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SESSION 8

HANDOUT

DOWN THE DRAIN: METRO SARANGAYA'S DERAILED WATER REFORM



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

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Characters

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

Acronyms

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

METRO SARANGAYA'S DERAILED WATER REFORM

A CASE STUDY ON THE POLITICS OF CHANGE

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

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

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

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

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

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

A POLITICALLY-EXPEDIENT EXIT STRATEGY

With the public controversy surrounding the water reform, Minister Gilbert became politically vulnerable and succumbed to mounting pressure from senior politicians within their ruling party. Against the

wishes of her technical advisers, she argued, “We cannot ignore the negative press and the public outcry. Clearly, there is gross misinterpretation of our approach and little public understanding of the reform’s benefits. But the uprising and recent pandemonium on the streets is a politically untenable situation. It would be prudent to freeze action on the reform program.” At the same time, she knew that the proposed reform is the water sector’s lifeline in tackling the twin evils plaguing the distressed water authority.

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

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

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

TWICE THE PAIN – A BANKRUPT AND CORRUPT WATER SECTOR

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

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

The Metro Sarangaya Water Authority, in turn, provides sharp contrast. It is bankrupt. The financially-strapped parastatal with 30,000 employees needs a bail-out badly. The proverbial hole in Sarangaya’s ‘leaking bucket’ is burning a huge hole in MSWA’s pocket. Employees face the risk of losing their jobs. Cash revenues generated is only about 25 percent of water produced, well below the average of 85 percent among well-functioning water utilities. It is overstaffed, having two times more people on its payroll than the regional average. And a recent independent study revealed that “most of the operating staff are not qualified to do waterworks installation and very few had the right skills in water treatment processes”. Suffering from years of gross inefficiencies, low revenues and huge operating losses, MSWA manages to stay afloat through substantial infusion of public funds. As of last count, their balance sheet showed a spiraling debt of nearly \$1.5 billion owed to the government coffers.

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

TRACING A TROUBLED TIMELINE

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

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

A SNAPSHOT OF GOVERNANCE

Sarangaya, the capital city of Livonia, is a bustling metropolis, densely populated and home to some 7.5 million residents. It has a thriving economy, and is projected to be one of the top 30 richest urban agglomerations in the world. However, despite the city's positive economic outlook, there is an ever-increasing divide between the 'haves' and 'have nots' with recent surveys indicating that the prevalence and depth of poverty is worsening. Jarring contrasts amidst the city's modern skyline are upscale neighborhoods of urban elites and the upper middle class alongside nearby shanties in the slums and squatter settlements. Poor service delivery, congestion, and pollution round up the list of major problems in Metro Sarangaya. Within the city government and beyond, corruption is rampant and endemic, mirroring the country's deplorable state of governance.

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

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

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

once again they were not consulted. Despite their wealth of knowledge and depth of experience, their contributions were barely sought in shaping the proposed reform.

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

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

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

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

The paper trail began, one public document after another. The CAF team believed they tracked solid and complete evidence and ran a well-orchestrated media blitz to stir public controversy. This time it was one damaging and misleading news coverage after another—in print, on radio, and on national TV. Their messages, clear and consistent, hammered on 3 specific accusations: (1) donors dictated the government decision on the management contract model; (2) the model proposed is a global 'bad practice' based on the failed experience in other countries; and (3) donors interfered and influenced the bidding process to favor an international firm.

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

The Citizens Action Forum also reached out across a wide spectrum of stakeholders—politicians, opinion leaders, academics, local neighborhood associations and civil society activists—all of whom were appalled by the accusations, the lack of transparency and the absence of broad

public consultation. Community-based organizations led by Arun Gopalan, dynamic leader of the Sarangaya Water Residents Association rallied behind the Citizens Action Forum. With great determination, they penetrated the decision-making chambers of policy elites in the ruling party, lobbied and influenced them through presentations made to senior politicians and policy advisers. The main strategy was to cover all the stakeholder bases, get politicians, planners and the people to listen, have their collective voices heard and their key messages to resonate.

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

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

THE ROAD AHEAD

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

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



ANNEXES

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

ANNEX 1

SOCIO-ECONOMIC AND POLITICAL ENVIRONMENT OF LIVONIA

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

ECONOMIC AND POLITICAL TRANSFORMATION

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

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

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

SOCIO-POLITICAL ENVIRONMENT—LIVONIA'S REFORM CONTEXT

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

- The current ruling party (National Solidarity Party) only holds about 40% of the congressional seats. They have formed an alliance with the former ruling party (PDP) giving them the two

thirds majority and unilateral control of the legislature. However, the power of the opposition in congress is considered to have become stronger over the past year.

