



The CEO Water Mandate



Guide for Managing Integrity in Water Stewardship Initiatives: A Framework for Improving Effectiveness and Transparency



August 2015

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Disclaimer

All of the views expressed in this publication are those of the project team and do not necessarily reflect those of the project sponsors or the members of the Advisory Board or Collective Action Working Group.



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Foreword

Sustainable water management contributes towards human and economic development as well as protecting valuable environmental assets and services. However, the political support and the investment to deliver effective Water governance and the infrastructure needed to manage water equitably and sustainably are often lacking in many countries. This creates “water risks” for a wide range of stakeholders. Today nearly 800 million people still do not have access to safe drinking water and roughly one-third of the world’s population lives in water-stressed areas. As the world’s population grows, demand for water increases and climate change threatens water quality and availability it is essential that greater effort is placed on ensuring sustainable water management in order to promote healthy and more prosperous societies.

In recent years an interesting response to the failure to invest in sustainable water management has emerged from a, perhaps unlikely, quarter. Investors and companies are increasingly engaged in debates and programmes to improve water management. This is exemplified by the World Economic Forum’s 2015 Global Risks report which identified water crises as the number one risk in terms of impact. There is a growing body of local evidence demonstrating the threat of water risks for companies and economies. The Thai floods of 2011 were deemed the fourth most costly natural disaster ever, with costs of over \$45bn causing the Thai economy to shrink by 9%, and significant impacts felt by multinational companies and other countries across the world. There are thus clear threats to the private sector of failures to address water risks – not just in their investments in factories or supply chains but in wider catchments.

Water stewardship has emerged as a broad framework bringing together a diverse range of companies, communities, governments, NGOs, civil society and donors to tackle shared water risks in order to deliver a wide range of social, economic and environmental outcomes. But can increased corporate engagement in water risk management meaningfully contribute to wider efforts to eradicate poverty, promote sustainable economic development, increase resilience to climate change and improve environmental protection? This question is at the heart of efforts to engage the private sector in efforts to deliver sustainable and equitable water management.

Water stewardship initiatives are relatively new. As such the evidence regarding their efficacy is still limited and much work has been through a process of trial and error. And many still question whether corporate engagement is anathema to sustainable and equitable water management arguing, for instance that, it can lead to policy and resource capture or provide companies with increased access to decision-makers and information. With WSIs at a nascent stage in their development this Guide on Managing Integrity therefore provides a timely and invaluable stock take, assessing progress and drawing out key lessons learnt in delivering WSIs. Adhering to the Principles set out in this Guide and using the associated tools will help Water

stewardship initiatives proceed with high levels of accountability and transparency and ensure that all stakeholders – including the poorest and most vulnerable – truly benefit.

The Sustainable Development Goals set out a universal framework to deliver water management as a driver of poverty eradication, increased prosperity and enhanced biodiversity. The SDG framework identifies the private sector as a key means of implementation. I would argue that Water stewardship has a potentially important contribution to make towards delivery of the SDGs.

The UK Department For International Development (DFID) sees Water stewardship as a useful tool to promote pro-poor and climate resilient economic development. For this reason we fund, together with the German Government, the International Water stewardship Programme (IWaSP) which works in seven countries in Africa and the Caribbean to forge effective multi-stakeholder partnerships to tackle shared water risks. What is evident from the lessons so far from IWaSP is that partnerships involve often delicate balances of power between government institutions, the private sector, civil society, and citizens. Integrity in designing and managing these partnerships, and in setting and monitoring their objectives is fundamental to their credibility, especially where we strive to influence and strengthen Water governance. This requires that partnerships are well steered and inclusive – sometimes requiring capacity building for civil society and government bodies. Only in this way can we minimise chances of corruption, policy capture or perverse outcomes, and strive to ensure that poorer and more vulnerable stakeholders benefit too.

A key focus of DFID support is to ensure effective lesson learning – highlighting the successes, of course, but also honestly reporting the challenges and difficulties in delivering Water stewardship so that others may learn from these lessons. Only this way will replication and scale up be possible.

Water stewardship is still in its infancy. If it is to play an increased role in contributing towards human and economic development, including supporting delivery of the SDGs, it is important that initiatives demonstrate high levels of integrity. This means establishing true partnerships in which processes and decisions are accountable and transparent and where all stakeholder interests are included and respected. The private sector has a potentially very significant role to play and this Guide, produced by the CEO Water Mandate and the Water Integrity Network, are a significant and welcome contribution towards our common goal to sustainably manage water for the benefit of all in society.

Jean-Paul Penrose
Senior Water Resources Adviser
Department For International Development



This piece of work was commissioned by the International Water Stewardship Programme (IWaSP). IWaSP is an innovative donor funded programme that improves water security for communities and businesses in watersheds around the world by supporting good corporate water stewardship and multi-stakeholder collective action. IWaSP is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the UK Department for International Development (DFID).

IWaSP enables public sector, private sector and civil society actors to reach consensus on water risks and solutions, and partner to implement joint action plans, improving ecosystem protection, water supply access, infrastructure investment and water governance.

IWaSP supports good corporate water stewardship by helping companies become more responsible water users, while leveraging their engagement and resources into partnerships to improve water security for all. It also helps build the capacity of public authorities to improve their steering and coordinating role in multi-stakeholder collective action.

IWaSP believes that the scale and urgency of the water crises facing many of the world's watersheds and cities present a pertinent need to collectively address shared threats to water security. However, it also recognises that public sector-private sector-civil society collective action approaches present significant new challenges, and that there are many lessons still to be learnt.

For example, how to build trust amongst stakeholders that are not used to cooperating with each other? Or how to manage the often significant power imbalances between multi-national companies, public authorities and local civil society organisations, to ensure fair planning and decision making processes, and outcomes that benefit all? Or how to meet what is often the private sector's need for quick results without bypassing 'slow' but important public authorities and governance processes? These and similar such challenges are almost certainly faced by all organisations committed to taking an equitable and sustainable approach to implementing water stewardship initiatives. However, independent, pragmatic and well thought through guidance on how to best collaborate in an inclusive, transparent and accountable manner in what are often complex initiatives has been lacking until now. To help fill this knowledge gap, IWaSP commissioned the CEO Water Mandate and Water Integrity Network, in partnership with other thought leaders, to develop this practical, solutions-orientated guide for practitioners who are managing water stewardship initiatives.

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Part One

The WSI Integrity Management Guide



The WSI Integrity Management Guide

I. About This Guidance and Background

Context and Purpose

Increasingly, there is recognition that **sustainable water management** (SWM) requires action by not just government but also business and civil society. It is derived from the underlying concept of integrated water resources management that ensures efficient, equitable, and sustainable development of the world's limited water resources. Companies that rely on water for their core business (e.g., in the manufacturing of their goods or indirectly in the production of their inputs) recognize that they face water-related risks. Increasing water scarcity and pollution of water sources combined with inadequate **Water governance** systems have led to a clear business case for action, based on the proposition that more effective water management can help address and mitigate such risks. Corporate **Water stewardship** is founded on the notion that businesses can act in a positive manner to manage their risks and simultaneously meet local stakeholder expectations by mitigating adverse impacts on communities and ecosystems, thereby helping to protect a vital shared resource.

Generally defined as the use of water in a way that is socially equitable, environmentally sustainable, and economically beneficial, **Water stewardship** is achieved through a stakeholder-inclusive process that involves site- and basin-based actions. **Water stewardship** involves organizations taking shared responsibility to pursue meaningful individual and collective actions that benefit people and nature.¹

As basin-level problems increasingly affect all segments of society, **water stewardship initiatives** (WSIs) hold exciting potential as an approach to tackling shared **water challenges**. These WSIs leverage the expertise of businesses working collectively with public institutions, civil society organizations, and other water users at the basin level. As with any new approach, WSIs provide opportunities but can also pose some design and implementation challenges, particularly around ensuring integrity. For example, involving the private sector in the management of a public resource like water must be approached with care to avoid real or perceived problems of “**capture**”: where undue influence on decision making, skewing of public policy priorities, or privileged access to water resources results through private sector involvement.

Sustainable water management is defined as the management of water resources that holistically addresses equity, economy, and the environment in a way that maintains the supply and quality of water for a variety of needs over the long term and ensures meaningful participation by all affected stakeholders.

In this guide, **water stewardship initiatives** (WSIs) are defined as coordinated engagements among interested parties (most often including businesses) to address specific shared **water challenges**. WSIs typically involve structured collective action and joint decision making and implementation to ensure use of water that is socially equitable, environmentally sustainable, and economically beneficial.

¹ Adapted from Alliance for **Water stewardship** (AWS), “What Is **Water stewardship**?” (2010), <http://www.allianceforwaterstewardship.org/become-a-water-steward.html#what-is-water-stewardship>.

As well as making WSIs more impactful, sustainable, and cost-effective, ensuring high levels of integrity will reduce reputational risks that could be barriers to multi-stakeholder cooperation. This guide seek to build on the lessons learned from the pioneers of WSIs around the world. Through a practical lens, and focusing on the needs of practitioners, the ultimate aim of this guide is to support existing and future WSIs in creating tangible benefits for society by ensuring high levels of integrity and transparency.

Understanding Water Stewardship Initiatives

The initiatives formed between multiple **stakeholders** in a WSI constitute a form of “collective action” toward a shared water management goal. Collective action can be understood through a four-level taxonomy that is described in Table 1. These four levels of collective action differ in terms of the resource commitments required and the formality of decision-making and governance structures. The WSIs that are the focus of this guide reside within the *collaborative* and *integrative* levels of engagement. These types of initiatives typically have a degree of formality and focus on working toward common objectives. Integrative partnerships typically require more substantial (and often pooled) resources, and put substantial effort into establishing concrete alignment of interests and objectives among all parties, thereby increasing coordination and establishing clear roles and responsibilities for all parties.

Table 1: Levels of Collective Action Engagement

LEVEL	DESCRIPTION
Informative	Focuses on coordinating the sharing of information to foster expanded knowledge and increased transparency, familiarity, and trust among interested parties.
Consultative	Focuses on convening specific interested parties to exchange ideas and expertise, and to create a shared understanding of needs, interests, and challenges to enable informed, independent decision making by all parties.
Collaborative	Seeks to move interested parties closer together and reflects a belief that finding common ground, establishing common objectives, and sharing implementation responsibilities hold the potential to increase both individual and collective effectiveness.
Integrative	Emerges when an alignment of interests, resources, decision making, and coordinated actions is desired or needed to meet water-related challenges or opportunities. Interested parties are typically formally convened or have a formal joint structure.

Source: CEO Water Mandate, Guide to Water-Related Collective Action (September 2013). <http://ceowatermandate.org/wp-content/uploads/2013/09/guide-to-water-related-ca-web-091213.pdf>.

Worth noting is that collective actions (whether WSIs or less structured forms) can have different primary objectives. Generally speaking, they can (1) deliver projects and programs, (2) support the creation of new accountability mechanisms (certification schemes, regulation and policy frameworks, complaints redress mechanisms, etc.), (3) create a resource transfer mechanism (that channels funding, expertise, and in-kind support or products, spare parts, etc., to worthy or needy areas), or (4) provide a dialogue, learning, and innovation platform for **stakeholders**. Each of these functions brings a different spirit of engagement, calls for different decision-making mechanisms, and may involve a different configuration of participants. Needless to say, ultimately WSIs need to be tailored to fit the context in which they are operating and the goals they are trying to achieve.

Case for Ensuring Integrity in WSIs

A key aspiration of WSIs is to address shared **water challenges** to the benefit of all participants and affected **stakeholders**. WSIs that go awry, in contrast, may end up generating benefits for only a few **WSI participants** to the detriment of other particular interests or society as a whole. Adhering to integrity principles within WSIs helps ensure that efforts lead to shared benefits, particularly when such efforts involve participants with varied and at times conflicting interests. Focusing on integrity in WSIs brings advantages, including:

1. Increasing effectiveness and likelihood of achieving initiative goals
2. Generating greater credibility and reducing reputational risks for **WSI participants**
3. Fostering long-term engagement and cooperation with affected **stakeholders**
4. Supporting **WSI participants'** staff or representatives through clear articulation of the rules for engagement.

In addition, WSIs have the potential to improve **Water governance**, either by directly tackling local governance challenges or through the WSI's indirect benefits. **Water governance** refers to “formal and informal processes that allow for the determination and negotiation of objectives, setting of standards, and resolution of disputes among disparate voices in order to address challenges and meet objectives at local, sub-national, and national levels.” It is a complex process that considers multi-level participation from not only government institutions but also the private sector, civil society, and citizens. Good **Water governance** means that the actions (and inactions) of all parties are transparent and accountable so that undue influence is minimized, the views of minorities and the most vulnerable are heard in decision making, and the needs of the present and the future are taken into account.

Ensuring the integrity of WSIs is therefore part and parcel of efforts to improve **Water governance**, and WSIs with high levels of integrity can make an important contribution to improving overall water sector performance.

Definition of Integrity in WSIs

Understanding and properly managing integrity risks is essential to ensure the long-term effectiveness and impact of WSIs in addressing shared **water challenges**.

WSIs with integrity ideally have:

1. Clear objectives and demonstrable outcomes that advance **sustainable water management**
2. Trustworthy, credible, and accountable participants
3. Inclusive, transparent, and responsive processes and governance that lead to informed and balanced decision making

NOTE: Throughout this guide, the color coding above — the outcomes (blue), the individual participants of WSIs (purple), and the processes and governance of the initiative (green) — is used to reflect these three dimensions of integrity relating to WSIs.

Key Terms:

In this guide a number of terms are used to delineate those participating in the WSI from those who are consulted. These terms and their definitions include:

WSI Practitioner: An individual involved in the management or ongoing implementation of a WSI.

Stakeholders: Individuals, groups of individuals, and organizations that affect/or could be affected by the WSI's activities. There are several categories of stakeholders: those that have an impact on you, those upon whom you have an impact, and those neutral parties with no specific link but with whom it is beneficial to engage.

Participants: Individuals or organizations that are actively participating in the design and implementation of a WSI. Participants can come from any sector but must have committed resources and/or time to the initiative.

Scope, Audience, and Structure

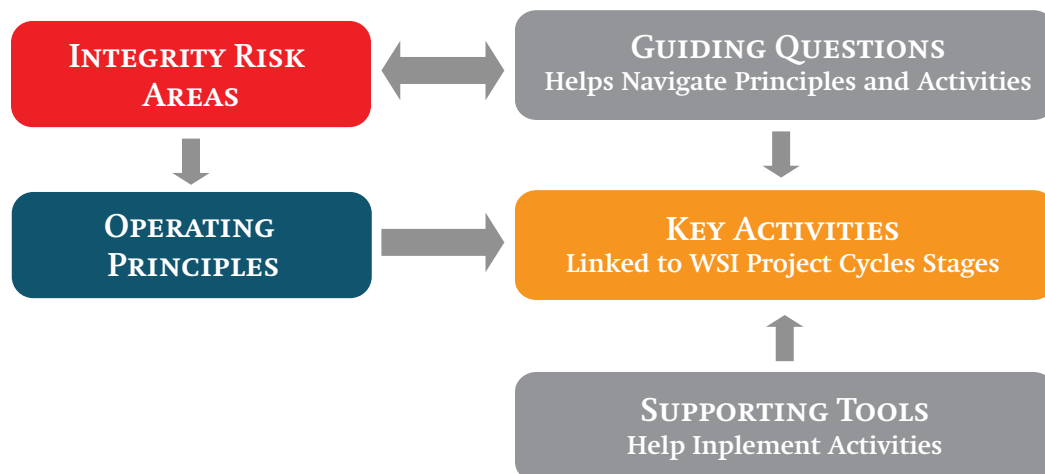
With funding support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the project co-leads, the UN Global Compact CEO Water Mandate (Mandate) and the Water Integrity Network (WIN) – in collaboration with Partnerships in Practice, Ltd., Pegasys Strategy and Development, Ltd., and Water Witness International – have developed this good practice guide for WSI integrity management. This guide responds to the integrity challenges facing WSIs that were identified during field work research. The guide includes a practical framework and quality management processes together with a suite of practical supporting tools geared toward ensuring high levels of integrity and transparency in WSIs. The guide is primarily targeted at **WSI practitioners**, those individuals responsible for facilitating or implementing the WSI or who are active participants within a WSI. The guide may also be useful for those external audiences interested in understanding how to ensure or promote effective, equitable, and sustainable WSIs in a basin.

Overview of Structure— How the Guide Should Be Used

These guidelines are organized into two main parts: the first part introduces a framework for WSI integrity management, and the second part is a collection of practical tools that can be used by practitioners as they embark upon key activities relating to their **Water stewardship** collective action.

In developing this guide, the project team undertook extensive field assessments to understand the integrity risks that WSIs typically face. Seven operating principles were then developed to address commonly encountered WSI integrity risks. In turn, key activities and guiding questions were developed to help **WSI participants** implement these operating principles. In the Part Two of the guide, a suite of supporting tools is provided to assist implementation of these key activities. To provide a practical starting point, this includes guidance on holding a participatory workshop where **WSI participants** can prioritize integrity risks, select and plan integrity risk management activities, and safeguard the impact of their WSI. The relationships between these different elements of an integrity management framework are laid out in Figure 1.

Figure 1: Components of WSI Integrity Management Framework



The remaining sections of Part One are organized as follows:

Section II introduces the various risks that WSIs typically face in practice.

Section III describes seven principles for addressing these common WSI integrity issues, and introduces guiding questions that can be used to bring these operating principles to life.

Section IV provides detailed guidance on how the WSI integrity principles can be applied in practice through key activities mapped across the life-cycle phases of a WSI.

Part Two of the guide contains a suite of 12 tools that support successful implementation of various activities described in Section IV. It is left to participants in a given WSI to decide which of the tools in the toolbox to use (or adapt) given the scope, function, and context of their work and the potential gaps faced in planning, participation, or setting objectives.

Part Three provides a series of informational appendixes to help understand key sections of the guidance, including more detailed integrity risk descriptions and a one-page synopsis of the primary activities practitioners should undertake when pursuing a **Water stewardship** collective action.

A glossary of key terms is also provided at the end of the guide. Terms defined in the glossary are shown when first used in the guide indicated by bold text and a dotted underline and in the PDF version of this guide they are bookmarked to where the term can be found in the glossary.

This guide should be considered as an evolving body of work that will be amended and updated over time as WSI practice matures. This guide has also been developed into an online platform, which can be found at <http://www.ceowatermandate.org/integrity>.

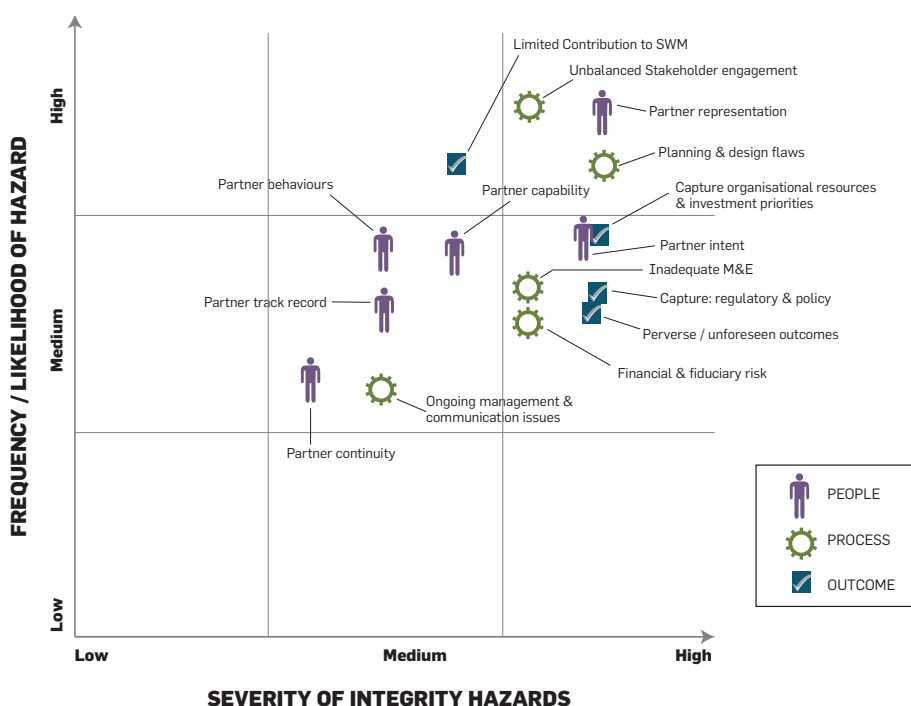
II. Understanding Integrity Risks Facing WSIs

WSI Integrity Risks

Fieldwork undertaken for this project has identified the range of integrity risks facing WSIs through analysis of 18 historical, ongoing, and emerging WSIs and 50 interviews with diverse **stakeholders** involved in them.² These case study WSIs covered a range of multi-stakeholder and corporate engagement activities on water, including local project implementation, establishing novel financing mechanisms to improve water supply and/or quality, convening for policy dialogue or planning, and supply chain engagement.³ Findings were presented, discussed, refined, and validated through a series of six international meetings.

The integrity risks that emerged have been grouped within 15 WSI integrity risk areas, which are summarized and mapped in Figure 2.⁴ As discussed in more detail below, the relevance of these risks varies depending on the nature, objectives, maturity, and context of a particular WSI. Correlating with the definition of WSI integrity presented above, risk areas can be attributed to the initiative's outcomes (**blue**), the individual participants of WSIs (**purple**), and the processes and governance of the initiative (**green**). Integrity risks areas with the potential to have more severely negative social, economic, environmental, or institutional impacts were assigned a higher hazard ranking than those whose negative impacts would most likely affect individual **WSI participants** or the internal dynamics and efficiency of a WSI. The integrity risk areas found in the top right quadrant of Figure 2 are those of most concern across the case study WSIs analyzed during the fieldwork.

Figure 2: Ranking of WSI Integrity Risk Factors Based on Severity and Likelihood of Hazard



² The integrity risks were identified during fieldwork undertaken in Tanzania, South Africa, and Peru, and during consultation meetings in Lima, London, Lusaka, New Delhi, Paris, Pretoria, and Stockholm.

³ Guidance for practitioners on how to undertake an integrity risk assessment for a specific WSI can be found in [Tool 1a: WSI Integrity Risk Assessment](#).

⁴ A detailed explanation of these integrity risk areas, as well as an illustrative case example, is included in [Part Three Informational Appendixes – Appendix A: WSI Integrity Risk Descriptions](#).

INTEGRITY RISK AREAS RELATED TO THE OUTCOMES OF A WSI

The extent to which WSIs enhance **sustainable water management** reflects the degree to which the collective action has a “stewardship orientation” or whether it is focused primarily on advancing a business interest. From an integrity management perspective, it is important to ensure that the objective(s) or intent of a WSI focuses on advancing SWM rather than pursuing **vested interests** at the cost of **public interest** and resources. In this context, a number of integrity risks are related to **capture** (of public finances, regulatory action, policy making, and access to water). Additional integrity risks can arise unintentionally via **perverse outcomes** where the WSI creates negative impacts for the environment, people, or institutions. Lastly if the contribution of a WSI to SWM is not properly measured, is very limited in scope and depth, is not sustainable, or comes at a high cost, then integrity is also at risk alongside the acceptance and perceived credibility of the WSI by **affected stakeholders**.

INTEGRITY RISK AREA	EXAMPLES
capture: organizational resources and investment	<ul style="list-style-type: none"> ■ A WSI focuses significant regulatory agency effort on a polluted watercourse near a corporate site that poses no serious health risks, while gross pollution of a nearby river threatens the health of thousands. ■ Senior staff from the Ministry of Water, which faces severe human resource shortages and decision-making backlogs, are seconded into a poorly designed WSI that doesn't address the Ministry's strategic priorities.
capture: regulatory action, policy, and water	<ul style="list-style-type: none"> ■ A WSI pays or influences a government regulator to take enforcement action, to resettle communities, or prevents it from taking enforcement action against breaches of water law. ■ A WSI with unbalanced representation lobbies for and takes a lead role in drafting strategy, policy, or statutes on water offsetting. ■ WSI investment by partners is conditional to their uninterrupted access to water during drought.
perverse outcomes	<ul style="list-style-type: none"> ■ Technological and infrastructure investment are not accompanied by an Environmental and Social Impact Assessment (ESIA) or other safeguard mechanism. ■ A WSI undermines the ability of small farmers to access markets. ■ A WSI undermines rational behavior by making payments to community members or civil servants.
limited contribution to SWM	<ul style="list-style-type: none"> ■ A WSI fails to establish a baseline and logical framework, and is unable to demonstrate any tangible outcomes, yet makes significant claims about its contribution to water security. ■ Local learning and experiences from a pilot intervention are not documented or shared for strategic uptake.

INTEGRITY RISK AREAS RELATED TO PARTICIPANTS

Integrity risks related to participants include: the track record (i.e., reputation, past performance); representation (i.e., appropriate representation of affected **stakeholders**); intent and incentives (i.e., understanding motivations of participants); capability (i.e., whether participants have adequate knowledge/resources to fulfil their role); conduct (i.e., participant behavior including compliance with agreed procedures and policies); and long-term engagement (i.e., ensuring that participants show continuity, and are committed and engaged in the initiative). Participants inform and influence WSIs and their environment by defining objectives and activities, making decisions, and executing activities. To ensure high integrity, the WSI will need to properly balance the differing interests of participants through careful consideration and consensus on their selection, composition, level of engagement, and expected behavior. Participants' actions within and beyond the confines of the WSI will affect its integrity.

INTEGRITY RISK AREA	EXAMPLES
track record	<ul style="list-style-type: none"> ■ A business participant in a WSI has an appalling record of human rights abuses and aggressive tax avoidance, and has recently been fined for causing pollution of a high-profile river. ■ An NGO participant has been prosecuted for corrupt practice in the past. ■ Communities refuse to work with a WSI because a corporate participant is perceived as a "bad apple."
representation	<ul style="list-style-type: none"> ■ Key stakeholders affected by or influential to the WSI and its objectives are not in the room. The main users and polluters of water, the communities affected by degradation and depletion, and the government bodies responsible for management have not been engaged successfully. ■ Local government, NGO, or business umbrella organizations are involved in the WSI, but they do not genuinely represent or communicate with the stakeholders they claim to speak for.
intent and incentives	<ul style="list-style-type: none"> ■ Businesses do not commit to or seriously engage with the WSI, or do so only for public relations purposes, or to position themselves for lucrative contracts. ■ Local government staff only turn up to WSI meetings upon payment of a sitting allowance.
capability	<ul style="list-style-type: none"> ■ The WSI initiator or lead practitioner does not have sufficient experience to design and deliver the initiative. ■ Civil society organizations are not involved or unable to deliver key roles because they have no core funds. ■ Government participants are unable to deliver planned work because they are under-resourced.
conduct	<ul style="list-style-type: none"> ■ Inappropriate and dishonest claims are made by one participant about how much they have achieved through the WSI, without recognizing the efforts of others. ■ Partner staff do not respond to communications or attend meetings, or have acted maliciously toward potential partners.
continuous engagement	<ul style="list-style-type: none"> ■ The WSI initiator and most active participant has moved on to a new job, leaving no successor, institutional memory, or commitment to the initiative. ■ Participants in a WSI modify their objectives or budget commitments.

INTEGRITY RISK AREAS RELATED TO WSI GOVERNANCE AND PROCESSES

Integrity risks related to the governance and management processes of a WSI can be introduced during planning and design, **stakeholder engagement**, decision making and communication, financial management, and monitoring and evaluation. Getting these processes right is critical to ensuring that the WSI delivers on its objectives and serves the **public interest**. In the absence of robust, well-designed, and transparent processes for planning, decision making, stakeholder participation, whistle-blowing, financial management, and monitoring, WSIs are vulnerable to corrupt behaviors, **capture**, and manipulation toward **vested interests**. Well-designed processes also help with independent oversight, accountability, and legitimacy of the WSI.

INTEGRITY RISK AREA	EXAMPLES
planning and design	<ul style="list-style-type: none"> ▣ A WSI pays local government staff to clear waste from a river, but it emerges that the same local government illegally dumps waste into the same river. ▣ A WSI invests in non-viable technologies, infrastructure without operations and management planning, or environmentally damaging infrastructure. ▣ A WSI generates a payment scheme for watershed services, but this fails due to competition with existing statutory water use payment schemes, and lack of demand.
stakeholder engagement	<ul style="list-style-type: none"> ▣ Access to decision making in a WSI is based on non-transparent selection criteria or payment of a fee, restricting the presence of those affected by the initiative. ▣ Communities directly affected by a WSI are not identified or engaged because they are perceived as low priority. ▣ Engagement with influential business partners fails because the business case and mode of outreach is unconvincing. ▣ Stakeholder engagement processes are manipulated by the head office of WSI participants.
managing responsibilities, decision making, and communication	<ul style="list-style-type: none"> ▣ WSI meetings are conducted in a language that few participants understand well. ▣ WSI meetings are poorly managed, not documented, and decisions are not implemented.
financial management	<ul style="list-style-type: none"> ▣ There is financial leakage from a WSI and unaccounted for expenditure. ▣ Introduction of payments for participation and fulfilment of roles by a donor grossly skews incentives of participants. ▣ A WSI facilitates corrupt relationships, or fails to act on corrupt practice.
monitoring, evaluation, and learning	<ul style="list-style-type: none"> ▣ A WSI has unclear objectives and cannot demonstrate what it has achieved. Tracking achievements, implementing corrective management, and ensuring value for money are impossible due to the lack of monitoring and evaluation (M&E) framework. M&E data or results are not shared, hence the motives of partners and role of WSI are questioned.

The Cross-Cutting Influence of Contextual Factors Affecting the Integrity of WSIs

The nature and extent of integrity risks are largely determined by the contextual environment within which a particular WSI operates. As Figure 3 illustrates, the three dimensions of WSI integrity (**outcomes**, **participants**, and **processes**) must be understood in the context of larger political, economic, and environmental conditions. WSIs need to be sufficiently and properly embedded in the public policy and political realities of a given country or basin. The relevance of existing policies and legislation, regulations and their enforcement (or lack thereof), and other basin factors all influence what WSIs can and cannot do, and may inflate certain integrity

risks over others. Contextual factors that have bearing on the relative prominence of various WSI integrity risks include:

Environmental or River Basin Context: Factors include the availability and quality of water; climate variability and impacts of droughts and floods; important values, uses, and functions of water and water-related ecosystems; current and future water demand and conflict in the WSI basin. These factors need to be well understood and considered to identify priorities for the WSI and to inform potential trade-offs among economic, social, and environmental interests.

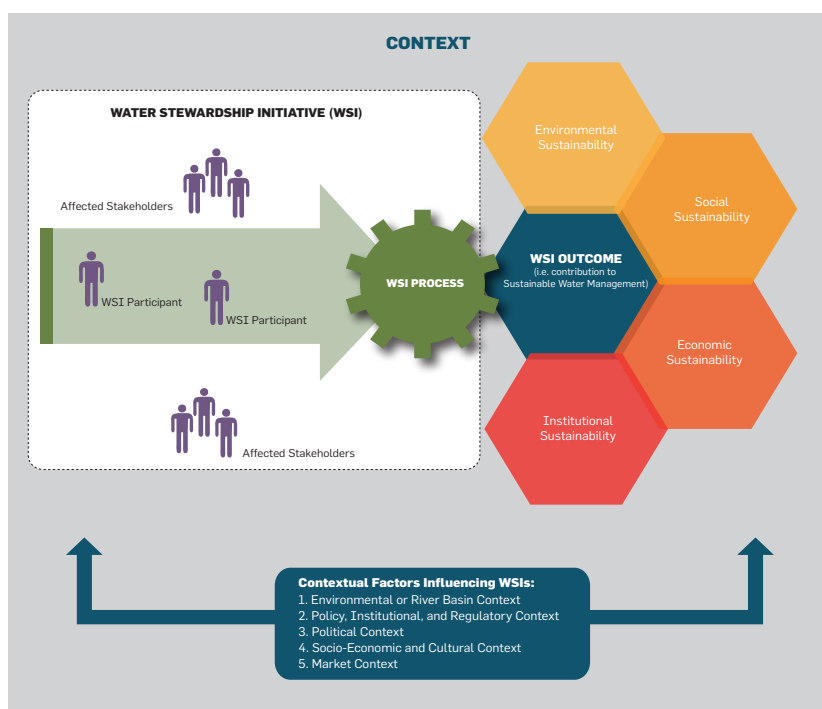
Policy, Institutional, and Regulatory Context: The maturity, “personality,” and performance of relevant river basin and other government institutions will be a key determinant of integrity risks within a WSI. A particular challenge exists where public policy, law, or the intent of public authorities is not yet aligned with SWM or with the best interests of local **stakeholders** and environment. Elements beyond the control or influence of the water sector, such as land or economic policy, may also have a bearing on WSIs.

Political Context: The political attitudes of local **stakeholders** and participants toward the problem being addressed by the WSI, as well as conceptions of multi-stakeholder partnerships, may influence the integrity of the WSI. External events such as elections or financial crises may shape behaviors and responses to WSI opportunities.

Socio-Economic and Cultural Context: Socio-economic development factors – such as social cohesion, demographic shifts, poverty and livelihood considerations, gender, and cultural attitudes toward issues such as contracts, agreements, access to information, and the rule of law – will have a bearing on the integrity issues facing a WSI.

Market Context: The interaction and relative power of socio-economic groups and actors affects their overall bargaining ability and the impact that collusion and **capture** can have on the distribution of private gains among WSI **stakeholders**. How the market functions in particular contexts (the existence of monopolies, how licenses are issued, etc.) may also shape the incentives and engagement of **WSI participants**.

Figure 3: Understanding How Contextual Factors Influence WSIs



III. Operating Principles for Managing the Integrity of WSIs

The integrity risks identified above can be addressed and mitigated by adhering to a number of key operating principles. Seven such principles are introduced here to provide aspirational direction for managing integrity in WSIs. The operating principles are ordered to correlate with tackling those integrity risks identified as most hazardous as well as most likely. Each is accompanied by a series of Guiding Questions to help **WSI practitioners** understand how to operationalize the principles by assessing how well the WSI is addressing certain issues and then helping the practitioners identify key activities to undertake (further explained in Section IV).

Principle 1: Seek to align with, support, and strengthen public policy that advances sustainable water management; be careful not to undermine public institutions or water governance.

First and foremost, the WSI should ensure that its scope and objectives support and strengthen public policy relating to SWM. In some instances public policy, laws, and regulations may be weak, ambiguous, inconsistent, or may not be geared toward delivering SWM. In such cases reforms and review, rather than alignment, may be the priority for a WSI. Where this is the case, it will be important for the WSI to develop a constructive relationship with the government and its agencies, and to engage an appropriate range of **stakeholders** in a sector reform dialogue in the design, scoping, and implementation of the WSI.

However, in many instances government policy and legal provision are well aligned with the goal of SWM, and implementation is lacking. In addressing this scenario, a WSI should respect the unique roles that government institutions play in serving the **public interests** and ensure that the initiative's activities complement rather than usurp or undermine ongoing public policy or **Water governance** processes. This can be supported by a well-designed and conducted analysis to understand the local context and **political economy**, to clarify the root causes of the problem, and to devise a suitable role and design for the WSI alongside ongoing initiatives. Efforts should also be made to understand the resource limitations of public and civil society sectors, in order to guard against potential **capture** of those sector's limited resources.

Effectively aligning the WSI with public policy objectives that seek to advance SWM and understanding the unique role of public institutions helps to guard against potential policy, regulatory, and resource **capture**. Doing so ensures that the WSI is not perceived to be dictating policy direction, redirecting scarce public funds to serve private interests, or undermining ongoing public sector-led efforts to achieve SWM objectives.

GUIDING QUESTIONS

1. Are public policy priorities in the basin area well defined with regard to water? Are water policies consistent with other public policy priorities?
2. Are government roles clearly defined in relation to achieving water-related public policy objectives?
3. Do public institutions have the capacity and resources to deliver on these stated objectives (e.g., to enforce the regulatory framework)?
4. Have public sector stakeholders' mandates been respected, and have those stakeholders been actively involved in setting the objectives and activities of the WSI?
5. Are the WSI's objectives and activities aligned with public policy goals and objectives, and do they structurally support the development of the public sector's ability to manage water resources? Have public interest benefits been explicitly outlined?
6. Have risks of capturing organizational or public resources, regulatory action, policy processes, and water access been identified? Have such risks been assessed? How effectively are they being addressed?

