Corruption in infrastructure provision and service delivery at the municipal level in Nepal

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Corruption in Infrastructure Provision and Service Delivery at the Municipal Level in Nepal

CASE STUDY

Purusottam Man Shrestha
Corruption in Infrastructure Provision and Service Delivery at the Municipal Level in Nepal
Corruption in Infrastructure Provision and Service Delivery at the Municipal Level in Nepal

A case study

Purusottam Man Shrestha

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1. Background

1.1 Purpose of study
Prepare an overview of corruption in infrastructure provision and service delivery at the municipal level in Nepal and a case study of the Federation of Nepalese Chambers of Commerce and Industries (FNCCI) Anti-Corruption Project.

1.2 Methodology and process
The overview of corruption in infrastructure provision and service delivery relied mainly on secondary data. As a first source, books and reports on the subject were reviewed. Most of the information in books and publications concentrated on corruption at the national or central government levels, with there being less material available on practices at the municipal level.

As a second source of information, interviews were conducted with municipal officials on one side and contractors and private operators on the other. In addition, a number of interviews were conducted with the residents of Kathmandu’s squatter settlements in order to get insight into the condition of municipal services in those settlements. These interactions revealed glimpses into realities at the local level. Kathmandu and a provincial municipality, Bharatpur, were chosen for study purposes.

1.3 Brief description of the basic infrastructure
There are 58 municipalities in Nepal, of which Kathmandu, the capital, has metropolitan city status. There are four sub-metropolitan cities – Biratnagar, Birgunj, Lalitpur and Pokhara. The rest are what may be termed ‘ordinary’ municipalities. Even among these there is enormous variation, with established market towns or administrative centres like Bharatpur or Tansen in sharp contrast to new municipalities like Amargadhi or Dasrathchand, which are very rural in character.

Notwithstanding variations in size, importance or character, local municipalities are primarily responsible for providing infrastructure services within their localities. The number of infrastructural conveniences provided and the extent or quality of service may vary certainly. Also, for historic reasons or otherwise, a central government agency or service provider could at the same time be responsible for the partial or full provision of a service. In many instances this duplication of responsibility leads to some confusion or abnegation of responsibility whereby the consumers ultimately suffer. Short descriptions of the major infrastructure services in Nepal’s urban areas are given below.

1.3.1 Roads and pavements
In Nepal, the central government’s road department is responsible for highways and important roads, what is termed the strategic road network. However, the construction and maintenance of ‘lesser’ roads (i.e., roads below the arterial road category) primarily lies with the respective municipality. A significant amount of road length in residential areas is constructed under what is called the ‘people’s participation’ method. Under this method, the residents of the area serviced by the road (street) contribute 40-60 per cent
of the total cost. Depending on the area and municipality, this people's contribution could be as high as 80 per cent in some cases. The actual construction is achieved through contracts. The process is fraught with opportunities for corruption during contract awarding, supervision and final bill payment.

Smaller road construction contracts are sometimes given out to the local community itself through some form of community contracting. The scale of corruption in such cases is generally low. However, municipalities do not normally give out road construction contracts to local communities as a matter of rule, because of the skill levels and heavy and specialised equipment required for such work.

Pavement work is also usually accomplished through the people's participation method. In Kathmandu, the local ward office is normally involved in performing pavement work in the numerous alleys and courtyards at the core of old city.

1.3.2 Drainage/sewerage

As with roads, drains and sewers are also under the municipality's purview, and also in common with roads, most drains are constructed under the people's participation method. In contrast to roads, however, most drainage projects (apart from the large ones) are managed through the local ward office. As the projects are conducted at the local level, the opportunities for bribes and so forth are reduced. Drainage projects are also easily accomplished with community contracts, because they are simpler and can be completed without heavy equipment.

1.3.3 Street lighting

Street light poles are usually provided during construction, especially on the main streets or thoroughfares. Smaller residential streets are lit through the joint efforts of residents (through neighbourhood organizations) and the local ward office. The maintenance of street lights – replacing bulbs and so on – is also undertaken by the local ward office.

1.3.4 Solid waste management

Nepalese municipalities have historically been responsible for managing solid waste. As a traditional function, the service is also labour intensive and hard to manage because of the numbers of personnel involved. Nowadays, many municipalities are resorting to contracting out primary waste management tasks (mostly the collection of waste and street sweeping) to private operators. The transfer of waste from the transfer station to a landfill or other final destination is usually undertaken by the municipality itself.

Waste collection also takes place at the community level with a lot of community-based organizations (CBO) and non-governmental organizations (NGO) involvement in tandem with municipal operations. Opportunities for corruption in waste management are mostly in operation and maintenance, because there is a lot of equipment involved.

1.3.5 Public toilets

Municipalities also provide public toilets in their areas. These facilities are highly beneficial for citizens, especially the poorer ones who may not have this convenience in
their own dwellings. While toilets are normally constructed through civil works contracts, they are usually operated by private operators through service contracts.

Public toilet operation is a source of profit for many, but the private operator may have to part with a portion of his/her earnings to pay a middleman or similar facilitator to actually operate the toilet. Toilets operated under the public-private partnership (PPP) method (such as the service centres in Kathmandu) may be able to solve this problem.

1.3.6 Services provided by central-level service providers

Electricity

Electricity is provided through a central-level service provider, the Nepal Electricity Authority (NEA), which oversees the national grid as well as power distribution to individual consumers. The NEA is wholly government owned and managed. There are several private electric or power companies managing smaller hydropower plants, however, these are not involved in providing services to consumers directly. In Nepal there is increasingly more talk about municipalities taking over the distribution of electricity in their own areas. Some combination of private operators and public authorities would probably be used in such arrangements. For now, the NEA is the sole service provider.

