

# Engaging with Citizens to Improve Services



## **Acknowledgments**

In 2004-05, the Water and Sanitation Program-South Asia commissioned research to identify citizen engagement and social accountability mechanisms that could be adapted to the Indian urban water and sanitation sector to improve service and customer responsiveness. This volume contains a detailed discussion of 10 of these mechanisms. The accompanying Overview volume briefly introduces the underlying program of research and its key findings.

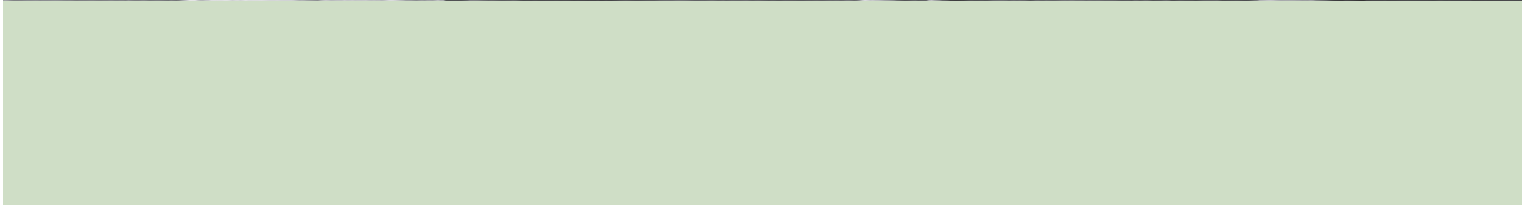
Badal Malick initiated and guided this program of research. Premila Nazareth Satyanand abridged the original case studies for publication and prepared the overview paper.

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## Glossary and Acronyms

### Glossary

<i>Adalat</i>	court of law
<i>Chaupal baithaks</i>	meetings at <i>panchayat</i> places
<i>Chowkis</i>	area offices
<i>Chawls</i>	slum tenements
<i>Gram swaraj</i>	village self-rule
<i>Jal suvidha kendras</i>	water sale centers
<i>Jan sunwais</i>	public hearings
<i>Kutchra</i>	semi-finished construction
<i>Lok adalats</i>	public courts
<i>Lokayukta</i>	People's Ombudsman
<i>Lok shahi din</i>	public hearing day
<i>Mandals</i>	sub-districts
<i>Panchayat</i>	village council
<i>Panchayati Raj</i>	village governance
<i>Parivartan</i>	transformation
<i>Pucca</i>	fully complete construction
<i>Sabhas</i>	public meetings
<i>Sadak, bijli, paani</i>	roads, electricity, water
<i>Sarpanch</i>	village council head
<i>Taluk</i>	sub-district
<i>Vidyut adalats</i>	public electricity courts
<i>Vidyut sudhar samitis</i>	village electricity improvement committees

### Acronyms

ADS	Area Development Society
AEC	Ahmedabad Electricity Company
ALM	advanced locality management
AMC	Ahmedabad Municipal Corporation
APDRP	accelerated power reform development program
APERC	Andhra Pradesh Electricity Regulatory Commission
APSA	association for the promotion of social action
ARR	annual revenue requirement

ASCI	Administrative Staff College of India
AusAID	Australian Aid Agency
AVAS	Association for Voluntary Action and Service
BATF	Bangalore Agenda Task Force
BCC	Bangalore City Corporation
BEST	Brihan-Mumbai Electric Supply and Transport Undertaking
BDA	Bangalore Development Authority
BESCOM	Bangalore Electricity Supply Company
BJP	Bharatiya Janata Party
BMC	Brihan-Mumbai Municipal Corporation
BMP	Bangalore Mahanagar Palike
BMTC	Bangalore Metroplitan Transport Corporation
BPL	below poverty line
BRPL	BSES Rajdhani Power Limited
BWSESMP	Bangalore Water Supply and Environmental Sanitation Masterplan Project
BWSSB	Bangalore Water Supply and Sewerage Board
BYPL	BSES Yamuna Power Limited
CAPDEK	Capacity Building for Decentralization in Kerala
CBO	community-based organization
CCC	centralized call center
CCCGRM	Consumer Courts and Consumer Grievance Redressal Mechanisms
CCRS	centralized complaint registration system
CDS	community development society
CEO	chief executive officer
CERC	Central Electricity Regulatory Commission
CIDA	Canadian International Development Agency
CNG	compressed natural gas
CPA	Consumer Protection Act
CPCB	Central Pollution Control Board

CRC	citizen report card	LDF	Left Democratic Front
CSE	Centre for Science and Environment	MCD	Municipal Corporation of Delhi
CUTS	Consumer Unity and Trust Society	MERC	Maharashtra Electricity Regulatory Commission
DCBS	demand collection based system		
DERC	Delhi Electricity Regulatory Commission	MGD	million gallons a day
DJB	Delhi Jal Board	MLA	Member of Legislative Assembly
Discom	Commonly used term for private electricity distribution companies	mlm	million liters per month
DVB	Delhi Vidyut Board	MMRDA	Mumbai Metropolitan Regional Development Authority
DWAF	Department of Water and Forestry	MP	Member of Parliament
EMI	equal monthly installment	MSEB	Maharashtra State Electricity Board
ERC 1998	Electricity Regulatory Commissions Act, 1998	MSW	municipal solid waste
FES	Friedrich Ebert Stiftung	MW	megawatt
FGD	focus group discussion	MU	million units
FPI	foundation for public interest	NDMC	New Delhi Municipal Council
GoI	Government of India	NDPL	North Delhi Power Limited
HUDCO	Housing and Urban Development Corporation	NGO	nongovernmental organization
HT	high tension line	NHG	neighborhood group
IAS	Indian Administrative Service	NHPC	National Hydroelectric Power Corporation
IBNET	International Benchmarking Initiative	NIMBY	not in my backyard
ICEF	India-Canada Environment Facility	NOC	No Objection Certificate
IPP	independent power producer	NSDP	National Slum Development Project
IT	information technology	NTPC	National Thermal Power Corporation
JNNURM	Jawaharlal Nehru National Urban Renewal Mission	OCMS	online complaint monitoring system
KKNSS	Karnataka Kolegeri Nivasigala Samyuktha Sanghatane	O&M	operation and maintenance
kL	kiloliter	PAC	Public Affairs Centre
KPCL	Karnataka Power Corporation Limited	PAF	public affairs foundation
KSCB	Karnataka Slum Clearance Board	PHED	Public Health and Engineering Department
KSEB	Kerala State Electricity Board	PIL	public interest litigation
KSSP	Kerala Sastra Sahitya Parishat	PPA	power purchase agreement
KWA	Kerala Water Authority	PPC	people's plan campaign
LIC	Life Insurance Corporation	PPP	public-private partnership
lpcd	liters per capita per day	PRI	Panchayati Raj (village governance) Institution
LT	low tension line	RERC	Rajasthan Electricity Regulatory Commission
		RSEB	Rajasthan State Electricity Board



RSPM	respirable suspended particulate matter	TNUDF	Tamil Nadu Urban Development Fund
RTI	right to information	TWAD	Tamil Nadu Water and Drainage Board
RWA	residents' welfare association	UFW	unaccounted for water
SAC	State Advisory Committee	UGD	underground drainage
SBI	State Bank of India	ULB	urban local body
SC/ST	scheduled caste/scheduled tribe	UDF	United Democratic Front
SDU	social development unit	UNDP	United Nations Development Programme
SEB	State Electricity Board	UNICEF	United Nations Children's Fund
SEP	Slum Electrification Programme	USAID	United States Agency for International Development
SERC	State Electricity Regulatory Commission	UWSS	urban water and sanitation sector
SEWA	Self Employed Women's Association	VHAI	Voluntary Health Association of India
SHARDA	Strategic Help Alliance for Relief of Distressed Areas	VIP	very important person
SPB	state planning board	VOICE	a Delhi-based consumer action group
SPCB	State Pollution Control Board	WATSAN	water and sanitation
SPM	suspended particulate matter	WDR	World Development Report
SPV	special purpose vehicle	WSP-SA	Water and Sanitation Program—South Asia
T&D	transmission and distribution	XIBM	Xavier Institute of Business Management
TDO	Town Development Office	ZRO(W)	Zonal Revenue Officer (Water)

# Executive Summary

This study explains why and how the creation of institutionalized citizen engagement will enhance public accountability, performance, and customer responsiveness in the Indian urban water and sanitation sector. It draws on 10 practical case studies of citizen engagement in India to derive lessons for civil society groups, policy makers and service providers pertinent to different points in the ‘service delivery chain’ – including policy-making, planning and budgeting; standard-setting and enforcement; and performance monitoring.

## Citizens’ Participation Must Underpin Service Reform

Citizens’ participation must necessarily be an integral part of reform in the Indian urban water supply and sanitation sector. Only end users can determine the type of services they find relevant, convenient and affordable, and only if citizens must complement and oversee their elected representatives’ efforts to ensure optimal performance by water utilities will the sector shift toward ‘better service for all’ rather than preferential treatment for a few. Decentralizing control and delivery to the local level could also enhance citizens’ ability to influence and enforce service standards, by compelling service providers to pursue service outcomes and consumer satisfaction, rather than expenditure and construction targets.

