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Fighting corruption in water: strategies, tools and ways forward

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Corruption is draining the water sector. It is distorting the allocation of precious and scarce resources – economic, environmental and social. It is hindering the sector’s potential to serve as a catalyst for national development and, instead, has made water the source of its stagnation. Reducing these costs and realising the sector’s range of developmental possibilities will require all actors to prioritise actions that can stem corruption. Without changes in the way corruption is prevented and punished, the global promises set out in the Millennium Declaration for improving water and sanitation, for the betterment of people’s lives around the world, will be left unfulfilled.

This report has documented different types of corruption in the water sector and the challenges they pose: whether for the operation of a city’s water supply network, the construction of irrigation canals for rural farmers or the allocation of land and contracts for big-money dam projects. As signalled in each of the previous chapters, the evidence is conclusive that the costs of corruption are enormous for the sector. They are unequally distributed and disproportionately borne by the poor. Vulnerabilities – due to gender, age or ethnicity, or all of the above – are reinforced and aggravated when the control of water is corrupted. Ecosystems are imperilled and the problems of one country multiply into the challenges for many.

Corruption remains one of the least analysed and recognised problems in the water sector, however. This report provides a first step in filling this gap and understanding why corruption has been able to take root. Each of the previous chapters maps the corruption risks for one specific area of the sector: water resources management, drinking water and sanitation, irrigation and hydropower.

Water resources management is about safeguarding the sustainability of a resource that has no substitute. It involves the most fundamental policy decisions: how to protect water, ensure its positive contribution to the environment and balance the demands for its different uses (e.g.

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human consumption, agriculture, industry and power generation). Around the world, a large gap between water supply and demand has arisen due to population and economic growth, urbanisation, changing dietary habits and the onset of climate change.

Chapter 2 of the *Global Corruption Report 2008* has analysed WRM in detail, showing how local water scarcities and intensified competition for water provide a breeding ground for corruption. In some instances, water subsidies have been hijacked by powerful elites, water pollution has gone unpunished due to bribery and funds for WRM have ended up in the pockets of corrupt officials. In the short run, the losers in this control contest are typically the marginalised, who are denied access to a vital resource for life. In the long run, corruption in WRM paves the way for overexploitation of water resources and unchecked pollution, as well as inefficient distribution and allocation between different uses.

The consequences of corruption are significant for environmental sustainability, the future security of the water supply, social cohesion and even the stability of certain regions. The damage leaves lasting scars on future generations and the environment. Since many of its victims are silent, increased accountability in WRM is difficult to achieve. As yet, government oversight mechanisms are not in place to ensure that it will be provided. The lack of administrative capacity and the division of institutional responsibilities among different agencies within a country and internationally has left the sector in a regulatory lacuna that makes the fight against corruption very difficult.

Nowhere is the crisis of water governance and the challenge for human development more evident than in the areas of *drinking water and sanitation*. Roughly 1.2 billion people do not have access to safe drinking water and more than 2.6 billion people lack adequate sanitation. On any given day, nearly 50 per cent of people living in the developing world suffer from health problems caused by poor water and sanitation.² Without water – safe water – the health, livelihoods and development of individuals and countries are undermined.

As chapter 3 of this volume has shown, corruption intensifies these negative impacts and can be found at every point along the water delivery chain: from policy design and budget allocations to operations and billing systems. It drains much-needed investment from the sector and distorts prices and decisions. Corruption affects both private and public water services and hurts developing and developed countries alike. According to some estimates for developing countries, corruption raises the price for connecting a household into a water network by up to 45 per cent. It leads to policies and projects that favour the middle and upper classes and leaves the poor with limited choices and high prices for water access, making them even more vulnerable to corruption.

In chapter 4, the *Global Corruption Report 2008* details how corruption plays a role in the world's *irrigation and agriculture*. Agriculture accounts for 70 per cent of water consumption

² These figures are based on estimates by the United Nations Development Programme: see UNDP, *Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis* (New York: Palgrave Macmillan, 2006).

and irrigated land helps produce 40 per cent of the world's food. Without the irrigation of fields, many farmers throughout the world would not be able to practise their livelihoods and would be left in poverty. Corruption can put irrigation systems under the capture of large users. And irrigation systems that are difficult to monitor and require experts for their maintenance offer multiple entry points for corruption, leading to wasted funding and more expensive and uncertain irrigation for small farmers. Irrigation with groundwater resources that thousands of private pumps extract from underground aquifers is even more difficult to regulate. As a result, large users in places such as India and Mexico can drain underground aquifers with impunity, depriving smallholders of essential resources for their livelihoods. All this means that corruption in irrigation exacerbates food insecurity and poverty.