Water supply

Water supply is under the purview of the government-owned Nepal Water Supply Corporation (NWSC) in about 25 municipalities throughout Nepal. In the other municipalities, responsibilities are mixed: in some, the municipality is responsible in alliance with community user groups; in others, the water supply department of the central government still services pocket areas, and so on. However, even in the NWSC areas, municipalities have taken on limited roles improving water supply in small areas within their jurisdiction. In the capital region of Kathmandu and four other municipalities, the Kathmandu Valley Water Supply Board has been established chaired by Kathmandu’s mayor with the four other mayors as members. The Board will eventually take on the water supply function and manage it with the help of a water authority.

At the service provision level, there are opportunities for corrupt practices in providing connections, manipulating water supply distribution, metering and billing and so on.

1.4 Main sources of livelihood

The Nepalese economy is characterised by a large agricultural sector, which provides a livelihood for 80 per cent of the economically-active population, as well as a small but rapidly growing informal urban economy. The agricultural sector, however, contributes to only 39.2 per cent of Gross Domestic Product (GDP), with a high under-employment rate and low productivity. This stagnation in agriculture has been associated with an increasing reliance by rural households on non-farm income, which derives from migrant labour in urban areas as well as employment abroad (particularly in India, the Middle East, Malaysia and South Korea). Remittances from employment abroad play a major role, both as a source of foreign exchange as well as a source of income for many households. The households receiving remittances went up to 32 per cent in 2004 from 23 per cent in 1996 (Mo, 2005). Such trends suggest growing urban pressures, as well
as significant changes in the rural economy and society, including the feminisation of agriculture (Nepal Millennium Development Goals, Progress Report, 2005).

1.5 Important social groups
Nepal is renowned for its socio-cultural diversity of 100 ethnicities, 92 languages and nine religions (UNDP, 2004). Of the population, 80.6 per cent is Hindu, followed by 10.7 per cent Buddhist, 4.2 per cent Muslim and 3.6 per cent Kirant (2001 census).1
For its size, Nepal has a diverse ethnic composition:
Chhetri 15.5 per cent, Brahman 12.5 per cent, Magar 7 per cent, Tharu 6.6 per cent, Tamang 5.5 per cent, Newar 5.4 per cent, Muslim 4.2 per cent, Kami 3.9 per cent, other 32.7 per cent and unspecified 2.8 per cent (2001 census).

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1 Nepal Millennium Development Goals, Progress Report, 2005
2. Setting the context – Overview of corruption in infrastructure delivery

In presenting an overview of corruption, an attempt has been made to look into the root causes of corruption. It has been found that corruption is on the rise in Nepal because of the changes Nepalese society is going through. This section also presents the forms of corruption found at the municipal level and concludes with a section on how the urban poor in Nepal are coping with municipal service provision.

2.1 Causes of corruption

2.1.1 Lack of public awareness and a culture of corruption

The rules of the system of administration and procedures for acquiring services are a big mystery for many citizens as there is lack of information available to the general public. Public agencies share part of the blame for this. For this reason also, corrupt practices are growing. A consumer does not know whether s/he is paying a bribe or a required levy. As a result, the public display of ‘citizen charters’ at public offices (for example, at land revenue offices) and awareness campaigns undertaken by NGOs have played a significant role in improving public awareness and controlling corruption.

2.1.2 Increasing materialism and resulting cultural changes

As with many other societies, materialism is on the rise and there is now more and more respect for money and the people who have it in Nepalese culture. Those who have money command prestige in society, irrespective of how they may have earned it. Their access to all spheres of society is superior. Increasing materialism is also a cause and effect of growing livelihood expenses and the breakdown of traditional social systems and mechanisms. These changes have had a direct bearing on the increase in corrupt practices.

As recently as 30 or 40 years ago, societal values were still quite traditional. The social hierarchy followed the caste and class distinctions passed down through the years fairly closely. Since then, the increased materialism that has resulted from the opening up of society and its increasing exposure to ‘modern’ and new values has equated status and prestige with the possession of money and the willingness to spend it.

Large joint families were also the rule rather than the exception in Nepal. Under the joint family system, social expenses were shared by the larger family. The system was also supplemented by active clan organisations that took care of organising and managing social events such as wedding receptions and other life ceremonies. Now with the break-up of the joint family system, heads of household have to bear these expenses themselves. Similarly, the clan organisations (including the land trusts and endowments – guthis – they manage) are also less and less active, adding further to social and cultural expenses. The tight-knit community system is now a thing of the past.

The opening up of Nepalese society has also contributed to increased expenses incurred by teenagers and older children. While traditionally children stayed within the home and only went out on family outings, nowadays youths are more outgoing and incur more expenses in the process. A small but significant proportion of teenagers also have parents working in other countries, who are able to afford their mostly frivolous expenses.
Households in urban areas are also spending more money on educating their children. This is primarily because of the deteriorating standards of public schools. While school-level education is free in public schools, an increasing number of parents send their children to private schools, which largely outnumber public schools.

2.1.3 Organizational immaturity

Lack of accountability

Municipal officers are government employees, and the civil service system makes them more accountable to their supervisors at the ministry than to the public they are serving. This indirectly encourages bribery. When the officers are charged for involvement in such practices, they are transferred and the case is 'closed'.

Perverse use of authority

Among the various reasons for corruption by people in public office (employees or elected representatives), the following are possible reasons they might engage in a corrupt activity:

- Not knowing or being unaware of the problems faced by other people, especially poor people. Such corrupt public officials are mostly living in their own world and choose to remain unaware or uncaring about the problems and livelihoods of other people.

- A mind-set of 'what's in it for me?' – Instead of being guided by altruism or motives to serve, people in public office are single-mindedly intent on gaining profit or benefit from their present position. This type of thinking is very hard to change and becomes a way of life for many. Part of this is also due to the lack of other opportunities in municipal employment.

