

DOWN THE DRAIN: METRO SARANGAYA'S DERAILED WATER REFORM



This case study was written by Helen Garcia, Consultant, Communication and Governance Program (CommGAP), Operational Communication Division, External Affairs Vice Presidency, World Bank. It was used as a core teaching tool in the course 'People, Politics and Change', CommGAP's Global Learning Program delivered from 2008–2009 in Africa, Asia and Washington DC. Sarangaya is a fictional case based on multi-country experiences in the water sector and prepared solely as training material. Cecilia Cabañero-Verzosa, Communication Advisor, and Sina Odugbemi, CommGAP Program Head provided overall guidance. The findings, interpretations, and conclusions in this case study are the author's alone and should not be attributed to the World Bank, its affiliated organizations, members of its board, or the countries they represent.

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CHARACTERS

<i>Joseph Mantua</i>	CEO, Metro Sarangaya Water Authority (MSWA)
<i>Sonya Gilbert</i>	Minister of Water Resources Development, MSWA Chairman
<i>Olma Chidari</i>	Minister of Urban Development and Secretary, Presidential Council of Advisers
<i>Alan Reddy</i>	Leader, MSWA Middle Managers Group
<i>Isaac Sabir</i>	Leader, MSWA Labor Union
<i>Nagar Kouzi</i>	Head, Citizens Action Forum (CAF)
<i>Arun Gopalan</i>	Metro Sarangaya Residents Water Association
<i>Jim Randall</i>	Administrator, Global Common Fund (GCF-Donor Group)

ACRONYMS

CAF	Citizen Action Forum
CEO	Chief Executive Officer
CSO	Civil Society Organization
GCF	Global Common Fund
GDP	Gross Domestic Product
MSWA	Metro Sarangaya Water Authority
NSP	National Solidarity Party
PDP	People’s Democratic Party
PPF	Project Preparation Facility
RTI	Right to Information
TOR	Terms Of Reference

Metro Sarangaya's Derailed Water Reform

A case study on the politics of change

"This has to stop!" thought Joseph Mantha, visibly infuriated as he pored over the news clippings. Not the kind of press coverage he was exposed to as former Manager of Technical Operations in Jackson-Sterling Inc., one of the largest international management consulting firms in the country. Highly respected for his technical know-how and managerial savvy, Joseph is well-known in his circles as a topnotch water and sanitation engineer. A frequent recipient of awards and accolades for his work, he was a popular figure among academic elites and professional associations, a favorite guest speaker in their conferences and annual conventions. And for all of these, he made the headlines and often enjoyed positive coverage. But this time it was different. Very different.

Now, as CEO of Metro Sarangaya Water Authority (MSWA), a parastatal organization and primary provider of piped water supply and sewerage services, he is battling heavy media attack. Allegations of a rigged bidding process for technical studies in the proposed water sector reform have put a negative spotlight on MSWA authorities and senior government officials involved. The proposed comprehensive reform would provide reliable, affordable and sustainable water supply to the city and ensure customer-oriented service delivery. A US\$650 million loan under a Global Common Fund (GCF) will finance the program with additional funding support for the feasibility studies to be provided through a GCF project preparation facility (PPF). The Global Common Fund (GCF) was created by a group of donors from bilateral and multilateral institutions for improved public service delivery. Jim Randall, is the convenor of the donor group and designated Fund Administrator.

On Joseph's computer screen is the draft email addressed to his boss, Water Resources Development Minister Sonya Gilbert in her capacity as MSWA Chairman. The short message would inform the Minister that the Board minutes of the emergency meeting will be sent shortly. The MSWA Board just approved the Minister's recommendation to put on hold the Metro Sarangaya Water Sector Reform Program. It was the only decision item in the agenda.

Re-elected for a second term, Minister Gilbert became concurrent Chairman of the water authority. A strong-willed and reform-minded leader, she outperformed her predecessors with a stellar record in public service. She revamped the corrupt and poorly managed mass transit system, abolished the use of pollution-causing diesel fuel among public utility vehicles, and pushed urban land reform. Her next mission was the water sector. This was the reason why Joseph was lured to take the job.

Indeed, timing was everything. When Joseph was approached, he was ready to make a change in his career to help bring about change in his much-beloved city. He welcomed the challenge of mounting a comprehensive reform program, aware that it was a complex undertaking, but also one that was long overdue. This challenge was the 'carrot' that made Joseph give up his lucrative job in the private sector. Driven and ambitious, he was eager to make his mark in public service.

Raised in the comfortable confines of his upper middle-class neighborhood, Joseph grew up witnessing and lamenting the city's serious water problem. People spend long hours in long lines trailing private tankers. It is a common sight in the city. Among the poor and less fortunate, it is part of their daily grind. Joseph's family, on the other hand, is better equipped to cope with the deteriorating water situation. Most well-off residents invest in tube wells, overhead storage tanks and water filters. Bottled drinking water is purchased on a regular basis, very much a part of the household's weekly budget. To those who can afford, these are typical coping mechanisms that worked well in a system that simply did not work.