Hydropower is another water sector vulnerable to corrupt practices. More than 45,000 large dams in 140 countries supply more than 16 per cent of the world's electricity and provide vital services for flood control, irrigation and navigation. Chapter 5 of the *Global Corruption Report 2008* has demonstrated that dam-building has its own set of challenges – both for corruption and development. Massive investment volumes (US\$50–60 billion annually over the coming decades) and highly complex, customised engineering projects attract corruption to the design, tendering and execution of large-scale dam projects. The impact of corruption is not confined just to inflating project costs. Undue influence on energy policies and dam design by those who benefit from large-scale construction and the alteration of water flows can have dramatic consequences for entire communities. Few other public works projects have a comparable impact on the environment and people, making accountable hydropower governance a prerequisite for equitable human development. Large resettlement funds and compensation programmes that accompany dam projects have also been found to be vulnerable to corruption, adding to the challenges faced in the hydropower sector.

Policy lessons for combating corruption in the water sector

The *Global Corruption Report 2008* demonstrates that increased demand for water (whether for drinking, irrigation or energy) can be managed effectively only when dynamics of power and control are adequately addressed. Responses must tackle a wide range of corruption risks and devise ways to ensure that abuses of power do not go undetected and unpunished. The previous chapters in this section of the report review a wealth of case studies and experiences that yield a set of key lessons, as follows.

Prevent corruption in the water sector early whenever possible; cleaning up after it is difficult and expensive. When corruption leads to contaminated drinking water and destroyed ecosystems, the detrimental consequences are often irreversible. When subsidised water gives rise to powerful agricultural industries and lobbies, refocusing subsidies on the poor becomes increasingly more difficult. Once stakeholders engage in illicit activities to access or control water resources, they are further drawn into corruption networks, as is evident in Bangladesh or Ecuador, where water mafias operate corruption rackets.

Understand the local water context; otherwise reforms will fail. One size never fits all in fighting corruption, but this is particularly the case in the water sector, where conditions of supply and demand, existing infrastructures and governance systems vary widely across countries. Before tackling corruption, it is necessary to create an understanding of the specific dynamics that create and sustain the local governance arrangements for the water sector. Every reform measure must be based on a thorough stakeholder assessment that looks at the strengths and interests of incumbent elites, as well as the preferences and specific needs of the poor and other intended beneficiaries.³ Analytical methods need to be tailored to the local context and can include: surveying the concerns and current status of water users and providers, mapping corruption risks for related institutions and developing baselines and indicators to monitor progress (in access, service and water quality).

Cleaning up corruption should not be at odds with the needs of the poor or the sustainability of the environment. The costs of corruption in the water sector are disproportionately borne by the poor and exacted on the environment. To combat corruption, responses should engage communities in defining solutions and monitoring the outcomes.⁴ Inspiring examples in countries such as Brazil (see page 50) show how anti-corruption strategies have been successful when they have worked to involve poor citizens in budgeting and spending reviews.

Other examples point to the risk that some anti-corruption strategies pose when they are badly designed, however. Rather than supporting communities and positive change, they may undercut peoples' basic livelihoods. Chapter 3 highlights how government crackdowns on informal water providers can have negative fallout for the access to water of the poor. Before taking action in an area such as water provision, it is necessary to assess the local context and understand how the poor get their water and how much they are able and willing to pay. This information can be used to focus anti-corruption work on the types of service provision that matter most to them, such as constructing public standpipes or drilling wells in rural areas.