System of award and punishment

There is no suitable system of award and punishment in many public organizations. Those who are involved in corrupt practices often get away with it. This encourages them to continue their corrupt practices.

Lack of disclosure of information

Periodic statements of accounts and performance reports are not made public or easily available in most municipalities. As a result, people do not get information about activities in their areas. This lack of information can lead to bribery.

2.1.4 Acceptance of irregularities

Nepalese society can be blamed for being silent about government irregularities and weaknesses. This may be due to historical and socio-political reasons, such as the persistence of feudal values and practices. The traditional notion that ‘nothing can be done by writing or speaking out against anomalies in government offices’ is prevalent. Even citizens with a so-called ‘modern’ upbringing would bribe officials to get their work done rather than think about the far-reaching consequences of their actions.
2.1.5 Low salaries
One of the main reasons for corruption at the municipal level is low salaries. The less bureaucrats are paid, the more it pays for them to be corrupt. In Nepal, the salary scale of municipal employees is lower than, for example, comparable employees in the private sector. Such employees then revert to bribery in order to meet their basic livelihood needs. It is hard for them to meet their day-to-day needs on their usual incomes. Social obligations are constantly increasing, and it is becoming progressively harder for Nepalese families (especially in urban areas) to survive in a society that is more and more competitive. So, government officers may feel they are forced to resort to bribery. Of course, this is not a sanction for bribery, but corruption to make ends meet is somehow tolerated tacitly.

2.2 Forms of corruption at the municipal level
One of the difficulties in curbing corruption lies in proving the offence or demonstrating beyond reasonable doubt that an offence has occurred. There is necessarily a lot of reliance on heresy and conjecture. In the informal interviews and meetings with municipal personnel and representatives of the private sector, there were also allegations of corrupt practices at the municipal level or ‘this is how it happens in our city’ stories. These allegations of wrongdoing can be grouped under the following headings.

2.2.1 Corruption in projects
a. Irregularities during project formulation
The municipal section or department concerned is capable of manipulating the design and cost estimates of projects. Project cost estimates are artificially raised by the municipality overestimating costs and using technical specifications that exceed conventional requirements. Bidding criteria can also be fixed to favour a certain party when bids are processed. This can then be used as a bargaining point with contractors when awarding the contract.

Bribes are also exchanged during project procurement. The contractor either makes cash payments or he/she promises to set aside a cut for municipal personnel when the final bill is settled. Municipal staff may oblige payment for disclosing proprietary information regarding the project such as the estimate of costs, criteria for bidding, prospective bidders and so on. The staff then takes money from the contract bidders for giving out such information. There is also a practice of assisting bidders to form cartels to leave out bidders that are not cooperating.

b. Corruption during project execution
Overvaluation of the job in construction projects, in terms of excessive estimates of quantity and price, is a common accusation against municipalities. These practices are common in road maintenance projects. Municipalities implement road construction and maintenance projects in two ways: with community involvement and without community involvement. In projects where there is no community involvement, costs are overestimated and extra money is made with the cooperation of the contractor. The terms are negotiated beforehand before project implementation. Even in projects with community involvement, similar practices take place in collusion with community leaders or officials.
When the contractor foresees that he/she could potentially lose money on executing a project, he/she can get the contract cancelled by bribing the appropriate people to save on his losses. Lack of public support and so on, are usually blamed to provide an excuse to terminate the project.

Corruption in project execution has increased in the absence of local representatives (mayors) in the municipalities. Municipal staff make project cost estimates themselves and implement the projects as well; there is no suitable mechanism for supervision. These practices are found in road maintenance (for example, gravelling roads). A missing truckload or two of gravel can be easily overlooked. The municipal technical experts are sometimes more intent on finding the loopholes in project execution regulations in order to be in a better position to bargain with contractors, rather than improving practices during the monitoring and evaluation of the project.

Municipalities also show reluctance to disclose information on projects and revenue collection. The reason for this could be that corrupt practices may be revealed by such disclosure.

c. Corruption during account settlement (final billing)

Contractors have to pay a certain percentage as ‘commission’ during the account settlement at different stages of the contract. If they do not pay, the payment may be delayed and the contractor blamed for his/her poor work performance. Contractors feel comfortable paying the commission as bribe; 10 per cent is customary in many cases. Usually, contractors are prepared for this in advance and make the necessary adjustments in their work. This will ultimately compromise the quality of work.

### 2.2.2 Corruption in service delivery (by municipalities and other service providers)

There are several forms of corruption in delivery of services like drinking water, electricity distribution, public toilet operation and so on.

a. Corruption at the time of providing service connections

Obtaining a water or electricity connection is made artificially complicated so that consumers pay extra to get their service connections. In drinking water, service provider personnel provide better connections – a larger hole or better placed hole – depending on the bribe amount, resulting in a better flow of water. Similarly with electricity, the standard response could be that it is not possible to get a connection from the electric pole nearest the residence to be served.

b. Meter reading

Meter readers are frequently involved in malpractices such as making adjustments to the meter to show a smaller or lower reading. The consumer then pays the meter reader for the service.

c. Supply of services favouring advantaged groups

Consumers pay water supply personnel to direct more flow of water into their area by manipulating water valves.

d. Operation and maintenance of service facilities

The costs of repair and maintenance are inflated, thereby enriching personnel employed in facilities management departments or sections. For example, it was reported that there
is a lot of corruption in the maintenance of municipal vehicles, whereby municipal officials produce fake bills for maintenance, fuel and so on.

**e. Unseen partnership arrangements with contractors/ service providers**

In some cases, municipal personnel make known their interest to be involved in a potential project as indirect partners. For instance, in one of the municipalities studied, private operators in solid waste management were ready to manage the landfill site with the establishment of an organic fertilizer plant. The municipality had received proposals for the same; however, the municipality was reluctant to award the job because a municipal employee wanted to partner the prospective private operator. Such practices potentially compromise the quality or price of services offered. There have also been similar instances of corruption in the contracting out of sanitation services to private contractors. Municipal officials are indirect partners in the fee collection, otherwise they threaten to dismiss the contract.

