



# TRAINING MANUAL ON WATER INTEGRITY

## MODULE 3: IDENTIFYING CORRUPTION RISKS



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Muscat, Oman, June 6th , 2012



# Drivers of corruption

1. Increased monopoly and discretionary power, which are common in water institutions.
2. Failure of monopolistic state delivery that creates opportunities for petty corruption.
3. Limited demand for accountability in developing countries in relation to the service provider/consumer accountability.
4. Weak civil society and undeveloped concept of customer rights.
5. Water's many linkages to other sectors that are particularly vulnerable to corruption.
6. As a high-risk construction sector, water displays the resource allocation and procurement-related abuses which arise when the public and private sectors meet.
7. Low capacity, low wages, lack of clear rules and regulations, and dysfunctional institutions.



# Drivers for change

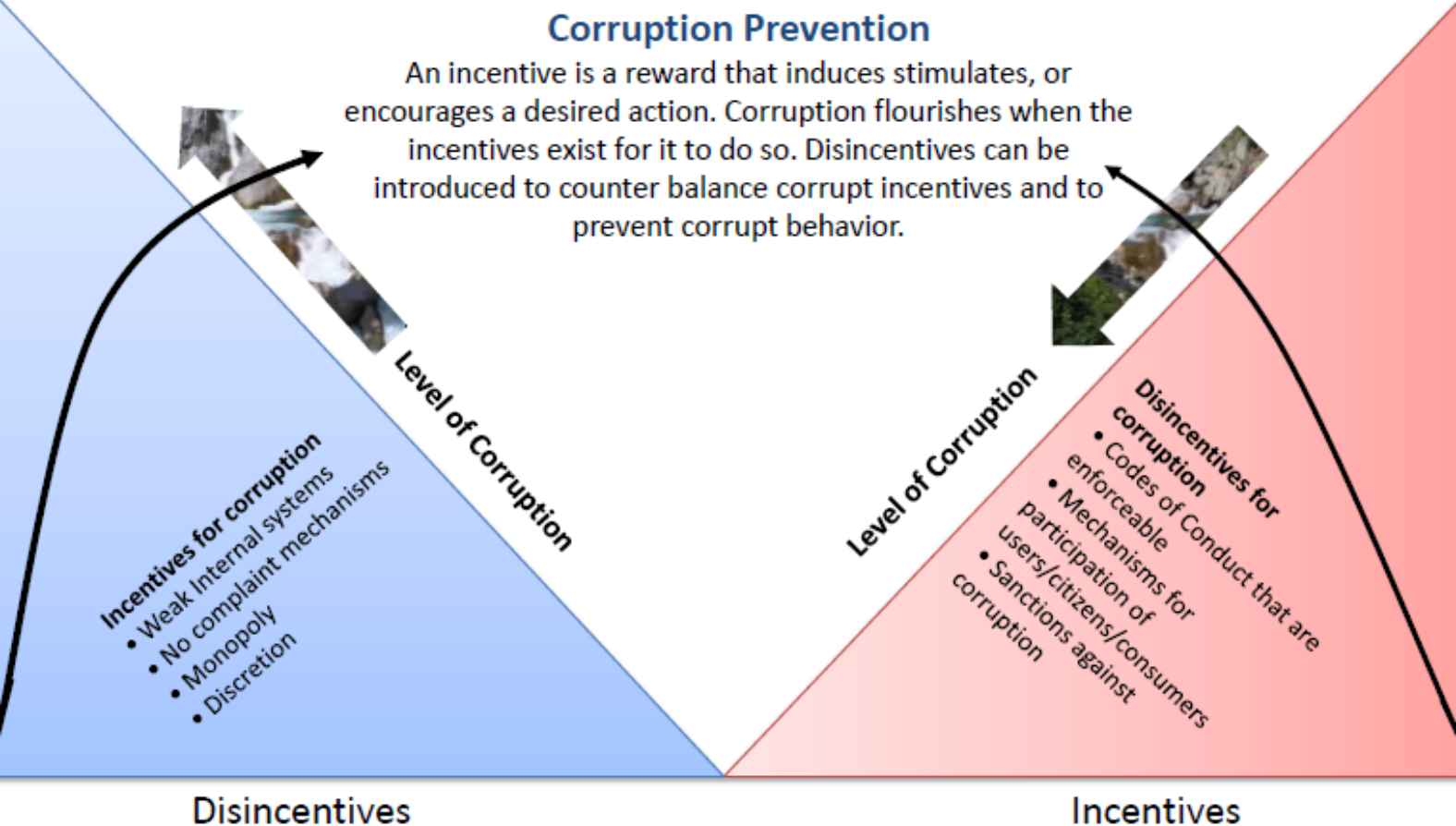
**The drivers for change can enable institutions and the public to make informed decisions that improve the accountability of governments and reduces the scope for corruption.**



