

# TRAINING MODULE: WATER INTEGRITY IN LATIN AMERICA AND THE CARIBBEAN



Empowered lives.  
Resilient nations.



# Acknowledgments

This training module has been developed by Dr Frédéric Boehm who has many years of experience working and researching on issues related to corruption, governance, as well as on institutional change and reforms. Besides his work as an independent consultant, Frédéric has worked three years for the German International Cooperation (GIZ), in an anti-corruption project at headquarters, and is a lecturer in economics and political science at different universities in Colombia. He is currently course expert at the U4 Anti-corruption Resource Centre, and Associate Expert in the area of Democratic Governance at the Centro Regional de Servicio para América Latina y el Caribe (RSC-LAC) from UNDP. A draft version of the module was tested and validated during a Training of Trainers on Water Integrity which took place in Rio de Janeiro, Brazil in April 2013.

This training module is available freely for use, adaptation and translation as desired. It can be downloaded from the following websites: Cap-Net [www.cap-net.org](http://www.cap-net.org) ; UNDP Water Governance Facility at SIWI [www.watergovernance.org](http://www.watergovernance.org) ; and UNDP Regional Centre for Latin America and The Caribbean [www.regionalcentre-lac-undp.org/en](http://www.regionalcentre-lac-undp.org/en); and from the Anti-Corruption for Development web portal [www.anti-corruption.org](http://www.anti-corruption.org).

Please give appropriate acknowledgement to the source when using this module.

# Foreword

Countries in Latin America and the Caribbean (LAC) face a potential water governance crisis. Most current practices in water management and use, need both change and improvement. Millions of people still lack access to safe water and sanitation. The impact of climate change e.g. floods, droughts and increasing extreme weather events, are causing death, damage to housing, infrastructure, cities and agriculture. This is resulting in huge economic losses. Medium to long term planning is the exception rather than the rule and stakeholder participation to ensure transparency and accountability is currently not much more than a promise.

The causes for this situation can be traced back many decades in various dimensions i.e. political, cultural and economic. In addition to the historical precedents, the current absence of vital governance practices such as 'water integrity' mechanisms, reduces the possibility of much needed reform.

Water integrity is based on a set of interlinked, practical principles and tools for daily and diverse implementation in water management practices. Key elements of water integrity are transparency, accountability and participation. Ultimately, water integrity is one of the most important means to achieve a water-wise world and one that is resistant to corruption.

This training module is part of a joint effort by LA-WETnet, Cap-Net, the UNDP Water Governance Facility at SIWI, and the Democratic Governance Area of the UNDP Regional Centre for Latin America and the Caribbean. The aim is to strengthen water governance capacities, particularly on water integrity, throughout the region.

Specifically, this training module aims to complement the Water Integrity Training Manual developed in 2009 by Cap-Net, WaterNet, the UNDP Water Governance Facility at SIWI and WIN. It focuses on some of the main aspects that should be considered when trying to understand and respond to the need for increased water integrity in the LAC region.

We hope the use of this training module for LAC countries, in combination with the Water Integrity Training Manual, will raise awareness of the practical elements of water integrity. We want to support increased capacity among policy-makers and practitioners and we aim to help incorporate this knowledge into various water related projects and policies for effective implementation.



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# List of abbreviations

ASADAs	Rural Administrative Association of Aqueducts
AyA	Costa Rican Institute of Aqueducts and Sewers
AWIS	Annotated Water Integrity Scan
Cap-Net UNDP	International Network for Capacity Development in Sustainable Water Management
GDP	Gross Domestic Product
GNI	Gross National Income
GWP	Global Water Partnership
HDI	Human Development Index
IACAC	Inter-American Convention Against Corruption
JMP	WHO/UNICEF Joint Monitoring Programme
LAC	Latin American and the Caribbean
LAPOP	Latin American Public Opinion Project
LA-WETnet	Latin America Water, Education and Training Network
OAS/OEA	Organization of American States
OECD	Organisation for Economic Co-operation and Development
PSP	Private Sector Participation
SEMAPA	Servicio Municipal de Agua Potable de Cochabamba: Bolivia's Municipal Water and Sewerage Provider
SIWI	Stockholm International Water Institute
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
WGI	World Governance Indicators
WIN	Water Integrity Network
WHO	World Health Organisation

# Training Module: Water Integrity in Latin America and the Caribbean

It is commonly acknowledged that context matters. When designing successful public policies, programmes or particular initiatives for water integrity, it is therefore important to take specifics into account. This training module has the primary objective of introducing the reader to the Latin American and the Caribbean (LAC) context, especially in relation to water governance and corruption. Even though each country in the region has its own challenges, it is possible and useful to identify some commonalities across the region.

The module is divided into three sessions. The first session gives some general basic facts and figures of the LAC region, and discusses regional trends in water management and governance. The second session offers an overview on governance and corruption challenges in the region by reviewing both quantitative indicators and qualitative studies. Finally, the third session asks how the countries have responded to governance challenges and the problem of corruption, both generally and in respect to water integrity.

## Session 1:

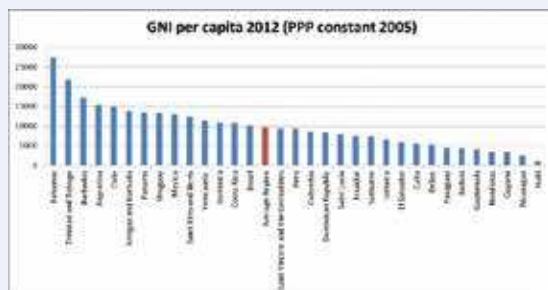
# The Latin American and Caribbean Region and Its Water Sector

The objective of this session is to provide a social, political and economic overview of the LAC region. We will also introduce the reader to specifics of its water sector and the challenges the region currently faces with respect to water governance and water integrity.

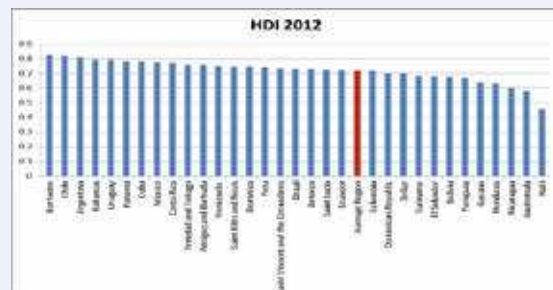
## 1. The Latin America and the Caribbean Region: Some General Facts and Figures

### Box: Some relevant data for the region

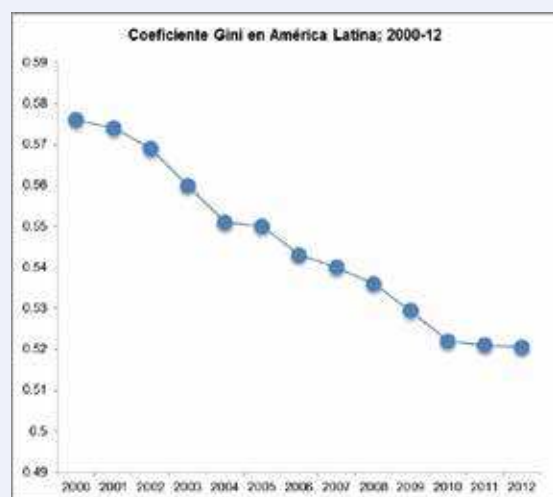
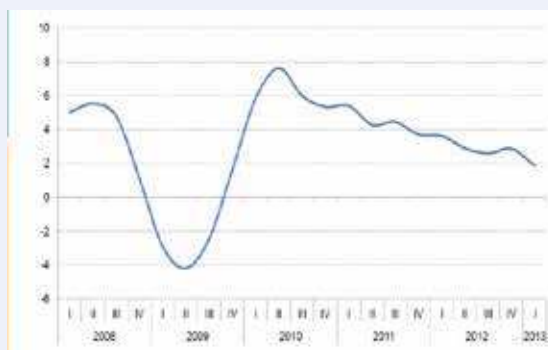
Income per capita



### Human Development Index<sup>1</sup>



Source: Author with data from UNDP (<http://hdr.undp.org/en/data>); in red: regional average



Source: CEPAL (growth), and World Bank (inequality)

<sup>1</sup> In order to measure development, UNDP created the Human Development Index (HDI) as an alternative to GDP or GNP per capita. Additionally to income per capita, the HDI takes into account: education, which is measured by mean school years for adults aged 25 years and expected years at school for children of school age; and health, which is measured by life expectancy at birth. For more information see <http://hdr.undp.org/en/statistics/hdi>

The LAC region is a heterogeneous region of 42 countries and territories<sup>2</sup>, with a total population of 581.4 million in 2012 (World Bank). Despite this heterogeneity, it is possible to identify some common trends and characteristics.

- Almost 80 per cent of the population live in cities, making it the most urbanized region in the world.
- Most countries are middle-income countries. However, in 2012, gross national incomes (GNI) ranged between 1,070 USD (PPP, 2005) per capita in Haiti, which is the only low income country in the western hemisphere, to above 20,000 USD (PPP, 2005) per capita for Barbados, Trinidad and Tobago.
- According to the data provided by the Polity IV Project (see box below), the only full democracies achieving a maximum score of ten in the LAC region are Chile, Costa Rica and Uruguay. Most countries in the region are democracies with scores between 6 and 9.<sup>3</sup>
- Mexico and Chile are members of the Organisation for Economic Co-operation and Development (OECD). Colombia started the official OECD accession process in 2013 and accession discussions are currently on going with Costa Rica. Argentina, Brazil and Mexico belong to the G20.
- Economically, the region experienced an important period of growth at the beginning of the new millennium. According to UNDP<sup>4</sup>, this economic growth, along with job creation and innovative social policies, has helped to lift 58 million people out of poverty

since 2002. It has elevated nearly one third of the total population in the region into middle class status, although approximately 70 per cent of this new middle class are living in Brazil, Mexico and Argentina. However, it seems that economic growth, and the positive effects on poverty and inequality reduction, has stagnated since 2010.

- The LAC region's level of Human Development, as measured by UNDP's Human Development Index (HDI) is 0.72, which is relatively high compared with other regions, (see figure 2).<sup>5</sup> Internally, the region appears to be relatively homogenous with respect to levels of human development, with exception of Haiti, and perhaps also Guatemala and Nicaragua, which both score below 0.6.
- The most pressing problem in the LAC region is arguably the high level of inequality. It is the most unequal region in the world. Ten of the 15 most unequal countries in the world are in the LAC region and the region's positive scores in the HDI suffer an average loss of 25.7 per cent when adjusted for inequality.<sup>6</sup> There is good news though; inequality has significantly declined in LAC countries in the 2000s. The Gini coefficient, which measures inequality in income levels, with 0 being a perfectly equal and 1 a perfectly unequal society, fell in 14 of the 17 countries (Lustig, Lopez-Calva and Ortiz-Juarez, 2013).

<sup>2</sup> A full list of all countries and territories in Latin America and the Caribbean can be found at: <http://lanic.utexas.edu/subject/countries/>.