Institutional arrangements and associated incentives need to change. Although the 74th Amendment to India’s Constitution has made municipal governments responsible for water supply and sanitation service, municipal water departments continue to depend almost completely on government grants, and draw technical and operational direction from state and central government agencies. In most states monolithic parastatals, with little role separation across policy making, regulation and service provision, continue to

deliver services. They thus have few incentives to consult with end users, who have no meaningful space to engage with service providers and the government on service-related issues, and investment and reform decisions. In the few states where some degree of decentralization has been introduced, significant shortcomings remain in the empowerment of municipal governments, in such aspects as staffing, expenditure and revenue authority, etc.

Since service providers have neither the operational nor financial autonomy to run their departments viably, they remain open to persistent political interference. The roles of regulator, policy maker and service provider are fused, so that politicians become involved in day-to-day operational decisions, rather than setting service and performance targets and sector policy against which utilities should be measured and held to account. Citizens lose the most from this situation, characterized as it is by short-term political opportunism and the absence of mechanisms by which they can initiate sanctions against poorly-performing utilities.

The sheer scale of the urban water supply and sanitation service challenge urgently demands new approaches. Although one-third of India’s population already lives in her cities,<sup>1</sup> water supply and sanitation provision has not adequately kept pace with this development. Urban water

<sup>1</sup> India’s cities also generate over a half of the country’s gross national product and attract a continuing flow of poor migrants from rural areas.



**One-third of India's population already lives in her cities. Water supply and sanitation provision has not adequately kept pace with this development.**

and sanitation utilities — already struggling to serve some 300 million people<sup>2</sup> — will have to find the resources, managerial expertise and technical infrastructure to serve twice this population within the next two decades. With an estimated 285 million poor urban residents by 2025,<sup>3</sup> the challenges become even more severe, particularly as many municipal governments currently do not allow water supply and sanitation service providers to run individual connections to the large numbers of 'unauthorized' slum households. The alternatives — communal taps, handpumps and water tankers — often compromise service quality and pose major difficulties for monitoring, cost recovery, and demand management.

<sup>2</sup> 2001 Indian National Census.

<sup>3</sup> *Urbanisation and migration in India: a different scene*, S. Mukherji, in *International Handbook of Urban Systems: studies of urbanization and migration in advanced and developing countries*, H.S. Geyer (Edited) Edward Elgar Publishing Ltd., Cheltenham, 2002.

## Drawing on Practical Experience

The 10 forms of citizen engagement examined by this study were intended to strengthen citizen **voice** — direct influence over service design and the making of rules by which public service agencies must operate; and **client power** — the ability to enforce performance standards upon service providers and penalize those who fail to meet them. They also sought to strengthen the institutional factors that mark successful public service provision, identified in the World Development Report 2004 as:

- **Delegation** (setting of performance standards) — the customer asks for a service and defines the terms on which it should be delivered;
- **Performance** (service delivery measured against these performance standards);
- **Finance** — the customer pays for the service;
- **Information on performance** — the customer (and policy maker) assess service quality; and
- **Enforcement** — dissatisfied customers and policy makers penalize poorly-performing providers.

This study also examines the relevance — in different contexts — of what the WDR 2004 calls the '*long route*' to accountability (where elected representatives hold public service providers to account on behalf of the public) and the '*short route*' (where citizens/customers engage directly with providers to do so).

The accompanying volume is titled "Overview and Key Findings: Engaging with Citizens to Improve Services

End users are key in determining which services they find relevant, convenient, and affordable.

which discusses the service challenge in the Indian water supply and sanitation services sector and defines the elements of accountable service provision and explains why the sector currently falls short in India. It also suggests how civil society groups, policy makers and utilities can help improve the performance, public accountability and customer responsiveness of water and sanitation services.

### Strengthening Accountability: Key Findings

The case studies underscore that service outcomes and access will improve when water and sanitation utilities are compelled to engage directly with consumers in designing services and meeting certain performance targets. A few key factors stand out:

- *Institutional frameworks and feedback systems:* Water supply and sanitation service will improve only through systematic reforms to ensure that the relationship between politics and utility management produces clear policies for universal service and the monitoring of providers against agreed standards. Moreover, a shift is needed toward service outcomes that reflect customer satisfaction. Currently expenditure and construction targets take precedence. These policies can be robust and regulation independent, if citizens are provided with 'voice' and 'client power' at all points of the service delivery chain;
- *Enhancing staff capacity:* The common shortcoming in all the innovations profiled was the poor responsiveness of frontline staff to consumers, especially poor consumers, who are by and large not taken seriously due to their limited social and economic power. Such staff may require training and

new incentives, while citizens need effective mechanisms to provide their feedback to management and policy makers on efficacy and responsiveness;

- *The poor should be treated as full-blown customers:* The water and sanitation needs of poor citizens will require specific service packages and policy measures, designed and monitored in partnership with them. The case studies demonstrate that it is possible to institute services that the poor can afford to pay for, and this makes them far more audible and relevant in the decision-making and operational processes of service providers;
- *The need for system information:* The virtual absence of information on utility performance and service outcomes makes it difficult for citizens and policy makers to pressure for the most necessary service improvements and investments and hinders utility managements' ability to administer operations efficiently and respond quickly to public demands. The studies show the practical value to both citizens and utilities of such information, and highlight that improvements are possible; and
- *Benchmarking, performance management and public reporting:* Performance benchmarking and public reporting would exert natural pressures on utilities to become more accountable to consumers, and further research is needed to improve the robustness of benchmarks and reporting modes.

In conclusion, the study presents a preliminary framework for gauging whether citizen participation platforms make providers more accountable and responsive to citizens. It also proposes more research to develop qualitative and quantitative criteria for such measurement.

# Case Study 1

## Client Power and the Poor: The Case of the Bangalore Water Board's Services to Slums

*Abridged from a study by Genevieve Connors*

The Bangalore Water Supply and Sewerage Board (BWSSB) has instituted a program to connect city slums to the utility's water and sanitation network. Over 46 poor communities have been mobilized so far, representing about 10 percent of the city's slums. Of these, over a half have successfully connected to the network with ongoing cycles of supply, billing, and payment. As the program has evolved, slum dwellers have begun to make their own demands on the Bangalore Water Supply and Sewerage Board, prompting it — among other things — to institute a distinct pricing policy for the poor.

**General Context**

Bangalore is India's fifth largest city, and one of the country's fastest-growing. Over the past decade it has evolved into a global technology center, full of corporate and venture capital offices, business start-ups, call centers, and research laboratories. As a result, the city's population has swelled to some 6.5 million as per the 2001 Census of India.<sup>1</sup> In view of the heavy in-migration from surrounding rural areas, some 15 percent (official estimates) to 20 percent (NGO estimates) of the population within the corporation areas lives in slums. However, 37 percent of the urban poor population within the corporation area does not live in slums.<sup>2</sup>

While water supply and sewerage is formally the responsibility of the Bangalore Water Supply and Sewerage Board (BWSSB), slums are formally the responsibility of several organizations including the Karnataka Slum Clearance Board (KSCB), the City Corporation, and the Bangalore Development Authority (BDA), all of whom own land on which slums are located and bear responsibility for housing and infrastructure development. A recent government order transferred responsibility for all slum development to KSCB, partly in response to intense lobbying by the state's powerful slum

dwellers' federation, Karnataka Kolegeri Nivasigala Samyuktha Sanghatane (KKNSS), for a single window cell. The KSCB will therefore bear increasing responsibility for slum development over time, although a noticeable shift has yet to occur.

Table 1.1 lays out the ownerships patterns of slums according to recent data. Surveys over the years consistently confirm that the share of slums is highest on private land in Bangalore. Since private land is the

**Table 1.1:**  
**Land Ownership of Slums in Bangalore, 2000**

<i>Land Ownership</i>	<i>Number of Slums</i>	<i>Percentage</i>
Private	141	40.8
City Corporation	70	20.2
BDA	68	19.7
Government	47	13.6
KSCB (incl. shared land)	11	3.2
Other	9	2.7
<b>Total</b>	<b>346</b>	<b>100</b>

Source: KSCB 2000 Data in AusAID (2000).

<sup>1</sup> Two-thirds of this population, or 4.3 million people, live within the jurisdiction of the Bangalore Municipal Corporation.

<sup>2</sup> AusAID Master Plan, *Baseline Socio-Economic Survey Report*, August 2001.



most likely to be cleared or resettled, slum dwellers and government agencies are hesitant to invest in basic infrastructure in these areas.

Fifty-five percent of slums have access to some form of BWSSB water, either through individual connections or public taps.<sup>3</sup> Thirty-four percent of those with no BWSSB connection reported that they did not connect because they had access to other sources, 31 percent because it was too expensive, and 15 percent because it was not available.<sup>4</sup> KKNSS estimates there are 20,000 to 30,000 illegal connections in the city.<sup>5</sup>

In 1995, the city municipal boundaries were extended to include 27 more outlying wards (bringing the total number of wards to 100). Most of the new wards were minimally,

if at all, connected to the piped network, which tended to concentrate in the center of the city. Some of the 73 old wards were themselves only partially connected, leaving large swathes of the city without access to BWSSB supply. Approximately 250 slums are located in wards which, until recently, had no BWSSB infrastructure at all.

There are over 18,000 functional public taps in Bangalore, of which 49 percent are in low-income areas, including slums, and 23 percent in slums alone. Roughly 15,000 are standpipes fed by BWSSB's network with the remainder fed by groundwater. The ratio of public taps for the existing slum population is low; the range is 10 to 50 households per tap, usually for short periods of supply on alternating days.<sup>6</sup> While BWSSB reports a per capita supply of 120 liters per capita per day (lpcd), actual

<sup>3</sup> AusAID Master Plan, *Baseline Socio-Economic Survey Report*, August 2001.