GUIDING QUESTIONS

1. Have stakeholders with a significant ability to influence the outcomes of the WSI been identified? Have affected stakeholders influenced by the WSI been identified?
2. Where proxies are used, are they representative, legitimate, and capable of representing the stakeholders' interests?
3. Are affected stakeholders contributing to the design and implementation of the WSI?
4. Are there any barriers to participation and balanced representation, and how can they be overcome?
5. How open and effective are communications among participants?
6. How equitable is the decision-making process?
7. How are the quality of the representation and engagement of stakeholders monitored? Are actions taken to balance various interests where needed?

Principle 2: Ensure appropriate and balanced representation of interests throughout the course of the WSI.

The integrity of a WSI hinges upon ensuring that the voices, needs, and perspectives of **affected stakeholders** are heard and taken into account during establishment, design, and implementation. All WSIs seek to influence the management of a public resource with potential implications for the well-being and interests of other water users. Ensuring that **stakeholders** affected by a WSI have a voice in decision making is therefore vital to support fairness. At a pragmatic level, balanced representation of **stakeholders** (including governments, communities, and businesses) also ensures that decision making is well informed by those who best understand the resource and its challenges, brings additional resources to the WSI, reduces the risk of undue influence by any one party, and is therefore vital for the effectiveness of the WSI.

This principle focuses on ensuring appropriate representation of participants within the WSI, and on engagement with people and interests (such as local community members) that may be affected by the WSI. The WSI should strive to ensure that participants in WSI decision making and governance adequately reflect the range of affected **stakeholders**, through legitimate proxies if necessary. Meaningful **stakeholder engagement** should be ongoing, and requires a WSI to be cognizant of who the affected **stakeholders** are and to adopt processes that encourage shared ownership, input, and information. Proxies for stakeholder groups such as community members or businesses need to be genuine, and have the necessary capacity and mandate from those they represent. This can be challenging where institutions are weak or prone to manipulation by the powerful. Other challenges to this principle include intentional or unintentional barriers to engagement such as language or a requirement for financial contributions.

Engaging the diversity of interests around a WSI helps to mitigate integrity risks related to imbalanced stakeholder representation. Meaningful and effective **stakeholder engagement** also ensures that the WSI serves the needs of all **stakeholders** (not just the participants), and guards against the perception that a WSI exists as an exclusive platform to provide privileged access to decision makers for the individual gain of a handful of **stakeholders**.

Principle 3: Be clear and transparent about the roles and responsibilities of WSI participants, and ensure that their capabilities are adequate (or are sufficiently developed) to fulfill them.

WSI participants should be able to fulfill their roles and responsibilities, and the WSI needs to develop internal mechanisms to hold participants accountable against these defined roles and responsibilities. This requires a clear understanding of the needs, motivations, and intent of **WSI participants**, and the assignment of clear, suitable roles for each member. Where skills, experience, or capacity are lacking, the WSI may carry higher initial integrity risks, but might proceed if the WSI is able to provide training, support, or resources to address identified needs.

Understanding participants' intentions and any constraints they face, and establishing clear roles and responsibilities can help to avoid potential conflicts of interest (where intentions may not be aligned with the goals of the initiative) and integrity risks associated with participant capabilities. WSIs that fail to undertake an analysis of the intentions of their potential participants or to develop structures that balance the interests among participants and external **stakeholders** are at risk of pursuing activities that privilege individual participants and enable private gain over the **public interest**. A lack of clear roles and responsibilities and oversight of these brings risks of corruption and manipulation by individual **WSI participants** alongside the integrity risks associated with a WSI simply failing to deliver. It should therefore be regularly monitored whether tasks are adequately divided among **WSI participants** and affected **stakeholders** to mitigate different forms of **capture**.

GUIDING QUESTIONS

1. Have WSI participants' track records, incentives, and intentions been sufficiently analyzed?
2. Have the capabilities and constraints of each participant been properly assessed, and a needs assessment conducted? How will the WSI deal with capacity deficits?
3. Have roles and responsibilities for all activities and coordination tasks been appropriately shared?
4. What measures ensure effective oversight?

GUIDING QUESTIONS

1. Has the problem analysis sufficiently clarified the root causes and nature of the challenges that the WSI seeks to address? Have the opportunities for progress and the risks facing the WSI in delivering these outcomes been properly understood?
2. Have participants clearly defined the scope and objectives of the WSI, as well as its benefits for the public interest and for each participant?
3. Has the justification for the WSI been effectively communicated to all participants and affected stakeholders? Do feedback channels exist?
4. Have the changes that the WSI seeks to achieve in improving water resource management been effectively specified and communicated to all relevant stakeholders?
5. Have participants had the opportunity to discuss, challenge, and improve the logic behind how the WSI will contribute to more SWM?

Principle 4: Be clear and transparent about the water challenge(s) being addressed by the WSI, as well as the agreed scope and intended benefits.

Ensuring that WSIs serve the **public interest** requires being transparent about the water-related challenges that the WSI is striving to address, its long-term objectives, the activities that will be undertaken, the intended benefits, and intended beneficiaries. This information must be communicated not only among **WSI participants** but also among **affected stakeholders** on a regular basis.

A proper understanding of the challenges and opportunities for action requires engagement with **affected stakeholders** through an ongoing process that tracks and reports demonstrable progress toward positive outcomes and WSI objectives.

Poor initial problem analysis with insufficient diagnosis of underlying water-related or institutional challenges leads to inappropriate objectives and activities. This could undermine WSI impact and efficiency, or may privilege **vested interests** and thereby nurture or reinforce ongoing power imbalances in places with weak or corrupt governance. Being transparent about the challenges, scope, and benefits of a WSI both allows the public and **affected stakeholders** to monitor how well the WSI serves **public interests** and guards against those WSIs that serve a few **vested interests**.

Principle 5: Be clear and transparent about how the WSI is to be governed.

WSIs need to establish internal governance mechanisms to ensure that decision making, financial management, and communications meet expectations and are fit for the intended purpose. Decision-making processes should be clear and ensure that all participants are able to engage in the process, and that participants providing resources and funding are not given undue influence or special rights. Sharing relevant information in a timely manner is essential to ensuring informed participation. Financial arrangements and systems, including expectations around remuneration and funding flows, should be specified and understood by all **WSI participants**. Internal audit systems should be established as necessary, and ideally financial arrangements should be disclosed publicly.

As well as supporting the WSI's reputation, developing proper systems ensures that the WSI can deliver according to its stated purpose, that its funds are directed toward appropriate goals, and that decision making is well informed and balanced.

GUIDING QUESTIONS

1. Have participants agreed on management (e.g., timing, tasks, workplan, oversight, conflict resolution structures, budget reporting structures) and decision-making processes (including feedback mechanisms), and how to handle communications and financial issues?
2. Have they all clearly expressed at the outset their expectations about remuneration and flows of funding? Were they properly informed about financial commitments and disbursement procedures?
3. How is adherence to agreed procedures being effectively monitored? Are shortcomings properly addressed?

GUIDING QUESTIONS

1. Are decision-making processes sufficiently informed by the goals of the WSI?
2. Has an appropriate exit strategy been designed?
3. Is an M&E system in place to track the progress of the WSI and readjust the course of the program as needed?
4. Have agreed M&E mechanisms led to effective tracking of new integrity risks?
5. Do communication mechanisms provide sufficient information on the performance of the WSI?

GUIDING QUESTIONS

1. Have expectations about the behavior of WSI participants been clarified?
2. How does the WSI explicitly value honesty? Are agreed procedures held as a standard of behavior (such as a code of conduct)?
3. How have issues of noncompliance with WSI agreements been addressed?

Principle 6: Track outcomes against the stated objectives of the WSI.

WSIs need to develop structures and procedures that support informed decision making, responsiveness to changing local conditions, continual learning, and improved practice to ensure that **WSI participants** can meet their stated objectives. Leading WSIs implement robust monitoring and evaluation (M&E) systems that allow participants to determine the effectiveness of the initiative and to understand when unexpected outcomes occur or when new integrity risks arise. An exit strategy that explicitly clarifies when the WSI has met its objectives, or when circumstances demonstrate that entrenched integrity conditions render the WSI no longer viable, also holds WSIs accountable to specified conditions. Leading WSIs that pursue such accountability mechanisms communicate to **affected stakeholders** the outcomes of these evaluations (preferably third-party evaluations, where possible) and any consequent decisions about the course of the WSI.

Where there is an absence of proper channels to deliver on stated goals and/or inadequate M&E systems, the risk of dishonest claims and breached commitments or agreements is higher. The absence of an effective M&E mechanism may place a higher integrity risk on the WSI as participants may not be able to efficiently identify (new) threats facing the initiative or malpractice within the initiative.

Principle 7: Foster an ethos of trust, and establish expectations for behavior of WSI participants.

WSIs should strive to create an environment that leads to trust and honesty among **WSI participants** and **affected stakeholders**. In doing so, WSIs can ensure that participants strive to meet their agreed roles and responsibilities, and that their behavior leads to positive reputational outcomes for the WSI. Appropriate behavior ensures that issues of misconduct that may lead to integrity risks do not become endemic to the WSI.

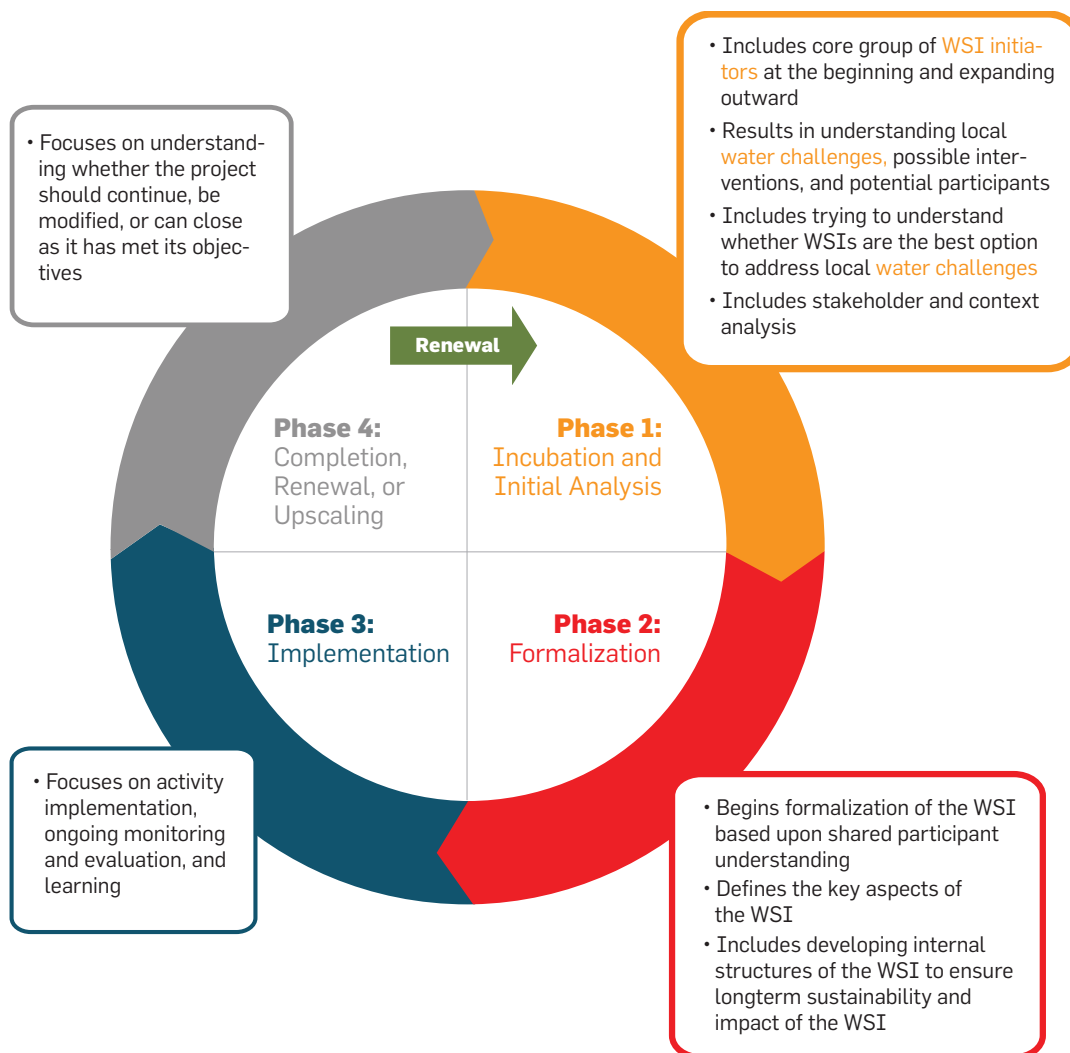
Where there is an atmosphere of distrust and dishonesty, integrity risks associated with unethical behavior and noncompliance are higher. Mitigating against these risks will ensure that the WSI is perceived to be acting in the best and most honest manner possible.

IV. Applying the WSI Integrity Principles in Practice

Typical WSI Life Cycle

The framework below presents a life cycle of the more formalized multi-stakeholder WSIs that are the focus of this work. In this section, key integrity management activities are mapped against the phases of this life cycle. For each WSI life-cycle phase, we describe key activities that **WSI participants** should consider pursuing to operationalize the principles presented in this guide. The Guiding Questions (introduced in the previous Section) have been mapped to key activities as signposts, allowing **WSI practitioners** to determine where gaps or weaknesses in analysis and processes (or even communications) might need to be addressed. The authors recognize that in the *real world*, activities will not always fit precisely within the assigned WSI life-cycle phase. The aim is to indicate a general flow of key activities in a relative, though not necessarily linear or prescriptive, sequence. Key activities are hyperlinked to relevant supporting tools that can be found in Part Two of this guide.

Figure 4: Life Cycle of WSIs



Phase 1: Incubation and Initial Analysis: A WSI's incubation and preliminary scoping focuses on the actions that a **WSI initiator** takes to understand the local context, local water-related challenges, the potential participants, and necessary resources for actions to occur. It requires preliminary commitment (in the form of both monetary and personnel resources) to collective action by the actor or set of actors. This should result in a basic understanding of the local water issues, the possible interventions and objectives of the WSI, and potential participants (including understanding their basic incentives, track records, capacities, etc.).

Once some of this initial scoping occurs, usually WSIs expand beyond a small group of organizations to determine whether the envisioned WSI is the best option to address the local water challenge and serve the **public interest**. The WSI would then undergo a thorough context and **stakeholder** analysis. The participatory context analysis reviews the nature of the **water governance** landscape and other contextual factors that would shape a collective action. The stakeholder analysis focuses on understanding the perspectives, needs, and interests of key stakeholder groups. This phase results in a decision of whether to pursue the WSI as well as with whom and how the WSI should engage (as participants or as external **stakeholders**) to balance differing interests.

Phase 2: Formalization: This phase focuses on two dimensions of formalization: the objectives and activities of a WSI and its basic structure. Typically this includes formalizing a shared understanding of local **water challenges** and opportunities for action among **WSI participants**. During this phase, the desired outcomes, intentions, and **public interest** benefits of the initiative are specified. The phase should also determine the geographic scope and scale of the initiative, and the key functions, activities, and/or solutions the initiative will undertake. This culminates in assigning responsibilities to **WSI participants** and determining financial commitments (taking into account participants' interests and capacities), specifying institutional links, and planning for any deficiencies.

This phase also focuses on understanding and establishing the degree of formality of the WSI in order to plan for implementation, the decision-making approach and process, the responsibility boundaries, the process time frame, and the underlying legal, regulatory, or policy factors that may affect the procedural aspects of the WSI. This includes undertaking financial planning, establishing the necessary transparency and accountability measures, building in WSI adaptation provisions, and establishing closure expectations. As a result, the governance of the WSI is clarified and established.

Phase 3: Implementation: This phase focuses on the actual implementation of project activities, including ongoing monitoring of stated activities against objectives, evaluating for potential deficiencies and **capture** risks, and identifying areas for ongoing learning and amendments to the WSI.

Phase 4: Completion, Renewal, or Upscaling: This phase focuses on evaluating the WSI process and implementation, as well as determining next steps for a WSI, the plans for its completion, or the necessary arrangements to ensure its sustainability over a longer time frame.

On the next page is a summary of the key activities mapped against both the principles and the life cycle. These elements will be further explained in the subsections that follow.

	PHASE 1: INCUBATION AND INITIAL ANALYSIS	PHASE 2: WSI FORMALIZATION	PHASE 3: IMPLEMENTATION	PHASE 4: COMPLETION, RENEWAL, OR UPSCALING
<p>Principle 1: Seek to align, support, and strengthen public policy that advances SWM; be careful not to undermine public institutions or water governance.</p>	Undertake a Participatory Context Analysis	Assess Likelihood of Capture Risks and Establish Mechanisms for Monitoring and Oversight		Assess Capture Risks During Completion/ Transformation
<p>Principle 2: Ensure appropriate and balanced representation of interests throughout the course of the WSI.</p>	Identify and Map Interests Affected by the WSI	Determine Affected Stakeholder Representation in the WSI	Monitor Representation and Participation	Engage Affected Stakeholders
<p>Principle 3: Be clear and transparent about the roles and responsibilities of WSI participants, and ensure that their capabilities are adequate (or are sufficiently developed) to fulfill them.</p>	Analyze WSI Participant Records and Incentives	Assign Appropriate Roles and Responsibilities		
<p>Principle 4: Be clear and transparent about water challenge(s) being addressed by the WSI, as well as the agreed scope, and intended benefits.</p>	Undertake a Participatory Context Analysis	Define Scope, Objective and Public Interest of the WSI	Regularly Question and Verify Theory of Change	
<p>Principle 5: Be clear and transparent about how the WSI is to be governed.</p>		Establish Equitable Decision-Making Structures, Communication, and Finance & Determine Corporate Form	Monitor WSI Participation Adherence to Governance	
<p>Principle 6: Track outcomes against the stated objectives of the WSI.</p>		Establish M&E Systems Establish an Exit Strategy	Communicate about WSI Performance	Participatory Final Evaluation and Audit Embed activities and outcomes into existing institutions
<p>Principle 7: Foster an ethos of trust, and establish expectations for behavior of WSI participants.</p>		Clarify Expectations of WSI Behavior		

Applying Principles in Practice

Other Applicable Tools:

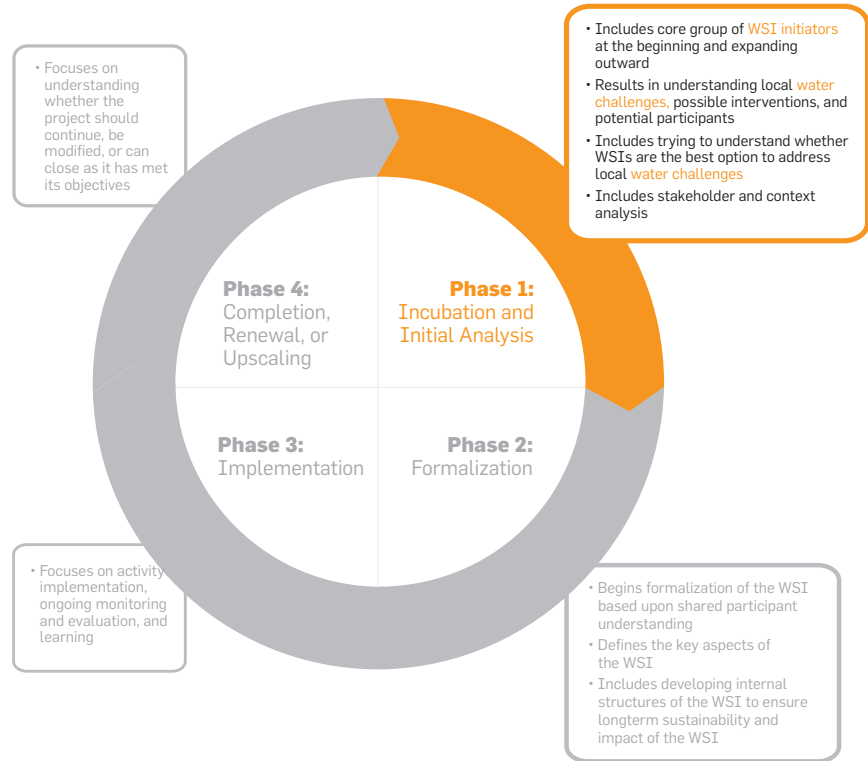
Tool 1a: WSI Integrity Risk Assessment

The purpose of carrying out a risk assessment is to enable the WSI to take the measures necessary to ensure high levels of integrity among its individual participants, for the governance and management of the initiative, and for its relationship with the broader context and environment. Understanding which integrity risks are most likely and most hazardous provides the basis to manage integrity systematically. This is key to avoiding potential policy capture and credibility issues for the WSI partners, and can help maximize value for money, longevity, and positive impact for the environment and society. An integrity risk assessment may be carried out at any stage in a WSI, though it will be most beneficial at the outset.

Tool 2: WSI Model — A Template to Describe the Logic of WSIs

The WSI model provides a structure through which WSI participants can discuss and agree on key aspects of the WSI in simple terms, establishing a shared understanding among all participants. Doing so helps create transparency and provides key information for an analysis of the most salient integrity risks the WSI may face. Beyond this, the WSI model helps to clarify the theory of change of the initiative. The WSI model can and should be reviewed and updated throughout the project life cycle.

PHASE 1—INCUBATION AND INITIAL ANALYSIS



REMINDER: Addressing integrity risks related to WSI outcomes is color-coded blue, risks related to participants of WSIs is purple, and the processes and governance of the initiative are green.

KEY GUIDING QUESTIONS:

- Have stakeholders with a significant ability to influence the outcomes of the WSI been identified? Have affected stakeholders influenced by the WSI been identified?
- Have WSI participants' track records, incentives, and intentions been sufficiently analyzed?
- Are government roles clearly defined in relation to achieving water-related public policy objectives?
- Do public institutions have the capacity and resources to deliver on these stated objectives?
- Are the WSI's objectives and activities aligned with public policy goals and objectives, and do they structurally support the development of the public sector's ability to manage water resources? Have public interest benefits been explicitly outlined?

KEY ACTIVITES

Identify and map stakeholders affected by the (or their legitimate proxies), as well as those with a significant ability to influence WSI outcomes.

- ▣ The stakeholder mapping should be used as an opportunity to assess the capacities of different stakeholders and their ability to contribute to the WSI

How? Identifying relevant stakeholders and understanding their perspectives and interests is known as stakeholder mapping. Utilize Tool 3: Mapping a WSI's Key Stakeholders to identify affected and influential stakeholders, in order to take into account their legitimate interests and knowledge.

Undertake an initial analysis of WSI participants' track records, incentives, and intentions.

How? To understand these issues, an initial due diligence process should be conducted. It involves the systematic collection and analysis of information on how a particular organization is managed or how a company does business. The investigation reveals whether a potential WSI participant commits to professional and ethical business practices, and uncovers the risks and opportunities involved in a potential initiative. It also reveals conflicts of interest and participants' intentions. Utilize Tool 4: WSI Participants Due Diligence Investigation to carry this out. WSI participants may undertake an exercise that leads to a "declaration of interest" that clearly states the benefits respective participants expect to realize from engaging in the WSI.

Undertake a participatory context analysis for the WSI to understand ongoing public sector–led efforts and policy objectives related to sustainable water management, and evaluate the implications for the WSI.

- ▣ As part of this analysis, WSI participants should thoroughly explore and document alternative options to the WSI, and evaluate if and how the WSI option is best suited to address the identified water challenges, opportunities, and underlying factors.
- ▣ The analysis should explicitly specify the water-related challenges and opportunities and the underlying factors or gap(s) the WSI seeks to address. In doing so, it should delineate how the WSI aligns with public policy objectives and strategies, and is expected to yield public interest benefits related to water. This entails assessing potential positive or negative impacts of the WSI on the resources of government institutions and how they can be maximized or mitigated.

How? Utilize Tool 5: Assessing the Context of a WSI, which provides practitioners with a structured approach to assessing the wider environment of the WSI and understanding the root causes of the water-related challenges it aims to tackle. The tool lays out in a stepwise approach to undertaking such a process, including how to incorporate stakeholder perspectives, key questions to ask, and overall tips.

Other Applicable Tools:

Tool 1a: WSI Integrity Risk Assessment

The purpose of carrying out a risk assessment is to enable a WSI to take the measures necessary to ensure high levels of integrity among its individual participants, for the governance and management of the initiative, and for its relationship with the broader context and environment. Understanding which integrity risks are most likely and most hazardous provides the basis to manage integrity systematically. This is key to avoiding potential policy capture and credibility issues for the WSI partners, and can help maximize value for money, longevity, and positive impact for the environment and society. An integrity risk assessment may be carried out at any stage in a WSI, though obviously it will be most beneficial at the outset.

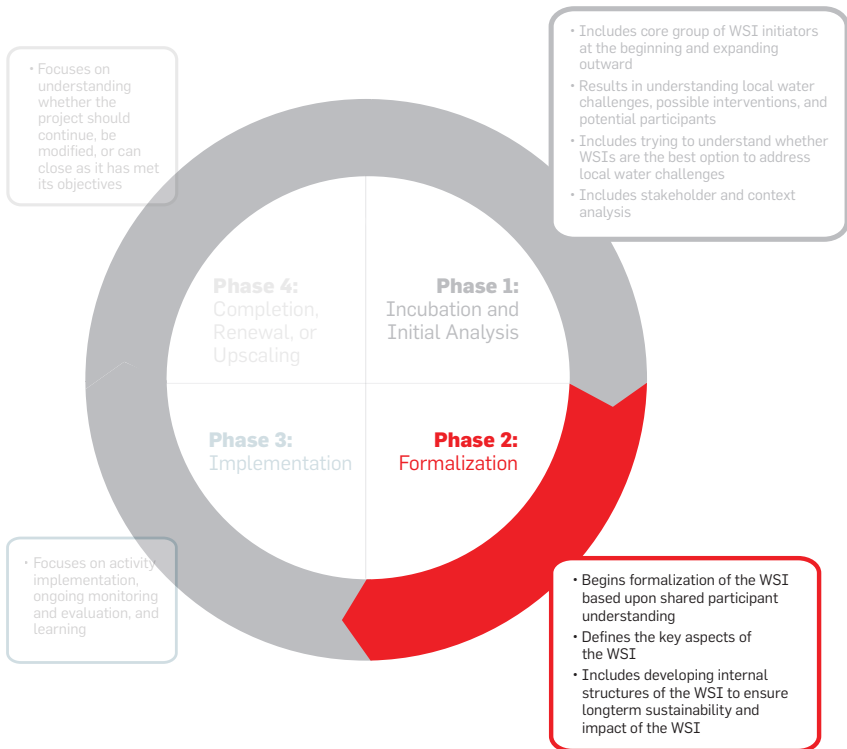
Tool 1b: Facilitator's Guide for Participatory Integrity Risk Management Exercises

Participatory integrity risk management exercises are meant to initiate a change process with participants to jointly enhance the WSI's integrity. In existing WSIs that have not yet followed an explicit integrity management approach, these exercises can serve as a starting point to align the WSI with the Integrity Management Guide. The sequence of exercises is meant to facilitate a step-wise process to identify the key activities and the supporting tools that enhance the initiative's integrity most effectively. To use time effectively, exercises should be combined and adapted to include other risks a WSI may be facing, and should be embedded into the overall management approach of the initiative. In WSIs that have integrated systematic risk management from the planning phase, the exercises serve to take stock, refine, and complement the measures put in place, to plan next steps, and to further sensitize participants.

Tool 2: WSI Model — A Template to Describe the Logic of WSIs

The WSI model provides a structure through which WSI participants can discuss and agree on key aspects of the WSI in simple terms, establishing a shared understanding among all participants. Doing so helps create transparency and provides key information for an analysis of the most salient integrity risks the WSI may face. Beyond this the WSI model helps to clarify the theory of change of the initiative. The WSI model can and should be reviewed and updated throughout the project life-cycle.

PHASE 2—FORMALIZATION



REMINDER: Addressing integrity risks related to WSI outcomes is color-coded blue, risks related to participants of WSIs is purple, and the processes and governance of the initiative are green.

KEY GUIDING QUESTIONS:

- Have public sector stakeholders' mandates been respected, and have those stakeholders been actively involved in setting the objectives and activities of the WSI?
- Are affected stakeholders contributing to the design and implementation of the WSI?
- Has the problem analysis sufficiently clarified the root causes and nature of the challenges that the WSI seeks to address? Have the opportunities for progress and the risks facing the WSI in delivering these outcomes been properly understood?
- Have participants clearly defined the scope and objectives of the WSI, as well as its benefits for the public interest and for each participant?
- Has the justification for the WSI been effectively communicated to all participants and affected stakeholders? Do channels exist to capture feedback?
- Have the capabilities and constraints of each participant been properly assessed, and a needs assessment conducted? How will the WSI deal with capacity deficits?
- Have roles and responsibilities for all activities and coordination tasks been appropriately shared?
- Have participants agreed on management and decision-making processes, how to handle communications and financial issues?
- How equitable is the decision-making process?
- How does the WSI explicitly value honesty? Are agreed procedures held up as a reference for behavior?

KEY ACTIVITIES

Determine whether and how affected stakeholders (or their proxies) can be appropriately represented in the WSI.

- The WSI should strive to ensure that participants adequately reflect the range of potentially affected interests. Where affected stakeholders (or their proxies) cannot be represented as WSI participants, establish an appropriate ongoing external engagement mechanism that enables affected stakeholders to provide periodic input to help shape the design of the WSI and its implementation.
- The effort should involve understanding who the relevant voices are (or their proxies, as appropriate) and provide a process that focuses on understanding the views of affected stakeholders, garnering their input, and sharing relevant project information. Proxies for stakeholders need to have legitimacy and authority to represent those interests.

How? Stakeholder engagement provides insights into the needs and wants of stakeholders who either have the power to influence the implementation of the WSI or are affected by it. A participatory planning process builds legitimacy and credibility for the WSI by ensuring that a range of voices are heard. Such a process brings new ideas and directions that will require the WSI to be flexible and adjust initial ideas, objectives, and intervention strategies. WSIs are iterative learning processes that require dedicated attention to improve participation through subsequent stages of its life-cycle. Utilize Tool 6: Support Materials for a Participatory Planning Process for insights.

Define among WSI participants the scope, objectives, and public interest benefits of the WSI, as well as the benefits of the WSI for respective participants.

- It is important that participants specify the change that the WSI seeks to achieve against the current state of water resource management.
- Once preliminary decisions are taken, WSI participants should communicate and validate with affected stakeholders the justification for the WSI.

How? Utilize Tool 6: Support Materials for a Participatory Planning Process and Tool 7: Basics for WSI Monitoring and Evaluation to help participants determine how to best hold these discussions. These tools offer pointers on key elements to discuss and how to effectively communicate with stakeholders.

Complete analysis of WSI participants' track records, incentives, and intentions, as well as their respective capabilities and constraints.

How? A WSI participant due diligence process involves the systematic collection and analysis of information on how a particular organization is managed or how a company does business. The investigation reveals whether a potential WSI participant commits to professional and ethical business practices, and uncovers risks and opportunities involved for the potential initiative. It also reveals conflicts of interests and participants' intentions. Utilize Tool 4: WSI Participants Due Diligence Investigation to carry this out. For participants that also act as funders, also use Tool 8: Financing and Audit Protocols to mitigate risks of capture, misleading expectations, or bad perceptions.

Assign among WSI participants suitable roles and responsibilities for all activities, coordination tasks, processes, and procedures.

- At this time, oversight responsibilities (and potentially third-party controls) should be established to ensure that WSI participant oversight can be fulfilled properly.

How? Effective and successful WSIs typically require that a broad array of functions are fulfilled. At the same time, WSI participants bring with them a broad array of expertise and resources, as well as areas in which they have limited experience and capability. As such, well-defined roles and responsibilities among WSI participants that build on their core competencies or are aligned with their main interests are critical to project success. To effectively assign and manage roles, utilize Tool 9: Managing Roles and Responsibilities within a WSI. To ensure that the roles and responsibilities are effectively carried out, oversight mechanisms may be needed. The mechanisms can be used to oversee the WSI's operations or implementation of specific WSI agreements and verify compliance with agreed procedures. Oversight mechanisms should be specified in the written agreements that govern a WSI to ensure transparency and to establish a reference point to hold WSI participants accountable if needed. Use Tool 10: Establishing Written Agreements for a WSI. To understand how to establish oversight mechanisms that go beyond internal measures, refer to Tool 11: Options for Independent Oversight.

KEY ACTIVITIES

Jointly identify and establish equitable decision-making structures and processes within the WSI, ensure that effective communications occur among WSI participants and with affected stakeholders, and clarify how financial issues will be handled.

- It is important to consider linking the decision-making processes to the purpose and objectives of the WSI.
- This includes establishing clear expectations about remuneration and flows of funding at the outset, and informing participants about financial commitments and disbursement procedures.
- It is important to develop clear communication channels with affected stakeholders about the type of information that will be communicated, and the intervals and mechanisms for communications.

How? The purpose of a memorandum of understanding (MoU) within a WSI is to formally agree on the shared objectives, roles, and ground rules of an initiative, and includes defined decision-making structures. Even where an MoU is not legally binding, it represents an important mutual commitment, should be signed at the senior level within each partner organization, and should have regular performance reviews. See Tool 10a: Developing a WSI Memorandum of Understanding. In addition, financing and auditing protocols for WSIs may also help participants comply with moral or legal duties related to funding arrangements. For relevant guidance, also see Tool 8: WSI Financing and Audit Protocols.

Clarify expectations of behavior to guide participants' engagement in the WSI.

- This includes explicitly valuing honesty and upholding agreed procedures as a reference for behavior.

How? Developing a shared understanding of integrity in a specific WSI is an essential exercise in stakeholder collaboration that serves to build trust among actors, share experiences and good practices, identify shared values, and clarify expectations. As a central reference, a Code of Conduct guides WSI participants when dealing with ethical dilemmas and grey areas in decision-making and engagement processes. Utilize Tool 10b: Developing a WSI Code of Conduct.

Explore organizational forms that align with the purpose and nature of the WSI.

- The right organizational form can provide legal certainty and establish a linkage to existing regulatory frameworks and their subsidiary standards and/or rules relating to aspects of integrity (e.g., financial accounting and contracting). It also enables the use of legal accountability mechanisms in case of disputes.

How? The overarching purpose of the organizational form is to support joint activity in delivering the objectives of the WSI. The organizational form needs to be flexible to allow the exploration of opportunities within the WSI before development and implementation of the WSI goals and objectives. For guidance on options for establishing a form, utilize Tool 10: Establishing Written Agreements for a WSI.

KEY ACTIVITIES

Assess the likelihood of policy capture and establish adequate safeguards to reduce capture risks.

- ▣ Such an assessment will inherently increase understanding among WSI participants as to what constitutes capture and will raise awareness of relevant risks for the public agencies involved in the WSI, as well as for the WSI as a whole.

How? “Capture” can be understood to occur when discretionary decision-making or policy processes become systematically distorted or biased in favor of some interests over others due to structured imbalances in power and influence. The undue influence or “capture” of public policy, public funds or regulatory processes, or of the water resource itself are perhaps the most significant integrity hazards facing WSIs. Identifying these hazards and marking out with “red flags” where and how capture might happen is a first step toward mitigating capture risks. Utilize Tool 1c: Red Flags to Assess and Monitor Capture Risks to effectively implement a process for assessing capture risks.

Subsequent to the assessment, establish a mechanism for monitoring and oversight of policy capture risks.

Establish an exit strategy for the WSI.

How? The “exit strategy” is the plan that clarifies how the WSI will end or transform (e.g., once goals have been achieved; at the end of the project or funding cycle) or that makes provision for the withdrawal of participant organizations. Fostering sustainability and mitigating risks of failure lie at the heart of this strategy. It needs to be designed jointly from the onset and revisited regularly as the initiative evolves. Find additional guidance for developing an exit strategy by using Tool 12: Developing an Exit Strategy.