<sup>3</sup> The Polity IV project scores democracies according to the following criteria: Competitiveness of Executive Recruitment, Openness of Executive Recruitment, Constraint on Chief Executive, and Competitiveness of Political Participation. Each category contains sub-indicators that are scored and weighted to calculate the final score which ranges from 0 to 10, with 10 being a full democracy, scores from 6 to 9 are considered democracies, scores between 1 and 5 are considered open anocracy. Scores that are negative, from 0 to -5 are closed anocracies, while countries with scores between -6 and -10 are considered autocracies. For more details see: [http://home.bi.no/a0110709/PolityIV\\_manual.pdf](http://home.bi.no/a0110709/PolityIV_manual.pdf)

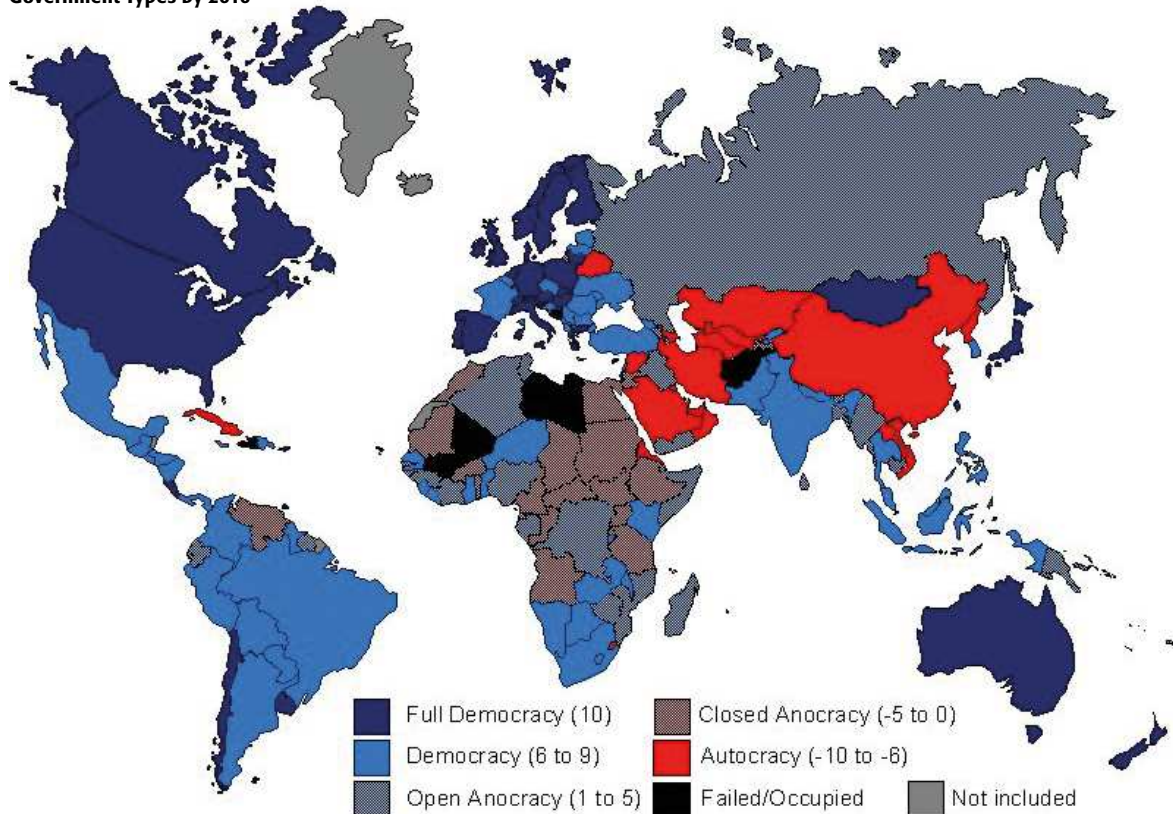
<sup>4</sup> [www.latinamerica.undp.org/content/rblac/en/home/regioninfo/](http://www.latinamerica.undp.org/content/rblac/en/home/regioninfo/)

<sup>5</sup> Additionally to GNI per capita, HDI takes into account: education, measured as mean school years for adults aged 25 years and expected years at school for children of school age; and health, measured by life expectancy at birth.

<sup>6</sup> [www.latinamerica.undp.org/content/rblac/en/home/regioninfo/](http://www.latinamerica.undp.org/content/rblac/en/home/regioninfo/)



## Government Types by 2010



Source: Polity IV ([www.systemicpeace.org/polity/polity4.htm](http://www.systemicpeace.org/polity/polity4.htm))

### Think about it: Understanding Inequality in Latin America

In their book *Why Nations Fail*, Daron Acemoglu and James Robinson describe how the differences between the United States of America and many parts of the LAC region can be traced back to Spanish and English colonial heritage. Importantly. Perhaps surprisingly, they argue that it doesn't matter who were the colonisers but rather what they encountered where they arrived. Generally, the Spanish settled in places where important and well-organized civilizations with high population density existed, such as the Inca in Peru or the Aztecs in Mexico. This meant that both institutions and a population that could be exploited were already there. The Spanish colonisers, after defeating the existing rulers, replaced the previous elite with their own and then benefited from the pre-existing system. The consequence was the establishment of a highly concentrated local Spanish elite extracting human and natural resources without any interest in redistribution.

English colonisers arrived in 1607 and founded their own colony, Jamestown, Virginia. They did not encounter a well-organized system, but rather a loose

coalition of around 30 tribes under the leadership of Chief Wahunsunacock. The English first tried to copy the Spanish colonisation strategy but they failed, leaving Jamestown starving. There was no empire to be usurped, so the English colonisers soon had to adapt their strategy and start working on their own, e.g. by providing incentives to their colonists to grow food on their own. In other places, such as the islands of Providence, the English were able to implement a similar strategy to the Spanish and did so. Therefore the difference observed today between the former colonies is not due to differences in value systems between England and Spain. The style of colonisation i.e. usurpation vs. own work, has had deep consequences and impacts on the future development of the region.

#### Question:

Consider why this different colonial legacy could explain the fact that the LAC region is today the most unequal region in the world? Why might this history still play an important role in explaining policy failures in LAC countries, especially in relation with a lack of accountability, transparency and rule of law?

## 2. What are Common Challenges and Priorities in the Region with Respect to Water Resources Management?

Due to the diversity of the region, it makes sense to divide it into three sub-regions: South America; Central America, including Mexico; and the Caribbean. The Global Water Partnership (GWP) characterises the sub-regions as follows:

- The Caribbean. "(...) is characterised by limited resources, fragile environments and susceptibility to natural hazards. In recent decades the region has experienced a shift from agrarian to industrial economies resulting in new and competing demands for water for agricultural, industrial, tourism and domestic uses. Many countries face challenges in water resources management including financing, governance, environmental impacts and decreasing fresh water resources. The impact of climate change is expected to significantly raise the sea level, increase salt-water intrusion, flooding and hurricanes, and decrease rainfall."
- Central America. "(...) though small, suffers a disproportionate number of extreme climate events such as hurricanes, floods and droughts. These have a considerable impact on water infrastructure and economic development. According to the Fourth Assessment Report by the Intergovernmental Panel on Climate Change, this situation is bound to worsen. The main problem in the region is weak water governance. Weak institutional, technical and financial capacities of the entities in charge of water management are at the core of this deficiency."
- South America. "Water abounds in South America. The continent has as much as 28 per cent of the world's freshwater resources but only 6 per cent of the world's population. The region contains three of the largest river basins in the world: the Amazon, Orinoco and Rio de la Plata. It also boasts the Guarani aquifer, one of the world's largest groundwater bodies, extending to more than 1,200,000 square kilometres. Nevertheless, 23 per cent of the region is covered by dry areas and South America continues to experience deteriorating water quality from deforestation and soil erosion. (...) South America has 69 out of 279 of the world's transboundary river basins."

Additionally, one may mention the following issues:

- Contamination of water resources, often due to mining activities and untreated wastewater from industry and households, with consequences for health, fisheries and tourism.
- Rapidly growing cities, often in informal settlements.<sup>8</sup>
- Hydropower is an important provider of energy in many countries in the region.

## 3. Current Status of the Latin America and the Caribbean Region in Terms of Access to Improved Water And Sanitation

Millennium Development Goal target number 7.C is to "halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation". The region is shown by the data presented below to be on track concerning the access to improved water source, but still as facing challenges in the area of access to sanitation.

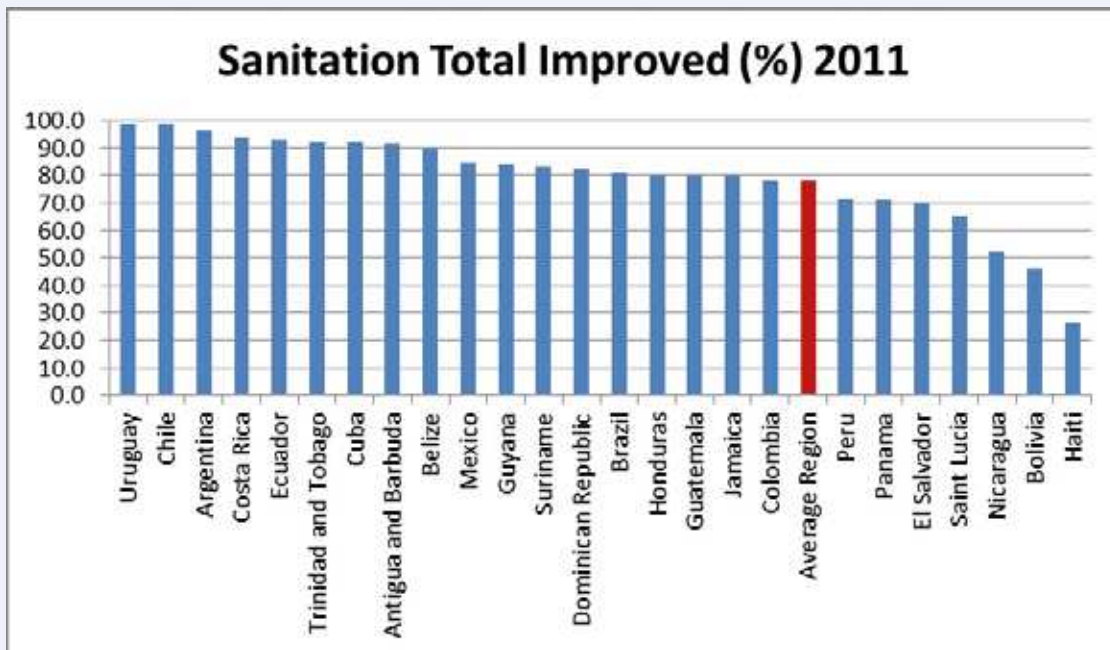
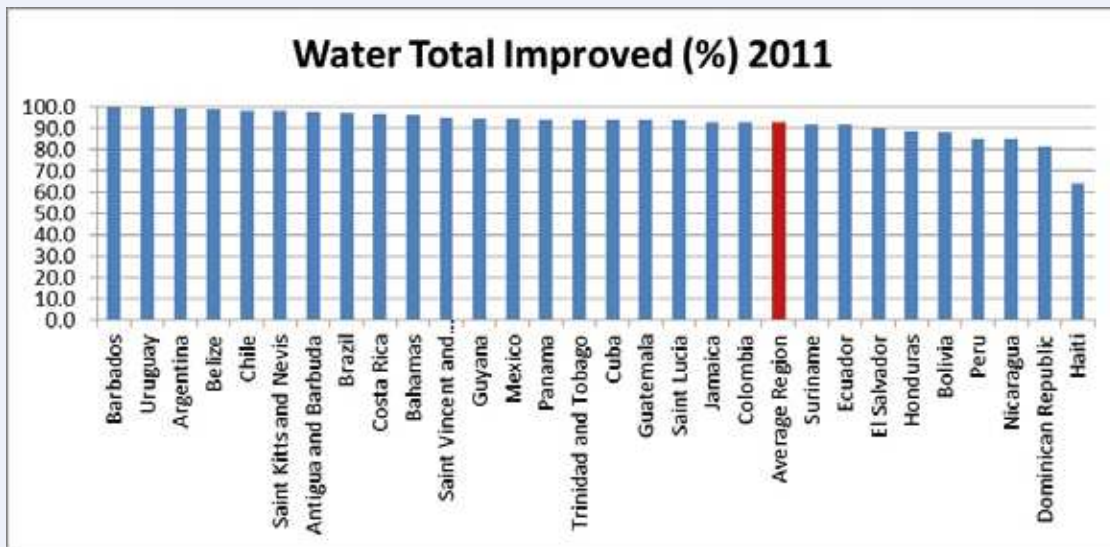
Data from the WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation for 2011<sup>9</sup> shows that approximately 92.7 per cent of the population for the LAC region has access to improved water sources, while about 79.8 per cent of the population has access to improved sanitation.

