Partnering Against Corruption Initiative - Infrastructure & Urban Development

Building Foundations for Transparency

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In collaboration with Deloitte

Contents

Foreword

The international business landscape is changing and global companies operating under international anti-corruption legislation such as the UK Bribery Act (the Bribery Act) or US Foreign Corrupt Practices Act 1977 (the FCPA) are developing robust anti-corruption policies and procedures for risk mitigation in order to be able to continue operations in global and emerging markets. Progress in the areas of anti-corruption and transparency are important for companies operating in these markets and in turn for emerging markets these areas are important competitiveness contributors which attract Foreign Direct Investment (FDI) and sustain economic value. The full potential of India's competitiveness is being hindered by lack of transparency, ineffective governance and corruption issues which are detrimental to the economy and society, deterring investment and economic development. While the government is successfully working on structural reform, much still needs to be done to improve the environment for business and foster the digital mind-set required for developing replicable, highly-scalable solutions to enable transparency such as platforms for civil society and private sector participation and mobilization.

Building Foundations for Transparency is a multi-year collaborative project between the World Economic Forum's Partnering Against Corruption Initiative (PACI) and the Infrastructure & Urban Development (IU) industries with the goal of levelling the playing field through corruption reduction in the infrastructure, engineering, construction and real estate industries. With the mission of designing corruption out of the system, PACI is the foremost CEO-led initiative committed to leveraging the knowledge of its community of purpose to initiate and incubate collective action at the regional level. Implementing the PACI Vanguard mandate and building on the recommendations from Phase I of the project, *Building Foundations for Transparency*, with its focus on India has successfully adopted a solutions based approach to tackle both the demand and supply side of corruption by creating transparency in both transactions and processes at the state level. The World Economic Forum facilitated workshops and meetings in India and engaged with local and international business leaders. Key takeaways from our discussions highlighted that industries which are more prone to corruption should work with the respective local government to combat corruption at the local level through technologically enhanced transparent processes. There is also a need to implement a clear structure of accountability to ensure responsibility for both public and private sector organizations. Transparency through process improvement is an important way to lower transaction costs and the costs of corruption in India.

The *Building Foundations for Transparency* project comes at a critical time when governments are making concrete steps to tackle corruption in public processes including public procurement, permitting and licensing. Technology based solutions including e-procurement are being employed and governments are increasingly looking for tools on how to improve efficiency and ease of doing business. For India, the challenge is how to best deploy these solutions on a local and urban level and how to address high risk areas. The outcomes of this phase of the project are a clear indication that fostering local dialogue between industry leaders and

local policy-makers and public officials is critical for creating more transparent practices at a regional level that leads to more competitiveness and more effective employment of resources. This report comes at a critical time for India outlining key lessons in Maharashtra - identifying key risk areas with local stakeholders and subsequently developing a tool to help assessing opportunities for continuous process improvement.

This year's project outcomes are the direct result of a collaborative process with leaders from government, civil society and the private sector. In this regard, we would like to thank and acknowledge the fruitful collaboration with the government of India and the Steering and Advisory Committees of this initiative who helped guiding this important work in collaboration with Deloitte. We would also like to thank and acknowledge the Forum's Partner companies that served on the initiatives Steering Committee: Tony Awad, Laurence Bates, John M. Beck, Deepak Chhabria, Jeanne Cranford, Diane De Saint Victor, Douglas Durst, Ken B. Graversen, Ajit Gulabchand, Gregory Hodkinson, Carlos Moreira, Raja Nahas, Mark Ohringer, Anne Randall, Susan Ringler, Daniel Trujillo, Lee Charles Tashjian and Sabine Zindera.

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On behalf of the PACI Team

Executive Summary

Building Foundations for Transparency is the second phase of a multi-year project conducted by the Partnering Against Corruption Initiative (PACI) to address the specific needs of the Infrastructure & Urban Development (IU) industries. The project involves Forum partners from three sectors that are among the most exposed to corruption risks—engineering, construction, and real estate. The goal of the project is to create a level playing field that allows local companies to compete in well-working markets and that facilitates the market entry of global companies. More efficient markets with lower levels of corruption will benefit the entire society, including citizens and consumers.

Hands-on and local approaches for collective action

The second phase of the project focuses on India, where corruption is one of the major barriers to economic development and growth. As part of the project, a number of activities have been conducted on a state level in Maharashtra to develop practical solutions that foster transparency through collective action. The project is backed by a global project community—consisting of a Steering Committee and an Advisory Committee—that shared knowledge and helped to develop the necessary local solutions for greater transparency, taking into account the particularities of the local environment.

Clear focus on key areas

Based on the main findings from the first phase of the project, the project community identified two key areas for the IU industries to focus on in the second phase: (1) construction permits and (2) land acquisition and land title registration.

Need for more measurement and benchmarking

In December 2015, a project workshop was conducted in Mumbai. The first key finding confirmed that focusing on increasing transparency is an appropriate response to local needs: increasing transparency in transactions between business and government agencies was perceived to be the right tool to address the problem of corruption. Workshop participants found that increasing transparency could require an objective measure of the degree and quality of transparency in government services to industry. In particular, they envisioned a need for more benchmarking and comparison across government agencies and services. The workshop concluded that if this approach proves to be successful, it can be scaled up and adapted to other states in India and other countries.

Enabling change through technology

When looking at solutions to boost transparency, it becomes clear that technology will play a key role in future efforts. Technology can be a main enabler for more transparency in two ways: (1) to make transactions visible to the public, allowing for closer monitoring by citizens (social auditing); and (2) to reduce human interaction in transactions, which can limit opportunities for bribery. Specifically, the project team conducted an expert opinion survey that assessed the likelihood and expected impact of possible solutions. The experts concluded that whilst technology is perceived to be an important enabler, non-tech solutions should not be overlooked.

Empowering citizens for change

Business and government alone will not be able to cope with the complex issues at hand. Citizens can make a change, but they need to be empowered so they can fully take on the role of social auditors. Engaging the population is crucial because citizens carry the cost of corruption as taxpayers and consumers.

From local to global

The project focus was local, but the implications of the project findings, framework, and tools developed are highly relevant on a global level. The outcomes of the project can be used by global and local businesses, government, and society in a wider sense, and could be scaled up and transferred to other regions. Developing feasible solutions and collecting local knowledge will further enhance our understanding of anti-corruption and transparency.

Focus on India

Project background

Launched in 2004, the Partnering Against Corruption Initiative (PACI) is one of the World Economic Forum's most prominent cross-industry collaborative efforts. PACI signatories, a community of Forum Partners, have created a highly visible and dynamic agenda-setting anti-corruption platform, working together across industries with the support of international organizations and governments around the world.

The PACI IU industry multi-year project was initiated in 2014 to tackle specific corruption risks and enhance transparency in the Infrastructure & Urban Development (IU) industries, which include Forum Partners from the engineering, construction, and real estate sectors.

The first phase of the project—*Building Foundations Against Corruption*—was conducted during 2014-2015. During this phase, a Task Force of Chief Compliance Officers and Chief Legal Officers of Forum Partner companies focused on industry value chains, identified corruption risks, and identified the phases of the project lifecycle in which corrupt practices are likely to occur. From this, the Task Force developed a set of recommendations to address the highest-priority corruption risk areas. The published recommendations of the task force outline the need for collective action on permits and licences and for increased interaction between the industry and government on a local level. The recommendations are supported by the results of a survey aggregating the opinions of Chief Compliance Officers and Chief Legal Officers,[2] as well as a collection of case studies[3] that highlight specific corruption risks.