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# Incentives and disincentives for corruption to occur



# Why Assess Corruption Risks?

## Be preventative rather than reactive

- Assessing potential corruption risks and putting preventative measures in place is easier and much more cost effective than trying to clean up corruption after it becomes established
- Diagnosis informs targeted, connected solutions which mitigate the impacts of corruption and enable us to monitor the effectiveness of planned and implemented interventions
- No single agreed upon methodology for corruption risk assessment in the water sector exists but some useful frameworks and tools will be presented in this module

# Water Corruption Comes in Many Different Forms

## The form of water corruption depends on:

- The **sub-sector** (water resources management, water supply and sanitation, irrigation etc)
- The different **stages of service delivery** (policymaking & regulation, planning & budgeting, financing, programme design, procurement, construction, operation & maintenance, payment for services)
- The types of **actors involved**
  - Public - Consumer: Between the state and consumers
  - Public - Private: Between the state and market actors
  - Public - Public: Between public officials



# How To Rank 'Corruption Risks': The Risk Quadrant

	Less likely to happen	More likely to happen
Low impact	Low control	Monitor closely
High impact	Monitor closely	<u>Monitor systematically &amp; prevent at source</u>



# The Corruption Interactions Framework

Maps these different forms of corruption by distinguishing between:

- At what level/process and between which sets of actors different types of corruption are likely to be found. The nature of corruption is likely to be different at these interfaces.
- Using the framework involves locating types of perceived or known corruption to the appropriate cell, specifying the type of corruption (checking definitions) and the parties (always at least two) involved.







# The Corruption Interactions Framework

	Public-Public	Public-Private	Public-Consumer
Policy making & regulation			
Planning & budgeting			
Donor Financing			
Fiscal Transfers			
Mgt & Programme Design			
Tendering & Procurement			
Construction			
Operation & Maintenance			
Payment (for services)			



# The Corruption Risk Map

Comprehensive risk mapping tool that breaks down corruption risks at process and sub - process level and links the risk with an action to reduce the risk. (See exercise).

**Similar to the Corruption Interaction Framework but also identifies:**

- Early warning indicators
  - are ‘danger signs’ to watch out for that answer the question: “What would make the risk come true? These need to be measurable either by qualitative data (e.g. no division between regulator & provider roles), others will be based on quantitative data (e.g. increase in price of informal water)
- Anti-corruption measures to minimise the identified risk



# The Corruption Risk Map (simplified)

Risk Area	Corruption Risk	Early Warning Indicator	Anti-corruption tool
Policy making & regulation			
Planning & budgeting			
Donor Financing			
Fiscal Transfers			
Mgt & Programme Design			
Tendering & Procurement			
Construction			
Operation & Maintenance			
Payment (for services)			

# The Corruption Risk Map (modified)

Risk Area	Corruption Risk	Early Warning Indicator	Anti-corruption tool
Policy making & regulation	Policy capture	Monopolies, abnormal tariffs, unclear roles	Independent regulator, tariff reform
Planning & budgeting	Corruption in planning & mgt (location, type of investment)	Complex budget process, % of spending on capital intensive	Participatory budgeting
Donor Financing/Fiscal transfers	Donor-government collusion in meeting spending targets	% budget on 'software activities'	Independent audits