- Barbados, Uruguay, Belize, Argentina and Chile lead the way in terms of access to water; Haiti has the lowest coverage with just 64 per cent, followed at a considerable distance by the Dominican Republic with 81.6 per cent.
- With respect to sanitation, Uruguay and Chile are top of the list with coverage of almost 99 per cent, and Haiti is again lowest with just 26.1 per cent. However many other countries including Colombia, Peru, Panama, El Salvador, St. Lucia, Nicaragua and Bolivia are all below the regional average.

<sup>8</sup> [www.waterintegritynetwork.net/images/stories/WIN\\_Briefs/WIN\\_Brief\\_4\\_-\\_Urban\\_Water.pdf](http://www.waterintegritynetwork.net/images/stories/WIN_Briefs/WIN_Brief_4_-_Urban_Water.pdf)

<sup>9</sup> See [www.wssinfo.org/data-estimates/introduction/](http://www.wssinfo.org/data-estimates/introduction/). As always with data, some caution is required. One issue is that the underlying data is provided by the national governments and may therefore be subject to strategic manipulation or differences in data collection and processing methodologies. Also, the data does not address quality dimensions and the issue of affordability. The interested reader may turn to Langford and Winkler (2013) for a thorough discussion of the limitations of the measurement of MDG goal on water and sanitation.

Figure. Access to improved water and sanitation in Latin America and the Caribbean, 2011



Source: WHO / UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation for 2011



#### 4. Water Governance in the Latin America and the Caribbean Region

Creating an overall picture of water governance in the region is a challenge, and is only possible when using a framework as a guide. Many different frameworks are available. We've chosen to present here the results from the OECD report on Water Governance in Latin America and the Caribbean (Akhmouch, 2012)<sup>10</sup>, which is to our knowledge the only thorough assessment of the water governance challenges in the LAC region.

#### The OECD framework

The analytical framework used in the report is based on previous work by the OECD. The framework assesses the water governance situation and challenges in LAC countries. The analysis is done by examining seven 'gaps', as shown in the following table. Although there are many differences between LAC countries e.g. institutional differences and variations in how the sector is organised, this common framework allows a comparison.

**OECD Multi-level Governance Framework: An Application to the Water Sector**

<b>Administrative gap</b>	Geographical mismatch between hydrological and administrative boundaries. This can be at the origin of resource and supply gaps. => <b>Need for instruments to reach effective size and appropriate scale.</b>
<b>Information gap</b>	Asymmetries of information (quantity, quality, type) between different stakeholders involved in water policy, either voluntary or involuntary. => <b>Need for instruments for revealing and sharing information.</b>
<b>Policy gap</b>	Sectoral fragmentation of water-related tasks across ministries and agencies. => <b>Need for mechanisms to create multidimensional/systemic approaches and to exercise political leadership and commitment.</b>
<b>Capacity gap</b>	Insufficient scientific, technical, infrastructural capacity of local actors to design and implement water policies (size and quality of infrastructure, etc.), as well as relevant strategies. => <b>Need for instruments to build local capacity.</b>
<b>Funding gap</b>	Unstable or insufficient revenues undermining effective implementation of water responsibilities at sub-national level, cross-sectoral policies and investments requested. => <b>Need for shared financing mechanisms.</b>
<b>Objective gap</b>	Different rationales creating obstacles for adopting convergent targets, especially in case of motivational gap (referring to the problems reducing the political will to engage substantially in organising the water sector). => <b>Need for instruments to align objectives.</b>
<b>Accountability gap</b>	Difficulty ensuring transparency of practices across different constituencies, mainly due to insufficient user commitment, lack of concern, awareness and participation. => <b>Need for institutional quality instruments.</b> => <b>Need for instruments to strengthen the integrity framework at the local level.</b> => <b>Need for instruments to enhance citizen involvement.</b>

Source : Adapted from OECD methodology presented in Charbit, C. (2011), "Governance of Public Policies in Decentralised Contexts: The Multi-level Approach", *OECD Regional Development Working Papers*, 2011/04, OECD Publishing; and Charbit, C. and M. Michalun (2009), "Mind the Gaps: Managing Mutual Dependence in Relations Among Levels of Government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing.

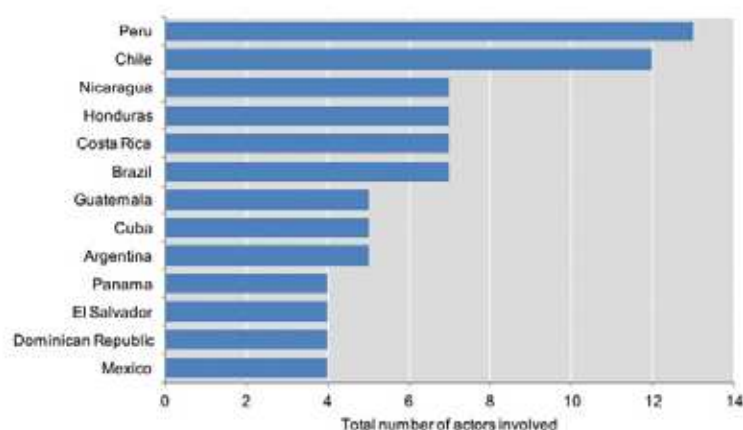
Before exposing the detailed results for each gap, the report highlights that many countries in the LAC region have undertaken reforms towards decentralising water policies, delegating service delivery and resource management functions to the local, basin and regional level. According to the report, these reforms have resulted in "... a dynamic and complex relationship between public actors at all levels of governments, which can have conflicting priorities and interests and create obstacles

for adopting convergent targets. Identifying incentives and bottlenecks for sustainable water policies implies listening to this wide variety of stakeholders, increasing respect for local community input, and working across levels of governments."

This complexity, and growing need for coordination, is reflected in the number of authorities involved in water policymaking as shown in the next figure.

<sup>10</sup> The report is based on case studies from Argentina, Brazil, Chile, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru.

### Number of authorities involved in water policy making at central government level (13 LAC countries surveyed)



Source: OECD (2012), *Water Governance in Latin America and the Caribbean: A multi-level approach*, OECD Publishing, Paris

The findings from the analysis along the seven governance gaps are shown in the box below.

One aspect that perhaps receives too little attention in the OECD report is the observation that the LAC region was one of the first regions to allow for private sector participation (PSP) in the water sector and is still one of the most active regions.

- Data from the World Bank from 1990 to 2012<sup>11</sup> shows that only the East Asia and the Pacific region has more PSP projects with 443, most of them in China, than the LAC region with 259. Both regions are well ahead of other parts of the world. Europe and Central Asia follow the LAC region with a total of just 46 projects over the same period.
- With respect to the private investment level in these projects between 1990 and 2012, the LAC region clearly leads with a total of 258,955 million USD against just 145,246 million USD in East Asia and the Pacific and 115,818 million USD in Europe and Central Asia. While there seemed to be a tendency towards decreasing private investments in water in LAC countries, this trend reversed after 2010.

This combination of public, private and mixed provision of services adds to the complexity of the water sector in the LAC region. Various studies highlight the risks, which include corruption, an aspect that will be picked up again in the next session.<sup>12</sup> It is also important to note that despite some success stories in reform of water service provision, perceived or real corruption cases e.g. in Argentina or Bolivia, have discredited reforms throughout the region. Ultimately, the lesson we can learn is that the way the process is handled, especially with respect to transparency and participation, and the way the sector is regulated afterwards, are key to success.

<sup>11</sup> <http://ppi.worldbank.org/>

<sup>12</sup> See for instance Boehm (2007) y Guasch *et al.* (2008).

## Findings from the OECD Report

Key multi-level governance challenges for water policy making in LAC countries		
"Important" or "very important" gap	Number of countries	Examples
Policy gap	12 out of 12	Argentina, Brazil, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru
Accountability gap	11 out of 12	Argentina, Brazil, Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru
Funding gap	10 out of 12	Argentina, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru
Capacity gap	9 out of 12	Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru
Information gap	9 out of 12	Argentina, Brazil, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru
Administrative gap	6 out of 12	Brazil, El Salvador, Guatemala, Honduras, Nicaragua, Peru
Objective gap	4 out of 12	Costa Rica, Guatemala, Honduras, Nicaragua

Source: OECD (2012), *Water Governance in Latin America and the Caribbean: A multi-level approach*, OECD Publishing, Paris

- In almost half of LAC countries surveyed, the policy gap (i.e. overlapping, unclear allocation of roles and responsibilities) is the main obstacle to effective water policy. Sectoral fragmentation across ministries and between levels of government is considered as an important challenge to integrated water policy in 92 per cent of countries surveyed.
- 90 per cent of LAC countries surveyed experience an accountability gap, especially related to a lack of public concern and low involvement of water users' associations in policy-making. The absence of monitoring and the limited evaluation of water policy outcomes were also considered important obstacles to water policy implementation at the territorial level in almost all LAC countries surveyed.
- Although not the most important, the funding gap remains a significant challenge in LAC countries because of the mismatch between ministerial funding and administrative responsibilities. The absence of stable and sufficient revenues of sub-national actors is an important challenge for co-ordinating water policy between levels of government and for building capacity at the sub-national level.
- In two-thirds of LAC countries, the capacity gap is a major obstacle for effective implementation of water policy, at central and sub-national levels, which refers not only to the technical knowledge and expertise, but also to the lack of staff and the obsolete infrastructure. In many countries, it threatens the implementation of water reform agendas.
- The information gap remains a prominent obstacle to effective water policy implementation in two-thirds of the LAC countries surveyed, in particular for what regards inadequate information generation and sharing among actors, as well as scattered water and environmental data.
- The administrative gap is an important governance challenge for half of the LAC countries surveyed. Several countries pointed out the lack of fit between administrative zones and hydrological boundaries, which was not entirely bridged by the creation of river basin organisations.
- LAC countries also experience an objective gap when striking a balance between the often conflicting agendas in financial, economic, social and environmental areas for the collective enforcement of water policy.

Source: [www.oecd.org/gov/regional-policy/Water%20Governance%20LAC\\_brochure%20Jan18.pdf](http://www.oecd.org/gov/regional-policy/Water%20Governance%20LAC_brochure%20Jan18.pdf)

## 5. Wrap-Up

This session started with some basic facts and figures, highlighting the progress made both economically and socially over the first decade of the new millennium. However, economic, political and social inequalities are still important problems, and are arguably behind many of the difficulties that can be observed in the region. In the water sector, the region is on track with respect to access to improved water sources but efforts need to be made in sanitation. The session also identified some common challenges in the water sector e.g. vulnerability to climate change, environmental deterioration and urban growth.