- In Livonia, the wealth of economic elites and the electoral clout of public sector unions, two of the strongest interest groups, wield both political power and economic influence.
- The **Constitution of Livonia** is the basic law of the land which enshrines the citizen's right to free expression, free association, free speech and free media.
- There is a legal framework guaranteeing the citizen's **right to vote**. An election monitoring agency exists but it is not an independent entity. It is part of the executive branch and reports to the President. A study on voting conditions revealed difficult access among rural inland communities or early closure of voting polls prevent people from voting.
- Article 10 of the Constitution provides citizens the right to form **civil society organizations (CSOs)**. However, reports indicate that bureaucratic red tape and complex administrative requirements are obstacles to the formation of civil society organizations, particularly the creation of new anti-corruption/good governance CSOs. Nonetheless, CSOs have increased in recent years.
- **State-civil society relations** exist but CSO engagement in political and policymaking processes is limited. The government rarely invites their direct participation and prefers to form ad hoc program-specific structures such as "citizen councils" with civil-society "representatives".
- There is **media** plurality in the print media with some estimates indicating that there are 120 independently owned newspapers. In urban areas, they are more exposed to a diversity of views, although it is much less in the rural areas. The government does not restrict the use of internet. About 20 percent of the population has access.
- Although media and free speech are protected under the constitution, licensing requirements are subject to bureaucratic procedures. Forming a new media entity such as radio or TV is reported to be extremely difficult.
- Media is allowed to report on corruption, and there is no explicit government restraint on media reporting. However, anecdotal evidence indicates that corruption-related stories are prevented from mass distribution through the bulk purchase of newspapers which carry the story.
- A **Right to Information Act** was enacted in 1995 and implemented largely in response to pressure from civil society demanding greater participation in public decision-making. The law opened up the space for citizen participation and oversight. Citizens can obtain official public documents at a reasonable cost. Reports indicate that access to information is easier in the executive branch but in the judiciary, congress and other agencies it can sometimes take years.
- The independence of the **judiciary** is guaranteed in Articles 75 and 102 of the Constitution. A research study by an international human rights group revealed systematic weaknesses from reported cases of arbitrary detentions and failure to serve justice to underprivileged groups, including court decisions that were believed to have been influenced by gender bias.
- The Constitution mandates the creation of a **National Ombudsman** who can only be removed by Congress through formal impeachment proceedings. An independent study suggested that the ombudsman's performance has not been steadfast and consistent and on some occasions observed to be subjected to political influence. A recent case disclosed in the papers indicates that the national ombudsman has acquiesced to executive authority and demonstrated weakness in battling powerful interests.
- A **Commission on Audit** is also mandated in the law. However, the agency is under-staffed and under-funded. A provision in the Oversight Law allows Congress to dismiss the Auditor if a grave offense has been committed.
- The law also provided for the creation of an **Anti-corruption Agency** which is headed by an appointee of the President and has been given the rank of a Cabinet member. The President holds the discretion to remove the head of the agency without relevant justification. The agency

can initiate investigations but it has to have the clearance and final approval of the President. Systematic problems exist in enforcing sanctions and punishment of wrongdoing.

- The **public service delivery system** and sectoral reform efforts are constrained by political obstacles, ranging from contentious negotiations with teachers unions over pay scales and performance evaluations, resistance from unionized workers and retirees over structural changes to correct imbalances in the pension system, and small enclaves of urban water lords who have monopoly of the water tanker industry.