Another form of corruption in municipalities occurs due to a lack of review and renewal of contracts. The municipality allows the same party to continue the contract for a longer period than stipulated in the contract. For instance, in a municipal wholesale vegetable market, the study found the contract has not been reviewed for 11 years. The municipality had contracted out the stalls for Rs.700 to Rs.1000 per month at the time of agreement. There was no change in the municipality’s contract, but the occupants at the time of the research were paying Rs.3000 to Rs.5000 per stall per month. The original tenants of most of the stalls were also relatives of municipal employees. They then sublet stalls to current occupants at higher rates.

**2.2.3 Other forms of corruption**

**a. Operation and maintenance of various facilities**

Maintenance of facilities. There were several instances of corruption in the operation and maintenance of a vegetable and fruit market in one of the municipalities. The municipal section in charge of the market produced extra bills for graveling work, toilet maintenance and other items. Proper records on the vendors and the amount of rent collected from the stalls were not maintained. In some cases, receipts of rent paid are not issued. The vendors, especially meat vendors, have to make gifts of vegetables, meat and fish to municipal officials during festivals. Municipal employees also collect bribes from street vendors who would otherwise not be allowed to do business on the street; for example, butchers are also forced to pay a certain amount to the municipal police.

Maintenance of equipment (including fuel consumption and so on). Facilities management employees produce fake bills for maintenance, fuel and other items.

**b. Quality control and other monitoring**

Municipalities fail to monitor the quality of meat, vegetables and other food products even after requests from local consumer forums. They also fail to take effective action against meat vendors and others when they sell goods of inferior quality.

**c. Lack of transparency in revenue collection**

There is a general reluctance to disclose information on projects and revenue collection. The reason for this could be that corrupt practices may be revealed by such disclosure.
d. Petty corruption

Municipal staff or personnel such as the city police collect money from footpath vendors and other street merchants for them to be allowed to do business on the street. Butchers frequently have to pay money to city police and are also expected to gift meat or fish to municipal officials during festivals.

2.3 The urban poor and municipal services

The Kathmandu Valley area with its five municipalities – Bhaktapur, Kathmandu, Kirtipur Lalitpur, and Madhyapur Thimi – has around 66 squatter or informal settlements. Of these, the one in Bijaynagar (in eastern Kathmandu Metropolitan City) is the largest with 524 households. Infrastructure service provision to the individual settlements varies. In terms of water supply, most settlements lack drinking water connections or even public standpipes. In the Buddhanagar settlement (in south-eastern Kathmandu), out of the 105 households, only four had individual connections. However, the households here had access to pumped ground water. Overall, an overwhelming number of settlement households (estimated at around 98 per cent) in Kathmandu had access to electricity.

2.3.1 Coping with municipal services

2.3.1.1 Water supply

Water supply in the Kathmandu area is becoming a progressively bigger problem for a number of reasons, among which high population growth (mainly from in-migration) and changing water consumption patterns have had a great impact. In this situation of depleting water supply, poorer communities, especially the marginalized ones, have developed their own innovative ways of coping with their need for drinking water.

a. Community taps for a group or community of households

Instead of getting individual water connections, households in some Kathmandu squatter settlements have acquired community taps serving 10 or 11 households depending on the location. This arrangement probably came out of the Nepal Water Supply Corporation's (the central-level service provider) unwillingness to provide individual connections to households without land ownership certificates. Procedure-wise, affected residents approach the local ward office regarding their lack of water. The ward office then writes a recommendation for the need to supply water and the NWSC agrees to supply water to the area at no additional cost to itself. Usually what happens is that the capital costs of extending distribution lines and so on, are borne by a corresponding NGO or other voluntary organization. Such organizations may also put up the entire deposit money required by the NWSC, or provide this deposit in collaboration with the Society for Preservation of Shelter and Habitation in Nepal (SPOSHE-NEPAL) and possibly the individual consumer households as well.

The residents of Balaju Jagriti Tole in Ward 16 in north-western Kathmandu have adopted this method to fulfill their water needs. Eleven houses share one tap; as the NWSC supplies water only every other day in Kathmandu, each house gets to draw water every 7-9 days. A local NGO, Lumanti, provided funds for the water connections including distribution line extension.
b. Community water tanks

Some communities have also adopted the practice of installing a community-level water tank. Here again, the NWSC itself or an NGO/voluntary organization provides the capital costs for the water tank. The community contributes towards installing the tank on site. The residents then follow a code of conduct for using the tank – how much water to draw, how frequently each household can draw water and so on.

In Sangam Tole, which is across the river from Balaju Jagrity Tole described above, the residents have installed a 5,000-litre tank provided by NWSC free of cost. About 36 households use the tank. Usage is not restricted to just squatter households, neighbouring houses also use the tank. Each household has a 40-litre quota, and it can use the tank twice a week. The households have also distributed coupons to regulate the drawing of water more effectively.

Some of the residents of Khadi-pakha, a settlement in northern Kathmandu, have also installed water tanks. Water supply in Khadi-pakha (which is comprised of about 225 households) is generally good; however, service in two isolated areas is very poor. So the residents have got together and installed a water tank as an additional measure.

c. Use of mobile water tankers during times of acute shortage

The NWSC sends water tankers to supply water to pockets experiencing acute water shortages for whatever reasons, such as faults in the system through leaks and so on. It is not clear whether the Corporation sends out tankers on their own assessment or if they respond to demands from affected residents. The residents the team interviewed responded that they used this service from time to time.

