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CHALLENGING THE 'PERCENTAGE SYSTEM'
**Tackling systematic corruption through improved transparency and
accountability in India**

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Abstract

Almost every service in India has an unofficial price, whether it is getting a job as a school teacher, bagging a government contract as an NGO or escaping a traffic fine. An important distinction, however, is between ad hoc and institutionalized payments. Although few reliable estimates exist, the latter – which also goes by the name of the 'percentage' system - is a much bigger drain on the national exchequer. Its organized chains of fund flow characterizes both political and the bureaucratic systems and affects all sectors, including water and sanitation.

Several innovative approaches to improve transparency and accountability have been taken by local civil society organizations and donor-supported projects, including community contracting, village Social Audit Committees, public hearings, supported by government measures, such as the Right to Information.

The benefits of reducing corruption are likely to be huge, but much stronger initiatives from within the political, legal and executive branches of government are needed for successful reform of the 'system'. In the meanwhile, civil society organizations and external support agencies must learn from and build on successful initiatives, and institutionalize such measures wherever possible.

INTRODUCTION

It is quite well-accepted today that India has 'black' money, i.e., money that is not recorded in formal National Income Accounts. But how much black money actually exists in the country is poorly understood. Estimates vary from 50% of Gross Domestic Product (GDP) to 3 times the GDP (e.g., Arun Kumar, 2002). The very fact that this is unrecorded income prevents accurate estimation.

Black money is created when a payment made or received is not recorded in books of accounts and is not put into bank accounts. It is hence not part of either bank account statements or declared in income tax returns filed with government authorities. Black money is therefore cash that has to be stored at home and used for cash purchases.¹ Since land, houses and gold are preferred investments of wealth, due to their high appreciation potential (as opposed to bank deposits) and ability to retain value (as opposed to stocks and shares or foreign exchange), the wealthy in India 'need' black money. Black money is also used for conspicuous consumption of gold ornaments, expensive clothes, cars and travel (usually abroad), but this is usually secondary 'need' compared to the need for investment in further wealth creation. There is therefore a 'felt' need to create black money at all levels – especially the political, given the high costs of buying votes during elections.

The black economy, however, must be distinguished from the informal economy. Although both are unrecorded in formal national accounts, the former usually tends to be illegal and carried out by the non-poor. The latter is the set of income generating activities carried out by the poor who do not or cannot register their (employment) activities with government systems (e.g., tea stall owners, rickshaw pullers, street pedlars, beggars, house maids and drivers) and are usually too poor to pay taxes; 'Usually', because they sometimes earn quite substantial incomes.² These, therefore, are a different class of activity from the black economy, which can also include income from smuggling (of humans, money, guns and drugs), prostitution and 'enforcement' for local mafia and political parties (also called *hafta* in India). Both activities, however, have the same net effect: they cause GDP numbers to be under-estimates of the true value of goods and services produced in the economy and they increase the liquidity in the economy. Indeed, it is possible that this 'liquidity' was a factor in helping India weather the recent global economic meltdown where economies contracted because of inadequate liquidity.

Black money is a problem because it is created largely by making systematic 'withdrawals' from budgets for activities meant to foster economic development, across sectors, and to

¹ In the land property and housing market even today, a certain percentage (which can be as high as 60-75%) of the price of the plot of land or house has to be 'in black'.

² Informal estimates of the income of local *paan* (betelnut) stall owners range up to Rs. 100,000 per month as they also sell lottery tickets, cigarettes and mobile phone recharge cards and are often in the pay of local mafia (used in the generic sense) as they come by a wealth of local information (including of crimes) by simply being on the street.

provide social services for the poor.³ The government has been making considerable efforts to track and mop up black money (including recent attempts to persuade Swiss banks to provide a list of their Indian customers) and reduce corruption in the system, while civil society has been trying to tackle the problem from the other side, i.e., to improve transparency and accountability within the development sector and thus reduce corruption.