Linking up anti-corruption reform in the water sector – locally, nationally and beyond national borders – is essential to success. Beware of the weakest link: only coordinated and comprehensive reforms will have lasting benefits. Successful measures may stamp out corruption in one place only for it to reappear in others that may be harder to detect and deter. As chapter 4 in this volume shows, for instance, new water user associations – formed to prevent powerful farmers from bribing public officials to capture irrigation resources – can fall prey to the same interests they were set up to control. Similarly, reforms that successfully prevent local contractors from embezzling money may be unsuccessful in ensuring that most of the project funding does not end up in the pockets of national politicians. Corruption in water is dynamic and reforms must be interrelated to reflect its changing

3 P. Stålgren, 'Worlds of Water: Worlds Apart. How Targeted Domestic Actors Transform International Regimes' (Göteborg: Göteborg University, 2006); J. Plummer, 'Making Anti-corruption Approaches Work for the Poor: Issues for Consideration in the Development of Pro-poor Anti-Corruption Strategies in Water Services and Irrigation', Report no. 22 (Stockholm: Swedish Water House, 2007).

4 J. Plummer, 2007.

nature. This calls for coordination of anti-corruption efforts upstream and downstream in the sector and the need to ensure that they complement related initiatives locally, nationally and globally.⁵

Work on reforms that directly and indirectly combat corruption in the water sector. When corruption takes on systemic proportions, tackling it head-on can be difficult.⁶ Many examples throughout this report underscore the fact that corruption in the water sector is intertwined with generic governance failures and dysfunctional public institutions. To begin addressing all these different dynamics, one option might be to start with a more indirect approach that involves a general reform of institutions and promotion of broader citizen engagement. Such initiatives can include technical reforms targeting increased water service delivery and citizen empowerment projects that focus on capacity-building and transparency. Other reform areas that are central for anti-corruption efforts include improving financial management, training civil servants and capacity-building for agency administrators.

Build awareness among stakeholders that creates common ground and mobilises coalitions. Ending corruption in the water sector requires overcoming overlapping interests and altering 'the rules of the game'. There needs to be 'buy-in' by the different groups involved to break the pattern and relationships that are perpetuating the problem. This is particularly difficult in the water sector, however, where the number and diversity of stakeholders is exceptionally high. The *Global Corruption Report 2008* has profiled how fighting corruption in water is in the interests of many different stakeholders – but this common purpose may not always be clear at the outset to everyone involved.

Based on experiences from water resources management in Southern Africa, differences in incentives and perceptions can be overcome through effective communication and mutual learning between stakeholders.⁷ Farmers, for example, may see water simply as an input to producing their harvests. They may not make the link that the environment and climate affect the availability of water and may be uninterested in partnering with stakeholders working on these issues. Encouraging collaboration between the groups will rely on building an understanding of how protecting water for farming means protecting the environment. Haas (chapter 5) points out that effective anti-corruption approaches typically follow this formula and build on mutually reinforcing efforts by the public, private and civil society sectors. The Water Integrity Network, a group of international water experts and practitioners dedicated to fighting corruption in the sector, has been involved in striking up such partnerships and provides a good resource base for countries to share good practices.

Build pressure for water reform from above and below. It is also necessary to reconcile top-down and bottom-up approaches. Political leadership from the top is necessary to create momentum and legitimacy to drive institutional reforms. A good example is the case study on how

5 J. Plummer and P. Cross, 'Tackling Corruption in the water and Sanitation Sector in Africa: Starting the Dialogue', in E. Campos and S. Pradhan (eds), *The Many Faces of Corruption* (Washington, DC: World Bank, 2007).

6 A. Shah and M. Schacter, 'Look before You Leap', *Finance and Development*, vol. 41, no. 4 (2004).

7 P. Stålgren, 2006.

committed leadership helped turn around the public water utility of Phnom Penh (page 48). But this is only one side of the coin. Bottom-up approaches are important to add checks and balances. They help monitor flows of money (e.g. social audits of infrastructure projects – page 51) and water (e.g. the creation of irrigation user associations – from page 75), benchmark performance (e.g. report cards for water users – page 51) and disclose failure (e.g. water pollution mapping – page 27). Relying on grassroots support helps make corruption and policy capture at all levels more difficult.

Sequence anti-corruption reforms and responses to ensure that recommended actions have been appropriately tailored to the context. The general school of thought on how to combat corruption in water is that certain measures can prove extremely effective: user associations, citizen report cards, legal entitlements to access and community-managed irrigation programmes, among others. Each of these will have to be tailored to the needs of users and the specific characteristics of corruption in the community. But adapting anti-corruption policies to local contexts also entails rethinking the sequencing of reforms. For example, privatising a city's water services requires having a strong regulator in place to prevent and manage corruption at every step in the process. Establishing water rights for citizens will be successful only if effective judicial institutions exist to uphold the laws. Pushing transparency and civil society involvement without developing matching capabilities or creating the space for their engagement threatens to create public cynicism or apathy about anti-corruption initiatives.