2.3.2 Sanitation/ drainage

Most of the squatter settlements lack proper sanitation or drainage facilities. Some settlements like Buddhanagar or Khadi-pakha have underground drains built by Lumanti. Lumanti has also helped with building or providing support for building individual latrines.

2.3.3 Education

Although school-level education is free in Nepal, expenses are still incurred in paying annual school fees, making uniforms, buying textbooks and so on. The local ward office and some NGOs help children in squatter settlements in meeting the above expenses.

2.3.4 Electricity

As regards electricity, only a few houses had this service before, while other households shared the service on a community basis. Now all households have their own connections without any real problems. The Nepal Electricity Authority (NEA) was now willing to issue connections to dwellings in squatter settlements on the basis of an ID Card issued to residents of such settlements by the Society for Preservation of Shelter and Habitation in Nepal (SPOSH-NEPAL). Normally, the NEA requires land ownership certificates in order to process applications for electric connections. But nowadays after various forms of pressure from residents of squatter settlements, the NEA has been persuaded to issue connections against squatter ID cards.
2.4 Effects of corruption on the livelihoods of the poor

Corrupt practices at various stages of municipal service provision have had a detrimental effect on poor communities, directly because the poor cannot afford the payoffs required to acquire services and indirectly because such practices also impact service providers' ability to extend or expand services because of lost revenues and for other reasons. Some of the effects of corruption on poor people's livelihoods are given below.

1. In the case of drinking water, due to the corrupt practice of giving undue advantage to individual households that pay extra (to get pipeline connections lower down on the trunk line, for tightening or loosening the ferrule cock and so on,) the supply of water to the poor is always less compared to advantaged groups. Poor people always live with scarcity of drinking water, even with standpipes in their locality.

2. Due to malpractices in recording meter readings, lower income groups that cannot afford the extra payments to the meter readers end up paying more than higher-income people who consume more water.

3. Similar malpractices are also prevalent in electricity meter reading.

4. Due to leakage in revenue collection, the Nepal Water Supply Corporation runs at a constant operational loss. As a result, it cannot extend its distribution coverage to poor neighbourhoods due to lack of funds for pipeline extension. This further limits the accessibility of the poor to piped drinking water supplies.

5. Due to the widespread practice of giving extra money to get a new electricity line, it is always time-consuming and troublesome for poor people to get a new line.

6. Due to the leakage in revenue collection of the electricity supply, the Nepal Electricity Authority (NEA) has to operate at a loss and cannot make investments towards extending its distribution lines. Usually the NEA asks the neighbourhood to bear the cost of electric poles and other main line extension costs. This also contributes to depriving the poor from getting an electricity supply in their areas.

7. Because of the internal partnership arrangements with the staff of the municipality, the supervision and monitoring of solid waste management in the municipal areas is not carried out effectively. Again, the most affected communities are the poor. Usually the contractors on good terms with municipal staff do not service the poor areas. They argue that such areas incur higher operational costs to service because of the distance from the city centre and lower revenue collection for door-to-door collection services. Private operators not only ignore door-to-door collections, but also street sweeping in these localities.

8. Street lights in most of the municipalities are not in good working condition. Usually the operation and maintenance expenses for the street lights are borne by the municipality itself. Due to corruption in procurement of goods (bulbs, light fixtures, wire and other electrical fittings) and services, the street lights seldom light up and the hardest hit are again the poor because they have to walk in the dark and face other related problems as well.
3. Description of anti-corruption mechanisms

Anti-corruption mechanisms can be grouped under four headings:

3.1 Preventive measures

Preventive measures to curb corruption seek to anticipate acts of corruption and stop them from taking place. Many of these measures are included within codes of conduct and laws. Preventive measures can be conveniently grouped as follows:

Table 1. Monitoring of assets, including disclosure provisions for officials placed in sensitive positions.2

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Formal provision, legal requirement</th>
<th>What happens in practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>General disclosure</td>
<td>Corruption Control Act 1960, clause 15</td>
<td>General disclosure by newly appointed ministers on ad hoc basis, but there is no monitoring system</td>
</tr>
<tr>
<td>Conflict of interest – rules governing this</td>
<td>Civil Code Act 1963, Official procedures no.30</td>
<td>Not followed up at all in practice</td>
</tr>
<tr>
<td>Gifts and hospitality – rules and registers governing these</td>
<td>Prevailing convention and code of conduct</td>
<td>Gifts and hospitality freely accepted</td>
</tr>
</tbody>
</table>

Public disclosure provisions have been increased or made more rigorous with the latest Corruption Control Act 2002.

Table 2. Anti-corruption mechanisms in the civil service rules and code of conduct.

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Formal provision, legal requirement</th>
<th>What happens in practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laws establishing criminal and administrative sanctions for bribery</td>
<td>Corruption Control Act 1960</td>
<td>Loopholes in the interpretation of what construes bribery, corruption and burden of proof</td>
</tr>
</tbody>
</table>

| Merit based recruitment/ career | Criteria determined by Public | Merits mostly |

2 The three tables here have been adapted from R. K. Regmee, Firing Corruption, pp. 31-48
Rules to prevent nepotism, cronyism  | None |
---|---|
Rules (including registries) governing gifts and hospitality*  | Rules and code of conduct for civil servants |
| Rules are not usually observed |
Procedures (including criteria) for publishing administrative decisions, e.g. granting permits, licences, tax assessments etc.  | Yes, but this is done in an ad hoc manner |
Rules requiring political independence of civil service  | Civil service rules (applies more rigorously to gazetted officers) |
| Political affiliation and display of partisan faith are rewarded |

* Registries are not kept up to date, nor is there any legal requirement for disclosure.