TRACKING THE MONEY TRAIL

Ad hoc and systematic corruption

Even within the black economy, there is a useful distinction to be made between ad hoc corruption and systematic corruption (Table 1).

Main type	Sub-category	Examples
Ad hoc	Private-Private: Payments by and to civil society members	Service charges paid to passport touts and driving licence touts – who then procure a passport or licence without going through the official procedures
	Private – Public: Payments made by civil society to the ‘system’	Bribes paid to policemen to avoid traffic fines Bribes paid to judges to obtain a favourable verdict Bribes paid to politicians to raise questions in Parliament Kick backs to politicians, defence personnel, insurance companies for specific favours (paid in cash or kind)
Systematic	Private-Private: Payments made by and to civil society members	Fixed ‘capitation fee’ charged by private schools and colleges
	Private – Public: Payments made by civil society to the ‘system’	Bribes to be paid by NGOs for the award of contracts (usually a fixed proportion of the value of the contract)
	Public – Public: Payments made out of government organizations to individuals within government	Fixed proportions from government development activity budgets paid to officials and politicians

Table 1 Ad hoc and systematic corruption

Ad hoc corruption refers to bribes demanded and paid on the spot, usually in exchange for access (e.g., into a reserved compartment in a train, but without a valid reservation or confirmed ticket) or relief (e.g., from paying a larger official fine for a traffic offence) or a favourable outcome (e.g., an ‘unsatisfactory’ verdict returned by a police officer carrying out the mandatory police verification for the issue of a new passport, a pass percentage or a first class in an examination or even a judicial verdict). A distinguishing feature of ad hoc corruption is that there is no set price and it is usually determined by bargaining between the parties concerned. However, ad hoc corruption can involve large sums of money too – as in the case, for instance, of a large multi-national company requiring a water supply connection for a peri-urban housing project.

³ Corruption is of course larger than simply the acquisition of black money, as illegal payments can include illicit services (e.g., prostitutes) and goods (preferential allocation of shares, penthouses and property).

Ad hoc corruption can be divided into ‘payments into the system’ and ‘payments out of the system’, where ‘system’ broadly refers to the State and its constituents, the Executive, Legislature and Judiciary. Payments out of the system are made by and to civil society, including touts at passport offices (to get a passport bypassing the formalities) and transport offices (for a driving licence without passing a driving test). Such payments need to be distinguished from ‘tips’ – which are additional and voluntary payments for a legitimate service, over and above a service charge – and ‘service charges’ paid, for instance, to property agents (for doing the leg-work involved in negotiations and in registering purchased property) and to travel agents (for the service in procuring visas and tickets), both of which are legitimate charges. But such payments include those made to travel agents to obtain visas or passports without following official procedures or to journalists to write about (or suppress) a certain issue in the media or to corrupt army officials by arms dealers to obtain large defence contracts or to senior officials in insurance companies by investment fund companies to entice them to invest funds in their company.

Payments made into the system refers to bribes paid to all those within the State, e.g., railway inspectors when travelling without a ticket, to judges to obtain a favourable judgment, to politicians to raise questions in Parliament or make a favourable policy decision. These are ad hoc as ‘price’ in each case is settled after a bargaining process. Some payments (e.g., to politicians for political favours), however, are fixed for different services, in which case, they fall under the category of ‘systematic corruption’.

Systematic corruption usually involves a fixed price or proportion. Even here, a distinction can be made between payments *into* the system and payments *out* of the system. The former refers to payments made in exchange for some good or service that is not available on the pure merit of the applicant or the case (e.g., getting a student admitted into school or college, being appointed to a government job – whether a clerk or a policeman or a teacher or getting a driving licence or passport). Payment can also be in terms of ‘services’ instead of cash (see footnote 3 on page 2).⁴ Prices are fixed for greater efficiency, given the sheer numbers requiring the service and the difficulty in carrying out individual negotiations.⁵ Thus, for example, NGOs working on government contracts for various rural development services (including rural water supply) often pay a fixed proportion of 25-30% of their contract value back to the contracting department. During the independent evaluation by IRC International Water and Sanitation Centre of the Unicef-supported Child’s Environment Programme (primarily on rural water supply and sanitation), an NGO whose field staff were a part of the assessment team was asked to give a ‘favourable’ evaluation report – or else, they may not get Unicef work contracts in future.