A POLITICALLY-EXPEDIENT EXIT STRATEGY

With the public controversy surrounding the water reform, Minister Gilbert became politically vulnerable and succumbed to mounting pressure from senior politicians within their ruling party. Against the wishes of her technical advisers, she argued, “We cannot ignore the negative press and the public outcry. Clearly, there is gross misinterpretation of our approach and little public understanding of the reform’s benefits. But the uprising and recent pandemonium on the streets is a politically untenable situation. It would be prudent to freeze action on the reform program.” At the same time, she knew that the proposed reform is water sector’s lifeline in tackling the twin evils plaguing the distressed water authority.

In a private conversation with Minister Gilbert, Joseph and the senior management team learned that the Presidential Council of Advisors, led by Urban Development Minister Chidari, expressed strong reservations in pushing the proposed reform. The council is an influential group of policy elites, economists and technical experts formed by the President as her informal think-tank group, part of her ‘inner circle.’ They believe that public opposition surrounding the proposed reform will further compromise the President’s declining popularity in the recent polls. Clearly, the Advisory Council was concerned about the political and reputational costs of pushing a reform without broad public support.

‘Failure to launch!’ That’s one news headline Joseph did not anticipate when he joined the water authority to take on this assignment. Despite his self-ascribed gift of foresight, he did not predict this politically-charged scenario. Robust findings of feasibility studies confirm the water reform program’s economic, financial and technical viability. But, despite all the due diligence done on the distressed water sector, Joseph realized that they did not dot all the ‘is’ and crossed all the ‘ts.’ As one trusted colleague gently reminded him. “It’s not all about the math!” Failure to manage the politics of reform was, indeed, a big lesson to take home.

Joseph remained convinced that pulling the plug on the proposed reform was not the best solution, even in the worst of circumstances. Maybe something can still be done to revive the program.

TWICE THE PAIN – A BANKRUPT AND CORRUPT WATER SECTOR

The proposed reform program is the water sector’s lifeline. It is envisioned to provide universal, continuous and safe water supply for the city and benefit from modern technology that will upgrade trunk mains, repair leaks, provide water meters, and install piped water to poor neighborhoods. It will start with 2 districts as pilot areas for a 24/7 water distribution management contract to a private operator. Currently, as much as 40 percent of water produced does not reach the public consumers because of ‘unaccounted for water’, while an estimated 70% of leakage comes from individual water connections.

Inefficiency and wastage, resulting from both leakages and illegal connections, are the main reasons for the intermittent supply and low water pressure. Currently, a large part of unconnected households live in informal settlements, and rely on public standpipes, tankers and boreholes fitted with hand pumps. More than 25 percent of residents rely on private vendors for their regular water supply. These tanker operators started out as landowners with access to underground water, and some were engaged in transport services. Overpricing in some waterless communities is common practice, a predatory behavior among so-called ‘water sharks’ who charge four to five times more than piped water. With such high demand even among those who have little choice and meager resources, the growth of water tanker vendors surged, turning it into a highly profitable industry.

The Metro Sarangaya Water Authority, in turn, provides sharp contrast. It is bankrupt. The financially-strapped parastatal with 30,000 employees needs a bail-out badly. The proverbial hole in Sarangaya’s ‘leaking bucket’ is burning a huge hole in MSWA’s pocket. Employees face the risk of losing their jobs. Cash revenues generated is only about 25 percent of water produced, well below the average of 85 percent among well-functioning water utilities. It is overstaffed, having two times more people on its payroll than the regional average. And a recent independent study revealed that “most of the operating staff are

not qualified to do waterworks installation and very few had the right skills in water treatment processes". Suffering from years of gross inefficiencies, low revenues and huge operating losses, MSWA manages to stay afloat through substantial infusion of public funds. As of last count, their balance sheet showed a spiraling debt of nearly \$1.5 billion owed to the government coffers.

Corruption is embedded in the system. Among politicians and senior officials, grand corruption occurs in the selection of water and sanitation through political influence in resource allocation. They push for larger capital investments where potential kickbacks are typically much higher. Although *willingness-to-pay* studies may indicate that poor consumers are willing to pay for quality, piped water than the more costly supply from 'water sharks', politicians have strong incentives of political patronage to keep the tariff artificially low. *Unwillingness to charge* among politicians allows them to reap favorable support from their key constituents and the general public. In surface water projects, corrupt practices in construction of water treatment plants and procurement of chemicals, equipment and supplies result in padded costs, bribery and collusion within the water sector. In operation and maintenance, administrative corruption takes place in obtaining access to water, installing illegal connections or securing preferential treatment to get faster service in repairs or new connection. Petty corruption is prevalent and usually occurs through fraudulent billing and meter reading and overcharging of fees.