Finally, with reference to a recent OECD study, the session provided an overview of the most important challenges for water sector governance, highlighting the following issues:

- Overlapping, unclear allocation of roles and responsibilities in the sector
- A lack of monitoring and evaluation of water policy outcomes
- Low involvement from water user associations in policy making
- A mismatch between ministerial funding and administrative responsibilities
- The challenge of coordinating water policy between different levels of government and of building capacity at the sub-national level
- Inadequate generation and sharing of information among actors, as well as scattered water and environmental data
- A poor fit between administrative zones and hydrological boundaries
- Difficulty in striking a balance between often conflicting agendas in financial, economic, social and environmental areas

## Session 2:

# Corruption and Governance in the Latin America and the Caribbean Region

The objective of this session is to provide an overview of common governance and corruption challenges in the region. We present what have been identified in the literature as the main drivers of weak governance and corruption. While information specific to the water sector is scarce, some important conclusions can be drawn that are relevant when addressing water integrity.

### 1. Corruption and Governance in Latin America and the Caribbean – A Look at the Data

It is not easy, but not impossible, to measure corruption or governance.

- Corruption is a multi-faceted issue (see module 2 in the Water Integrity Training Manual), and often goes unreported because it is illegal. Therefore objective measures of corruption are usually not available.
- Governance is at least as fuzzy as the concept of corruption. As shown in module 1 of the Water Integrity Training Manual, governance is multi-dimensional, and therefore in practice it is difficult to unbundle and to measure.<sup>13</sup>

Governance indicators are usually composed of both objective and subjective perceptions. To measure corruption we have to rely upon subjective perceptions collected through surveys. It is vital that we ask who is being surveyed and what questions were asked so we can interpret the results.<sup>14</sup> In the following sections, we will briefly present some important results taken from two sources: The World Governance Indicators (WGI) and the Latin American Public Opinion Project (LAPOP).

#### **(1) The Worldwide Governance Indicators (World Bank)**

The WGI define governance “broadly as the traditions and institutions by which authority in a country is exercised.

This includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them” (Kaufmann, Kraay, Zoido-Lobaton, 1999). Based on this definition, the concept of governance is unbundled and measured with the help of six sub-indicators: Control of Corruption<sup>15</sup>; Rule of Law; Regulatory Quality; Government Effectiveness; Political Stability and Absence of Violence/Terrorism; Voice and Accountability. Both expert perceptions and objective data, if available, are used to compute these indicators.

The WGI work allows us a first impression of governance and corruption levels in the LAC region. It is important to remember that these measures are quite imprecise; the confidence intervals can be large and therefore countries with similar scores shouldn't be closely compared.

#### **Think about it: Reporting of corruption**

Why is the indicator ‘number of corruption cases’, as reported in the media or by the justice system, not helpful in assessing the level of corruption in a country?

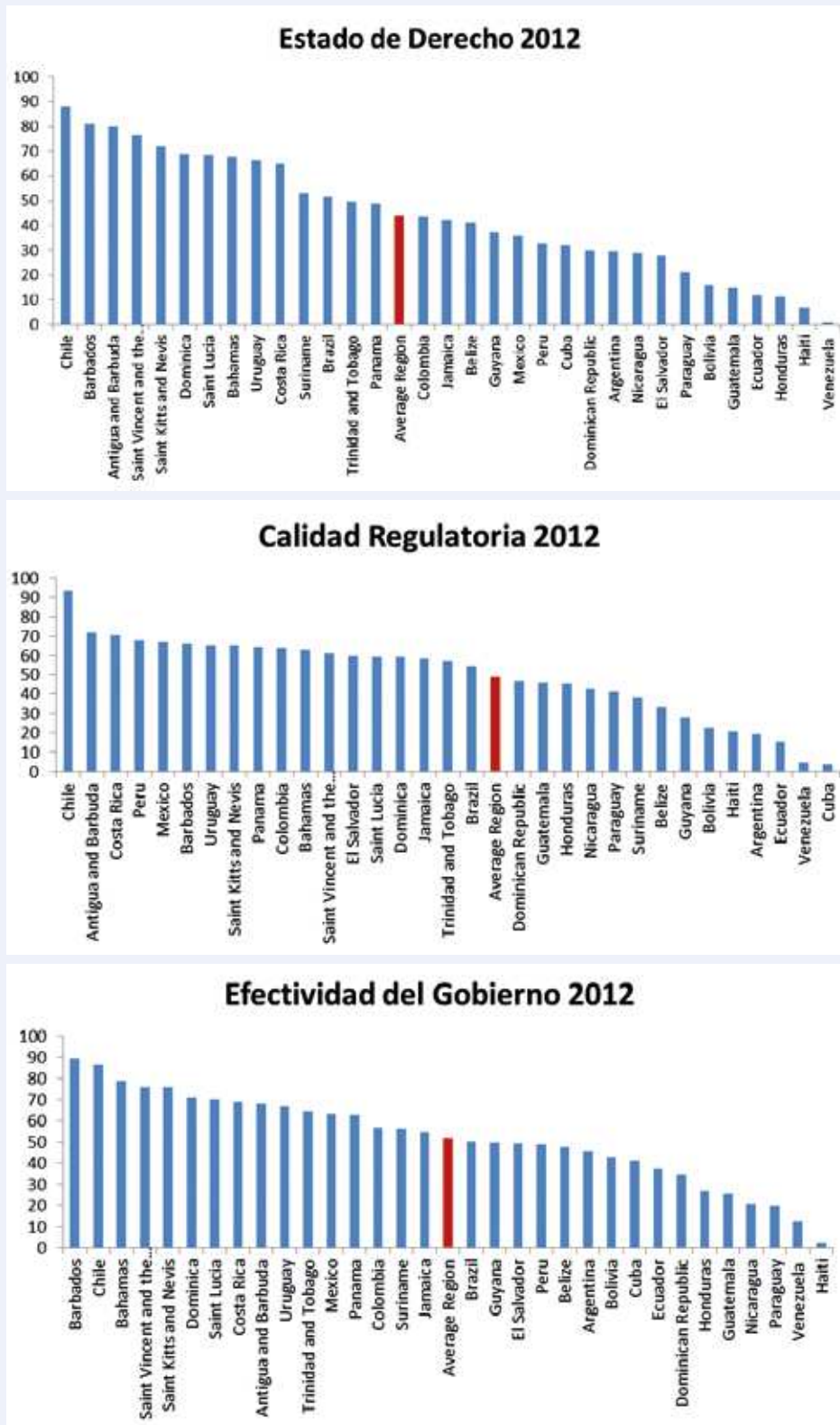
<sup>13</sup> Baland, Moene, and Robinson (2011) critically discuss the concept of governance. They argue that the current emphasis on governance is consistent with research findings related to the importance of institutions and literature on the political economy of development, but adds nothing really new to the findings of these strands.

<sup>14</sup> See UNDP's Users guide on measuring corruption ([www.undp.org/content/undp/en/home/librarypage/democratic-governance/anti-corruption/a-users-guide-to-measuring-corruption/](http://www.undp.org/content/undp/en/home/librarypage/democratic-governance/anti-corruption/a-users-guide-to-measuring-corruption/)), or Gonzalez y Boehm (2013).

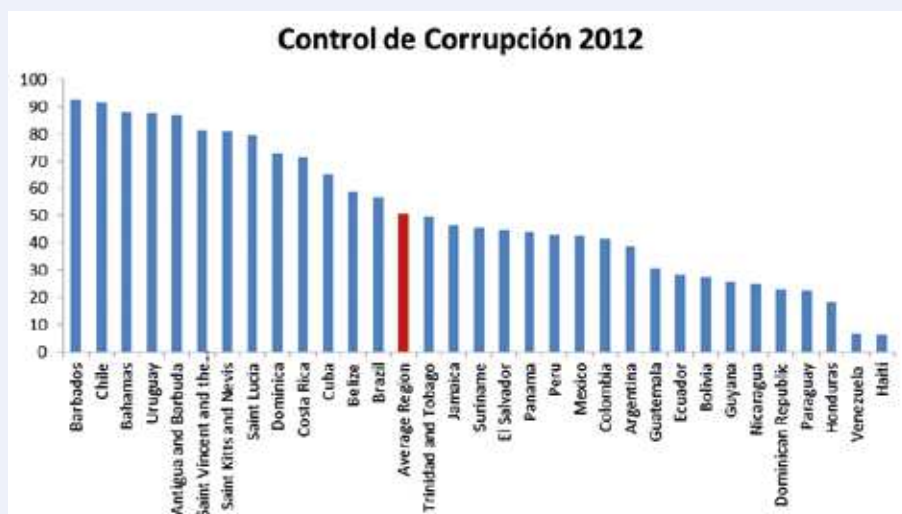
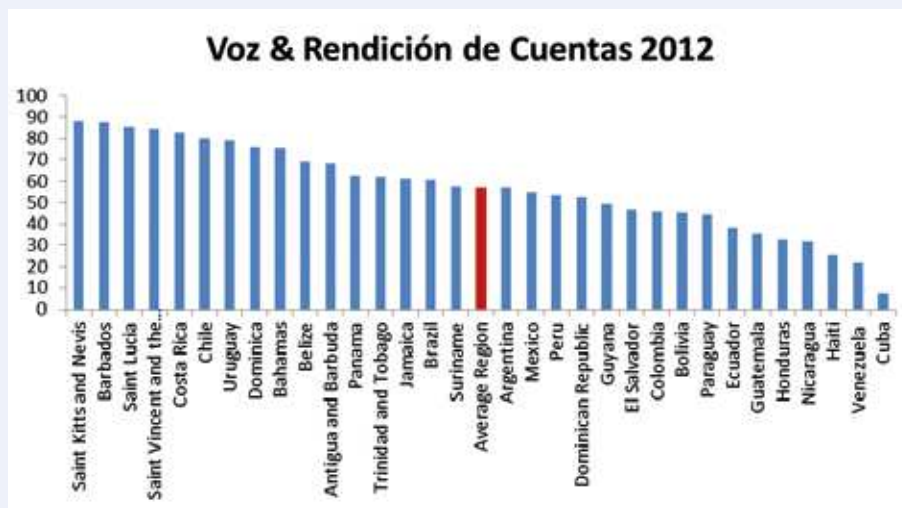
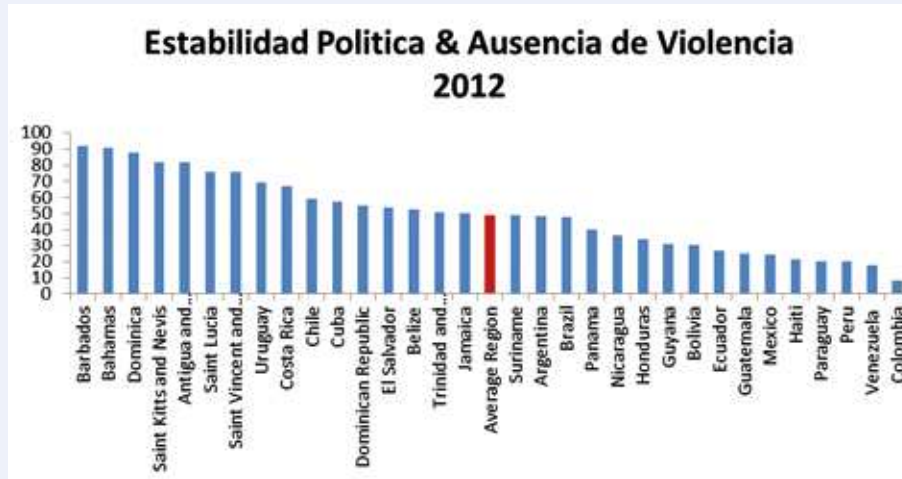
<sup>15</sup> A starting point for analysing corruption is often the Corruption Perception Index (CPI), published each year by Transparency International. The CPI measures corruption levels from 0, indicating a very high level of perceived corruption, to 100, indicating a very low level of perceived corruption. This is done by compiling surveys of experts carried out by independent institutions, including a question on perceived level of abuse of public office for private gain. The CPI gives a good first impression, and has some value for cross-country studies, but does not provide much information beyond that. Here, we opted to use the WGI Control of Corruption indicator. Despite some methodological differences, both transmit basically the same information i.e. the correlation coefficient between the scores of both indicators for the region, and for the rest of the world, is higher than 0.97. Both need to be interpreted with the same caution.