ANNEX 2

GOVERNANCE AND ANTI-CORRUPTION STATISTICS

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

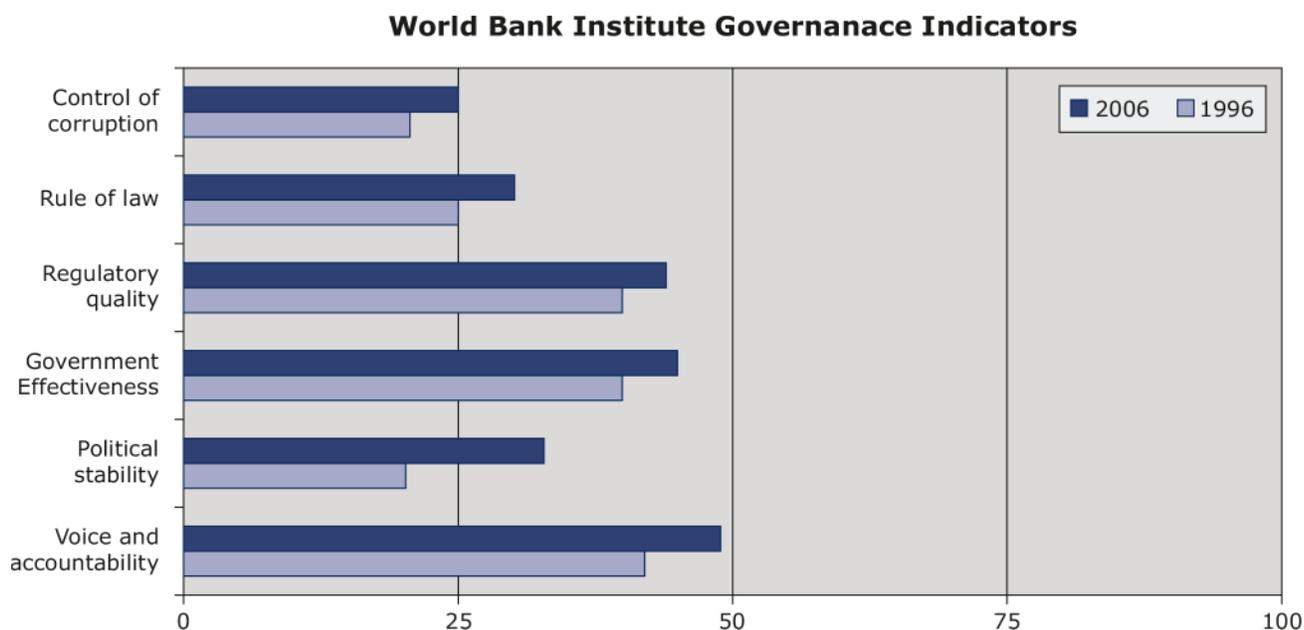
Rule of law measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.

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

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

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

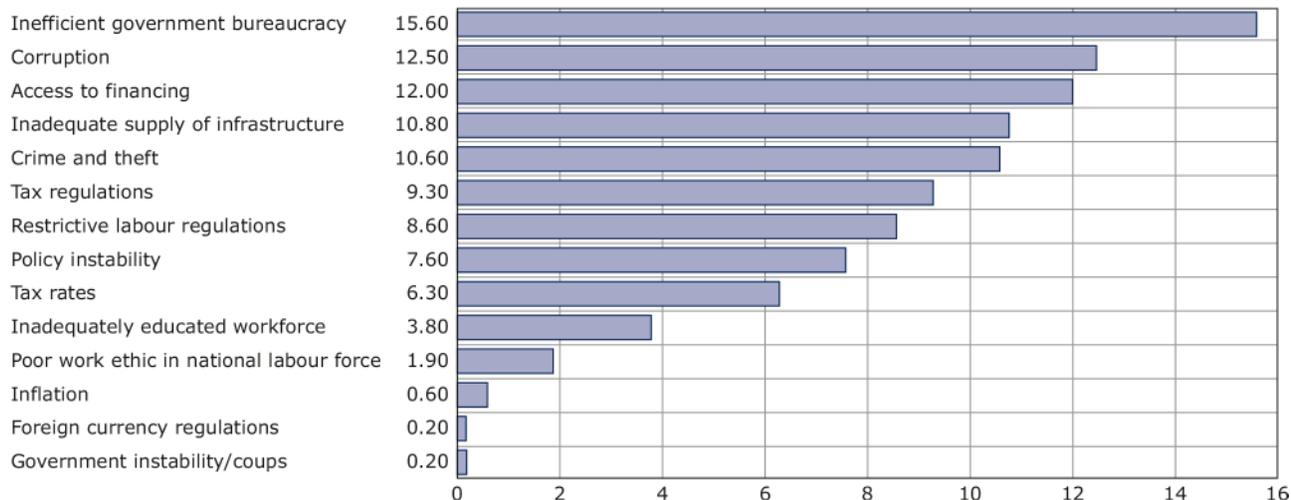
Political stability and absence of violence measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.