TRACING A TROUBLED TIMELINE

Joseph keeps reminding himself that the proposed reform is on hold and not cancelled. He remains cautiously optimistic and is determined to revive the program and get it back on track. How can he persuade his Minister and her network of policy advisers to reconsider their decision? Who are the key players he needs to engage? Who are their real opponents, staunch supporters, and influentials who can be won over as allies? What alternative actions can he explore?

Joseph is thinking of re-tracing their steps, and missed steps. Going through the project files, he has unpacked the sequence of events, and unbundled the process—hoping to gain fresh insights. And maybe come up with a skillfully crafted strategy to restart the stalled reform process. He has always believed in the merits of taking three steps back to move one step forward. Revisiting the project timeline, key milestones and internal communications seems like a logical place to start . . .

A Snapshot of Governance

Sarangaya, the capital city of Livonia, is a bustling metropolis, densely populated and home to some 75 million residents. It has a thriving economy, and is projected to be one of the top 30 richest urban agglomerations in the world. However, despite the city's positive economic outlook, there is an ever-increasing divide between the 'haves' and 'have nots' with recent surveys indicating that the prevalence and depth of poverty is worsening. Jarring contrasts amidst the city's modern skyline are upscale neighborhoods of urban elites and the upper middle class alongside nearby shanties in the slums and squatter settlements. Poor service delivery, congestion, and pollution round up the list of major problems in Metro Sarangaya. Within the city government and beyond, corruption is rampant and endemic, mirroring the country's deplorable state of governance.

The Republic of Livonia has been a consistent poor performer in governance, ranking one of 10 'most corrupt' in a list of 100 countries rated. It holds negative ratings in Transparency International's Corruption Perception Index, the World Bank Institute's governance indicators, and the Global Integrity's governance assessment report. The country's legal and institutional framework is weak and its complex rules and procedures breed corruption in a system that is well-entrenched. In a survey done by the local chapter of Transparency International in Livonia, 4 out of 5 people interviewed said that they personally paid a bribe to get a job in a public office. The police and tax revenue officials topped the list of the most corrupt.

One bright spot and positive development was the enactment and implementation of the Right to Information Act (RTI). Under the national act, all Livonian citizens have the right to ask for information from public authorities at all levels of jurisdiction. Although the national government was slow in putting the systems in place, civil society organizations invoke the law and use it as a tool to fight corruption and demand public accountability.

- 2000** **Policy dialogue began.** High-level government officials met with senior resident representatives of the Donor Group to discuss scope of development assistance needed to implement water reform. As a first step, they agreed to the conduct of technical studies which will be funded by the Global Common Fund's project preparation facility (PPF). In December, the government submitted the formal request and the draft terms of reference for the PPF. The terms of reference defined the important elements of the task, its objectives, scope of work, key activities and tasks to be performed, respective responsibilities of the borrower and the consultant, the expected results, and deliverables from the assignment.
- 2001** **Evaluation sub-criteria raise a red flag.** In April, both parties signed the PPF agreement. By the end of May, the final terms of reference (TOR) were released and the short list of consultants confirmed. Within 6 months, MSWA submitted the technical proposals to the GCF Technical Secretariat. In the internal review, the evaluators questioned the sub-criteria introduced by MSWA. It raised a red flag since the sub-criteria used did not adequately reflect the requirements stipulated in the agreed TOR. After some discussion, MSWA and the GCF technical team agreed to request the short listed firms to submit fresh proposals.
- 2002** **Awarding of contract.** After resubmission of proposals, the winning qualified bidder was selected, funding was released and consultants were hired. The project preparation was underway. By the end of 2002, the consultants had completed the study.
- 2003** **Year-long debate and deliberation on options.** Technical specialists and relevant government officials discussed long and hard the recommended options: (1) should the government retain control of the water and sanitation assets, collect charges from installed meters, retain MSWA personnel but under private sector management? or (2) consider a concession model of awarding water provision to a private sector operator on a 20-year lease, and the government acts as the water utility regulator? It was back and forth. Finally, the decision-makers around the table agreed to pursue the No.2 option.
- Public opinion overlooked.** Other relevant studies were made available to the government review team. These included the recently released Public Opinion Poll which focused on service delivery mechanisms. The results could inform the evaluation process, particularly on prevailing public perception on public services. Internal staff reports, however, indicate that the team noted the survey findings, but did not closely consider its implications on the reform.
- 2004** **Reform pace gained momentum.** Thanks to the feisty and energetic Minister, and Chairman of MSWA. Minister Gilbert rattled everyone's cage with a lot of help from her CEO. The pilot phase then took off on a speedy start. Months later, the results looked good—the overall experience positive. Wasting no time, the team got the green light to roll out the program. Fully confident about the project's technical and financial viability, and most important, the huge unmet demand for the service, implementation swiftly expanded to the other water distribution zones in the city.
- Consultations held, but limited and behind schedule.** Following a 6-month interim period, MSWA convened a workshop to discuss a Vision Strategy for the water sector. On the same occasion, MSWA officials presented the proposed water reform program. The audience: mostly MSWA's senior technical staff, some key government officials and a couple of outside speakers.