Project Phase I: Building Foundations Against Corruption

– Global assessment of corruption risks within IU industries
– Recommendations of the Task Force
– Survey of Chief Compliance Officers and Legal Officers
– Collection of case studies

In July 2015, the project's Steering Committee, consisting of industry leaders, and the Advisory Committee, civil society experts in transparency and anti-corruption from different international organizations, NGOs, and leading academic institutions initiated their work to launch the project's second phase with plans to engage in a country-level pilot in India.

Project Phase II: Building Foundations for Transparency

– Country-level focus on India
– Pilot in Maharashtra state with a workshop in Mumbai
– Survey about expert opinion of leaders in business and civil society
– Diagnostic tool development

The first aim of the project was to establish a dialogue between business and local public officials on transparency-enhancing solutions. The project community members confirmed that efforts to improve transparency should focus on two key areas: (1) processes to obtain construction permits and (2) land acquisition and land title registration.

Due to the economic importance of Maharashtra within India, as well as to take advantage of synergies with activities of the World Economic Forum's Future of Urban Development and Services initiative supporting India's development of smart cities, the state was identified to be ideal for a pilot project.

The project community developed an online-based diagnostic tool that informs stakeholders about ongoing work on transparency and aggregates relevant data. It currently provides information on India at the country-level, and on Maharashtra at the state-level. Its design allows the tool to be expanded to other states or countries in the future.

How corruption impedes economic development in India

With more than 1.2 billion inhabitants, India is the world's fourth-largest economy. Boosted by low energy prices and expected implementation of structural reforms, India has taken over as the fastest-growing large economy, especially as China's economy has recently slowed down.[4] Positive economic development has helped many people escape poverty: from 2005 to 2010, approximately 53 million people left poverty.[5] Despite this positive outlook, several factors impede sustainable economic development.

Despite this positive outlook, corruption remains a major barrier to growth in India. According to the World Bank Enterprise Survey 2014, the private sector considers corruption as the biggest business environment obstacle. Approximately 20% of respondents identified corruption as the main impediment, which is well above the South Asia average of 10%.[6] Similarly, the 2012 country survey for India identified the combination of governance, anti-corruption, and law and justice as the second strongest factor that could unleash economic growth. The majority of survey participants ranked it among the top five factors that could contribute to reducing poverty.[7] This is of particular concern for the IU industries, which are perceived to be among the industries most affected by bribery on a global scale.[8]

An expert opinion survey[9] conducted with business and civil society as part of this year's project confirms that this is no different for India: more than two-thirds of the respondents perceive that the Indian IU industries are more affected by corruption than other industries in the country. In addition, more than half perceive that the Indian IU industries are more affected than IU in neighbouring Asian countries. This cost is paid not only through increased business risks, but is also expressed in numbers: a joint study between the Federation of Indian Chambers of Commerce and Industry (FICCI) and EY estimates that the Indian economy has potentially lost 364 billion Indian rupees – or $5.4 billion – over 12 months in 2011

and 2012, based on news coverage of cases of bribery and corruption.[10] The hidden costs of corruption to the economy include substandard products and services; increased prices due to a lack of competition; poor public services; negative impact on the ecosystem; and other externalities, such as the weakening of democratic institutions.

These findings have strong implications for the competitiveness of the Indian markets and the business environment that local companies face. Moreover, high levels of corruption impede foreign direct investment and market entry for global enterprises that assess the risks of damaged reputation and potential consequences under legislation such as the U.S. Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act. Even if strong internal compliance programmes are in place, risks remain along the supply chain via subcontractors and intermediaries.
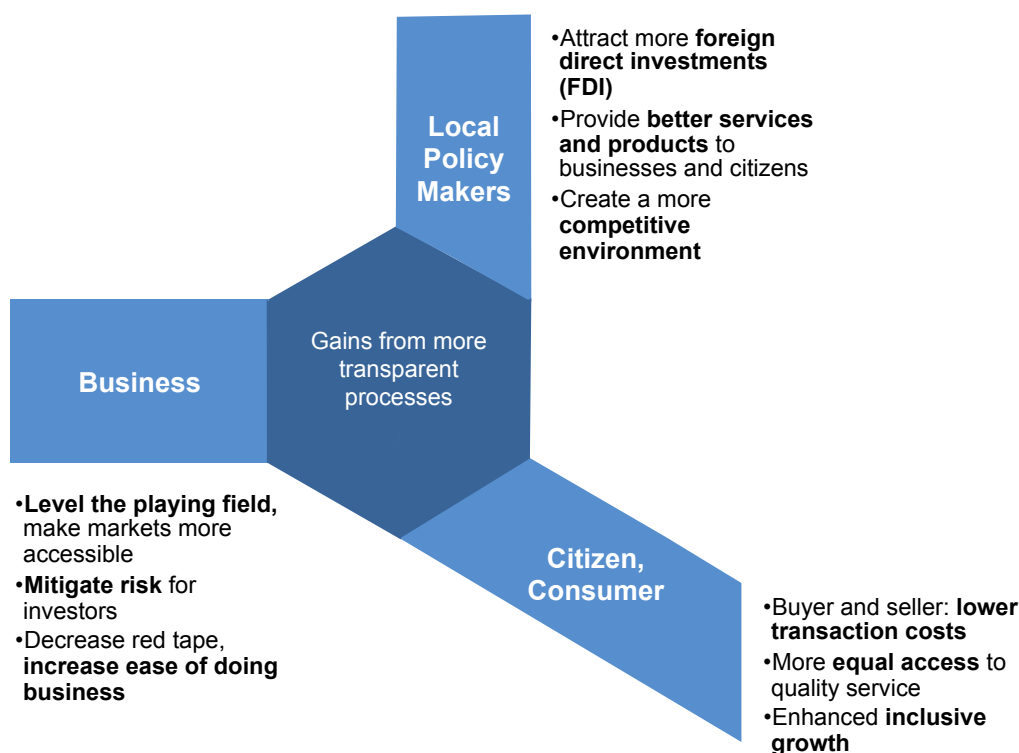
Given the current endeavours of the Modi government to improve the business environment in India and to curb corruption, the necessary dynamics are in place to address industry-specific corruption risk areas. As a result of current efforts, most respondents from the project survey expect that corruption will be less of an issue in the Indian engineering, construction, and real estate sectors by 2025, as a result of the efforts to reduce corruption in both government and industry.

Role of transparent, smart governance in building the cities of the future

India's cities are growing rapidly. By 2050, the country is projected to add an estimated 400 million urban dwellers,[11] which poses several challenges to deliver efficient, high-quality urban services to its inhabitants. In response to this, the Indian government has initiated several efforts. The most visible is the Smart Cities initiative for 100 Indian cities, which aims to deliver smart solutions around core infrastructure assets to improve adequate water and electricity supply and mobility in urban areas. Importantly, one key element of the initiative is the delivery of good governance via e-governance solutions and citizen participation,[12] which underlines the importance and need of effective and transparent services from government agencies.