Payments out of the system, on the other hand, refer to extractions from development budgets of government departments and paid to people within the system, usually

⁴ These are usually termed ‘rents’ in the economic literature and its perpetrators ‘rent seekers’ since there is value in the power wielded by rent seekers, for which they are seeking payment (or rent).

⁵ In some cases, ad hoc corruption turns into systematic corruption (payments into the system) when the demand for the good or service in question rises to the point that individual negotiations become a cost to the service provider in the form of lost opportunities for further business. The high demand for the service is reflected in the ‘take it or leave it’ nature of negotiations. However, the economic literature on rent seeking behavior does not distinguish between ‘ad hoc’ and ‘systematic’ payments.

politicians, bureaucrats and technocrats. Departmental budgets for development activities are the main target, and again for 'efficient operations', the proportion to be paid out of these funds to different officials in the hierarchy is usually fixed (usually according to seniority). These, arguably, are the most serious, since the size of the market is virtually the entire development budget of the country. Rajiv Gandhi, the former Prime Minister of India, remarked famously that by his estimate only 5% of the national budget reaches the poor.

Payment systems

The Envelope System: The system of payment can vary but a common system is the 'envelope' system (Box 1).

Box 1 The 'envelope' system

Once the cheque for the developmental activity is signed, the official responsible for taking the cheque to the bank and encashing it is also given the responsibility of putting the money into different envelopes, according to the officials in the Department and their seniority. Thus the Head of a Department may get 5%, the Deputy 3%, and a junior functionary 1%. These envelopes are then discretely placed on the table (or in the drawers of the table) of the officials concerned – and are neither acknowledged nor verified at the time. The official receiving the envelope is free to refuse but is not allowed to stop the system. Any official daring to stop the flow of envelopes is usually slapped with a corruption charge by senior officials, and is then forced either to spend the next 20 years of their career fighting the charge or resigning.

Different departments are also given weekly or monthly 'collection targets' by politicians, which are well-monitored by senior officials. These targets vary according to the size of the departmental budget and its potential for extraction. Police stations, for instance, may have higher or lower weekly targets based on their location. Lower collections than past trends are usually followed up by a call from a senior official asking for the reason why the collection is low – the suspicion always being that the juniors have kept a larger share for themselves. Such 'corruption' is usually punished swiftly with a transfer to a location with lower collection possibilities (e.g., assigned to an honest officer) or difficult living conditions (sometimes called 'punishment postings').

Over-invoicing: All estimates of infrastructure construction by government departments such as the Public Health Engineering Department (PHED), Public Works Department (PWD), Rural Water Supply Department (RWS) or Rural Development Department (RDD) have to use a government-created rate card for construction items, called the 'basic schedule of rates' or BSR. The BSR is invariably higher than market rates and is usually revised every two years. There is also a fixed 'service charge' for all government constructions (which can be up to 17% of the total cost) in all invoices paid to the contracted government departments (e.g., PHED) by the commissioning government department (e.g., RDD). These are of course considered legitimate by the government, but the fact remains that whenever construction costs more than market rates, it uses up development funds that could otherwise be used to provide development services, especially for the excluded and marginalized that have been historically discriminated against.