Box: The Worldwide Governance Indicators (WGI) for Latin America and the Caribbean



Box: The Worldwide Governance Indicators (WGI) for Latin America and the Caribbean (continued)



**Graph. Latin America and the Caribbean compared to OECD countries, between 2000 and 2012**



Source: World Governance Indicators (WGI), The World Bank ([www.govindicators.org](http://www.govindicators.org))

### **What can we observe?**

- The region is quite heterogeneous with respect to governance levels. Some countries achieve high levels of governance (Chile, Barbados), and some others score relatively low e.g. Haiti and Venezuela. There are many countries that are in-between and cannot be differentiated statistically because of the problem of statistical imprecision.
- Overall the region's governance indicators neither improved nor declined between 2000 and 2012. Taking into account, again, the imprecision of these measures, the small increases and decreases for the Regulatory Quality indicator are not significant.
- We can observe a significant gap between the LAC region and OECD scores in all six indicators. This gap remained more or less the same over this period,

the region scoring roughly two thirds of the OECD levels, with the exception of the Rule of Law indicator, which is approximately half of the OECD score, which also remained steady in value at this aggregated level).

- A look at particular countries could reveal more. A first step could be looking at the scores of a particular country and comparing them to the regional

average, highlighted in red. Time series for a country have to be analysed with caution, however, taking into account the confidence intervals necessary to detect statistically significant changes over time. A change in the score from one year to another may not reflect an actual decline or improvement if the variation remains within the range of confidence intervals i.e. when the confidence intervals overlap.

### Relating corruption to governance

The relationship between weak governance and corruption can best be understood as a vicious circle. While weak governance can be a cause of corruption because it provides opportunities for the extraction of illicit gains, weak governance can also be a consequence of corruption. If those who are benefitting corruptly from the status quo have political power, they may have an interest in weak governance and could block reforms.

What does the data tell us about the relation between corruption and governance? Taking into account that a correlation is not causality, the following table still provides some interesting insights. Of particular interest is the column at the right of the table, which presents the coefficients of correlation between the corruption indicator and the other governance indicators.<sup>16</sup>

**Table. Correlation between the Worldwide Governance Indicators**

Correlation Coefficient	Voice and Accountability	Political Stability and Absence of Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Voice and Accountability	1	0.730	0.858	0.727	0.869	0.793
Political Stability and Absence of Violence		1.000	0.730	0.434	0.809	0.852
Government Effectiveness			1.000	0.719	0.916	0.891
Regulatory Quality				1.000	0.738	0.636
Rule of Law					1.000	0.932
Control of Corruption						1.000

Source: Calculation by the author with data from the WGI dataset for the following 32 countries: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

### What do we learn from this data?

- The highest coefficient in the table is the one between Rule of Law and Control of Corruption; i.e. where rule of law is weak, we also observe high levels of perceived corruption. Therefore issues related to law enforcement, security of property rights and contracts, police and courts are playing an important role in the LAC region.
- Less Political Stability and less Government Effectiveness also correlate quite strongly with higher levels of corruption.
- In turn, the indicators for Voice and Accountability, but especially Regulatory Quality, both correlate only weakly with corruption, at least compared to the other three indicators. This may come as a surprise taking into account the usual emphasis on these issues in the literature within the sector.

<sup>16</sup> Remember that the closer the coefficient comes to 1, the higher is the correlation between the two variables.

**(2) The Latin American Public Opinion Project (LAPOP), Vanderbilt University**

Let's turn to another source of information now, the Latin American Public Opinion Project (LAPOP). This project carries out representative household surveys in many countries in the region. Therefore LAPOP reflects the perception of the 'average citizen'. It is important to note that the 'average citizen' can experience petty types of corruption, but usually has only a very superficial knowledge, if any, of grand corruption beyond what is reported in the media.

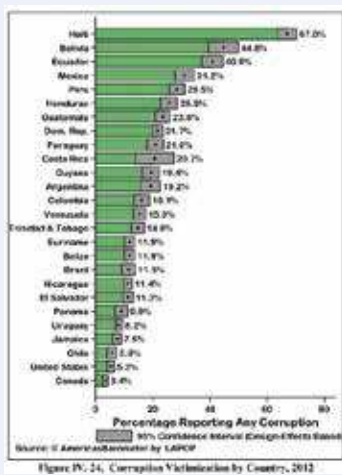
The perception measured in these surveys may thus be influenced more strongly by recent corruption scandals than the Control of Corruption indicator from the World

**Exercise: Grand and petty corruption**

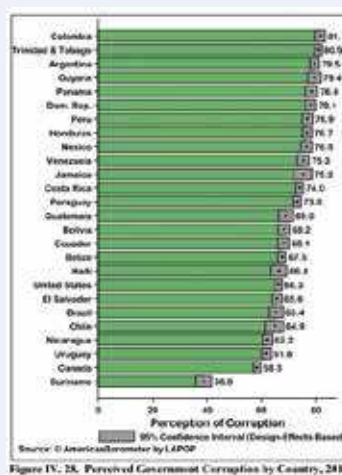
Compare the data on countries presented by LAPOP. How do nations differ with respect to incidence i.e. corruption victimization, and perception of corruption? Are there surprises? How could you explain them? Hint: use the concepts of grand vs. petty corruption.

Bank or the Corruption Perception Index from Transparency International. This is because experts are likely to be less influenced by the media in the short-term.

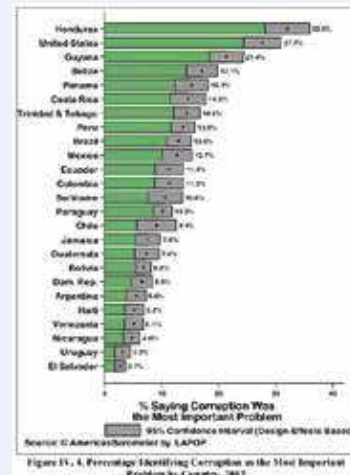
**Box. Latin America – Perception vs. victimisation and “corruption as the most pressing problem”**



Source: Latin American Public Opinion Project (2013)



Source: AmericasBarometer by LAPOP



Source: AmericasBarometer by LAPOP

LAPOP is interesting because it adds another perspective to the picture we were given by the WGI data. It provides a kind of 'corruption barometer' for society at large, reflecting the perceptions of a representative citizen and not of experts as does the WGI. The box above shows the results from the most recent LAPOP surveys with respect to corruption.<sup>17</sup> It is interesting to see that nearly all the countries have a gap between perception of corruption and victimisation i.e. percentage of people reporting any corruption. Why the perception is so much higher, when personal exposure is relatively low in most countries? A possible explanation is that this perception is nurtured by grand corruption scandals

reported in the media and so this may indicate that grand corruption is a more pressing problem than petty corruption in most of the countries. This assertion needs to be interpreted with due caution.

LAPOP also asks about victimisation and provides information concerning socio-economic characteristics of the respondent; e.g. are men or women more likely to become victims of corruption, are the rich or the poor more vulnerable? Before continue reading, you may try to imagine the typical 'profile' of a victim of petty corruption in the region. The results may surprise you.

<sup>17</sup> Please note again the confidence intervals, here highlighted in grey. While in the graph on the left the score of victimisation for Haiti is significantly higher than the score of Bolivia, the difference between Bolivia and Ecuador is not statistically significant because their grey areas overlap. In turn, the scores of these two countries are significantly above the score of Mexico.



Caution is advised here though as this does not mean that the poor are less likely to be victims of corruption overall. There are many other ways in which corruption impacts indirectly on the poor e.g. through high water prices due to state capture or kickbacks in concession contracts. Remember the consequences of corruption as exposed in module 2, session 3 of the Water Integrity Training Manual.

### Think about it: What the data tells us

"(...) those more likely to be victimized by corruption are significantly more likely to be: highly educated, wealthy, urban dwellers, between 26 and 50 years old, and male. Corruption victims thus tend to have frequent dealings with government officials and more resources for those officials to extract. There is no significant difference in corruption targeting across skin colours once country differences are accounted for." (LAPOP, 2012: 153-154)

### Three key messages from the data

- (1) In the region, a particular acute governance problem seems to be weak Rule of Law, closely followed by problems of political instability and violence as well as ineffective government.
- (2) Overall, governance hasn't improved or declined significantly in the LAC region since 2000 and the gap between LAC country and OECD levels of governance has remained unchanged.
- (3) Overall, grand corruption seems to be a more important problem in the region than petty corruption. In turn, a typical direct victim of petty corruption i.e. extortion, is highly educated, male, wealthy, urban dwelling and between 26 and 50 years old.

## 2. Determinants of Corruption in the Latin America and the Caribbean Region

The data gives us a feeling concerning overall levels of governance and corruption in the LAC region. Of course, it would be even more interesting to know how to explain these levels. Based on the correlations between corruption and the other five governance indicators we can hypothesise that weak rule of law, political instability and violence, as ineffective government could be important factors in facilitating corruption.

However, a quantitative exploration of corruption determinants requires a more sophisticated approach than just using correlation tables. Morales Quiroga (2004: 224) carried out an econometric analysis and found that the best predictors of corruption levels are: 1) level of income per capita; 2) level of independency of the judiciary, which supports our findings with respect to importance of the Rule of Law; and 3) the degree of freedom of trade, which is, interestingly, one of the aspects measured in the Regulatory Quality indicator that did not correlate significantly with the corruption indicator. In turn, variables such as the electoral system,

political rights, or the number of veto players i.e. people that can block changes, do not significantly predict corruption levels. However, it is important to remember that these results are limited by the available data sources for measuring corruption levels in the first place.

On a qualitative level, based on expert interviews and case studies, Peñailillo (2011) and Parker, Berthin, de Michelle and Mizrahi (2004) emphasise the following five factors.

**1. Politics.** Even though much can ultimately be linked to political issues, two factors highlighted in the studies are clearly related to politics. Firstly, the LAC region suffers widely from clientelism. This impedes the establishment of a meritocratic public administration and is therefore the origin of many of the problems related to ineffective government. Secondly, the studies state that the absence of the political will to undertake deeper reforms helps facilitate corruption. This is no surprise if you remember the history of the continent and cases of corruption at the highest levels of government reported throughout the LAC region.<sup>18</sup>

<sup>18</sup> See for instance, the excellent "Los Watergates Latinos" written by Fernando Cárdenas and Jorge González, where the authors tell the stories of Salinas, Alemán, Calderón and Rodríguez, Gutiérrez, Pérez, Fujimori, and Menem.

Also mentioned are inadequate democratic checks on elected public officials. This is partly a result of clientelism and vote buying, but also of weak or inexistent social control.

