

OECD Integrity Week

17-21 March 2014

Water Integrity Workshop

Report

20 March 2014

OECD Conference Centre – CC7
Paris, France



Summary: Workshop conclusions

Making the case: Why single out Integrity in the Water Sector?

- The Water Sector – A Perfect storm for corruption: Nearly Any risk factor mentioned in the corruption literature exists in the water sector
 - High-investment public infrastructure
 - AND Natural Resource involved
 - AND localized monopolies
 - AND ...
- Lethal consequences: Through its link with disease, corruption in the water sector is likely the deadliest form of corruption
- Big opportunity – promoting water integrity means to start clean governance in a sector with universal reach and impact

Integrity in the Global Water Agenda: Without integrity, water governance is never „good“

Integrity is a means, not an end, so actions should always be linked to desired results.

To put integrity in water governance, we as people and organizations need to

- Tackle the capacity gap!
- Adapt and contextualize tools!
- (Re-)Scale to the right level!
- Follow the data!
- Be pragmatic, not dogmatic!

The Business Case for Water Integrity: Business will only engage if there is a business case they understand...

- ...but cases can be created
- ...but making them talk with others in collective action approaches also works
- ...but not every engagement and negotiation means collaboration
- ...but not every quick fix is a long-term solution

Tracking Progress with Indicators: Let the purpose decide which indicators to use.

Indicators always exist in a context

- Which purpose – track goals or influence results?
- Which level – operational, national, international?
- Which sources – reliable, comparable, feasible?

Indicators are revealing

- Is integrity an end or contributing to broader goals?
- Who wants to get the message out?

Principles and Key Messages: Make integrity principles a matching piece in the existing shared puzzle.

Principles are a great help

- Show and bridge gaps, hook to start a conversation
- Guidance to link finance and governance
- Include overarching issues - capacity, access information

Principles can be confusing and distracting

- Multiple, unclear, inconsistent sets?
- Don't re-invent the wheel, re-use working principles!

Water Integrity Workshop

Broaden the base, Increase the pace

Background

By 2050, the world's population will reach 9 billion people, with a major proportion living in urban areas. It is estimated that 4 billion people will live in water-stressed areas and water demand will increase by 55%, thus generating intense competition across people, places and time scales, especially in emerging economies. This gloomy picture raises significant challenges for the management of water resources, in a context of acute water governance "crisis" exacerbated by institutional dysfunction, unethical practices, opaque decision-making, poor accountability, and corruption.

Strategies and solutions for better integrity and transparency in the water sector exist, and are backed-up by extensive knowledge, science and technologies. But their implementation on the ground is challenged by a series of gaps intrinsic to the water sector: high degree of territorial and institutional fragmentation, limited capacity at different levels, lack of information disclosure, mismatches across governance and hydrological scales, lack of human and financial resources, low level of stakeholder engagement, etc.

Objectives

The OECD workshop on water integrity, co-convened with the Water Integrity Network, Transparency International and SIWI-UNDP/Water Governance Facility, discussed challenges and best practices in promoting integrity in water services and resources management, across OECD and non OECD countries. It drew valuable lessons from project and policy levels, including from related sectors such as energy and agriculture. Building on the activities of the Working Group on "Integrity and Transparency" of the [OECD Water Governance Initiative](#), the workshop aimed to:

- **Share experience on recent developments on water integrity and transparency** and the contribution to the global water agenda;
- **Showcase the contribution of the business community** in strengthening integrity, transparency and accountability in the water sector;
- **Take stock of existing (and needed) indicators to track progress on water integrity and transparency**
- **Discuss policy messages and ways forward on water integrity** to be reflected in the *OECD Principles on Water Governance* under preparation.

Format

The event was very interactive, with lively discussions across a wide range of stakeholders from the public, private and non-for profit sectors within and outside the water community. The audience included representatives from national governments, regional, basin and local authorities, regulators, donors and international financial institutions, public and private service providers, NGOs, international organisations, academics and independent experts from OECD and non-OECD countries.



Corruption & Integrity: A contribution to the OECD Water Governance Initiative

Rolf Alter, Director, OECD Public Governance and Territorial Development, highlighted the complex and long-term nature of efforts to fight corruption and improve integrity in any sector. OECD anti-corruption strategy underlines the link between government and business; and the involvement of many stakeholders. In water governance, fragmentation of actors and of accountabilities hinders and undermines transparency, economic efficiency and opens doors for corruption. Underlining the need for evidence-supported interventions, he welcomed a workshop that brings around the table those who know a lot about integrity with those who know a lot about the water sector.