<sup>4</sup> AusAID Master Plan, *Baseline Socio-Economic Survey Report*, August 2001.

<sup>5</sup> Report by Madhu Sudhan of KKNSS (2005), *Water, Sanitation and Sewerage Systems*.

<sup>6</sup> The all-India norm for supply to slum households is 50 users per tap and 40 lpcd minimum supply. While Bangalore's slums fall within norms for lpcd and just within norms for households per tap, it is generally acknowledged that norms should be higher in urban areas.

Until recently, BWSSB could only connect slum households that had documents proving home ownership.

consumption for users of public taps is closer to 40 lpcd.

Apart from BWSSB water, other sources of supply for slums include groundwater pumped through hand pumps or mechanized borewells connected to mini water supply schemes, as well as water sold through tankers or by street vendors. Water markets are particularly strong in the newly-added wards and in more arid parts of the city. Private investment by slum dwellers in hand pumps and storage vessels can sometimes be more than the cost of an individual connection, and the cost of water from vendors is significantly higher than the per liter cost of water supplied by BWSSB.

The existing BWSSB piped network has not served the slums well historically, in large measure because the direct route to accountability has remained so elusive. Since slums are the responsibility of KSCB, BMP and BDA, depending on land ownership, location, and declared status, they have tended to fall through the cracks in this delivery model as accountability is passed around. This problem has been compounded by the striking lack of trained social development professionals in any of these government agencies ostensibly attuned to the needs of the poor.

BWSSB itself has had few incentives to work in slums because of a lack of funds, directives and vision from third party agencies in charge of slums, and because of an organizational culture premised on the professional

ambitions of engineers reluctant to work on technically simple tasks. Although BWSSB maintains some borewells in slums as part of its water supply augmentation program, until recently it could only legally provide individual connections to slum dwellers if they were in possession of some proof of land ownership, like a title deed or receipt of property tax paid. Of all the slums in the city, only 53 have formal tenure and very few of these actually pay property tax.<sup>7</sup> Given this obstacle, very few slums approached the water board for connections directly. Most approached the authority under whose jurisdiction the slum fell, such as BDA, BMP or KSCB. These municipal agencies were then, in turn, required to submit a proposal to BWSSB describing the requested intervention after which an estimate would be prepared by BWSSB engineers. The required funds were then contributed directly to BWSSB which would eventually authorize the works. In this way, BMP used its 18 percent budget allocation reserved for scheduled castes and scheduled tribes to pay for the cost of extending water lines and putting in public taps in its own slums.<sup>8</sup>

Given the complexity of authorizing water connections in slums, BMP, BDA and KSCB have opted to dig their own borewells and build mini water supply schemes where groundwater is plentiful. As a policy, KSCB only provides basic amenities to declared slums, but it will provide to undeclared slums under pressure from powerful political leaders. However, there is no organized system of maintenance or repair for any of these kinds of taps

**Slum dwellers, as a constituency, have no say in matters governing parastatals. They vote locally, in favor of a ward-level city councilor and a Member of the Legislative Assembly (MLA), who may or may not have any real power over BWSSB staff.**

<sup>7</sup> Report by Madhu Sudhan of KKNSS (2005), *Water, Sanitation and Sewerage Systems*.

<sup>8</sup> Schenk, Hans, ed. (2001). *Living in Bangalore's Slums: A Case Study of Bangalore*. New Delhi, Manohar Press.



leaving slum dwellers on their own or at the mercy of political favors. For example, ward-level engineers employed by BMP are nominally in charge of borewell maintenance in BMP slums. But problems are only brought to their attention after slum dwellers report problems they cannot fix themselves to local politicians keen to help their constituents and take credit for infrastructure supplied. Ironically, access to water supply for slums has involved direct communication with practically all stakeholders *except* for the service provider. Prior to reform, the scope for direct interaction between slum dwellers and BWSSB staff was truly minimal.<sup>9</sup>

As groundwater has become increasingly scarce, slum dwellers have come to rely on their own informal access and coping mechanisms, such as water purchase, illegal tapping of the lines, and putting pressure on politicians and policy makers to intervene with the utility. A survey conducted among slum residents as part of the 'report card on urban services' exercise undertaken by a prominent local NGO, the Public Affairs Centre, revealed that irregular supply, long distances from taps and insufficient water were the central problems.<sup>10</sup> The prevalence of underground drainage (UGD) and sanitation schemes in slums was also very low.

Exerting an additional pressure on BWSSB is the strident demand by the Bangalore NGO community for improved performance, transparency and accountability. Bangalore has a long history of NGO activism and many local groups have been working in slums for decades in fields ranging from housing and infrastructure to public health. NGOs like AVAS, APSA and DEEDS have maintained a long-standing presence in slum communities whom they work closely with on day-to-day



**Since the utility could not officially service slums, the poor had to approach politicians or slum board officials to get water connections.**

affairs. They have established self-help groups, campaigned for better housing and infrastructure, encouraged women's empowerment, experimented with alternative technologies and command a great deal of trust and respect from slum dwellers. In addition, the Karnataka slum dwellers' federation, KKNSS, lobbies actively for slum dwellers' rights. Its main demands were "for no demolition of slums and to give land

<sup>9</sup> AusAID Master Plan, *Overview Report of Services to the Urban Poor, Stage 1*, December 2000.

<sup>10</sup> Paul, S. and Sekhar, S. (2000). *Benchmarking Urban Services: The Second Report Card on Bangalore*. Bangalore: Public Affairs Centre. See also the recent Third Report Card on Bangalore.

The municipality announced that it would stop paying for public taps, and that the water utility had to provide for slum dwellers on its own.

ownership rights and basic amenities to slums.”<sup>11</sup> As a highly organized movement, it commands wide allegiance across the state and works in 85 slums in Bangalore alone and has repeatedly organized mass demonstrations of tens of thousands of slum dwellers to call attention to the plight of the urban poor.<sup>12</sup> Newspapers and the media have also played an active role in monitoring and enforcing the state’s actions and daily coverage is given in the local press to assessing the performance of service providers. (The most meaningful reforms for Bangalore’s service providers have not been initiated by concerns to make governance more equitable, but rather to make it more efficient.)

In response, BWSSB has made a concerted effort of its own to improve water governance for current consumers, the vast majority of whom are non-slum dwellers. These include new phone and online complaint monitoring systems, with heavy penalties for engineers in the event complaints are not redressed. Perhaps its most prized innovation has been the series of monthly water *adalats*, or forums, held at the level of maintenance subdivisions where citizens air their grievances in person, meet face to face with engineers, discuss water problems as a community and generally assert their voice.<sup>13</sup>

In the late 1990s, some attempts had also been made to privatize the water board. However, these efforts fell through due to lack of political support and strong opposition by most engineers, particularly those in the maintenance division who would have been the most affected. KKNSS was actively opposed to this privatization in the conviction that it would be “disastrous for the poor.”<sup>14</sup>

## Specific Context

In 2000, two specific events prompted a change in the board’s overall approach to slums and in its strategies to provide water to the urban poor. First, AusAID (the Australian Aid Agency) — in collaboration with BWSSB — successfully implemented three projects intended to pilot a radical new approach to providing the slum poor with water and sanitation services. Secondly, the City Council decided to stop funding public taps, but agreed to pay for the complete extension of BWSSB’s piped network to the city’s un-networked wards.

### AusAID’s ‘pro-poor’ pilots

In the late 1990s, AusAID funded the Bangalore Water Supply and Environmental Sanitation Masterplan Project (BWSESMP) intended to develop a comprehensive strategy for Bangalore’s water and sanitation needs. Among other things, it proposed a reform of BWSSB to make it more accountable to the public, and three pilot projects to test new methods of serving the slum poor. AusAID’s strategy had a twofold objective: first, to prove to the public that BWSSB could respond to demands for improved services and, second, to appease vocal representatives of the poor, like KKNSS, who were opposed to privatization.

The highlight of the three pilot projects was that AusAID succeeded in persuading BWSSB to waive its long-standing requirement that only slum residents presenting both land title documents and recent property tax receipts could qualify for individual water and sanitation

<sup>11</sup> Interview with James Jayaraj, Bangalore District Convenor of KKNSS, March 10, 2005.

<sup>12</sup> In 1982, KKNSS staged its first mass demonstration of 25,000 people against evictions. In 1985, it organized another protest of 40,000 people to prevent another round of evictions ordered by the Chief Minister. In 1996, it organized a massive rally of more than 100,000 people demanding a separate budget for slum development.

<sup>13</sup> These ‘water *adalats*’ are advertised in the daily papers the morning of the event indicating the geographic area in question and the time and venue of the meeting. A pro-forma statement declares that “disputes connected to water supply and sanitary connections, delay in conversion from non-domestic to domestic, etc., of customers coming under the jurisdiction of...will be heard and settled in this *adalat*.”

<sup>14</sup> Interview with KKNSS leaders, March 10, 2005. KKNSS drafted a memo to BWSSB indicating the reasons for their opposition to privatization and highlighting the poor record of private concessions throughout Latin America with respect to connecting slums and maintaining services at affordable prices.

connections. On AusAID's intercession, the BWSSB decided to permit lease documents and other 'proof of occupation' (such as ration cards, identity cards, election cards, and even electricity bills) to be submitted instead.