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

THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS GLOBAL COMPETITIVENESS REPORT (2005)

LIVONIA



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

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

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

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

ANNEX 3

POLITICAL ECONOMY ANALYSIS FINDINGS

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

In summary, the political economy analysis revealed the following:

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

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

ANNEX 4

LIVONIA PUBLIC OPINION SURVEY

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

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

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

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

ANNEX 5

PRESS ARTICLES

SARANGAYA TIMES

PATRONAGE AT WORK IN WATER AND SANITATION

May 28, 2006

The ruling party's municipal councilors heavily criticized the water department for its failure to cater and live up to the expectations of the people. Accusing the bureaucrats in MWSA of behaving in an "indifferent manner," the citizens' elected representatives were outraged at the field staff including engineers for turning a deaf ear to the needs and demands of their areas.

Despite repeated reminders to the field engineers, they do not listen to their pleas to resolve the problem in their respective areas.

THE LIVONIA HERALD

FAR FROM OVER - IS THE GOVERNMENT WASHING ITS HANDS?

July 3, 2006

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

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

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**MINISTER, WATER RESOURCES DEVELOPMENT
AND MSWA CHAIRMAN**

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To date, the project remains inactive. The government's decision to shelve the reform program due to public opposition arose from alleged misconduct in the bidding of contracts for technical studies. A total of US \$2 million has been earmarked for the conduct of the studies. These would include technical and economic feasibility studies that would provide recommendations and guide the design of the project.

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A stakeholder dialogue will be convened jointly by the Ministry of Water Resources Development and the Ministry of Urban Development. The outcome of the dialogue will determine whether the government will reactivate the proposed water reform program. For this to happen, outstanding issues among key stakeholders need to be threshed out and can be resolved only if all parties arrive at a workable agreement that is mutually acceptable.

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- To establish that genuine interest exists among stakeholders to support the reform
- To understand the underlying reasons (needs, fears, concerns) behind the stakeholder's position through effective inquiry and active listening
- To engage in a collaborative, joint-problem solving process and reach agreement on specific actionable steps that address differences and result in mutually beneficial gains

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4. Effective communication is critical in bringing stakeholders with opposing views to resolve differences through a process of collaborative and productive dialogue.

Government

MINISTER, WATER RESOURCES DEVELOPMENT AND MSWA CHAIRMAN

You have established your track record as a no-nonsense reformer. Some of your proud achievements include overhauling the inefficient and corrupt mass transit system, abolishing the use of diesel fuel among public utility vehicles to reduce urban pollution, and pushing urban land reform. You are not one to rest on your laurels. Determined to build on your momentum as a reform champion and agent of change, your next most important priority: water sector reform.

“Powerful and persistent” best describe you as a leader and administrator. You have gained a reputation for being tough-as-nails and your ability to ‘get things done’ is unquestionable. However, patience is not one of your virtues. Your key message as inaugural speaker in the last International Water Summit confirms this: *“Drinking water is a priority area. And a reform program has to be done today and now. Time is of great importance. We cannot wait for a decade or even 5 years for things to happen. Neither can we put things on hold until the outcome of any study. We have to move fast even if we make mistakes in the short run. Delay in action is a worse mistake.”*

The supporters of the reform program applaud your steady resolve and sense of urgency. And you are confident that you can count on the donor community as Livonia’s development partner. You welcome their support, both its funding and knowledge resources, and consider these valuable in strengthening needed capacity to address Sarangaya’s daunting urban challenges. Addressing their concerns on governance and accountability, however, raises some doubts on how far and how fast you can deliver expected results.

You believe that ‘all development is politics’. You come from a political clan and your political image as a reformer is important to you. While you are fully convinced of the long-term economic benefits of the water sector reform program, you are worried about short-term negative impact of increased tariffs. You understand the President’s concern about the reform’s political repercussions and on your family’s broad-based constituency. It is important for you to reach a consensus on the outstanding issues.

In the upcoming dialogue, you will take on a facilitative, listening role, rather than a directing role, to encourage free and open exchange among the stakeholders around the table. On reflection, your past interactions with this group have not been as effective since you were more inclined to lead the discussion given your senior leadership position. As a result, some felt that this diminished their inputs in the process. This time you will step back and allow others equal opportunity to voice their opinions and concerns during the dialogue. You will listen better to learn more. Having deeper knowledge about your stakeholders can lead to informed decisions needed to reach a durable agreement.