Payments to the political system: Payments are also made to the local politicians, who send their local representatives to visit the offices of the bureaucrats or technocrats (e.g., rural water supply engineers) and make the collection. These payments are usually used to fund political party activities, including preparing for the next election. And this is a serious issue for politicians since elections cost a lot of money. Apart from the usual expenditure on meetings, banners, campaign staff and press releases – which cannot be more than a ceiling prescribed by the Election Code – there is the more important expenditure of buying votes. The price of a vote in a Municipal election in 2006 was Rs. 200 and a bottle of beer, while it is now reported to be Rs. 500. Every party makes such payments for the simple reason that they fear that since the other political parties will pay and buy votes, they will lose out if they do not do likewise. Voters, on the other hand, are happy to accept the payouts but as election trends in the last few years have showed, will vote for who they please.

The percentage system versus corruption: Curiously enough, this ‘percentage’ system – where a certain fixed proportion is paid to government functionaries, whether by civil society individuals or by the ‘system’, is not considered corruption by those within or outside government: corruption is when you take more than the fixed percentage or ask for additional ad hoc payments (bribes). The percentage is simply a service charge for getting something done – even though the job to be done may be simply the mandated work of ‘government servants’, the job they are actually paid to do.

CORRUPTION IN THE RURAL WATER SUPPLY SECTOR

Three main types of corruption can be found in the rural water supply sector: procurement irregularities, leakages from development budgets and unviable distortions of planned schemes.

Procurement irregularities

This is the most common and applies to both materials and labour and basically concerns over-invoicing. Thus, material worth USD 2000 is purchased, invoiced at USD 4000 or, a labour contractor invoices and is paid for 50 labourers working for 6 months to install a water supply system, while only 20 labourers actually work and maybe for 4 months. The difference between the invoiced amount and the actual amount is divided between the procuring department and suppliers. The payment is systemic if proportions are fixed, and ad-hoc if it involves negotiation.

Leakages from development budgets

Money made through over-invoicing or through bribes taken from contractors (to award a construction or labour contract) have to be passed on ‘up the ladder’ to senior politicians, bureaucrats and technocrats, using the ‘envelope’ or other systems. Such payments are

made in instalments if the budget is dispersed in instalments or lump-sum, depending on the proportion agreed in advance.

Scheme distortions

This is not really a direct instance of corruption, but possibly an indirect effect. Politicians ask engineers to ‘re-draw’ a scheme to include or exclude some hamlets in the rural water supply scheme, depending on how those hamlets voted or whether or not they bribed the politician. Usually these are pipeline extensions to the original design, and with a fixed budget, the pumping schemes cannot be enhanced, resulting in an unsustainable system that breaks down well before its designed life.

It is widely acknowledged, however, that the ‘corruption potential’ of the rural water supply sector is among the lowest among Departments, one of the highest being road construction. Nevertheless, the total budget of the rural water supply sector in India has averaged USD 4 billion per year in the last three years (IMaCS, 2010) – and even 10% of misappropriation will probably represent the entire annual budget of many smaller countries.

TAKING ON THE SYSTEM

Government initiatives

The Government of India (GOI) has initiated a number of steps to address the issue of corruption across sectors, including committees and commissions for legal reforms, police reforms, and several advances have been made, notably in the electoral process and the Right to Information. There is still, however, a lot that needs to be done. Even as recently as 2009, the Law Commission of India observed ‘The formation and functioning of the High Courts in India need drastic changes so that the people of the country may have fair and speedy justice and more faith in the system’ (Law Commission of India, 2009, p. 9). The Second Administrative Reforms Committee was equally scathing (Administrative Reforms Commission, 2005):

‘The state apparatus is generally perceived to be largely inefficient, with most functionaries serving no useful purpose. The bureaucracy is generally seen to be tardy, inefficient, and unresponsive. Corruption is all-pervasive, eating into the vitals of our system, undermining economic growth, distorting competition, and disproportionately hurting the poor and marginalized citizens. Criminalization of politics continues unchecked, with money and muscle power playing a large role in elections. ... Abuse of authority at all levels in all organs of state has become the bane of our democracy. The perception that every political party and politician is corrupt needs to be seriously addressed, and restructuring the systems in all sectors – political, bureaucratic and judicial – is of paramount importance. There is a need to restructure our political and governance institutions and rejuvenate our Republic. Otherwise,

the growing cynicism and despair among large sections may shatter public confidence in democratic institutions.'