Two months later, one more workshop. Same audience, this time to discuss detailed transition plans. Alan Reddy, a middle manager in charge of organization and management, found the entire process extremely frustrating. Despite his extensive experience and long tenure in MSWA, Alan along with a group of other middle managers grew apathetic about the proposed program. "It's another one of those 'reform du jour' initiatives of senior management – essentially, it's more work, and same pay for us", remarked Alan in one of their informal chats. "Yes, most definitely", was the chorus response from the other disgruntled middle managers. Besides, they resent that once again they were not consulted. Despite their wealth of knowledge and depth of experience, their contributions were barely sought in shaping the proposed reform.

Meanwhile, tossed in the back burner were plans for a broader public consultation. The communication specialists who suggested it were anxious and unsuccessful. With conflicting schedules between MSWA's key technical staff and the GCF project team, it was difficult to calendar the event. Evidently, the team's technocratic mindset revealed two divergent views that led to one and the same outcome. No broad public consultations took place. Some members of the team thought it was not necessary; others considered it time-consuming.

2005 **Communication plan launched, delayed and under compressed timetable.** One year and four months after the pilot launch, the GCF gave the go-signal to prepare a communication plan. The communication staff were apprehensive about the limited budget and unrealistically short-time frame. From years of experience, they know too well that building consensus and broad public support takes time and needs time. Remarkd one disaffected communication team member, "There is no quick fix, nor instant mix to gain credibility, build trust and mobilize coalitions of supporters... to follow a 'just pour and stir' approach is a recipe for failure."

The labor union protests. The communication strategy's first key target audience was the MSWA Labor Union led by Isaac Sabir. Hearing of the reform for the first time, the union leaders were enraged, angered by the arrogance of senior management who chose not to inform and consult them. Their intense reaction was not surprising, but it was unsettling. In no time, emblazoned posters were plastered on walls in front of the MSWA compound and on nearby streets. The screaming slogans declared "Protect our firm from being sold to wicked foreigners!" "Down with foreign conspiracy! Together we will fight with our final breath and last drop of blood!" This confrontation immediately hit the headlines. With the help of expert mediators and Joseph's skillful approach in communicating and managing conflict, agitated union leaders were pacified. Senior management and union leaders engaged in extensive talks and amicably agreed to a set of workable actions.

2006 **The potent mix of RTI, CSOs and the media.** The 2005 'internal revolt' in MSWA was the prelude to a larger and louder public protest that began in early March. All it took was *one* legislative act and *three* men on a mission. An indignant member of MSWA's labor union fed the story of alleged bidding misconduct to the Citizens Action Forum (CAF), a pro-accountability movement and a strong coalition of fearless corruption-busting civil society organizations. Emboldened by Livonia's Right to Information Act (RTI), Nagar Kouzi, CAF leader and two senior associates acquired official public records on the alleged wrongdoing. They obtained copies of internal communications between the MSWA and the GCF.

The paper trail began, one public document after another. The CAF team believed they tracked solid and complete evidence and ran a well-orchestrated media blitz to stir

public controversy. This time it was one damaging and misleading news coverage after another—in print, on radio, and on national TV. Their messages, clear and consistent, hammered on 3 specific accusations: (1) donors dictated the government decision on the management contract model; (2) the model proposed is a global 'bad practice' based on the failed experience in other countries; and (3) donors interfered and influenced the bidding process to favor an international firm.

Hurling slogans that cried "Water is sacred!" and "We demand self-governance!", the recalcitrant activists sent wrong signals about the proposed reform by labeling it as "privatization". This quickly spawned public fears about indiscriminate tariff hikes and foreign take-over. Across the ranks of MSWA's worried workforce, the imminent threat of widespread job loss struck a sense of panic among its 30,000 employees.

The Citizens Action Forum also reached out across a wide spectrum of stakeholders—politicians, opinion leaders, academics, local neighborhood associations and civil society activists—all of whom were appalled by the accusations, the lack of transparency and the absence of broad public consultation. Community-based organizations led by Arun Gopalan, dynamic leader of the Sarangaya Water Residents Association rallied behind the Citizens Action Forum. With great determination, they penetrated the decision-making chambers of policy elites in the ruling party, lobbied and influenced them through presentations made to senior politicians and policy advisers. The main strategy was to cover all the stakeholder bases, get politicians, planners and the people to listen, have their collective voices heard and their key messages to resonate.