Leverage existing commitments to make water governance more accountable; there is no need to reinvent the wheel. Chapter after chapter in this report lists existing legal frameworks, conventions and declarations that outline the responsibilities of governments and other stakeholders on managing water resources and addressing corruption. They cover everything from respecting transboundary waters and environmental sustainability to guaranteeing drinking water, access to environmental information and corruption-free practices. Both the United Nations Convention Against Corruption (UNCAC) and the OECD Anti-bribery Convention – as well as various regional agreements – contain articles that clearly stipulate the obligation of signatories to prevent and punish many of the abuses that currently plague the water sector. If they are serious about turning pledges into concrete commitments, governments can find ready-made templates in these and other frameworks to tailor and use. Several governments have already ratified similar agreements. Civil society can leverage international pressure to encourage the country in question to adopt the same measures and honour the many elements in these frameworks that are useful for rolling back corruption in the water sector, including participatory structures for governing and sharing water, access to water-related information, the transparent procurement of water services and measures to protect wetlands and water resources.

Taking action: recommendations for tackling corruption in water

The *Global Corruption Report 2008* has presented a number of promising strategies and tools to tackle corruption in water resources management, drinking water and sanitation, irrigation and hydropower. As has been emphasised throughout the report, a particular country's dynamics determines the right mix and sequence of anti-corruption reforms. The following

recommendations summarise the most promising strands of reform. If implemented, they should foster changes in the current context of corruption in the water sector.

Scale up and refine the diagnosis of corruption in water; the momentum and effectiveness of reform depend on it

Much work remains to be done on studying the scope and nature of corruption so as to allow a deeper understanding of its drivers. Such knowledge is needed to tailor anti-corruption responses to specific contexts and determine how best to prioritise resource spending, sequence interventions and monitor progress. Tools such as corruption impact assessments, public expenditure tracking or poverty and corruption risk-mapping help to shed valuable light on different aspects of the puzzle. These tools need to be refined, adopted widely and adapted to specific local contexts to lay the foundations for targeted reform.

One promising diagnostic tool for sketching an overview of the problem is a **water integrity national survey (WINS)**. This survey can cover all the components, actors, practices and institutions that make up the water sector and can be used to help to capture the issues affecting performance. In addition, the conclusions and recommendations of tools such as the WINS could be used by governments in developing time-bound, monitorable action plans with concrete indicators. To help secure buy-in to its recommendations, the WINS should be carried out by an independent reputable organisation or a group of organisations (such as a university or a research centre) skilled in both water sector and governance issues. As experience with similar studies shows, the resulting analysis can serve as a starting point to prioritise, strategise and promote reform.⁸

Strengthen the regulatory oversight of water management and use

Governments and the public sector continue to play the most prominent role in water governance. As the entrusted executors of citizen will, they are responsible for the allocation of water resources, protecting the environment, representing the interests of future generations and overseeing the different dimensions of the sector. They are empowered to negotiate transboundary water-sharing, set sectoral policies and manage investments. Governments are also the principal shareholders that own and oversee the infrastructures in place for a country's drinking water, sanitation, irrigation and hydropower needs.

Governments' broad authority on matters of water must be leveraged as part of any strategy to tackle corruption. A central task for states is to establish effective regulatory oversight, whether for the environment, water and sanitation, agriculture or energy. In the age of public-private partnerships, regulators must take on additional roles and ensure that ventures are transparent,

⁸ See, for example, the National Integrity System country study for Bosnia-Herzegovina (BH), carried out by TI BH and adopted by the government of BH as the model for its national anti-corruption plan; available at www.transparency.org/content/download/15693/169907/file/NIS_bosnia_herzegov.pdf.

particularly in relation to power purchase agreements. Where relevant, regulators also need to pay special attention to addressing potential corruption risks deriving from decentralisation.