Financially, the pilots were not intended to prove that full cost-recovery is possible in slums (since Bangalore's public agencies are committed to bear the cost of city-wide networks). For this reason, AusAID bore the cost of street-level infrastructure, and residents simply had to pay for individual connections and monthly water charges. The majority of residents were willing to pay for these connection costs, particularly because the connection fee for slums was significantly reduced. Slum dwellers who opted for individual connections then paid the full monthly charge of US\$2.6 (Rs 115)<sup>15</sup> to BWSSB. Even the most vulnerable households in Cement Huts, one of the city's poorest slums, were willing to pay between US\$0.44 and US\$0.66 per month for shared water connections, and US\$0.33 per month for a toilet facility.

Implemented in three slums, the pilots reached over 1,000 households, containing almost 6,000 people. In one of the slums, Cement Huts, three public taps were replaced by nine metered connections, each shared among 10-12 households. Community toilet blocks were restored, drains were improved, and the roads paved with concrete. In another slum, Sudamagar, 200 individual metered connections (67 percent of houses) were provided, in addition to public water and sewer lines. In Chandranagar, water supply lines were extended, 400 individual connections (73 percent of houses) were established, sewerage networks were installed, new drains were constructed, roads were

improved with stone slab and concrete, and solid waste management systems were put in place. A local water and sanitation committee was established in all three slums as the institutional focal point for community participation.

These pilots convinced BWSSB that water could be piped to slums legally; that tenure need not remain a stumbling block; that systems could be designed to match specific typologies of tenure and density, and that residents were willing to pay for household connections and water supply.

### City Council's withdrawal of funding

In 2002, BMP announced that it would stop paying for public taps, and that BWSSB had the social responsibility to provide for slum dwellers and should fund public taps through its own cross subsidies. This reversed a practice that had been in existence since 1965, in which BMP paid for the free water provided through Bangalore's public taps, and BWSSB managed them. BMP paid for this water from its municipal revenues on the basis of a joint gauging of water use with BWSSB every few years. (The last gauging exercise took place in 1997, when it was estimated that the average public tap supplied 22,000 liters of water per day, billed at a cost of US\$67 per authorized tap per month.) Nonetheless, arrears continued to mount, and by 2002 had reached some US\$35 million, when BMP announced that it could no longer bear the expense.

BWSSB was faced with an immense dilemma, since the city's 15,000 public taps disbursed 30 percent of all Bangalore's accounted-for water and 20 percent of all

<sup>15</sup> Conversion rate is US\$1= Rs 45, as per September 2006 exchange rates.

BWSSB launched an initiative to provide the newly-added wards of the city with supply, feeder, and distribution pipes, so that every house could have a domestic connection.

water going into the distribution system.<sup>16</sup> It did not have the financial depth to underwrite this loss over the longer term, yet it feared that large-scale disconnection might — as in the past — incite large-scale community protests. It was, thus, compelled to innovate measures to curb this loss of water and revenue, ideally transferring all users of public taps to paid domestic connections in the near future.

Despite its withdrawal of funding, however, BMP agreed to pay BWSSB for a series of investments in new infrastructure in the water and sanitation sectors for wards without a distribution network. As mentioned earlier, 27 new wards had been added to the official corporation roster in 1995, none of which were connected to BWSSB's network. Additionally, of the 73 original wards, 28 wards were only supplied with feeder mains and street-level distribution pipes.

### How the Program Works

Thus, in 2002, BWSSB launched an initiative to provide the newly-added wards of the city with supply, feeder and distribution pipes, so that every house could have a domestic connection. This 'Package Program,' as it has come to be known, promised to deliver pipes to every street in the city. While this target has not been completely met, the program has succeeded in extending pipes to the main streets of all the city's new wards.

Through the Program, BWSSB also hoped to increase the number of slum households connected to the

metered network, and to decrease the number dependent on free water through public taps or illegal connections. However, it never formally outlined these objectives.

To support the Package Program, BWSSB adopted a series of bold policy changes internal to the organization:

- *Relaxed procedures for slum connections.* Ration cards, electricity bills and election cards are deemed sufficient proof to sanction a connection;
- *Service level innovations.* Rather than demand individual connections from all customers, it agreed to allow shared connections for 8-12 households as an alternative option, particularly for very poor or congested slums;
- *Developed a specific pricing policy for slums.* Connection fees were significantly lowered for all slums.<sup>17</sup> In early 2005, approval was finally granted by the state level Urban Development Department (to whom BWSSB reports to) for a new tariff structure which considerably lowered the minimum monthly bill,<sup>18</sup> and
- *Slum focus.* Proving BWSSB's increasing commitment to extending services to slums, the chairman began to circulate a proposal for citywide slum connections to international donors, one of whom it has since entered into serious discussions with.<sup>19</sup>

<sup>16</sup> In 2003-04, BWSSB let 25,000 million liters per month (mlm) of water into the system. Roughly 65 percent or 16,000 mlm of that water is accounted for and 35 percent is unaccounted for water (UFW). Of the accounted for water, public taps consume 5,000 mlm (30 percent), while domestic consumption totals 8,900 mlm (55 percent). Defense, nondomestic, industrial, and railways consume the remaining 15 percent. Similar figures apply for recent years. See also Sastry, G.S. (2004). *Urban Water Supply and Demand: A Case Study of Bangalore City*. Institute for Social and Economic Change, Bangalore.

<sup>17</sup> Applications forms cost around US\$1.3, but this varies as NGOs might charge a small margin. A house with an area of 150 sq ft is now required to pay only the meter cost of US\$12.2; houses measuring between 151 and 600 sq ft pay US\$17.7; and houses larger than 600 sq ft pay US\$38.6.

<sup>18</sup> The bill was lowered in part by taking into consideration actual slum consumption patterns. Under the old tariff structure, the first slab for minimum payment was 15 kilo liters (kL). Most slum dwellers consumed around half this amount. The new tariff's minimum first slab is now only 8 kL, reducing the minimum bill by about half including sanitary charges (US\$1.6 as compared to US\$2.5). This benefit has largely accrued to the poor since wealthier households consume more than 8 kL, above which slab the water rate has actually increased.

<sup>19</sup> The proposal developed in 2002 by the AusAID project team for scaling up slum improvement, *Kaveri Agamana*, was further developed in 2004 by Tata Consulting on commission from BWSSB for circulation to donors.

## Mobilizing communities

The BWSSB also created a Social Development Unit (SDU), headed by a senior social development specialist, with the broad mandate to continue working in slums. By early 2005, SDU had begun work in an additional 46 slums, approximately 30 of which were receiving regular water supply by mid 2006.

When SDU initially targets a community, it first runs a series of lengthy meetings with residents to inform slum dwellers of the new possibility of connecting to the piped network, and to determine the demand and support for the various connection options being made available (individual, group, no improvement, disconnection). It also interacts with community leaders and NGOs to mobilize them to garner commitment and funds required to convert slum dwellers into BWSSB customers. This is done with the assistance of a community representative who serves as the community 'voice' in negotiations with BWSSB, and in close collaboration with maintenance staff from its field offices.

However, the process of locating or establishing these can be tricky. Since SDU has no budget to formally appoint a representative, it has generally been whichever NGO happens to work in a slum for free. (Contrarily, under the AusAID pilots, BWSSB created a dedicated water and sanitation — WATSAN — committee in each slum. It also appointed and paid for the services of one NGO for each of the pilots to help with community mobilization.)

After the community makes its decision, SDU conducts site visits with local NGOs and residents, usually represented by active community leaders. It then repeats the site visit with the engineers from BWSSB's local service station. After this, it ensures that all

necessary street-level infrastructure is in place — either through the Package Program, or through minor extension works from nearby mains. Fourth, it issues application forms to the community, either directly or through the NGO. Fifth, slum dwellers must complete the application forms and submit payment for connection fees to the NGO or directly to the concerned engineers, usually in batches of 50 applications at a time. Sixth, engineers issue meters and sanction plumbing work to connect slums directly to the street-level pipes, usually only after at least 50 percent of the slum has paid. Finally, a trial run of water is conducted. Subject to satisfactory completion of this supply chain, the engineers begin distributing water to the slum and start the process of monthly billing and collection.

From this experience, it is clear that the 'the point of service delivery' can further be broken down into many constituent parts, a series of transactions which must be completed for services to be delivered and then sustainably maintained.

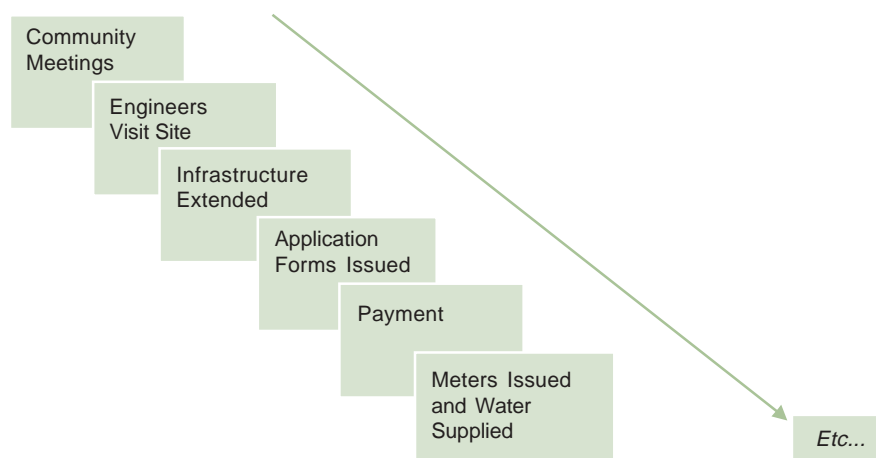
The SDU has sped through the supply chain in a matter of weeks for some slums, while it is still 'stuck' in a given node, usually one of the earlier nodes, for other slums after many months. On average, the process to the point of connection and initial water supply takes a couple of months given the current staffing of SDU.