The ability of cities to effectively deploy the funds to implement this initiative is a challenge. Although many technology-based tools and systems for e-governance are available off the shelf at increasingly low cost, the implementation of a smart governance system with more citizen participation cannot be based on advanced technological solutions alone. Interventions that empower the capacity of urban institutions will be needed to complement these new systems. Currently, mayors of Indian cities have limited power, which makes the implementation of large-scale institutional urban reforms difficult. At a session at the World Economic Forum National Strategy Day on India in 2015, participants addressed the need to strengthen city governments and discussed solutions, such as the creation of a city CEO.

Figure 1: The gains from increased transparency

Local Policy Makers
- Attract more **foreign direct investments (FDI)**
- Provide **better services and products** to businesses and citizens
- Create a more **competitive environment**

Business
- **Level the playing field,** make markets more accessible
- **Mitigate risk** for investors
- Decrease red tape, **increase ease of doing business**

Gains from more transparent processes

Citizen, Consumer
- Buyer and seller: **lower transaction costs**
- More **equal access** to quality service
- Enhanced **inclusive growth**

Solutions framework

The *Building Foundations for Transparency* project combines collective action and public-private cooperation to produce solutions. Many of the identified challenges in India can be approached through collective action efforts; a level playing field can be created when businesses have equal access to markets. For example, global companies and local or regional players face substantial risks when engaging in bribery. For this reason, collective action that creates an aggregated voice to escalate issues and to suggest changes to the system is a powerful tool to create a more transparent business and social environment, where all stakeholders benefit from opportunities (see Figure 1).

When engaging in collective action to increase transparency, it is useful to apply principal-agent theory:[13] corruption prevails in a system because actors base their decision on whether to engage or oppose corruption based on calculations of the probability of losses and gains. Through collective action, a more transparent business environment can be created and incentives can be altered so that the outcome of calculations restrains individuals from engaging in corrupt actions. On an aggregate level, lower levels of corruption help to achieve aggregate long-term gains for all stakeholder groups of an economy: business, local policy-makers, as well as citizens. Public-private cooperation is well suited to develop practical solutions for more transparency in the engineering, construction, and real estate sector in India. Bringing together regional and global businesses, public officials, and civil society active in governance and transparency contributes to the development of effective and sustainable solutions.

For instance, when discussing solutions to make existing processes more transparent and efficient, such as the one to obtain a construction permit, the process owner (the various government agencies) benefits from knowing about the experiences of the process user (business).

Principal-agent theory and corruption

The principal-agent theory assumes that the principal (for example, a political leader) is tasked to monitor the agent (for example, bureaucrats). Due to information asymmetry, the principal will not be able to perfectly monitor, which incentivises rational agents to extract rents. In the case of corruption, this implies that individuals make a calculation of the potential gains and losses from engaging in corruption. The outcome of the calculation is dependent on many variables, including the level of transparency, the monitoring systems in place, and the sanctions that individuals risk to incur.

Pilot implementation

As shown in Figure 2, the Steering Committee—the business-led decision-making body of C-suite officers or their representatives—works closely with the Advisory Committee of international experts in transparency, anti-corruption, and governance. The primary role of the latter is to provide knowledge and expertise to support the Steering Committee in decision-making and to provide input and content throughout the project lifecycle depicted in Figure 3.
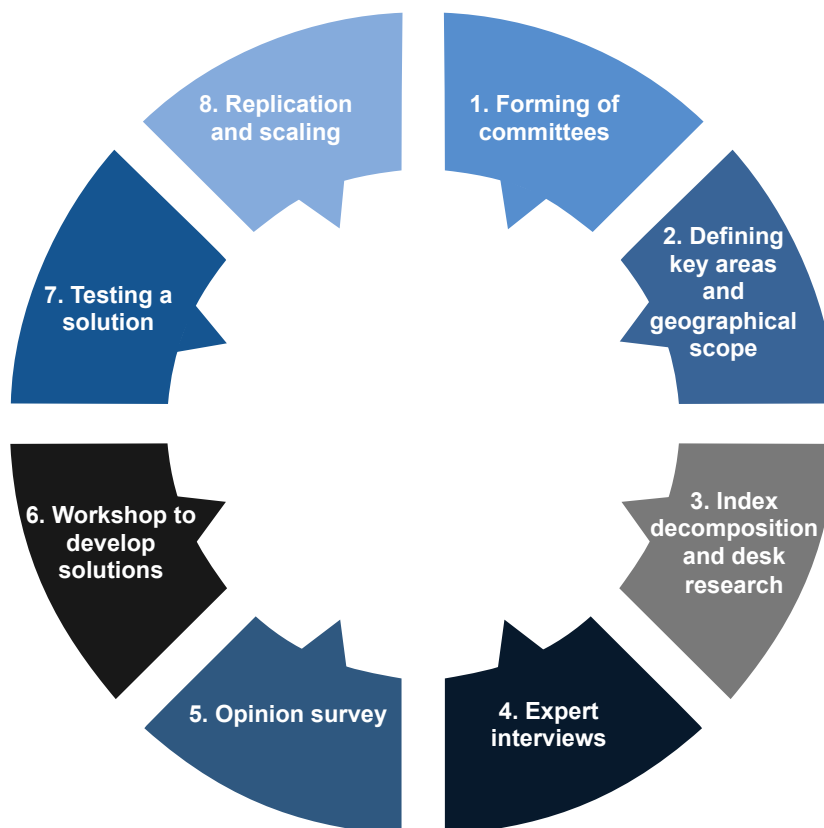
1. **Forming of committees:** This represents the creation of the global project community, consisting of a Steering and Advisory Committee. In a replication, this could also be a regional working group.

Figure 2: Project governance structure

2. **Defining key areas and geographical scope:** As a first step, the project community chose the subject area to focus on in India. Based on the findings from the previous year, the community selected permits and licenses relevant for the IU industries, particularly construction permits. Based on preliminary research, the committees added land acquisition and land title registration as a second key area. In a second step, they determined the geographical scope. The project community decided to focus on Maharashtra to initiate the Indian pilot, based on the importance of economic activity and potential synergies between the Forum's *Shaping the Future of Urban Development & Services* project and its simultaneous activities in India.

3. **Index decomposition and desk research.** Although there are numerous metrics to assess corruption, the project community selected indices such as the Global Real Estate Transparency Index developed by JLL[13] or the World Bank's Doing Business because of their industry-specific focus and level of detail.[14]

4. **Expert interviews.** To identify the region-specific corruption risks, interviews were conducted with executives from the engineering, construction, and real estate sector and with academic experts.

5. **Opinion survey.** To supplement the interviews, a survey was distributed to numerous stakeholders (project community and local actors) to collect data on solution proposals.

6. **Workshop to develop solutions.** As a conclusion of the assessment, a full-day workshop was organized to bring together stakeholders from business, government agencies, and civil society to work on solutions that satisfy two requirements: (1) they are likely to be implemented, and (2) they have a sufficient degree of expected impact. The workshop and its findings are covered in the section on Maharashtra activities.

7. **Testing a solution.** The project foresees that once potential solutions have been proposed, stakeholders should convene, plan, and test and implement a solution.