A key reason is the vested political interests that prefer less transparent and efficient systems that will not hamper the smooth operation of corrupt and illegitimate practices. The GOI also set up the Central Vigilance Committee in 1986, to probe into irregularities committed within bureaucracy and although it filed several cases against even senior bureaucrats very few were actually sentenced.⁶ Three other measures that have yielded results are the following:

- **Public interest litigation:** The GOI permitted civil society to file Public Interest Litigations (PILs) on any issue of public interest. This step has led to a large number of PILs being filed in courts all over India on a range of important issues including the famous case of the Sardar Sarovar Dam being sanctioned in Madhya Pradesh on the Narmada River without adequate compensation for the millions of rural people displaced as a consequence.
- **The Comptroller and Auditor General's Annual Reports:** The office of the Comptroller and Auditor General (C&AG) of India carries out annual audits of every government department. Prior to the reforms in rural water supply of 1999, the C&AG's Report on government investments in the sector noted a host of problems, including deficiencies in planning, cost escalations, idle stocks, non-functional infrastructure and financial misappropriation. The findings in 2002, the year the national community-based rural water supply programme, Swajaldhara, was launched were equally caustic: The CAG reported to the Indian Parliament that "many schemes were abandoned midway and a large number of non-functional assets and unsustainable systems/sources were created which were indicative of serious planning weaknesses ... Poor funds management resulted in substantial amounts being diverted to unapproved works and also being retained in Deposit Accounts... [and] There is a strong question mark about the possibility of the achievement of the new envisaged objective of providing potable drinking water to all villages by 2004." And their fears have certainly come true, with the official statistics for 2009 reporting only 67% of rural habitations being fully covered by adequate water supplies.
- **Right to Information Act:** The strenuous efforts of Aruna Roy, a former bureaucrat-turned social activist, has led to the passage of the national Right to Information (RTI) Act in 2005, although this was preceded by RTI Acts in the state of Rajasthan in 2000, and in several other states. Under this Act, citizens can file requests to access information on government expenditures, accounts and other information, which has to be provided to them by appointed Information Officers of concerned Departments. This has been widely used by social activists and NGOs all over the country to access information on government expenditures on social and infrastructural development that was hitherto unavailable to the public.

An important initiative in the rural water supply sector is the provision under the Swajaldhara community-based rural water supply programme to route funds directly to the

⁶ The popular magazine, *India Today*, ran a cover story in 2008 on the issue of corruption in the civil services, noting that out of 163 bureaucrats charged, only 1 was convicted (India Today, 2008)

bank accounts of the Village Water and Sanitation Committees (VWSCs). However, this is not a significant proportion of total funding in the sector, the bulk of which is through the Accelerated Rural Water Supply Programme (ARWSP) which is through the Rural Water Supply or Public Health Engineering Departments of state governments. However, the channelling of funds directly to villages not only bypasses the state and district administrations but also takes administrative control over funds away from government departments and frees funding from political interference, all of which are important sources of corruption.

Civil society efforts

More effective have been innovations by civil society, either through non-governmental organizations (NGOs) directly or through rural water supply programmes funded by external support agencies (ESAs) and implemented by NGOs. Gandhi used several methods of non-violent social protests that are used even today during protests on various issues, including rural water supply and sanitation. These can be divided into ad hoc and systemic measures.

Ad hoc measures: Some of these are short term measures, organized around a 'burning' issue and serve as a vent for growing public discontent. These include a *bandh* (or 'closure' when an entire part of a town is shut down with public transport forced to stop and shops forced to pull down their shutters for fear of stone throwing), a *dharna* (or sit-in strike where a crowd sits down at a particular location (e.g., a public office) and shouts slogans, a *morcha* (or marches of flag-waving, slogan-shouting demonstrators, sometimes including even school children), a *rasta roko* (which is the blocking of a road by demonstrators who sit down or lie down on the road till they are physically removed by police), a *rail roko* (a variant of *rasta roko*, where the same thing is done but to railway tracks) a *gherao* (where a crowd encircles the target person (usually an official) and refuses to let them move away from their desk or office for hours on end) and a *Padayatra* (or long march with highway blockades by trucks – also used by truckers in France and other parts of the world – which can take days or weeks, depending on the journey)..