**2. Justice and controlling institutions.** Bodies such as supreme audit institutions and public prosecution authorities are often considered to be weak or lacking the required capacity to effectively do their job. The justice systems are perceived as dysfunctional and neither efficient nor independent. Laws and regulations sometimes lack coherence and there may therefore be uncertainty about how they will be applied. Finally, the confidence of the population in their justice system is quite low in many countries throughout the region (LAPOP 2012).

**3. Government and public policies.** The studies highlight a common overlap of responsibilities assigned to different governmental institutions. This is an observation about the water sector already made in session 1. Complex and excessive regulations may create scope for corruption, or may themselves be the product of corrupt processes aimed at creating opportunities to extract corrupt benefits in the first place.

**4. Culture.** Cultural conventions are the product of repeated interactions between individuals living in a society. Throughout the LAC region we find sayings in the local language which reflect a tendency to attach a positive value to actions aimed at eluding official rules or taking advantage of loopholes e.g. “hoy por ti, mañana por mí”, “al pendejo ni Dios lo quiere”, “Papaya puesta, papaya partida”. At the same time a degree of tolerance towards certain types of corrupt practices can be observed e.g. speed money or facilitation payments, and clientelism.

**5. Crime and violence.** Inequality and drugs are linked to the relatively high problem of violence in the LAC region. According UNODC data for 2012 showing which countries in the world have the highest number of homicides, 8 out of 10 of the highest are in LAC. Honduras and El Salvador take the top two places.<sup>19</sup> In turn, it is well known that organised crime and corruption are intimately linked, corruption being one of the tools organised criminals use in order to pursue their goals.<sup>20</sup> The water sector, especially in rural areas, cannot escape this reality. This aspect must be considered to fully understand the local political economy.

### Exercise: Inequality and corruption

Go back to the box on inequality in the first session. How could the patterns of colonial legacy help to explain some of the factors facilitating corruption which are described above? What are the consequences with respect to policy reforms?

### 3. What Kind of Corrupt Practices are Likely to be Particularly Relevant in the Water Sector in the Latin America and the Caribbean Region?

In module 2 and 3 of this Water Integrity Training Manual, we saw that the concept of corruption needs to be unbundled into different corrupt practices. Module 3, in particular, looked at generic corrupt practices that may arise at different levels within the water sector (go back to that lesson if you need to refresh your memory). Mapping generic risk like this helps to orientate in-depth risk analysis in a specific country context; it sensitises us on where to look and what to look for.

Now, is it possible to link the general insights we gained on the LAC region with respect to corruption and governance levels, and the factors that help explain them, with the insights we gained in session 1 on the typical challenges to water governance in the region? Are there some corrupt practices in the water sector that, theoretically, might be especially relevant for the region? Taking into account the points made in session 1 and the results so far in this second session, it is likely that the following issues and practices are endemic throughout the LAC region:

- **Regulatory capture.** Economic regulation of water utilities became an important topic for many LAC countries with the introduction of private sector participation in the 1990s. Today, regulation is not only confined to private or mixed providers, but also covers public utilities. Since the details of the regulatory framework have a direct impact on the profits of the regulated utilities e.g. through setting tariffs and subsidy schemes, the stakes in influencing these regulations and any decisions about them are quite high.<sup>21</sup> Undue influence on regulations and regulatory decision-making processes are called regulatory

<sup>19</sup> See UNODC (2013, [www.unodc.org/documents/gsh/pdfs/2014\\_GLOBAL\\_HOMICIDE\\_BOOK\\_web.pdf](http://www.unodc.org/documents/gsh/pdfs/2014_GLOBAL_HOMICIDE_BOOK_web.pdf)).

<sup>20</sup> See for instance [www.u4.no/publications/organised-crime-and-corruption](http://www.u4.no/publications/organised-crime-and-corruption)

<sup>21</sup> See Boehm (2011).

capture. Regulatory capture is actually not a corrupt practice per se. However different corrupt practices can be used to achieve the influence e.g. bribes or post-employment favours for public officials. Fraud, especially through the manipulation of accounting data, is also a major risk.

- **Clientelism in public utilities and public administration.** Many democracies in the region are characterised by the prevalence of clientelism. A politician, or patron, gains political support in exchange for favours to voters, or clients. These favours can range from money or goods, including vote buying, to employment in the public administration. One of the arguments given in favour of private sector participation at the beginning of the 1990s was that it would reduce the clientelism that was widespread in publicly owned utilities, e.g. in Cartagena, Colombia.<sup>22</sup> But clientelism is not only a problem in public utilities. When important administrative functions, especially in regulation and oversight, are affected by clientelism, it is likely that execution will be less effective and will be more prone to corrupt influence. It is also likely that public officials will turn a blind eye to corrupt practices in which their patron is directly involved.
- **Kickbacks and collusion in construction and private sector participation contracts.** Increasingly, the government is delegating or buying specific tasks in the water sector in the private sector. On the one hand, this may yield efficiency gains, but on the other hand procurement and public contracting are known to be highly vulnerable to corrupt practices. Especially in a context of fragmentation, complexity and decentralisation, where local capacities and control might be weaker, there's a risk that potential efficiency gains of private sector participation are being offset because of corruption in these processes. Ironically, precisely in the case of Cartagena mentioned above, where clientelistic practices were one reason for changing to a concession, substantial allegations of corruption appeared during the privatisation process and later on during the implementation of the contract. This example shows how supposedly good intentions may backfire when corrupt risks are not taken into account.<sup>23</sup>
- **Petty corruption.** Even though, relatively speaking, grand corruption looks to be more prevalent in most countries of the LAC region, it is nevertheless likely that petty corruption is practiced e.g. bribery to get connections or related to meter reading and repair work exists in many countries. It may seem likely that petty corruption is less in cases of utilities with

private sector participation. This is because petty corruption implies a monetary loss to the utility and so the incentive to prevent it is likely to be higher with private sector involvement. However, in relation to meter reading, corruption is usually initiated by users and it is difficult to control these bribes in the field. Taken together with wage cuts that often come along with private sector participation, the existence of such petty bribery is quite likely, as it is a win-win scenario for both the user and the meter reader.<sup>24</sup>

#### 4. What Kind of Evidence Exists on Corruption in the Water Sector in the Latin America and the Caribbean Region?

Unfortunately, we have very little data on corruption in the water sector beyond anecdotal evidence and when cases are uncovered by the media or justice system. An important step towards strengthening the policy base for improving water governance in the region should be gathering of data in order to increase our understanding of the issues and to allow us to measure progress.

The only data source that contains a question directly related to the water sector can be found in the World Bank Enterprise Surveys. These are based on representative surveys among businesses in a given country.<sup>25</sup>

- The first question asks: "In reference to [an] application for a water connection, was an informal gift or payment expected or requested?" It is important to understand that due to the scope of the sample surveyed i.e. private firms seeking a water connection, the insights provided by the answers are limited. The data provides only a very narrow insight to corruption in the water sector.
- A second question that does not directly address the water sector but that is still interesting is related to bribery in order to obtain a construction permit. This is due to the importance of construction and infrastructure in the sector.

The results for both questions are shown in the box below. With respect to bribes paid in order to get a water connection the cases of Jamaica and Mexico stand out as they are significantly higher than the rest of the LAC region. Bribes for construction permits are again most prevalent in Jamaica, followed by Paraguay, Bolivia, and Mexico. Chile has the lowest incidence of bribes for both water connections and construction permits.

However, remember that this is all relative. The box also shows a comparison between regions. The LAC

<sup>23</sup> See Boehm (2007: 14).

<sup>24</sup> Boehm (2007: 36)

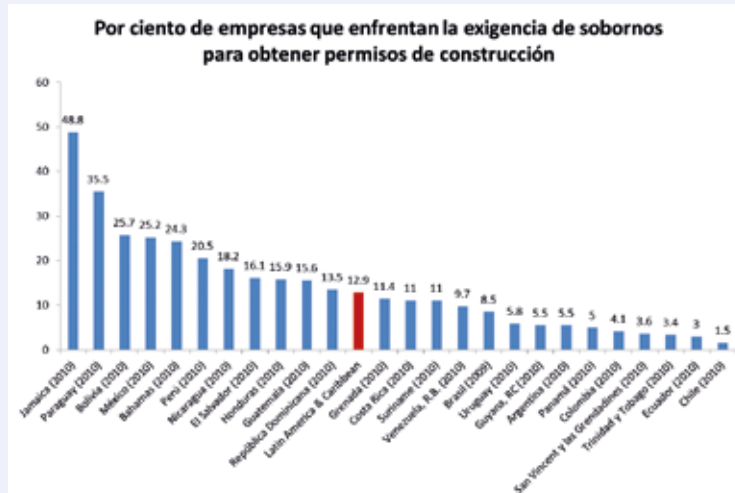
<sup>25</sup> www.enterprisesurveys.org



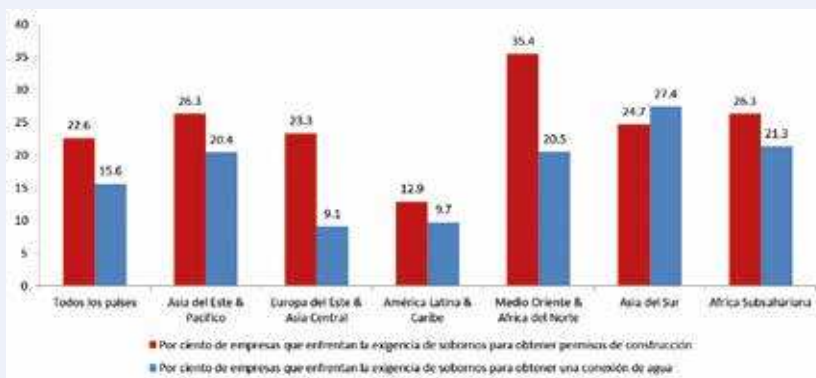
region actually has one of the lowest scores in these two indicators. Paying bribes for water connections or construction permits seems to be of much more concern in other parts of the world. Therefore the results

from the Enterprise Surveys support the evidence so far that petty corruption may not be the main problem in LAC countries, both generally and specifically for the water sector.

**Percentage of firms expected to give gifts to get a water connection and a construction permit**



**Regional Comparison**



Source: Enterprise Surveys, data from 2010, The World Bank ([www.enterprisesurveys.org](http://www.enterprisesurveys.org))

## 5. Wrap-Up

The second session provided some insights on common governance problems in the LAC region, based on both quantitative and qualitative information. Despite the problems in measuring governance and corruption, the available quantitative data provides a good starting point. The data shows quite clearly that lack of Rule of Law, political instability and ineffective government are major issues in the LAC region. Perception of corruption is high, while the actual victimization rates are, relatively speaking, lower. This may show that grand corruption is a pressing regional issue e.g. political corruption or corruption in major concession and procurement contracts.

The qualitative studies available help illustrate the main drivers of corruption and governance problems. Here again, we find that political issues are important and may be intertwined with other causes identified e.g. weakness in control and oversight institutions, complex administrative processes, organized crime and violence, as well as cultural aspects. High levels of inequality also help explain some of these issues.

Specific information on the water sector is scarce. Survey data from the business perspective shows that bribes for water connections are an issue in some countries, but overall the region has quite low levels of this type of petty corrupt practices compared with other regions in the world. Grand corruption again seems to play a more important role.

## Session 3:

# Anti-Corruption in the Latin America and the Caribbean Region

This session provides an introduction to how the LAC region has responded to the challenges of weak governance and corruption that we've examined so far in the previous sessions. What general anti-corruption approaches are followed and what are the challenges in fighting corruption? What is the body of experience with respect to water integrity initiatives?