A staged event Without missing a beat, the CAF leaders orchestrated a people's rally, rounded up a huge crowd raising placards in front of the GCF office. They knew a senior official of the donor group was in town and welcomed him warmly—with a firestorm of angry demonstrators. It was, after all, a propitious occasion, a photo opportunity to attract foreign media coverage and gain international visibility.

To MSWA's credit, they engineered carefully measured interventions to counteract negative accusations in the media. But, on the whole, they failed to stem the tide of opposition. Its belated, hamstrung communication and media strategy was muted, muscled and outmaneuvered by the strategic media campaign of the Citizens Action Forum. They were ahead of the curve, defined the issues, framed the focus of the debate, and claimed the public space as their platform to voice out grievances and demand public action. Without a doubt, they mounted a successful strategy to capitalize on the combined force of grassroots activism from below and political pressure from above.

THE ROAD AHEAD

For sure, Joseph realized the power of public opinion and the peril of ignoring the politics of reform. He recalled his early thoughts at the first hint of NGO opposition, "This is an organized, passionately committed group that is on a 'search and conquer' mission. They are capable of pulling out all the stops to shape public opinion, influence policy, build coalitions and mount a belligerent, but a highly effective crusade!". And they did successfully.

Although the reform was stalled, Joseph continues to believe that the road ahead should lead to reform. With every crisis comes opportunity. He is confident that sweeping changes in the water sector will create opportunities needed to urgently address a looming crisis. In fact, the delayed rainy season has put the city on the brink of a true emergency situation. Sarangaya could be facing its worst water crisis ever.



ANNEXES

1. Socio-economic and political environment of Livonia
2. Governance and corruption statistics
3. Political economy analysis of water sector reform
4. Public Opinion Survey
5. Press articles

ANNEX I

Socio-economic and political environment of Livonia

Livonia has a population of 65 million people, a newly emerging economy that has kept pace with its fast-growing neighbors in the region. After ten years of sustained structural adjustment effort, the country is reaping the benefits of its bold macroeconomic stabilization measures. These reforms helped the economy ride out an acute financial crisis that swept the region in the 1980s. Given its considerable achievements in instituting economic and structural reforms, the country's GDP rose from -2 percent from 1980–1985 to 3.8 percent between 1986–1996. Livonia is one of the most aggressive reformers and the donor community has been an active development partner in the reform process.

ECONOMIC AND POLITICAL TRANSFORMATION

Apart from its impressive economic transformation, Livonia underwent a democratic transition that has dramatically changed the political landscape in the country. For nearly five generations, the country was under a powerful one-party rule, the People's Democratic Party (PDP). The party consolidated its power through a populist regime buttressed on political patronage. A system of rent-sharing was kept in the hands of a 'favored few' while the vast majority of Livonians were ruled under an illusory 'populist' government that cared for their needs and protected their rights. Job security was assured for most wage earners with the public sector looked upon as the biggest employer, or employer of last resort. Discretionary use of budgetary resources facilitated the distribution of political favors. Privileged groups, mostly businesses, commit party loyalty in exchange for 'party perks' which include monopoly control, subsidies and state protection. The Livonian citizen, although vested with the constitutional right to vote, did not have the privilege of choice, for a very long time. Every conceivable effort was made to ensure that no other viable alternatives to the PDP emerged on the political arena.

In 1995, all these changed with the overwhelming victory of the opposition presidential candidate Serin Hermann (National Solidarity Party) which toppled PDP's single-party rule. Internal squabbling and infighting, largely triggered by the country's economic crisis, weakened the party's credibility. As Livonia's fiscal resources dried up, PDP's spoils gradually disappeared and its political rewards dwindled. This engendered increasing dissatisfaction among its opportunistic supporters who later defected after economic incentives opened up under the opposition party's strong macroeconomic and fiscal reform program.

Overall, Livonia's political transition has been relatively smooth, but the legacy of a single-party hegemony left vestiges of the PDP regime that permeated its new political order. In some areas, the PDP's traditional stronghold and its authoritarian enclaves still exist along with its old rules of the game. To date, Livonia is still working its way to consolidate progress made through a challenging transition period that continues to be confronted by socio-political obstacles.

