. The first is the drilling of wells without having a permit from the Conagua. According to this institution, during the last six years authorities closed **2,280 water extractions without the due rights**. Nevertheless, this figure only represents a minimum and the real number of illegal wells is probably more, yet unknown, because of the limited monitoring capacity of the authorities.

These illegal water abstractions are possible as a result of low penalties, the lack of supervisory capacity of the authorities, as explained above, and the inefficiency of the authorities to give answers to resolve timely and in due form the administrative procedures when water users ask formally for a new well. For example, in 2016, 84% of requests did not abide the spans the law determines. Another cause of the existence of these wells are the **regular decrees the national government publishes** to formalise these extractions. This represents a perverse incentive since it invites users to act illegally knowing that, sooner or later, they will have facilities to legalize their wells.

Concerning the irregular water tapings to utilities, this activity is usually associated with water smuggling. As evidence shows, it is usually a network of colluded public officials who **illegally connect the households** to the water system in exchange for bribes. By paying these fees, new users escape paperwork and future payments. Similarly, it is documented that **officials divert the water to fill water tanks** to resell them where the liquid is most needed. These types of theft are hard to quantify, however, a proxy measure is the physical efficiency of the entity. When this indicator is closer to 100%, then the number of water leakages and illegal takes is less. According to the INEGI, Baja California (83%) is the state with more efficiency and Yucatán(34%) with the least. The national average is of 57%.

Corruption practices in the **development of hydraulic infrastructure**, mainly in charge of Conagua, has been pointed out countless times by the **Chief Audit Office of Mexico** (ASF). In this case, corruption risks appear when the **planning is insuf-**

**efficient** and the **tenders are inadequate**, which subsequently generates uncertainty that allows for arbitrary decisions in the choice of contractors, suppliers and their prices. Similarly, it happens when there are **arbitrary changes and unplanned payment** during the execution. All of these is possible, mostly because the lack of **timely supervision** that is able to prevent decisions that **affects the public treasury**.

When corruption appears in the **development of waterworks**, its consequences can be seen in **cost overruns, delays and poor quality** of the infrastructures made. In turn, this is reflected in the quantity and quality of water people drink, as well as the economic development of the country. For example, the ASF has reported corruption in the building of water treatment plants, tunnel and drainage pipeworks for Mexico City, aqueducts to bring drinking water to industrial cities, irrigation and water supply dams, waterworks for new airports, between others. Besides, the complexity and magnitude of these works prevent citizens to be able to act as a counterweight of arbitrary decisions.

At last, the report analysis the generation and publication of data in the water sector in Mexico. The **low quality of the information** in this sector inhibits adequate decision making and allows for **information asymmetries**, where corrupt decisions can be hidden. At present, information about the sector is incomplete and untimely, the criteria for which data is generated and which not is unknown, there is no certainty of its truthfulness, technical rigour in its making is not monitored, and open data standards are not followed, to mention just a few of its shortcomings.

These problems can be seen in the Conagua's lack of historical data of the average availability of water per person per year or in the absence of studies that verify the quantity and quality of water in Mexico. Similarly, the National Agency for Safety, Energy and Environment (ASEA) does not publish how much water is used for fracking. Another example is the absence of a statistical record on environmental and natural resource violations by the Ministry of the Environment and Natural Resources. Opacity is also present in the Public Registry of Water Rights which has incomplete and inconsistent data, inadequate georeferences, and scant information about water right transmissions.

Even if there are **no simple answers to the problem of corruption in Mexico's water management**, it is possible to come up with some general strategies that would help substantially by addressing its causes. An initial step is the promotion and strengthening of transparency in the sector and thus promote monitoring and participation in decision-making. Citizen participation can become a fundamental counterweight of corruption. In parallel, accountability in the sector should be fostered, so that the actors involved become responsible and explain their actions before other governmental bodies, the media, and society. This will undermine the vicious circle of impunity and corruption. Finally, it is important to remember that these efforts cannot, nor should, be done in isolation and will not yield if they do not form part of a broader framework to fight corruption in Mexico.

The time to act is now. Day by day, **Mexico has less water and by continuing on this path will reach a point of no return**. There is still time to avoid a catastrophe with consequences that would be hardly repairable and would hurt the economic, social and environmental well-being of millions of people. **Fighting corruption in the water sector should be a priority within the next few years. Let's not forget that our future, and that of water, are hopelessly linked.**