But setting up regulatory mechanisms presents a dilemma: in a high-corruption environment, regulatory bodies are likely to fall prey to capture and face multiple conflicts of interest, especially when a government department assumes the roles of water service provider and regulator at the same time. If the means to combat corruption also become the mechanism that spreads it, countries are left with the conundrum of figuring out where to start. There are institutional reforms that can make regulatory capture less likely and therefore should be prioritised: capacity-building and training for regulatory staff, adequate resources (human, financial, technical and administrative), creating a clear institutional mandate and power, transparent operating principles and a public consultation and appeals process. In addition, existing benchmarking tools such as the International Benchmarking Network for Water Utilities (IBNET) can assist regulators in fulfilling their mandate.⁹

There are global examples of regulatory and administrative authorities that have been able to establish the oversight, insight and integrity needed to counteract corruption in water. World-class organisations such as the Public Utilities Board (PUB) of Singapore and the Panama Canal Authority (or ACP in Spanish) have taken active measures to inculcate a culture of integrity within their organisations. For example, the PUB has developed codes of governance and conduct, set up effective internal control processes and established mechanisms to prevent and punish corruption. The ACP also promotes integrity and oversight through regulations that it has passed regarding staff ethics and behaviour. These codes deal with conflicts of interest, abuse of position and acceptance of gifts. As these examples show, strengthening regulatory oversight requires a focus on two interrelated objectives: it means putting in place the mechanisms that strengthen the *mandate* and *independence* of the regulator and at the same time establishing internal structures and incentive systems that ensure the *integrity and accountability* of its employees.

Improve the management of water utilities to reduce corruption and help deliver in the water and sanitation sector

Water utilities play an important role in delivering water and sanitation services. To lower corruption risks, water utilities should be autonomous, financially viable, well staffed and accountable for performance and delivery.¹⁰ They can improve service delivery to the poor and directly combat corruption by subsidising connection fees and tariffs for low-income households, setting up inspection teams to find leaks and illegal connections, reducing the manipulation of billing and collection through installing meters for all connections, computerising billing systems and maintaining an up-to-date customer database. Management

⁹ International Benchmarking Network for Water Utilities; see www.ib-net.org.

¹⁰ H. Elshorst and D. O'Leary, 'Corruption in the Water Sector: Opportunities for Addressing a Pervasive Problem', presentation at World Water Week, Stockholm, August 2005; A. Baeitti *et al.*, 'Characteristics of Well-performing Public Water Utilities', Water Supply and Sanitation Working Note no. 9 (Washington, DC: World Bank, 2006).

contracts and performance-based service contracts can help utilities significantly improve performance and reduce 'petty' corruption. This needs to be supported by strong political will and determined leadership by top management from the utility. The experience of the Phnom Penh Water Supply Authority described in chapter 3 shows that this can be done.

Ensure fair competition for and accountable implementation of water contracts

Contractual agreements are used when the government bids out parts of its water service responsibilities to the private sector. These can include the expansion and running of a city's water supply, the construction of a rural irrigation system or the management of a country's hydropower dams. Designing, tendering and monitoring such contracts comes with major corruption risks.

In some countries, the private sector has embraced basic anti-corruption measures as part of its standard operating procedures, often within the rubric of strengthened corporate governance practices. These tend to focus on promoting sound financial management, regular company reporting, effective internal performance monitoring and other initiatives to account to investors and shareholders, as well as to stakeholders. TI's **Business Principles for Countering Bribery**,¹¹ for example, can offer guidance and benchmarks specifically for corporate anti-bribery programmes.

While private enterprises in the water sector may enforce a level of compliance that assists anti-corruption efforts, additional actions are necessary, often by government, to address the areas that fall outside their control. The urgent need for action is inspired by the fact that future business opportunities are expected to be concentrated in corruption-plagued countries. Nine out of the ten largest growth markets for private sector involvement in water services are in nations that score below 3.8 on a scale between 0 (highly corrupt) and 10 (clean) on TI's Corruption Perceptions Index, marking them as countries with high levels of corruption.¹²

To help foster clean contracts and fair competition, different tools exist that rely on promoting stakeholder collaboration and buy-in. Since the mid-1990s TI has been using **integrity pacts**. These pacts are typically developed for public procurement processes and include a signed promise between the government and all interested bidders that neither side will offer, demand or accept bribes during the bidding and execution of contracts. IPs have been applied successfully in many countries and sectors.¹³ In Pakistan, an IP that was used as part of the Greater Karachi Water Supply Scheme led to an 18 per cent reduction in costs compared to the original estimates.¹⁴ In Mexico, a similar pact for a hydropower project

11 See www.transparency.org/global_priorities/private_sector/business_principles.

12 Global Water Intelligence, *Global Water Market 2008: Opportunities in Scarcity and Environmental Regulation* (Oxford: Global Water Intelligence, 2007); TI, Corruption Perceptions Index 2007, in *Global Corruption Report 2007* (Cambridge: Cambridge University Press, 2007).