### 1. What Global or Regional Responses Exist with Regards to the Problem of Corruption?

After being a taboo subject, corruption appeared on the international agenda at the beginning of the 1990s. Factors that facilitated the increasing interest can be traced back to the fall of the Soviet Union and a new wave of democratisation, globalisation, and a reflection on the failures of development in many parts of the world. Transparency International and other international organisations e.g. the UN, OECD and World Bank have been important vehicles in helping put corruption on the policy agenda.

Interestingly, the LAC region produced the first international convention against corruption worldwide. The idea was discussed during the first Cumbre de las Americas in 1994 and led to the adoption of the Inter-American Convention against Corruption (IACAC) by the Organization of American States (OAS/OEA) in 1996. All countries in the region have now ratified the IACAC, with the exceptions of Cuba, which was suspended from the OAS from 1962 to 2009, and Barbados, which has signed the convention but not ratified it yet. As a consequence of the convention, the countries in the region started implementing judicial reforms. These were often based on model Laws promoted by the OAS (Peñailillo, 2011). Additionally, in 2002, the convention adopted a 'Follow-Up Mechanism' for the Implementation of the IACAC (Mecanismo de Seguimiento de la Implementación de la Convención Interamericana contra la Corrupción, MESICIC). According to the OAS website this mechanism is "the principal cooperation instrument for preventing, detecting, punishing and eradicating corruption in the Americas". The only LAC countries that are not yet members of the MESICIC are Barbados, Cuba, Dominica, and Saint Lucia.

#### Knowing the tools

You can follow the activities of all member states to the Inter-American Convention against Corruption at this website?

[www.oas.org/juridico/english/FightCur.html](http://www.oas.org/juridico/english/FightCur.html)

Additionally, after 2003, as of May 2014, LAC countries ratified the United Nations Convention against Corruption (UNCAC)<sup>26</sup> with the exceptions of Belize, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Suriname. Barbados signed the convention in 2003 and hasn't yet ratified it. The UNCAC ratification process again led to an adaptation of national laws. The UNCAC is the first and only global response to the problem of corruption. It represents an international consensus with respect to the problem as well as to the solutions. Since 2010, the UNCAC also includes a review mechanism.

The conventions provide an international consensus on how measures to tackle corrupt practices should be encoded into national laws. They also provide a framework of preventive measures that partner countries commit to introducing while taking into account the specific context of each country e.g. laws, traditions, capacities etc. This means that in addition to legislative reform, the countries commit to implementing the convention recommendations via public policies.

<sup>26</sup> Worldwide, the convention has now 171 parties and 141 signatories (02/05/2014). The ratification status can be followed at [www.unodc.org/unodc/en/treaties/CAC/signatories.html](http://www.unodc.org/unodc/en/treaties/CAC/signatories.html)

Looking at the preventive measures included in the conventions, it is clear that anti-corruption is a complex undertaking. Many of the preventive measures against corruption are actually just good practice in administrative reform processes and when building transparent and ethical political and judicial systems.

By ratifying a convention a country formally commits to itself to complying with its mandatory provisions.

The conventions are therefore a tool of accountability. Civil society can demand reforms, remind government of its commitments and push for compliance. Knowledge of the obligations contained in the conventions is therefore an important tool for promoting change. The table below gives an overview of the most important preventive measures contained in both conventions.

<b>Preventive Measures in the IACAC and the UNCAC: Frameworks for Anti-corruption Policies</b>	
<b>Inter-American Convention Against Corruption (IACAC)</b>	<b>United Nations Convention against Corruption (UNCAC)</b>
Article III (Summary/Excerpts) Preventive Measures	Chapter II - Preventive Measures Article 5: Policies and practices to prevent corruption
<ol style="list-style-type: none"> <li>1. Standards of Conduct</li> <li>2. Mechanisms to enforce these standards of conduct.</li> <li>3. Instruction to government personnel to ensure proper understanding of their responsibilities and the ethical rules governing their activities.</li> <li>4. Systems for registering the income, assets and liabilities of persons who perform public functions in certain posts as specific by law and, where appropriate, for making such registrations public.</li> <li>5. Systems of government hiring and procurement of goods and services that assure the openness, equity and efficiency of such systems.</li> <li>6. Government revenue collection and control systems that deter corruption.</li> <li>7. Systems for protecting public servants and private citizens who, in good faith, report acts of corruption, including protection of their identities, in accordance with their Constitutions and the basic principles of their domestic legal systems.</li> <li>8. Oversight bodies with a view to implementing modern mechanisms for preventing, detecting, punishing and eradicating corrupt acts.</li> <li>9. Mechanisms that deter bribery of domestic and foreign government officials.</li> <li>10. Mechanisms to encourage participation by civil society and nongovernmental organisations in efforts to prevent corruption.</li> </ol>	<ol style="list-style-type: none"> <li>1. Each State Party shall, in accordance with the fundamental principles of its legal system, develop and implement or maintain effective, coordinated anti-corruption policies that promote the participation of society and reflect the principles of the rule of law, proper management of public affairs and public property, integrity, transparency and accountability.</li> <li>2. Each State Party shall endeavour to establish and promote effective practices aimed at the prevention of corruption.</li> <li>3. Each State Party shall endeavour to periodically evaluate relevant legal instruments and administrative measures with a view to determining their adequacy to prevent and fight corruption.</li> <li>4. States Parties shall, as appropriate and in accordance with the fundamental principles of their legal system, collaborate with each other and with relevant international and regional organizations in promoting and developing the measures referred to in this article. That collaboration may include participation in international programmes and projects aimed at the prevention of corruption.</li> </ol>

## 2. How Have Countries in the Latin America and the Caribbean Region Responded to these Obligations?

Unfortunately, there is still scarce systematic evidence on how commitments from the anti-corruption conventions have been put into practice. Many governments have introduced legislative reforms, public policies and administrative reforms aimed at strengthening governance and reduce risks of corruption. The World Bank, the United Nations, the OAS, the Inter-American Development Bank and bilateral donors have provided substantial financial and technical support. Local and international civil society organisations are working on governance and anti-corruption in the LAC region. There is increasing cooperation between civil society, government, international organizations and the private sector on matters of anti-corruption and governance. This is an important factor in making sure reform is sustainable.

Peñailillo (2011) gives an overview of some general trends of anti-corruption initiatives and policies in the region, emphasising the following findings:

Firstly, as previously mentioned, a major driving force behind government action on anti-corruption in the region is the IACAC framework, in particular its review mechanism, MESICIC. Between 2011 and 2011, 28 of the 33 member states of the IACAC carried out monitoring of their implementation status, and made recommendations for implementation. Under the framework of the IACAC, anti-corruption measures focus strongly on the public sector, and within that, on the executive branch.

- Prevention has been encouraged by promoting the establishment, development and implementation of

national policy frameworks. These include: public service regulations; codes of conduct for preventing conflicts of interest; standards on proper use of public resources; internal control mechanisms and detection; whistle-blower protection; asset and income declarations; remuneration schemes for procurement officials; external control mechanisms e.g. mechanisms for transparency and citizen participation; and strengthening of supervisory bodies such as the supreme audit institutions. Discussions and recommendations have been specifically aimed at engaging the private sector and at tackling private-to-private corruption.

- Efforts to prevent corruption have been stimulated by strengthening the regulatory framework. Offenses associated with corruption have been criminalised e.g. national and transnational bribery, illicit enrichment, influence trading, money laundering, extradition and mutual assistance. The focus of law enforcement in the region is usually more on corrupt officials and authorities rather than on the private sector, or on the issue of asset recovery.
- Unfortunately MESICIC monitoring reports show that most of the recommendations made to governments are not implemented satisfactorily, or are not properly reported to MESICIC. This introduces doubt about political will and the ability of governments to effectively fight corruption.

Secondly, beyond compliance with the conventions, Peñailillo (2011) identifies more specific anti-corruption trends in the region. Many countries have developed anti-corruption action plans that prioritise particular options above others from the broader 'catalogue of anti-corruption measures' offered by the conventions. The following figure provides an overview of these trends.

**Figure. Anti-corruption trends in the LAC region over the past decade**



Source: Based on Peñailillo (2011)

### The Global Right to Information Rating (RTI) 2013 for the Latin America and the Caribbean region

The RTI Rating is a system for assessing the strength of the legal framework for guaranteeing the right to information in a given country. It is limited to measuring the legal framework, and does not measure quality of implementation. At the heart of the methodology for applying the RTI Rating are 61 indicators. For each Indicator, countries earn points within a set range of scores (in most cases 0-2), depending on

how well the legal framework delivers the Indicator, for a possible total of 150 points.

The following table presents the results for the LAC region as of September 2013. The Law on Access to information introduced by Colombia in 2014 therefore is not taken into account.



Country	RTI Score
El Salvador	124
México	119
Antigua	118
Nicaragua	113
Brazil	110
Panamá	102
Guatemala	96
Perú	95
Chile	93
Trinidad and Tobago	91
Uruguay	91
Jamaica	90
Belize	85
Honduras	85
Colombia	82
Ecuador	75
Saint Vincent and the Grenadines	72
Guyana	69
Argentina	66
República Dominicana	61

Source: Global Right to Information Rating, [www.rti-rating.org/index.php](http://www.rti-rating.org/index.php)

### Think about it: Transparency

One of the mantras in the fight against corruption is that information is key. So how does information actually reduce corruption? Try to enumerate the ways in which transparency works. Are some conditions needed to allow these forces to come into play? How could transparency perhaps even undermine the fight against corruption?

Recommended additional readings on this topic:

- Kolstad, I. & Wiig, A. (2009): Is Transparency the Key to Reducing Corruption in Resource-Rich Countries? *World Development* 37(3): 521–532, 2009
- Escaleras, M., Lin, S. & Register, C. (2010): Freedom of information acts and public sector corruption. *Public Choice* 145: 435–460
- Bauhr, M., Grimes, M., and N. Harring (2010): Seeing the State: The Implications of Transparency for Societal Accountability. Göteborg University, The Quality of Governance Institute [www.qog.pol.gu.se/digitalAssets/1350/1350160\\_2010\\_15\\_bauhr\\_grimes\\_harring.pdf](http://www.qog.pol.gu.se/digitalAssets/1350/1350160_2010_15_bauhr_grimes_harring.pdf)



### 3. What Kind of Challenges are Latin America and the Caribbean Countries Facing in Their Fight Against Corruption?

We noted in the previous section that there are a wide variety of anti-corruption initiatives. However, despite all these efforts e.g. those observed in the evolution of the WGI, the results are not yet visible. What could be the reasons for this?

Some typical challenges the LAC region faces when it comes to effectively fighting corruption are discussed in the literature. In his review of anti-corruption efforts, Peñailillo (2011) highlights the following challenges:

- Proposed solutions need to be linked to a deeper diagnosis of the context and specifics of each country. Anti-corruption measures have often been introduced without any such assessment. This is rather like a doctor prescribing medicines without a diagnosis first and success is likely to be limited.
- As highlighted in the previous session, the LAC region seems to suffer mainly from grand corruption and state capture, where private interests influence the state's decision-making processes. However, little has been done to tackle this issue seriously, especially with respect to mitigating the influence of illegal groups or legal groups which using corrupt means to try to influence legislation and policy-making.
- The benefits of anti-corruption policies could be better communicated to the wider public. A crucial message is that fighting corruption contributes to better delivery of public goods and services. Failure to deliver this message may lead to an inadequate and ineffective public opposition to corruption. This is identified as one of the major overall challenges in the region with respect to transparency and democratic governance by Berthin and Sandin (2011: 11-12).
- A widespread and anonymous saying in LAC countries is that if faced with a problem, the government's first reaction is to pass a Law, and then move to the next problem without caring much about its effective implementation. Peñailillo (2011) also correctly emphasises the need to move from legislation to action.