## Financing

The financing and budgeting implications of the program to date have been minimal, since it has provided the opportunity for BWSSB to connect slum dwellers to piped supply with very little investment or financial risk. Individual slum households are expected to bear the costs of individual meters through the connection charge as well as the costs of plumbing and piping to the house

## The 'Package Program' has improved water supply to slums.

**Figure 1.1:**  
**Nodes of Engagement in Water Service Delivery to Slums**



on their own. Frontline service station engineers only have to draw on discretionary maintenance funds to build linkage pipes or improve water mains and underground drainage in other minor ways. Moreover, because area budgets are not ring-fenced, revenue from slums does not need to cover any of these minor costs associated with slum work.

The only real resource constraint is availability of water to actually service the lines in a city with increasing water scarcity. But again water supply is not bulk metered or ring-fenced within the maintenance division, enabling local engineers to supply slums irrespective of revenue collected. Finally, all domestic consumption is highly cross-subsidized so the poor do not receive any particular subsidies with respect to actual water supply that differentiate them from other customers.<sup>20</sup>

### Revenue targets

Starting in 2000, BWSSB has gradually upped its revenue collection targets so as to improve its financial position, and has exerted strong pressure on its Maintenance Division — which collects user fees — to expand the number of legal connections and improve collection efficiencies. Earlier, the Division monitored monthly revenue collection by way of a Demand Collection Based System (DCBS), which assessed inflows according to a set of targets specified for each field-level service station. In the DCBS system, the Division's Chairman and the Chief Engineer set targets, and revenue collection was simply meant to match 'demand'.

Now, BWSSB has begun to realize that each new slum connection is a source of revenue and that slums present

<sup>20</sup> The total production cost of water supplied in Bangalore is Rs. 16 per kL, but the tariff for the lowest domestic slab is only US\$0.3 per kL. Under the revised tariff, the rate approaches cost recovery above a monthly consumption of 25,000 liters, but only covers full production costs for domestic consumption over 50,000 liters.



a new and largely untapped customer segment, frontline engineers are being pressured to proactively respond to requests from the urban poor. (This is also because SDU noticed that engineers tended to respond more proactively to requests for assistance, when they had financial pressures to do.) As a result of the increasing revenue targets, slum connections increased at an unexpected rate.

### Outcomes

From BWSSB's perspective, the Package Program has increased both its consumer and its revenue base, regularized illegal connections, and reduced the consumption of nonrevenue water through public taps. From beneficiary slums' perspective, it has provided an alternative supply of better quality, enabled direct communication with service providers, and recognized residents as legitimate urban citizens and consumers.

### Water connections

On average, 65 percent of households in the beneficiary slums have been connected, though the range is anywhere from 5 to 100 percent and the sizes of these connected slums vary from 48 to 1,870 households. Since the completion of the Package Program in late 2004, almost all of the 46 slums now have water lines although many of these lines are not being serviced regularly. Where lines are being serviced, slum dwellers may have made their own arrangement with BWSSB and local politicians to connect to the network. Slums in the older wards already had access to water through a combination of legal and illegal connections and public taps. Therefore, of the remaining 20 slums, many have also obtained water connections without the direct involvement or knowledge of SDU.

The poor were approached as distinct and legitimate customers for the first time.



Significant opportunities were created for civic engagement, which has continued to expand.

#### Box 1.1: Key Learning

The ground-level involvement of NGOs and slum residents was instrumental in shaping the Program. It came to life through the pushing and pulling of supplier needs and customer demands, which triggered a process of informal consultation in which policies were tested in the field and evolved in response to consumer feedback.

### Client power

Although the Program was initially supply-driven, it created significant opportunities for civic engagement with communities and NGOs who in turn have enlarged this institutional space. Now that BWSSB is supplying services directly to slum communities, residents have begun to express and exert their own kinds of client power on the provider, particularly the frontline staff. After the choice of improvements is made, SDU monitors a series of steps that must be completed before water is ever delivered to a slum. These steps can be thought of as a sort of 'supply chain' of procedures or transactions.

The value of 'client power' lies not only in its impact as measured by the number of new slum connections but also in its spillover effects. In Bangalore, the impact of client power for the poor has been able to force meaningful policy changes. The process of creating institutional space for client power has empowered the beneficiaries themselves, and the development of a direct relationship between the slum and the provider has minimized the harmful effects of clientelism and political interference.

### Critical Success Factors

#### A new approach to the poor

The Package Program, for the first time, treated and approached the poor as a distinct customer segment, both in terms of documentation requirements and of connection and user fee level and structuring.

#### Engineer buy-in

Engineers' willingness to supply new connections has, together with effective client power, been a key success



factor in those slums with the highest number of connections. Compliance with SDU expectations is not a benchmark for engineer performance, and — in fact — SDU initially had to rely a great deal on 'goodwill' from BWSSB engineers to provide time-consuming technical and management support in the slums.

Engineers that have displayed a willingness to supply slums (as demonstrated by a successful program in at least one slum) exhibit a combination of the following personal characteristics:

- knowledge of the slum program at BWSSB;
- access to SDU to aid in mobilization and mediation;
- praise and recognition from superiors upon completion of slum work;
- personal affinity to work in slums through public service motivation;
- personal conviction that BWSSB has a basic responsibility to supply slums; and
- personal conviction that slum dwellers will pay.

Engineers' willingness also relates to the financial and water supply status of the service stations they represent and tend to have:

- plentiful water supply or at least no acute scarcity;
- a large gap between monthly revenue targets and current demand;

- a higher concentration of domestic connections; and
- pressure from superiors within the subdivision to regularize illegal connections.

However, without effective community mobilization and client power, that willingness to supply is not translated into actual connections to the utility's network.

### Responsible and engaged brokers

Without a responsible and engaged broker, the process of connecting slums proceeds slowly, encounters more resistance, and is liable to flounder. Client power is channeled through these brokers and their strength and commitment has been critical to the success of the Program. An active community in which only half of the households connect to the network can wield the same degree of client power as another community in which all households connect – with a strong broker.<sup>21</sup>

Brokers are the third parties who negotiate the direct relationship between slum customers and the utility. They can be the NGOs, community organizations, individual community activists or even SDU itself. They also serve as the primary contact person(s) for engineers encountering an entire community for the first time. They distribute applications, encourage residents to connect, appease angry politicians wary of severing the coveted long route to accountability, convert opponents into supporters, collect connection fees, submit applications, channel complaints, and serve as the primary contact person for engineers encountering an entire community for the first time.

<sup>21</sup> Client power has not been measured here in any rigorous way. Field observations suggest that in future studies, client power could be loosely categorized as low, medium or high, according to a set of carefully designed indicators such as ease of access to the area engineer, involvement in informal consultation, diversified use of complaint redressal channels, etc. This case study discusses client power more generally as strong or weak.

Engineers have been more responsive to brokers, WATSAN committee members, and community leaders who pay repeat visits than to individual complainants.

Brokers are particularly important in terms of grievance or complaint redressal. Most members of a slum community will not go directly to area engineers with a complaint. They channel their complaints first to the broker, who then approaches the engineers and registers the complaint. Resultantly, almost all complaints originating from slums are delivered in person at the service station or to frontline staff on site, such as meter readers during billing visits or valve men during operations. Engineers, in turn, have been more responsive to the brokers, WATSAN committee members, and community leader who pay repeat visits and have developed a rapport with the service station, than to first time complainants from an individual household.

### Strong driver for BWSSB

The extension of main lines to slum areas entailed a strong risk that slum households that could not afford to connect to the pipes through individual connections would have an exponentially expanded chance of securing access to water through other means, such as public taps, donor projects, political interference or illegal connections. This acted as a strong driver to BWSSB to consider working with slum dwellers in part to avoid a rush on illegal connections or demands for yet more public taps.

### Slow speed of roll-out

One of the strengths of the Package Program is the organic manner in which it developed and, quite strangely, the fact that its milestones were never clearly defined. Resultantly, SDU was able to focus on mobilizing stakeholders rather than on meeting output-oriented targets set by senior BWSSB management. This

### Box 1.2: Other Key Lessons

- The Package Program underscores the merits of external projects, such as pilots, to move providers out of a low-level equilibrium trap. Initial thrusts to shake the status quo were externally driven (by AusAid and international donors) and certainly accelerated BWSSB's internal willingness to experiment with slums. Successful pilot projects can build acceptability and legitimacy for new service delivery approaches, both within the service provider and among external constituencies, such as users, politicians and government officials.
- Additionally, while BMP's funding cut for public taps provided a key 'push' for the Package Program, its willingness to underwrite part of the capital cost for this made slum connections a low risk proposition for individual engineers.

unwittingly enabled innovation and close engagement with stakeholders without demanding targets to show the program was working. It also enabled SDU to experiment with methods to mobilize slum communities and, even more critically, to engage field-level engineers. Additionally, it gave SDU time to convince BWSSB engineers of the merits of the approach and brought them on board as reformers themselves. (Empirical research has shown that this kind of emphasis on process-driven over output-oriented development increases motivation and workplace performance of agency staff.<sup>22</sup>)

<sup>22</sup> See Tendler, J. (1997). *Good Government in the Tropics*. Baltimore: Johns Hopkins University Press.