**Table 3. Anti-corruption mechanisms in public procurement requirements.**

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Formal provision, legal requirement</th>
<th>What happens in practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive bidding requirements for all major procurements</td>
<td>Financial administration regulations</td>
<td>Direct purchase or submitting of three independent quotations can be used depending on the amount involved</td>
</tr>
<tr>
<td>Local self governance regulations (financial administration)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising of all major public procurements</td>
<td>Required</td>
<td>The medium to be used (national daily, local daily, etc.) is not specified</td>
</tr>
<tr>
<td>Blacklisting of companies proved to have bribed in a procurement case</td>
<td>Yes</td>
<td>Agencies avoid this because of the additional burden or for fear of legal challenges</td>
</tr>
<tr>
<td>Rules and procedures to prevent nepotism/ conflict of interest in public procurement</td>
<td>Civil service code of conduct and Anti-corruption Act 1961</td>
<td></td>
</tr>
</tbody>
</table>

Publicizing of procurement decisions is not required. Some agencies publicize their decisions through their own notice board.
Auditing of accounts

All public expenditures are audited annually and are a deterrent to corrupt practices. Audit report recommendations are, however, not complied with seriously, and there is little monitoring of compliance as well.

National Vigilance Centre

The National Vigilance Centre (NVC) was established in 2002 and is under the direct supervision of the Prime Minister's Office. The objective of the NVC is to control corruption and to raise the general awareness of citizens against it. It provides assurance of good governance through preventive and promotional activities to subvert corruption.

The following are the rights and duties of NVC as provided in the Corruption Control Act 2002:

- To collect information on work performance in ministries, departments and offices of public agencies;
- To alert those agencies that are not performing their duties satisfactorily;
- To monitor the property details and earnings of those in public office;
- To inspect places and activities vulnerable to corruption, make surprise checks and make arrangements for investigations;
- To advise HMG on required policy reforms, strategies and formulation of laws in relation to corruption control;
- To facilitate the placement of complaint boxes in ministries, departments and other public offices;
- To make suggestions or instruct the agency concerned regarding controlling corruption;
- To keep up to date information on corruption;
- To communicate corruption-related information to the agency concerned;
- To carry out other tasks related to corruption control; and
- To carry out any other tasks assigned by HMG (the NVC is also entitled to carry out technical inspections of public infrastructure construction works).

The NVC’s procedural guidelines were formulated and approved in 2003.

3.2 Curative measures

These mechanisms against corruption are sanctioned by law and profess to be effective through punitive measures. As such they only come into play once the act of corruption has been committed. As the mechanisms have legal backing, they are necessarily enforced by the government through some agency or other. The Commission for the Investigation of Abuse of Authority (CIAA) is such an agency, and theoretically public officials refrain from corrupt acts for fear of being caught by the CIAA (see CIAA profile, below).
3.3 Awareness-raising measures

These measures attempt to curb corruption through education and awareness raising about the dangers, ill-effects to society and so on of corruption. The interventions are also of a more holistic nature. As they have no base in law, they can only revert to persuasion or strong convincing. Nevertheless, because of the nature of corruption as a social malaise, awareness-raising measures have the potential of having a much larger impact, albeit in a long-term way. No immediate impacts are visible for the impatient monitor.

Usually civil society and the various organizations in it use awareness-raising measures. Pro Public, Transparency International and other NGOs working in this field are some examples (see institutional profiles, below).

3.4 Other measures

The work done by the Federation of Nepalese Chambers of Commerce and Industries (FNCCI) Anti-Corruption Project belongs to a different category (see the case report on this project in Part 5, below). It is an example of how one sector of society (which is also a part of the corruption scenario) has chosen to address the issue on its own initiative. Recent things such as Corporate Social Responsibility have had their impact. But it is also a spontaneous, ethically aroused declaration by the sector making a commitment to be clean.

3.5 Mechanisms employed by the urban poor

In the present situation of rapid urbanisation and the inability of municipal and other services to catch up with growing demand, the residents of poorer communities find it much harder to cope with urban life. In interactions with residents and community leaders of several squatter settlements of Kathmandu, the following mechanisms were quoted as being effective in the procurement of urban services for their areas. They are not anti-corruption mechanisms explicitly; however, their employment by poor communities has made life more bearable for the residents of such communities.

3.5.1 Contacts in service provider agencies

Having contacts in service agencies is an effective means for procuring otherwise scarce services in the Nepalese context. Local ward chairmen have proven to be very helpful to residents of squatter settlements. In many cases, a recommendation from the ward office authenticates the need for a service in view of the fact that residents of squatter settlements are often barred from services because of their tenure status.

3.5.2 Putting pressure on officials by going in a group

Such pressure is normally carried out by taking a ‘delegation’ of residents to the local service provider’s office and demanding services. Quite frequently, the officials reciprocate by promising to provide the service (a water or electricity connection) to save embarrassment or commotion in front of other consumers.
In the case of water, protest marches to the Nepal Water Supply Corporation by housewives brandishing empty water pots proved to be effective in eliciting prompt responses from the water service provider.

3.5.2.1 Access to municipal services in illegal settlements

Service providers are usually unwilling to provide services to squatter settlements because the need to produce a land ownership certificate when applying for a service automatically disqualifies squatter settlement residents from getting services.

The Society for Preservation of Shelter and Habitation in Nepal (SPOSH-NEPAL) has been effective in solving this problem by getting around it. First the Society issued ID cards to residents; the ID cards authenticated their tenure dilemma to a certain extent. The Society then put pressure on central government agencies to not discriminate against squatter settlements because they lacked land ownership certificates. As a result, now the ID cards have proved to be very useful in the procurement of various services.

3.5.3 Innovative methods of coping with lack of or limited access to services

In the face of adversity, squatter communities have ‘invented’ their own mechanisms of making do with what is available. For example, in fulfilling their need for water, poor communities have devised community water connections (as opposed to public standpipes), community water tanks or efficient sharing of electricity connections.