Establish an M&E mechanism that enables WSI participants to understand both expected and unexpected outcomes, and determine whether the WSI is meeting its stated objectives.

The M&E mechanism can be a key tool in the ongoing implementation of a WSI, and among other benefits, it allows participants to continually monitor for new integrity risks that may arise. It also enables learnings from the mechanism to be integrated into future WSI activities.

How? Monitoring is a periodic and structured activity where priority information about the WSI is collected to assess performance against the defined objectives. Evaluation involves analyses of the WSI’s activities, characteristics, and outcomes to determine the merit of the initiative and to generate lessons for the future. Tool 7: Basics for WSI Monitoring and Evaluation provides an overview of the importance of developing M&E jointly with WSI participants.

Other Applicable Tools:

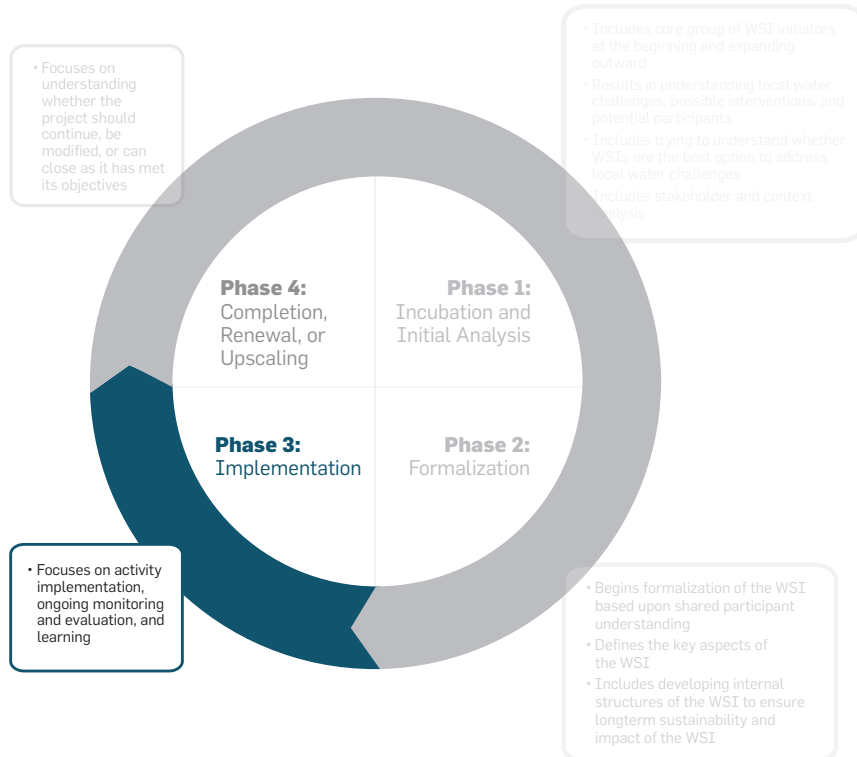
Tool 1a: WSI Integrity Risk Assessment

The purpose of carrying out a risk assessment is to enable a WSI to take the measures necessary to ensure high levels of integrity among its individual participants, for the governance and management of the initiative, and for its relationship with the broader context and environment. Understanding which integrity risks are most likely and most hazardous provides the basis to manage integrity systematically. This is key to avoiding potential policy capture and credibility issues for the WSI partners, and can help maximize value for money, longevity, and positive impact for the environment and society. An integrity risk assessment may be carried out at any stage in a WSI, though obviously it will be most beneficial at the outset.

Tool 1b: Facilitator's Guide for Participatory (Integrity) Risk Management Exercises

Participatory integrity risk management exercises are meant to initiate a change process with participants to jointly enhance the WSI's integrity. In existing WSIs that have not yet followed an explicit integrity management approach, these exercises can serve as a starting point to align the WSI with the Integrity Management Guide. The sequence of exercises is meant to facilitate a step-wise process to identify the key activities and the supporting tools that enhance the initiative's integrity most effectively. To use time effectively, exercises should be combined and adapted to include other risks a WSI may be facing, and should be embedded into the overall management approach of the initiative. In WSIs that have integrated systematic risk management from the planning phase, the exercises serve to take stock, refine, and complement the measures put in place, to plan next steps, and to further sensitize participants.

PHASE 3—IMPLEMENTATION



REMINDER: Addressing integrity risks related to WSI outcomes is color-coded blue, risks related to participants of WSIs is purple, and the processes and governance of the initiative are green.

KEY GUIDING QUESTIONS:

- How are the quality of the representation and engagement of stakeholders monitored? Are actions taken to balance various interests where needed?
- How is adherence to agreed procedures being effectively monitored? ? Are shortcomings properly addressed?
- Have participants had the opportunity to discuss, challenge, and improve the logic behind how the WSI will contribute to more sustainable water management?
- Is an M&E system in place to track progress of the WSI and readjust the course of the program as needed?
- Do communication mechanisms provide sufficient information on the performance of the WSI?

KEY ACTIVITES

Monitor WSI participant representation and engagement of affected stakeholders over the course of the WSI, and take action to balance interests where needed.

- ▣ Responsiveness, attendance at meetings, and engagement in the implementation of activities and in the coordination of the initiative should be monitored in regular intervals, to track stakeholder engagement throughout the implementation of a WSI.

Monitor WSI participant adherence with and exceptions to defined governance procedures.

- ▣ Ensure that issues of noncompliance with WSI agreements are addressed in a timely and appropriate manner. Monitor and audit the adherence to financing and audit protocols, and refine those in case provisions are not suitable or sufficient.

Regularly question and verify the WSI's theory of change and adapt/improve to ensure that it is aligned with stated WSI objectives and contributes to sustainable water management more generally.

How? Tool 2: WSI Model — A Template to Describe the Logic of WSIs provides a template to capture in a nutshell how a WSI will operate and generate shared benefits. It provides the basis for developing a strategy to improve the impact and integrity of the WSI. The WSI model provides a structure through which WSI participants can clearly and transparently discuss key aspects of the WSI so they can understand whether the WSI is meeting its theory of change.

Periodically make accessible to WSI participants and affected stakeholders information on performance of the WSI in relation to stated objectives and predicted benefits.

How? Throughout this stage, the effective usage of monitoring and evaluation will be necessary to understand how well the WSI is meeting its stated objectives. Agreement on a shared goal, outcomes, and outputs, and systematic collection and assessment of delivery against these is vital to enable learning, informed decisions, and improved practice in future, for internal and external accountability against the resources used, and for appraisal of WSI effectiveness, efficiency, and sustainability. Further guidance on development and use of monitoring and evaluation can be found in Tool 7: Basics for WSI Monitoring and Evaluation.

Other Applicable Tools:

Tool 1a: WSI Integrity Risk Assessment

The purpose of carrying out a risk assessment is to enable a WSI to take the measures necessary to ensure high levels of integrity among its individual participants, for the governance and management of the initiative, and for its relationship with the broader context and environment. Understanding which integrity risks are most likely and most hazardous provides the basis to manage integrity systematically. This is key to avoiding potential policy capture and credibility issues for the WSI partners, and can help maximize value for money, longevity, and positive impact for the environment and society. An integrity risk assessment may be carried out at any stage in a WSI, though obviously it will be most beneficial at the outset.

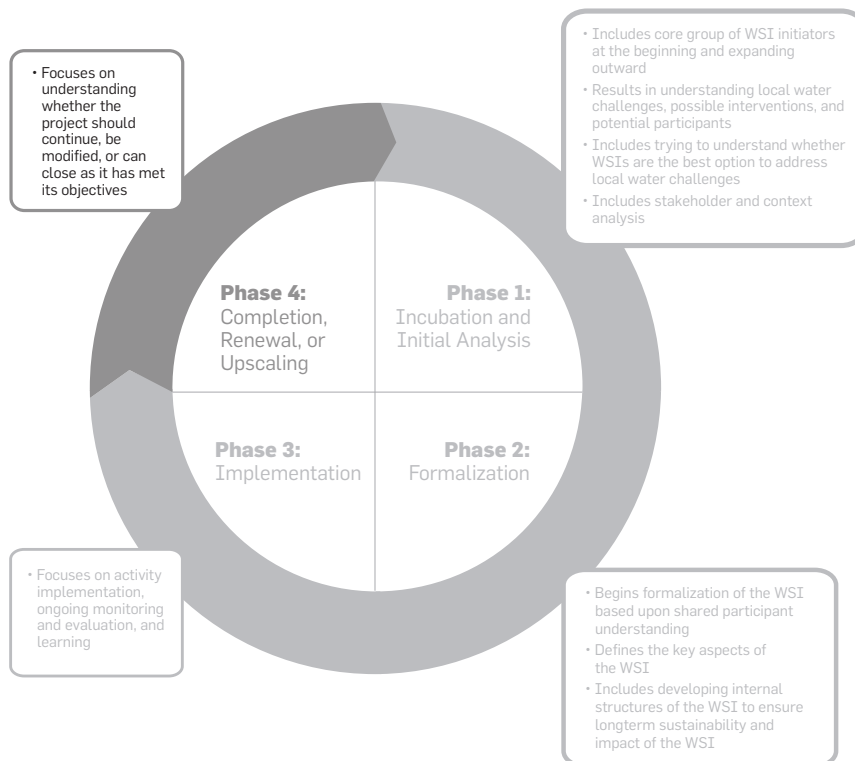
Tool 1b: Facilitator's Guide for Participatory (Integrity) Risk Management Exercises

Participatory integrity risk management exercises are meant to initiate a change process with participants to jointly enhance the WSI's integrity. In existing WSIs that have not yet followed an explicit integrity management approach, these exercises can serve as a starting point to align the WSI with the Integrity Management Guide. The sequence of exercises is meant to facilitate a step-wise process to identify the key activities and the supporting tools that enhance the initiative's integrity most effectively. To use time effectively, exercises should be combined and adapted to include other risks a WSI may be facing, and should be embedded into the overall management approach of the initiative. In WSIs that have integrated systematic risk management from the planning phase, the exercises serve to take stock, refine, and complement the measures put in place, to plan next steps, and to further sensitize participants.

Tool 2: WSI Model — A Template to Describe the Logic of WSIs

The WSI model provides a structure through which WSI participants can discuss and agree on key aspects of the WSI in simple terms, establishing a shared understanding among all participants. Doing so helps create transparency and provides key information for an analysis of the most salient integrity risks the WSI may face. Beyond this the WSI model helps to clarify the theory of change of the initiative. The WSI model can and should be reviewed and updated throughout the project life-cycle.

PHASE 4—COMPLETION, RENEWAL, OR UPSCALING



REMINDER: Addressing integrity risks related to WSI outcomes is color-coded blue, risks related to participants of WSIs is purple, and the processes and governance of the initiative are green.

KEY GUIDING QUESTIONS:

- Is an M&E system in place to track progress of the WSI and readjust the course of the program as needed?
- Have agreed M&E mechanisms led to effective tracking of new integrity risks?
- Has an appropriate exit strategy been designed?
- Do communication mechanisms provide sufficient information on the performance of the WSI?

KEY ACTIVITES

Undertake a participatory final evaluation and financial audit of the WSI, and communicate results to affected stakeholders.

- ▣ The evaluation should focus on understanding how well the WSI met its stated objectives and its ability to bring about increased SWM.

Engage affected stakeholders in the decision-making process for renewing, upscaling, or completing the WSI.

How? Stakeholder engagement provides insights into the needs and wants of affected stakeholders who have the power to influence the implementation of WSIs or are affected by a WSI. Several relevant guidance documents are provided in Tool 6: Support Materials for a Participatory Planning Process. The outcomes of a final (ideally independent) evaluation should be used to inform the decision making concerning renewal or completion of the WSI.

Determine how to best ensure that activities and outcomes are appropriately embedded into existing institutions.

How? The exit strategy is the plan that clarifies how the WSI will end or transform (e.g., once goals have been achieved, or at the end of the project or funding cycle). Fostering sustainability and mitigating risks of failure lie at the heart of this strategy. It must be designed jointly from the onset and revisited regularly as the initiative evolves. For more guidance see Tool 12: Developing an Exit Strategy.

Establish a process to monitor and evaluate capture risks during the completion and/or transformation of the initiative.

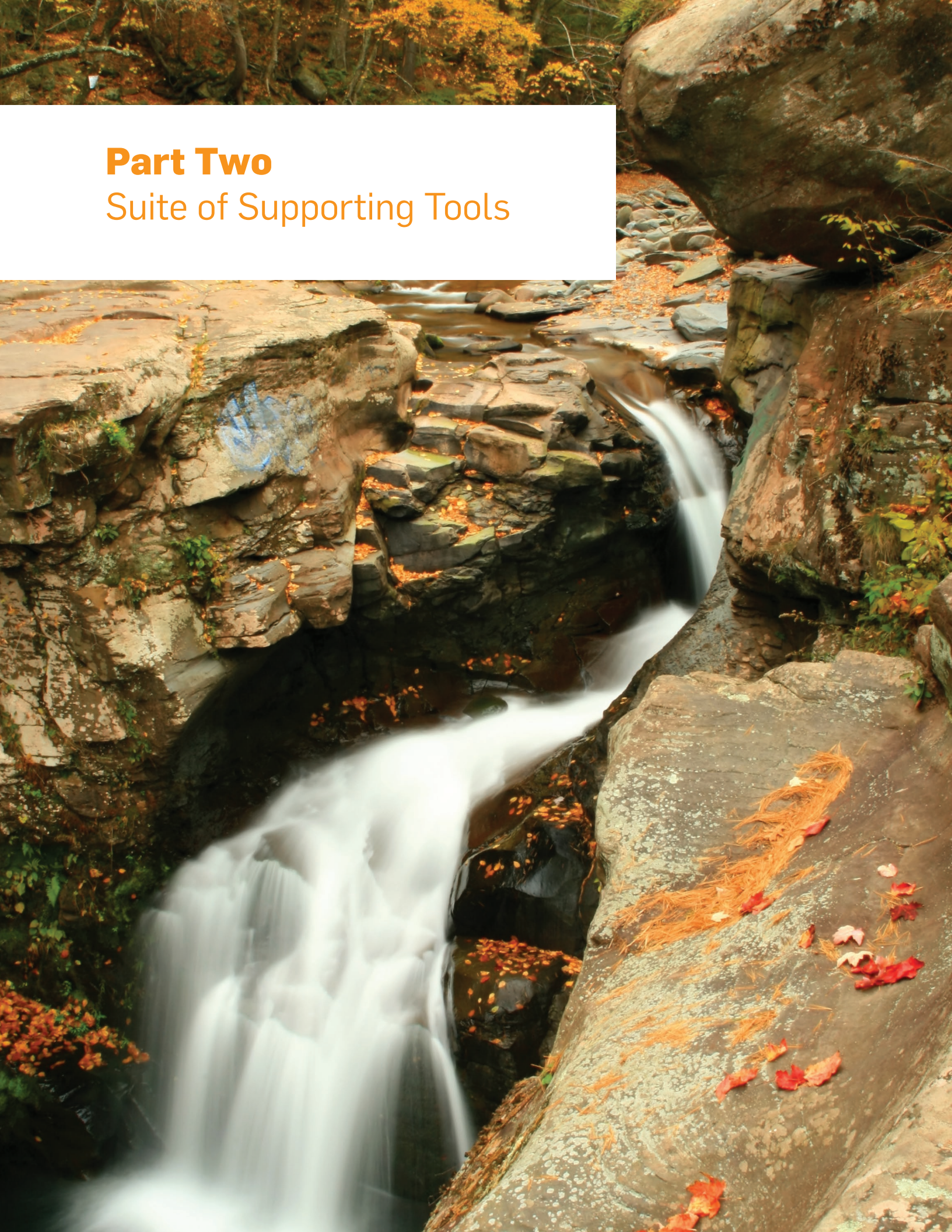
How? Capture can be understood to occur when discretionary decision-making or policy processes become systematically distorted or biased in favor of some interests over others due to structured imbalances in power and influence. The undue influence or "capture" of public policy, public funds, or regulatory processes, or of the water resource itself, is perhaps the most significant integrity hazard facing WSIs. Identifying these hazards and marking with red flags where and how capture might happen is a first step toward mitigating capture risks. Utilize Tool 1c: Red Flags to Assess and Monitor Capture Risks to effectively implement a process for assessing capture risks.

For completion, establish appropriate mechanisms for managing residual finances and assets from the initiative.

When renewing or upscaling, initiatives may also consider (a) undertaking activities under Phase 1 to understand the continued need for the WSI given current realities, and (b) undertaking an integrity risk assessment to ensure that integrity management is embedded in the WSI's ongoing implementation.

Part Two

Suite of Supporting Tools



Suite of Supporting Tools

The following suite of tools provides practical insights and a range of supporting products that can help practitioners manage WSI integrity issues, with a view to improving the overall governance and impact of such initiatives.

How to Use the Supporting Tools

The tools support practitioners in implementing the key activities outlined in Part One–Section IV of the guide. They include diagnostic tools to help **WSI participants** identify and analyze integrity risks in the context of their specific WSI, as well as action-oriented tools to mitigate these risks. This guide is intended to assist practitioners in managing integrity as part of overall WSI management (as opposed to making it an additional undertaking), and thus many of the tools in this toolkit (e.g., Tool 5: Assessing the Context of a WSI or Tool 10a: Developing a Memorandum of Understanding) can be thought of as basic project management tools that are much broader than integrity. The summary table at the outset of each tool highlights how it can be used to safeguard integrity and the key aspects that deserve special attention in this regard. Moreover, some of the tools, like *Tool 1b: Facilitator’s Guide for Participatory Integrity Risk Management Exercises*, provide some ideas for integrating these integrity issues into broader ongoing activities for greater efficiency.

This toolbox does not include all the possible tools that could be used to manage high levels of integrity in a WSI, nor is it intended that every WSI using this guide would need or want to implement all of the tools in Part Two. Rather, the tools in Part Two focus on how some of the most commonly encountered WSI integrity issues can be addressed. They can be used *a la carte*, in some cases offering a number of options to choose from based on an assessment of where the WSI stands, what the most pressing integrity issues are, and into which current processes integrity aspects can be integrated.

Where possible, the tools provide “off-the-shelf” templates, checklists, minimum standards, or sample clauses for agreements. Nonetheless, they are meant to be used as approximate guidance (not prescriptive blueprints) to assist **WSI practitioners** in establishing context-specific solutions. In adapting tools to their specific context, **WSI participants** will need to consider the type and size of their partnership, local capacities, available resources, and specific risks facing their WSI. Hence, practitioners are invited to shape these tools as necessary or simply use them as inspiration to find their own solutions. In doing so, **WSI participants** need to balance the need for formal arrangements with more trust-based cooperation, depending on the local water management framework and the relationships among themselves and with **affected stakeholders**.

In the process of putting this guide into practice in a growing number of WSIs, the suite of tools will no doubt further evolve. New tools or variations can be developed, lessons on what’s achievable with a tool can be drawn, and examples can be provided to augment the tools.

Tool 1: Analyzing Integrity Risks and Initiating Mitigation Strategies in WSIs

<p>Purpose</p>	<p>Establishes the most important integrity risks that undermine the WSI's contribution to sustainable water management, and provides the basis for systematically managing and mitigating integrity risks.</p> <ul style="list-style-type: none"> ▣ Raises awareness of critical aspects and weaknesses that undermine the impact of the WSI. ▣ Analyzes when a WSI may be misused to divert public resources and priorities or for undue influence over the water sector.
<p>Possible Users</p>	<p>WSI participants</p>

The purpose of conducting an integrity risk assessment is to identify the WSI's specific integrity risks and, in turn, to identify the measures needed to ensure high levels of integrity among its participants, for the governance and management of the initiative, and for its relationship with the local context and environment. Understanding which integrity risks are most likely and hazardous serves as the basis for efficient and effective management.

Given the diversity of WSIs, the most appropriate timing and approach to analyzing integrity risks should be decided on a case-by-case basis. However, it need not be an onerous or resource-heavy process; it is simply about scoping out the potential integrity problems that a WSI could face. The earlier, more inclusively, and more thoroughly this can be done, the better. The approaches below can help **WSI participants** understand integrity risks. *Tool 1a: WSI Integrity Risk Assessment* builds on desk reviews and interviews of key informants to help generate the most relevant information. Integrity risks can also be assessed as part of a larger meeting or over the course of several regular management workshops. *Tool 1b: Facilitator's Guide for Participatory WSI Integrity Risk Management Exercises* provides a sequence of exercises that can guide **WSI participants** in analyzing integrity and other risks a WSI may face. Facilitation by an independent and experienced third party, using a well-adapted process, will help create a safe place for **stakeholders** to share their fears and anxieties about integrity issues the WSI may encounter and to build trust and openness. Generating a shared understanding of integrity risks is a very valuable process in itself, and only in very challenging contexts may it be more appropriate for WSI managers to conduct the assessment in private.

The undue influence or “**capture**” of public policy, public funds, or regulatory processes, or of the water resource itself, are perhaps the most significant integrity hazards facing WSIs. *Tool 1c: Red Flags to Assess and Monitor Capture Risks* provides detailed guidance not only for **WSI initiators** and participants, but also for affected **stakeholders** to identify these hazards and highlight where and how **capture** might happen.

Tool 1a: WSI Integrity Risk Assessment

Tool	A guide on conducting a WSI integrity risk assessment that supports identification of the priority risks facing the initiative, and helps evaluate appropriate risk mitigation measures.
Related Key Activity	Understanding integrity risks facing WSIs.
Purpose	Inventory integrity risks related to the outcomes, participants, and processes that govern a WSI: <ul style="list-style-type: none"> ▣ Raise awareness of critical aspects that undermine the impact of the WSI. ▣ Identify mitigation measures and responses.
Possible Users	WSI initiator(s) or as a group exercise among initial WSI participants; at later phases all affected stakeholders may be involved.
Level of Effort	From internal exercise by WSI initiator(s) to comprehensive assessment (e.g., as part of context analysis or general risk management); at the outset of an initiative, risks should be scoped as widely as possible.
WSI Phase	Especially during 1: Incubation and Initial Analysis and 2: Formalization, but can be beneficial across all WSI phases.

An integrity risk assessment may be carried out at any phase in a WSI, though it will be most beneficial to do in the Incubation and Initial Analysis or Formalization phases, and to review the assessment and efficacy of integrity management throughout the life cycle of a WSI at specific intervals. Although risk assessment can be done as a theoretical, desk-based exercise, it is preferable to increase rigor and ownership by conducting informant interviews with **WSI participants** and affected **stakeholders**.

To support prioritized mitigation responses, integrity risk areas emerging through the assessment can be ranked according to the magnitude of the hazard they pose and the likelihood of their occurrence. The nature of each integrity risk area should be elaborated using examples. Options for mitigation should also be set out, drawing on **WSI participant** and **affected stakeholder** suggestions. As stated it is likely to be most efficient to address integrity risks as part of a wider risk management exercise for the WSI.

Guidance for implementation

Five steps to guide the development of an integrity risk assessment tool are suggested below:

Step 1: Decide an Optimal Strategy

- The strategy for applying the integrity risk assessment should include thinking about when, how, and with whom to work in terms of both stakeholders and facilitators.
- The selected strategy should streamline and integrate the assessment with other phases or activities (i.e., WSI planning and review workshops or during the evaluation).

Step 2: Examine the Context to Flag Likely Integrity Risks

- Activities can include desk reviews or specially commissioned studies to understand the political economy, or consultation and interviews with stakeholders.
- Different partners may perceive the risks of the WSI differently. Therefore it is imperative that an appropriate range of stakeholder perceptions is collated.

Step 3: Engage Stakeholders

- Engagement may be through a meeting or participatory workshop to identify and validate risks associated with the WSI.
- In some cases an imbalance of power within stakeholder groups may result in skewed results, or some stakeholders may not share their views. The presentation of data scoped in Step 2 and good workshop design and process can prevent this.

Step 4: Prioritize Risks and Develop Mitigation Strategies

- All stakeholders involved in this process should share an understanding of the definition and concept of “integrity” and understand the objectives of the risk assessment.
- To help participants understand integrity challenges, they should be introduced to the definition used in this guidance and provided with examples of different types of integrity risks (see Part One Section II).
- A useful exercise is to present the Kadee Case Study (see Appendix A) and have participants identify or explore the integrity challenges faced.
- Existing frameworks and processes known to facilitators and participants can be used to identify and prioritize integrity challenges and plan mitigation responses. Alternatively, a process tailor-made for the specific WSI can be developed. However, in the next section we present guiding questions, a example risk register (Table 2), and risk-rating matrix (Table 3), which can be drawn on to support the process.

Step 5: Monitor and Review

- The WSI integrity risk register should be monitored and reviewed as part of the on-going WSI management cycle, with clear lines of responsibility, actions and timescales for mitigation, assessment of effectiveness, and appraisal of new risks, along with resources to support the process.

Guidance for analysis of integrity risks of WSIs

The risk assessment should draw on the perspectives of those participating in, or potentially affected by, the WSI through interviews and/or workshop input to identify the nature of risks faced, their relative significance, and to solicit advice on how they can be managed. The following questions can be used to guide stakeholder discussions:

1. **What are the main integrity challenges facing the future/current/past WSI?** Consider in turn the cause and nature of risks to participant credibility, fair process, and achieving good outcomes.
2. **Who is at risk because of these challenges?** Could the risks potentially impact participants, the public, communities, water institutions, or the environment?
3. **How severe is the impact of the risk?** Are the impacts temporary, long-term, or irreversible? Minor, severe, or extreme?
4. **What is the likelihood of the problem occurring?** Given the context, the nature of the WSI, and the partners, is there a strong, medium, or weak chance that the integrity risk will actually happen?
5. **How can the project prevent or manage the integrity risks?** How can it ensure that participants are credible, processes are fair, and outcomes appropriate?
6. **How effective are these mitigation measures likely to be?** Is it realistic to assume that the integrity risk mitigation measures will be effective? Have they worked well in the past? What has not worked so well and why?

Group responses to these guiding questions should be used to prioritize and plan mitigation actions based on the severity of the hazard and likelihood of occurrence, and to populate the WSI risk register and mitigation plan. The guiding principle here is that a hazard that can potentially exert negative impacts beyond the confines of the WSI itself—on people, the environment, institutions, or society—is assigned a higher hazard score than those likely to impact only the WSI. Risks with either a high likelihood or a high impact warrant special attention and effort to reduce, remove, manage, or monitor risk. The risk register and rating matrix below should be expanded to help **WSI participants** and affected **stakeholders** to systematically consider risks and the adequacy of mitigation responses. The risk register (Table 2) has been partially filled for illustrative purposes only.

In applying and interpreting these tools, a common sense and proportionate approach is encouraged. The integrity risks facing WSIs can be very real and immediate, affecting large numbers of vulnerable people or the environment and must be seriously considered and managed in a structured way. However, the nature and severity of integrity risks will vary depending on the nature and context of the WSI. Those with long-term experience of the contexts at hand and those involved with and affected by the initiative will be well positioned to establish the relative seriousness of risks and the adequacy of responses.

The example risk register (Table 2) and risk-rating matrix (Table 3) can be used to set out the risks and work through a process of prioritization, which directs mitigation actions toward the most severe risks. Using the example in the first line of the table:

- a. Risk area identified: Participants.
- b. Specific risk identified: The track record of one or more participants damages the integrity of the WSI.
- c. Possible impact identified: The public or political credibility and therefore effectiveness of the WSI could be undermined if one or more participants are severely contravening pollution control law.
- d. Assess likelihood: Drawing on Table 2, participants agree that because they have thoroughly vetted and ensured transparency of internal control mechanisms and compliance by all partners in the WSI, the likelihood of this occurring is low: “unlikely – a possibility of occurrence”. A low score of 1 is therefore assigned, with a heat-based color scheme denoting levels from low (yellow), medium (orange), and high (red).
- e. Assess impact: Based on discussion, and bearing in mind the nature of the WSI and its context (which concerns water quality in a severely polluted basin where people and ecosystems are impacted), it is decided that the impact of a partner causing serious pollution on the integrity of the WSI would be significant (orange, score 2) because of the long-term impact on the initiative.
- f. Mitigation actions (specifying who, what, and when): Actions to reduce the likelihood or impact of the integrity risk are specified here and include *Tool 4: WSI Participants Due Diligence Investigation*. Who does what and when is specified to remove ambiguity and ensure that mitigation actions can be tracked.
- g. The tolerability of the risk is considered based on this previous profiling of the risk and agreement on the likely efficacy of the mitigation measures.
- h. Ownership of risk management and reporting is assigned, and a review period specified; in this case to the **WSI initiator**, who will review the risk and update the status of mitigation actions every six months.

The risk-rating matrix in Table 3 can be used to help varied audiences score and prioritize integrity risks based on **likelihood** of occurrence and **impact** of hazard presented. The function of likelihood and impact scores can be calculated to indicate risk severity.

Table 2: Simplified Example of a WSI Integrity Risk Register

a. Risk area	b. Specific risk	c. Possible impact(s)	d. Likelihood	e. Impact	f. Mitigation actions (who, what, when)	g. Is the risk tolerable with mitigation? (Y/N)	h. Risk manager and review period
Participants	Track record	Partners undermine public credibility of the WSI and co-partners because of mismanagement, ongoing pollution, non-payment of tax, or corruption.	1	2	<p>WSI initiator to carry out thorough local due diligence check on formal partners and require full disclosure on compliance prior to MoU signing.</p> <p>Select appropriate partners based on nature of WSI.</p> <p>Test credibility with focus group.</p> <p>Draw up detailed partnership agreement.</p> <p>Agree on a public position on partner performance and existing strategies.</p>	<p>Yes —</p> <p>Dependent on nature of WSI and partners — best judged locally by WSI participants and stakeholders</p>	WSI initiator: report every 6 months.
Participants	Continuity	Staff representing partners change jobs frequently so the levels of internal accountability, institutional memory, and the chance of getting things done are low.	3	2	<p>Secure and record senior formal commitment to WSI.</p> <p>Partnership agreement detailing contingency plans.</p> <p>Monitor and report partner staff attendance and delivery on agreed actions.</p>	Yes	WSI initiator and WSI participants
Processes & governance	Planning and design	Flawed planning means that focus of WSI does not address shared water risk, thus wasting funds and effort.	2	2	<p>Ensure that situation and context analyses, including a political economy analysis, are completed and incorporated in design.</p> <p>Establish clear theory of change validated by balanced group of WSI stakeholders and affected stakeholder groups.</p> <p>Establish, track, and report on WSI M&E framework.</p>	Yes	WSI practitioner, initiator
Outcomes & SWM	Policy capture	WSI results in policies, laws, or actions that privilege certain groups (through guaranteed water access or lower costs), and prejudice against interests of the wider public, vulnerable groups, or environmental concerns.	3	3	<p>Establish potential perverse outcomes of WSI at early stage with WSI participants and affected stakeholder groups.</p> <p>Include legitimate and credible interests that can potentially be affected negatively by WSI at governance level.</p> <p>Full public disclosure of design, intent, and progress of WSI.</p> <p>Independent oversight and evaluation.</p>	<p>No —</p> <p>In some contexts—highly contested water, compromised governance, low partner controls, lack of stakeholder representation—the risks of capture may be too great and mitigation measures ineffective.</p>	WSI initiator

Table 3: WSI Integrity Risk Rating Matrix

		IMPACT: Moderate	IMPACT: Significant	IMPACT: Catastrophic
		1	2	3
Likely: Will probably occur	3	3	6	9
Possible: May occur at some time	2	2	4	6
Unlikely: Will probably not occur	1	1	2	3
1 — Low: Monitor and manage using routine procedures.				
2 — Medium: Management responsibility must be specified.				
3, 4 — High: Senior management attention, detailed planning, and monitoring needed.				
6 — Very High: Immediate action required to explore suitability of initiative.				
9 — Extreme: Unacceptable risk.				

The following matrix provides a reference to evaluate the level of impact of specific integrity risks of WSIs:

	IMPACT: MODERATE	IMPACT: SIGNIFICANT	IMPACT: CATASTROPHIC
Beyond the confines of the WSI — impacts on:			
People	n/a (any negative impact on people is significant or catastrophic)	Temporary or localized detriment to people's health, livelihoods, or well-being.	Permanent or widespread reduction in health, livelihoods, and well-being.
Environment	n/a (any negative impact on environment is significant or catastrophic)	Temporary or localized detriment to environment.	Permanent or widespread detriment to environment.
Institutions	Some competition with local institutions for authority or resources.	Undermining of local institutional performance.	Long-term undermining of institutional functioning at local, basin, or national scale.
Internal to the WSI — impacts on:			
Economy	Inefficiency and poor value for money.	Ineffective use of budget.	Creates cost distortions or gross waste of funds.
Reputation	Local mention and scrutiny only. Ability of partners and initiative to operate unaffected.	Persistent national concern and external scrutiny. Long-term brand impact for initiative.	International concern, government inquiry, or sustained adverse media. Brand Impact on partners.
Capability	Some impact on delays and system quality.	Impact resulting in reduced performance of partners or initiative. Targets not met.	Protracted unavailability of critical skills and people external to the initiative.

Further reading:

- Voluntary Services Overseas (VSO). 2004. *Participatory Approaches: A Facilitator's Guide*. London: VSO. <http://www.participatorymethods.org/resource/participatory-approaches-facilitators-guide>.
- Department for International Development (DIFD). March 2003. *Tools for Development: A handbook for those engaged in development activity*, Version 15.5.
- <http://webarchive.nationalarchives.gov.uk/http://www.dfid.gov.uk/Documents/publications/toolsfordevelopment.pdf>.

Tool 1b: Facilitator's Guide for Participatory Integrity Risk Management Exercises

Tool	Guidance for the facilitation of a sequence of integrity management exercises for WSI participants to jointly assess context and related integrity risks, and to agree on measures to ensure the initiative's integrity.
Related Activity	The exercises should be embedded into the regular consultations and management activities of a WSI and can be used to share the integrity risk assessment.
Purpose	Initiate a change process with participants to jointly enhance the WSI's integrity: Identify integrity risks that are most relevant to a given WSI, given its scope and context. Develop a workplan that specifies how activities that are most relevant at a given phase of a WSI will be implemented.
Possible Users	WSI participants and where feasible affected stakeholders.
Level of Effort	Included in a larger management workshop or selected exercises, and integrated into subsequent regular working meetings of the WSI.
WSI Phase	2: Formalization, and 3: Implementation.

Participatory integrity risk management exercises are meant to initiate a change process in which participants jointly enhance the WSI's integrity. In existing WSIs that have not yet followed an explicit integrity management approach, the following exercises can serve as a starting point to align the WSI with these integrity management guidelines. The sequence of exercises is meant to facilitate a step-wise process to identify the key activities and the supporting tools that enhance the initiative's integrity most effectively. To use time effectively, exercises should be combined and adapted to include other risks a WSI may be facing and should be embedded into the overall management approach of the initiative. For WSIs that have integrated systematic risk management from the planning phase, the exercises serve to take stock, refine, and complement the measures put in place, plan next steps, and further sensitize participants.

Ideally these integrity risk management exercises would be included in a larger management workshop. In case a comprehensive risk assessment (Tool 1a) has been carried out, the results can be shared in Exercise 3 and provide guidance for the subsequent exercises. Where this approach is not feasible, individual exercises can be integrated into regular working meetings of the WSI.

The exercises should ideally involve all the active participants of a WSI. Wherever possible, the integrity management exercises can further be used to engage and understand critiques and other affected **stakeholders**.⁵ As ensuring integrity in WSIs is closely linked to the overall development of such initiatives (i.e., how they are managed and governed), it is recommended to describe the logic of a WSI using the *Tool 2: WSI Model*, and to use this description as a central reference point throughout the subsequent exercises. The outcome of the exercises is a workplan that specifies how the most relevant activities will be implemented, how they will enhance the integrity and impact of the WSI, and which risks will be addressed. The tool comes with a set of facilitation materials, developed to convey the content of this guide and to enable effective learning with a diverse group of participants (see the Overview at the end of this Facilitator's Guide). To analyze other risks a WSI may be confronted with, these materials should be complemented and adapted on a case-by-case basis.

⁵ Otherwise, the outcomes of the workshop should be communicated with other affected **stakeholders** to activate them as potential external partners for activities.

