

Seminar

Can We Meet International Water Targets Without Fighting Corruption?

WORLD WATER WEEK

Summary of Presentations and Discussions

Stockholm
August 21, 2005

(I) Background

This document provides a summary of the presentations made, comments of respondents and from the floor, as well as a panel discussion during the Seminar on “Can We Meet International Water Targets Without Fighting Corruption”. This event took place on August 21, 2005 in conjunction with World Water Week (WWW) 2005. This event was convened by the Stockholm International Water Institute (SIWI), the Swedish International Development Cooperation Agency (SIDA), the Swedish Water House, Transparency International (TI) and the Water and Sanitation Program (WSP). Altogether, the seminar consisted of two keynote presentations, seven papers and a panel discussion. The detailed seminar program as well as the full texts of the presentations are attached.

(II) Introduction to the Seminar

OBJECTIVES

Chair: Piers Cross, Water and Sanitation Program, Kenya.

In his introductory remarks, the Chair reminded the attendees that the organization of this seminar grew out of the very successful panel discussion on corruption in the water sector that was organized in conjunction with WWW 2004. He personally was looking for an analytical model of corruption, involving the various stakeholders, including government, banks, the private sector and consumers.

In preliminary remarks, Håkan Tropp (SIWI) explained that the purpose of the seminar was to advance current appreciation of the extent of corruption, as well as to provide recommendations for effective anti-corruption related policies in water resource management and particularly in the water supply and sanitation (WSS) sectors. The seminar presentations and panel discussions would focus on how corruption is manifested in the WSS sectors and how it can be addressed and combated. In addition he pointed out that although it is common knowledge that the WSS sectors are more affected by corruption than other sectors, it has been given surprisingly little attention to date. Hence, the convening of this seminar is very timely on how to systematically address and combat corruption in water resource management. He felt that corruption in the sector could be further addressed through targeted research and setting up an anti-corruption network.

(III) KEYNOTE PRESENTATIONS

1. “Corruption in the Water Sector: Opportunities for Addressing a Pervasive Problem”

Summary of Presentation: Hansjörg Elshorst from Transparency International noted that the WSS sector is particularly prone to corruption because of traditional pattern like rent-seeking and patronage, high precedence of monopolies with high potential for discretion and the non-standardized products of procurement and tendering processes. Corruption leads to cumulative damages. Despite of this high propensity for corruption the sector has paid surprisingly little attention to it. One reason: the privatization discussion used as a club to beat each other and made a ‘red herring’ of it. Efforts to tackle corruption were made, though not explicitly, in structured reform programs (e.g. promotion of competition; facilitating more transparency and less over regulation) and efforts to minimize the problem of non-revenue water were important. From the absence of explicit attention to corruption follow a number of good opportunities to fight it. The fact that water is a political issue can be turned from a liability to an asset; Political power and leadership can be mobilized to address corruption as well as the motivation of all involved from being responsible for an increasingly vital good. The potential for more competition between the different approaches to water supply NGOs could explicitly get involved in fighting corruption. Transparency International has developed a number of tools (e.g. Integrity Pact, Business principles against Bribery, Civil Society Tools) that could be adapted for challenging corruption in the parts of the water sector.

2. “Honesty and Transparency. Corruption in the Water and Sanitation Sector: Lessons Learned from an e-conference”

Summary of Presentation: Laurent Stravato from IRC International Water and Sanitation Centre, claimed that corruption has at last become a focus of attention in the WSS sector. Meetings to share experiences are usually the initial steps to help disseminate strategies for transparency and honesty. IRC therefore initiated an e-conference on this topic in May 2005 with participation from NGO’s, governmental institutions and private companies from a variety of nations and not surprisingly with the greatest number of participants from India. Participants presented their experiences and discussed what causes corruption in the sector as well as suggesting methods for combating it.

The way forward to scale up best practices of water planning, implementation and management will be a central focus of the IRC-programme. IRC hopes to achieve this by building an independent collaborative platform in conjunction with thematic groups and research units.