Many points of utility-client engagement: Finally, the Program's slow start and laborious planning 'supply chain' approach enabled slum dwellers to enter policy setting and service delivery as active participants. While, on the one hand, multiple nodes of engagement can mean that supplying water to a given slum can take a very long time and stall at a particular node, if the stakeholders involved resist moving to the next point in the chain; on the other, it forced an ongoing involvement between utility and clients. This has built a utility-slum relationship that has enabled slum residents to exert both voice and client power.

### Limitations

While SDU had hoped to connect 10 percent of Bangalore's slums through the Package Program, only some 5 percent have as yet been connected. Moreover, BWSSB still has a long way to go in connecting each of the 400 slums in the city. Key challenges are:

#### Limited institutional 'buy in'

SDU remains understaffed and underfunded, and the Program is not well advertised. As yet, BWSSB's senior engineers are not fully committed to the procedural and operational changes that would be required to step up the Program to a citywide scale. Resultantly, the client power relationship between slums and frontline staff remains limited. In an organization which takes great pride in large engineering projects, servicing the poor does not elicit a lot of enthusiasm.

However, given the attention that the Program is receiving from the international donor community and from other water boards in India, BWSSB management is beginning to recognize both the Program's intrinsic and public relations benefits. For example, the BWSSB

2003-2004 Annual Report devotes an entire section to the Program, hailing it as "imperative to replicate [the pilots'] experiences to the best advantage of BWSSB to increase its consumer base and broaden the revenue base."

#### Absence of specific pro-poor policy

BWSSB continues to operate without an explicit policy on poor consumers. Although there were benefits from the absence of a defined policy during the period that the slum program was being consolidated and developed, a policy is now clearly needed to formalize the Program, form the foundation of a roll-out strategy, and ensure organization-wide compliance from senior managers and frontline staff.

Additionally, current incentives to frontline staff and engineers to engage with the poor are still weak. Apart from the unintentional effects of revenue targets, there have been no direct incentives or targets given to engineers to work in slums. This, in combination with very limited staff at SDU, means that intra-organizational variation in outcome is high. Some engineers have encouraged thousands of new connections in slums, while other divisions retain the laissez-faire attitude that prevailed before reform.

#### Dependence on NGOs

The Program's heavy reliance on NGOs as intermediaries between the utility and slum residents is a serious weakness. Without an active agenda for self-reliance, NGOs run the risk of creating a new dependency for slum dwellers in service provision. Only once client power emerges, and services are in place, are communities able to sustain direct interaction with BWSSB staff and monitor everyday maintenance and

Client power has had a positive impact by reducing political interference in utility operations at the individual slum level, and reducing clientilism.

operations on their own. This leaves communities with NGOs that are weak or at ideological odds<sup>23</sup> with the new Program at the mercy of the old system of accountability, unless they have particularly strong community groups or local leaders of their own.

### No consumer feedback

Initial beneficiaries have not been consulted as to the success of the Program so far and whether their demands are being met. There has been no monitoring of outputs or periodic assessment of the Program to date.

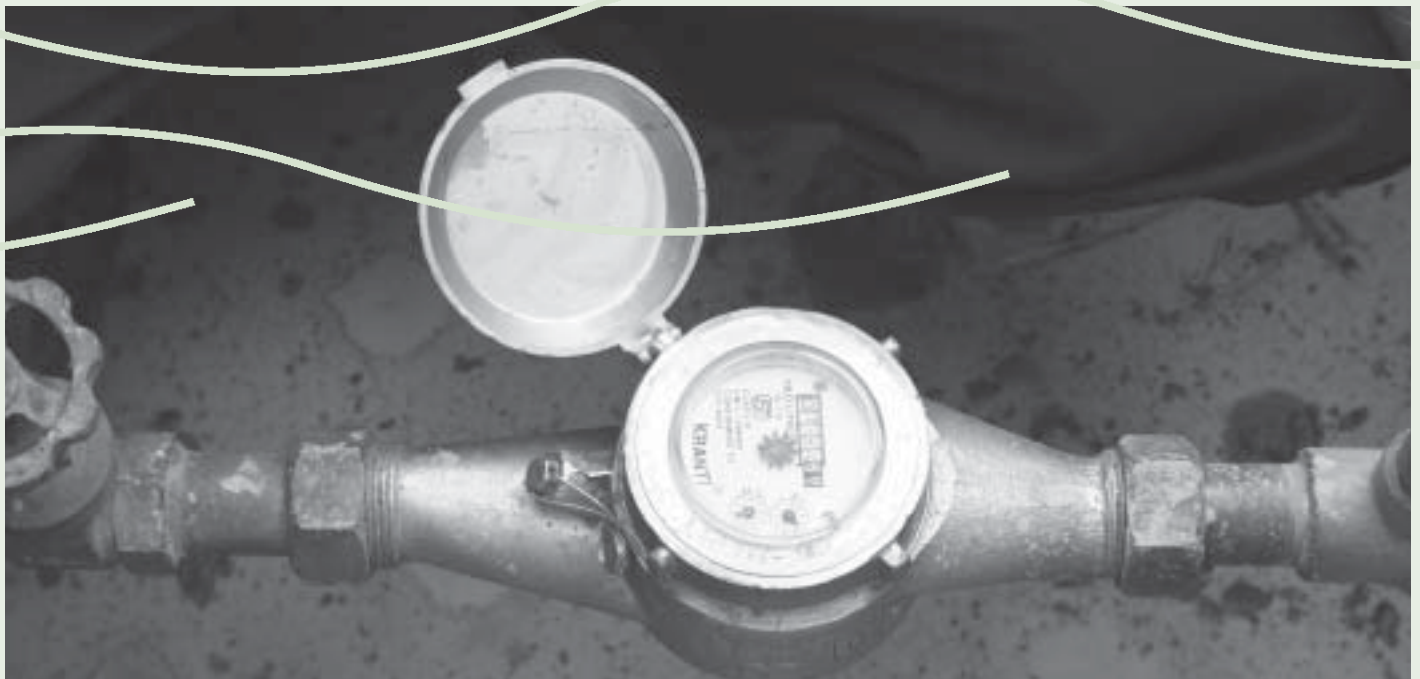
### Varying client power

Mobilized communities' ability to exert 'voice' and 'client power' in their dealings with BWSSB varies greatly in its depth, consistency and quality, depending on the history

of the slum, the nature of residents, the enthusiasm and support of local engineers, the commitment of SDU to that particular slum, and the capacity and support provided by the local NGO or other brokers of a neighborhood deal. In effect, although slum dwellers can opt out, they are under intense pressure to regularize illegal connections, and the choice of service levels offered to them remains limited.

### Accountability to the Poor

As mentioned earlier, BWSSB does not have a formal policy toward the urban poor. However, its drive to increase metered connections in slum communities and to decrease the number of those dependent on free water and illegal connections has compelled a new, more responsive approach to this group. Most importantly, it has had the important corollary benefit of empowering



<sup>23</sup> Many NGOs are resistant to the idea that the poor be made to pay for basic services.

beneficiary slum communities vis-à-vis BWSSB. Now that BWSSB is supplying services directly to slum communities, residents have begun to express and exert their own kinds of client power on the provider, particularly the frontline staff whom they are most in contact with.

### Pricing

Firstly, slum communities themselves have made a real impact on the pricing of water and sanitation services for the urban poor. Within the background scenario of subsidized prices, communities and their representatives have lobbied the provider for a pricing policy which better suits the actual consumption patterns of slum dwellers. They succeeded in persuading BWSSB to do this by monitoring consumption in both slums over several months, and proving that the average consumption for slum dwellers was only 7 kL, an amount less than half the existing minimum first slab of 15 kL. In February 2005, the new tariff structure developed in part around these arguments finally came into effect. It reduced the minimum payment from US\$2.6 to US\$1.6 per month and was explicitly highlighted in the local press as being pro-poor.<sup>24</sup>

### Empowerment

The development of water and sanitation committees, and other kinds of groups to mobilize slum dwellers and represent their demands has empowered the community far beyond the immediate access they have been given to BWSSB. It has given them a confidence they can tap

into when approaching utility staff whom they might otherwise have deferred to. Empowerment has been particularly marked in the case of women. As one woman said, "Each street has one elected member and now we (women) are more daring as community leaders. I used to be just a housewife but now I am discussing problems with government officials." Now, for example, when a linesman demands a bribe for completing work in a slum, women say they feel empowered to refuse payment and summon the local area engineer.<sup>25</sup>

### Reduced clientilism

Client power has had a positive impact by reducing political interference in utility operations at the individual slum level, and reducing clientilism. (Surprisingly, most slum dwellers interviewed felt that elected officials like MLAs and city councilors were supportive of their endeavors to convert to BWSSB connections.) Beneficiary slum dwellers now state that the combination of area engineers, NGOs, and SDU is able to effectively meet their demand, and that they do not need to beg for service delivery from politicians as long as residents are willing to pay the costs associated with BWSSB connections.