Taking into account that collective action works on the basis of cooperation and not hierarchy, the sequence of exercises combines several methodological approaches to provide for dialogue and consensus rather than hierarchical orders.⁶ It enables WSI managers and facilitators to tap into the knowledge of the participants and jointly develop appropriate solutions for the local context. At the same time, such a process increases awareness of why integrity is crucial to collective action and helps build the trust needed among participants to effectively tackle shared **water challenges**.

Guidance for implementation

The six integrity risk management exercises are interlinked, which should be taken into account when implementing them over the course of several working sessions. The introduction to integrity management for WSIs (Exercise 1) and the development of the *WSI Model* (Exercise 2) can be implemented as stand-alone activities that raise awareness about integrity risks and that structure information on the WSI's **theory of change** inclusively and transparently. If there exists a well-structured description of the WSI's logic, participants can combine their efforts to prioritize integrity risk areas (Exercise 3) and further analyze the risks using the related guiding questions (Exercise 4). Identifying key activities to enhance the WSI's impact and integrity (Exercise 5) and developing a road map for action (Exercise 6) build on the results of previous exercises.

The sequence of these exercises is summarized below, highlighting their purpose and scope. Further guidance for the workshop facilitation is provided in the Facilitator's Guide below.

⁶ The facilitators' guide therefore combines the methodologies used in: (1) the Integrity Management Toolbox: Janek Hermann-Friede, Michael Kropac, Sarah Achermann, Johannes Heeb, and Lotte Feuerstein, Integrity Management Toolbox for Water Service Providers – Manual for Facilitators (Berlin: cewas, WIN, and GIZ, 2014), <http://www.waterintegritynetwork.net/publications/>; and (2) the Annotated Water Integrity Scan (AWIS): Jan-Teun Visscher and Janek Hermann-Friede, AWIS Facilitator's Guide (Berlin: WIN and Transparency International, 2011), <http://www.waterintegritynetwork.net/publications/>.

**Exercise 1:
Integrity Management
Introduction (~1hr)**

- This module is about setting the scene: familiarizing participants with the topic, setting the tone of the workshop, and clarifying questions and expectations.
- An integrity management workshop brings WSI participants together to jointly analyze the integrity status of their initiative and prioritize key activities to be put in place or strengthened to increase the WSI's impact.
- After the scope of the workshop has been clarified, it is important to introduce the seven operating principles included in this guide and how they frame the values and expectations that constitute integrity in WSIs.

**Exercise 2:
Developing the WSI
Model (~1.5 hrs)**

- In this module participants establish a common understanding of the WSI, providing a reference to embed the integrity management process within the overall WSI development.
- This exercise of structuring information about the WSI facilitates the different levels of engagement and understanding of the initiative across participants. This exercise captures each participant's perspective on the initiative and establishes a jointly owned reference point to analyze and enhance its integrity.
- The WSI Model will be used throughout the remaining workshop to analyze integrity risks and identify the most relevant activities and supporting tools to strengthen the governance and management of the initiative. Indeed, the WSI Model developed in this module can also be used for team building or organizational development processes that go beyond integrity.

**Exercise 3:
Prioritizing Integrity
Risk Areas (~1.5 hrs)**

- In this module participants assess the likelihood and hazards of different integrity risks related to the building blocks of the WSI Model (or other description of the initiative). Making this connection allows for an analysis in which risks are linked to participants, to the WSI governance, and to the WSI's context.
- Furthermore, the group will develop an understanding of how integrity risks affect the impact and performance of a WSI and identify which are the most harmful risks.
- Based on this assessment, the group will prioritize the three or four most important integrity risks.

**Exercise 4:
Assessing Strengths
and Weaknesses
(~2.5 hrs)**

- Participants identify the specific strengths and weaknesses in the prioritized integrity risk areas by discussing the key guiding questions that are linked to each priority risk area.
- These questions are individually answered and then jointly analyzed by the participants in a facilitated discussion. During the discussion, qualitative information about the WSI is captured and documented as annotations to the different questions.
- If documented properly, the outcomes of this exercise will serve as a baseline from which to evaluate the development of the WSI's governance and integrity over the course of its life cycle.
- An inquiry-based approach provides for a constructive dialogue in assessing these sensitive issues and contributes to harmonizing the understanding of the WSI.

**Exercise 5:
Selecting Key
Activities (~1.5 hrs)**

- In this module, participants select the most important activities to enhance the integrity of their WSI based on the strengths and weaknesses identified in each of the priority risk areas.
- The selected key activities are linked to the WSI Model to establish clear objectives that enhance the integrity and impact of the WSI.

**Exercise 6:
Developing a Road
Map (~2 hrs)**

- In this module participants map out implementation steps for the identified key activities against a timeline and agree on responsibilities and practical next steps.
- To close the loop back to the values that constitute integrity in WSIs, participants analyze how the key activities they planned contribute to complying with the operating principles.

EXERCISE 1: INTRODUCTION OF INTEGRITY MANAGEMENT FOR WSIS

By the end of this exercise, participants will:

- ☞ *Know the scope and objectives of the integrity management workshop.*
- ☞ *Have a common understanding of what is meant by integrity in WSIs.*

time	activity	materials
20 min.	1.1. Introduce the concept and rules of the workshop to participants, clarifying the idea, scope, and principles of integrity management in WSIs. Ask participants about their expectations and display them on a flipchart.	Introductory presentation
30 min.	1.2. Introduction to integrity: Ask participants to write down the three main ideas they associate with "integrity in a WSI," each on an individual card. Place cards where they are clearly visible on a wall and group them (for example, along the three dimensions of the definition of integrity in WSIs). Clarify any ideas that are unclear. Use the ideas as a basis to introduce the operating principles for integrity in WSIs.	Color cards and pens Flipchart with operating principles

EXERCISE 2: DEVELOPING THE WSI MODEL

By the end of this exercise, participants will:

- ☞ *Have developed a WSI Model for their initiative from their collective viewpoint.*
- ☞ *Have a clear understanding of the ten building blocks of their WSI and how it creates, delivers, and captures value.*

time	activity	materials
15 min.	2.1. Introduce the WSI Model canvas concept and its ten building blocks, with the help of the introductory PowerPoint presentation. Distribute the WSI Model explanation sheet to the participants.	WSI Model PowerPoint Explanation sheet for the WSI Model
60 min.	2.3. Ask participants to develop the model of their WSI. Appoint someone from the group to write on the cards. Supervise the group and if necessary explain to them the meaning of the individual building blocks, but let participants take the lead in developing the WSI Model.	Pin board and pens WSI Model canvas on (large) brown paper Color cards and pens

EXERCISE 3: PRIORITIZING INTEGRITY RISK AREAS

By the end of this exercise, participants will:

- ☞ Be aware of key integrity risk areas for their WSI and their different levels of impact.
- ☞ Have identified, prioritized, and documented integrity risks particular to their WSI.

Practical tip: If an integrity risk assessment has already been carried out, this exercise can simply be used to present it and review with the participants whether there have been changes. Depending on how detailed the assessment is, one may even combine Exercises 3 and 4 in this discussion.

time	activity	materials
30 min.	<p>3.1. At the beginning of the exercise, the facilitator should explain the need to prioritize risks: that by tackling only the most important risks, 80% of the problems can usually be avoided with only 20% of the effort.</p> <p>Ask the group to familiarize themselves with, review, and reflect on integrity risk areas provided in this guide. Clarify any unclear terms.</p> <p>If the workshop is conducted in a large group, it may make sense to have smaller subgroups that focus on one main risk type each: (1) external context and outcomes, (2) participants, and (3) processes and governance.</p>	<p>Pin board</p> <p>Integrity risk area color cards</p> <p>Description of WSI integrity risk areas (Tool 1a)</p>
30 min.	<p>3.2. The group should now establish the link between the integrity risk areas and their WSI Model to understand the potential impact. At the end of this exercise, ask the group to think about the areas of the initiative's external context and outcomes, participants, and processes and governance, and determine if any risk areas are missing. Add additional risk areas using blank cards if needed.</p>	<p>Description of the WSI Model from Exercise 2</p>
30 min.	<p>3.3. Ask the participants to prioritize the three risk areas they think their WSI should address most urgently. A suggested approach:</p> <p>Using the score sheet for integrity risk areas, each participant scores the likelihood and hazard of the risk areas according to their perception.</p> <p>The facilitator processes the scoring results anonymously. The integrity risk area color cards are then placed in the risk matrix according to the results.</p> <p>Ask the participants to discuss the results and whether they agree with the prioritization. Based on the discussion, the group may adapt the prioritization and document why. (For options, see footnote.¹)</p>	<p>Score sheet for integrity risk areas</p> <p>Risk matrix on brown paper</p>

EXERCISE 4: ASSESSING STRENGTHS AND WEAKNESSES

By the end of this exercise, participants will:

- ☞ *Have a joint understanding of their WSI's strengths and weaknesses related to the most important risk areas and guiding questions*
- ☞ *Have documented the status of integrity and will have mapped strengths and weaknesses in the priority risk areas of the initiative.*

time	activity	materials
20 min.	4.1. Turn around the three priority risk cards and put each on one box of the brown paper. Ask the group to pick from the board the cards with guiding questions indicated on the risk cards. ² Put the guiding questions in the box of the relevant risk. In case of new risk areas (added during the previous exercise, without pre-defined guiding questions), participants should establish a set of three to five questions related to the selected risks.	Color cards with guiding questions Pin board with brown paper divided into 3 boxes
30 min.	4.2. Hand out scoring sheets with the guiding questions and answering options for the priority risk areas. Ask the group to go through the guiding questions and answering options, and clarify any unclear terms. Explain to the participants that the answering options shall provide only a rough picture and that the specific situation of the WSI will be discussed in the next step. The participants should then anonymously answer the questions using the available answering options. During a 5-minute break, the facilitator collects the scoring sheets and generates the average scores based on the answers to each question.	Scoring sheets for the guiding questions related to the priority risk areas
10 min.	4.3. Explain the same hat approach (see box) and the annotation process around the answers.	Presentation to introduce the same hat approach
90 min.	4.4. The facilitator presents the average scoring results for the first risk area by writing the scores next to the cards with the guiding questions for that risk area. Depending on the group, the facilitator may kick off the dialogue by opening the floor to an initial discussion. You can then do a card exercise by asking the participants to write down the arguments for the level below the average scores (weaknesses), and after having discussed these cards, do another round for the level above (strengths). This exercise is repeated for each of the guiding questions. The output is a map of strengths and weaknesses for each of the prioritized risk areas. ³	Color cards and pens for each participant Pin board with brown paper divided into 3 boxes AWIS facilitator's guide (Visscher and Hermann-Friede, 2011, pp. 22–24) for instructions for the facilitation process

EXERCISE 5: SELECTING KEY ACTIVITIES

By the end of this exercise, participants will:

- ☞ *Have identified key activities to enhance the impact and integrity of their WSI.*
- ☞ *Have analyzed how the key activities improve their WSI Model.*

time	activity	materials
15 min.	5.1. Turn around the guiding questions cards and ask the group to add the related supporting tools (listed on the back of the cards) to the annotations that have been documented.	Color cards for key activities
30 min.	5.2. Ask participants to reflect on the map of strengths and weaknesses, and ask them if they know any other measures that can help. Add cards with additional measures to the list. Ask participants to analyze how the supporting tools and suggested additional measures will tackle the identified weaknesses, and how they will build on the strengths. Add these aspects to the map of strengths and weaknesses on oval cards (to differentiate them from square/rectangular used previously). Based on this assessment, ask them to select the five most promising measures.	Pin board with map of strengths and weaknesses for the prioritized risk areas Colored oval cards and pens for each participant
15 min.	5.3. Participants place the color cards with the selected measures in the WSI Model where they have the first direct effect. Ask participants to visualize the expected effects of the key activities throughout the WSI Model using oval or round cards, for example.	WSI Model pin board

Adopting the same hat approach

WSI participants have different types of information, which may affect their perception of the integrity situation. For example, consider the guiding question: *How well have risks with regard to public sector collusion and policy capture been identified? Are they being managed?* Average score of 1.8 implies that some participants may have given an answer that scores 1 and others have given an answer scoring of 2 or higher. The corporate partner may have spent significant time discussing capture risks with the WSI manager, but other **WSI participants** are not aware of this analysis and provide lower scores. When discussing their perception with others, several participants may tend to stick to their opinion and will try to convince the other party. This may lead to a long debate with winners and losers.

Therefore we suggest adopting an approach based on the concept of the "thinking hats" to facilitate the discussion of the guiding questions (School of Thinking, 1983). This method encourages participants to collectively look at the guiding questions from different angles. This approach stimulates dialogue and blocks debate, as all participants have to adopt the same way of thinking (they wear the same hat) — for example, by giving only positive remarks about a guiding question in the first round. In the next round, everyone then changes their attitude (hat) to give only negative remarks. This implies doing away with the famous phrase "yes but ...," which is a root cause of unproductive debate.

For more guidance on the concept of the thinking hats, refer to Visscher and Hermann-Friede (2011), pp. 12–13.

EXERCISE 6: ROAD MAP FOR INTEGRITY MANAGEMENT

By the end of this exercise, participants will:

- ☞ *Have a jointly established action plan and timeline for the implementation of the most relevant key activities.*
- ☞ *Understand the link between the key activities and the operating principles.*

time	activity	materials
30 min.	6.1. Let the group discuss how they want to implement each of the selected measures, and if or how they want to use any of the supporting tools.	Color cards and pens for each participant
60 min.	6.2. Ask the group to identify implementation steps ⁴ and write them on color cards. Ask participants to agree on dates for the implementation of each step and the timeframe and responsibilities ⁵ for overall activities. For resource-intensive or otherwise complicated activities, participants should mark options where they need to seek support. Refer the participants back to the analysis of how the selected activities relate to the strengths and weaknesses (Exercise 5) and ask them what aspects need to be taken into account during their implementation. Add these as "remarks" in the planning matrix.	Pin board with planning matrix Pin board with map of strengths and weaknesses as reference
20 min.	Optional exercise: For a WSI that is entering the renewal phase, it may be beneficial to map activities against the life cycle and identify which activities are time sensitive and which could be postponed.	Life cycle presentation and pin board
30 min.	6.3. To clarify the link between key activities and the integrity of a WSI, participants should link the effects of each key activity (Exercise 5) to the operating principles. Ask the participants to add the anticipated effects of the activities to the timeline and highlight which operating principle(s) these contribute to. If working with a large group, this can be done in smaller groups, each focusing on one activity and sharing afterwards.	Color cards with operating principles

FOLLOW UP

After having attended the management workshop or completing individual exercises, participants need to implement the measures chosen. The implementation phase is the longest and most difficult step of the whole integrity risk management process. Depending on the complexity of the measures, this phase can take anything from six months to a year (or even longer). It is very important to create ownership and leadership to ensure that the implementation process is successful. It is therefore important that responsibilities for each measure have been clearly assigned and that a focal person (e.g., the WSI manager, coordinator, or another **WSI participant**) for the integrity risk management process is established.

An integrity risk management focal person shall lead the implementation process along the road map that has been jointly developed by the **WSI participants** in Exercise 6. In doing so the focal person should identify support needs among **WSI participants** who are responsible for the implementation of key activities. The focal person should further communicate with those responsible for the implementation of activities to regularly agree on the next implementation steps and communicate outcomes to other **WSI participants**.

Unexpected difficulties can arise, and resistance from different levels may affect progress and the overall implementation of key activities. A sound understanding of why activities were completed, and why certain milestones were not met, is crucial for a successful integrity risk management process. The focal person should therefore receive adequate support (for example, from the neutral WSI facilitator or from an external coach) to reflect on the implementation process. Note that the primary objective of the support function is not to control the focal person but rather to ensure a successful process that leads to integrity assurance for the WSI.

OVERVIEW OF FACILITATION MATERIALS

A set of facilitation materials is provided to support the implementation of an integrity management workshop for WSIs. These materials are available upon request from the Water Integrity Network, the CEO Water Mandate, and GIZ, and include:

Presentations (PowerPoint files):

- Introduction of the WSI Model
- Presentation on the same hat approach
- Introduction of the phases of a WSI life cycle

Color cards (PDF files):

- Integrity risk areas on the front and related guiding questions on the back
- Guiding questions on the front and related instruments on the back
- Operating principles

Hand-outs for participants (PDF files):

- WSI Model explanation sheet
- Score sheet for integrity risk areas
- Score/Answer sheet for the guiding questions for each risk area

The following templates⁷ should also be prepared for the workshop:

- WSI Model template
- Risk matrix template
- Vertical scale from 1 to 4
- Template for the timeline and life cycle of a WSI

Further Reading:

- Janek Hermann-Friede, Michael Kropac, Sarah Achermann, Johannes Heeb, and Lotte Feuerstein. 2014. *Integrity Management Toolbox for Water Service Providers – Manual for Facilitators* (Berlin: cewas, WIN, and GIZ). <http://www.waterintegritynetwork.net/publications/>.
- Alex Osterwalder and Yves Pigneur. 2009. *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* (Osterwalder & Pigneur, ISBN 978-2-8399-0580-0). <http://www.businessmodelgeneration.com> (2010. Wiley, ISBN-10: 0470876417).
- Jan-Teun Visscher and Janek Hermann-Friede. 2011. *AWIS Facilitator's Guide* (Berlin: WIN and Transparency International). <http://www.waterintegritynetwork.net/publications/>.

⁷ We suggest using 3 x 5 ft (116 x 140 cm) brown papers to provide sufficiently large workspace for participatory exercises. If available, using a sticky cloth (nylon cloth with repositionable spray adhesive) is an effective alternative to visualize results.

Which contextual factors increase capture risks?

- ▣ Political imperatives to attract investment, masking associated environmental or social trade-offs
- ▣ Insufficiently resourced public sector
- ▣ Weak public, parliamentary, and media oversight
- ▣ Opaque decision-making processes and organizational functioning

Why is it hard to discern and guard against capture risks?

- ▣ The boundaries between legitimate lobbying and nefarious capture are blurred.
- ▣ Capture tends to work through subtle rather than mechanistic processes.
- ▣ Capture operates along a sliding scale of influence rather than in a binary state.
- ▣ Capture is not necessarily conscious and intended.
- ▣ Related guidance or academic study is sparse.

Tool 1c: Red Flags to Assess and Monitor Capture Risks

Tool	An illustrative list of red flags is provided to help WSI participants identify and respond to WSI-specific hazards relating to organizations unduly dominating a policymaking process, or otherwise capturing public resources or institutions for private benefit.
Related Key Activity	Assess likelihood of capture risks and establish mechanisms for monitoring and oversight.
Purpose	Help to scan an initiative to avoid capture risks: <ul style="list-style-type: none"> ▣ Know when a WSI diverts public resources and priorities. ▣ Prevent misuse of the WSI as a platform for undue influence over the water sector.
Possible Users	WSI initiators , funders, watch dogs, and other interested parties, WSI participants , and affected stakeholders .
Level of Effort	Scanning by individual participants of red flags to a participatory analysis.
WSI Phase	2: Formalization.

A red flag is a warning of a possible hazard. “**Capture**” can be understood to occur when discretionary decision-making or policy processes become systematically distorted or biased in favor of some interests over others due to structured imbalances in power and influence.

Captured legal frameworks, regulatory agencies, and policy processes serve **vested interests** but with the power, permanence, and legitimacy associated with government. The resulting effects are therefore quickly established in a given system and may be difficult to revoke.

Depending on the applicable laws under which they are established, companies and their management have varying degrees of legal duty to serve the interests of owners or shareholders.⁸ This may bias decisions, debate, and action relating to water resources in favor of corporate over **public interests**. Precedent shows that the threat of **capture** is real, and guarding against actual or perceived corporate **capture** is therefore critical to integrity management of WSIs. If not handled carefully, perceived or actual **capture** risks can derail the WSI and cause reputational harm for all **WSI participants**.

The inference is that **capture**, or the perception of **capture**, is a particular risk in developing countries, where poverty and lack of resources introduce numerous power imbalances between disparate **stakeholders** and government. The often much greater level of access to resources, information, and influence enjoyed by the private sector and donor agencies over both government and other **stakeholders** predisposes policy engagement in developing countries toward **capture**.

⁸ Peter Newborne and Nathaniel Mason, “The Private Sector’s Contribution to Water Management: Re-examining corporate purposes and company roles,” *Water Alternatives* 5 (2012): 603–618.

To identify **capture** risks, practitioners need to examine how their WSI could be misused as a platform to mislead representatives of public institutions or divert the attention of public officials in favor of **vested interests** instead of acting in the **public interest**. A review of the potential red flags listed in Table 4 suggests that most WSI pose structural risks of **capture**. This is not to infer that these WSI should not be pursued, but instead that all participants should be clear about **capture** risks and that locally appropriate strategies to counter policy **capture** need to be prioritized. Avoiding policy **capture** requires proactive strategies and on-going management. Because of the wide diversity and complexity of **capture** risks, mitigation is a nonstandard task and requires an interpretive, context-specific response.

GUIDANCE FOR IMPLEMENTATION

The red flags listed in Table 4 can be used in different ways:

- Individual **WSI participants** and affected **stakeholders** can use the red flags as an orientation to scan an initiative for **capture** risks.
- The red flags can be discussed pro-actively within a WSI to raise awareness of **capture** risks and to engage in a dialogue on what constitutes **capture** in a given WSI and how it can be mitigated.
- The red flags can be used to thoroughly assess **capture** risks as part of an **integrity risk assessment** (see Tool 1a) or a wider risk management effort.

To address the subjective nature of **capture** risks, a collective analysis by a balanced group of **stakeholders** increases the reliability of the results. Information from a detailed **context analysis** (see Tool 5) can provide additional information to evaluate **capture** risks.

The four steps laid out below provide an outline for a participatory approach to address **capture** risks in a WSI.

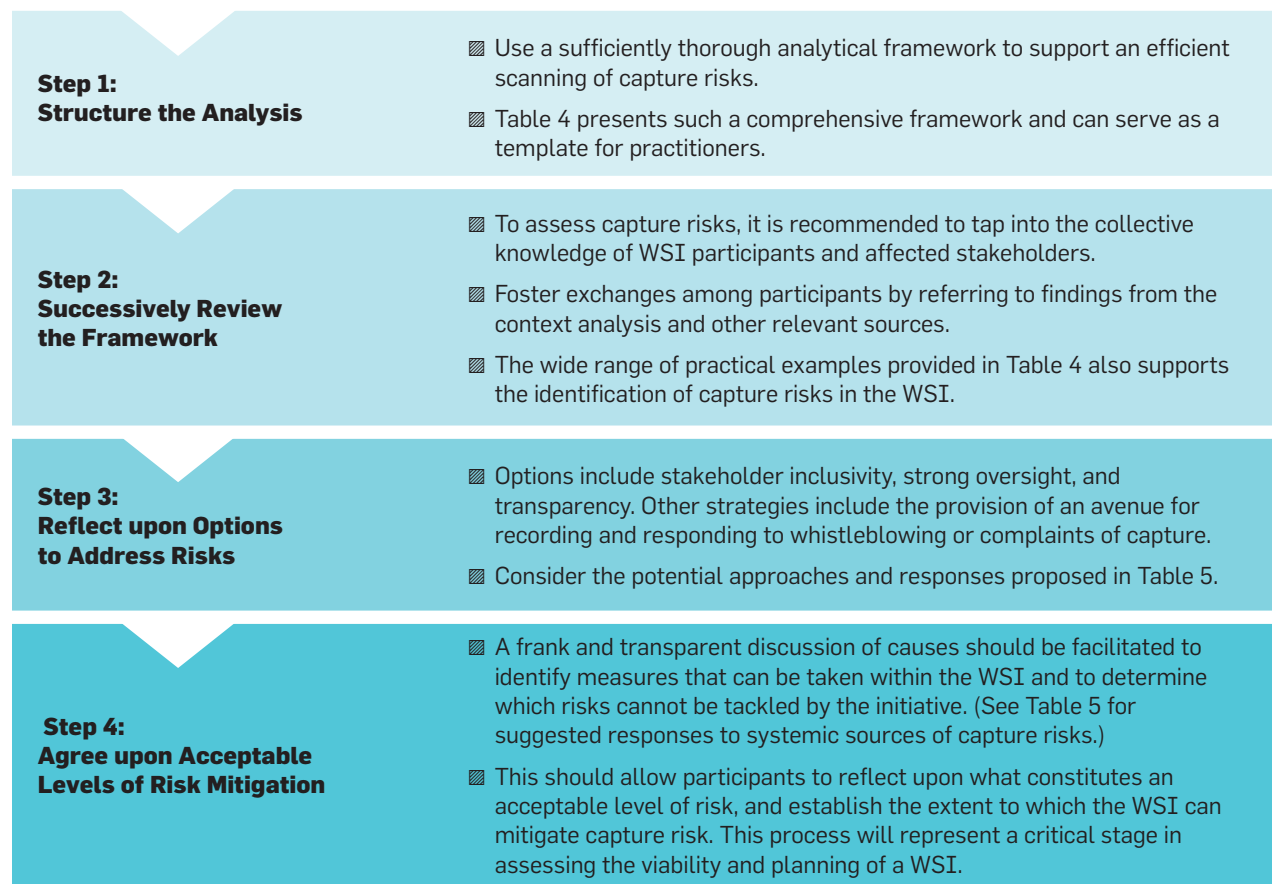


Table 4: Capture Red Flags for WSIs

TYPE OF CAPTURE	DESCRIPTION	CAPTURE RED FLAGS — WSI VULNERABILITIES
<p>Policy and legislative capture</p>	<p>Policy and legislative capture exist where private organizations unduly dominate a policy or law-making process, excluding or shadowing other stakeholder’s views, and resulting in policy formulations or legal provisions that favor vested interests to the detriment of the public interest.</p> <p>Changing related advocacy objectives will depend on interests represented in the WSI and its composition. There is a risk that they promote private rather than societal benefits, and result in preferential treatment for companies.</p>	<p>WSIs:</p> <ul style="list-style-type: none"> ▣ Engaged with policy and/or law-makers ▣ Convening on water policy and governance ▣ Involved in policy analysis and advocacy ▣ Conducting research and developing statutory, policy, or financial models and frameworks.
<p>Regulatory capture</p>	<p>Regulatory capture occurs where the agency responsible for regulation is unduly influenced by or unduly favors the interests of certain stakeholders. This can result in favorable handling, such as failure to vigorously enforce regulations, or inconsistent, nonproportional, or selective enforcement.</p> <p>Unconscious regulatory capture — or undermining of regulatory rigor — may also result from WSIs that lobby for improved regulatory processes, which can result in an incomplete or fast-tracked determination of regulatory permissions.</p>	<p>WSIs that:</p> <ul style="list-style-type: none"> ▣ Concern the establishment of rules for resource use ▣ Concern the enforcement of environmental (or other related) law ▣ Raise funds, debate, and advocate on regulatory performance ▣ Build capacity, mobilize, or transfer resources to regulatory bodies ▣ Frequently see regulators in person and draw up regular association or cooperative agreements.
<p>Public resource capture</p>	<p>Public resource capture occurs where public resources — whether civil servant staff time, political or organizational attention, or departmental budgets — are diverted to serve a narrow group of interests at the expense of the wider societal or public interest.</p> <p>For example, concerns voiced by powerful WSIs about potential public infrastructure investments with limited public benefit may divert limited budgets away from pre-existing priorities such as the less visible water access, sanitation, and hygiene (WASH) needs of the poorest communities. Public resource capture would also prevail where a WSI negotiates the disproportionate use of public funds to deal with the externalities or costs associated with water use by a private interest (e.g., in negotiating investment in the treatment of private wastewater, contaminated land, or mine water).</p>	<p>WSIs that:</p> <ul style="list-style-type: none"> ▣ Deplete the time, energy, and resources of an overstretched public agency (or civil society group) to address an issue of primarily private interest that has little consequence for the wider public ▣ Result in government expenditure or local budgets ▣ Concern investment, development, and/or operation and maintenance of infrastructure ▣ Involve or directly influence the workload of senior or mid-level civil servants.
<p>Organizational capture</p>	<p>Organizational capture occurs where the functions or effectiveness of a legitimate organization with a key role in resource management or governance is undermined or dominated by an intervention and engagement with a WSI or its participants.</p> <p>Organizational capture can be real or perceived, and can undermine the credibility and effectiveness of institutions in the long term. For example, a water user association or basin council established with support from a company may be seen to be “bought” or biased.</p>	<p>WSIs that:</p> <ul style="list-style-type: none"> ▣ Establish or bring together groups of stakeholders in any organized format, particularly where this is in parallel to pre-existing entities ▣ Fund, sponsor, or support the establishment of an organization, association, council, committee, or other grouping.

<p>Process capture</p>	<p>Process capture concerns the undue influence or control of certain interests in deciding and designing “how things are done” with the end result that outcomes are skewed and distorted toward the needs or perspectives of narrow particular or private interests versus wider public interest.</p> <p>Process capture is about how things are done, the questions asked, who is in the room, how decisions are made, and the degree of control handed to those who are funding the initiative: “He who pays the piper calls the tune.” Process capture can also stem from sheer contrasts in stakeholders’ capacities to negotiate WSI rules and effectively participate in WSI processes, and thus depends on the extent to which the WSI strives to build such capacities in all participants (e.g., partners’ representatives) from the onset.</p>	<p>In WSIs whose:</p> <ul style="list-style-type: none"> ▣ Engagement is by invitation only or involves an element of “pay-to-play” or pre-selection in membership ▣ Governance group is self-selecting and unbalanced in representation or perspectives ▣ Stakeholder participation in developing the WSI, framing the issues, decision-making, stakeholder composition, and process design is weak ▣ Financing is dominated by individuals or a small number of interest groups.
<p>Narrative or ideational capture</p>	<p>Narrative or ideational capture refers to the subtle power exerted through influence on the way things are portrayed or described and the development of concepts, theories, and ways of looking at the world.</p> <p>For example the “shared risk” narrative around WSIs plays down the disparities in vulnerability, power, and access among water-using interests. Narratives around water pricing and allocating water toward the highest monetized value uses is a further example of ideational power that can result in legitimizing or advancing private interests ahead of the public interest, because it is difficult to assign a monetary value to cultural, social, and environmental values.</p>	<p>WSIs that:</p> <ul style="list-style-type: none"> ▣ Finance or develop research and conceptual development ▣ Involve “awareness raising,” training, capacity building, and outreach ▣ Promote potentially inappropriate or controversial approaches to water governance such as offsetting or net impact, water trading, pricing, charging and allocation reform, water funds, large-scale rainwater harvesting or groundwater recharge, large-scale infrastructure, and payment for ecosystem services.
<p>Human resource capture</p>	<p>The “brain drain” is where the most qualified and capable local, national, or regional practitioners and staff are employed or seconded into NGOs, donors, and corporations engaged in WSIs in duties peripheral to water management, rather than into water management agencies in government, because of better pay and conditions or allowances.</p> <p>Human resource capture also involves the creation of loyalties and privileged relationships between private interests and government staff by offering professional opportunities, secondments, training, and other inducements. The payment of per diems and other allowances is an example that erodes the independence and neutrality of civil servants. One of the greatest limiting factors for good water governance and sustainable water management is the availability of suitably experienced and motivated personnel. Although involving government staff in WSIs can help build capacity, human resource capture is a primary concern relating to WSIs.</p>	<p>WSIs that:</p> <ul style="list-style-type: none"> ▣ Employ or second staff and experts from the public sector ▣ Provide attractive professional opportunities such as training and overseas missions ▣ Pay participants allowances and inducements for their involvement.
<p>Water resource capture</p>	<p>The most basic form of capture involves acquisition of additional or privileged access to the water resource itself. As a result of other forms of capture, there is a risk that private interests negotiate or seize water resource access and use, undermining the ability of other users — the public or the environment — to meet their own needs, particularly in times of shortage, conflict, or drought.</p> <p>A good example may result from private investment in public water infrastructure based on conditional agreements around the continuation of supply during times of drought. Another example may be the long-term establishment of offsetting provisions in law that effectively allow water access to be bought by those able to pay, thereby undermining the principle of water allocation based on greatest public benefit.</p>	<p>WSIs focusing on:</p> <ul style="list-style-type: none"> ▣ Investment, development, operation, and maintenance of infrastructure ▣ Water offsetting, compensation, net impact, Payment for Ecosystem Services; ▣ Water use planning and allocation regimes.

Table 5: Approaches to Mitigating Capture Risk

POTENTIAL RESPONSES TO TACKLE RED FLAGS
1. Participatory and inclusive WSI initiation, development, and integrity risk assessment processes that include the full range of stakeholder interests with adequately diverse perspectives and experience to identify potential risks.
2. A carefully developed and clearly articulated development path or theory of change for the WSI that transparently sets out its intended impacts, outcomes, outputs, and roles of WSI participants, against which progress is publicly tracked and communicated.
3. Diverse representation at a governance and senior decision-making level of WSIs and avoidance of stakeholder engagement that is either selective or discretionary, or that requires payment or significant resources to participate.
4. Cognizance of and adherence to mutually agreed public and private roles within the initiative.
5. Sufficient strategic alignment so that public sector involvement in the WSI is derived from public funds and pre-existing budgets rather than sourced by the private or NGO sectors.
6. Clearly benchmarked and communicated policies for remuneration or payments of costs and allowance, with the latter based on reimbursement of real and receipted expenditure.
7. Independent oversight or scrutiny of the WSI by a credible and legitimate organization or body.
ADDRESSING SYSTEMIC SOURCES OF CAPTURE RISK
1. Publicly accessible and auditable codification and guidance for the application of statutory powers (e.g., an enforcement policy that sets out factors used to determine proportional and consistent responses to non-compliance; water allocation and permit application determination processes).
2. Investment in water policy literacy in the media and wider public.
3. Independent and untied funding sources for civil society and academic engagement in water stewardship, and investment in social accountability monitoring.
4. Strengthening the separation of powers and checks and balances among judiciary, executive, and legislature and the oversight role of parliamentary committees.
5. Human resourcing strategies within donor, NGO, and private sector actors in developing countries that recognize and respond to the hazards of draining public sector expertise.
6. Nurturing professional retention and workplace motivation through new forms of capacity building.

Further reading:

- CEO Water Mandate. November 2010. *Guide to Responsible Business Engagement with Water Policy*. http://ceowatermandate.org/files/Guide_Responsible_Business_Engagement_Water_Policy.pdf.
- Integrity Vice Presidency. (no date). *Fraud and Corruption Awareness Handbook – How it works and what to look for: A handbook for staff*. Washington DC: The World Bank Group. http://siteresources.worldbank.org/INTDOII/Resources/INT_inside_fraud_text_090909.pdf.

Tool 2: WSI Model — A Template to Describe the Logic of WSIs

Tool	The WSI Model provides a template to help participants understand how a WSI will be structured, function, and generate benefits. ⁶
Related Key Activity	Regularly question and verify theory of change.
Question Addressed	Given that participants typically have different understandings of what the WSI should do and why, how can they capture the logic of the WSI at a glance and in a way everyone understands?
Purpose	Clarify the logic of the WSI to reduce room for interpretation and misappropriation of the initiative: <ul style="list-style-type: none"> ▣ Structure and understand the governance and logic of a WSI in a participatory process. ▣ Establish a reference to assess and improve the WSI's integrity and impact.
Output	Jointly developed overview of the most important aspects of the WSI and its context.
Possible Users	WSI initiator(s) and participants.
Level of Effort	Two- to three-hour participatory session in a workshop or meeting, and regular amendments or reflections to capture new developments in the WSI and its theory of change.
WSI Phase	2: Formalization, but can be used at any phase.

WSI facilitators and core participants usually agree at an early stage on the cornerstones of how a WSI will operate and generate shared benefits. Nonetheless, the written agreements often take time to develop and use legal language that is not easily understood by all **WSI participants**. This leaves room for contradicting interpretations and expectations among **WSI participants** and beneficiaries, which can result in conflicts and undermine the accountability relationships among different **stakeholders** both within and outside the WSI. The WSI Model (Sample model is provided at the end of this tool) provides a structure through which **WSI participants** can discuss and agree on key aspects of the WSI in simple terms, establishing a shared understanding among all participants. Doing so helps create transparency and provides key information for an analysis of the most salient integrity risks the WSI may face. Beyond this, the WSI Model helps to clarify the **theory of change** along nine building blocks:

1. Participants
2. Activities
3. Governance structures
4. Commitments and contributions
5. Goals and objectives
6. Mechanisms for engaging **affected stakeholders**
7. **Affected stakeholders**
8. Local **water challenges** and priorities
9. Benefits

There were no clear objectives for us, no clear benefits so it was difficult to see what we were aiming for.
—[Private Sector]

These problems are really about accountability and how the project should identify issues and target at the design phase. Where is the theory of change?