SOCIO-POLITICAL ENVIRONMENT—LIVONIA'S REFORM CONTEXT

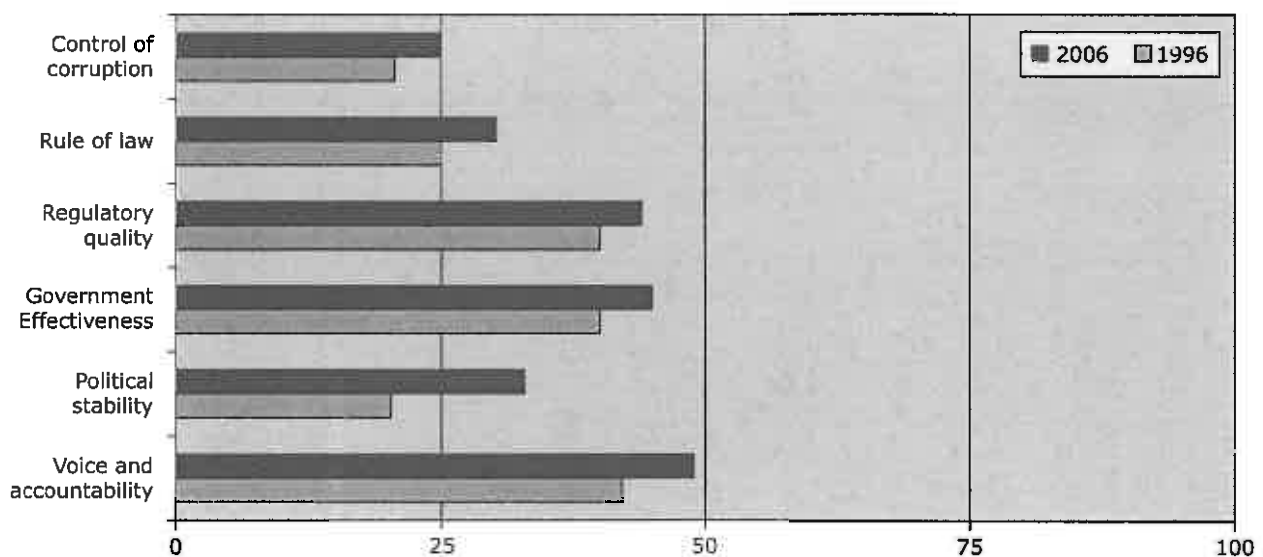
A macro level profile of Livonia's socio-political environment provides a broad picture of the reform context which can affect the design and implementation of policy reforms. The following information gathered from various key secondary sources, empirical studies, surveys and independent reports both global and in-country describe key characteristics of Livonia's socio-political environment.

- The current ruling party (National Solidarity Party) only holds about 40% of the congressional seats. They have formed an alliance with the former ruling party (PDP) giving them the two thirds majority and unilateral control of the legislature. However, the power of the opposition in congress is considered to have become stronger over the past year.
- In Livonia, the wealth of economic elites and the electoral clout of public sector unions, two of the strongest interest groups, wield both political power and economic influence.
- The **Constitution of Livonia** is the basic law of the land which enshrines the citizen's right to free expression, free association, free speech and free media.
- There is a legal framework guaranteeing the citizen's **right to vote**. An election monitoring agency exists but it is not an independent entity. It is part of the executive branch and reports to the President. A study on voting conditions revealed difficult access among rural inland communities or early closure of voting polls prevent people from voting.
- Article 10 of the Constitution provides citizens the right to form **civil society organizations (CSOs)**. However, reports indicate that bureaucratic red tape and complex administrative requirements are obstacles to the formation of civil society organizations, particularly the creation of new anti-corruption/good governance CSOs. Nonetheless, CSOs have increased in recent years.
- **State-civil society relations** exist but CSO engagement in political and policymaking processes is limited. The government rarely invites their direct participation and prefers to form adhoc program-specific structures such as "citizen councils" with civil-society "representatives".
- There is **media** plurality in the print media with some estimates indicating that there are 120 independently owned newspapers. In urban areas, they are more exposed to a diversity of views, although it is much less in the rural areas. The government does not restrict the use of internet. About 20 percent of the population has access.
- Although media and free speech are protected under the constitution, licensing requirements are subject to bureaucratic procedures. Forming a new media entity such as radio or TV is reported to be extremely difficult.
- Media is allowed to report on corruption, and there is no explicit government restraint on media reporting. However, anecdotal evidence indicates that corruption-related stories are prevented from mass distribution through the bulk purchase of newspapers which carry the story.
- A **Right to Information Act** was enacted in 1995 and implemented largely in response to pressure from civil society demanding greater participation in public decision-making. The law opened up the space for citizen participation and oversight. Citizens can obtain official public documents at a reasonable cost. Reports indicate that access to information is easier in the executive branch but in the judiciary, congress and other agencies it can sometimes take years.
- The independence of the **judiciary** is guaranteed in Articles 75 and 102 of the Constitution. A research study by an international human rights group revealed systematic weaknesses from reported cases of arbitrary detentions and failure to serve justice to underprivileged groups, including court decisions that were believed to have been influenced by gender bias.

