

Policy Position

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Building Integrity to Ensure Effective Water Governance

As with any governance framework, participation, transparency and accountability form the guiding principles needed for ensuring policies and decisions on water are responsive to citizens. When these features are missing, the sector's integrity is eroded and corruption is given a fertile ground on which to flourish.

In the case of water, corruption has become a driver of the sector's crisis. Overuse and contamination, abetted by corruption, have caused water supplies to dwindle, user demands to surge and competition to increase for this indispensable resource. With increased water scarcity, corruption risks have risen throughout the sector.

To counter these pressures, improved water governance is an essential element, but one that is often underfinanced or overlooked. The water sector tends to defy legal and institutional classification, creating a regulatory lacuna and leaving responsibilities dispersed across countries and different government agencies. In the absence of effective oversight, integrity is compromised, water resources are stressed and citizens' health and livelihoods are put at risk.

Nearly 1.2 billion people around the globe lack reliable access to water and more than 2.6 billion are without adequate sanitation.

The sector's low transparency, poor accountability and limited participation have undermined country attempts to better manage the sharing and sustainability of water.

Nine of the ten major growth markets for privatised water and sanitation services are in countries with high corruption risks.

1. Water: a sector without clear caretakers

Poor governance and high corruption have left the water sector in crisis. Nearly 1.2 billion people around the globe lack reliable access to water and more than 2.6 billion are without adequate sanitation. Millions of others are forced to live in flood-prone areas or where drought and desertification are constant threats.

The water sector's diffuse governance means that reforms to counter these problems have tended to be compartmentalised and ineffective. The sizable number of countries sharing the same water sources compounds the challenge. It is estimated that 2.6 billion people around the world — two in five citizens — live in international water basins where resources cut across borders and government authorities.

Countries' attempts to better manage the sharing and sustainability of water have been undermined by the sector's lack of transparency, poor accountability and limited participation. These breakdowns are found in the distortions that characterise the sector's regulatory frameworks and contracts.

- 🌐 *Regulatory frameworks.* In a high corruption environment, regulatory bodies are likely to face conflicts of interest, especially when a government department assumes the dual role of water service provider and regulator. Cronyism and political favours may drive state appointments, rather than merit or experience. Mechanisms to promote transparency or citizen participation may be lacking. Open access to regulatory-related decisions, toll-free hotlines for complaints, and public hearings for violations may not be used, despite their usefulness for improving information flows and creating confidence in the services and the state.
- 🌐 *Contracts.* Corruption risks are present in the awarding of contracts for building and operating municipal water infrastructure, which in wealthier countries (Japan, Western Europe and the United States) are worth a combined estimated US \$210 billion annually. The tendering process and criteria for performance assessments are often less transparent and open to public inspection than what is required for meaningful citizen oversight. For example, the names of short listed firms may never be shared with citizens and public consultations may fall outside the 'rules of the game'. Since nine of the ten major growth markets for privatised water and sanitation services are in countries with high corruption risks, changing these opaque practices is critical.

Yet greater transparency is not itself sufficient for improving water governance. Information that is shared on how contracts are awarded must be useful, easy to understand and accessible in local languages. Media and civil society need to have the space and skills to follow-up on the findings and question the results. Otherwise, disclosure initiatives may just be paying lip service to transparency without achieving any real accountability, participation or integrity in the water governance system that is built.

2. Finding the right responses

Bringing transparency, accountability and participation back into water governance can help to build the integrity needed to mitigate the sector's high corruption risks. Actions must target policies that can account for and overcome the dispersion of responsibilities across agencies and countries. Initiatives must also ensure that transparency, accountability and participation are not seen as abstract concepts, but practically address the sector's day-to-day demands.

The outcome of interventions should be to create an environment where different actors see that corrupt practices are a game of the past. Changes should reassure small landholders and poor people that they are heard and need not bribe to get their fair share of water. They should give private companies greater confidence that they do not have to 'sweeten' their bids for water contracts. Reforms should reassure industry that their competitors are not using their influence to flout environmental rules. Finally, they should provide neighbouring countries with assurances that water sharing arrangements will not be violated.