— [Civil Society]

(Testimony from field assessments)

GUIDANCE FOR IMPLEMENTATION

The WSI Model can be used at any phase of the life cycle to reflect on the WSI's **theory of change**, but it is particularly useful during the formalization phase to **capture** and present the agreements reached in a concise format. If developed before reaching written agreements, it can inform the discussions on these. The WSI Model is ideally developed in a participatory process (e.g., as part of a management workshop) with all or most **WSI participants**, in order to promote joint understanding of the initiative and its context. However, it can also be used as a design instrument by **WSI initiators** at early phases of an initiative. The three steps below could guide a participatory workshop setting.

Step 1: Understanding the Format	<ul style="list-style-type: none">▣ To familiarize WSI participants, the nine building blocks are explained by using examples or the WSI Model presentation.▣ It is important to flag the complexity of WSIs and clarify that the WSI Model is simply a template to capture key elements of such initiatives.
Step 2: Describing the WSI	<ul style="list-style-type: none">▣ When developing the WSI Model, participants specify their perspective of the main characteristics for each building block.▣ WSI participants should, wherever possible, jointly develop the content in the building blocks to describe their initiative.▣ The template provides a tool to facilitate dialogue among WSI participants to clarify and agree on the objectives, governance, and functioning of their initiative.
Step 3: Verification and Revision	<ul style="list-style-type: none">▣ Based on the description of the WSI Model, participants should reflect on the overall consistency and appropriateness of the model: Is it realistic to reach the WSI goals with the identified activities, participants, and contributions?▣ Which aspects describe the existing initiative and which parts of the description relate to future plans should be clarified▣ WSI Models are dynamic: they are iterative and should be adapted to changing conditions.

Further reading:

- Alex Osterwalder and Yves Pigneur. 2009. *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* (Osterwalder & Pigneur, ISBN 978-2-8399-0580-0). <http://www.businessmodelgeneration.com>. (Also: 2010. Wiley, ISBN-10: 0470876417).

INTERNAL TO THE WSI

Governance Structures

What internal governance accountability structures exist for the initiative, and how effective are they?

Examples:

- Decision-making, financial management processes
- Exit strategy
- M&E mechanism

LINK TO THE ENVIRONMENT AND CONTEXT OF THE WSI

Local water challenges and priorities

What local water challenges exist in the basin? What are the local policy priorities for the region?

Example challenges:

- Water over-allocation
- Unreliable/unavailable water supply or sanitation
- Weak local institutions
- Flood damage

Participants

Who should be/is involved in the initiative? As active participants?

Examples:

- Multinational company
- NGO
- Local authority
- Water user association
- Farmers
- Others

Activities

What activities will the initiative pursue?

Examples:

- Establishing an information platform
- Assessing water challenges
- Radio campaigns
- Mentoring program for managers
- Others

Goals and objectives

What are the main objectives and goals of the initiative? What is the initiative's main function?

Examples:

- To overcome weak governance through developing capacities for X, Y
- To make new technologies for water extraction accessible
- To support development of new policies

Mechanisms for engaging affected stakeholders

What mechanisms will be/are established to solicit external input into the initiative? How will/is relevant information communicated to affected stakeholders?

Examples:

- Community engagement officer
- Regular consultation

Affected stakeholders

Which actors' interests are affected? What are their main interests? Which affected stakeholders stand to lose?

Examples:

- Local communities
- Competitors of corporate participants

Commitments and contributions

What commitments and contributions have been made? What are the main responsibilities of the WSI participants?

Examples:

- Funding
- Staff contributions
- Organization of coordination meeting

Benefits

What are the main benefits of the initiative? And who will be benefiting?

Examples:

- Inclusive water governance
- increased access to water supply and sanitation services
- restored ecosystems

Tool 3: Mapping a WSI's Key Stakeholders

Tool	A step-by-step process to identify and engage key stakeholders.
Related Key Activity	Identify and map stakeholders affected by the WSI.
Questions Addressed	Which organizations should be considered for the WSI? With whom does the WSI need to engage in order to ensure integrity?
Purpose	Enable WSI practitioners to understand the major influential groups and interests that should be involved in the design and implementation of the WSI in order to balance different interests toward serving the public good and building credibility and legitimacy: <ul style="list-style-type: none"> ▣ Identify groups influenced by or influential to the WSI with whom the WSI should engage. ▣ Identify potential WSI participants to recruit. ▣ Expand the knowledge and resources that inform WSI development and implementation.
Possible Users	WSI initiators with input from WSI participants.
Level of Effort	Depending on local context, stakeholder mapping can range from a simple to an extensive exercise (such as in areas where there are a diverse number of actors operating in the water resources management space).
WSI Phase	1: Incubation and Initial Analysis.

There is no community representation ... that is the wrong approach and we need to change ... to sit, plan, decide, and act with communities to avoid conflict. [Public Sector]

The weakness was that there was no government involvement and no information from them. This lack of wider involvement affects the validity and impact. [Private Sector]

(Testimony from Field Assessments)

Effective WSIs need a wide range of **stakeholders** – both the influential and the affected – to be engaged in appropriate ways. Identifying relevant **stakeholders** and understanding their perspectives and interests is known as stakeholder mapping. Without proper stakeholder mapping, the WSI may be unable to identify the wide variety of interests and concerns that exist in a particular context, potentially leading to an initiative that serves the more dominant and powerful to the detriment of others. Good stakeholder mapping helps mitigate integrity risks through:

Identifying affected **stakeholders** so that they can be directly involved and better understood. This helps ensure that their legitimate interests and knowledge are taken into consideration.

- Identifying relatively more dominant and less powerful or poorly represented interests to balance power relations, representation, and perspectives.
- Identifying the full range of interests in order to broaden the number and diversity of groups and individuals engaged in achieving the WSI objectives.

GUIDANCE FOR IMPLEMENTATION

The steps laid out below highlight what **WSI initiators** and participants need to do in order to successfully complete a stakeholder mapping exercise.

Step 1: Establish Relevant Stakeholders

As many WSI participants as possible should be involved in the mapping process to deepen knowledge and add credibility and ownership to the WSI.

Utilize the suggested relevance criteria laid out in Table 8 to identify stakeholders. This criteria can be amended depending on their applicability to a local context. This process can be supported and informed by any stakeholder information gathered as part of the context analysis.

The identification of stakeholders should differentiate between institutions and individuals representing groups of stakeholders.

Step 2: Prioritize Stakeholders

The list of stakeholders is prioritized according to each stakeholder's relevance to the WSI. Any groups or individuals that have moderate-to-high relevance in one or more of the analyses in Table 8 should be included in this exercise.

The importance of each type of analysis used to prioritize the relevance of stakeholders will differ depending on the nature of the WSI. Stakeholders with high relevance in several of these areas, or particularly high relevance in one of them, might be invited into the initiative as a WSI participant.

In all cases, a high likelihood of being significantly affected by the WSI (especially negatively) should be a key indicator of relevance.

Prioritization is conducted by multiple WSI participants rather than unilaterally.

Step 3: Disseminate and Validate Results

WSI participants share their assessment with mapped stakeholders once the initial mapping and prioritization is completed via a workshop format, if possible.

Stakeholders can then add nuance to the analysis, contest their perceived relevance to the WSI, and identify additional stakeholders that were not captured in the initial analysis. In this way, the stakeholders themselves become a meaningful and integral part of the stakeholder mapping process.

The Water Integrity Network and cewas (2014) have developed a sector-mapping exercise in which participants use a football pitch drawn on a piece of green paper (see further readings below).

Step 4: Continuous Reassessment

During development and implementation, WSI participants engage with stakeholders to identify new stakeholders arising from changing basin circumstances or evolving WSI scope and objectives.

Stakeholder maps should be updated to reflect the ever-changing landscape of stakeholders.

Stakeholder mapping cannot generate the in-depth information needed to assess the adequacy of whether an organization or individual should be a WSI participant. In cases where a potential participant is identified through the mapping processes, a follow-up due diligence investigation should be undertaken.

EXAMPLE OF A FRAMEWORK FOR STAKEHOLDER MAPPING

The relevance of **stakeholders** depends on a variety of inter-related variables. Table 6 offers six areas of analysis⁹ that can help gauge relevance.

Table 6: Example of Criteria for Assessing Relevance of Stakeholders

TYPE OF ANALYSIS	KEY QUESTIONS
Decision point	Which external parties have a direct influence over, or are required to participate in, any decisions that will be needed to address your water-related challenges?
Opportunity	Which external parties are in a position to directly or indirectly support addressing your water-related challenges?
Expertise	Which external parties can contribute knowledge and advice to improve problem characterization, or expand or refine the understanding of solutions?
Impacts	Which external parties will experience benefits (or costs) associated with addressing your identified water-related challenges?
Expectations	Which external parties have an interest in the collective action process or its outcomes, even if they might not otherwise have a specific role to play in problem solving or a connection to the distribution of costs and benefits?
Conflict	Which external parties currently (or will potentially) experience conflicts with you or other potential parties in the process in a manner that may influence the available options to address your identified water-related challenges?

Further reading and resources:

- Thomas Krick, Maya Forstater, Philip Monaghan, and Maria Sillanpää, with Cornis van der Lugt, Katharine Partridge, Charles Jackson, and Asaf Zohar. October 2005. *From Words to Action: The Stakeholder Engagement Manual. Volume 2: The Practitioner's Handbook on Stakeholder Engagement*. Available at AccountAbility, www.accountability.org.uk; Stakeholder Research Associates, www.StakeholderResearch.com; United Nations Environment Programme, www.uneptie.org. **N.B.:** Contains templates for stakeholder mapping that might be adapted for use with guidance laid out above.
- AccountAbility. January 2011. "AA1000 Stakeholder engagement Standard 2011 (AA1000SES)." www.accountability.org.uk.
- BSR. October 2011. "Five-Step Approach to Stakeholder engagement." www.bsr.org/reports/BSR_Stakeholder_Engagement_Strategy_Briefing_Paper.pdf.
- WIN and cewas. 2014. *Integrity Management Toolbox for Water Sector SME – Manual for Coaches*. Berlin: Water Integrity Network and cewas (International Centre for Water Management Services). http://www.sswm.info/sites/default/files/reference_attachments/Manual%20IM%20Toolbox%20SME.pdf
- CEO Water Mandate. September 2013. *Guide to Water-Related Collective Action*. <http://ceowatermandate.org/wp-content/uploads/2013/09/guide-to-water-related-ca-web-091213.pdf>.
- The World Bank Group. 2001. Anticorruption: Stakeholder Analysis. <http://www1.worldbank.org/publicsector/anticorrupt/PoliticalEconomy/stakeholderanalysis.htm>.
- Mark S. Reed, Anil Graves, Norman Dandy, et al. 2009. "Who's in and why? A typology of stakeholder analysis methods for natural resource management," *Journal of Environmental Management*, 90(5): 1933–1949.

⁹ These analyses were drawn from the CEO Water Mandate's Guide to Water Related Collective Action (2013). Although they were initially designed to gauge whether external parties might add value as additional WSI participants, they can also be used to better understand the relevance of WSI stakeholders.

Tool 4: Due Diligence Investigation of WSI Participants

Tool	An example "Know your WSI participants" checklist and other sources of information relating to due diligence investigations.
Related Key Activity	Analyze WSI participant records and incentives.
Questions Addressed	How can the WSI understand the track record of its potential participants to ensure the integrity of the initiative?
Purpose	<p>A proper due diligence process will help WSI participants identify potential past unethical behavior by any participant, in order to determine proper next steps and avoid conflicts:</p> <ul style="list-style-type: none"> ▣ Develop greater understanding of WSI participants at the outset. ▣ Mitigate risk of integrity issues related to past participant behavior and track record.
Possible Users	WSI initiator, might be a single organization or a small group of organizations that are providing financial support to a WSI or are involved in its development, including donor agencies planning to support a WSI.
Level of Effort	From simple checklist to comprehensive background research by an independent party.
WSI Phase	1: Incubation and Initial Analysis, completed in 2: Formalization.

Due diligence refers to the care a reasonable and prudent party should take before entering into an agreement or transaction with another party – whether they are NGOs, government, or private companies. It involves a systematic collection and analysis of information on how a particular organization is managed or conducts its business. A due diligence investigation reveals whether a potential participant in a WSI commits to professional and ethical business practices, and uncovers the risks and opportunities that come along with involving this participant. A due diligence assessment will be useful for the **WSI initiators** while scoping prospective participants in order to assess whether that organization is fit to assume a specific role in the WSI.

Level of Effort:

Simple investigation: Applied to all potential participants

In-depth investigation:

- To be used following the outcome of a simple due diligence that highlights potential areas of conflict
- To be used if a WSI is intended to address sensitive areas (such as regulations)
- To be used if a potential participant will play a key role (e.g., WSI facilitator).

There is intentional damage and neglect of the water infrastructure by the municipality staff. [Donor/ESA]

XXX is distancing themselves from the partnership when it's not bringing immediate benefit. [Civil Society]

(From Field Testimony)

Potential data sources for due diligence

Publicly available information on the potential participant (depending on size of company or organization: website, local and/or international newspapers, information provided upon request).

Information from the anti-corruption and procurement agencies or from local or provincial governments (black- or whitelists for public procurement), competition agency (cases of collusion), environmental protection agencies, watchdog NGOs.

Cross-checking with local corporate registries, telephone, business, professional, and Chamber of Commerce directories, and NGO networks; in some countries CSO performance reports exist and may be a useful information source.

Announced visit to the company, organization, or government agency.

Interviews or informal consultations with trusted individuals who have a track record of working in the area, on related topics, or with the **WSI participants**.

Follow-up on local references provided by the participants regarding their suitability as partners.

Interpreting and acting on due diligence investigations

A proportional approach to diligence has to reflect the nature and context of the WSI and respond to the concerns of WSI participants and affected stakeholders. For example, local organizations should not be excluded from a WSI simply on the basis of low capacity or lack of financial sustainability. Rather, their status should be understood so that the WSI can plan additional support wherever necessary. Similarly, a company that has been convicted for serious breaches of environmental law in the past does not necessarily have to be excluded from taking part in the WSI.

What is important is the disclosure of critical issues, and open discussion and agreement on whether the risks posed to the WSI are acceptable and manageable by the participants. Ultimately it will be for the WSI participants themselves to interpret and respond to information generated by due diligence checks. To enhance transparency and provide the opportunity for meaningful communication, it is recommended that the WSI document the interpretation and decisions resulting from due diligence investigations. Critical results of the investigation such as conflicts of interest (e.g., potential for commercial or financial benefit) should be addressed explicitly (e.g., in a Code of Conduct, Tool 10b), and WSI participants should structure the WSI governance and management of roles and responsibilities (Tool 9) accordingly.

A due diligence process usually includes an analysis of the relevant organizations'

- Image
- Social responsibility
- Environmental accountability
- Financial soundness
- Policy compatibility
- Capability to engage
- Interest and incentives.

Table 7 lays out additional issues for consideration. In this regard, it is important to vet whether the interests and water use of a potential participant can be aligned with the principles of **sustainable water management**.

Information gathered in the due diligence can also be used when developing the WSI's finance and audit protocols (Tool 8).

By conducting due diligence investigations, WSIs can reduce the chance of future conflicts of interest or unpleasant surprises linked to the behavior or the track record of participants, which may affect the credibility of the initiative and the reputation of other participants. For example, it could harm the other participants or the WSI as a whole if one participant is engaged in illegal practices or simply has no capacity to live up to expectations. However, in reality many WSIs must include participants with an imperfect track record; indeed many WSIs exist because of historical legal action or because **stakeholders** lack capacity. Due diligence for WSIs is therefore more about having important information upfront and knowing your **WSI participants** than preventing participation. Besides the immediate results, conducting due diligence can also help to establish a common understanding of expected standards of professional conduct among participants. Moreover, it can initiate capacity development by responding to short-falls (e.g., participants implementing new policies and processes).

GUIDANCE FOR IMPLEMENTATION

Step 1: Define Methodology and Data Sources

To streamline data collection processes, the due diligence investigation can be linked to the stakeholder mapping exercise and context and political economy analyses that should be carried out at the outset of a WSI.

Investigation should include different sources of information (see box on potential data sources).

If methodology for participants consists of a reduced/simplified checklist, thresholds should be defined for deeper investigation.

Step 2: Conduct Initial Investigation

WSI initiators select who will conduct the investigation based upon the goals, objectives, and potential-make-up of the WSI. Question to ask include, "Who is best positioned to carry out the due diligence? Would an external party be helpful to work through potential conflicts of interest?"

Options for how to conduct such an investigation includes a local consultant; external independent organization or individual according to terms of reference (TOR, see Tool 5, Step 1); key members of the WSI who utilize a simple checklist of verified information.

Table 8 provides guidance on questions that should be explored during the investigation.

Where a WSI might be operating in a high-risk context, WSI initiators might consider conducting further background checks with local experts to verify outcomes.

Step 3: Reach and Document Conclusions

Discuss initial findings among WSI initiators resulting in a joint decision about who to invite to participate in the WSI.

Where the investigation finds critical issues, WSI initiators may choose to hold a bilateral meeting with the individual/organization to assess whether and how the identified problems or sensitive issues might be addressed.

Exclusion of potential participants should be based on an in-depth investigation.

In circumstances where a number of sensitive or controversial issues might arise, an efficient and constructive way to collate and weigh due diligence information gathered in Step 2 is likely a meeting or workshop setting.

In the workshop, potential WSI participants introduce their organizations, and findings of the initial investigation are presented.

The workshop format allows the group to discuss and come to consensus about any controversial issues.

Intelligent workshop design and facilitation will be necessary to handle sensitive issues.

Step 4: Follow Up

Continued due diligence reporting and monitoring should be carried out to adapt to new issues as they emerge.

In particular, a conflict of interest register should be kept up to date and should be acted upon. The results of due diligence can also be made public to increase the credibility and legitimacy of the WSI.

Table 7: Know Your WSI Participants — Key Issues to Consider

<p>Background information</p>	<p>Find out more about participant status, purpose, and governance. Consider checking:</p> <ul style="list-style-type: none"> ▣ Governance documents (articles of incorporation, bylaws, NGO registration) ▣ Annual reports, brochures, etc. ▣ Ownership structure (who is behind the institution?) ▣ Curriculum vitae of trustees or directors and senior staff ▣ Board of Trustees/Directors meeting minutes ▣ Political affiliations ▣ Previous or pending legal cases, fraud, or accusations of improper conduct or corrupt practice <p>What is the legal status of the organization? What is its core purpose? To whom is it accountable, who is it of use to, and who does it actually represent?</p>
<p>Public image and reputation</p>	<p>What is the public perception of the organization?</p> <ul style="list-style-type: none"> ▣ Do the public and stakeholders know about the organization? What do they associate the organization with? ▣ Are there any particularly negative or positive perceptions? If so, what are they?
<p>Social responsibility</p>	<p>How socially responsible is the organization?</p> <ul style="list-style-type: none"> ▣ What is the corporate social responsibility (CSR) portfolio? Does it reflect good practices in social responsibility? ▣ Is practice in line with public policy? How is this demonstrated? ▣ Does the organization pay appropriate tax, or is it engaged in tax avoidance?
<p>Environmental performance</p>	<p>What are the environmental credentials of the organization?</p> <ul style="list-style-type: none"> ▣ Does the organization have an environmental policy and register of environmental issues? ▣ Is the organization compliant with environmental law in the country of operation? Internationally? ▣ Have there been major environmental issues in the past? What has been the organization's response? ▣ Does the organization disclose environmental performance?
<p>Policy compatibility</p>	<p>Does the organization have policies relating to the following areas? Are they adequate, and are they followed? How is this demonstrated?</p> <ul style="list-style-type: none"> ▣ Protection of children and vulnerable people ▣ Anti-corruption, including whistle-blowing safeguards ▣ Health, safety, and Environment ▣ Equal opportunities ▣ Conflicts of Interest ▣ Ethics ▣ HIV and AIDS in the workplace ▣ IT security

<p>Financial position</p>	<p>Consider checking the sustainability and financial viability of the participant:</p> <ul style="list-style-type: none"> ▣ Most recent annual reports, financial statements, and regulatory reports (audited, if available) ▣ Budget for upcoming financial year and current and projected income forecasts ▣ Finance manual and expenditure procedures
<p>Capability and conduct</p>	<p>Will the organization be able to deliver on agreements and roles set out in the WSI? Consider checking:</p> <ul style="list-style-type: none"> ▣ Organizational structure chart ▣ Curriculum vitae of key staff and reporting/accountability lines ▣ Human resources policy ▣ Staff performance management policy ▣ Internal performance processes (KPI framework, etc.) ▣ Existing partnership agreements and performance against these (MoUs, etc.)
<p>Intent and incentives</p>	<p>Why is the organization relevant to the WSI? What is its rationale for engagement?</p> <ul style="list-style-type: none"> ▣ What are the benefits sought by the organization through its involvement with the WSI? Are they in line or can be aligned with sustainable water management? ▣ How will those benefits be measured and tracked? ▣ Are there any other potential benefits or stakes at risk that motivate the organization's involvement? ▣ Are there any conflicts of interest (such as positioning for contracts, access to decision makers), and how will they be managed?

Further reading:

- Partnering Against Corruption Initiative (PACI). 2013. “Good Practice Guidelines on Conducting Third-Party Due Diligence.” (Geneva: World Economic Forum). http://www3.weforum.org/docs/WEF_PACI_ConductingThirdPartyDueDiligence_Guidelines_2013.pdf. *N.B.:* Contains sample questionnaires for due diligence assessments that can be adapted.
- Guide to Combating Corruption and Fraud in Development Projects. 2014. <http://guide.iacrc.org/local-and-on-site-due-diligence-checks/>.
- For information on filing requirements, see World Bank Group (2014), “Starting a Business,” <http://www.doingbusiness.org/data/exploretopics/starting-a-business>.
- Matteson Ellis. February 4, 2014. “The Master List of Third Party Corruption Red Flags,” FCPAmericas Blog, <http://fcpamericas.com/english/anti-corruption-compliance/master-list-party-corruption-red-flags/#>.
- PInow. (no date). “Due Diligence Investigations.” <http://www.pinow.com/investigations/due-diligence>.

The institutional and political landscape should have been understood better from the start ... The bigger picture wasn't there at the beginning. [Private Sector]

These projects are not lined up with what's really needed. Some are poorly thought through. [Donor]

(From Field Testimony)

Expert Skillset (sample):

- ▣ Ability to identify multiple data sources, and to analyze and triangulate information
- ▣ Interview techniques
- ▣ Meeting moderation skills
- ▣ Writing skills
- ▣ Expectation management
- ▣ Neutrality and independence
- ▣ Familiarity with the WSI geography, problem, and stakeholders
- ▣ Technical skills, such as in hydrology
- ▣ Experience in community, business development, and SWM.

Tool 5: Assessing the Context of a WSI

Tool	A guide to design and undertake an analysis of environmental, technological, socio-economic, cultural, market, policy (both institutional and regulatory), and political factors that influence the scope and design of a WSI. A set of key questions to be analyzed for WSIs is provided below.
Related Key Activity	Undertake a participatory context analysis.
Questions Addressed	How can we best align the objectives of the WSI within the local water context? What are the major water challenges that the WSI can address, what are the opportunities, and how might the WSI be integrated into the existing institutional environment?
Purpose	A well designed and implemented context analysis ensures that the WSI can identify and address the local water challenges in a way that serves the public interest, and mitigate potential integrity risks associated with WSIs that serve narrow/private interests: <ul style="list-style-type: none"> ▣ Support the design of appropriate and high-integrity WSIs that consider multiple interests. ▣ Know which factors and trends are influential and which assumptions underpin the WSI. ▣ Contribute to the monitoring and evaluation of the WSI by setting out baseline conditions.
Potential Users	WSI initiators.
Level of Effort	Thorough analysis and data collection efforts depend on existing knowledge and availability of relevant assessments.
WSI Phase	Should start the analysis during 1: Incubation and Initial Analysis and be completed during 2: Formalization.

A context analysis is a structured approach to understanding the root cause(s) of the water-related challenges the WSI aims to address. Rather than be pursued as a stand-alone exercise, it can be integrated into existing water-related assessments, such as a water risk assessment or appraisal, or other mechanisms that look to understand the contextual factors that influence water risks. Where information gaps exist, the participants or conveners can later supplement the assessments with additional areas of inquiry. The insights resulting from a context assessment are key to designing appropriate strategies for the WSI that are based on a logical **theory of change**, and that respond to local realities and take the interests of different **stakeholders** into consideration.

For example, site-specific problems may range from water allocation issues or unreliable water supply to damages resulting from flooding or the degradation of the ecosystem. To address such complex issues, **WSI participants** must understand *what is going on and why*. Typically, problems may reflect various gaps in the water management system, such as deficiencies in financing or managing infrastructure investments, wa-

ter program implementation, or catchment governance. These issues are, in turn, influenced by an intricate set of drivers and trends in the wider environment that may be beyond the control of **WSI participants**, but that need to be understood in order to achieve the WSI’s intended benefits.

The context analysis focuses on the multiple dimensions of external forces: environmental, technological, socio-economic and cultural, market, policy (both institutional and regulatory), and political factors. Findings provide the basis for designing the scope, structure, management, work program, and the monitoring and evaluation framework of the WSI. Developing a WSI with insufficient understanding of its context could result in **WSI participants** working on the wrong issues, in the wrong places, with the wrong people, and in the wrong ways. A context analysis can help identify needed action, flag potential integrity risks, and prompt solutions to mitigate them before they arise.

The context analysis should ideally start during the incubation phase of the WSI to provide a baseline understanding of the surrounding conditions, and continue through the end of the first phase and into the formalization phase as the WSI matures and objectives and goals are set. As contextual factors change, key findings and assumptions should be reviewed from time to time so that the WSI can be adapted accordingly.

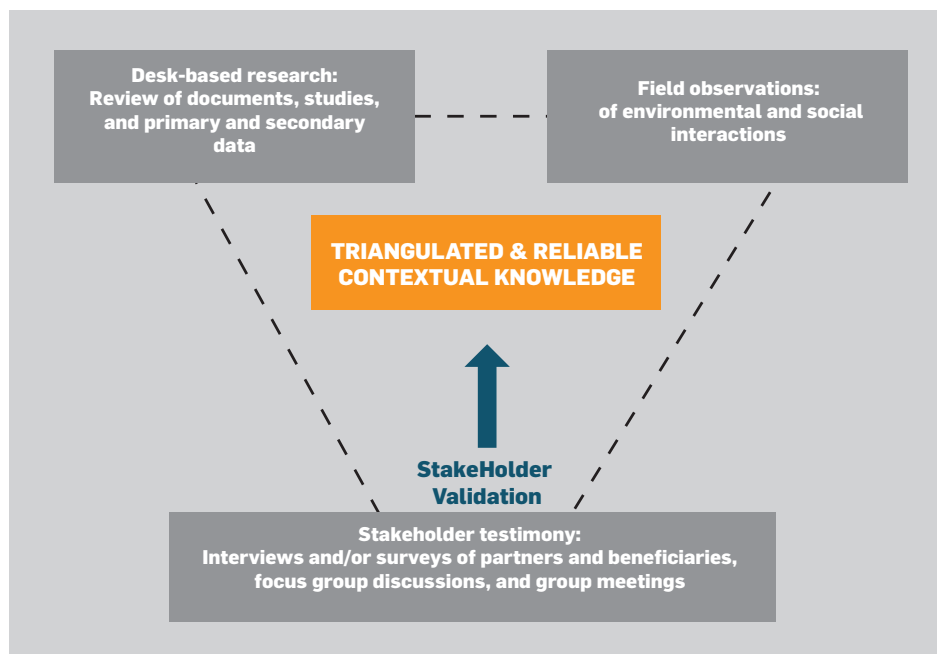
Context Analysis — Key Tips:

- Do not wait too long to do the analysis, as it provides key insights for planning.
- Use credible and well-respected experts whenever needed.
- Ensure that findings are neutral and objective.
- Conduct the analysis as a participatory process from procurement to validation of results.
- Use current trends and prospective findings to strengthen the rationale for the WSI.
- Be sure to understand the political economy, which concerns why things happen and how they can be influenced.
- Revisit the analysis regularly.

GUIDANCE FOR IMPLEMENTATION

<p>Step 1: Develop Terms of Reference (ToR)</p>	<p>WSI initiators (or a core group of participants) develop an impartial ToR for the context analysis that includes the methodology (highlighting a participatory approach), outputs, and expert profile via a joint exercise to mitigate against bias (or perceptions of bias).</p> <p>The methodology can build upon existing analyses such as political economy analysis or water risk assessments. Might combine desk study with field observations and input from WSI stakeholders.</p> <p>Sample questions provided in Table 8 can be adapted to the local context and used in conjunction with the ToR.</p>
<p>Step 2: Select Expert(s) to Conduct the Analysis</p>	<p>Work is carried out typically by a suitably qualified researcher or consultant (or a small team) contracted by the WSI.</p> <p>An expert with local knowledge and credibility will increase the likelihood that the analysis is well received by WSI participants and the chances that it will inform an accepted strategy.</p>
<p>Step 3: Tap into the Knowledge of WSI Stakeholders</p>	<p>Use a participatory approach to the context analysis. Though it might sound time consuming, it leads to a high-impact and high-integrity effort.</p> <p>A participatory approach leads to a rich understanding based on robust quantitative and qualitative data, inputs from stakeholders, and a balanced synthesis of their perspectives.</p> <p>Participation should be built into the ToR (Step 1 above), in data collection, analysis, and validation.</p> <p>Findings should be shared with WSI participants and external stakeholders in an accessible manner with time allocated to gather and integrate their feedback and respond to their concerns (e.g., through feedback workshops with separate stakeholder groups and or during WSI meetings).</p> <p>Stakeholder validation is vital to build a strong foundation of shared understanding and reliable knowledge (see Figure 5).</p>

Figure 5: Stakeholder Validation of the Context Analysis Results



The context analysis needs to make use of a holistic analytical framework. Besides describing the state of affairs, current dynamics and trends, it should develop scenarios to strengthen the rationale for the WSI and further sharpen strategic orientations.

The STEEP (social, technological, economic, environmental, and political) framework, used worldwide by companies in strategic analysis and market research to gain an overview of the different macro-environmental factors, provides a useful template. Table 8 adapts this framework to the relevant dimensions of **water stewardship**.

Table 8 is a compilation of potentially relevant questions that has been prioritized within each example. **WSI participants** will need to adapt and prioritize questions according to the nature and scope of their initiative, as well as the status of existing context information.

Table 8: Suggested Dimensions and Questions to Help Guide a WSI Context Analysis

ENVIRONMENTAL OR RIVER BASIN CONTEXT
<p>Priority:</p> <ul style="list-style-type: none"> ■ Does reliable data and information on water availability and quality exist? What does it cover, and is it accessible? ■ To what extent have there been water stress or supply shortages in the river basin or watershed? Are the legitimate and basic water needs of other stakeholders (including the environment) affected negatively because of large-scale water users (e.g., abstraction, pollution, by companies and their partners in the supply chain)? ■ Have there been any water-related conflicts? If so, who was involved and what were the conflicts about? ■ Which ecological factors affect the successful implementation of Integrated Water Resources Management (IWRM)? <p>Further questions:</p> <ul style="list-style-type: none"> ■ To what extent does increased climate variability alter underlying water resources and make existing supply arrangements and infrastructure inadequate to meet existing or anticipated demands? How does climate change influence local, national, or regional (or trans-boundary) debates on the need to address shared water risks?
SOCIO-ECONOMIC AND CULTURAL CONTEXT
<p>Priority:</p> <ul style="list-style-type: none"> ■ To what extent do demographic patterns (e.g., population growth, changes in preferences for living arrangements, household consumption) affect: (1) the demand for water access, sanitation, and hygiene (WASH) services, (2) the competition among water users, (3) the locations where water infrastructure can be built or operated, and (4) the consumer base available to support infrastructure development and maintenance? ■ How does economic development activity in the catchment (e.g., industrial, commercial, agricultural) affect demands on existing water resources? What impact does this have on water quality and the ecosystem? ■ How do other socio-economic factors (e.g., social cohesion, poverty and livelihood considerations, cultural attitudes, gender, and values) influence the relationships with service providers, the role of the community in the management of WASH services, stakeholder engagement, security, etc.? Are there local social structures that the WSI can build on to enhance its effectiveness and reach? <p>Further questions:</p> <ul style="list-style-type: none"> ■ To what degree are social norms and expectations at country and catchment levels evolving with regard to water quality and accessibility, and to the maintenance of ecosystems and species?
MARKET CONTEXT
<p>Priority:</p> <ul style="list-style-type: none"> ■ Who makes what decisions with regard to economic priorities and public investments that may be relevant to the WSI? Who are the dominant actors within the market, and who gets sidelined? (See Tool 3, Stakeholder Mapping). ■ Are policies and regulations that govern the goals of the local economy consistent with those around protecting and allocating water resources? ■ How is the local economy evolving? What are the likely influences on water use by producers of goods, or shifts in resulting use of those goods by consumers? ■ How do new entrants gain access to licenses (e.g., for water abstraction, effluent discharge, solid waste collection)? <p>Further questions:</p> <ul style="list-style-type: none"> ■ What is the scope for small-scale financing or credit to WASH providers? ■ Have there been payments made for environmental services (e.g. taxes or fees)? What does the future look like?

Policy and legislation

Priority:

- ▣ How comprehensive, clear, and harmonized are sector-specific policies, and are they available in writing?
- ▣ To what extent does the government prioritize IWRM and other water-related policies? How do policies and regulations from other sectors influence activities in the water sector (e.g., land rights, land use)?
- ▣ How comprehensively are sector policy and legislation applied?
- ▣ How aligned with public policy goals are (current or envisioned) WSI objectives and activities?
- ▣ Further questions:
 - ▣ How well defined are public policy priorities in the catchment area?
 - ▣ How concretely is water recognized as contributing to these objectives?
 - ▣ How well defined are government roles related to the delivery of water-related public policy goals and objectives?

Institutions

Priority:

- ▣ Which institutions set out the rules and regulate the activities around which the partnership is organized?
- ▣ How effective are public institutions in terms of their capacity and resources to deliver on and regulate water-related public policy goals and objectives (at country level and/or at local level)? What is the impact of decentralization?
- ▣ To what extent do stakeholders have good access to information? Are they being consulted? Do they have access to complaints or redress mechanisms for their grievances?

Regulation and regulatory enforcement

Priority:

- ▣ How clear and comprehensive are the regulations relevant to the planned activities of the WSI?
- ▣ How clearly are roles and responsibilities allocated amongst different levels (municipal, district, national) of regulatory actors? Are these actors sufficiently independent?
- ▣ To what extent is there competition among regulations (environmental protection, water rights allocation, tariffs, quality standards, service standards, abstraction rates, procurement, etc.)?
- ▣ Further questions:
 - ▣ How well defined and enforced are procurement regulations and anti-corruption mechanisms?
 - ▣ Are the relevant regulations adequately enforced? To what degree do stakeholders know and adhere to them?

Rule of law

Priority:

- ▣ To what extent are breaches of agreements and other forms of illicit practice and corruption that may occur in a WSI considered to be a violation of the law? Are sanctions clearly defined?
- ▣ In the absence of a functioning judiciary, to what extent may international companies be subject to legal liability in local and/or national jurisdictions?
- ▣ How feasible an option is legal action in the event of escalation of conflicts within or related to the initiative?
- ▣ Which traditional forms of conflict resolution exist? What could their relevance be in the context of the WSI?