These are all normally non-violent and end with politicians rushing to the scene and giving the demonstrators assurances of some sort of action by the political establishment. Such methods are used in the rural water sector, for instance, by village women to protest against local officials to release payments due to them or project benefits that have been delayed. Unfortunately, however, these can also be misused (Box 2).

Box 2 Villager protest in Kohlapur against water supply stopped due to non payment of dues

Although a four-village community-managed rural water supply scheme in Kohlapur had improved service levels and accumulated Rs. 300,000 in profits in 20 years of operation from 1979 to 1999, a similar initiative to create a 14-village community managed scheme ran into trouble. With the water committee collecting money but failing to pay electricity dues, the state-run electricity board cut off supply to the pump houses. Instead of paying the money collected from villagers, the water committee organized a *rasta roko* protest, prompting politicians to rush to the area and force the electricity board to resume supply without payment.

Source: WSP, 1999a

More organized measures include a *Jan sunwai* (or public hearing, where grievances are heard and recorded, more common in the state of Rajasthan, where Aruna Roy's NGO-led movement for the right to information began) and *social audits* are carried out usually by NGOs and more recently by governments. Social audits are still ad-hoc and not systematic, although they are being increasingly being included in formal government programmes.

Systemic efforts: Several systemic efforts in the rural water supply sector have been initiated by NGOs, government organizations and others to transfer local-level financial control to local communities and to strengthen the community-based organizations to carry out this function.

- Private water supply schemes: Perhaps the most innovative measure to take financial control – and hence corruption – away from government agencies is the private water committees that arose in Ollavanna village in north Kerala. Being close to the town of Calicut, where several of its inhabitants worked as plumbers and construction labourers, Ollavanna decided to form private registered societies, contribute money and provide for their own water supply. They set up pumps and pipelines and began to distribute water to their members, collecting fixed and monthly payments to defray their costs (WSP, 1999b). This action brought them in direct confrontation with the Kerala Water Authority, that previously constructed rural water supply schemes - with objections ranging from the type of pipes used (PVC instead of Galvanized Iron) to the depth to which the pipes were buried (half a foot instead of one foot). More recently, the NGO Socio-Economic Units Foundation (SEUF) has been constructing rural and peri-urban piped water supply systems, on the request of local government organizations, at 30% lower construction cost than the KWA.⁷
- Community contracting: To tackle corruption in procurement, many donor-supported and NGO-led rural water supply and sanitation projects have opted for contracting and procurement by community-based organizations (CBOs). The best-known examples are the World Bank-supported Swajal project in Uttar Pradesh,⁸ the DANIDA-supported Tamil Nadu Rural Water Supply Project, the community-based rural water supply programmes of Water Supply Management Organization (WASMO) – which requires the *Pani Samiti* (Village Water Committee) of each village to actively participate in the planning and procurement of materials for its own water supply schemes.⁹ – and the World Bank-supported Jalswarajya Rural Water and Project of the Government of Maharashtra – which requires its Village Water and Sanitation Committees (VWSCs) to carry out its own procurement.¹⁰ Community procurement has now been

⁷ Balachandra Kurup, Director, SEUF, Trivandrum, and Nishaad Narayanan, Team Leader, SEUF Thrissur Unit, personal communication, January 2010.

⁸ For a description of community contracting in the Swajal Project, see WSP (2001).

⁹ WASMO had its origins in the Community Management Unit of the Gogha Rural Water Supply Project supported by the Royal Netherlands Embassy which was later taken over and expanded by the Government of Gujarat as a state-wide body. See www.wasmo.org.