8. **Replication and scaling.** The entire project lifecycle should be replicable and adaptable. The Maharashtra pilot could be repeated in other states in India and further countries.

Figure 3: Steps of India pilot implementation

Maharashtra Activities

Overview

Maharashtra, with its capital Mumbai, is India's second most populous state and among the most industrialized states in the country. The gross domestic product (GDP) of the state represents almost 13% of India's GDP[16]—the largest share among all the states. The state contains a diversity of industries, including biotechnology, information technology, petrochemical, textiles, and automotive. Over the past decade, the state's infrastructure sector has grown, and the number of public-private partnership (PPP) projects has increased significantly. Moreover, Maharashtra has recently seen a substantial boost in real estate development. It is estimated that the state attracted up to 22% of India's real estate investment in FY 2014-2015.[17]

To assess the underlying issues particular to the engineering, construction, and real estate sectors in Maharashtra, it is important to understand the policy decision-making processes in India. In general, decision-making is shared among three levels: federal, state, and municipal. The *federal government* is in charge of policies for ports, highways, and airways. The *state government* manages infrastructure provision, as well as land, energy, and water supplies. Some matters are a joint responsibility, such as education and health. The *municipal corporations* play an important role in construction permits; they are a key government agency responsible for a large number of the necessary procedures. The project team conducted expert interviews with executives from the real estate and construction industry as well as civil society experts to identify and disseminate the most pressing corruption issues the industries are facing with respect to permits and licences, land purchase, acquisition, and registration.

The interviews generated the following observations:

–   Processes for getting licenses and permits in Maharashtra are often complex and opaque, which creates delays for project clearance. Those delays are very costly to the industry and ultimately the project owners. Substantial delay costs and delay damages incentivize the payment of bribes to speed up project clearance. Interviewed participants suggested that those payments are considerable and can account for an average of 50% of the total project cost or more.

–   Several factors contribute to the complexity and opaqueness mentioned above. In the case of land records, several agencies keep records in parallel, which slows down amendments and increases the potential for inconsistent records. Failing to correctly update records following inheritance can also cause an incorrect display of ownership. Unclear ownership adds an additional cost to society because it creates court cases that impede efficient dispute resolution overall.

–   The World Bank's Doing Business database serves as a good proxy for the necessary steps to obtain a construction permit for a warehouse. An already high number of 40 procedures needed to receive the permits to build a warehouse in Mumbai[18] translates easily into more than 100 procedures for large projects, which increases delays in project clearance and creates more opportunities for bribery.

–   Ineffective regulation is another important cause of corruption. In India, prices for land transactions are set by the regulator. Interview participants mentioned an "availability paradox". Although there are willing buyers and sellers, the price that is set by the regulator is often perceived as too low by sellers, so no transaction takes place. As a consequence, there are substantial incentives for off-the-book transactions that lead to large tax revenue losses.

–   Interviewees also mentioned that uncertainty of existing and future land use (zoning) and sudden changes in land use pose challenges. The expectation that the land use might change after the transaction discourages land owners from selling their property. There is a perception that the discretionary power of some players allows for sudden changes in land use, which increases the uncertainty for potential sellers and encourages incentives to engage in bribery for buyers. Clear regulations of processes to change land use is particularly important in Mumbai, where a large share of the industrial land in the city that was formerly used by cotton mills becomes available for other use.

–   Interviewees described a trend of increasing market concentration and stated that the complexity and obscurity make market entry in Mumbai difficult for national and global players.
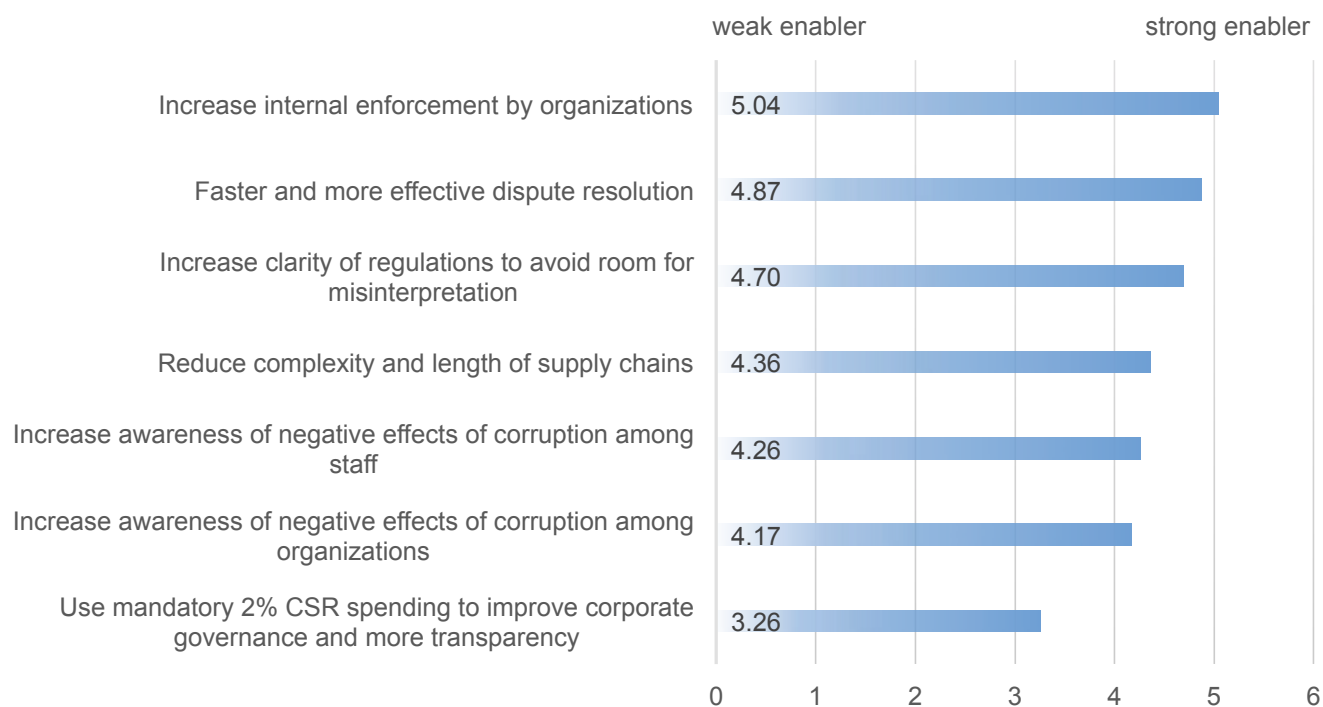
Expert survey results

To identify the most feasible transparency-enhancing solutions with a reasonable expected impact, the project launched an expert survey.[19] The survey compiled answers from the project community, Forum Partner companies active in India, as well as non-Partner companies.

The survey confirmed the need to address corruption within India's engineering, construction, and real estate industries. More than two-thirds of the respondents perceive that these industries are more affected by corruption than other industries in the country, and more than half perceive that the Indian industries are more affected than in neighbouring Asian countries. However, there seems to be cautious optimism: the majority of respondents expect that corruption will be less of an issue in the Indian engineering, construction, and real estate industries by 2025 as a result of the efforts to reduce corruption in both government and industry.