POLITICAL CONTEXT

Priority:

- How do formal and informal decision-making processes at local government and community levels work? Who are the key players, and how representative are they?
- What are the prevailing attitudes and interests within each major stakeholder group toward the problem addressed by the WSI and the envisioned activities or approaches? (See Tool 3, Stakeholder mapping.)
- What are the prevailing attitudes within each major stakeholder group toward multi-stakeholder partnerships?
- What are the prevailing attitudes within each major stakeholder group toward transparency and practice in terms of codes of conduct?

Further questions:

- How much space already exists for advocacy and networking around the issues tackled by the WSI?
- To what extent can the WSI be affected by the political cycle, a change in power structures, or individuals in power? How much could a shift in government or stakeholder priorities influence the involvement of different WSI participants?

ADDITIONAL CONTEXT FACTORS: CONTEXT FOR MULTI-STAKEHOLDER INITIATIVES

Priority:

- What is the current relationship between the public, private, and civil society sectors (e.g., adversarial, unconnected, supportive, mainly based on philanthropy or CSR)?
- What are the attitudes of the different stakeholder groups toward each other?
- What has been the experience of WSIs or IWRM-related multi-stakeholder partnerships in the country and in the area? What kinds of roles have these partnerships played to date (e.g., regulatory/policy, investment and finance, implementation, technology innovation, social accountability innovations, other)?
- What level of engagement have they achieved (i.e., informative, consultative, collaborative, integrative)? Can higher levels of engagement be envisioned?
- Are they generally successful? Sufficiently “partnership oriented”?

Further questions:

- Are there examples of multi-stakeholder partnerships operating outside the IWRM sector (WASH, energy, health, education, etc.)? If so, how successful have these been (or been perceived to be), and do they provide any lessons for the WSI?
- For examples found, how vested are the different stakeholders in the partnership? What is the nature of and commitment to their contribution (e.g., merely a funding channel for NGO projects, a lobbying mechanism for the private sector)?
- For examples found, what is the national, regional, and local interaction within these partnerships? How does (de)centralization shape these relationships?
- What other kinds of relationships of a formal nature (public-private contracts, public-NGO service delivery contracts, etc.) exist among the different stakeholder groups?
- What kinds of relationships beyond standard contracts (e.g., for regulating, advocacy, innovation funds, policy platforms, etc.) exist among sectors? Are external donors supporting such efforts? If so, how?
- What are public sector incentives to and attitudes toward convening, leading on, and engaging in multi-stakeholder partnerships? Do officials have the required capacities and skills across different levels of jurisdiction (center, provincial, district, etc.)?
- What traditional roles have civil society organizations played in multi-stakeholder partnerships? What might further support their engagement in or strengthen their role in a WSI?

ADDITIONAL CONTEXT FACTORS: TECHNOLOGICAL
(MAINLY RELEVANT IN CASE OF MAJOR ONGOING TECHNOLOGICAL CHANGES)

- How adequate is the existing capacity and operation of water infrastructure for water supply and waste disposal? What are the impacts on companies and local communities?
- Are growth rates (demographic, industrial) outstripping supply and treatment capacities? What are the short- and mid-term scenarios?
- What is the level of awareness of maintenance requirements to ensure effective operations in the long term? Are efforts being made to increase awareness among different stakeholder groups?
- What is the technical capacity to support the planning, operation, and maintenance of the infrastructure? How are gaps in technical capacity being addressed?
- How appropriate are the financial mechanisms in place to ensure the capital investment and ongoing operational costs of the infrastructure? What measures, if any, are being put in place to address any gaps?

Further reading:

On the process and methods of context analysis:

- Ken Caplan and Robin Farrington. (forthcoming). *Emerging Lessons from the Water Futures Partnership: Collective Action Guide Part 2*.
- CEO Water Mandate. September 2013. *Guide to Water-Related Collective Action*. <http://ceowatermandate.org/wp-content/uploads/2013/09/guide-to-water-related-ca-web-091213.pdf>.
- Alan Thomas, Joanna Chataway, and Marc Wuyts, eds. 1998. *Finding Out Fast: Investigative Skills for Policy and Development*, pp. 307–332. (London, Thousand Oaks, New Delhi: Sage).
- Department for International Development (DFID). July 2009. “**Political economy** Analysis – How to Note: A DFID Practice Paper.” London. <http://www.odi.org.uk/events/2009/07/23/1929-dfid-note-political-economy-analysis.pdf>.
- United Nations Development Programme (UNDP). 2012. “Institutional and Context Analysis Guidance Note.” (New York: UNDP). <http://www.undp.org/content/undp/en/home/librarypage.html>.

Analytical frameworks for context analysis:

- GIZ. 2009. “Capacity Works.” (Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH). <http://www.giz.de/expertise/html/4619.html>
- Joy Moncrieffe and Cecilia Luttrell. 2005. “An Analytical Framework for Understanding the **Political economy** of Sectors and Policy Arenas.” Overseas Development Institute (ODI). <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/3898.pdf>.

On alignment of WSI with water governance structures:

- European Commission. 2011. *Water Project Toolkit*, p. 98 on. (Luxembourg: EU Publications Office). www.aquaknow.net/watertoolkit.

Tool 6: Support Materials for a Participatory Planning Process

Note: Given the importance of participatory planning processes to the impact and integrity of WSIs, the project sponsors and partners are developing further WSI-specific guidance and tools that will be available online in due course.

Tool	A broad overview of the importance of participatory planning processes to the integrity of WSIs, introduction to key principles and commonly used approaches, and useful reference material.
Related Key Activity	Define scope, objectives, and public interest benefits of the WSI.
Purpose	Build legitimacy and credibility, and avoid conflicts and capture through balanced stakeholder engagement: Identify interests and needs of affected stakeholders to inform the planning process. Expand the knowledge and resources that inform WSI development and implementation.
Possible Users	WSI facilitators, managers, and coordinators.
Level of Effort	Inherent to the facilitation and management of WSIs.
WSI Phase	Throughout the life cycle of the WSI.

Effective **stakeholder engagement** is key to ensuring the needs, knowledge, perspectives, and interests of those impacted by the WSI are represented. Poor **stakeholder engagement** can negatively impact WSIs in several ways: among other things, it can lead to inappropriate or uninformed design, undermine durable outcomes, and contribute to stakeholder conflict. Further, where **affected stakeholders** are not involved adequately, WSIs cannot be assured to act in the **public interest**, and the lack of gatekeeping may increase **capture** risks.

Conversely, the active involvement of **stakeholders** provides important knowledge about the WSI context, which is required to mitigate integrity risks. Good participatory processes pass a sense of ownership to those involved (or affected), and thereby establish the credibility and legitimacy of the WSI and contribute to sustainability and transparency. In addition, proper **stakeholder engagement** ensures that **affected stakeholders** are adequately informed about the initiative, its progress, and possible obstacles, which constitutes the basis for accountability of WSIs.

Those affected by the WSI and those influential to its successful outcome will need to be represented and engaged in appropriate ways. Part One–Section IV Applying the WSI Integrity Principles in Practice provides an indication of minimum requirements for **stakeholder engagement**. To further support WSI managers and facilitators with additional guidance around possible forms of communication and approaches for engagement, this section introduces selected publications that may be helpful in designing a WSI-specific **stakeholder engagement** strategy.

Selected guidance documents to support stakeholder engagement processes

The CEO Water Mandate’s Guide to Water-Related Collective Action (2013)¹⁰ targets private sector **stakeholders** with an interest in corporate **water stewardship**. The document provides guidance on preparing for a collective action (e.g., what needs to be clarified and researched), as well as principles and structural elements for managing collective action, which can inform a WSI’s **stakeholder engagement** strategy. For example, the document provides an overview of categories of potentially interested parties (p. 19) that can be used as a starting point for the stakeholder mapping process.

ADVANTAGES	ADAPTATION
<ul style="list-style-type: none"> ▣ Guidance for stakeholder engagement specified to the conditions of WSIs ▣ Case examples and lessons learned are documented as a practical reference 	<ul style="list-style-type: none"> ▣ Needs to be partly adapted for communication with types of stakeholders other than the private sector ▣ Specific interventions need to be established based on generic guidance and case examples

The International Council on Mining & Metals¹¹ has provided a practical guidance to identify **stakeholders**, clarify their concerns and aspirations, delineate engagement objectives, and initiate iterative consultation, as well as to communicate intentions, evaluate progress, and maintain engagement. Although the document is not solely focused on the more formalized WSIs that are the subject of these guidelines, the guidance for **stakeholder engagement** provides practical steps relevant to participatory planning processes.

ADVANTAGES	ADAPTATION NEEDS
<ul style="list-style-type: none"> ▣ Guidance specified to the conditions of WSIs that involve mining companies, with lots of relevant information for stakeholder mapping and context analysis ▣ Step-wise guidance for stakeholder engagement at certain phases of WSIs ▣ Abundant references to additional literature 	<ul style="list-style-type: none"> ▣ Only parts of the guide (“external engagement”) are relevant for WSIs ▣ Not all aspects of stakeholder engagement that are relevant for WSIs are addressed in detail

The AA1000 **Stakeholder engagement** Standard (AccountAbility 2011)¹² provides advice on: (1) how to establish the necessary commitment to **stakeholder engagement**, and how to ensure it is fully integrated in strategy and operations; (2) how to define the purpose, scope, and **stakeholders** of the engagement; and (3) what a quality **stakeholder engagement** process looks like. The AA1000 Standard supports the implementation of criteria for quality **stakeholder engagement** by organizations, which equally apply to WSIs.

10 CEO Water Mandate, Guide to Water-Related Collective Action (September 2013), <http://ceowatermandate.org/wp-content/uploads/2013/09/guide-to-water-related-ca-web-091213.pdf>.

11 International Council on Mining and Metals (ICMM), “A Practical Guide to Catchment-Based Water Management for the Mining and Metal Industry” (2015), www.icmm.com/document/8329.

12 AccountAbility, “AA1000 **Stakeholder engagement** Standard 2011 (AA1000SES)” (January 2011), www.accountability.org.uk.

ADVANTAGES	ADAPTATION NEEDS
<ul style="list-style-type: none"> ▣ Comprehensive, practical guidance for the design of stakeholder engagement strategies that contribute to enhance accountability of organizations and initiatives ▣ Helpful, process-oriented elaboration of what constitutes good stakeholder engagement 	<ul style="list-style-type: none"> ▣ Needs to be adapted from a primary focus on individual organization's efforts to engage stakeholders to the context of WSIs ▣ Specific requirements are needed to ensure stakeholder engagement contributes to the SWM needed (e.g., building on existing sector institutions)

Over recent decades, participatory approaches to forestry have been evolving in many parts of the world. The participatory and multi-stakeholder aspects of national forest programs have similar challenges as water-related collective action because **stakeholders** often have competing interests regarding both water and forest resources. The National Forest Programme and the Food and Agricultural Organisation of the United Nations (O'Hara 2009)¹³ provide guidance on relevant tools and methodologies for **stakeholder engagement** processes, as well as a training manual on enhancing stakeholder participation.

ADVANTAGES	ADAPTATION NEEDS
<ul style="list-style-type: none"> ▣ Tangible tools for stakeholder engagement suggested ▣ Similar requirements for multi-stakeholder initiatives in forestry and water, both of which be considered as commons 	<ul style="list-style-type: none"> ▣ Needs to be adapted to river basin and watershed management ▣ Role of corporate stakeholders not specifically addressed

Further reading:

- Thomas Krick, Maya Forstater, Philip Monaghan, and Maria Sillanpää, with Cornis van der Lugt, Katharine Partridge, Charles Jackson, and Asaf Zohar. October 2005. *From Words to Action: The Stakeholder Engagement Manual. Volume 2: The Practitioner's Handbook on Stakeholder Engagement*. Available at AccountAbility, www.accountability.org.uk; Stakeholder Research Associates, www.StakeholderResearch.com; United Nations Environment Programme, www.uneptie.org.
- BSR. October 2011. "Five-Step Approach to Stakeholder engagement." www.bsr.org/reports/BSR_Stakeholder_Engagement_Strategy_Briefing_Paper.pdf.
- International Finance Cooperation (IFC). 2014. *A Strategic Approach to Early Stakeholder Engagement: A Good Practice Handbook for Junior Companies in the Extractive Industries*. (Washington DC: IFC.) https://commdev.org/userfiles/FINAL_IFC_131208_ESSE%20Handbook_web%201013.pdf.

¹³ Peter O'Hara, *Enhancing Stakeholder Participation in National Forest Programmes: Tools for Practitioners*. (Rome: National Forest Programme Facility, Food and Agricultural Organisation of the United Nations, 2009), <http://www.fao.org/publications/en/>.

Tool 7: Basics for WSI Monitoring and Evaluation

Note: Given the importance of M&E to the impact and integrity of WSIs, the project sponsors and partners are developing WSI specific guidance and tools, which will be available online in due course.

Tool	A broad overview of the importance of M&E to the integrity of WSIs and references for commonly used approaches.
Related Key Activity	Establish M&E.
Question Addressed	How can we determine to what extent we are achieving the objectives of our WSI?
Purpose	<p>Increase trustworthiness of WSIs and enable the initiative to take corrective action:</p> <ul style="list-style-type: none"> ▣ Understand what needs to be monitored. ▣ Track progress and support learning toward achieving the goals of WSI.
Potential Users	WSI managers with all participants.
Level of Effort	Continuous human resources, financial resources for data collection depending on indicators and available baseline information.
WSI Phase	Partnership monitoring through entire life cycle, results monitoring from the formalization phase onward.

M&E was not robust so we couldn't show the benefits. [Civil society]

(From Field Testimony)

WSIs can be difficult to monitor, as partners contribute in different and sometimes informal ways. This may result in challenges to attributing outcomes to the WSI. Moreover, monitoring should focus on both the efficiency of the initiative itself (including how participants cooperate) and the progress toward achieving specific results. Without a robust monitoring framework and the systematic assessment of delivery against the set objectives, WSIs are not able to prove their added value to the public and its participants, as well as provide internal and external accountability for the resources used. Moreover, weak monitoring may lead to illegitimate claims by **WSI participants** (increasing risks of “green washing”) and can be the cause for misunderstandings and contradictory expectations on impact, outcomes, and contributions.

Having clear objectives within a WSI and the ability to track achievement against these objectives supports corrective management and guards against the manipulation or misdirection of resources, building overall credibility. Transparency about what the WSI has achieved fosters external trust concerning the motives of the WSI and its participants.

WSI initiators should monitor from the beginning how **stakeholder engagement** evolves. Such information is key for designing a feasible mode of cooperation (see *Tool 10: Establishing Written Agreements*) during the formalization phase. Once the WSI objectives, roles, and contributions have been defined in writing, the corollary results-monitoring framework needs to be developed. Evaluation involves analyses of the WSI's activities, characteristics, and outcomes to determine the merit of the initiative

and to generate lessons for the future. M&E frameworks should be developed by **WSI participants**, and progress reviewed together to inform the development of the WSI and decision-making processes.¹⁴ M&E provides the basis to hold WSI managers and participants accountable and can therefore contribute to reducing mismanagement and **capture**.

GUIDANCE FOR IMPLEMENTATION

Step 1: Establish the Theory of Change and Mode of Cooperation

Participants should establish how the WSI is supposed to achieve its goal by laying out the components of the initiative and the steps needed to achieve the desired results. This can use the model of a theory of change (ToC), results, or impact model, depending on what instrument is being used by the partners. The WSI Model captures much of the information needed for this exercise and can be used as key input or introductory working session for developing the theory of change. In addition to delineating water challenges, this should include defining objectives for the WSI's governance, linked to aspects like stakeholder engagement and compliance with agreements. Clarifying assumptions and capturing interaction with development in the environment within the project logic is vital to understand the risks and viability of the initiative.

Step 2: Define SMART Indicators

Define SMART indicators: Specific, Measurable, Attainable, Relevant, Time-bound. To measure progress and milestones, indicators and baselines need to be set, along with key assumptions and identified risks and how these will be managed. Indicators should be qualitative and quantitative and SMART. To strengthen the WSI's alignment with public policies, consider linking or aligning WSI indicators to standard indicators such as national indicators underpinning the Millennium Development Goals (or forthcoming Sustainable Development Goals).

Step 3: Make Monitoring a Joint Responsibility

Agree who is responsible for measuring the indicators and carrying out evaluations, which forms and tools will be used, how frequently M&E activities should be carried out, the resources available to do M&E, where the results will be reported, processed and responded to, and how they will be disseminated. Use of external evaluators and public disclosure of M&E frameworks and reports is recommended to ensure objectivity and build credibility.

Step 4: Implementation

Implement monitoring plan and carry out agreed evaluations. Make results available to WSI participants and affected stakeholders.

Step 5: Evaluation

An independent evaluation of the WSI should be carried out during Phase 4: Completion, Renewal, or Upscaling. Additional evaluation exercises may be planned around specific milestones or after certain periods of time. Outcomes of such evaluations should be used to generate learning and establish required follow-up action.

¹⁴ UNAIDS, Basic Terminology and Frameworks for Monitoring and Evaluation (Geneva: UNAIDS, Monitoring and Evaluation Division, 2010), http://www.unaids.org/sites/default/files/sub_landing/files/7_1-Basic-Terminology-and-Frameworks-MEF.pdf.

Tool 8: WSI Financing and Audit Protocols

Tool	A summary of key aspects of funding arrangements and processes that your WSI's financing and audit protocols should address.
Related Key Activity	Establish equitable decision-making structures, communication, and finance.
Question Addressed	There are private companies willing to invest in the WSI. How can we receive their funding while maintaining our independence and credibility?
Purpose	Ensure compliance with moral and legal duties related to funding arrangements: Reduce capture and other integrity risks.
Possible Users	WSI initiators and participants.
Level of Effort	Staff time and possibly resources for external expertise during negotiation of financial agreements; efforts for administering agreements depend on complexity.
WSI Phase	1: Incubation and Initial Analysis, 2: Formalization.

Y pays X funds and it's not clear to the partners — it's not transparent — the finances are hidden. [Civil Society]

Does the corporation get to make all the decisions if they are the major [financial] contributor? [Public sector]

(From Field Testimony)

WSIs can engage the private sector to support, also financially, the development or implementation of water policies and services out of their own business interest. This requires high transparency standards and separation of roles in terms of financing and auditing vis-à-vis the governance and decision-making structure of a WSI. Otherwise, WSIs may run risks of **capture**, misleading expectations, or bad perceptions. Funding standards provide for a thorough due diligence investigation of funders, including an assessment of possible conflicts between public and private interests. Financial management and audit protocols then ensure the follow-through and implementation of agreed arrangements.

GUIDANCE FOR IMPLEMENTATION

Step 1: Conduct Due Diligence on Potential Private Funders

- Through a due diligence of potential funders, WSI initiators can better understand their motivations and identify potential integrity risks. Due diligence investigations should consider real interests as well as perceptions, since the latter can have very damaging impacts on the credibility of a WSI.
- In addition to the guidance on due diligence, the following aspects should receive particular attention during the investigation of potential private funders:
- How transparent has the potential funder been about their particular interests, expansion plans, and the possible impacts of WSI outcomes on such plans? What are these possible impacts?
- In terms of provision of WASH services, water use, and discharge, are the current and future (planned) operations of funders in line with local and national policies and regulations, and with international good practices of sustainable water management? What are the links between the funder's operational compliance with water regulations and the objectives of the WSI?
- Could the funding arrangement have (or be perceived to have) an impact on pending licensing, concessional, or legal processes concerning the funder?
- Which conflicts of interests exist between the potential funder and other water users, and how can these influence the WSI or its perception?

Step 2: Determine Credibility and Integrity of Potential Funders

- Based on the due diligence findings, WSI initiators and participants assess whether they are able to receive funds from the potential funder while maintaining the WSI's integrity. As this discussion goes beyond a yes/no decision into designing possible integrity risk management mechanisms for engaging with this funder, the due diligence shall provide a nuanced, dynamic understanding of the entity. Determining the credibility of funders should be done in collaboration with all WSI participants as well as relevant affected stakeholders who may be affected by the WSI or who may have special insight into the funder's operations and intentions.

Step 3: Establish Integrity Risk Management Measures with Funders

- Before entering into a funding relationship, the WSI participants and the potential funder should establish several preventive measures to manage sensitive areas that have been identified (see box on Recommendations for WSIs).

Step 4: Establish Contracts

- Negotiated agreements and safeguards are formalized into contracts.
- Contractual provisions can be used to prevent and disarm any undue interference by funders during the implementation of the WSI. They also demonstrate to affected stakeholders that the WSI participants are committed to upholding integrity.
- When feasible, publicly disclosing this contract can further demonstrate the integrity of the WSI.

Step 5: Manage and Report WSI Expenditures

- Even if funding is diverse, a WSI should have a unified set of rules to manage expenditures, to report to those overseeing the WSI, as well as for auditing. These rules should be agreed on by all WSI participants as an addendum to the MoU or statutes of the governance body (as part of the description of the body's functions).
- For general financial management and auditing, these will usually be the rules of the organization that manages the secretariat of the WSI (or similar structure). The financial management capacities and possible risks need to be assessed in the process of formalizing the role of the secretariat. If necessary, additional controls such as co-signature or no objections for large expenditures and procurement should be put in place. For guidance on financial management systems, see Instrument 2 of the Integrity Management Toolbox (Hermann-Friede et al., 2014).

Step 6: Continuously Audit Adherence to Contracts

- Throughout the life of the WSI, participants should hire an independent party to intermittently revisit contracts with private funders and assess their adherence to its agreements and safeguards. This allows participants to continuously assess possible integrity risks.
- The scope and frequency of audits are designed to control the compliance of all parties with the agreed funding arrangements. The process for an impartial recruitment of the external auditor has to be agreed with funders (usually included in the financing agreement) and possibly with other WSI participants. Audit reports have to be available to all WSI participants and should be published if possible. For guidance on the recruitment, see Instrument 21 of the Integrity Management Toolbox (Hermann-Friede et al., 2014).

RECOMMENDATIONS FOR WSI THAT RECEIVE PRIVATE SECTOR FUNDING

minimum requirements	1. Declaration of intentions and interests of WSI funder(s): These should go beyond the objective of the WSI and clearly state the individual benefits that a funder expects from investing in the WSI.
	2. Financing agreement that separates the funding structure and the WSI operations: The results framework of the agreement needs to be aligned with the general objectives and outcomes of the WSI. The release of funds must not be bound to specific outcomes that benefit the funder. The funder shall not have any special rights (e.g., veto rights) in the WSI governance structure. The implementing partners shall have to justify only how money has been spent and how decisions on the use of funds have been taken, but not the content of decisions (which may not always be in line with the funder's interests).
	3. Basic disclosure of information: Basic information on the overall budget of the WSI, the funders, and the amounts each provides should be made available to the public.
highly recommended	4. Comprehensive disclosure agreements: The financing agreement and related (audit) reports should be published and distributed to the utmost possible extent. If full public disclosure is not possible, other options are to disclose documents only to WSI participants and/or to disclose key information only to the public or WSI participants. Disclosing financial information is even more crucial in complex funding structures.
	5. Independent oversight: Engaging a social witness in the negotiations of sensitive financing agreements and due diligence investigation of the funder can increase credibility. The social witness could be a community organization or a national or international NGO. (For more info, see <i>Tool 11: Independent Oversight</i> .)
	6. Who is paying what: In a WSI that receives a mix of public and private funding, it is advisable to use public funds for sensitive WSI activities (e.g., development of master plans with direct impact on company operations; assessments that serve as basis for prioritizing measures and intervention areas; travel of public officials, community representatives and NGO partners with oversight function) and earmark private funds for activities that are less sensitive to capture (e.g., the implementation of already agreed measures).
	7. Funding diversity: To mitigate power imbalances and negative perceptions, equal possibilities to provide funding should be assessed for all WSI participants, including those who engage at a later stage. Especially if there are conflicts between different (corporate) water users, options to engage with all parties should be explored and decisions documented.

Further readings and materials:

- An integrity risk assessment checklist for implementing partners and **WSI participants** that receive funding can be obtained upon request from GIZ, the Pacific Institute, or WIN.
- Janek Hermann-Friede, Michael Kropac, Sarah Achermann, Johannes Heeb, and Lotte Feuerstein. 2014. *Integrity Management Toolbox for Water Service Providers – Description of WSP Integrity Instruments* (Berlin: cewas, WIN, and GIZ). <http://www.waterintegritynetwork.net/publications/>.

Tool 9: Managing Roles and Responsibilities within a WSI

Tool	A list of roles that typically offer value to WSIs.
Related Key Activity	Assign appropriate roles and responsibilities.
Questions Addressed	What kinds of roles does the WSI need to have, and who might be best placed to fulfill those roles?
Purpose	<p>Ensuring the right people are performing the correct roles in a WSI will ensure that the WSI is not set up for failure or, more importantly, that a person or organization isn't given a role that might lead to conflicts of interests or illicit practice:</p> <ul style="list-style-type: none"> ▣ Identify the right people for the right roles. ▣ Ensure all key responsibilities are assigned. ▣ Avoid failure of key functions. ▣ Ensure all participants have a role and there are no "free riders" who can damage the reputation of the WSI.
Possible Users	WSI participants.
Level of Effort	Preparatory work to assess interest and abilities should be completed during earlier phases (via a due diligence investigation, for example), so the actual assignment of responsibilities should be a simple and straightforward task.
WSI Phase	2: Formalization.

Identifying the right people for the right roles within a WSI enhances project efficiency and enables trust-based relationships among participants. Effectively managing roles also helps to avoid failures that could lead to inappropriate practice by individual participants, thus protecting the WSI from integrity risks. For example, a company with a keen interest in securing its own water supply vis-à-vis a WSI will likely not be a credible “neutral party.” In addition to aligning participants’ roles with their capabilities, effective delegation of roles ensures that all participants play a meaningful role and that one participant does not unduly dominate the development and implementation of the WSI.

Effective WSIs typically require fulfillment of a broad array of functions to achieve success. At the same time, **WSI participants** bring with them a wide array of expertise and resources, as well as areas in which they have limited experience and capability. As such, well-defined roles and responsibilities among **WSI participants** that build on participants’ core competencies or are reflective of their main interests are critical to project success. Though some organizations may initially join a WSI without a clear understanding of their role in it, this arrangement should be temporary and the WSI should look to clearly delineate responsibilities and expectations for all participants.

Partnerships do not deliver as fast as they should due to lack of public sector capacity, which has been the reason for the partnership in the first place. It still affects running a partnership. [Private Sector]

Corporations have generally no understanding of IWRM, the context, where it came from, the critique; many of them are ignorant of the whole technical and management complexity. There is a risk of reinventing wheels. [Civil Society]

(From Field Testimony)

GUIDANCE FOR IMPLEMENTATION

Step 1: Identify Key Functions and Responsibilities	<p>Identify priority responsibilities; the responsibilities are clustered around potential roles.</p> <p>Table 9 provides examples of responsibilities and specifies characteristics that are typically required to fulfill them.</p>
Step 2: Assign Roles among Existing WSI Participants	<p>WSI participants collaboratively assess their capabilities to establish how each participant can provide value while minimizing risks.</p> <p>Previously conducted stakeholder mapping and due diligence investigation may provide additional information to support this process of assigning responsibilities to participants and establishing their roles.</p>
Step 3: Identify and Reconcile Unfilled Roles	<p>If there are no suitable candidates to cover a key responsibility, three options exist to fill this gap:</p> <ul style="list-style-type: none"> ▣ Develop capacities within the group of WSI participants. ▣ Seek new participants with capability and experience to fulfil this function(s). ▣ Bring in external support (e.g., consultants).
Step 4: Continually Re-Assess and Adjust Roles and Responsibilities	<p>Revisit roles and responsibilities throughout the WSI's life cycle.</p> <p>Reassessment reminds participants who is responsible for what and enables the team to make adjustments and clarifications to ensure key roles are fulfilled effectively.</p> <p>At the same time roles can be assigned to new WSI participants.</p>

Table 9: Examples of Roles and Responsibilities within a WSI

ROLE	RESPONSIBILITIES	KEY CHARACTERISTICS	QUESTIONS TO ASK
INITIATOR	<ul style="list-style-type: none"> ▣ Attract attention to the need for collective action ▣ Formulate initial objectives ▣ Act as a catalyst to problem solving ▣ Provide resources to jump-start the process 	<ul style="list-style-type: none"> ▣ Keenly aware of basin dynamics and challenges ▣ Self-starting; action-oriented 	<ul style="list-style-type: none"> ▣ Does this individual or organization have knowledge of local basin issues (challenges and opportunities)? ▣ Does this individual or organization have the resources and vision for action?
CONVENER	<ul style="list-style-type: none"> ▣ Act as the lead party responsible for deciding to undertake WSI coordination and oversight ▣ Initial pairing of participants with specific roles 	<ul style="list-style-type: none"> ▣ Familiarity with key basin actors ▣ Credibility among diverse array of actors 	<ul style="list-style-type: none"> ▣ Does this individual or organization have the trust of local actors?
PROJECT MANAGER and/or COORDINATOR	<ul style="list-style-type: none"> ▣ Provide primary day-to-day logistic and managerial support ▣ Monitor partnership development and progress in achieving WSI goals 	<ul style="list-style-type: none"> ▣ Strong project management skills ▣ Able to devote significant time on a daily basis ▣ Knowledge of relevant languages 	<ul style="list-style-type: none"> ▣ Does this individual or organization have the resources and capacity to manage? ▣ Is this individual or organization willing to continuously oversee the WSI?
NEUTRAL PARTY or FACILITATOR	<ul style="list-style-type: none"> ▣ Facilitate discussions and relationships among interested parties ▣ Ensure oversight and monitor compliance with agreements 	<ul style="list-style-type: none"> ▣ Strong facilitation skills ▣ Has trust of all WSI participants and stakeholders ▣ No vested interest that could bias the initiative 	<ul style="list-style-type: none"> ▣ Does this individual or organization have the trust of participants? ▣ Does this individual or organization have any vested interest?

ROLE	RESPONSIBILITIES	KEY CHARACTERISTICS	QUESTIONS TO ASK
WSI SPOKESPERSON	<ul style="list-style-type: none"> ▣ Identify effective communication channels ▣ Develop a communication plan to reach external stakeholders ▣ Ensure relevant information is available for all participants and external stakeholders 	<ul style="list-style-type: none"> ▣ Strong communication skills ▣ Has trust of all participants 	<ul style="list-style-type: none"> ▣ Can this individual or organization effectively communicate the objectives and ongoings of the WSI?
EXPERTS	<ul style="list-style-type: none"> ▣ Provide the technical and analytical capabilities required 	<ul style="list-style-type: none"> ▣ Strong research and analytical skills 	<ul style="list-style-type: none"> ▣ What kinds of external expertise are needed for the WSI (hydrology, political economy, etc.)?
FUNDERS or DEVELOPMENT PROFESSIONALS	<ul style="list-style-type: none"> ▣ Responsible for ensuring financial resources for the initiative ▣ Might provide financial resources needed to support convening and implementation 	<ul style="list-style-type: none"> ▣ Access to significant financial resources ▣ Able to find necessary funds for the WSI ▣ Commitment to public interest 	<ul style="list-style-type: none"> ▣ What is the funding model for the WSI? Who is able to either provide the funds or has the ability to attract necessary funding? ▣ Do these people or organizations have the public interest in mind? ▣ Are they willing to provide funding without steering the WSI only in their own interest?
WSI AMBASSADOR	<ul style="list-style-type: none"> ▣ Identify anchorage points for the WSI ▣ Feed information into existing institutions ▣ Facilitate uptake of the initiative after its completion 	<ul style="list-style-type: none"> ▣ Familiarity with key actors and political dynamics ▣ Strong communication skills 	<ul style="list-style-type: none"> ▣ When is a WSI ambassador needed to engage and/or embed the initiative with local institutions? ▣ Does this individual or organization have the required political leverage to effectively anchor the WSI outcomes in the sector?
COMMUNITY ENGAGEMENT OFFICERS	<ul style="list-style-type: none"> ▣ Outreach to affected stakeholders, especially those who are typically under-represented 	<ul style="list-style-type: none"> ▣ Familiarity with key basin actors ▣ Credibility among local communities ▣ Ability to communicate with local communities 	<ul style="list-style-type: none"> ▣ Do these individuals have the knowledge, trust, and skills to engage with local community members?
PARTICIPANTS/ IMPLEMENTERS	<ul style="list-style-type: none"> ▣ Assist project manager(s) in operations 	<ul style="list-style-type: none"> ▣ Technical capacity to implement vision 	<ul style="list-style-type: none"> ▣ NA
WATCHDOG	<ul style="list-style-type: none"> ▣ Oversee the WSI operations or implementation of specific agreements ▣ Ensure that the public interest is guarded 	<ul style="list-style-type: none"> ▣ Degree of independence from the WSI ▣ Strong understanding of local context and SWM 	<ul style="list-style-type: none"> ▣ Does this individual or organization have the resources and skills to provide independent oversight? ▣ Does the WSI provide the avenues for the watchdog to perform the assigned functions?

Source: CEO Water Mandate, Guide to Water-Related Collective Action (September 2013), <http://ceowatermandate.org/wp-content/uploads/2013/09/guide-to-water-related-ca-web-091213.pdf>.

Further reading and references:

- Building Partnerships for Development (BPD). July 2011. “Power-Balanced Partnerships and Shared Incentives.” Improving Partnership Governance in Water Services. (London: BPD Water and Sanitation). www.bpdws.org.
- CEO Water Mandate. September 2013. *Guide to Water-Related Collective Action*. <http://ceowatermandate.org/wp-content/uploads/2013/09/guide-to-water-related-ca-web-091213.pdf>.

Tool 10: Establishing Written Agreements for a WSI

Purpose	<p>Among other benefits, coming to a shared formal understanding among WSI participants about appropriate behavior, as well as agreed to roles, objectives, and goals, allows a WSI to be implemented in a way that WSI participants are accountable for their performance and conduct:</p> <ul style="list-style-type: none"> ▣ Sets purpose, objectives, and goals of a WSI. ▣ Sets agreed to ground rules for a WSI. ▣ Sets agreed to expectations around behavior and conduct. ▣ Increases transparency and accountability of a WSI's governance.
Possible Users	WSI participants.
WSI Phase	2: Formalization.

Internal written agreements allow WSIs to address integrity risks related to poor participant conduct, inequitable decision making and communications, and potential financial management issues. These agreements most often take the form of a Memorandum of Understandings and/or Code of Conduct, which codify not only the objectives of the WSI but also the agreed to internal governance aspects and expectations for participant behavior. In most cases, these written agreements will provide enough structure for a WSI, particularly for cases where a partnership agreement is enough. However, when a WSI begins to develop into a permanent organization, it may consider a number of different options. These options should take into account the local legal context where the WSI is operating as well as existing institutions with whom the WSI might engage.

OVERVIEW OF ORGANIZATIONAL FORMS FOR WSIS

The possible organizational forms depend on the existing structures in the sector that could be used to anchor a WSI, as well as the corporate forms available under the local legal framework. The following are typically available forms (that is, legal options suited for common law countries):

Initiative hosted in existing multi-stakeholder platform

Where functional multi-stakeholder partnerships or platforms exist, a WSI may emerge from such platforms or be integrated into them to avoid parallel structures. In more informal arrangements, this could be to operate as a working group, or more formally to enter into a partnership agreement giving the role of hosting the WSI – and the secretariat, if needed – to the existing platform.

Partnership agreement

A partnership agreement between a range of **stakeholders** represents a commitment of resources from each stakeholder toward meeting the objectives of the WSI. An agreement is best suited to the less intensive WSI arrangements such as information sharing. The partnership may be formal, through the drawing up of a contract between the parties, or it may be informal, through a forum with open engagement. It may evolve over time and include the establishment of a WSI secretariat, typically hosted by one of the partners.

Corporate entity

For profit: A company is set up as a separate body to manage and coordinate the activities of a WSI. Companies are usually governed by a country's Companies Act, which confers particular regulatory requirements. For instance, a private company is a legal entity that must also register as a tax payer. It is considered a separate entity from its owners or shareholders. Depending on the size of the company, the managers may be different from the shareholders. Shareholders have limited liability; however, under the Companies Act, liability is imposed only on those directors who knowingly take part in an illegal or fraudulent act. Private companies are deemed to be more stable, as they have a perpetual lifespan.