(IV) Case Study Presentations and Discussions

3. “No Duck no Dinner: How Sole Sourcing Triggered Lesotho’s Struggle Against Corruption”

Summary of Presentation: Anton Earle and Anthony Turton, African Water Issue Research Unit, exposed the mismanagement by a top manager of the Lesotho Highlands Water Authority of the Lesotho Highland Water Project and analyzed corrupt practices in the project as well as showing factors that promoted corruption and identifying those factors that helped expose it. The authors’ recommendations focused on the way forward in terms of actions on an international and local level to promote the fight against corruption.

Comments of Respondent: The speaker: (a) questioned how was the political will generated in Lesotho to ‘stay the course’ in relation to prosecuting the case; (b) noted the impact on IFI’s of this case, particularly in relation to setting precedents; and (c) highlighted the importance of such precedents for further tackling corruption on international construction projects.

Dialogue with Participants: In response to a question from the floor, the presenter noted the important role played by the Government of South Africa in facilitating the prosecutions in Lesotho. This included; (a) provision of a lot of technical support; and (b) convening of a meeting with donors in Pretoria to seek financial support for the prosecution (While financial support was pledged at this meeting, none of it materialized). It was noted that the appeals circuit court judges in this case were from South Africa. The speaker also noted that at all times it should be seen that the affected country (in this case Lesotho) should be seen to be driving the process. Another speaker from the floor noted that it was now much easier for donors to pledge support for Lesotho's development program, given the country's good record on governance issues.

4. "Development of Anti-Corruption Sectoral Agreement Among Pipe Manufacturing Companies: A Case Study of Columbia"

Summary of Presentation: Alma Rocio Balcazar presented the initiative of Transparency International Columbia and the Colombian Association of Sanitary and Environmental Engineering (ACODAL) in implementing tools such as the *Integrity Pact* and *Business Principles against Bribery* to prevent corruption among leading pipe manufacturing companies and their distributors in Columbia. The initiative was created due to on-going corrupt practices in business dealings among pipe manufacturing companies. The company revenues in the sector had slipped, either due to decreased sales or cost overrun, which may have affected the quality and durability of pipes, key components of the infrastructure needed for aqueduct and sewer services provided by the state. The loss of state funds redirected to manage cost overrun to the detriment of the quality of service provided to the people was also becoming apparent.

The agreement comprises binding decisions for the underwriting companies not to engage in bribery activities. It defines measures to prevent and manage such risks, agrees upon a set of sanctions for those who fail to comply with the Agreement, and established an independent body to monitor compliance.

Comments of Respondent: included: (a) this initiative provides an opportunity for the private sector to join the fight against corruption; (b) since this initiative came from the private sector, it could be assumed that companies were also suffering under corruption; (c) the role of the public sector should be supportive and promote good corporate governance. In this particular case, it was important that the Government of Colombia 'signed off' that these agreements were exempt from any risk of collusion charges; (e) a success factor was the limited number of companies involved; and (f) joining the fight against corruption is not only good for business ethics but also good for the business 'bottom line'.

Dialogue with Participants: highlighted: the importance of having an industry association to enable a collective solution to the problem; the urgent need for such examples of best practices to promote insights on combating corruption in private industry. It was also pointed out that the real challenge will be to ensure that the companies adhere to the agreement, when contracts are being awarded.

5. "Water Management in the 'Moral Hazard Trap': The Example of Irrigation"

Summary of Presentation: Walter Huppert of GTZ analyzed the institutions for irrigation fee collection and water delivery in the Sriramsagar irrigation scheme in Andhra Pradesh, which showed how some of the reform initiatives were geared to resolving substantial moral hazard issues. The moral hazards came from external levels of discretion combined with the lack of transparency regarding funding and actual delivery of water.

Better *transparency* was achieved through establishing and involving water user associations (WUA's) in project monitoring: which resulted in a substantial increase in the canal reach of the Sriramsagar irrigation scheme. Through the WUA's, the water users gained access to the

scheme's revenue records and were able to record the actual irrigated area on the tax rolls and hence received the entire amount of the grant. The most important method to resolve principal-agent problems was channeling back parts of the collected fees as maintenance grants to the WUA's and tying the level of these grants to the irrigated area registered with the Revenue Department. This conditionality provided strong incentives to WUAs to ensure that the full area of their actually irrigated land was registered. It was noted that the reforms were not yet able to remedy the accountability issue.