- The Constitution mandates the creation of a **National Ombudsman** who can only be removed by Congress through formal impeachment proceedings. An independent study suggested that the ombudsman's performance has not been steadfast and consistent and on some occasions observed to be subjected to political influence. A recent case disclosed in the papers indicates that the national ombudsman has acquiesced to executive authority and demonstrated weakness in battling powerful interests.
- A **Commission on Audit** is also mandated in the law. However, the agency is under-staffed and under-funded. A provision in the Oversight Law allows Congress to dismiss the Auditor if a grave offense has been committed.
- The law also provided for the creation of an **Anti-corruption Agency** which is headed by an appointee of the President and has been given the rank of a Cabinet member. The President holds the discretion to remove the head of the agency without relevant justification. The agency can initiate investigations but it has to have the clearance and final approval of the President. Systematic problems exist in enforcing sanctions and punishment of wrongdoing.
- The **public service delivery system** and sectoral reform efforts are constrained by political obstacles, ranging from contentious negotiations with teachers unions over pay scales and performance evaluations, resistance from unionized workers and retirees over structural changes to correct imbalances in the pension system, and small enclaves of urban water lords who have monopoly of the water tanker industry.

Governance and Anti-corruption Statistics

World Bank Institute Governance Indicators



Control of corruption measures the extent to which public power is exercised for private gain, including petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

Rule of law measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.

Regulatory quality measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Government effectiveness measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy form.

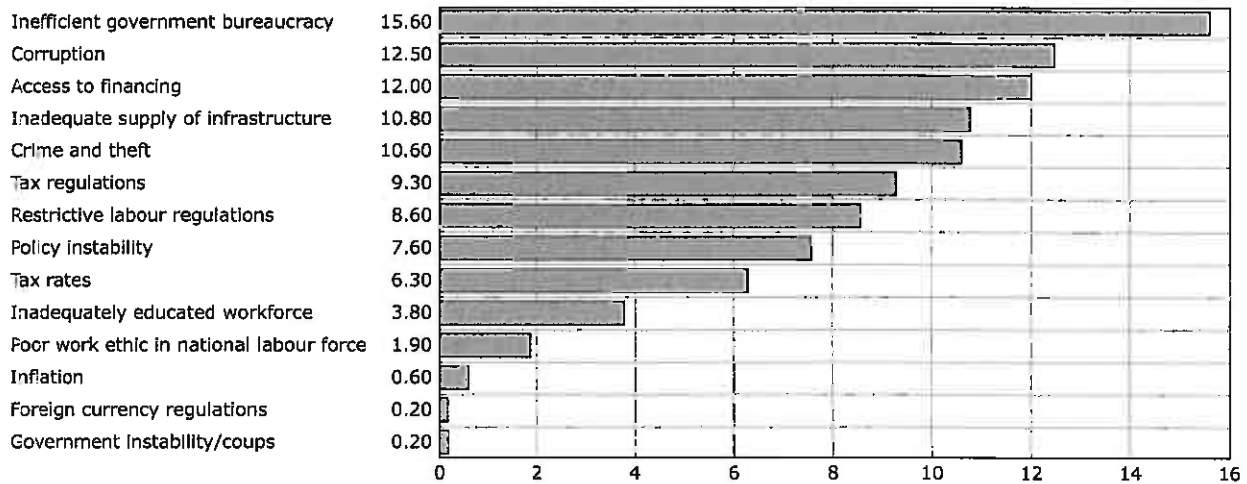
Voice and accountability measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

Political stability and absence of violence measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism

Source: D. Kaufmann, A. Kraay and M. Mastruzzi, 2007: Governance Matters VI: Governance Indicators for 1996–2006. Chart is based on fictitious data used only for purposes of illustration.

The Most Problematic Factors for Doing Business Global Competitiveness Report (2005)

LIVONIA



Note: Respondents ranked from a list of 14 factors, five of the most problematic for doing business in their country. The figure above shows the responses weighted according to their rankings between 1 (most problematic) and 5 (least problematic).

The rankings are calculated from both publicly available data and the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum and its network of partner institutes (leading research institutes and business organizations). This was based on a recent poll of 11,000 business leaders in 150 countries.

The Global Competitiveness Report is based on a poll of 15,000 business executives worldwide.¹

¹ Chart is taken from the Global Competitiveness Report only for purposes of illustration. Changes have been made to adapt the case for group discussion.

Political Economy Analysis Findings

The GCF Technical Secretariat commissioned a study on the political economy of the water sector in Sarangaya to gain a deeper understanding of the issues critical to the reform. It focused on the What, the Why and the How to help unravel the nature of pathologies that exist, the underlying reasons and “rules of the game” that determine economic and political interests of various key players which ultimately influence the process of public decision-making.