Not for profit: These are trusts or foundations. The most common types of non-profit organizations (NPOs) are voluntary associations (VAs), trusts, and not-for-profit companies, which in many countries are all governed by a Non-Profit Organization Act. A trust is an institutional arrangement that is regulated by the common law and often by some specific legislation in the country, such as a Trust Property Control Act. In addition to registering as a trust, a trust that also registers as an NPO is recognized by the law as a corporate body with an independent legal personality.

Statutory entity

Statutory entities are public sector institutions governed by the laws of the particular country. Their ability to act and implement activities suggested by the WSI is dependent on the activities stipulated within the legal legislation developed for the entity. In many cases there are likely to be statutory entities already able to carry out the WSI needs, rather than undergoing the tedious and often lengthy process of setting up an additional statutory body.

Third-party contractor or implementing agent

Another option for the implementation of the WSI is to contract a third party or implementing agent. This is not mutually exclusive of the previous options, but may be a useful option in implementing activities for the WSI.

Tool 10a: Developing a WSI Memorandum of Understanding

Tool	“How to” develop a Memorandum of Understanding (MoU) and an annotated outline highlighting key aspects that should be agreed to among WSI participants .
Related Activity	Assign appropriate roles and responsibilities; clarify expectations of WSI behavior.
Questions Addressed	How can we establish a baseline understanding related to the objectives of the WSI, level of expected performance, and intent of WSI participants?
Purpose	Mitigate integrity risks related to reputational issues by specifying decision-making structures, expected levels of performance, and adherence to good practice: <ul style="list-style-type: none"> ▣ Establish the ground rules for WSI activities. ▣ Align efforts according to the WSI’s objectives. ▣ Increase transparency and accountability of a WSI’s governance.
Possible Users	WSI participants.
Level of Effort	Much of the work needed to successfully develop an MoU takes place in earlier phases, so the actual write-up of the MoU should be minimal.
WSI Phase	2: Formalization.

Practical tips

If it is not yet possible to define some aspects of the working relationship, preliminary expressions of intent or other such statements should be specified in addendums on how gaps will be addressed later on.

It is important to clarify how amendments to the MoU will be agreed upon and how additional parties can enter the MoU at a later date.

An MoU expresses a convergence of will among the parties of a WSI, indicating an intended common line of action. It is often used either where parties do not require a legal commitment or where the parties cannot create a legally enforceable agreement. Whether or not an MoU constitutes a binding contract depends on the presence of legal elements in the text such as the intention to be legally bound.

An MoU provides a reference in the event of dispute, differing interests, or undesirable behavior by a participant. It also outlines and makes transparent the decision-making structure of the initiative, thereby reducing the risk of collusion that can lead to misuse of the WSI. Given its formal character and the requirement that it be signed, the process of establishing an MoU contributes to raising awareness about the roles and responsibilities of the **WSI participants**. MoUs can also mitigate reputational risks to the WSI and partners by specifying certain expected levels of performance or adherence to good practice. For example, some MoUs specify participant commitment to mutually agreed codes of conduct (Tool 10b), environmental policy, or disclosure of conflicts of interest. Establishing a clear agreement can help prevent conflict and reputational harm because expectations are established at an early stage, leaving less room for misinterpretation by the participants.

The purpose of an MoU within a WSI is to formally agree on the shared objectives, roles, and ground rules of an initiative. Even where an MoU is not legally binding, it poses an important mutual commitment and should be signed by senior staff of each participant organization and be

followed up with regular performance reviews. Ideally an MoU should be signed by all **WSI participants** to create a level playing field and establish a transparent reference point. To create legal security, it can be advisable to establish separate contracts (e.g., financing agreements) with individual participants for major activities that require additional detail and legally binding contracts.

Where the **WSI participants** have chosen to enter into a contractual relationship, a change in responsibilities is generally accomplished by signing an amendment to the agreement. To avoid spending scarce resources on regular amendments to early contracts, it may be recommendable to establish bilateral expressions of intent (or where appropriate, contractual agreements) for the process of forming a WSI and develop an MoU that applies to all participants, once the initiative is formalized.

GUIDANCE FOR IMPLEMENTATION

<p>Step 1: Link the Agreement to the Initiative</p>	<ul style="list-style-type: none"> ■ Determine who the actual participants of the WSI are (i.e., the franchise bottling company, the multinational beverage company, the ministry, a department of the ministry, etc.). ■ Clarify how cooperation by a participant contributes to the implementation of the WSI and what each participant can commit to.
<p>Step 2: Develop Content of the Agreement</p>	<ul style="list-style-type: none"> ■ Signatories agree to: responsibilities, objectives, timeframe for delivery, cooperation modalities, and how the parties will authorize and pay for any costs incurred in delivering outcomes. ■ Process would ideally be transparent and open to all parties. Table 10 provides an annotated outline with sample phrases for an MoU to support this process.
<p>Step 3: Ensure the Agreement is Fit for Purpose</p>	<ul style="list-style-type: none"> ■ Ideally, establish whether the MoU will be applied to all participants to increase transparency in WSI management. ■ Have a legal representative review language used in the MoU before it is signed.
<p>Step 4: Execute and Communicate the Agreement</p>	<ul style="list-style-type: none"> ■ MoU is vetted and signed by each party. ■ The formal agreement of cooperation should be communicated to all WSI participants and the public, and wherever possible, a copy of the MoU should be made publicly available.
<p>Step 5: Review and Adapt the MoU</p>	<ul style="list-style-type: none"> ■ Regularly review the MoU to monitor its implementation and comprehensiveness. ■ As the WSI develops, amend the MoU to incorporate relevant emerging agreements among participants.

EXAMPLE OF AN MOU OUTLINE

Table 10 suggests sections that should be included in an MoU for WSIs. It includes a tentative set of aspects that should be covered for each section. The table is based on “The Partnership Paperchase,” where more detailed information on each section, including example clauses, can be found. Annex 1 of the same document also provides a summary of key discussion areas and issues to consider when drawing up an MoU.

Table 10: Potential Sections of an MoU for WSIs

SECTIONS	TENTATIVE SET OF ASPECTS TO BE COVERED	FURTHER GUIDANCE AND SAMPLE PHRASES FROM THE PARTNERSHIP PAPERCHASE
Background	<ul style="list-style-type: none"> ▣ Context of MoU including the purpose and objectives of the WSI, participants' background and interests, participant representatives, etc. ▣ Presentation and description of the parties ▣ Incentives for each party to engage in the WSI 	See pages 14–15 for more guidance and example phrases.
Purpose and objectives of the WSI	<ul style="list-style-type: none"> ▣ General description of the purpose and objectives of the WSI (if the MoU is signed after objectives have been defined) or agreement to engage with other WSI stakeholders (following the signing) to develop the WSI governance and objectives that will be included as addendums or amendments ▣ Guiding principles and success criteria that govern the relationship ▣ Timeframe of commitments 	See page 15 for example clauses.
Governance and management	<ul style="list-style-type: none"> ▣ Decision-making procedures and governance arrangements for the initiative, possibly including external oversight ▣ Communication, internal and external ▣ Operational procedures (e.g., related to payment, ownership of assets, reporting, etc.) ▣ Monitoring, progress reporting, and evaluation 	See page 21 for sample phrases and guidance on decision-making procedures and communication channels.
Roles and responsibilities	<ul style="list-style-type: none"> ▣ Overview of responsibilities and commitments (e.g., of staff and resources) of WSI participants as delineated in <u>Tool 9: Managing Roles and Responsibilities within a WSI</u> ▣ Expectations for conduct (can refer to <u>Code of Conduct Tool 10b</u>) ▣ In the likely event that partners are not yet able to precisely define their roles and responsibilities or their respective contributions and expectations for conduct, they shall agree to further define these key elements through an amendment to the MoU within a period of XX months. 	See page 19 for an example of a code of conduct.
Amendments	<ul style="list-style-type: none"> ▣ Make provision for future amendments regarding the constellation of participants, objectives, and governance of the WSI 	See pages 27–28 on considerations about amendments.

Dispute	<ul style="list-style-type: none"> ▣ Describe conflict resolution arrangements or agree to jointly develop them in the near future, and include them in an amendment. 	<p>See page 25 for guidance on disputes. See page 27 for a sample clause:</p> <p><i>“The Parties enter into this [Name of Water Initiative] in a spirit of collaboration and intend that all unforeseen matters on issues that arise, as the relationship evolves, will be resolved in a spirit of mutual understanding. If any dispute arises between the partners relating to the [Name of Water Partnership], the partners agree that they will first attempt to resolve the dispute through direct and amicable negotiations among the partner representatives. If such efforts to resolve the dispute through negotiations fail, the partners agree to attend a conciliation meeting, facilitated by a knowledgeable facilitator [consider naming a respected business person, local leader, religious leader, university professor, etc.], to discuss how the dispute can be fairly and equitably resolved. Any partner may request a conciliation meeting regarding a dispute by sending written notice to the other partners. For such a conciliation meeting, the partners agree that they will jointly select the facilitator, schedule a meeting at a mutually acceptable time and location, and will attend and participate in good faith. Parties anticipate that at such a conciliation meeting the facilitator would lead a discussion about how to equitably resolve the dispute and any underlying conflict so that the activities of the [Name of Water initiative] may proceed.”</i></p>
Binding effect and termination	<ul style="list-style-type: none"> ▣ Describe the nature of how participants are bound to each other and how the relationship may be transitioned or ended (Tool 12) . 	<p>See page 27 for further guidance.</p> <p>Example clause for termination:</p> <p><i>This MoU becomes effective on the date of the signature by all parties and continues until modified by mutual consent or unless terminated with 60 days written notice by any party. This MoU should be reviewed annually and amended or revised when required.</i></p>
Annexes	<ul style="list-style-type: none"> ▣ Can include relevant local laws and regulations that shall be followed by all WSI participants ▣ Can include expected workplan including key activities and deliverables 	

Source: Barbara Evans, Joe McMahon, and Ken Caplan, “The Partnership Paperchase: Structuring Partnership Agreements in Water and Sanitation in Low-Income Communities” (London: Building Partnerships for Development (BPD), November 2004), www.bdpws.org.

Further reading:

-Barbara Evans, Joe McMahon, and Ken Caplan. November 2004. “The Partnership Paperchase: Structuring Partnership Agreements in Water and Sanitation in Low-Income Communities.” (London: Building Partnerships for Development (BPD)), www.bdpws.org.

-Global WASH Cluster. 2009. “WASH Accountability Resources: Ask, Listen, Communicate.” (New York: Global WASH Cluster and UNICEF. *N.B.:* See p.37 on for an example of an MoU.

For information on how to choose and draft dispute resolution clauses see:

-Public-Private Partnership in Infrastructure Resource Center (PPIRC). April 2008. “Dispute Resolution – Checklist and sample wording.” <http://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/disputeresolution.pdf>.

-cewas, WIN, and WASAZA. 2014. *Integrity Management Toolbox for Zambian Water Sector SME: Description Integrity Risks, Version 2.0*, p.89. <http://www.sswm.info/content/integrity-management-toolbox-zambian-water-sector-sme-description-integrity-risks>

-Border Ladner Gervais (BLG). Summer 2012. “Choosing a Dispute Resolution Mechanism.” *Dispute Resolution Newsletter*. http://www.blg.com/en/NewsAndPublications/Documents/Publication_3122.pdf.

Key Pointers for developing a CoC:

- ▣ Translate the provisions of the CoC into the context of the initiative.
- ▣ Be realistic to enable alignment of WSI operations with the CoC.
- ▣ Use clear, nonlegal wording as much as possible.
- ▣ Complement the CoC with specific requirements arising from the operating principles for integrity in WSIs.
- ▣ Pay as much attention to the process of establishing a CoC as to the outcome
- ▣ WSI participants should jointly analyze, discuss, and clarify each section of the CoC to develop a sense of shared values.

You need credible third parties not to play the opposition role, but play it positively. [Private Sector]

(From Field Testimony)

Tool 10b: Developing a WSI Code of Conduct

Tool	A description of key elements of a Code of Conduct (CoC). In combination with the WSI operating principles, you can use this outline to establish a CoC for your WSI.
Related Key Activity	Clarify expectations of WSI behavior, development of an MoU.
Questions Addressed	How do we set out expectations for proper behavior of WSI participants?
Purpose	Outline expectations for behavior of WSI participants, thereby ensuring integrity issues related to conduct are taken into account, and removing the possibility of ethically dubious decision-making or action that might undermine the WSI: <ul style="list-style-type: none"> ▣ Expectations for integrity and professional conduct are clarified. ▣ Principles, values, and expectations are specified to guide conduct of WSI participants.
Possible Users	WSI participants.
Level of Effort	The CoC should build on work completed in previous phases, therefore the CoC formalization should be a relatively simple, though significant preparatory work and can be completed in tandem with the development of an MoU and clarifying expectations of behavior.
WSI Phase	2: Formalization.

A Code of Conduct (CoC) is a “statement of principles and values that establishes a set of expectations and standards ..., including minimal levels of compliance and disciplinary actions.” Most countries have a general CoC for public officials as well as relevant legislation on conflicts of interest. Where relevant, the WSI should draw on relevant legislation in the development of the CoC. Developing a shared understanding of integrity in a specific WSI is an essential exercise in stakeholder collaboration that serves to build trust among actors, share experiences and good practices, identify shared values, and clarify expectations. As a central reference, a CoC guides **WSI participants** when dealing with ethical dilemmas and grey areas in decision-making and engagement processes.

GUIDANCE FOR IMPLEMENTATION

Step 1: Analyze Available Information

- Drafters of the CoC need to learn more about the WSI and its context.
- Utilize a desk study to review and analyze public regulations and available CoCs of WSI participants vis-à-vis the operating principles for integrity in WSIs.
- Complement the desk study with insights gathered from one- or two-day interviews with stakeholders concerning which processes are prone to integrity risks and hence which type of rules would be useful.
- Interviews can help to provide insight into work ethics, culture, and motivation of WSI participants and thereby identify values that should be expressed through the CoC.

Step 2: Develop CoC Content

- Develop the CoC in a participatory workshop. (Can be incorporated in the integrity management workshop.)
- Utilize the workshop to foster an understanding of the operating principles for integrity in WSIs, and specify what each principle means in its legal context and daily engagement with the WSI.
- Participants decide how breaches of the code should be sanctioned and communicated.
- Drafting process should take into account cultural and institutional particularities to enable an open discussion.
- Group should decide on a potential focal person within the WSI who will be responsible for the implementation of the CoC. This person may likely be the same one who is responsible for coordinating integrity management efforts in the initiative.
- Large WSIs with serious integrity risks may consider engaging an external ombudsperson to whom breaches of the code can be reported.

Step 3: Implement and Follow Up

- The CoC should be shared with all WSI participants and affected stakeholders for consultation.
 - The consultation builds ownership and serves as a forum for planning follow-up activities, including the integration of the CoC into the integrity management of the WSI.
 - Participants may consider a signing ceremony for the WSI, the official appointment of a focal person, and means of updating the relevant internal procedures that govern a WSI.
 - Review the code at regular intervals.
 - Participants should be encouraged to address breaches of the code either with the focal person or directly during meetings of WSI participants.
- Develop a feedback mechanism that keeps all participants informed about the number of complaints, types of complaints (e.g., serious, impact of the WSI), and actions taken in response.

To get hesitant individuals on board for the development of a CoC and build confidence in it, participatory integrity risk management exercises (see Tool 1b) can be helpful. In such a workshop, participants establish the most relevant measures that should be implemented to ensure they are adequately managed.

Disciplinary procedures and sanctions for breaching the Code of Conduct should be clarified, even though it may not be necessary to include them directly in the CoC. Below is a summary of potential sanctions that may be imposed for violations of the CoC. This list is not all-inclusive, and others might be added depending on what is culturally acceptable. In determining the appropriate sanction to undertake, the local context and what is appropriate should be taken into account. Those making the decision might ask:

- *What is most effective in ensuring that the Code of Conduct is upheld?*
- *What types of sanctions will most likely lead to desired behavior and limit negative repercussions?*

1. Warning: A Warning is notice, either oral or written, that continuation or repetition of conduct will be cause for additional disciplinary action.

2. Reprimand: A Reprimand formally indicates to a participant that their behavior is unacceptable and that continuing said behavior will warrant additional, more serious consequences.

3. Disciplinary Probation: A participant who is placed on Disciplinary Probation is notified that they are not in good standing with the WSI. Any other violation of the CoC during the probation period will typically result in suspension.

4. Restrictive Probation: Restrictive Probation is a notice to a participant that his or her actions are of such a serious nature that removal from the WSI for a period of time is recommended. The WSI will refrain from suspending the participant as long as he or she meets certain requirements. Any additional violations of the CoC will result in immediate suspension and the possibility of additional sanctions.

5. Suspension: A participant serving a Suspension is removed from the WSI for a specified period, during which they may not participate in any WSI activities or meetings.

6. Expulsion: This is a permanent termination of participant's status and exclusion from WSI meetings, privileges, and activities. Expulsion is communicated to all WSI **stakeholders**.

7. Restitution: This is repayment of funds to the WSI or to an affected party for damages resulting from a violation of the CoC.

ANNOTATED OUTLINE OF A COC

The degree to which the management and governance of a WSI has been clarified in other agreements determines the scope of a CoC. Wherever possible the CoC should be integrated into existing agreements or an MoU to ensure there is one clear reference document for **WSI participants**. A sample of a CoC can be found in Evans et al. (2004, p.19).¹⁵ Table 11 provides an overview of sections that should be included in a CoC. Key aspects that should be covered in the code are listed together with examples of clauses. Beyond these elements a CoC may further include:

- ▣ Specification of disciplinary procedures and sanctions
- ▣ Guidance on compliance with all applicable laws
- ▣ Regulations about transparency and confidentiality
- ▣ Guidance on the legitimate use of resources and information.

¹⁵ Barbara Evans, Joe McMahon, and Ken Caplan, "The Partnership Paperchase: Structuring Partnership Agreements in Water and Sanitation in Low-Income Communities" (London: Building Partnerships for Development (BPD), November 2004), www.bdpws.org.

Table 11: Key Sections of a Code of Conduct for WSIs

<p>Introduction</p>	<p>Brief description of the WSI, its objectives and governance structure, followed by the purpose and scope of the CoC, including limitations and links to other documents that govern the WSI (e.g., MoU).</p>	<p>Purpose and scope: This document clarifies the values and principles that safeguard the integrity and clarify expectations of conduct by individual WSI participants toward other WSI participants and affected stakeholders, especially affected communities. The CoC describes the basic values and principles by which the WSI has chosen to govern itself. All WSI participants shall live up to these values and principles.</p> <p>Limitations: You will not find every rule, policy, or standard that governs the WSI in the CoC.</p>
<p>Definition of values</p>	<p>Brief description of the set of values that should govern the WSI (to be agreed on by the participants). This section may also include regulations on diligence, respect and courtesy, and nondiscrimination.</p>	<p>Transparency — We believe that inclusiveness and public access to information about [the WSI] are vital, so that all stakeholders can understand the decision-making processes that affect them. This informs affected stakeholders about the standards to expect from [the WSI] and enables them to participate in its implementation.</p> <p>Other values could include honesty, professionalism, inclusiveness, transparency, accountability, integrity, etc.</p>
<p>Principles</p>	<p>List of principles that provide the direction for managing (integrity in) WSIs (derived from binding national and local provisions, operating principles for integrity in WSIs, and the context of the initiative) and resulting rules for conduct of WSI participants.</p>	<p>As participants in [the WSI] and our joint effort to enhance sustainable water management, we are committed to respecting the following principles and rules of conduct:</p> <p>[list of operating principles adapted to the context of the WSI and resulting rules of conduct]</p>
<p>Conflict of interest</p>	<p>Establish clarity on how potential conflicts of interest should be handled by WSI participants.</p>	<p>Conflict of interest refers to a situation in which an individual or the entity for which they work — whether a government, business, media outlet, or civil society organization — is confronted with choosing between the duties and demands of their position and their own private interests. More specifically:</p> <ul style="list-style-type: none"> ▣ [agreed list of aspects that constitute conflicts of interest, e.g., related to gifts, other favors, relationships among WSI participants, etc.] <p>Should conflict arise between our institutional or individual interests, and the interest of our WSI or its stakeholders, we will disclose such conflict to the WSI participants and resolve it in a transparent manner, in the interest of the jointly owned objectives and principles that we share.</p>
<p>Declaration of commitment</p>	<p>Clarify the context in which WSI participants commit to the CoC.</p>	<p>On behalf of our organization, I hereby declare to adhere to the above principles within and in relation to [the WSI] and commit to applying this code as active participant of [the WSI].</p>

Further reading:

- GIZ Anti-Corruption Toolbox. (no date). “Codes of Conduct for the Private Sector.” (Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH). https://gizanticorruptiontoolbox.org/img_auth.php/f/f7/Codes_of_Conduct_for_Private_Sector.pdf.
- International Federation of Accountants (IFAC). May 2007. “Defining and Developing an Effective Code of Conduct for Organizations.” (New York: IFAC). <http://www.ifac.org/publications-resources>.
- Australian Public Service Commission. (no date). Code of Conduct – Determinations and Sanctions. <http://www.apsc.gov.au/aps-employment-policy-and-advice/merit/case-summaries/case-studies-repository/2011-12/code-of-conductdeterminations-and-sanctions>.
- WIN. (no date). Code of Conduct: Individuals, Organizations. Berlin: Water Integrity Network.
- United Nations General Assembly. 1996. A/RES/51/59, Action Against Corruption, Annex: International CoC for Public Officials (December 12). New York: UN General Assembly. <http://www.un.org/documents/ga/res/51/a51r059.htm>.

Tool 11: Options for Independent Oversight

Tool	An overview of WSI oversight mechanisms that are independent of the WSI facilitators, managers, and coordinators. For each option, requirements are established to help WSI participants identify feasible options.
Related Key Activity	Assign appropriate roles and responsibilities. Monitor WSI participant adherence to governance.
Question Addressed	Most of our stakeholders and participants only look at their own interest. How can the WSI look at its work objectively, give voice to the concerns of weak stakeholders, and reflect the public interest?
Purpose	Enhance controls to detect illicit practices and reduce power imbalances: <ul style="list-style-type: none"> ▣ Ensure efficient functioning through higher levels of compliance. ▣ Increase trustworthiness of the WSIs.
Possible Users	WSI initiators and participants.
Level of Effort	Ranges from providing information to media or oversight bodies to enshrining roles in the WSI governance structure, to conducting comprehensive social audits.
WSI Phase	2: Formalization; 3: Implementation.

Oversight refers to mechanisms that review institutional performance, paying particular attention to identifying failures in carrying out mandates, preserving participant discipline, and addressing inefficiencies. Without effective oversight, WSIs can be vulnerable to weak or biased institutional performance, as participants inherently have **vested interests** in particular WSI outcomes, and these interests at times conflict with the interests of other **WSI participants** or affected **stakeholders**.

Independent oversight mechanisms can address power imbalances and give a specific voice to **stakeholders** that are affected by the outcomes of a WSI (e.g., local communities), but that are less able to pursue their interests within the WSI. An independent third party (with no **vested interests** in the WSI outcomes) is granted a special role to oversee the WSI operations or implementation of specific WSI agreements (financing agreements, MoUs, etc.), in order to verify compliance with agreed procedures and ensure that the **public interest** is safeguarded.

An oversight mechanism and/or institution with which a WSI can seek to cooperate may already exist. Engaging external control agents or cooperating and pro-actively sharing information with those institutions increases transparency and helps build trust among **WSI participants** and affected **stakeholders**. Oversight mechanisms can also change the behavior of **WSI participants**, because of their potential to expose and sanction the misuse of power and information. Nonetheless, independent oversight only works if it can really be enforced, and those **WSI participants** who do not comply are actually taken to task.

Using political ward councilors as community representatives is not appropriate — they are highly politicized, may just use it for their own benefit. [Civil Society]

(From Field Testimony)

GUIDANCE FOR IMPLEMENTATION

Step 1: Establish the Precise Need

Explore if and why an independent oversight of the WSI would be useful, and which specific risks such oversight should address. This needs assessment should be carried out at the formalization phase when WSI processes and structures are being established.

Step 2: Select Oversight Mechanisms

The risks that need to be addressed provide a starting point to identify mechanisms and/or institutions that the WSI may wish to pursue. Beyond the examples provided below, the oversight mechanisms that are already effective in a given country should be analyzed.

WSI participants need to agree that their decisions and actions might be questioned, and that misconduct could lead to sanctions or compensation. The initiative's participants should therefore support the establishment of some type of oversight mechanism(s).

Step 3: Implement and Evaluate Mechanisms

The selected oversight mechanism(s) is then either established as a distinct WSI activity or by involving the respective external institutions and agreeing on the terms of the engagement. It is advisable to review the effectiveness and adequacy of oversight mechanisms from time to time, because needs for oversight may also change through the WSI life cycle.

POSSIBLE OVERSIGHT MECHANISMS

To support this process, a non-exhaustive list of oversight mechanisms are introduced below, including guidance on the WSI integrity risks they can address and factors that should be considered:

SOCIAL AUDITS

Social audits mobilize all affected **stakeholders** to systematically examine the impact of WSI performance and policy outcomes, and to compare real achievements with public expectations. A social audit uses inclusive and participatory techniques to involve all relevant **stakeholders** and feed the findings back to them. A social audit can mitigate power imbalances and build trust in a WSI by providing downward accountability to the affected **stakeholders**. It also enables effective **stakeholder engagement** at certain points along the life cycle of a WSI.

Key factors for this mechanism are the openness of **WSI participants** and, usually, the involvement of a local civil society organization with adequate technical skills in community involvement.

Further reading:

- GIZ Anti-Corruption Toolbox. (no date). "Social Audits." (Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH). https://gizanticorruptiontoolbox.org/img_auth.php/0/0b/Social_Audits.pdf.
- Civicus. (no date). Participatory Governance Toolkit: Social Audits. Civicus: World Alliance for Citizen Participation. http://civicus.org/images/PGX_H_Social%20Audits.pdf.
- HELVETAS Swiss Intercooperation. (no date). "Public Audit Practice – Shifting the Focus of Accountability Towards the People." (Zurich: HELVETAS.) https://assets.helvetas.ch/downloads/15_publicauditpractice_shiftingthefocus_blau_final_engl_a4_portrait.pdf.

SOCIAL WITNESS

Social witness is a tool that is used mainly for independent oversight in public procurement processes, but can be quite easily transferred to certain WSI processes related to financing agreements, MoUs, CoCs, or the development and maintenance of infrastructure. Integrating a social witness can improve transparency and credibility of a WSI because it provides for independent scrutiny of whether decisions are taken fairly and based on sound technical assessment. The social witness does not usually have any voting rights in a decision, but rather acts as an observer and quality controller, provides advice during preparatory and negotiating steps, reviews reports, and may conduct checks on the actual provision of the goods or services agreed to. Hence, the organization (usually an NGO) that acts as a social witness should have a good reputation and strong expertise in the processes it is tasked to oversee, and it should not have any interest in the outcome of these processes.

The key requirements for an effective social witness are the availability of a strong organization to fulfil the function, as well as the readiness of decision makers to seriously consider the advice of such an organization.

Further reading:

- Joanne Caddy, Tiago Peixoto, and Mary McNeil. 2007. *Beyond Public Scrutiny: Stocktaking of Social Accountability in OECD Countries*, pp. 105–107. (Washington DC: World Bank Institute). <http://www.oecd.org/gov/public-innovation/38983242.pdf>.
- María González de Asís, Donal O’Leary, Per Ljung, and John Butterworth. 2009. *Improving Transparency, Integrity, and Accountability in Water Supply and Sanitation: Action, Learning, Experiences*. Washington DC: The World Bank and Transparency International. <https://openknowledge.worldbank.org/bitstream/handle/10986/2628/479680PUB0REVI101OfficialUseOnly1.pdf?sequence=1>.
- Open Contracting. (no date). “In Mexico ‘social witness’ oversees public procurement.” Open Government Guide. <http://www.opengovguide.com/country-examples/in-mexico-social-witnesses-oversee-public-procurement/>.

ENGAGEMENT WITH PUBLIC OVERSIGHT AND WATCHDOG INSTITUTIONS

Autonomous public watchdog institutions like anticorruption agencies, ombudspersons, or external audit institutions can also monitor and oversee the general operations or specific aspects of a WSI. Besides providing government oversight, cooperation with such institutions can help improve the legitimacy of the WSI and its coherence with government policies, and raise its profile vis-à-vis government institutions. When identifying the most suitable institution to partner with, it is important to take into account the institution’s capacity, reputation (inside and outside government), services and functions, relevant engagement and expertise in the water sector or in collective action, as well as the broader strategies or initiatives of the institution that may provide a suitable framework for such a collaboration. Depending on which type of institution the WSI partners with, its role and function will vary. Possible functions include the following (and need to be assessed and verified for each case):

Anti-corruption agency or office of the ombudsperson:¹⁶

- Complaints and whistle-blowing mechanisms
- Cross-checking due diligence (black- or whitelists)
- Monitoring red flags for undue interference and mismanagement
- Investigating possible cases of misconduct of public officials

¹⁶ The division of mandates between these varies from country to country and so must be individually assessed.

GOLDEN TIPS — Keep your exit strategy...

Participatory: Establish the strategy jointly with WSI participants: it has to be “owned” by the local partners (e.g., government, community stakeholders, farmers) who will support the changes brought by the WSI.

Flexible and iterative: Regard the WSI exit strategy as a “living document” meant to evolve as the context and circumstances of the partners change. Not all eventualities can be anticipated; it is the spirit and general mechanisms that matter most. Agree on the profile of a facilitator if needed.

Staggered: In the case of a handover of the WSI, a gradual exit will allow gauging stakeholders’ ability and commitment to meet their obligations and provide a chance to assess the success of the strategy.

Communication-wise: Foster frank and transparent communications. Ensure that achievements are recorded and celebrated, and that credit is given. Agree on a strategy to communicate about the exit (i.e., partner responsibility, targeted audience, content, channels, etc.). Consider substituting other terms for “exit strategy” (e.g., transition, move on), as it can hold negative connotations.

External audit institution:

- Financial audits
- Performance audits

Competition authority:

- Cross-checking due diligence (past cases of company misconduct)
- Investigating possible cases of misconduct by companies

Further reading:

- Bernd Müller, Meike Janosch, and Anne Hemed. November 2011. “Managing water efficiently: Yemen’s supreme water institution audits the water sector.” (Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH). http://www.researchgate.net/publication/265421712_Managing_water_efficiently_Yemens_supreme_audit_institution_audits_the_water_sector.

ENGAGEMENT WITH GOVERNANCE AND OVERSIGHT

BODIES OF PUBLIC INSTITUTIONS INVOLVED IN THE WSI

Informing governance and oversight bodies (e.g., boards of directors, regulatory agencies, parliamentary commissions) of public institutions involved in the WSI can foster the proper conduct and engagement of such institutions in the WSI. Moreover, making such government institutions more aware of a WSI improves WSI alignment with public policies and strengthens information exchange on relevant current or future policy reforms.

ENGAGEMENT WITH THE MEDIA

Media can play an important role in engaging **stakeholders**, informing the public about WSIs, and providing critical review and feedback to **WSI participants**. WSIs should consider openly providing information to journalists and raising awareness among them on the concept and objectives of the WSI. Critical media coverage should be openly discussed within the WSI and should be used as a reference to address weaknesses or to improve information sharing and dialogue with affected **stakeholders**.

Further reading:

- GIZ Anti-Corruption Toolbox. (no date). “Proactive Media.” (Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH). https://gizanticorruptiontoolbox.org/img_auth.php/3/36/Proactive_Media.pdf.

Tool 12: Developing an Exit Strategy

Tool	A set of basic principles to support practitioners in developing exit strategies for WSIs.
Question Addressed	What are some key criteria for deciding how the WSI should end? What are some drivers for its conclusion or renewal? How does the local operating context factor into these decisions?
Purpose	<ul style="list-style-type: none"> ▣ Clarify what success looks like for WSI participants. ▣ Establish when and how to terminate, hand over, or transform a WSI. ▣ Make provision for the withdrawal of participants.
Potential Users	WSI participants.
Level of Effort	With proper context analysis and existing work related to M&E tools and written agreements, the exit strategy discussion might be included in these processes, lessening the burden.
WSI Phase	1: Incubation and Initial Analysis; 2: Formalization.

The “exit strategy” is the plan that clarifies how the WSI will end or transform (e.g., once goals have been achieved, or at the end of the project or funding cycle), or that provides for the withdrawal of participants. Fostering sustainability and mitigating risks of failure lie at the heart of this strategy. It needs to be designed jointly from the onset and revisited regularly as the initiative evolves.

WHY AND WHEN TO DEVELOP AN EXIT STRATEGY?

WSIs are usually perceived to be temporary vehicles set up to pioneer and mainstream new collaborative approaches to shared **water challenges**. Whereas public sector and civil society participants will likely continue to be engaged in these initiatives, companies tend to want to disengage once the water concern has been addressed. Therefore, some WSIs will either transform into, or be handed over to, more permanent structures with little or no business involvement, while other WSIs will simply terminate, becoming a source of inspiration for future initiatives. Because of their transient nature, WSIs generally emphasize the importance of sustaining their positive outcomes and impact. It should be noted that exiting an initiative is difficult, because the beneficiaries come to expect the benefits and link the participants to this delivery. An exit strategy therefore guides the termination or handover of a successful WSI and related communications.

The circumstances leading to the termination of a WSI or the withdrawal of a partner may generate risks (e.g., reputational, financial) for participants and trigger tensions. The latter can be alleviated by previously

Unforeseen exits

The WSI may not fully achieve the expected outcome, but a situation may arise that prompts a participant to want to exit or the initiative to terminate prematurely. Typical reasons include:

- ▣ End of available funding
- ▣ Reduction in or withdrawal of resources at WSI level or at participant's level
- ▣ Initiative failure, i.e., the WSI fails to meet non-negotiable expectations of some participants in terms of performance, accountability, values, etc.
- ▣ Participant failure, e.g., non-performance, lack of compliance with agreed code of conduct
- ▣ Conflicts between participants
- ▣ Changing priorities of participant(s)
- ▣ Changing context, including environmental, political, or economic shifts or crises

negotiated procedures, drawing a clear path toward the resolution of critical issues. Exit strategies should also allow participants to effectively respond to severe challenges such as the misconduct of a participant, the unexpected withdrawal of a key funder, or the failure of activities.

Jointly building an exit strategy in the early phases allows participants to clearly outline what they want to have achieved at the end and to define or revisit their sustainability plan. Critically, the process will also highlight discrepancies in participants' levels of ambitions and expectations with regard to the sustainability of a WSI, providing a window of opportunity to foster shared understanding of constraints to longevity and to enhance the design of the program at the outset. Because activities carried out as part of exit strategy development (e.g., capacity building of local participants, post-project monitoring) require planning, budgeting, and sometimes the mobilization of extra funds, it makes sense to elaborate this strategy once the broad objectives, structures, and processes of the WSI have been defined and before they have been implemented. Table 13 outlines some considerations when developing an exit strategy.

GUIDANCE FOR IMPLEMENTATION

Step 1: Identify Exit Criteria

- Utilize a brainstorming session to allow participants to identify possible reasons for moving on (individually or collectively). (Two fundamental situations should trigger an exit strategy: achievement of the stated objectives or failure of the initiative.)
- Draw up a list of exit criteria to spur reflections on how to address them, paving the way for the systematic design of plans incorporated into the exit strategy.
- The plans will often rely on mechanisms (e.g., accountability mechanisms; procedures for conflict resolution, sanction, and termination) that are jointly agreed upon and formalized under the initiative's rules and agreements.

Step 2: Design the Exit Strategy

- Utilize a facilitated discussion among participants to explore the WSI's overall outcomes and the outcomes for each workstream and activity. In doing so, participants share expectations, clarifying what they mean by success and how they would measure it, what the lifespan of the WSI should be, and how they expect their contribution to evolve. Utilize a proper M&E system to provide necessary clarity for such a discussion.
- Triggers that describe the benchmark to be achieved before moving on (e.g., percent of water user associations reaching a given level of functionality) may be adjusted during the program cycle to reflect implementation constraints.
- Choose metrics and define benchmarks for different groups to craft strategies that allow for the withdrawal of participants interested in leaving the WSI following the completion of their commitments.
- Ensure ongoing and timely monitoring of benchmarks and the conditions that might prompt premature termination of a WSI to ensure successful implementation of the exit strategy. Can be integrated into overall M&E framework for the WSI to avoid duplication.