The survey focused strongly on the enablers and solutions that can make a change, which is a shift away from assessing the problems. Figure 4 shows a variety of enablers and the respondents' perceptions on how powerful they are on a scale from 1 to 6. Interestingly, stronger internal enforcement by organizations ranks highest among the presented enablers. This could point to the need for improving the internal governance and compliance systems of public and private organizations.

Figure 4: Survey results: Enablers for better performance through transparency

weak enabler | strong enabler

Enabler	Score
Increase internal enforcement by organizations	5.04
Faster and more effective dispute resolution	4.87
Increase clarity of regulations to avoid room for misinterpretation	4.70
Reduce complexity and length of supply chains	4.36
Increase awareness of negative effects of corruption among staff	4.26
Increase awareness of negative effects of corruption among organizations	4.17
Use mandatory 2% CSR spending to improve corporate governance and more transparency	3.26

0   1   2   3   4   5   6

A further finding of the survey is the strong need for improved dispute resolution. This is in line with expert opinions gathered throughout the interviews. The large number of cases in Indian courts translates into very long processes. In India, companies that surpass a certain size are subject to a mandatory corporate social responsibility (CSR) expenditure representing 2% of their net profit.[20] Of the seven enablers presented, the CSR spending received the lowest average score, perhaps because the mandatory element leads to limited adaptability to the specific situation of each company. Several additional enablers were proposed, such as open disclosure of contractual arrangements and tenders, as well as creating a stronger culture of integrity. Further, better training and increased salaries for government officials were mentioned as enablers for more transparency.

In a further step, respondents were asked to evaluate a number of specific transparency-enhancing solutions based on their perceived likelihood to be implemented within the next five years, on a scale from 1 (unlikely) to 4 (likely). They were also asked to evaluate their expected impact on the performance of the engineering, construction, and real estate industries, on a scale from 1 (low effect) to 4 (high effect). All of the solutions presented to the survey participants were identified by the project team through initial research on potential solutions. In a first step, solutions to improve permit and license processes were assessed, and the second step focused on land acquisition and land title registration.

A striking first result is that in general the evaluated solutions fare quite well in terms of their expected impact but they do not score particularly high on likelihood. Almost all the presented solutions score on average higher than 3 out of 4 in terms of their expected impact, but only one solution scores on average above 3 for its likelihood to be implemented. This shows that

there are solutions available to improve performance through more transparency, but it is difficult to implement them, at least in the short run of five years.

Although online submission of project proposals ranks highest in feasibility of implementation of the solutions on average, it ranks relatively low on the expected impact. Respondents seem to believe that simply putting processes online is not enough to boost performance through increased transparency in the permitting processes. An interesting finding is the perceived high impact to the non-technology-based solution proposal of complete single-window clearance to achieve higher performance. The idea of single-window clearance is to have a one-stop shop that receives the entire documentation and subsequently coordinates with all the services and agencies involved in project clearance. Whilst less likely to be implemented, single-window clearance still ranks higher than other solution proposals with lower expected impact. A combination of single-window clearance with online submission is another solution proposal that might be considered for further investigation.

To boost performance with more transparency in land acquisition and land title registration, the only solution proposal that is outside of the cluster of similar ranking proposals is the suggestion to create a land management system that allows online payment of stamp duties. When discussing issues with experts on land transactions during the interviews, one topic recurred with respect to stamp duties – the incentives not to declare the full value of a land transaction in order to evade taxation. Governments fall short of their tax revenues, and corruption and bribery is encouraged. One suggestion is to abandon the taxation of capital to eliminate illicit transactions; however, in that case, innovative ways to create alternative sources of tax income must be found.

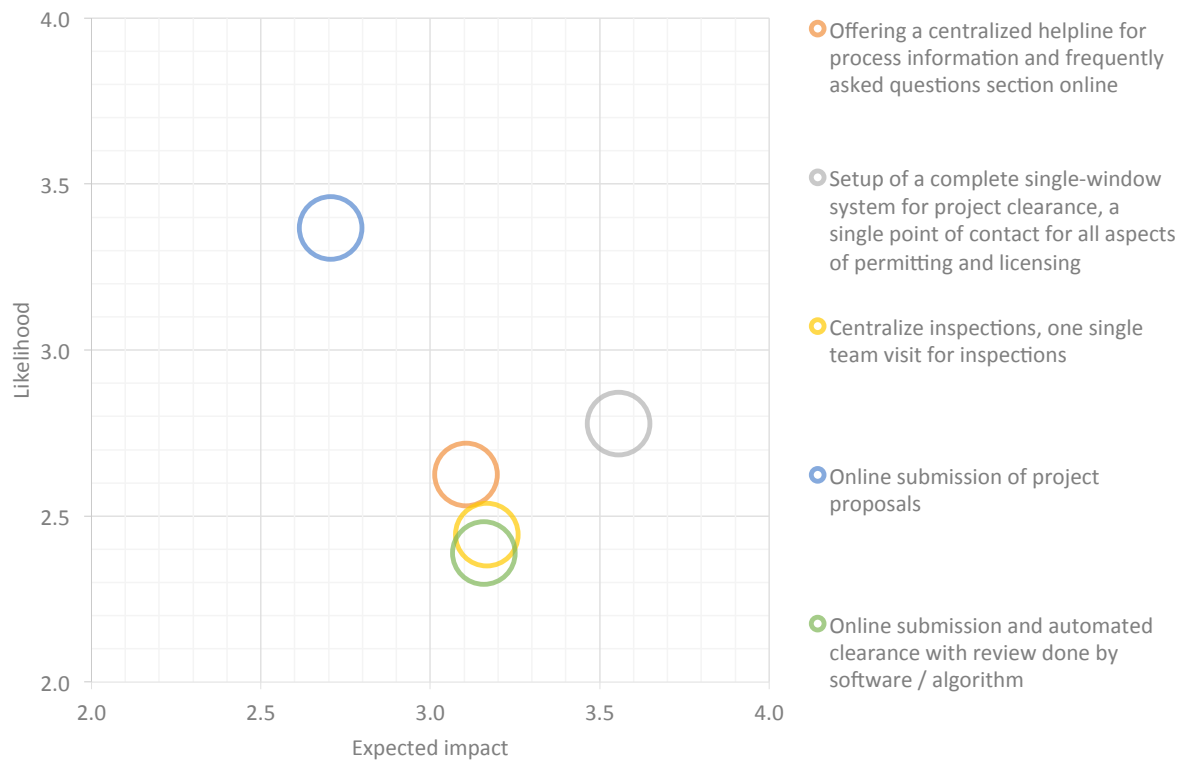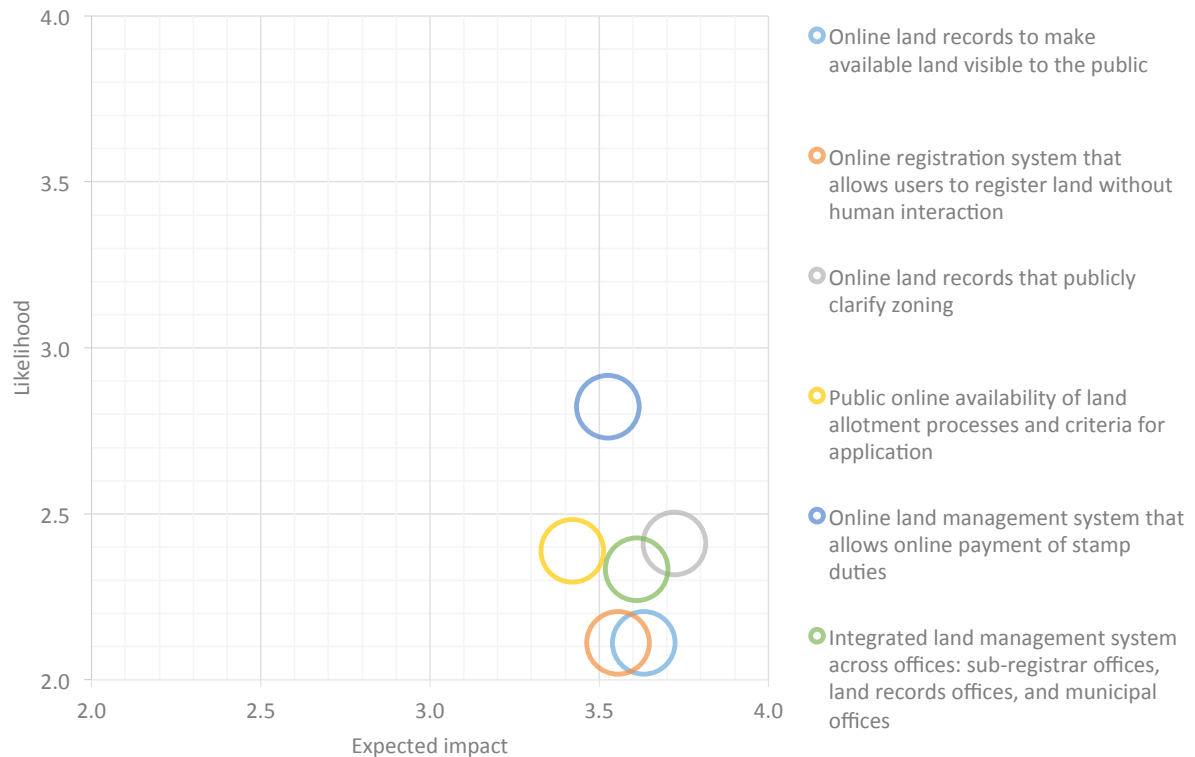**Figure 5:** Survey results: Solutions for permits and licenses