The levels of provision of infrastructure services in the settlements vary. This is because the residents employ different methods to acquire services for their dwellings. Three methods had proved useful for the residents of squatter settlements in expediting the procurement of services.

3.5.3.1 Having the right contacts or ‘channels’

This was probably one of the most effective means for achieving results in the Nepalese context. A contact in the right place often put a human face on an otherwise bureaucratic and impersonal task. For the Buddhanagar settlement, the local ward chairman had proved to be a boon in many matters by utilizing his contacts to get various services for the residents.

3.5.3.2 Putting pressure on officials (of service provider agencies) by going in a group

Service providers are usually unwilling to provide services to squatter settlements because the need to produce a land ownership certificate when applying for a service automatically disqualifies squatter settlement residents from getting services. The Society for Preservation of Shelter and Habitation in Nepal (SPOSH-NEPAL) has been effective in solving this problem. First the Society issued ID cards to residents; the ID cards authenticated their tenure dilemma to a certain extent. The Society then put pressure on central government agencies to not discriminate against squatter settlements because they lacked land ownership certificates. As a result, now the ID cards have proved to be very useful in the procurement of various services.
In the case of water, protest marches to the NWSC by housewives brandishing empty water pots proved to be very effective in eliciting prompt responses from the water service providers.

The residents have been able to get services with the help of the local ward chairman and by exerting pressure in unison on service providers. This is normally done by taking a ‘delegation’ of residents to the local service provider office and demanding for service. Quite frequently, the officials reciprocate by promising to provide service (a water or electricity connection) to save embarrassment or commotion in front of other consumers. The local ward chairman has been a ‘god in disguise’ for the settlement, as he has done a lot of things for the area.

3.5.3.3 Paying ‘tea money’ (small bribes) to hasten the execution of various tasks.
It is the amount of money paid at different stages at service delivery processes to speed up the approval and/or information required for approval.

3.6 Power of organization
Apart from the above, the residents of squatter settlements have found that they have empowered themselves in obtaining various city services through organizational unity. All squatter or informal settlements are now organized under SPOSH-NEPAL. Each individual settlement is represented by a SPOSH unit. There are 40 district-level offices. SPOSH also supports its members by helping with money required for deposits and so on, when acquiring services or coordinating with NGOs to find support for such funds. The main problems in squatter settlements were described as water and then scholarships for school going children. However, security of tenure regarding their houses was probably the primary problem because a lot of other things were related to this. One respondent said ‘it was hard to live peacefully fearing for the very place one lived in’.
4. Profiles of institutions monitoring or checking corruption

The institutions monitoring or checking corruption in Nepal are various and, as outlined in Part III ‘Description of anti-corruption mechanisms’, they can be grouped under various headings according to their activities and focuses. The National Vigilance Centre has already been described as an institution that has a preventive role in curbing corruption. The CIAA, which has a curative role, is profiled below. This section also describes civil society organisations – Pro Public and Transparency International Nepal – the brunt of whose work is in awareness-raising to fight corruption.

4.1 Commission for the Investigation of Abuse of Authority (ciaa)

The Commission for the Investigation of Abuse of Authority is a top constitutional body to curb corruption and its spread of influence in the country. The CIAA has been empowered by part 12, article 97 and 98 of the Constitution of the Kingdom of Nepal, 1990, to investigate and probe cases against persons holding any public office and their associates indulging in the abuse of authority by way of corruption and/or improper conduct. The commission has the right to file a case against any person in a position of authority that is suspected of abusing his or her authority.

4.2 Transparency International Nepal (tin)

Transparency International Nepal (TI-Nepal) is a civil society institution dedicated to increasing public accountability and curbing corruption in all walks of life. It is also part of the worldwide network of national branches of Transparency International. TI-Nepal operates with the ultimate goal of establishing in Nepal a National Integrity System (NIS). Once the NIS is established in Nepal, it envisages that corruption will become a ‘high-risk’ and ‘low-return’ undertaking. Highlights of TIN support group activities in eight urban areas include:

Regional symposiums on local participation in the control of corruption in collaboration with CIAA;

Anti-corruption messages on hoarding boards in public places (Janankpur and Jaleshwor); and

Programmes in 16 schools with the participation of headmasters, teachers and members of school management committees to promote a sense of integrity, ethics and cultural development.

4.3 Pro Public

Pro Public, a non-profit, non-governmental organization dedicated to the cause of public interest, was founded in 1991 by a consortium of environmental lawyers, journalists, economists, engineers, consumers and women’s rights activists. It raises its voice against corruption, red tape and irregularities and makes government bodies aware of their duties and responsibilities.

Pro Public’s Civil Society Anti-Corruption Project aims to ‘reduce corruption by mobilising civil society.’ This will lead towards the project goal of improving the contribution that the
Commission for Investigation of Abuse of Authority, local HMGN offices and civil society make to reduce corruption in Nepal.
5. Case Report on the FNCCI Anti-Corruption Project

The private sector is very much perceived to be part and parcel of the corruption problem in Nepal. The Federation of Nepalese Chambers of Commerce and Industries (FNCCI) Anti-Corruption Project (FACP) was established with the notion that all sections of society should be involved in rooting out corruption. A number of prominent FNCCI business people formed the FNCCI Corporate Ethics Forum, which is made up of 11 members and is chaired by the FNCCI president. The Forum paved the way for the development of this project. The prime achievements of the project involved the business community in developing a Business Code of Conduct (see Appendix 1), establishing a Complaints Hearing Unit, disseminating information on combating corruption and reducing incentives for corruption. Achieving this purpose will lead to the project goal of reducing overall corruption in Nepal.

The project has established effective collaborative relationships with agencies such as the Commission for Investigation of Abuse of Authority (CIAA), the National Vigilance Centre, Pro-public, Transparency Nepal, the Office of the Auditor General, the Public Accounts Committee, the Committee for Revenue Leakage, Nepal Lawyer’s Association, central government departments or agencies such as the customs or revenue departments and other professional associations involved in anti-corruption activities.