¹⁰ Similarly, at the end of the first phase of Jalswarajya, the Government of Maharashtra declared that the 'Jalswarajya model' had to be followed by all rural development programmes in the state.

institutionalized for the entire country in the National Rural Drinking Water Programme announced in April 2009 (DDWS, 2010).

- Social Audit Committees: The Jalswarajya project has also interwoven social audits and community contracting by setting up a village-level Social Audit Committee (SACs) to oversee and approve all contracts and procurement carried out by the VWSC. Unless bills are passed by the SAC, the VWSC cannot release payments to its contractors.

There are other systemic measures initiated by civil society organizations, mainly found in sectors where community management was initiated earlier than in rural water supply, e.g., joint forest management and participatory watershed development, but useful pointers for the rural water supply sector.

- Social controls: Another measure to improve transparency and accountability is a system of punitive measures set in place by the villagers. In Joint Forest Management, for instance, a villager in a south Gujarat village who had 'borrowed' some money from the village fund was ostracized by the village community – by excluding him and his family from all village ceremonies (e.g., marriages, funerals and festivals) for one whole year – and made to pay a fine in kind – he had to serve a feast for the entire village at the end of the year - before being re-admitted to the village community. Different communities have different forms of social control and invoking these ensures a strong deterrent to local corruption.
- Federating for strength: Another mechanism to fight local corruption is to organize federations of CBOs such as Self-Help Groups (SHGs). A large number of women SHG members can quickly organize a *dharna* or a *morcha* to press their demands. Similarly, networks of NGOs (e.g., PRAVAH Network for Water and Sanitation in Gujarat) also form in order to press their demands more effectively.

And finally, there are international efforts to improve transparency and accountability such as the Corruption Perception Index of Transparency International, which measures the perceived level of public sector corruption in 180 countries and territories around the world. As its website states: 'Corruption has no conscience. When allowed to spread, its corrosive effects destroy trust and fuel injustice, regardless of geography or sector. To counter this scourge, Transparency International (TI) works around the world fostering greater transparency and accountability in government and business, and empowering people to demand their rights'.¹¹

This is the prime justification for this paper: to bring to public attention the big C word, corruption, that is not on the agenda of conferences, workshops or any other form of public discourse. If the silent majority that suffers its effects or watches from the sidelines does not voice their concern, the menace will continue to spread unchecked.

¹¹ http://www.transparency.org/news_room/in_focus/2010/ar_2009 accessed on 20 September 2010.

FIGHTING THE BATTLES, LOSING THE WAR?

Lack of interest in changing the system

The pervasive nature of corruption, especially systematic corruption siphoning money out of development budgets, cuts across political party divisions and hence undermines legislative approaches to address the problem. Elections cost money and the institutionalized percentage system ensures a steady stream of funds to the political apparatus.

The primary reason for the lack of interest in systemic reform is the nature of the relationship between votes and socio-economic development, which is based on political exigency. For instance, after a detailed survey of the water and sanitation problems in a sub-district, the local politician asked the project team for a list of problems. But when asked if he was going to address all of them, he said, 'Of course not! If I do that, why should the people come back to me next year?'¹² This captures the patronage element of selective development: economic development is not to be a right of citizens and the duty of elected representatives to deliver; rather, it is a tool to be used to garner votes in the next election.

Such selective development brings up an interesting aspect of the problem: communities are also unwilling to protest to change the system. While they may protest against individual officers denying them their rightful due, communities do not seem inclined to initiate widespread protests against corruption. Community leaders are keen to cultivate senior politicians, at district and state levels and thus bring water supply and other development schemes to their constituencies selectively, and extract political mileage from these efforts. Since any system based on transparent, merit-based and equitable distribution of development benefits would deprive politicians of this power of patronage, neither politicians nor their constituencies want to change the system.