Likelihood (y-axis), Expected impact (x-axis)

- Offering a centralized helpline for process information and frequently asked questions section online
- Setup of a complete single-window system for project clearance, a single point of contact for all aspects of permitting and licensing
- Centralize inspections, one single team visit for inspections
- Online submission of project proposals
- Online submission and automated clearance with review done by software / algorithm

Figure 6: Survey results: Solutions for land acquisition and land title registration

Likelihood (y-axis), Expected impact (x-axis)

- Online land records to make available land visible to the public
- Online registration system that allows users to register land without human interaction
- Online land records that publicly clarify zoning
- Public online availability of land allotment processes and criteria for application
- Online land management system that allows online payment of stamp duties
- Integrated land management system across offices: sub-registrar offices, land records offices, and municipal offices

Mumbai workshop

To further develop solutions for more transparency in the engineering, construction, and real estate industries in Maharashtra, the project organized a workshop[21] in the state capital, Mumbai, to provide a platform for business, civil society, and public officials to work together on proposals. The workshop followed a novel approach, and participants were provided with a set of generic solutions to enhance transparency as a basis for the development of more specific and customised solutions. Furthermore, participants were presented the findings of both, the expert interviews, and the results of the survey.

The workshop had three core elements:

1. **Interactive solution development:** Participants discussed and developed solutions among their respective groups.
2. **Group presentations:** Each of the three groups presented solutions to the plenary.
3. **Open discussion:** Participants commented on all of the presented results to identify common ground and to set priorities.

The workshop yielded several key takeaways, which are outlined below:

Importance of transparency in designing corruption out of the system
All proposed solutions and recommendations shared the common theme that more transparency is crucial to reducing corruption in the engineering, construction, and real estate industries in Maharashtra. Participants were also aware that some transparency efforts could have diminishing returns—for instance, if requirements to comply with transparency standards are designed in a way that slow down the processes and increase costs but do not deliver the incremental benefit.

Importance of benchmarking
Throughout the workshop, there was an emphasis on the importance of being able to benchmark the transparency of processes between various government agencies. This benchmarking should preferably be applied to all levels; it should be possible to track transparency performance across specific government agencies, municipalities, states, and potentially even countries.

Importance of standardized procedures
There were agreements on the need for more standardization of procedures that will make processes more transparent, easier to understand, and more accessible. Standardization will also help facilitate benchmarking as outlined above. Participants concluded that a framework of general rules would help guide the implementation of processes that could be compared across government agencies at all levels. A rules framework could also help avoid the creation of complicated bureaucratic systems based on competing, conflicting requirements.

Importance of accessibility of information
As a first step, successful implementation could start with a standardization of how key information for processes is made available. Many participants emphasized the need for standards on how information should be made public. To evaluate the quality and credibility of transparency, it may be necessary to find a simple way to measure the accessibility of key documentation processes. This would then enable preliminary benchmarking between different types of government agencies. An example of a simple and important assessment would be to what extent a specific government agency has made information about its service to the public available online. In addition, it would be important to assess how clearly the key processes are described, such as obtaining construction permits or purchasing and registering property.

Importance of clear definitions of ownership and accountability of processes
Participants concluded that there is a need to ensure that all processes between the government and the public should have clear lines of responsibility and accountability. This could have an increased impact on the transparency and efficiency of key processes. For more complex processes, there should be a clear description of the chain of ownership describing who is responsible for which steps throughout all the stages of the process.

Solution proposals

Chief Audit Officer or an Ethics Officer for government agencies
Participants recommended that government agencies appoint a Chief Audit Officer or an Ethics Officer. The work of this person should focus on checking the standard measures and processes to ensure that they satisfy the following key criteria:

– **Simplicity:** All processes are described so most users can easily understand their full meaning.
– **Factuality:** All necessary process steps are correctly described.
– **Accessibility:** All transaction data are stored and traceable in a database that is open to the public (however, data security and integrity are needed).
– **Effectiveness:** No unnecessary work has been done, and executed tasks are effective in reaching their purpose.
– **Efficiency:** All processes have been carried out efficiently.

Social auditing function for government agencies
Participants emphasized the importance of public consultation and empowering citizens to monitor transactions between industry and government agencies. Furthermore, an effective way of engaging the population is to create mechanisms that allow all stakeholders to express their opinions and to submit proposals for changes and improvements. One possibility would be to create a specific web-based tool or enable the use of social media relating to the service performance of the government agency.

Perceived impact of developing solutions for more transparency

As part of the workshop, participants were asked to express their perception across three different categories: private or market readiness, public sector, and public-private cooperation. In particular, they were asked what impact more transparency would have on certain dimensions over the next 10 years, as outlined in Figure 7. For that purpose, at the beginning of the workshop, participants defined the dimensions relevant to industries on which they believed a higher degree of transparency would have a significant impact. After the definition process, participants were asked to assess where they think Maharashtra stands compared internationally in terms of quality, efficiency, and effectiveness for each category, on a scale from 0 to 10. At the end of the workshop, there was a second round on the expected situation in 2025.