# The Corruption Risk Map (modified)

Risk Area	Corruption Risk	Early Warning Indicator	Anti-corruption tool
Mgt & Programme Design	Collusion in selection/approval of schemes	Certain regions/sub-sectors overrepresented	Lobbyist registration, access to info laws
Tendering & Procurement	Bribery, fraud collusion in tenders	Same tender list, bidders drop out	Integrity pacts, whistleblower protection, simplify tender docs
Construction	Fraud/bribery	Sub-standard work	Citizen oversight & monitoring
Operation & Maintenance	Embezzlement of O&M funds	Complaints of selection of water user committees	Issuance of receipts
Payment (for services)	Bribery in billing, metering,	Unexplained variations in revenue	Customer charters



# Lessons Learned for Tackling Corruption in the Water Sector

- Prevent corruption from outset
- Understand local context, otherwise reform will fail
- Support the poor
- Reform must come from above and below



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# Other useful corruption mapping tools

- **Multi stakeholder Water Integrity Studies**
  - A combination of a qualitative Risk Opportunity Mapping Study and a nation wide quantitative Baseline Survey that assesses levels of water sector corruption in a given country
- **Annotated Water Integrity Scan**
  - Fast and inexpensive method to 'scan' integrity risks in selected aspects of the water sector
- **The Utility Checklist**
  - Identifies vulnerabilities to abuse of authority and resources in the management system of a water utility..

# What is Collaborative Multi-stakeholder Research and How Can It Address Water Sector Corruption?

- A combination of qualitative assessment of integrity risks and quantitative survey to measure levels of water sector corruption in a given country
- Findings and recommendations used to engage with policymakers and initiate activities to improve integrity in the sector



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# Influencing Policy

Multiple strategies available to influence policy:

- Lobbying (cooperation/interest based)
- Activism (confrontation/interest based)
- Advocacy (confrontation/evidence based)
- **Multi-stakeholder Research** (cooperation/evidence based)



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# Why Collect Empirical Evidence on Causes and Impacts of Corruption?

- Good policy and associated intervention follows from good diagnosis
- If you do not know the problem, you cannot create a solution
- First step to demonstrate progress is to collect evidence, in order to be able to measure progress



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# Key Components

- Evidence-based research
- Create ownership through multi stakeholder partnership
- Anchored with national policy framework process within sector
- Action oriented programme planning and development



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# Evidence Based

- Qualitative and quantitative approach (credible research; non-anecdotal)
- Multiple data sources; triangulation
- Focus on real experience rather than perception
- Sound research evidence irrefutable, limits opportunity for dispute
- Repeated over time





# Ownership

- Multi-stakeholder partnership process
- Government engagement + champions
- Platform creation
- Builds ownership at multiple levels



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# National Policy Framework

- To effectively inform and influence strategies to reduce corruption risks (policy-making) research must be anchored within the existing policy framework
- Strengthen national ownership and promote harmonization



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# Action Oriented

- Develop action programme grounded in evidence-based recommendations
- Integrated with existing national sector policy priorities to address corruption
- Country led and managed process; internally driven (ownership)



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# Summary

- Impact/influence policy
- Improve governance
- Reduce corruption and increase integrity



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# Key Lessons Learned: Sustainability

- Organizational sustainability: Strategies for implementing and follow-up need to be in place (M&E framework)
- Institutional sustainability: Maintain national ownership key
- Financial sustainability: Donor support critical – financial AND political



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# Key Lessons Learned: Trust Building

- Government engagement (initial and ongoing) critical
- Local facilitator must be legitimate partner trusted by all stakeholders
- Multi-stakeholder processes are time consuming - but pays back in the long run





# Key Lessons Learned: National Context

- Relevance of national context:
  - Political environment/freedom
  - Level of corruption
  - Space for civil society voice



# Key Lessons Learned: Challenges

- Tackling corruption in itself is a challenging!
- Vested interests want process to fail
- Power and money
- Challenge the status quo and existing power structures



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# Group Exercise

- Break into groups (regional ??)
- Decide on Moderator
- Country Selection: Choose one country which some group members know well. One person describes the country situation
- Identify Risks: Complete corruption risk map. The task is to identify the top risks in every category/process and insert this in column 2. Add early warning indicators and type of information needed to prevent the corruption risk anti-corruption tools in column 2 and 3 respectively. Leave the anti-corruption tool for now.