In summary, the political economy analysis revealed the following:

1. Despite high availability of water, Sarangaya residents suffer from unequal access and intermittent water supply. MSWA can only distribute water for 4-5 hours per day. This level of performance places them well below the water utilities that serve major cities in the region.
2. As much as 40 percent of water produced is lost, mostly due to old and leaking pipes.
3. More affluent consumers can afford to have continuous water supply, 24 hours a day, 7 days a week, through overhead tanks and boreholes installed at their own expense.
4. Poor households, in contrast, can only rely on private vendors and pay more for purchased water. The so-called ‘water sharks’ charge four to five times more than piped water.
5. A large number of illegal connections exist. ‘Speed money’ or bribes given to operations and maintenance personnel can expedite the installation of household connections. Only one in three connections have working meters and fraudulent billing is common practice.

Why do these pathologies persist despite significant investments to improve water supply and services provision? The political economy analysis uncovered fraudulent practices in the water sector, the prevailing ‘rules of the game’ and the underlying incentives of various stakeholders who benefit from corruption in the system.

ANNEX 4

Livonia Public Opinion Survey

A public opinion survey was conducted to assess people's perception on various issues affecting them. The survey involved interviews with key opinion leaders, including the private sector, the academic community and civil society. Focus groups were also held to monitor public views on service delivery. Key findings are:

- There is a strong belief that corruption is the country's most serious problem.
- Many believe that bureaucratic discretion gives civil servants much leeway to exploit public resources for private gain. Corruption cases are filed against government bureaucrats but not acted upon. To avoid further scrutiny, they are relocated or reassigned.
- Routine cases of corruption are often ignored and dismissed. Grease money and fixers to expedite action are part of the system's standard operating procedures.
- The Right to Information Act is an important piece of legislation. Better protection should be provided to whistle-blowers. Recent reports indicate that 70 percent of them have been either harassed or victimized.
- More than 75 percent of those interviewed believe that government has to address the perverse incentives that drive illegal activity and change the behavior of public service providers. Most serious problems in public service delivery include illegal water connections, teacher absenteeism, overcharging of fees and medicine among public health workers.
- Within the business community, majority complained about the bureaucratic red-tape that continues to paralyze operations of various industries. Processing of business licenses and permits is still a haven for corrupt public employees.
- Among civil society organizations, a majority complained about the hostile attitude of government and disregard for their contribution. They are always viewed with suspicion and distrust. Better communication would facilitate a more productive partnership.

The survey also provided relevant information on people's perceptions on water supply.

- A high majority of consumers see water as a right, an entitlement that the public sector has the responsibility to provide.
- There is high dissatisfaction with the performance of water supply and sanitation services. Most have been victims of corrupt practices.
- People are willing to pay for reliable, safe and continuous water supply, even poor households. They do not want to pay the exorbitant rates of private water vendors.
- Majority of consumers fear that reforms will increase the cost of water. They believe that the private sector will exploit the situation to maximize their profits.

Press articles

SARANGAYA **T**IMES

PATRONAGE AT WORK IN WATER AND SANITATION

May 28, 2006

THE RULING PARTY'S MUNICIPAL COUNCILORS HEAVILY CRITICIZED THE WATER DEPARTMENT FOR ITS FAILURE TO CATER AND LIVE UP TO THE EXPECTATIONS OF THE PEOPLE. ACCUSING THE BUREAUCRATS IN MWSA OF BEHAVING IN AN "INDIFFERENT MANNER," THE CITIZENS' ELECTED REPRESENTATIVES WERE OUTRAGED AT THE FIELD STAFF INCLUDING ENGINEERS FOR TURNING A DEAF EAR TO THE NEEDS AND DEMANDS OF THEIR AREAS.

DESPITE REPEATED REMINDERS TO THE FIELD ENGINEERS, THEY DO NOT LISTEN TO THEIR PLEAS TO RESOLVE THE PROBLEM IN THEIR RESPECTIVE AREAS. THEY DO NOT RESPONDED TO THEIR CALLS EVEN AFTER BEING CALLED UP AND REMINDED SEVERAL TIMES.



THE **L**IVONIA **H**ERALD

Far from over - Is the government washing its hands?

July 3, 2006

The controversy cannot be swept under the rug. It is far from over. People continue to be outraged and are still out on the streets. They are not satisfied with the government written explanations. Is Minister Gilbert passing the buck? He has referred the matter to senior policymakers in the Ministry of Urban Development. Much time has been lost and no action has been taken.

Poor quality water has made life miserable for the residents. Failure to carry out repairs and implementation of the planned projects in many constituencies has made the situation worse. The public opinion is that the bureaucrats were not bothered about the image of the government. They continue to adopt a callous and unsympathetic attitude.