Participants defined eight dimensions across categories, as shown in Table 1.

The voting outcomes provide some insights. As shown in Figure 7, participants do not expect that more transparency will improve access to finance or the success of public-private projects over the next 10 years. At the same time, these two dimensions already rank among the dimensions where participants believe the engineering, construction and real estate sectors in Maharashtra perform quite well compared with international engineering, construction, and real estate sectors. This could mean either that there is a belief that the success of public-private projects and the access to
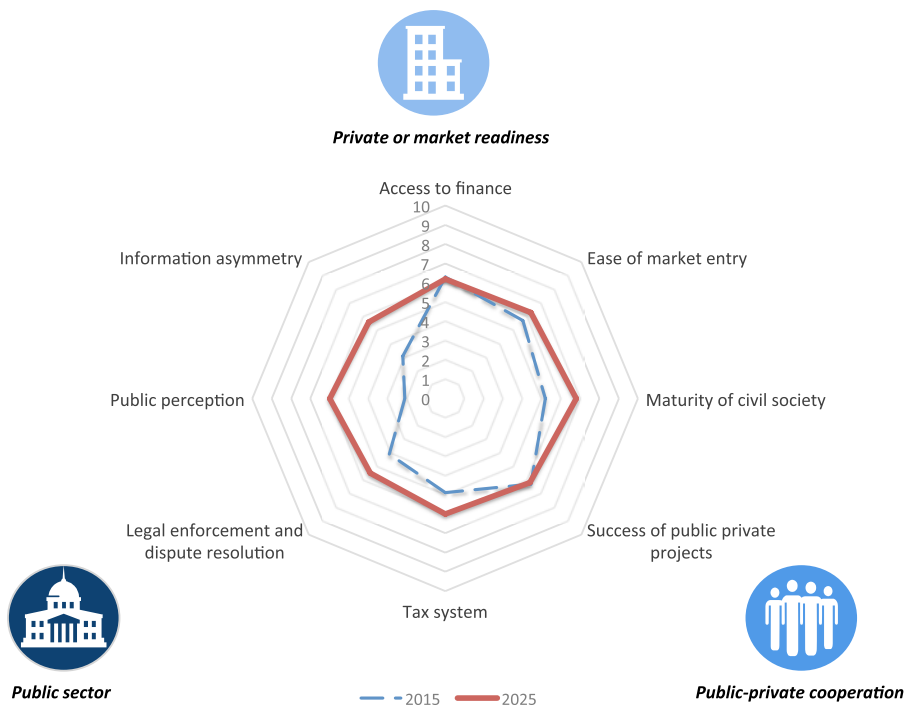
Table 1: Categories and dimensions of the percetion-based assesment

Category	Dimension
Public sector	Tax system
	Legal enforcement and dispute resolution
Private or market readiness	Access to finance
	Ease of market entry
	Absence of information asymmetry
Public-private cooperation	Maturity of civil society
	Success of public-private projects
	Public perception

finance is not constrained by low levels of transparency, or the kind of solutions discussed during the workshop is not the right set of solutions for improving the state of the two dimensions.

Strikingly, the perception is that legal enforcement and dispute resolution has the potential to improve through more transparency over the coming years. This is a promising result, given that dispute resolution is often cited as one of the major barriers to the success of the industries. The

Figure 7: Categories and dimensions of the perception-based assesment

tax system is perceived to perform relatively well compared internationally, and more transparency is expected to be able to further improve this. The maturity of civil society—how well developed different NGOs and grassroots movements with a specialization in the topic are—is expected to benefit over time from more transparency.

An improved tax system and a more mature civil society could also contribute to a more transparent environment that reinforces the effect on other categories. Less of a surprise is probably the expectation that information asymmetry can be reduced and public perception improved. Making information accessible to the public is a powerful tool to provide the actors engaged in a transaction with better knowledge on which to base their decisions. The expected improvement in public perception could mean that the public sees the engineering, construction, and real estate industries in a better light than their current reputation for corruption, but it could also refer to the public perception of key government agencies and the transactions between the industry and the agencies.

Empowering citizens for change

The voices at the workshop in Maharashtra were clear about the request to the government to improve processes to curb corruption in construction and real estate. Nevertheless, they also stated that the government alone will not be able to cope with the complex issues. Therefore, engaging the population is crucial because the final cost of corruption has the most impact on them as taxpayers providing funds for infrastructure projects. At the same time, consumers face inflated prices because of the burden of corruption—for instance, when they buy an apartment. The challenge is to develop the right channels so that citizens are empowered to play a role in establishing a more transparent environment. In parallel to creating new tools and channels for citizens to participate, the belief that a change is possible needs to be strengthened as well. Transparency International's Global Corruption Barometer 2013 shows that only 55% of Indian citizens believe they have the ability to make a difference in the fight against corruption, which is below the global average of 67%.

Technology is widely seen as an important tool to help empower citizens and to accelerate grassroots initiatives on anti-corruption. Social media has proven to be powerful in giving citizens a voice through mobilizing common efforts and creating a way to enable whistleblowing. One example of an online reporting mechanism in India is ipaidabribe.com, where more than 73,000 reports have already been filed. Further, technology has provided citizens with better information on how they can use their rights, including the 2005 Indian right to information (RTI).[23]

However, there are important non-technological channels to empower citizens for change. Urban planning is one way to engage people on a community level. The Charrette design focuses on key stakeholders of the community getting together to make decisions built on consensus, and the

public can review the work. A successful example of this mechanism is the CitySpaces Visualization Plan for Tofino in British Colombia, Canada.[24] Those novel approaches to urban planning can already include the necessary tools for social audit and hence be less exposed to corruption.

Towards the creation of a roadmap

Workshop participants contributed many ideas to advance the work for greater transparency and less corruption in the engineering, construction, and real estate industries in Maharashtra. One of the more popular measures was to work towards ensuring that solid process descriptions are available online. This would then enable a debate on a more specific level where more transparency is needed and would facilitate engaging more stakeholders in this discussion. The measure would, in particular, make sense in the near future as key agencies in Maharashtra are redesigning several processes to make them more efficient. This first step would then open the way to assessments of which procedures would need improvement, but also allow for benchmarking across agencies in different municipalities and eventually different states. Findings from this initial step would then provide concrete ideas for replication in other countries. In addition to working on better process descriptions, participants expressed interest in having an approach that allows measurement of the quality of transparency of interactions between the government and industry. Some participants expressed interest in developing such an approach and testing a prototype of such a measurement. Findings from an initial test could then be fed back into the project community so that the institutions engaged in the project can ensure that the right approach is followed; many have developed their own tools to advance efforts for better governance and increased transparency. Once this goal is reached, benchmarking could take place on a local level and be scaled up incrementally to global level.

The Way Ahead

Two strong messages emerged from the activities in India:

1. There is a need for action to make the engineering, construction, and real estate industries less prone to corruption in the country.
2. Solutions that enhance the transparency of processes and technology-based solutions are the right channels to address the challenge.