Håkan Tropp, Managing Director, Stockholm International Water Institute, emphasized that water integrity has come a long way but that a lot remains to be done. The recent UN “My world survey” revealed responsible government as a high priority for people around the world, just as the UN SDG debates and the World Economic Forum Risk Report reconfirm the urgency of water and sanitation. Water ranks among the least addressed governance issues, underlining the importance of water integrity on the agenda. Investments in water infrastructure are urgently needed, but without the “soft-ware” of good governance and monitoring, sustainability in the “hardware” infrastructure will be hard to achieve. Reports claim that as much that 30-50% of infrastructure investments in South Africa and other developing countries failed after 2-5 years. The rules of the investment game are critical. A second focus of water integrity is the decision on water allocation, uses and services, and related agreement/contracts with public, private or public private actors and their integrity behaviour. Managing different demands on water is a highly complex task, and since many governance experts have little experience in the water sector, sharing experience between the communities is urgent.

Session 1: Integrity and transparency in the Global Water Agenda

The first session discussed integrity and transparency on the international, regional and national post-2015 agendas and in strategies for the water sector. It reflected on recent developments and shared insights, views and information among participants in different contexts. Moderator **Teun Bastemeijer, Chief Advisor Strategic Outreach & Programmes, Water Integrity Network**, reminded participants that in spite of the positive talk in water solutions, current investments losses in water infrastructure on occasion still exceed 100% of the investments cost. **Frank van der Valk, Director of the Water Integrity Network** outlined the development of water integrity on the international agenda, from scandals in the water sector and the launch of WIN in 2006 to the Water Integrity Forum and OECD Water Governance Initiative working group in 2013 (see Figure 1). Still, the sector faces enormous gaps in capacities. To achieve positive impacts, WIN highlights the need for education, trainings and institutional development to build the knowledge needed for ethical behaviour in the water sector. Education plus public awareness must be supported by governments and municipalities on national level, and there is a coordinating role to be played by international organisations. Social marketing methods and projects can also be helpful.

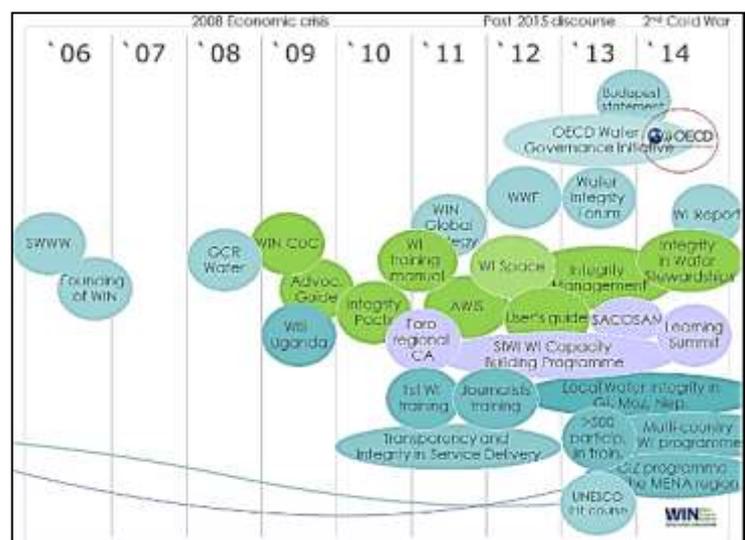


Figure 1: Development of Water Integrity on the international agenda. Presentation by Frank van der Valk, Water Integrity Network. (Online: <http://bit.ly/1ptHWLD>)

Laila Oualkacha, African Ministerial Council on Water, shared the importance given to integrity in the African Water Vision 2025, which named inappropriate governance as one core ‘human threat’ to sustainable water management. Power asymmetries and capacity differences between actors pose huge challenges. AMCOW highlights the need for regional and international platforms, but how tools such as the OECD principles and toolkits are put to work in an African context requires close attention. For the Asian context, **Raymond Valiant Ruritan, Jasa Tirta I Public Corporation, Indonesia**, pointed to the importance of making river basin organizations transparent and resilient against corruption. The Asian context is defined by unequal distribution of water resources and these organizations play an important role in water allocation, licensing and regulation.