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**MINISTER, URBAN DEVELOPMENT AND
SECRETARY OF NATIONAL ADVISORY COUNCIL**

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Government

MINISTER, URBAN DEVELOPMENT AND SECRETARY OF NATIONAL ADVISORY COUNCIL

You are a highly influential minister in the government. You are a trusted adviser to the President, and a close confidant. The President created a small informal group of policy elites, the Presidential Council of Advisers, which the President chairs and has designated you as the Secretary. You are often called upon to give advice on key policy issues, and more importantly, the political ramifications of critical decisions on reforms and development initiatives. On the proposed water sector reform, it was your recommendation to the President to put it on hold, for which you got unanimous agreement from the other Council members.

As Minister of Urban Development and a Board member of the Metro Sarangaya Water Authority, you also have an advisory role in the country's water resources development agenda. You welcome donor support and value the partnership; however, you are unhappy about the stringent conditionalities they have imposed in some donor-assisted urban projects. The lack of donor harmonization is still a problem, and as the key policymaker responsible for urban services, your Ministry has experienced many of these problems in recent years. *"Donors need to get their act together. We have such limited capacity and we cannot afford to stretch our human and physical resources to cater to diverse agendas and approaches"*.

You have strong nationalistic sentiments. You believe that development should be done by the people and for the people. Having too many foreign consultants in local projects has always been a concern. *"If donors are keen to build capacity, why do they insist on sending foreign consultants to do work that our own local experts can do just as well."* You have, however, made public expressions of support for the proposed water sector reform: *"The public is demanding its right to clean water. Water and sewerage reforms are a top priority of government. I see no reason for any resistance to change. MSWA's vision of "providing universal 24/7 safe water supply in an efficient, equitable and sustainable manner" should be disseminated to citizens in a language free of any jargon..."*

Nonetheless, you have strong political sensitivities with respect to the timing of reforms since the cost is too high when reform initiatives are met with public opposition. You believe that reforms are likely to be more successful if they are supported by a broad coalition. Measures to build credibility and confidence are critical building blocks to develop trust and public confidence.

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CEO, METRO SARANGAYA WATER AUTHORITY

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Government

CEO, METRO SARANGAYA WATER AUTHORITY

You have the full confidence of the Minister and Chairman of Metro Sarangaya Water Authority. You were personally hand-picked for this position among other highly qualified contenders. Your strongest asset is your technical expertise as a water and sanitation engineer. The move from the private sector to a public service job was a relatively smooth transition, but admittedly, you find the politics and bureaucratic mindset painfully aggravating as they oftentimes cramp your technocratic style.

Your hands-on, roll-up-your-sleeve professional ethic has always worked in your favor. Having been very much involved in the technical feasibility and economic cost-benefit analysis, you are convinced that the program will dramatically improve water service delivery and yield the expected economic benefits. In your presentation to the policy elites and fellow-technocrats you made a strong case for the reform program on the basis of its financial and economic feasibility and its significant impact on operational efficiency.

Your credibility and reputation are important to you. In the dialogue, you will focus on clearly articulating the positions taken by MSWA. You want to be prepared with your responses to the most important issues that have been raised, such as:

- On bringing in *foreign companies*—They have special expertise in upgrading a system to provide continuous water supply. They bring global experience which none of our local experts have. Their technical know-how can upgrade MSWA's operations, provide valuable staff training based on international standards.
- On *tariff hikes* – Willingness to pay surveys show that people are willing to pay for quality water services, even the poor. Tariff increases will be gradual, relative to improvements in the service delivery efficiency.
- On concerns about *accountability among operators*—Clear performance criteria will be established and recorded in enforceable contracts. MSWA will pay the operators a fixed management fee for meeting the specified performance criteria. The management fee will be determined through an open, competitive process. Operators will be paid a bonus if they exceed the minimum criteria, and penalties will be imposed for poor performance.
- On concerns about *performance monitoring* and *independent audit*—Technical audits will be conducted by independent auditors to review the operator's performance against agreed targets. The auditor's report will be a public document. MSWA and the Government will involve the Residents Water Associations, the Citizen Action Forum and other NGOs to ensure public engagement in the audit.

You are cautious about mishandling the situation this time since you have seen how the NGOs have shown their capacity to sway public opinion and their influence in the public debate that can lead to a derailed reform process. Similarly, you view the conflict with the Labor Union as an undesirable situation that needs to be addressed. Their lack of support will impact the success of the reform. You also see the potential and positive role of the Labor Union, as an organized and cohesive group, in raising awareness

about the reform and the benefits it can bring to the city of Sarangaya. They can serve as credible channels of information especially among associations of wage workers, employee groups and the general public.