Comments of Respondent: The paper highlighted the following: (a) corrupt practices lead to suboptimal solutions and exacerbate water scarcity; (b) the political and economic incentives driving corruption; and (c) the importance of mobilizing multistakeholder coalitions (users, government, private/public sector providers, financiers) to combat corruption; CSOs could play an important role as independent monitors.

Dialogue with Participants: In response to comments/questions from the participants, the presenter noted that: (a) 2,500 WUA's were set up under this project; (b) the motivation for institutional reform was motivated by efficiency criteria rather than corruption concerns: and (c) testing of the simulation model has yet to be done.

6. "Reducing Rent Seeking and Dissipative Payments: Introducing Accountability Mechanism in Watershed Development Programs in India"

Summary of Presentation: The case study provided by Crispino Lobo from Watershed Organisation Trust (WOTR) India, initially described publicly funded watershed development programs and the problems plaguing them, including rent seeking and other improprieties in the selection of watershed, project proposal preparation, project sanctioning and - implementation. The case study then described the approach, systems and tools of WOTR that have been implemented on a large scale in watershed development programs in various parts of India. WOTR aimed to address all phases of the project cycle and the dynamics that induce and facilitate corruption and rent seeking. This has been achieved by "*Participatory Operational Pedagogy*" (POP) which consists of three components (agency selection, capacity building of these selected agencies, and operating system). With this approach, WOTR has been able to increase the level of skill, competence and knowledge in the affected communities as well as facilitate increased stakeholder ownership.

Comments of Respondent: The speaker commended (a) the excellent historical approach and well described context of the case study; (b) the elaborated methodology developed and implemented to further foster transparency; and (c) the speaker expressed interest in receiving detailed information how corruption has been combated precisely.

It was recapitulated by the audience that both the choice oriented as well as the supply driven approach used in WOTR's activities to implement reforms have been significant drivers for change in the area of Maharashtra.

7. "Corruption in Public Service Delivery: Experience from South Asia's Water and Sanitation Sector"

Summary of Presentation: Jennifer Davis from MIT presented empirical findings on corruption in public-service institutions within several water and sanitation service providers in South Asia. The paper identified various patterns of petty-corruption e.g. bribes given directly to employees for falsified meter readings, "speed money" for service repairs or new service connections as well as "real" corruption within procedures by which contracts with private firms have been awarded and implemented. Information was also obtained about a cash market for desirable posts.

Few attempts to introduce anti-corruption measures into the operations of water and sanitation service providers have been monitored. However, several strategies were documented which reduced corruption in service delivery (e.g. accountability networks in service provision and changing attitude of service providers in a way that increased the moral cost to them of misconduct).

Comments of Respondent: The paper was perceived by the speaker as: (a) an excellent methodological approach to identify small scale corrupt practices; (b) a convincing practical approach demonstrating how corruption has been reduced in service delivery; (c) a leading example to identify corrupt patterns in service delivery which should be applied elsewhere.

8. “Community Voice as an Aid to Accountability: Experiences with Citizen Report cards in Bangalore”

Summary of Presentation: Gopakumar K. Thampi presented citizen-led accountability initiatives playing out in particular on the delivery of water & sanitation services in Bangalore, India. The Public Affairs Foundation introduced Citizen Report Cards (CRP’s) in 1994 due to the poor quality of service delivery and the high levels of rent seeking behavior by public officials which pointed to extremely low levels of public accountability. Citizen Report Cards provide citizens and agencies with qualitative and quantitative information about gaps in service delivery via measurement and comparison.

Over a 10-year period significant increase in citizen satisfaction with the services, but also a visible decline in corruption prevalent in the routine transactions with agencies and between staff of water & sanitation providers and customers had been monitored. The author claimed that this turnaround was caused by several drivers of change, e.g. change in staff behavior, improvements in timing of water supply and accuracy of billing as well as the set-up of a new public-private partnership forum (the Bangalore Agenda Task Force (BATF) to catalyze and assist the service providers to upgrade their services and responsiveness.

Comments of Respondent: The speaker questioned: (a) the independent effect of public report cards (prc) since the major effect came after the second launch of prc; (b) the most important explanatory factors (e.g. political leadership) that have been brought up and its assessment; (c) how the different effects seen between different social groups, like the poor, non-poor strata can be understood.