Fostering awareness of water users for their rights has been identified as a crucial success factor for reforms in country programmes reported by **Eileen Hofstetter** of the **Swiss Federal Department of Foreign**



Affairs. The chance to enshrine integrity as part of a dedicated water SDG is an opportunity that should not be missed. **Tibor Stelbaczky**, reported that stakeholders from businesses, NGOs and the public sector also confirmed integrity is an important part of water governance and the success of a water SDG during the **Budapest Water Summit**. During the following discussion, participants agreed that integrity should be included in the agenda of regional bodies, and suggested further relevant context factors to consider for adaptation to local and regional contexts, such as the rights of indigenous populations.

Stuart Orr of **WWF International** emphasized that words like integrity can be a minefield. Complex planning processes may require trust-building behind closed doors, close observation of the vested interests of stakeholders and collaboration in good faith without normative absolutes. In the following group discussion, participants agreed that integrity is a means, not an end, and supported the call for pragmatic approaches that acknowledge the political and business realities of a complex topic. At the same time, complexity should not be used as a justification for secrecy, especially in a time when social media simplify access to information and communication.

In summary, the session clarified the demands of a fundamentally normative message that is implemented in many different ways. It highlighted the need to go beyond the water sector and involve actors of linked sectors such as energy, food, sanitation, or ecosystems, and at different scales.

Session 2: The business case for water integrity – How can the private sector contribute?

Water infrastructure, irrigation and dam projects are large, expensive and complex. This makes corruption in procurement and contracts easier and profitable. Transparency on performance is a key issue contributing to citizens’ trust in government and service providers. As a major stakeholder, the business community has engaged important efforts in the last decade to contribute to better integrity and transparency in the water sector. The session took stock of recent initiatives from a wide range of Business representatives in terms of reducing regulatory risk and improving accountability. **Moderator Gemma Aoilfi, Head of the Corporate Governance and Compliance Division, Basel Institute on Governance**, pointed to the interesting fact that the water sector is both fragmented and monopolized. The role of business is divided between water providers and water users, who share a common interest where water is concerned.

Jason Morrison, CEO Water Mandate and **Janek Hermann-Friede, WIN**, reported on Water Stewardship Partnerships as a very specific form of private sector engagement, involving large water users, providers and municipalities in collective action. The idea integrates integrity in the broader framework of water governance. Companies rely on water security; many contexts offer a solid business case for engaging with municipalities in securing adequate infrastructure. To address challenges in water management systems, partnerships need to know how and why water management systems are becoming dysfunctional, and partners need to put their “house in order” thus incorporating integrity. The initiatives identified specific risks and benefits connected to integrity (see Figure 2).

Joppe Cramwinckel, World Business Council on Sustainable Development, reminded participants that business community has taken initiatives on key water issue mainly to secure their own access to water. Water issues should be a systematic component of business risk management structure. **Alexandre Brailowsky**, shared that **Suez Environment** learnt painful lessons from the experience in the early 2000s which saw the withdrawal of multi-national companies from several countries because of political, financial and institutional risks (e.g. Argentina); measures to re-establish trust include that integrity clauses in contracts were given more attention in recent strategic investment decisions of big companies. All responsibilities begin in-house by mobilising the personnel first. Like water, defence is also a sector providing an “invisible” service paid for mainly by taxes, according to **Pedro Montoya** of **EADS International**. The water sector could learn from the “cleaning up” of the defence sector, in terms of common industry standards, compliance programs in big companies and the need for management support. At the same time, the water sector is much less centralized, making many measures unfeasible or more challenging.

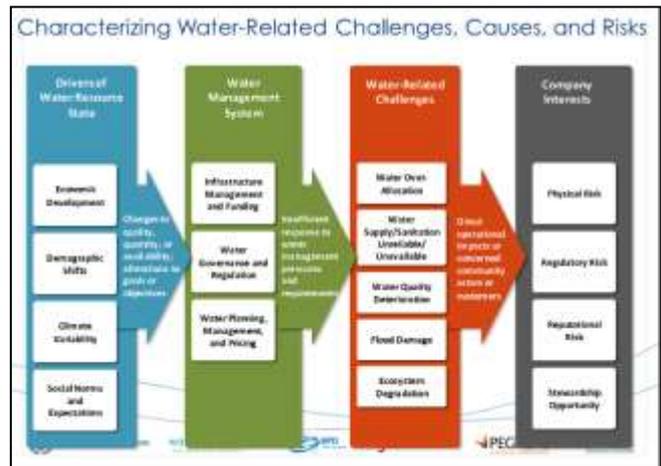


Figure 2: The business case for water integrity: Linking water-related challenges to corporate risk management. Presentation by Jason Morrison and Janek Hermann-Friede. (Online: <http://bit.ly/1qzeiX4>)