Your primary interest is to address all outstanding issues in a fully satisfactory manner with the ultimate goal of moving opposing as well as neutral stakeholders to explore options that will bring the water sector reform implementation back on track. You will be an active listener, understand the motivating factors that drive the demands of stakeholders, and use this perspective in advocating for the reform, highlighting its benefits and the obvious consequences of inaction.

However, you remain wary about the demands from the Sarangaya Residents Water Association since you are convinced that they are not truly representative of the average resident and their strong views against privatization merely seek to protect their economic interests, and preserve their rent-seeking, collusion-prone behavior.

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SPOKESPERSON, MIDDLE MANAGERS OF MSWA

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SPOKESPERSON, MIDDLE MANAGERS OF MSWA

You represent a group that serves as the critical link between MSWA senior management and the staff. Middle managers are key actors in the reform process since you will be responsible for adapting the new priorities, implementing the reform program and managing people and change processes. One of your tasks is also to reorient staff to the change initiative, get them on board and in sync with new approaches and new ways of going about their work.

However, you also represent a group with diverse attitudes about the reform, from skepticism to fear and uncertainty. Some middle managers felt excluded, bypassed and their input disregarded since Management failed to solicit their contributions and engage them in the thinking and planning process of the proposed reform. They have served MSWA for many years, equipped with tacit knowledge and a wealth of experience given their long tenure. They may not offer sophisticated technical know-how most required in the design stages of the reform initiative but they have the ‘institutional memory’ and built long-term relationships with the staff and rank-and-file employees who will be affected by the reform changes.

Comments and complaints raised by middle managers:

- *“The success and sustainability of the reform implementation depends largely on our ability to execute the necessary organizational changes and to mobilize cooperation of the staff as well as other government agencies involved. We will end up translating the organization’s vision into action.”*
- *“Why were some of us left out while senior management discuss and decide behind closed doors? There is no excuse for no consultation. We need to understand the reasons and implications of the reform on the organization as part of the reform. Our support and plan of action can make or break this.”*
- *“We need to understand the reasons for making needed changes in the organization as part of the reform. What’s in it for us? Why choose to rock the boat? Now we have just added more to our problems because of pressure from the troublemakers and noisy NGOs.”*

Others in the group represent concerns about the risks involved in making drastic changes in the organization. They are comfortable with the present bureaucratic culture and are likely to resist change especially if it will pose a threat to their job security or their pensions. There has been increasing support for the labor union among middle managers. Some are believed to be strong, but anonymous supporters of the labor union. They do not want to attract the attention and ire of senior management.

Your main concerns: (1) you want to be fully engaged and informed in the process and establish a permanent mechanism to facilitate this; (2) you want clarity and commitment from senior management on the scope and impact of reform on the organization; and (3) you expect to have the resources to support and implement an effective communication strategy.

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LEADER, MSWA LABOR UNION

INTRODUCTION

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PURPOSE OF STAKEHOLDER DIALOGUE

A stakeholder dialogue will be convened jointly by the Ministry of Water Resources Development and the Ministry of Urban Development. The outcome of the dialogue will determine whether the government will reactivate the proposed water reform program. For this to happen, outstanding issues among key stakeholders need to be threshed out and can be resolved only if all parties arrive at a workable agreement that is mutually acceptable.

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PARTICIPANTS IN THE DIALOGUE

Government

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LEADER, MSWA LABOR UNION

You have made it clear to senior management that the Union will not accept their indifference and lack of transparency in the decision-making process especially when it will affect your jobs and your families. You demand respect of your rights as contributing members of the work force.

One underlying and upsetting concern is Management's failure to grant full rights to the Union which is entitled to engage in negotiation of wages, work rules, complaint procedures, and policies that will affect the workers. The union was organized four years ago and Management has successfully managed to delay the process of finalizing any terms of agreement.

As a resident of Sarangaya, you recognize and welcome the benefits of the proposed program. You are hopeful that, for the sake of the women and children in your families, positive changes will be made to improve the water situation. Many of you live in neighborhoods where water interruptions are worse than the rest of the city. Women and children bear the brunt of the water problem, with women spending much of their productive day waiting in line to collect water from private tankers, while children's health suffer caused by water-related illnesses due to unsafe drinking water. You are prepared to pay the increase in tariff in exchange for clean, reliable water that is available 24 hours a day, 7 days a week.