Taking into account other issues that have been raised in session two of this module, there are further important challenges:

- How can we ensure the coordination of policies, including regulatory frameworks, with implementing actors? The proliferation of laws, actors and initiatives

#### Exercise: Political will

Our last point referring to ineffective implementation merits additional attention. It seems that in many instances, rules and regulations are in place but are not effectively implemented.

- Discuss whether you think that this is due to a lack of capacity or a lack of interest?
- If your conclusion leads you to the issue of lack of political will, don't stop there. What do you think is the cause of this lack of political will? Explore the possible links, again, with the issue of inequality in the region.
- What conclusions do you draw with respect to the design of water integrity initiatives in the region?

raises doubts about the efficiency of these measures and may even create new opportunities for corruption.

- How can we promote cultural change and move from vicious to virtuous cycles? Relying just on campaigns seems not to take into account the complexity of social learning processes.
- How can we introduce more transparency into the political process? Political finance and clientelism are issues that still need to be addressed in the region.<sup>28</sup>
- How can we improve checks and balances? Berthin and Sandin (2011: 11-12) correctly emphasise on the one hand that the checks on executive decision-making are inadequate "resulting from the pattern of extreme concentration of power in the presidency (or mayors in the case of local governments)." On the other hand, the authors mention the "lack of transparency in government operations and lack of autonomy of control and regulatory institutions charged with monitoring public expenditures and budget."
- How can governments regain the trust of their citizens, and therefore their own governmental legitimacy? One of many aspects relevant here is failure in delivery of public services mentioned by Berthin and Sandin (2011: 11-12).
- The water sector is immersed in this broader context. It is unlikely that the sector can escape the general trends of weak governance and corruption identified in session two. Therefore the question is whether the sector has benefitted from measures introduced during the last decade with respect to anti-corruption. Furthermore, regarding the general

<sup>28</sup> See the OAS document edited by Pablo Gutierrez and Daniel Zovatto from 2011 ([www.oas.org/es/sap/docs/deco/Financiamiento\\_partidos\\_s.pdf](http://www.oas.org/es/sap/docs/deco/Financiamiento_partidos_s.pdf)), or the CRINIS project by Transparency International and the Carter Center ([http://archive.transparency.org/regional\\_pages/americas/crinis](http://archive.transparency.org/regional_pages/americas/crinis)).

challenges described here, can these issues be addressed more easily within the smaller scale of the water sector, where actors, regulations and institutions are fewer and less confusing than at national level. This move to a sector perspective offers both new challenges, and some advantages.<sup>29</sup>

#### 4. What Initiatives Aimed at Fostering Water Integrity Have Emerged in the Latin America and the Caribbean Region?

It is difficult to assess the extent of integrity initiatives in the region. Many relevant measures or actions do not have the 'integrity' or 'anti-corruption' stamp on them and are therefore difficult to identify. It is however likely that many interesting examples exist of increased user-participation and better information.

Two recent studies provide useful entry points into this subject. Firstly, Indij and Hantke Domas (2013) provide a useful mapping of water integrity in Argentina, Brazil, Colombia, Costa Rica, Mexico, Peru, Uruguay and Venezuela, in order to identify need for capacity development. The authors give valuable information on recent water and anti-corruption legal reforms for these countries. Secondly, a report from UNDP (2013) uses four case studies in order to identify the conditions that foster accountability in the water sector, analysing the relationship between the state and civil society. The cases cover: the Bogotá River Basin in Colombia; the Xalapa Metropolitan Area in Mexico; the metropolitan area of Santiago de Chile; and the Basin Piracicaba, Jundiá and Capivari in Brazil.

This session briefly presents four different water integrity initiatives that have emerged in the LAC region. They are not the most recent examples: the four cases were chosen to provide four different perspectives. The first focuses on the private sector and the highly problematic area of infrastructure tenders. The second looks at a typical reality in many state-owned water utilities in the region, where the clientelistic practices and close relationships with local politicians and elite leads to corrupt practices. The third emphasises the importance of a multi-stakeholder approach when assessing integrity risks while the fourth points out the need to include community managed water systems in water integrity initiatives.

**Colombia:** Integrity Pact in the Pipe industry (WIN, 2011, Balcazar and Perea, 2010)

Our first example shows how the private sector can help strengthen integrity in the water sector. According

#### Think about it: Entry points for water integrity initiatives

The national anti-corruption laws, policies and initiatives presented in the previous sections may not explicitly mention the water sector. Nevertheless they could be powerful catalysts for the development and implementation of water integrity initiatives. Also, the organisations involved in these broader initiatives may be powerful allies outside the sector, support your initiatives and giving them visibility beyond the water sector.

Therefore, when designing a water integrity initiative, you may find it useful to ask the following questions:

- In your country, are there anti-corruption laws, policies or initiatives that may be relevant to your water integrity project? If yes, take a closer look at them and examine how they could be useful.
- Think of arguments that show how your project could contribute to achieving the objectives of these broader initiatives i.e. "win-win arguments". These arguments may be highly useful in communicating with organisations outside your sector and in making them allies.

to WIN (2011), pipes make up at least 40 per cent of the costs of water infrastructure. Pipes are usually provided by the private sector and these procurement processes are vulnerable to corruption. This situation led the Colombian Pipe Manufacturing sector to develop the 2005 Pipe Manufacturers Anti-corruption Agreement (PMAA).

The agreement was initiated by nine companies, representing together almost 90 per cent of the pipe sales in Colombia. Through this agreement the companies and the government aim to monitor activities in procurement and bidding processes in order to foster transparency and fair competition. The basis of the agreement is an 'Integrity Pact'<sup>30</sup>, a tool from Transparency International, and the companies received support by Transparencia por Colombia, TI's local chapter.<sup>31</sup>

At the core of the agreement is the Ethics Committee, made up of one part-time position, two voluntary lawyers and financed by the companies. The Committee ensures compliance with the agreement, monitors irregularities in the procurement and bidding processes, promotes transparency amongst members, and serves

<sup>29</sup> See for instance, Pradhan and Campos (2007), UNDP water.

<sup>30</sup> An implementation guide for integrity pacts in the water sector is provided by Olaya (2010). Also available at [www.waterintegritynetwork.net](http://www.waterintegritynetwork.net)

<sup>31</sup> [www.transparenciacolombia.org.co/index.php?option=com\\_content&view=article&id=101&Itemid=523](http://www.transparenciacolombia.org.co/index.php?option=com_content&view=article&id=101&Itemid=523)



as a gate to government, civil society and the media. WIN (2011) reports that this self-regulation agreement has led to improvements in the tendering processes. 96 per cent of the workforce from the companies now has an anti-corruption clause in their contracts. Also, companies are required to provide annual staff training on dealing with corruption and implementing the principles of the agreement.

**Bolivia:** Water utility meets citizen participation (WIN 2009)

Following the decentralisation policies of the 1990s in Cochabamba, Bolivia, the municipal water and sewerage provider (SEMAPA) was plagued by illicit associations between elected representatives, company officials and private contractors. Explicit reports of corruption involving the general manager became public in 2006. Due to the mismanagement and high debt levels, the IADB suspended a 12 million USD loan to SEMAPA.

In reaction to this, SEMAPA introduced four positions of citizen director to its board of directors, increasing the numbers on the board to nine. Citizen directors are representatives selected from the community. They give a voice to water users and civil society and their role in fighting corruption is key. Company professionals can alert the citizen directors to corruption and they, in turn, can request official documents to verify the cases.

The Citizen directors compiled a report on corruption in SEMAPA showing how widespread the problem really is. They finally succeeded in getting the general manager suspended and a legal case was opened against him in October 2007.

**Honduras:** Implementation of the AWIS methodology in the municipality of Marcala

In June 2012, the ACRA-CCS Foundation and WIN applied the AWIS methodology<sup>32</sup> (see module 3, in the Water Integrity Training Manual) in the municipality of Marcala, a city of 16,000 inhabitants in Honduras.

The AWIS is a tool that has been designed to quickly assess the integrity situation in the water sector through a one-day multi-stakeholder workshop and it was the first time in the LAC region that this methodology was applied at local level.

The exercise highlighted the major challenges with respect to transparency, participation and accountability in the water management. Additionally, it led to a structural analysis on public management, showing the need for a closer follow-up by the authorities of the central government, the establishment of for effective control mechanisms, and the need for active participation of citizens in the management of public assets.

**Costa Rica:** Capacity Building in ASADAs

In 2012, UNDP Costa Rica together with the Costa Rican Institute of Aqueducts and Sewers (AyA) initiated a capacity building project aimed at improving transparency and accountability of the staff and volunteers of Rural Administrative Association of Aqueducts (ASADAs in Spanish) to their end users and institutions governing water in Costa Rica. ASADAs provide water to around 30 per cent of the population, mostly rural areas and frontier regions and are thus a major player in the water sector.

During the first stage of the project corruption risk management plans were developed in two selected ASADAs, in Tamarindo and San Ramón and a Manual of Transparency and Accountability of ASADAs was developed<sup>33</sup>. A second component of this phase of the project aimed to develop a system to monitor financial and operational performance of ASADAs as part of a scheme of accountability within these two pilot organisations. The process entailed the facilitation of dialogue between ASADAs and national institutions governing the water sector.

During the second phase of the project, more than 50 per cent of ASADAs in Costa Rica will be trained and provided with technical assistance to implement Transparency and Accountability Plans. The project has also entailed the development of an automatized system for reporting back to the central water authority about water provision services, fees charged, and actions taken to protect underground water reservoirs to improve accountability of ASADAs at a national scale.

To ensure long term sustainability, a continuous National Transparency and Accountability Capacity Building Programme is now being designed. This is being done using a participatory and consultative process with the national water authority, ASADAs and key stakeholders currently involved, with various forms of capacity building services to ASADAs.

<sup>32</sup> [www.waterintegritynetwork.net/awis/awis](http://www.waterintegritynetwork.net/awis/awis)

<sup>33</sup> [www.watergovernance.org](http://www.watergovernance.org)

## 5. Wrap-Up

Our third session reviewed how the region has reacted to problems of governance and corruption. In a nutshell, while legislation is relatively up-to-date with international standards, implementation lags behind. This may be due to financial and capacity constraints and could also be interpreted as reflecting lack of political will to make legal reforms effective.

With respect to water integrity initiatives in the region, efforts are increasing in the areas of introducing transparency, participation, and more effective accountability mechanisms. However, evidence of any impact is so far scarce. Future water integrity initiatives in the region could build on these examples, and aim at involving a broad number of actors in multi-stakeholder initiatives at sector level, or reforming key institutions, such as ministries and providers, from within. New initiatives

should encourage monitoring and evaluation in their design from the start, e.g. through the use of randomised control trials (RCT), in order to increase our knowledge on what works and why.

Finally, we shouldn't overlook the fact that the water sector exists within the broader context of governance in any respective country. It may therefore be important to search for links and synergies outside the sector when promoting water integrity initiatives. Indeed, broader anti-corruption reforms and policies could be important entry points to put the topic on the agenda in the water sector. Also, entities involved in broader anti-corruption policies, such as anti-corruption commissions or supreme audit institutions, may become valuable allies to sector initiatives, providing technical assistance, political and administrative leverage and visibility.

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