Representatives of various NGOs highlighted challenges involved in engaging the private sector, and discussed experiences with what the private sector can and cannot do. Environmental NGOs like **WWF International** can face repercussions by their own stakeholders when engaging industries like mining, yet responsible water resource management cannot exclude the biggest water users. The objective is to create incentives to mobilise together. Water communities have to look if and how water issues are addressed in other sectors that have a big impact on water sources, and pay much more attention to, for example, the new strategy of the International Council for Mining. Also, infrastructure improvements supported by private businesses might be driven by a management style focused on action and concrete results in their fiscal year, but not represent sustainable long-term solutions in the public interest.

In summary, the discussion showed identified some common priorities between the public and the private sector. A pragmatic approach has to start with realistic minimum requirements so that partnerships can gradually and continually improve managing integrity.

Session 3: Tracking progress in water integrity and transparency: what indicators to measure what has to be improved?

This session aimed to identify the range of existing indicators to measure transparency and integrity (TI) in the water sector; share information on their use in the different water subsectors; and discuss experience/views of their effectiveness and the steps needed to assure their timely reporting.

Moderator Donal O’Leary, Senior Water Advisor, Transparency International, provided an overview over possible indicators used to assess water integrity. Indicators serve to track changes of the levels of transparency, accountability and participation; and second, to evaluate the promotion of integrity. One core consideration is the selection of fact-based or perception-based indicators. Indicators are embedded in a continuum: Goals => Principles => Objective => Targets => Monitoring. A hand-out was circulated that showed ten examples of macro-and water sector transparency and integrity indicators; relevant water sector indicators included service quality (by a water utility), procurement, sectoral (financial) integrity: and integrity of rural water supply (online: <http://bit.ly/1yumQkw>).

Dominique Gatel, Véolia, underlined the crucial importance of having indicators to enforcement, starting with an agreed set of fact-based indicators for water supply and sanitation, managed by credible third parties. Perception based indicators are harder to manage, but are nevertheless needed in a second step to assess progress on qualitative goals. **Lucia de Stefano, Water Observatory – Botin Foundation**, shared the experience of Spain which started to rate the transparency of information available online in (14) water agencies in Spain. Ultimately, data and indicators serve to reach good decisions that deliver results. **Monica Corrales, AECID**, re-confirmed the that the main goal of water and sanitation programmes is to mitigate poverty, and standard indicator sets such as the Joint Monitoring Programme by UNICEF and WHO play an important role. For organizations like the Spanish development agencies, indicators support allocation of substantial funds, to be effective they have to be user-friendly and useful to reflect the priorities of the organization.



The group discussion supported the general notion that a discussion of indicators is not possible without a clear idea of which purposes the indicators serve. The country representatives of **Indonesia**, the **Netherlands** and the **Czech Republic** agreed that both fact-based and perception-based are needed to fully assess the performance of the public sector, though finding the right indicators is a complex task. In the experience of the **OECD**, developing indicators raises the critical issue of how to collect the much needed hard evidence on policy performance. The focus of the OECD Water Governance Initiative is to develop a set of water governance indicators aiming to track progress on the implementation by member and partners countries of OECD water governance principles under preparation. The task will consist in developing both fact-based and perception based indicators taking stocks of recent attempts in the field, such as the Asian Water governance index, or indicators on the effectiveness of river basis organizations developed by INBO. The work by organizations such as the Water Observatory-Botin Foundation, Transparency International and the Water Integrity Network in developing integrity indicators for the water sector would also be taken into account.

NGO and private sectors participants emphasized the need for process-base adaptive approaches. Indicators are relevant to be used in specific contexts. Several participants highlighted the difference between OECD and non-OECD countries. **Wateraid** reminded the workshop that in some developing countries, 99% of the water sanitation services are provided by the public sector, but that donors provide 99% of investments. A knowledge sharing partnership should discuss how different types of indicators can be used in different ways. Finally, attention should be paid to recommendations of how indicators should be used in decision making.

Participants recommended to draw on indicator sets developed outside the water sector, for example in connection with sustainability or conventions on anti-bribery public procurement. Also, indicators on integrity can benefit wider water objectives, and might help to place water as a focus area of governments. Integrity has a lot to do with rights to information, the right to participation, the right to live etc. Capacity indicators might help to monitor critical gaps in capacity and institutional education.