### Conclusion

Through an initially supply-driven reform program, BWSSB has made substantial improvements in water and sanitation services for the city's slums. It has also become a model for other utilities trying to improve slum water supply. For the first time, slum dwellers have been treated as a distinct customer segment and have been

<sup>24</sup> Ironically, the slum that lobbied for this change in pricing recently complained to SDU. They are happy the minimum payment has come down, but not content that for those households consuming more than the now 8 kL minimum slab, the rate has actually increased from US\$0.13 to US\$0.2 per kL. This illustrates the extent to which, despite emerging client power, information asymmetries continue, for example with respect to knowledge about how an increasing block tariff structure actually works.

<sup>25</sup> Focus Group with Women's Group members of Lingarajpuram slum, March 10, 2005.

## Multiple points of engagement enable slum dwellers to influence policy setting and hold engineers accountable.

brought into the network through direct contact between the utility and slum communities, with the mediating efforts of a broker. Moreover, multiple nodes of transaction offer critical opportunities for different stakeholders to accelerate or resist actual delivery. This process generates a degree of strength for slum dwellers, enables them to influence policy setting, and holds engineers accountable to deliver and maintain services.

Overall, the sustainability of the initiative is likely to be very high in the long run due to these genuine and irreversible aspects of organizational learning. As the World Development Report 2004 concludes, "Incremental activities — pragmatic improvisation to make services work even in a weak institutional environment — should be used to create more favorable conditions for reform in the longer run."<sup>26</sup> However, perhaps this is where the long route to accountability still plays an important role to go to scale; that is, politicians and policy makers may have to exert pressure on the service provider to see that slums are really prioritized.

However, to scale up the Program, the utility needs to address some key limitations. Among these is the lack

of an explicit policy on servicing the poor, the absence of incentives for its staff to service slums, and an under-resourced SDU. To this end, it should consider the following steps:

- A well-documented, explicit policy on slums and a publicized roll-out strategy, that clearly stipulates the types of connections being made available; the schedule by which new slums will be connected; service outcomes. Additionally, the policy should be arrived at following close consultations with beneficiary groups and community-based organizations;
- Suitable funding and staffing for SDU, and its elevation within BWSSB hierarchy;
- Staff should be familiarized with the new approach to serving the poor, and given clear targets and for improving water supply to the slums; and
- A clear policy for partnering with nongovernmental and community-based organizations in extending water supply to the slums. These expectations should be documented in contracts or memoranda of understanding between the NGO and the utility, particularly if NGO costs are to be reimbursed.

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<sup>26</sup> *Making Services Work for the Poor*, World Development Report 2004, p. 61.

# Case Study 2

## User Contributions in Infrastructure Development in Tamil Nadu

*Abridged from a study by Anjana Mehta*



In Tamil Nadu, the state government has encouraged urban local bodies to work together with citizens to expand sewerage infrastructure in a number of urban areas throughout the state. A highlight of this initiative is that it relies on capital contributions and user fees from citizens, and involves close collaboration between them, their elected representatives, municipal officials, and the state's water and sanitation utilities. The program's rapid expansion — to 64 urban areas in the past few years — attests to its ongoing acceptance and success.



Sanitation has been the most neglected aspect of public infrastructure provision.



## General Context

Tamil Nadu is one of India's most urbanized states, with 44 percent of its population — some 27 million people — residing in urban areas. However, mirroring the pattern seen in the rest of the India, sanitation has tended to remain the most neglected aspect of public infrastructure provision.<sup>27</sup> As yet, few of its 794 urban areas have even partial (as opposed to total) sewerage schemes. According to the 2001 Census of India 36 percent of the urban households in Tamil Nadu have no toilets. Viewed in more detail, only 57 percent of the population in municipal corporations, 32 percent in municipalities and 16 percent in town *panchayats* had access to safe sanitation in 1999.

Water supply has also posed a serious problem. According to the 2001 Census of India, only 86 percent of urban households in Tamil Nadu have access to safe drinking water, and just 44 percent have a water source within their own premises. The per capita availability of water is also low. According to 1999 data, populations residing in areas governed by town *panchayats* received an average of 34 liters per capita per day (lpcd), and those in areas governed by municipal corporations 74 lpcd (which is far below the Tamil Nadu norm of 90 lpcd). Only 24 percent of town *panchayat* households and less than 40 percent of municipal corporation households have individual connections.

Water contamination with fecal matter is a persistent danger due to limited sanitation infrastructure. As a result, Tamil Nadu suffers from a higher-than-national-average incidence of acute diarrheal diseases in districts such as Tiruvannamalai, Ramanathapuram, Vellore, Virudhunagar, and Cuddalore, which have a lower

percentage of households with water source within their premises.

To remedy this situation, the Government of Tamil Nadu has sought to reform the state's water sector. Most notably, and in contrast to most other states, it granted urban local bodies (ULBs) the freedom to raise water charges as necessary. In some cases, it has allowed limited private sector involvement (for instance, some municipalities contract specialized companies to maintain their water treatment facilities).

At the same time, it has (post 2001) modified its state urban policy, so as to reverse the concentration of urban infrastructure investments in large cities at the cost of small and medium towns. The objective is to check the large-scale migration into metropolitan areas that has accompanied the state's big city skew, by focusing concerted on the development of small towns and less urbanized *taluks*. One of the key reforms in this respect is the expanded operational and financial autonomy given to the state's ULBs through the Urban Local Bodies Bill (Box 2.1).

The reforms were both guided and bolstered by similar policy shifts at the Central Government level. Realizing that poor water and sanitation services pose a serious civic and developmental problem throughout India, the Government of India (GoI) significantly stepped up outlays for the expansion and improvement of urban water supply and sanitation systems in the 10th Five Year Plan, and pushed state governments to boost such services in cooperation with ULBs. Concomitantly, the Planning Commission — concerned by ULBs' poor financial state, due, among other things, to heavily subsidized public services — has been goading state/

<sup>27</sup> According to Water Aid, an NGO active in Tamil Nadu, India faces the "silent emergency of sanitation neglect."

The Tamil Nadu Government devised a sewerage development strategy that would require ULBs to work in partnership with citizens.

**Box 2.1:  
Reforms in the Legislative Framework**

The new Urban Local Bodies Bill introduced major reforms in the legislative framework regulating the functioning and financing of ULBs. It allows ULBs to enter into public-private sector partnerships in the delivery of urban services. The new Bill also provides for a more rational basis for assessing property values using an area-linked valuation system. Taxation of vacant land has been provided for. Municipalities have been empowered to disconnect water supply in the event of non-payment of property taxes. The Bill also allows ULBs to borrow money through debentures by raising monies from banks, financial institutions and other agencies. In the event of default, grants may be intercepted to repay the loan. The appointment of a separate audit agency is provided for.

local governments to begin to foster support for user fees among their citizens. Additionally, it has been prodding them to undertake reform in a number of areas, including greater consultation with ULBs on user charges, property tax, octroi, and improved performance from water supply and sanitation parastatals, and has created special 'incentive' funds<sup>28</sup> to encourage ULBs to become viable, credit-worthy entities.

Also at the central level, the National River Conservation Directorate has been granting funds to states

undertaking pollution abatement works, including sewerage schemes, on the condition that 10 percent of the capital costs be raised from public contributions. Twenty-one cities in Tamil Nadu are already availing of such funding, since the state was allocated one-third (US\$225 million<sup>29</sup> out of US\$690 million) of all national river conservation funds under the Ninth Plan.

Finally, World Bank has been involved in urban sector reform in Tamil Nadu since the 1980s. Its projects have focused on enabling and empowering ULBs, improving water supply and sanitation services,<sup>30</sup> and spreading the idea that infrastructure services must meet their own costs to be sustainable and well-performing in the long run. Among other things, it has helped the state Government of Tamil Nadu establish a Municipal Urban Development Fund — now known as the Tamil Nadu Urban Development Fund (TNUDF) — to access infrastructure finance from the capital markets. It is the first joint public-private financial intermediary in India to have no recourse to state government guarantees. Since TNUDF on-lends its funds to Tamil Nadu's ULBs, they are now under increasing pressure to become more financially responsible.

### Specific Context

Concerned by the health impacts of the state's inadequate sewerage and water system, the Department of Municipal Administration, Government of Tamil Nadu, in 1997-98, decided to significantly expand the existing sewerage network. However, the poor state of central and state government finances limited the quantum of funds it could access from public sources. The Tamil Nadu

<sup>28</sup> Leading among these are the City Challenge Fund and the Pooled Finance Development Fund.

<sup>29</sup> Conversion rate is US\$1=Rs 45, as per September 2006 exchange rates.

<sup>30</sup> Tamil Nadu Urban Development Project has been intimately involved in the sewerage initiative as it evolved, and may have itself acted like a 'champion' institution, setting the goalposts, then helping ULBs reach them.

### **Box 2.2: Namakku Naame at Work**

The sewerage initiative has its roots in the state's 'Self Sufficiency' — or Namakku Naame — scheme. Under it, rural and urban communities can request essential infrastructure — including a park, road, burial ground, water supply, and so on, and so forth — by paying about 25 percent of the capital costs upfront. This contribution may also be paid by a few wealthy domestic or commercial consumers, or from municipal funds. The remaining 75 percent is met from a grant from the Tamil Nadu Government. The scheme also allows for the improvement and maintenance of existing infrastructure.<sup>31</sup>

While the underlying philosophy of the 'Namakku Naame' scheme is that development has to be self-generated, self-organized, and self-sustained, it was presented to local communities as a way of getting faster access to the infrastructure they needed. Some of the infrastructure built under this scheme includes:

- In Kulithalai, Karur District, people contributed 25 percent of the cost of renovating a burial ground.
- The KVB Nagar Welfare Association in Inam Karur Town Panchayat contributed one-third of the cost involved in bringing roads and streetlights to their area.
- In Salem, an urban community contributed US\$225,000 to construct a US\$890,000 surgical ward in a local hospital.
- A Chennai community constructed a library and a community hall.