13 TI, *Curbing Corruption in Public Procurement Handbook* (Berlin: TI, 2006).

14 TI Pakistan, 'A Pakistan Success Story: Application of an Integrity Pact to the Greater Karachi Water Supply Scheme, Phase V, Stage II, 2nd 100 MGD, KIII Project' (Karachi: TI Pakistan, 2003).

helped achieve a saving of more than 8 per cent. An IP can also be signed for an entire sector. In Argentina, water pipe manufacturers – accounting for 80 per cent of the market – struck an agreement based on the IP principles to ensure fair bidding for public contracts.¹⁵ Stiff fines for bribe-takers and strong rules for debarring bribe-givers can further reduce incentives for corruption. The publication of performance criteria and contract terms is another indispensable measure for public trust and public oversight, but it is not yet common practice in many countries.

Mainstream due diligence in the financing of private sector water projects

Corrupt practices in the form of bribery abroad underscore the need for export credit agencies, commercial banks, international financial institutions and donors to take action as part of their fiduciary responsibilities.¹⁶ When supporting investments, including processes that involve procurement, they must ensure that mechanisms are put in place that create the right incentives – to discourage firms from engaging in corrupt activities.

ECAs, commercial banks and the private sector lending wings of IFIs, such as the World Bank's International Finance Corporation, should expand their due diligence requirements to include anti-bribery provisions. These measures can apply to each interested developer and should cover the entirety of a company's global operations.

Prior to making an application for funding or a guarantee, the applicant(s) should be required to disclose if they are under investigation, have ever been convicted of violating anti-corruption laws (such as the United States' Foreign Corrupt Practices Act) or have been debarred by any IFI.¹⁷ For example, the Overseas Private Investment Corporation (OPIC), an ECA based in Washington, DC, requires companies seeking OPIC financing or 'cover' for a project to have anti-bribery programmes in place, such as TI's BPCB.

Donors can also contribute in important ways to promoting the right incentives and signals for private companies interested in doing business with them. They can strengthen the anti-corruption components of water projects and support initiatives that promote civil society capacity-building and media development. Such measures will help to put in place the institutional building blocks necessary to create an environment that fosters greater accountability. Internally, donors can take steps to improve their own accountability by strengthening public disclosure practices and penalties for misdoings. Specific measures include: public consultations of project documents, stiffer sanctions against corrupt staff, the blacklisting of corrupt project partners and an unambiguous and coordinated no-bribes commitment by the donor community.

15 L. Haas *et al.*, 'Setting Standards for Communications & Governance: The Example of Infrastructure Projects', Working Paper no. 121 (Washington, DC: World Bank, 2007).

16 P. Stålgren, 'Corruption in the Water Sector: Causes, Consequences and Potential Reform', Policy Brief no. 4 (Stockholm: Swedish Water House, 2006).

17 TI, 'Using the Right to Information as an Anti-Corruption Tool' (Berlin: TI, 2006).

Step up citizen monitoring of water service delivery: civil society has a pivotal task to complete the accountability circle

When it comes to combating corruption in the water sector, civil society organisations (CSOs) can help monitor the commitment and effectiveness of government and private contractors at all levels. CSOs have the capacity to mobilise communities and express their demands for change. **Citizen report cards** are an example of a community-level monitoring tool that helps to channel community needs into action. Report cards are survey questionnaires that citizens complete to assess the quality of service delivery and whether service providers have fulfilled their obligations (in terms of budgets, resources and promises).

In the water sector, the tool has proved very successful for getting users to interact directly with utilities and air their concerns. The experiences of Bangalore in India, where citizen report cards were first adopted in 1994, are impressive: since the surveys began, the percentage of people 'satisfied' with water and sanitation services has skyrocketed from 4 per cent to 73 per cent (2003).¹⁸

Monitoring the satisfaction with water services is not an add-on measure with populist appeal. It is important, because it makes the water provider more directly answerable to the citizenry. It shifts attention to outputs and outcomes, turns individual dissatisfaction into public pressure and thereby complements the recommendations that focus on accountability for inputs (budgets, staffing) and integrity of processes (fair tendering and effective regulation) outlined earlier.