In summary, indicators are proxy, we need to design a limited number of indicators that can be linked to the water governance principles, keep it simple, focus on data, and the purpose should select the type of indicators. Questions remain as to who has the capacity to ensure effective monitoring of water governance indicators, once agreed upon.

Session 4: Key messages on integrity & transparency for OECD Principles on Water Governance

The OECD Water Governance Initiative is preparing “OECD Principles on Water Governance”, which aim to provide decision-makers with evidence-based policy guidance on how to diagnose and bridge a series multi-level governance gaps in designing and implementing water policy. Draft Principles will be discussed on several occasions throughout 2014, subject to consultation at the 7th World Water Forum and to the dif-

ferent regions (Latin America, MENA, Africa, Asia and Europe), and endorsed in 2015. The final session aimed to sketch out preliminary messages that could shape the water integrity and transparency section of such principles, building on a draft prepared by the organisers of the workshop and OECD ahead of the meeting.



Moderator **Aziza Akhmouch, Head, OECD Water Governance Programme**, outlined the objectives and process of developing the OECD water governance principles. Evidence suggests that there is no simple blue print for effective water governance. Nevertheless, countries have been dealing with the same governance gaps, and a common shift from crisis management to risk management is observed. The OECD Principles aim to provide an international baseline to OECD (34) member countries, as well as to its more than 80 partner countries. Principles can become standards for the organization of water policies in different countries. They are not legally binding but monitored every 3 years.

The discussion of the zero draft of principles and recommendation on water integrity highlighted the importance of clear definitions and shared language – in the international context also linked to the need of translation -, the need for pragmatic principles, and the need to re-use established principles, such as the Rio and Dublin principles, to make sure the new recommendations can be easily embedded in the existing policy context. Principles should be guidelines for action. A number of additions were suggested for consideration. Reflecting on the Swedish right to information established since 1766, SIDA noted the importance of procedures for disclosing information. Although it is difficult, the issue of politics and power should be discussed. A principle of non-regression and non-retraction might set a limit on how far countries can go back. The Principles should help avoid “quick fix” solutions, especially in a highly competitive sector, and instead encourage “desired” actions and behaviours and always pave the way to a menu of options rather than prescriptive approaches.

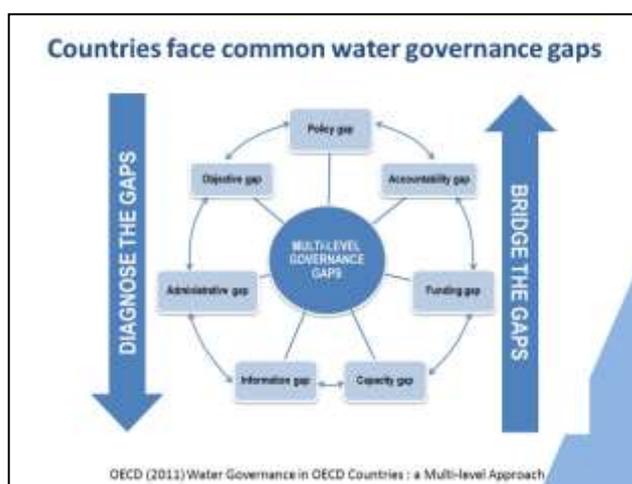


Figure 3: OECD Principles on Water Governance aim to address shared governance gaps. Presentation by Aziza Akhmouch. (Online: <http://bit.ly/1p11HMW>)

Wrap-up and Reflection



Janos Bertok, OECD, reflected on the workshop results in the light of the OECD integrity programmes. Corruption is often the most visible symptom of lacking integrity, but mismanagement, fraud and incapacity are also relevant and the specific forms need to be identified. The second problem is reflecting on the specificity of each sector, and on links to other sectors. OECD countries are facing a significant decline in trust in governments, which needs to be addressed through important reforms. There is no good governance without measuring, and the water sector can be an eye-opener in the developments of indicators. Indicators are not always about data, but also understanding what needs to be improved. There is a need to

mobilize various stakeholders and collective actions are a pre-condition for policy making and implementation. The implementation gap which is closely linked to the capacity gap should also be addressed. However, integrity is often considered as an administrative dysfunction, not as a strategic function. Many lessons can be learnt from one sector to another and we should encourage peer-learning.