Although more dialogue between industry, government, and civil society is needed to design solutions in more detail, Mumbai workshop participants elaborated the following ideas for a roadmap to move ahead with the use of public-private collaboration and collective action:

– **Ensure that solid process descriptions are available online.** A consensus emerged that it is necessary to start with clear descriptions of processes that are available online to allow for a debate on how procedures for interaction with government agencies can be simplified, redesigned, and adjusted to the needs of the public.

– **Evaluate if processes could benefit from modification.** Once solid process descriptions are available and the benefits from process modification can be assessed, it is important to consider any negative side effects of a change. At this stage, the level of transparency across different government agencies could be measured.

– **Communicate with engaged stakeholders to ensure that the right aspects of transparency are being measured.** It might be that some process changes that make the interaction between business and government more transparent are not desirable—for example, privacy and confidentiality. Therefore, all engaged stakeholders should be consulted on creating the right balance.

– **Conduct prototype tests with interested parties.** Some participants expressed interest in testing the approach of measuring the quality of transparency. A small group could initiate prototype tests to identify which measurement techniques satisfy the requirements needed to be applied to the real world.

– **Provide examples of best practices.** Government agencies that have made successful process changes and make records of transactions available could share their experiences to the benefit of other agencies. Best practices could be shared in India and internationally; agencies in some countries have already developed ways to measure the quality of transparency.

– **Initiate benchmarking in Maharashtra.** An initial benchmarking project could consist of an assessment of the accessibility and quality of online information that government agencies make available in Maharashtra. This could provide valuable information about the feasibility of the development of benchmarking tools on a global level.

– **Develop a system that allows stakeholders to report evaluations of transparency.** Over the last two decades, many online systems have emerged that use information technology to collect and analyse data to produce an overview of complex situations. Survey systems that allow any stakeholder to report to the system do not need to be complex. The advantage of this approach is that it motivates all possible informants to provide information.

– **Test and evaluate the system.** Before a system is made public, it must be thoroughly tested to ensure that the right incentives are created. A system that fails to align incentives of the users with the objective to create more transparent and efficient processes stands little chance of success.
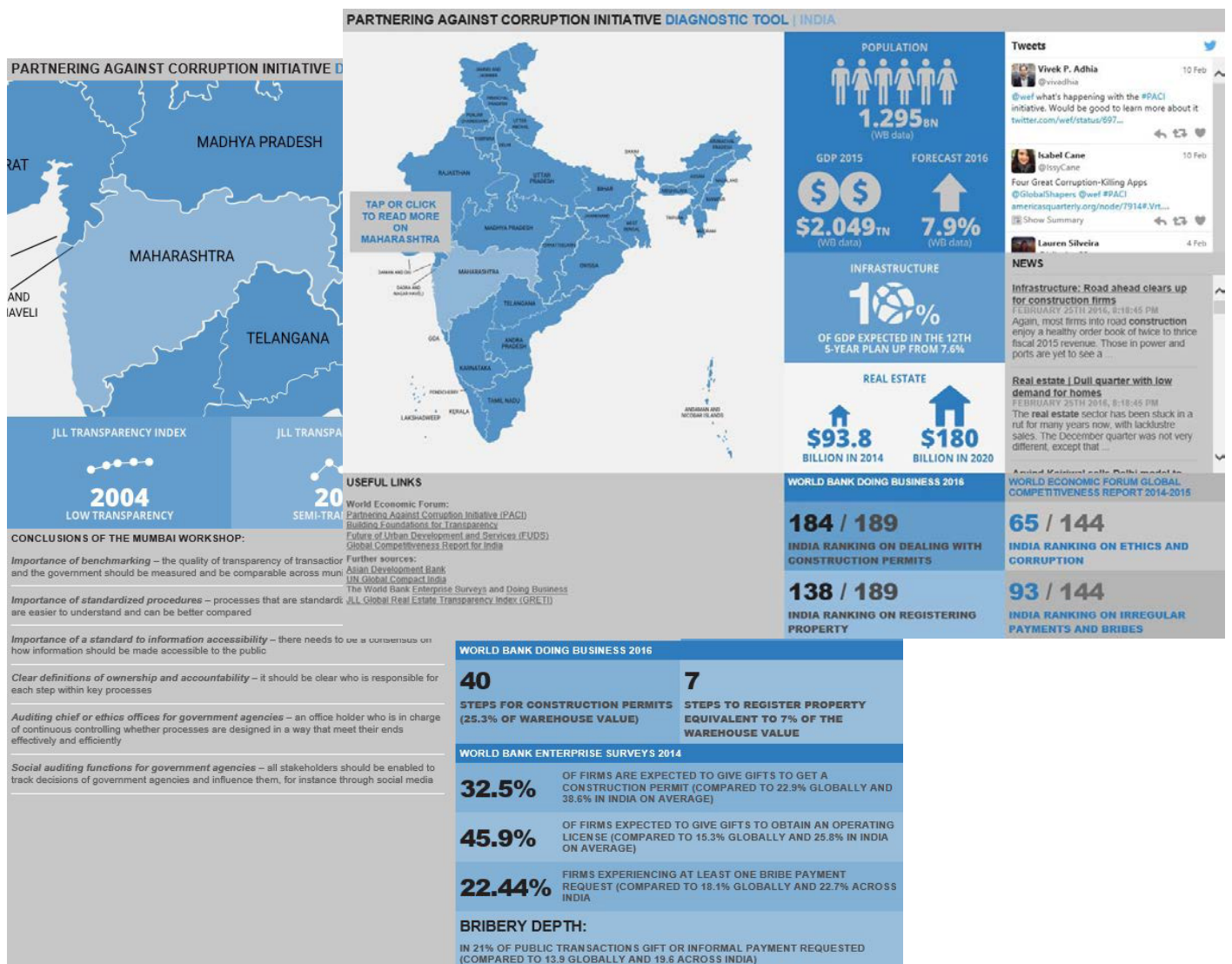
Appendix

Diagnostic tool

The project community of *Building Foundations for Transparency* has developed a diagnostic tool that advances the agenda for more transparency in the engineering, construction, and real estate industries. The diagnostic tool is an online-based, front-end platform that informs stakeholders about ongoing work in the sphere of transparency and aggregates relevant data. It is not a complete solution, but it is a strong medium to advance the agenda.

Currently, the diagnostic tool displays information on two levels: the country level (aggregating information on India) and the state level (informing about Maharashtra). The tool consists of different elements of content. One element is the aggregated relevant data from different specialized databases, such as the World Bank Doing Business ranking, World Bank Enterprise Surveys, and JLL Global Real Estate Transparency Index. The tool also displays the findings developed throughout the project pilot, such as the outcomes of the Mumbai workshop and the perceived dimensions map described above. In addition, the tool integrates dynamic content: targeted content on Twitter is embedded in the tool so that interested stakeholders are given a voice through @wef and #PACI. Moreover, the news feed showcases the latest published media articles relevant to the topic.

The diagnostic tool has a strong emphasis on replication and scalability. If similar workshops are replicated in other Indian states, the generated information could easily be added to expand the tool. Furthermore, replication and expansion of the tool would respond to the need of better benchmarking and comparison across states. Expansion could also go beyond India, and countries on other continents could be added as well. The tool can be accessed on desktop computers, tablets, or mobile phones via this hyperlink or the QR code below.

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