Transparency International (TI) recommends that key policy responses centre on promoting the principles of transparency, accountability and participation:

Transparency

- 🌐 Adopt due diligence procedures that use proper accounting processes prior to and after contracting companies (including special safeguards for corruption prone countries) and establish public procurement processes with clear specifications, deliverables and selection criteria.
- 🌐 Work with water infrastructure and service providers to put in place anti-bribery programmes to provide guidance and benchmarks, such as those outlined in TI's Business Principles for Countering Bribery (BPCB).
- 🌐 Lobby international agencies to promote transparency in their work. Export credit agencies financing water projects should more closely coordinate their due diligence and anti-corruption provisions. Donor agencies should build anti-corruption provisions more strongly into their water programming and disclose project information more effectively.
- 🌐 Performance criteria, assessments and terms of service for water providers need to be formalised and publicly available. All too often this type of information is hidden from public scrutiny, be it for public or private water provision.

Accountability

- 🌐 Employ water quality indicators and utility performance benchmarking.
- 🌐 Set performance targets that use previously agreed-upon minimum standards which companies (public and private) must meet.

Water and Corruption: The TI Global Corruption Report

This policy position draws on the *TI Global Corruption Report 2008: Corruption in the Water Sector*.

The Report brings together more than twenty leading experts and practitioners to examine the corruption risks in all areas of the water sector, including water resources management, drinking water and sanitation, irrigation and hydropower.

Case studies and research reports from all around the world are used to demonstrate that corruption is a catalyst and consequence of the global water crisis. The Report also offers a wide range of practical suggestions for policy reform and stakeholder engagement to tackle corruption in the water sector.

For more on the Report, go to: www.transparency.org/publications/gcr.

To purchase this GCR and others in the series, please visit Cambridge University Press at www.cup.cam.ac.uk.

Building integrity to ensure effective water governance

This TI Policy Position is part of a series on preventing and responding to corruption in the water sector.

The three topics covered look at different impacts and policy responses related to corruption in the water sector: climate change and the environment, integrity in water governance, and the costs of corruption for poor citizens. All three policy positions are based on the *TI Global Corruption Report 2008: Corruption in the Water Sector*.

To learn more about the GCR 2008, please visit:
www.transparency.org/publications/gcr.

Additional details on global efforts to combat corruption in water can be found at:
www.waterintegritynetwork.net/.

For more information about this working paper and others in the series, please contact Craig Fagan at the TI-Secretariat: [plres \[at\] transparency.org](mailto:plres@transparency.org).

- Promote the broad use of integrity pacts between governments and contractors as part of public procurement processes and service provision.
- Incorporate community monitoring mechanisms. Social audits are a good tool for checking whether promised funding has been delivered and used as planned.

Participation

- Use stakeholder assessments and water corruption mapping activities to diagnose breakdowns and desired reforms. These should look at the strengths and interests of incumbent elites, as well as the preferences and specific needs of the poor and other intended beneficiaries.
- Formalise participatory processes such as town hall meetings and community councils, as well as other forums, to ensure changes in water governance reforms do not undercut peoples' basic livelihoods.
- Engage communities in making decisions on questions of access and service, such as selecting sites for community wells, allocating water budgets and managing irrigation systems.
- Support strong Freedom of Information laws to help clarify and protect the rights of the less powerful when it comes to water resources. ●

**TRANSPARENCY
INTERNATIONAL**

Telephone

+49-30-343820 -0

Fax

+49-30-347039 -12

International Secretariat

Alt-Moabit 96

10559 Berlin

Germany

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Transparency International (TI) is the civil society organisation leading the global fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption, and works with partners in government, business and civil society to develop and implement effective measures to tackle it. For more information go to: www.transparency.org