Dialogue with the Participants: highlighted the following points: use of ‘shame/pride’ as non monetary incentives to provoke institutional change; importance of communication campaigns, including the role of the media; the use of comparative ratings to introduce an element of competition among different service providers; the importance of a *neutral and objective monitor* to keep the pressure on supply side reforms; user survey of perceptions provides real-life experience; the need to build up a culture of accountability among public agencies as well as in civil society; and the need for clarity in relation to the methodology, measurement and implementation of the CRP’s.

9. “Improved Transparency and Service using Site Selection as a Tool”

Summary of Presentation: Laurent Stravato from IRC International Water and Sanitation Centre presented empirical findings about decisions for the set-up of water sites in Southern India. He explained that certain phenomena can open the door to corruption e.g. the planning of water service projects without consultation or public involvement in site selection for shared water points and without developing accurate maps. Recommendations of the authors to prevent corruption focused on the application of tools such as mapping and site selection with the participation of local government and households. In addition the authors advised that transparency could be fostered through land release forms and local government resolutions.

Comments of Respondent: The paper was perceived by the speaker as: (a) an valid approach to mobilize civil society through participation of local government and householders in enhancing transparency and reducing the opportunities for corruption; (b) a good demonstration to provide evidence for policy makers on the need for improved site selection; (c) describing a process which will help ensure that poor households will benefit from easier access to water.

(V) Panel Discussion: How can Anti-Corruption Measures be made a Strong Part of the Water Agenda?

Moderator: Håkan Tropp, Stockholm International Water Institute, Sweden

The panel discussion was shared by Hansjörg Elshorst, Donal O’Leary, Anton Earle and Jennifer Davis and has been focusing on the presentations of the variety of successfully proven anti-corruption methodologies. High attention was given to the need of more programming and further research to effectively spread anti-corruption measures. Furthermore issues such as non-revenue water came into the discussion from the point of raising alertness to silent forms of corruption which nevertheless account for up to 20% of the total water managed by a utility.

The conclusions of the discussion are divided between (1) those activities promoted on the part of the civil society in collaboration with other stakeholders to make anti-corruption measures a strong part of the water agenda and (2) those activities that involve the organizers directly .

(1) Conclusions to involve different stakeholders (private sector, media, civil society and NGO’s): Develop advertising and messages with clear incentives to position the subject in the private sector. Build alliances with the various stakeholders including the private sector, selected media companies, banks and NGO’s in order to disseminate anti-corruption measurements. E.g.

- ⇒ Involve the private sector as one of the largest water user in ongoing discussions and projects and duplicate best practices such as sectoral agreements to abstain from bribery
- ⇒ Enlist selected media in spreading best practices as well as supporting anti-corruption alliances
- ⇒ Mobilize various NGO’s and the civil society in carrying out anti-corruption measures
- ⇒ Disseminate the accumulated experience – on the nature and causes of corruption in the WSS sector and methods to reduce them - to international research units and others

(2) Conclusions for involvement of seminar organizers:

- ⇒ Report on the seminar and distribute keynote presentations/ case studies on the web;
- ⇒ Publication of edited papers in an international water journal;
- ⇒ Initiate follow-up meeting until end of 2005

VI PRESENTERS, DISCUSSANTS AND PANEL MEMBERS

- Piers Cross, Water and Sanitation Program, Kenya (Chair)
- Håkan Tropp, Swedish International Water Institute, Sweden (Moderator)
- Patrick Stålgren, Fredrik Söderbaum, Swedish Water House, Sweden
- Hansjörg Elshorst, Donal O’ Leary, Grit Martinez, Transparency International, Germany
- Laurent Stravato, IRC International Water and Sanitation Centre, Netherlands
- Anton Earle, Antony Turton, African Water Issues Research Unit, South Africa
- Alma Rocio Balcazar, Transparency International, Colombia

- Walter Huppert, GTZ, Germany
- Crispino Lobo, Watershed Organisation Trust, India
- Jennifer Davis, MIT, USA
- Janelle Plummer, Water and Sanitation Programme, Indonesia
- Gopakumar K. Thampi, Public Affairs Foundations, India

Rapporteur: Grit Martinez, Transparency International