Step 3: Moving On

- Exit criteria are drivers that prompt participants to make critical decisions affecting the course of the WSI or the relationship with selected participants.
- Table 12 focuses on the collection dimension of the exit strategy (how a WSI moves on). It presents common scenarios and key features of the exit strategies implemented as a result.

Table 12: Exit Strategy Scenarios for WSIs

DRIVER	ACTION BY PARTICIPANTS	KEY CHARACTERISTICS OF THE EXIT STRATEGY
1. Reduction in or withdrawal of resources	Redesign the program of the WSI, its structure and processes	Greater self-reliance (e.g., through increased efficiency or new participants bringing different resources to the table) or handing over to existing local institutions.
	Abandon the WSI	Participants leave the WSI or hand it over.
2. Completion of goals & objectives	Conclude	Publicize success, internalize and share lessons. Further collaboration possible on something new.
3. Continuation of projects beyond original timeframe	Maintenance	Continue and adjust (e.g., recruit new participants).
	Handover	Hand over the WSI to a mainstream delivery system or institutions, or create a new mechanism (transition or transformation).
4. Failure of projects	Leave or handover the successful part of the WSI	WSI concluded — participants move on by reverting to “business as usual.”
5. Perception of new initiative potential	Begin a new project cycle	Review the WSI; renegotiate program, participant, structure, and processes.
6. Change in participant priorities	Some or all participants move on and away	Participants separate; some may continue on with or without new participants, depending on progress to date and remaining work.
7. Shift in context	Adjust or terminate partnership	Review and readjust or terminate the WSI.

Table 13: Considerations when Building the Exit Strategy Throughout the WSI Life Cycle

PHASE	KEY ASPECTS TO ADDRESS	CHALLENGES
<p>Phase 2: Formalization</p>	<ul style="list-style-type: none"> ■ Are further efforts needed to strengthen the foundation of participant relationships? ■ Have participants explored the concept of the WSI as a transitory mechanism oriented toward achieving sustainable outcomes? Do they agree that WSIs move on at some stage with a range of options worth considering? Is this understanding shared by all participants, considering their various cultural contexts and perspectives? ■ Have exit criteria and drivers (individual and collective) been agreed upon? ■ Have participants shared their expectations in terms of the lifespan and achievements of the WSI? Has the meaning of success been clarified, notably in terms of sustainability? Have programming implications been discussed? ■ Do they agree on general principles guiding the exit of the WSI (e.g., phasing out, handover, transformation)? ■ Have objectives, milestones, benchmarks, and triggers been clearly defined? Has this been done for a monitoring procedure (including regular WSI productivity checks) to assess progress toward the moving-on point? ■ Do participants agree on the need to keep the exit strategy flexible and to ensure that it can be implemented in a staggered way? ■ Is the whole process participatory and transparent enough? 	<p>Balancing firm commitments with flexibility.</p> <p>Allowing adequate time to develop capacity, while working within the program funding cycle.</p>
<p>Phase 3: Implementation</p>	<ul style="list-style-type: none"> ■ Are participants dedicating sufficient time during implementation to track and discuss WSI sustainability issues such as unforeseen matters related to a lack of capacity, resources, ownership, and incentives? ■ Is the WSI effectively addressing these issues (e.g., adjusting activities, bringing in additional partners), and thereby setting up the conditions for sustainability? ■ Is a regular (e.g., annual) review of participants' expectations and positions carried out, allowing participants to revisit the exit strategy in light of changes in circumstances both within and outside the WSI? ■ Are the agreed monitoring processes and accountability mechanisms effectively applied? Does the resulting information on exit criteria lead to the enforcement of decisions as stated in the exit strategy plan? ■ Is the impact of the different moving-on options on all stakeholders being appraised? ■ Have participants finalized the exit process (e.g., staggered actions to hand over the WSI) and a communication strategy? 	<p>Tracking capacity building.</p> <p>Staff turn-over.</p> <p>Providing appropriate, sustainable incentives.</p> <p>Review of sustainability.</p>
<p>Phase 4: Completion, Renewal, or Upscaling</p>	<ul style="list-style-type: none"> ■ Inclusiveness: Have a sufficient number of stakeholders been involved in the handover of the WSI? Are all relevant senior managers and leaders well engaged? Has the responsibility of the handover process been sufficiently shared with all participants? ■ Transparency: Is the handover process discussed openly? Are participants transparent about the bad news and difficulties? ■ Clarity: Are participants handing over roles and responsibilities based on accurate and verifiable information? Are the risks involved in the handover process well articulated and addressed? ■ Patience: Are participants allowing enough time for the process to unfold? Are they recognizing that some stakeholders need more time to share their views internally and possibly address conflicts? 	<p>Funding.</p> <p>Availability of all participants.</p>

Source: Adapted from Halper (2009) and Gardner et al. (2005).

Further reading:

- Alison Gardner, Kara Greenblott, and Erika Joubert. September 2005. "What We Know About Exit Strategies: Practical Guidance for Developing Exit Strategies in the Field." C-Safe. <http://reliefweb.int/sites/reliefweb.int/files/resources/A02C7B78FB2B408B852570AB006EC7BA-What%20We%20Know%20About%20Exit%20Strategies%20-%20Sept%202005.pdf>.
- John Ford. 2002. "Beware Partnerships." <http://www.lincoln.ac.nz/PageFiles/1421/Beware-Partnerships.pdf>.
- Eva Halper. 2009. "Moving On: Effective Management for Partnership Transitions, Transformations and Exits." International Business Leaders Forum. <http://c.ymcdn.com/sites/www.gbsnonline.org/resource/collection/6623F089-321E-4C3B-B859-5408F4F46045/MovingOnToolbook.pdf>.

On accountability mechanisms, termination procedures, conflict resolution and sanction mechanisms:

- Ken Caplan. June 2005. Partnership Accountability: Unpacking the Concept. Practitioner Notes Series. (London: Building Partnerships for Development (BPD)). www.bpdws.org
- Barbara Evans, Joe McMahon, and Ken Caplan. November 2004. "The Partnership Paperchase: Structuring Partnership Agreements in Water and Sanitation in Low-Income Communities." (London: Building Partnerships for Development (BPD)). www.bdpws.org



Part Three
Appendices

Appendices

Appendix A: WSI Integrity Risk Descriptions

Integrity Risks Related to Participants

Participants inform and influence WSIs and their environment by defining objectives and activities, making decisions, and executing activities. For WSIs to be genuinely effective in advancing SWM and to properly balance legitimate interests, the selection, composition, and level of engagement of participants becomes a key factor. Integrity, furthermore, describes a desirable form of behavior or conduct. In the context of WSIs, this relates to participants' choices and actions within and beyond the confines of the initiative. Although **WSI participants** cannot be blamed for the questionable or illegal behavior of other participants, it is important that WSIs react adequately in cases where illicit practices of individual participants are discovered. Involving **stakeholders** with primary influence over the outcomes is essential for the success of WSIs, yet it is important to consider carefully who participates in a WSI and to take adequate measures to ensure the integrity of the initiative. To understand and prevent misconduct by individual participants, their roles, values, and motivations to engage in collective action as well as their capacities need to be taken into account. Based on Phase 2 project work, the following integrity risks have been associated with **WSI participants**:

INTEGRITY RISK AREA	DESCRIPTION
track record	The reputation and performance of a WSI participant with regard to integrity (including compliance with policy and regulation, and how openly the participant has dealt with misconduct and scandals) is an indicator for the organization's professional behavior, ethics, and values. A poor track record may have a negative impact on the credibility of the WSI and/or its participants, and put the WSI at significant risk of failure.
representation	The selection and composition of WSI participants should provide for adequate representation of all stakeholders affected by the WSI and/or influential to the attainment of its objectives. If proxies do not possess the mandate, legitimacy, or authority required to adequately represent or communicate with these stakeholders, legitimate interests may not be adequately voiced. This may simply lead to a poorly planned or executed initiative. Alternatively it may create avenues for others to pursue vested interests or undermine informed decision making, accountability, credibility, inclusiveness, responsiveness, and ultimately the delivery of beneficial outcomes.
intent and incentives	The intentions behind an organization's or individual's engagement with a WSI influence their behavior as participants. The degree to which their motivations for engagement are aligned with the goal of addressing shared water risks and advancing sustainable water management, therefore, co-determines whether they may misuse the WSI in pursuit of other interests.
capability	Participants in a WSI ideally represent different constituencies, inform decision-making processes, and balance interests and power relations. Participants thus hold key functions in a WSI, whether to implement activities, monitor progress, control processes, and/or hold other participants to account. Where participants have limited capabilities to engage meaningfully in the WSI or to fulfil their responsibilities, they may contribute to poorly designed and executed initiatives, as well as be susceptible to manipulation, capture, or other forms of misconduct.

conduct	Participants who do not value agreed procedures and fail to comply with policy and regulations — related to water management and other work areas — undermine the credibility of collective action endeavors. Low commitment or non-constructive conduct of individual participants is an impediment to fair process and outcome delivery, thus preventing WSIs from establishing professional processes and an environment of ethical conduct among cooperating organizations.
continuous engagement	If participants in a WSI do not maintain a long-term commitment and engagement with the WSI, it becomes increasingly difficult to hold them to account. Poor engagement equally undermines the organization of a WSI and the implementation of practical action, eventually affecting delivery of envisaged outcomes.

Integrity Risks Related to WSI Governance

People generally cross the line between honest and corrupt behavior when they have an opportunity to misuse their power and when they feel pressured or tempted to do so. Transparency, accountability, and meaningful participation in WSI governance helps reduce opportunities for corrupt behavior, because it becomes increasingly difficult to cover up misconduct. Justifying **vested interests** that are in conflict with other affected interests also becomes increasingly difficult if WSI **stakeholders** are well informed and involved in planning and decision-making processes. Based on the results of the field assessments, the following processes have been identified as vulnerable to integrity risks.

INTEGRITY RISK AREA	DESCRIPTION
planning and design	During the planning and design phase, the rationale, focus, content, and governance of a WSI are defined. Inadequate, incomplete, or inappropriate planning processes are a significant source of unclear and/or unsuitable objectives, and may result in inadequate stakeholder engagement and weak governance structures that, in turn, lead to ineffective collective action and increase opportunities for unethical behavior throughout the life cycle of a WSI.
stakeholder engagement	Poor stakeholder mapping and (sometimes intentional) exclusion of affected stakeholders biases the objectives toward the interests of those who are actively implementing the WSI. Inadequate stakeholder analysis and engagement processes negatively affect decision-making processes and undermine the credibility, accountability, and responsiveness of WSI.
managing responsibilities, decision making, and communication	WSIs have to be managed in line with their objectives. Poorly informed participants or weak reporting mechanisms undermine balanced decision making and effective project design. Unclear responsibilities, lack of oversight, discretion in decision making, and collusion among key participants are additional management-related risks that can facilitate the misuse of the WSI by undermining its accountability.
financial management	Inadequate probity and transparency in financial planning, allocations, arrangements, and transactions put a WSI at risk by undermining trust in the financial management of the WSI, which could lead to the misuse of funds for private gain or in the interest of specific participants. Participants who do not live up to financial commitments put the whole initiative at risk. Financial incentives and remunerations for WSI participants may also nurture corrupted or captured systems in public administration and among local water organizations. In some cases, where WSI participants are at the same time major WSI donors, there might be the potential for those participants to misuse their influence as donors to tailor the WSI to their interests.
monitoring, evaluation, and learning	Without proper monitoring, evaluation, and learning systems, participants can dishonestly claim that they delivered outputs according to project plans if progress is not tracked systematically. This provides opportunities to siphon funds and to breach commitments and agreements.

Integrity Risks Related to the Context and Outcomes of the WSI

The extent to which a WSI aims to enhance **sustainable water management** determines whether there is a “stewardship” orientation or whether the WSI is focused primarily on advancing **vested interests**. To ensure integrity, the objective or intent of a WSI must focus on enhancing SWM rather than pursuing **vested interests** at the cost of **public interest** and resources. Given that they require significant investments, WSIs should yield clear “societal value” for money.

WSIs should also avoid fostering unethical behavior or negative impacts beyond the confines of the WSI. In this sense, factors need to be considered that influence the integrity of outcomes and of the impacts WSIs have on their environment within the local context. Throughout the field assessments, engagement with government and public authorities was identified as an important factor related to **capture** risks. The function or purpose of a WSI equally influences its integrity. This is particularly determined by the extent to which a WSI focus on causes rather than symptoms, and the types of WSI outputs – and their potential negative impacts.

INTEGRITY RISK AREA	DESCRIPTION
capture: organizational resources and investment	The degree to which WSIs are aligned with public policy priorities heavily determines the risks associated with the capture of public resources and priorities. Without proper analysis and alignment of the WSI with local policy context and targets, the use of organizational resources and public funds may be diverted away from issues of greatest local priority and societal benefit, and toward addressing the priorities of private or foreign entities.
capture: regulatory action, policy, and water	Where WSIs engage in policy advocacy, convening, and debate, the resulting representation, knowledge, or power imbalances may send advocacy messages that advance the interests of certain private parties over public interest. Government institutions are mandated to serve the public interest and should fairly balance legitimate interests. As multi-stakeholder initiatives, WSIs provide a platform for private companies, business associations, NGOs, donors, and other participants to engage with participants from public institutions. The types of government institutions and the specific representatives that engage in a WSI influence whether and what type of influence on policy and regulatory processes may result from the WSI, including risks related to policy and regulatory capture.
perverse outcomes	Developing water (resource) infrastructure may result in integrity risks if social and environmental impacts are not adequately assessed and safeguards established to prevent harm. Perverse outcomes may also occur if multi-stakeholder groups to discuss and act on water issues are established without widespread legitimacy, or in competition with existing legally mandated fora. Under these conditions, WSIs may have inadvertent negative impacts on social equity or on the environment, or may undermine effective and efficient institutional performance.
limited contribution to SWM	WSIs that only act on the symptoms of poor water management, without tackling the causes of water challenges, have higher integrity risks related to the credibility of the initiative as a whole. Projects that do not tackle a company's effects on society and the environment are commonly criticized as “green-washing” or “window-dressing” instead of taking responsibility for the corporate footprint. Indeed, different types of participants may pursue vested interests to the detriment of other stakeholders, and disguise such pursuits through a poorly informed multi-stakeholder process dressed up as a WSI.

WSI Integrity Risks Descriptions by Way of Case Example

HOW IT CAN ALL GO WRONG: THE KADEE RIVER INITIATIVE¹⁷

In a developing country where watercourses are often used as conduits for waste disposal, a company with an international brand initiates a WSI to clean up the river that flows from its production site to the ocean a kilometer away. The WSI involves **other businesses** (1), an international NGO and donor agency, national and **local government** (2). The work is well funded, well publicized, and gets high-level political buy-in and **significant time commitment from senior managers** (3) at the Ministry of Water and Energy, City Council, and National Environment Protection Agency. The initiative begins with a **meeting with costs covered by the donor** (4) and a **programme of work is agreed** (5). Work starts **immediately** (6) and the WSI commences with **cash transfers from private sector funds to the local public authority to clear waste** (7) and **enforcement work against poor sanitation infrastructure** (8). The WSI intends to **scale up learning at the basin scale** (9).

INTEGRITY RISKS

1. **Participant track record:** A partnering company employs child labor, is involved in aggressive tax avoidance, and is an ongoing polluter of the river, and so could bring the WSI and partners into disrepute.
2. **Participant representation:** Key **stakeholders** are not in the room. Communities living along the watercourse, likely to be affected by degradation and with valuable insights on appropriate interventions, are not involved and are not adequately represented by dysfunctional local government.
3. **Capture of public resources:** The WSI requirements of senior staff time are disproportionate to its narrow and largely private benefit to their companies. The river stretch targeted is not used for water withdrawals and has no strategic public value, yet a river 6 km away is severely polluted and affects the health of more than 300,000 poor citizens.
4. **Participant intent:** The tyranny of “allowance culture” means that public sector staff are drawn to externally funded activities that pay sitting allowances, used to augment stagnating civil service salaries. These semi-official financial inducements mean high public sector attendance at the meetings, but mask a lack of interest in or relevance of the WSI.
5. **Inadequate communication processes:** Meetings are held in English, which prevents input by some local **stakeholders** for whom English is difficult third or second language. Without their input, the project design is flawed.
6. **Monitoring, evaluation, and learning:** No baseline monitoring is undertaken against which progress can be tracked and lessons generated. There is no way to determine the benefits of the WSI.
7. **Planning and design:** A lack of rigorous and inclusive design means that the WSI focuses on the wrong issues, with the wrong people in the wrong places. It turns out that corrupt local authority waste collectors are also dumping in the river while taking payment for waste removal to the licenced disposal site.
8. **Regulatory capture and perverse outcomes:** Punitive enforcement work involving destruction of property and forced re-settlement proceeds against vulnerable communities who live close to the river but lack land tenure and funds to build proper latrines. The funding of public regulatory bodies by a group of private sector actors (some of whom are polluters themselves) to undertake legal enforcement work represents undue influence and unacceptable regulatory **capture**.
9. **Limited contribution to sustainable water management:** Although the lessons are intended to be scaled up, the lack of any monitoring and evaluation means the WSI does not generate reliable knowledge. Neither is the sharing of knowledge strategically planned into the WSI, with no process for or commitment to adopting learning into wider-scale programs. The WSI has received sparse donor and government resources and has not advanced **sustainable water management**.

¹⁷ This is a fictional river basin, and the problems have been developed to illustrate potential integrity risks. Any resemblance to actual places, organizations, and people is coincidental and unintended.

Appendix B: Summary of Key Activities for WSI Integrity Management

A number of key activities were introduced in Part One–Section IV of this guide. Below is a summary of those key activities organized around the phases of a WSI project life cycle.

PHASE 1: WSI INCUBATION AND INITIAL ANALYSIS
Identify and map stakeholders affected by the WSI (or their legitimate proxies), as well as those with a significant ability to influence WSI outcomes.
Undertake an initial analysis of WSI Participants' track records, incentives, and intentions.
Undertake a participatory context analysis for the WSI to understand ongoing public sector–led efforts and policy objectives related to sustainable water management , and evaluate the implications for the WSI.
PHASE 2: WSI FORMALIZATION
Determine whether and how affected stakeholders (or their proxies) can be appropriately represented in the WSI.
Define among WSI participants the scope, objectives, and public interest benefits of the WSI, as well as the benefits of the WSI for respective participants.
Complete analysis of WSI participants' track records, incentives, and intentions, as well as their respective capabilities and constraints.
Assign among WSI participants suitable roles and responsibilities for all activities, coordination tasks, processes, and procedures.
Jointly identify and establish equitable decision-making structures and processes within the WSI, ensure that effective communications occur among WSI participants and with affected stakeholders, and clarify how financial issues will be handled.
Clarify expectations of behavior to guide participants' engagement in the WSI.
Explore organizational forms that align with the purpose and nature of the WSI.
Assess the likelihood of policy capture, establish adequate safeguards to reduce capture risks, and establish a mechanism for monitoring and oversight of such risks.
Establish an exit strategy for the WSI.
Establish an M&E mechanism that enables WSI participants to understand both expected and unexpected outcomes, and determine whether the WSI is meeting its stated objectives.
PHASE 3: WSI IMPLEMENTATION
Monitor WSI participant representation and engagement of affected stakeholders over the course of the WSI, and take action to balance interests where needed.
Monitor WSI participant adherence with and exceptions to defined governance procedures. Ensure issues of non-compliance with WSI agreements are addressed in a timely and appropriate manner. Monitor and audit the adherence to financing and audit protocols, and refine those in case provisions are not suitable or sufficient.
Regularly question and verify the WSI's theory of change and adapt/improve as needed to ensure it is aligned with stated WSI objectives and contributes to sustainable water management more generally.
Periodically make accessible to WSI participants and affected stakeholders information on performance of the WSI in relation to stated objectives and predicted benefits.
PHASE 4: WSI COMPLETION, RENEWAL, OR UPSCALING
Undertake a participatory final evaluation and financial audit of the WSI, and communicate results to affected stakeholders.
Engage affected stakeholders in the decision-making process for renewing, upscaling, or completing the WSI.
Determine how to best ensure that activities and outcomes are appropriately embedded into existing institutions.
Establish a process to monitor and evaluate capture risks during the completion and/or transformation of the initiative.
For completion, establish appropriate mechanisms for managing residual finances and assets from the initiative.
When renewing or upscaling, initiatives may also consider (a) undertaking activities under Phase 1 to understand the continued need for the WSI given current realities, and (b) undertaking an integrity risk assessment to ensure integrity management is embedded in the WSI's ongoing implementation.

Appendix C: Methodological Approach

The development of this guide occurred over four stages and involved extensive research and multi-stakeholder consultations. During this process, the project team undertook desk-based research; held more than 90 multi-stakeholder interviews; convened roundtable discussions in Paris, Lusaka, Lima, London, and Stockholm; and held validation workshops in South Africa, Peru, and India. The project team also regularly consulted with the Integrity in **Water stewardship initiatives** Advisory Board, a group of experts and practitioners representing companies, development agencies, NGOs, journalists and others with familiarity and expertise in WSIs. The team also consulted with the CEO Water Mandate’s Collective Action Working Group, composed of representatives from a subset of Mandate-endorsing companies.

The first stage of this project involved the development of a desk study that drew upon an extensive literature review and bilateral interviews to help frame the issue of integrity in WSIs and fed into the development of a field assessment methodology. The second stage involved an intensive field assessment and consultation process to understand the actual integrity issues facing WSIs on the ground. These findings were used during the project’s third phase to develop initial guidance and a framework with supporting tools for managing the integrity of WSIs. The framework was subsequently tested via validation workshops and further refined, resulting in this final guide.

Table 14: CEO Water Mandate Collective Action Working Group Members

NAME	COMPANY
Hugh “Bert” Share	Anheuser Busch-Inbev
Greg Koch	The Coca-Cola Company
Lisa Schroeter	The Dow Chemical Company
Emilio Tenuta	Ecolab
Nandha Govender	Eskom
Manoj Chaturvedi	Hindustan Construction Company
Niyati Sareen	Hindustan Construction Company
Elisabeth Swayze	H&M Hennes & Mauritz
Stephanie Kotin	Levi Strauss & Co.
Anna Walker	Levi Strauss & Co.
Sanjay Banka	Banka BioLoo
Paivi Makkonen	Metsa Board
Christian Frutiger	Nestlé
Carlo Galli	Nestlé
Herbert Oberhaensli	Nestlé
Naty Barak	Netafim
Heather Rippman	Nike
Dan Bena	PepsiCo
Lauren Koopman	PriceWaterhouseCoopers
Natalie Allan Tearar	PriceWaterhouseCoopers
Ryan Mullen	PriceWaterhouseCoopers
Kevin Agnew	Reed Elsevier
David Grant	SABMiller
Andy Wales	SABMiller
Martin Ginster	Sasol

Philippe Tallendier	Saint-Gobain
Arnaud Trequer	Saint-Gobain
Jochen Schweitzer	Siemens
Juan Gonzalez Valero	Syngenta
Troy Jones	Teck Resources
Yapo Alle-Ando	Teck Resources
Ed Pinero	Veolia North America

Table 15: Integrity in Water Stewardship Initiatives Advisory Board Members

NAME	ORGANIZATION
Adrian Sym	Alliance for Water Stewardship
Thirza Bronner	Both Ends
Danielle Hirsch	Both Ends
Lesha Witmer	Bremen Overseas Research and Development Association
Cate Lamb	CDP
Raymond Mngodo	Lake Victoria Basin Commission
Silas Mbedzi	Mvula Trust
Steve Nicholls	National Business Initiative, South Africa
Roger Calow	Overseas Development Institute
Rob Greenwood	Ross Strategic
David Grant	SABMiller
Marianne Kjellen	Swedish International Water Institute
Jermyn Brooks	Transparency International
Goodwell Lungu	Transparency International Zambia
Kari Vigerstol	The Nature Conservancy
Kenneth Irvine	UNESCO-IHE
Themba Gumbo	UNDP CAP-NET
David Groenfeldt	Water Culture Institute
Fredrick Mugira	Water Journalists Africa
Stuart Orr	WWF International
Alexis Morgan	WWF/Alliance for Water Stewardship

Appendix D: Glossary of Key Terms

Affected stakeholders: As used in this document, refers to those individuals and/or groups who may not be directly engaged in a WSI's activities but who may be directly affected by the WSI's activities and/or outcomes. See also **stakeholders**.

Capture

Public resource capture: Public resource **capture** occurs where public resources — whether civil servant staff time, political attention, or organizational or departmental budgets — are diverted to serve a narrow group of interests at the expense of the wider societal or public good.

Policy capture: Policy and legislative **capture** exist where private organizations unduly dominate a policy-making or law-making process to the extent that other **stakeholders'** views tend to be excluded or considered less important, with the result that policy formulations or legal provisions favor **vested interests** to the detriment of the public good.

Regulatory capture: Regulatory **capture** occurs where the agency responsible for regulation is unduly influenced by or unduly favors the interests of certain **stakeholders**. This can result in favorable handling, such as failure to vigorously enforce regulations, or inconsistent, non-proportional, or selective enforcement.

Perverse outcomes: As used here, refers to WSIs that inadvertently exert negative impacts on social equity or the environment, or that undermine effective and efficient institutional performance related to water management.

Political economy: The interplay among economics, politics, and law, and how institutions develop in different social and economic systems to manage the production, distribution, and consumption of resources. It includes issues such as the distribution of power and wealth between groups and individuals, and the processes that create, sustain, and transform these relationships over time.

Public interest: The welfare of the general public (in contrast to the selfish interest of a person, group, or firm) in which the whole society has a stake and which warrants protection by the government. (Adapted from BusinessDictionary.com.) As used here, the **public interest** benefits of WSIs are directly linked to ensuring **sustainable water management** (see definition below).

Stakeholder engagement: A two-way effort to get involved and/or involve **stakeholders** in activities and decision-making processes to ensure effective **Water governance**. Engagement happens at different stages of an initiative and can take various forms depending on the degree of involvement of **stakeholders**. (Source: Organisation for Economic Co-Operation and Development (OECD), "**Stakeholder engagement for Effective Water governance**: Technical Note for the OECD Survey" (no date), <http://www.oecd.org/gov/regional-policy/OECDsurveyTechnicalNote.pdf>.)

Stakeholders: Individuals, groups of individuals, and organizations that affect and/or could be affected by the WSI's activities. There are several main categories of **stakeholders**: (a) those that have an impact on you (e.g., regulators, protest groups, news media), (b) those upon whom you have (or are perceived to have) an impact (e.g., nearby water users, neighbors, the natural environment), and (c) those neutral parties with no specific link but with whom it is beneficial to engage. (Adapted from Alliance for **Water stewardship** (AWS), *The AWS International Water Stewardship Standard, Version 1.0* (April 2014), <http://www.allianceforwaterstewardship.org/assets/documents/AWS-Standard-v-1-Abbreviated-print.pdf>.)

Sustainable water management: The management of water resources that holistically addresses equity, economy, and the environment in a way that maintains the supply and quality of water for a variety of needs over the long term and ensures meaningful participation by all affected **stakeholders**.

Theory of change: Refers to the building blocks required to bring about a given long-term goal. It is a specific and measurable description of a social change initiative that forms the basis for strategic planning, ongoing decision making, and evaluation. It can be seen as explaining how and why an initiative works; **theory of change** analysis seeks to identify underlying assumptions about how change comes about, to make these assumptions more explicit, and to test them. (Adapted from theoryofchange.org and Jesper Johnson, *Theories of Change in Anti-Corruption Work: A tool for programme design and evaluation*, U4 Issue, no. 6 (October 2012), <http://www.u4.no/publications/>.)

Vested interest: A personal interest on the part of an individual or group in a particular system, arrangement, or institution with the expectation of personal gain.

Water challenges: Water-related issues that are of interest or concern to an organization, a site, or **stakeholders** in a particular river, basin, or region, and which, if addressed, will provide positive impacts or prevent negative impacts. (Adapted from Alliance for **Water stewardship** (AWS), *The AWS International Water Stewardship Standard, Version 1.0* (April 2014), <http://www.allianceforwaterstewardship.org/assets/documents/AWS-Standard-v-1-Abbreviated-print.pdf>.)

Water governance: Formal and informal processes that allow for the determination and negotiation of objectives, setting of standards, and resolution of disputes among disparate voices in order to address challenges and meet objectives at local, subnational, and national levels in the management of water resources and delivery of water services. (From UNDP **Water governance** Facility, “What is **Water governance**?” (2015), <http://www.watergovernance.org/whatiswatergovernance>; and OECD, “**Stakeholder engagement** for Effective **Water governance**” (no date, p.4), <http://www.oecd.org/gov/regional-policy/OECDsurveyTechnicalNote.pdf>.) **Water governance** is defined by the political, social, economic, and administrative systems that are in place and that directly or indirectly affect the use, development, and management of water resources and the delivery of water service delivery at different levels of society. Governance is “good” when the actions (and inactions) of all parties are transparent and accountable so that corruption is minimized, the views of minorities and the most vulnerable are heard in decision making, and the needs of the present and the future are taken into account. (From WIN, *Introduction to Water Integrity*, 2014.)

Water stewardship: The use of water in a way that is socially equitable, environmentally sustainable, and economically beneficial, achieved through a stakeholder-inclusive process that involves site- and basin-based actions. **Water stewardship** involves organizations taking shared responsibility to pursue meaningful individual and collective actions that benefit people and nature. (Adapted from Alliance for **Water stewardship** (AWS), 2010, “What Is **Water stewardship**?” <http://www.allianceforwaterstewardship.org/become-a-water-steward.html#what-is-water-stewardship>.)

Water stewardship initiative: A coordinated engagement among interested parties (most often including businesses) to address specific shared **water challenges**; a WSI typically involves structured collective action, joint decision making, and joint implementation.

WSI initiator: A single organization or a small group of organizations that have identified the need to work collectively on water in a defined geography and that begin a process of identifying the local **water challenges**, opportunities, and potential participants to a WSI.

WSI participant: An individual or organization that is actively participating in the design and implementation of a WSI. Participants can come from any sector but must have committed resources and/or time to the initiative.

WSI practitioner: An individual involved in the management or ongoing implementation of a WSI.

Appendix E: Project Team Members



The Pacific Institute is one of the world's leading nonprofit research and policy organizations working to create a healthier planet and sustainable communities. Based in Oakland, California, it conducts interdisciplinary research and partners with stakeholders to produce real-world solutions that advance environmental protection, economic development, and social equity – in California, nationally, and internationally. Since its founding in 1987, the Pacific Institute has become a locus for independent, innovative thinking that cuts across traditional areas of study, helping make connections and bring opposing groups together. The result is effective, actionable solutions addressing issues in the fields of freshwater resources, climate change, environmental justice, and globalization. www.pacinst.org



The Water Integrity Network (WIN) is a network of organizations and individuals promoting water integrity to reduce and prevent corruption in the water sector, with a pro-poor and pro-equity focus. WIN was formed in 2006 to respond to increasing concerns among water and anti-corruption stakeholders over corruption in the water sector. It combines global advocacy, regional networks, and local action to promote increased transparency and integrity, bringing together partners and members from the public and private sectors, civil society, and academia to drive change that will improve the lives of people who need it most. Formally, WIN is an association under German law, with its secretariat established in Berlin.



Water Witness International is a research and advocacy charity working for the equitable, sustainable, and accountable management of water resources in developing countries. Poor management of rivers, lakes, and aquifers affects all water users, holding back economic growth, poverty reduction, and biodiversity conservation. To broker consensus-based solutions, build broad coalitions, and inform the evidence-based advocacy required to unlock progress, Water Witness International carries out high-quality interdisciplinary research to understand the social, political, economic, and environmental causes and consequences of water problems and conflict.



Partnerships in Practice (PiP) is a UK-based company set up in 2014 that focuses on enhancing the effectiveness of partnership approaches for sustainable development. Although PiP is very new to the world, it builds on the pioneering work of Building Partnerships for Development in Water and Sanitation (BPD), which has a long track record of innovation in partnerships, incentives, and solutions for improving the provision of water and sanitation services in unserved and poorly served communities by ensuring that partnerships are effective and appropriately ambitious. Partnerships in Practice provides advisory, research, and training services to policy makers and practitioners to strengthen partnership approaches for sustainable development.

Pegasys is a specialist consulting group with an international profile in policy, legal, economic, institutional, management, and financial expertise, particularly in the water, natural resources, and public infrastructure sectors. Pegasys was founded in 1999 in response to a need to support African public sector institutions in achieving transformation and service delivery objectives espoused by the continent's governments, considering broad inter-sector economic and institutional linkages. Our consulting philosophy and approach as trusted advisors is sensitive to local conditions and dynamics, has been honed by the challenges and opportunities of working in politically complex environments, compounded by constrained resources, inadequate capacity, and limited information. Pegasys is globally recognized in the corporate water risk analysis and strategy field, being a partner of the Global Water Partnership (GWP), supporting the UN Compact CEO Water Mandate, cooperating with the World Economic Forum (WEF), contributing to the Alliance for Global Water Adaptation (AGWA), and advising the WWF Water stewardship program. These are the bodies and initiatives that are currently driving the philosophy, approaches, and methodologies for water risk at a global level.

Project Sponsors



DFID

The Department for International Development (DFID) leads the UK's work to end extreme poverty. It aims to end the need for aid by creating jobs, unlock the potential of girls and women and help to save lives when humanitarian emergencies hit. DFID works in 28 countries across Africa, Asia, and the Middle East in the fields of education, health, economic growth and the private sector, governance and conflict, climate and environment, and water and sanitation.



BMZ

The German Federal Ministry for Economic Cooperation and Development (BMZ) seeks bring Germany closer to its development goal of freedom and security for all, a life without poverty, fear and environmental destruction. BMZ focuses its development policy on education, health, rural development, good governance and sustainable economic development. Germany's development cooperation is guided by the principles of protecting human rights and fostering the developing countries' sense of ownership and ability to help themselves. Germany is currently involved in development cooperation activities in 58 partner countries in five regions around the globe, while additional countries receive assistance through regional programmes.



GIZ

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is Germany's leading provider of international cooperation services. As a federal enterprise, it supports the German Government in achieving its objectives in the field of international cooperation for sustainable development. It also works for a diversity of other clients, including EU, UN, World Bank, other donor and partner governments and private companies. GIZ has more than 16,400 staff working in over 130 countries worldwide for sustainable develop solutions across all fields of social and economic development.

The CEO Water Mandate's six core elements:

Direct Operations

Mandate endorsers measure and reduce their water use and wastewater discharge and develop strategies for eliminating their impacts on communities and ecosystems.

Supply Chain and Watershed Management

Mandate endorsers seek avenues through which to encourage improved water management among their suppliers and public water managers alike.

Collective Action

Mandate endorsers look to participate in collective efforts with civil society, intergovernmental organizations, affected communities, and other businesses to advance water sustainability.

Public Policy

Mandate endorsers seek ways to facilitate the development and implementation of sustainable, equitable, and coherent water policy and regulatory frameworks.

Community Engagement

Mandate endorsers seek ways to improve community water efficiency, protect watersheds, and increase access to water services as a way of promoting **sustainable water management** and reducing risks.

Transparency

Mandate endorsers are committed to transparency and disclosure in order to hold themselves accountable and meet the expectations of their **stakeholders**.



The CEO Water Mandate is a special initiative of the UN Secretary-General and the UN Global Compact, providing a multi-stakeholder platform for the development, implementation, and disclosure of corporate water sustainability policies and practices. The UN Global Compact is the world's largest corporate sustainability initiative with over 7000 corporate participants and other stakeholders from more than 140 countries. The UN Global Compact is based on ten principles in the areas of human rights, labour standards, the environment, and anti-corruption.

The Ten Principles of the United Nations Global Compact

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

HUMAN RIGHTS

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 the elimination of all forms of forced and compulsory labour;
- Principle 5 the effective abolition of child labour; and
- Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