As many of you have said, *"The only reason we are all working very hard, and committing our working lives to MSWA, is to provide the best we can for our families despite limited means. Our aim is to promote employment conditions for the workers. Not to disrupt, cause trouble and hamper Management's ability to conduct its mission. However, if management fails to listen and engage, we are prepared to take drastic action."*

Your main concerns are job security, protection of benefits and your rights as workers. You demand action from management in creating a permanent mechanism to ensure two-way, regular flow of communication. If employee retrenchment becomes a necessary part of the plan, you expect management to work out a fair and equitable compensation package and job assistance placements for laborers and workers who face the threat of losing their jobs.

In the dialogue, you can be disruptive, argumentative and always quick to blame MSWA authorities for their mismanagement of the water utility. If you are not convinced that your interests are heard and will be addressed, you can take a hostile stance in the hope that enough discomfort is created to demand a committed response from MSWA authorities.

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LEADER, CITIZENS ACTION FORUM

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NGO

LEADER, CITIZENS ACTION FORUM

You represent one of the most vocal groups, widely recognized as a pro-accountability movement. In fulfilling your mission, the CAF has also evolved into a collective voice that represents strong nationalist sentiments. In the process, you have attracted other disorganized groups, who identify with your message and focused their energies on waving the anti-World Bank, anti-foreign donors flag.

Hearing of the alleged misconduct in the bidding, you took this as an opportunity to use the public sphere and strongly advocate your agenda of protecting national interest at the same time demanding public accountability. You believe in maximizing gains from increased visibility in order to advance your agenda. Your critics see you as mere ‘publicity-seekers’ hungry for the media spotlight to boost your public recognition.

Your two main concerns are the related issues of privatization and foreign intervention. In your public statements you have been unequivocal and uncompromising about your position:

“The Bank’s intervention in the bidding process raises suspicion and is fundamentally flawed.”

“Who should decide the agenda of reforms? The Bank or the Borrower? The people oppose privatization. The World Bank and the donors cannot dictate their terms.”

The World Bank Country Director has responded squarely with the issues you have raised. You have noted their responses, but expect more in terms of addressing your specific demands: (1) a record of assurance and clear plan of action which ensures that the foreign workers brought in will only provide the technical know-how and not take over the operation of the utility, or benefit from its profitability when a successful reform implementation is achieved; (2) that privatization will not be considered at any stage in the reform; and (3) the establishment of a permanent mechanism that will ensure a two-way, regular flow of communication and access to regular updates on the progress of the proposed reform.

Overall, you are encouraged to see that public opinion and a collective voice can influence and have an impact on government’s action.

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SARANGAYA RESIDENTS WATER ASSOCIATION

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NGO

SARANGAYA RESIDENTS WATER ASSOCIATION

You represent a group that initially started as a small community-based neighborhood association led by informal leaders committed to represent the genuine interests of urban residents. However, collusion and corrupt behavior infiltrated the informal group and has now evolved into a broad-based constituency largely influenced by the economic interests and rent-seeking behavior of private water sharks. Over the years, the leaders of the association have gained a captive market through their access and capacity to generate underground water supply. Through some of its members, the association has also managed to influence results of public bidding to favor some small contractors that actively support the association.

At the same time, the association also has become a strong collective voice in opposing increases in water tariffs. Many continue to believe that consumers across the board, and especially among the low-income households, are vehemently opposed to any reform that will increase the amount they currently pay for water from private sources.

You have chosen to follow the message of the Citizens Action Forum and echo their perception that the reform is a move toward privatization. *“In the name of privatization, they can’t snatch our collective resources. There is sufficient water, but it’s the wastage in transit that fails the water authority...”*

You will press the authorities to explain clearly why the reform is not an excuse for privatization. You will seek clarification on their position about increasing tariffs, and demand clear and strong justification for this. You will be difficult to persuade and if the authorities do not provide satisfactory answers to your concerns, your strategy is to turn the dialogue into a difficult conversation—creating enough discomfort in the hope that the authorities will reconsider their decision.

Your underlying interest is the impact of the reform on your economic interests. However, you are also concerned about maintaining positive communication and working relationship with MSWA. You are aware that some officials are suspicious of the association’s actions and you are careful that you do not further antagonize them. Should the reform happen in any case, you realize that you could lose a lot more opportunities as the water authorities may totally discredit and disbar the association from engaging in any MSWA activity.