In order to mobilize civil society against corruption, FACP sponsored the making of a television serial called Virus. As the serial was produced by a popular comedy duo, it gained immediate popularity. The production was aired on Nepal TV. FACP also organized a rally on anti-corruption awareness in December 2005 in close partnership with Pro Public, Transparency International and Swati.

While organisations like the CIAA and even Pro Public and TIN may make inroads into curbing corruption, they are still necessarily ‘watchdogs’ that are supposedly separate and untouched by the whole corruption scene. On the other hand, FACP has had to first own up to the fact that the private sector (including the business community) is an active participant in the corruption scene. The business community has now committed itself to uphold a code of conduct and has established a hearing unit to monitor compliance.
6. Conclusion

This case study suggests the importance of studying corruption in the construction of public latrines, common water taps, roads and electric plants and in the way access is allocated in order to understand and combat corruption in such types of village and neighbourhood-level infrastructure.
7. References

7.1 Books and publications

7.2 Web-based information
FNCCI Anti-Corruption Project – www.bizethics-nepal.org
National Vigilance Centre – www.nvc.gov.np
Pro Public – www.propublic.org
Transparency International Nepal – www.tinepal.org

7.3 Meetings
22/03/06 With Sanjaya Upadhyay, department head, Public Works Department, Kathmandu Metropolitan City
23/03/06 With Tika B. Nepali, proprietor, M/s Arati and Co. (private operator, city centre services [public toilet facilities in Kathmandu])
26/03/06 With Mukunda B. Pradhan, project manager, FNCCI Anti-Corruption Project

7.4 Interactions/ interviews
24/03/06 With Shiv Hari Upadhyay, Mediation Service Committee and member, Ward 2 Consumer Committee, Bharatpur
24/03/06 With Chandramani Pandit, SWM private operator, Bharatpur
25/03/06 With Raju Shrestha, contractor, Bharatpur
25/03/06 With Shiv Ram Bhattarai, vegetable vendor, Balkumari vegetable market, Bharatpur
26/03/06 With Shailendra Shrestha, president, consumer forum, Chitwan
27/04/06 With Kailash Nepal, resident, Buddhhanagar squatter settlement, Kathmandu
28/04/06 With Hukum Bahadur Lama, resident, Buddhhanagar squatter settlement and founding chairman, SPOSH-NEPAL
19/05/06 With Maina Gurung, resident, Balaju Jagriti Tole, squatter settlement in north-western Kathmandu, Ward No.16
20/05/06 With Maya Gurung , resident, Sangam Tole, squatter settlement in north-western Kathmandu
21/05/06 With Laxmi Thapa, resident, Khadi-pakha, squatter settlement in northern Kathmandu behind the teaching hospital
Appendix 1

Contents of the code of conduct adopted by the 38th Annual General Body Meeting of the FNCCI.

Members of all associations and organizations affiliated to the FNCCI shall make special efforts in abiding by the terms enunciated in the Business Code of Conduct as follows:

- Refrain from engaging in business activities that go against the interests of the state.
- Pay special attention to the protection and promotion of public welfare in the conduct of their business. Desist from activities that jeopardize fair conduct and instead public norms and values.
- Abstain from activities considered detrimental to the general health of the people.
- Maintain a smooth supply of quality goods and services in the market at fair prices. The merchandise shall be of specified weights and standards. There shall be no adulteration.
- Refrain from activities likely to cause artificial shortages of goods in the market. In the event of any shortages, shall not conduct business at unfair prices.
- Abstain from the usage of merchandise or standards prohibited by law.
- Maintaining faith in fair business competition, provide maximum benefit to the consumers.
- Oppose monopolistic business practices and controlled supply systems (e.g. syndicates and cartels) and not be involved in any such groups or systems.
- Settle business disputes through mutual consultations in an amicable and lawful manner.
- Give precedence to business transparency.
- Make fair and proper utilization of credit and loans.
- Show special sensitivity towards environmental protection.
- Abide by prevalent statutes, laws and process.
- Submit documents, papers, statements of accounts as well as pay taxes, tariffs and levies as required by law and when due.
- Abstain from dealing in any goods categorized as forbidden or banned by law.
- Refrain from providing donations or financial assistance to political parties or their leaders with considerations of bearing in business deals or for personal benefits.
- Fix a ceiling on the value of any gift or present to anyone as not to exceed Rs.5,000.
- Observe the Business Code of Conduct endorsed by the FNCCI by self as well as encourage others also to do likewise.
The sustainability of the livelihoods of the poor in low- and middle-income countries is compromised by corruption in the delivery of infrastructure services. Such services include water supply, sanitation, drainage, the provision of access roads and paving, transport, solid waste management, street lighting and community buildings. For this reason, The Water, Engineering Development Centre, (WEDC) at Loughborough University in the UK is conducting research into anti-corruption initiatives in this area of infrastructure services delivery.

This series of reports has been produced as part of a project entitled *Accountability Arrangements to Combat Corruption*, which was initially funded by the Department for International Development (DFID) of the British Government. The purpose of the work is to improve governance through the use of accountability arrangements to combat corruption in the delivery of infrastructure services. These findings, reviews, country case studies, case surveys and practical tools provide evidence of how anti-corruption initiatives in infrastructure delivery can contribute to the improvement of the lives of the urban poor.

The main objective of the research is the analysis of corruption in infrastructure delivery. This includes a review of accountability initiatives in infrastructure delivery and the nature of the impact of greater accountability.

For more information, please visit WEDC’s web page: http://wedc.lboro.ac.uk/projects/new_projects3.php?id=191

Please note: The views expressed in this document are not necessarily those of the Department for International Development or WEDC, Loughborough University.