Adaptation to subvert transparency initiatives

As quick as initiatives develop to improve transparency, equity and accountability within the system, the system adapts to thwart them and preserve itself. For instance, government auditors who carry out financial and physical audits of development projects 'paper over' irregularities. Audit teams (or even retired officials hired as 'independent' evaluators) sent to evaluate projects often accept cash from the implementing government department in exchange for a 'satisfactory' verdict. Thus, so long as there is a possibility of bribing the officials charged with auditing a project, the accountability objective of an auditing system can be subverted.

¹² Snehalatha (2002). Dr. M. Snehalatha was the Field Coordinator for the Quantified Participatory Assessment (QPA) done in 2002 for the Water Resources Audit of the Andhra Pradesh Rural Livelihoods Project (APRLP). See Rao et al., (2003).

India also has a well-developed system of hiding financial irregularities behind impeccable financial accounts. A common practice in ‘earthwork’ – or digging of trenches by labour teams – is to dig less than the stipulated depth, pay less as a consequence and pocket the difference, explaining to any senior official who may happen to visit that although trenches had been dug, rain had washed mud back in! Another is to order fewer materials than stipulated, share the surplus budget with supplier, and declare, if questioned, that the material had been stolen or vandalized. All these systems have developed because department officials have to make the regular political payoffs demanded of them – and shortfalls could mean a ‘punishment’ transfer on suspicion of having pocketed some of the money privately instead of passing it on.

CONCLUSIONS: THE WAY FORWARD

Corruption exists in all bureaucracies although the extent and type may vary. Therefore expecting 100% of project funds to be used exclusively for intended purposes is an unrealistic expectation. The fight against corruption is likely to be long drawn-out and slow. Reforms of the political, administrative, police and judicial systems is perhaps the quickest way to win the war, but this requires a critical mass of politicians who are willing to legislate and carry out wide-ranging reforms. Civil society efforts in development projects, including rural water supply, have however managed to insulate their funds from vested interests, and improve transparency and accountability, through a variety of innovative measures. The need, therefore, is greater civil society efforts, in all development projects including rural water supply, building on past experience. Some suggestions for various stakeholders, based on the Indian experience so far, are the following:

- **Politicians:** Build their awareness about common development issues, including the potentially devastating social consequences of a lack of development. Climate change is a good rallying point for the future, as are the consequences of droughts, floods and epidemics.¹³ Provide them with feasible ways of addressing the problem and the low-hanging fruit. Address common myths and misconceptions (e.g., the poor cannot pay for water).
- **Bureaucrats:** Provide courses on ethics during their initial pre-service training. Provide incentives to encourage innovative attempts at improving accountability and transparency by bureaucrats, including cash prizes, public recognition and documentation. Focus on achievements in this area during the refresher trainings.
- **External support agencies and NGOs:** Incorporate transparency and accountability issues into the design of new projects, building on good examples and successful initiatives from elsewhere including field staff leading by example, encouraging good ‘role models’, rewarding honesty and punishing misconduct (e.g., through social controls). Monitor their progress, encourage innovations and make suitable corrections to ensure their success. Document these and publish them widely.
- **The media:** Instead of simply calling in the media to ‘cover’ an event, befriend the media and journalists covering the issue - take them on field visits, discuss issues with them,

¹³ See for instance, Batchelor, James and Smit (2010), which argues a similar theme.

invite them to internal meetings and workshops – so that they have a deeper understanding of issues. Journalists with greater hands-on experience with the project or programme are likely to write better articles and exposes to further transparency and accountability.

Overall, however, pragmatism is the need of the hour. It is likely to be a long war and the main beneficiaries - the communities, households and individuals that are denied the development benefits that they need – may not be able to afford to support the cause, since they could get more assured returns to their loyalty from supporting the political patronage system. But that is no reason to give up the crusade. Rural communities stand to gain much more if a larger share of the development budget meant for them translates into effective services, especially for a life-sustaining resource such as water, and it is up to us to ensure that they do.

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