Adopt transparency and participation as guiding principles for all water governance

Adding up the elements needed to tackle corruption in the water sector, two central elements stand out: transparency and participation.

Transparency must come to characterise how both public and private stakeholders conduct water sector activities. Water budgets, resettlement funds and the rules of procurement need to be carried out in a transparent manner and disseminated to the public. Measures must be put in place requiring public officials and sector managers to disclose their assets publicly as a means to ensure that resources are not being siphoned off from the sector and into their bank accounts. The public shaming of water polluters and debarred contractors should be encouraged as a way to add a social cost to any legal and financial penalties incurred.

Transparency is also encouraged by more research and information-sharing. Analysis is needed to show who the major beneficiaries are of subsidies targeting rural wells, irrigation networks and drinking water systems.¹⁹ Tendered bids should be read aloud in community meetings,

18 G. K. Thampi, 'Community Voice as an Aid to Accountability: Experiences with Citizen Report Cards in Bangalore', presentation at the seminar 'Can We Meet International Targets without Fighting Corruption?', World Water Week, Stockholm, August 2005.

19 See articles starting on pages 40 and 67.

planning blueprints publicly posted, donor documents and water quality indicators uploaded to websites, and materials produced in a simple and accessible language – from service contracts to audit reports. All these measures should help to shift behaviour in the sector and create an environment in which transparency is expected and valued. Even when projects are technical or the matters require expertise, citizens should have the opportunity and voice to demand basic information and explanations (e.g. about infrastructure specifications, experts hired, contractors selected and prices set). Strong freedom of information (FOI) laws that create enforceable entitlements for citizens to inspect public records provide the foundation for transparency in the water sector.

Increased participation has been documented throughout this report as a mechanism for reducing undue influence and capture of the sector. When effective, citizen engagement forces public and private sector counterparts to be more transparent and accountable in their actions. Participation by marginalised and vulnerable groups in water budgeting and policy development can provide a means for adding a pro-poor focus to spending. Community involvement in selecting the sites of rural wells and managing irrigation systems helps to make certain that small landholders and poor villagers are not last in line when it comes to accessing water. Engagement in infrastructure planning or environmental impact assessments gives civil society stakeholders a platform for holding decision-makers accountable for extending the benefits of new water mains or dams to everyone. Participation in auditing, environmental pollution-mapping and performance-monitoring of water utilities creates a system of checks and balances to see whether contracts have been fulfilled and violators of water regulations punished.

Transparency and participation build the very trust and confidence that accountable water governance demands. They are essential elements for keeping the lure of corruption low and the system functional. Transparency and participation help to reassure small landholders and poor people that they are heard and need not bribe to get their fair share of water. Private companies are given greater confidence that they do not have to sweeten their bids for water contracts. Industry is reassured that competitors are not gaining an unfair advantage by bribing their way around environmental rules. Neighbouring countries are provided with assurances that water-sharing arrangements will not be violated.

Of course, transparency and participation are no magic cure. They work in tandem with other measures, such as clear legal entitlements to water and strict sanctions against corrupt behaviour. They depend on having the necessary capacity in place to use the information made available and participate effectively in decision-making.

These challenges notwithstanding, transparency and participation are prerequisites for ensuring that water governance is less corrupt and more accountable, democratic and equitable. They are indispensable elements for tackling corruption in the context of the global water crisis today. And they are important principles for reforming governance frameworks and laying the foundation for anti-corruption strategies in the future.

A critical crossroads has been reached that mandates a radical shift in the status quo of how water and corruption are addressed. Climate change, the search for fossil fuel alternatives,

the expansion of commercial agriculture and continuing demographic trends (in terms of lifestyles, urbanisation and population growth) have made the need for a response urgent. The stakes in the global water crisis could hardly be higher. The lives and livelihoods of billions of people, the sustainability of our ecosystems and energy footprint, the prospects for equitable human development and international political stability are all interlinked with solving the global water crisis. Fighting corruption in water is an important dimension of working towards a solution. As the *Global Corruption Report 2008* shows, this fight against corruption in water is very challenging, but it is feasible and rewarding and it is more urgent than ever.