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REPRESENTATIVE, PEOPLE'S COALITION FOR CHANGE

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REPRESENTATIVE, PEOPLE'S COALITION FOR CHANGE

You represent a group that strongly advocates inclusive and broad-based public participation and its most important mission is fighting corruption. On the failed water sector reform, you have articulated your message clearly: *“Why do the donors continue to fund development programs despite rampant corruption in government? The MSWA has always been the milking cow of bureaucrats and politicians. It is a source of political corruption; a waste of the taxpayer’s hard earned money. Any procurement process should be done with utmost transparency. We demand to be represented at all times.”*

As active monitors of corruption, PCC strongly believes in raising public awareness for ways of fighting corruption, educating the public on the causes and consequences of corruption, and stirring up sentiments of indifferent or uninvolved citizens. Your group is also reaching out to civil society activists and professional associations to demand integrity and ethical behavior among government officials. You have coalesced with professional associations in efforts to create public demand for codes of conduct and corruption-free behavior within the public and private sectors, and even among the general public. You have joined them in advocating integrity pacts promoted by Transparency International. This not only strengthens public participation in projects, but it is a pledge among contractors, suppliers and government agencies making expressed commitment to refrain from offering or accepting bribes in public contracting.

On the proposed water reform, you have two specific concerns. You want great clarity and specificity on the:

- Accountability and performance criteria among operators,
- Performance monitoring and independent audit,
- Open and continuous public engagement in the audit.

You welcome the government’s initiative to convene a stakeholder dialogue. And a highly satisfactory outcome for you would be the creation of a permanent mechanism that will institutionalize relations and open, two-way communication processes between civil society and the public water authority.

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Donor Group – Global Common Fund

WORLD BANK COUNTRY DIRECTOR

You have just been appointed to this position after a 5 year posting as Country Director in East Africa. Although you have been fully briefed by the country team and exhaustive project documentation provided, you are uneasy about any possible gaps in information on-hand given the long history and extended delays on the proposed reform.

In your mind, the unfortunate miscalculation of the fortitude and force of NGOs empowered by Livonia's Right to Information Act raised many questions. Why was the Bank ill-prepared to respond to ill-founded allegations? Why was a comprehensive communication and public engagement strategy not put in place early in the process? Clearly, this one fell through the cracks. Yet, for sure, the Bank team covered all the technical bases, and kept the relationships with the MSWA technocrats intact. However, you also strongly believe that broad-based public engagement is not only necessary but vital and that strategic coalitions need to be forged if public sector reforms are to successfully take off and quick-wins firmly planted on the ground.

In an internal management meeting, you did not mince words about the Bank's inability to effectively bring key stakeholders around the table, early, broadly and proactively. *"Unfortunately, we continue to assume that technical know-how trumps political will. We may have confidence in a 'watertight' design given our wealth of global experience, but we have much to learn about the flawed process in mounting this reform program. Our critics may be wrong when they charge us of failure to hold consultations. But we also cannot deny the fact that our belated attempt to conduct dialogues was, at best, ad hoc and sporadic."*

With the World Bank as convenor and chief administrator of the Global Common Fund, you will lead the donors group in the dialogue. You have agreed to take on the stance of an active listener, maintaining strong support for the proposed reform. However, you may need to address outstanding technical issues if they arise and strongly set the record straight should the false allegations on the Bank resurface. Your main concern is to keep the lines of communication open on the reform program, working towards exploring all avenues needed to ensure both government and public ownership of the program.

You may have to reiterate the following points which were part of your World Bank's official response to the complaints raised by the Citizens Action Forum:

- The World Bank/GCF is not proposing privatization, neither are you recommending it. There is nothing in the project timetable, at any stage, which is being considered.
- On procurement guidelines - These are accepted as global benchmarks by its supporters and critics alike. These guidelines and policies are all in the public domain and can be easily accessed on the World Bank website.
- The World Bank's procurement guidelines are based on four criteria: (1) ensuring economy and efficiency; (2) providing all eligible bidders from developed and developing countries the same information and equal opportunity; (3) supporting the development of domestic contracting and manufacturing industries in the borrowing country; (4) emphasizing the importance of transparency in the procurement process.

- In all Bank procurements, the short-listed firms should comprise three to six firms with a wide geographic spread, with no more than two from any one country, and at least one from a developing country unless qualified firms from a developing country are not identifiable. The original shortlist included only developed country firms; this is why the Bank/GCF asked that a firm from a developing country be included.

In your written response to the Citizens Action Forum you stated: *“We do not see this as “donors calling the shots” or “running” the borrower’s affairs, but ensuring that partnership with the borrower yields a transparent and fair procurement process. It involves a contract that is being funded with public money. The insinuation that the Bank attempted to favor an international consulting firm is completely unfounded...”*