Government thus devised a sewerage development strategy that would require ULBs to work in partnership with citizens, so that these two groups might together defray a larger part of capital and project costs. Not only would this relieve the financial burden on the state government, it would also ensure that infrastructure expansion would not be held hostage by the fiscal fortunes and shifting priorities of the state treasury.

The very first sewerage project under the new initiative was launched at Alandur, known as the 'Gateway of Chennai' due to its proximity to this metropolis. The shortage of ULB funds had compelled Alandur's innovative local political leadership to find alternative means by which to finance needed development works. They were able to successfully sell the idea of a sewerage system (part-financed by user contributions) to the city's residents. Living so close to Chennai, which presented a benchmark in terms of basic service

### **Box 2.3: Before the Sewerage Scheme**

In the year 2000, 95 percent of the 25,000 houses in Alandur had latrines with septic tanks. As municipality tankers were insufficient to empty the septic tanks, private operators routinely bled the residents each time they were called to help. The service fee was so high that many preferred to let the tanks overflow. Given the natural gradient of the area, with many stretches lying below the road level, the service lanes were soon flooded with sewage that finally contaminated the wells. Similar conditions prevailed in other towns.

<sup>31</sup> However, in the related Community Based Environment Development scheme, the municipal share is capped at 10 percent, so that the community is compelled to contribute at least 15 percent.

Communities wishing to avail of the scheme dialogued and negotiated extensively with municipal authorities to lower projects costs and user charges.

standards, Alandur's citizens were receptive to the idea. Alandur's success in launching a sewerage scheme fueled similar demand in neighboring Valasaravakkam, which in turn generated matching requests to the state government from municipalities and town *panchayats* surrounding Valasaravakkam and Alandur.<sup>32</sup>

These early demand-led successes made state agencies confident that the scheme could be replicated in other urban areas. 'Target' agglomerations were selected (many district headquarters among them) and detailed plans, including possible user contributions, drawn up for them. Thus, in the subsequent phase, the initiative tended to become supply-led,<sup>33</sup> though in many cities — Pallavaram, Ambattur and Madurai among others — there are signs of persistent demand emanating from residents, Resident Welfare Associations (RWAs), and the ULB itself. Coimbatore, too, has shown signs of strong demand, as it has stayed on course for more than five years to negotiate a sewerage scheme on its own terms, even though there has been a minimal grant component available.

### How Does the Model Work?

The project is currently ongoing in 64 urban areas in Tamil Nadu.

Although the idea of the project was initially mooted by the state government, it is the ULBs that drive it operationally. They do this in close coordination with the

Tamil Nadu Water and Drainage Board (TWAD) and/or Metrowater. (While TWAD is responsible for building water and sanitation infrastructure throughout Tamil Nadu, Metrowater services only the Chennai Metropolitan Area.) Both sets of actors — ULBs as well as these two parastatals — report to the Tamil Nadu Government's Department of Municipal Affairs.

Once a ULB decides it is interested in launching a sewerage scheme (often encouraged by the state government and parastatals), Municipal Councilors sell the idea to their constituencies. They rely heavily on local RWAs to do this. Citizens are briefed about the merits of sewerage systems vis-à-vis septic tanks, including improved groundwater, reduced mosquito and smell problems, and a rise in property values due to environmental improvements. Similar messages are put out in pamphlets, the print and electronic media, and localized public announcements are made in target neighborhoods. As time goes on, other strategies may come into play — such as, implied messages that those not joining the scheme may be denied some services by ULBs, or that those joining after the cut-off date may have to pay a higher deposit.

Once communities in an urban area have decided that they want to avail of the scheme, an intense process of dialogue and negotiation ensues involving local elected representatives, ULB officials, and the relevant parastatal. This includes a detailed discussion of how project costs might be brought down, and the benefits of

**No differential rates are generally designed for the poor, since it is assumed that those who cannot pay will use public toilets — also provided for under the scheme.**

<sup>32</sup> We see evidence of demand for sewerage schemes from various urban areas such as in madhavaram and Ambattur municipalities. In Madhavaram such demand began to be expressed by residents in 2002. The ULB made a proposal to Metrowater in this regard and the issue figured in council discussions.

<sup>33</sup> Opposition to the idea of collecting contributions from the public, persisted through several stages of the project even as it is ongoing. In some other cities, there is a less ownership for the initiative from the ULB. Karur, Thanjavur, Tirunelveli are examples of these tendencies.

self-financing versus loans. A similar process of negotiation begins between state agencies, ULB, and RWAs with respect to the quantum of deposits, sewer connection charges and monthly sewer charges to be required from participants.

### Monthly sewerage charges cover maintenance costs

The parastatals oversee the construction of the physical infrastructure, which is then handed over to ULBs to operate. The contractor used to build the infrastructure is responsible for maintenance during the first year, and may or may not be reappointed depending on performance. In most cases, ULBs continue to contract out O&M, even after the first year.

## How Is the Scheme Financed?

### Average project costs and sources of funds

The average cost of each project is US\$11 million per urban area.<sup>34</sup> ULBs bear an average cost of US\$3.5 million (or 26 percent of capital costs) and users contribute an average of US\$2.2 million (or 16 percent of scheme costs).<sup>35</sup> However, the percentage of actual public contribution varies widely — from 0 percent in Kodaikanal and Mayiladutharai, to 47 percent in Valasaravakkam. To finance capital costs, ULBs often supplement their own resources with loans from state financing institutions, such as the Tamil Nadu Urban Infrastructure Financial Services Limited and the Tamil Nadu Urban Finance and Infrastructure Development Corporation, and national finance institutions such as

### Box 2.4: Capital Contributions

ULBs minimize the loan component in this scheme by using capital contributions from property tax assesses to defray part of the capital costs. Each city makes its own decisions vis-à-vis the contributions from participating households. In other words, there is no standardized norm across the state.<sup>36</sup> The amount has to be negotiated and ratified by ULBs, state government, and RWAs. This departs from traditional practice in which the government defrays such capital investments by imposing a flat rate per property across the benefiting areas.

HUDCO and the Life Insurance Corporation of India.

The Gol and the Government of Tamil Nadu also provide supplementary grants. In 21 of the 64 participating urban areas, up to 70 percent of scheme costs are being financed by grants from the National River Conservation Directorate (Gol), which provides money for water pollution projects. ULBs have also raised funds from World Bank-financed grant component of the Tamil Nadu Urban Development Fund.

### User contributions

ULBs collect capital contributions from the public in two installments — 50 percent before the state government releases funds for the project, and 50 percent during

<sup>34</sup> Average drawn from the experience of 24 agglomerations for which detailed cost data is available.

<sup>35</sup> Based on data from 15 and 13 cities, respectively.

<sup>36</sup> There is an effort under World Bank-financed Tamil Nadu Urban Development Project-III to evolve such a norm.

Chennai is the only city in which users, both rich and poor, have not been asked to contribute to capital costs.

### Box 2.5:

#### Notable Exception: Chennai

Chennai is the only city in which users, both rich and poor, have not been asked to contribute to capital costs. The city has a large slum population, with individual residents occupying land that they cannot legally invest in and upgrade. Even where unauthorized settlements can be regularized, the process is protracted and networked infrastructure can only be gradually extended to them. Affordability does not appear to be the primary reason that users have not been asked to pay, since 66 percent of slum households already have toilets and 56 percent have sewer connections.<sup>37</sup> Nonetheless, apparently for political reasons, the government has ordered Metrowater to provide sewer connections to slum families at a notional fee of US\$2 for a sewer connection (although the actual cost is US\$87 to US\$100 per connection).

Among the other reasons cited for Chennai's departure from the user-financed model are:

- adding more users entails only peripheral costs, since the city's sewerage infrastructure was put in place a long time ago;
- Chennai assesses pay a higher property tax rate than other towns, thus covering capital costs; and
- as a prominent city and the capital of Tamil Nadu, it receives large amounts of financial aid.

implementation. Users also separately pay for sewer connections as well as monthly sewer maintenance charges. The monthly charges are designed to cover the actual cost of maintenance. The capital costs for the scheme include the O&M costs for one year. Since public contributions are the smallest component (and are generally used to service part of the external finance cost), ULBs make every effort to keep the loan component as small as possible.

The average contribution per household is about US\$142. It may range from US\$33 to US\$445 depending on the value of the property in cities which have used this system for determining the amount of contribution to be paid. In other cities, with fixed contributions across all categories of users, the range is from US\$111 to US\$266. Commercial and industrial property tax assesses generally pay double.

#### Monthly sewer charge

The average domestic monthly sewer charge is US\$3.5, though it ranges from a low of US\$0.66 to a high of US\$11<sup>38</sup> The average monthly sewer charge for commercial properties is US\$9<sup>39</sup> and the average monthly sewer charge for industrial properties is US\$12. Commercial charges themselves are 2.5 times that of domestic charges, and industrial charges 3.5 times.

#### Outcomes<sup>40</sup>

The public participation component has triggered an expansion of sewerage schemes from 14 (out of a total 794 urban areas across the state, excluding Chennai) to

<sup>37</sup> 2001 Census of India.

<sup>38</sup> Based on data from seven cities.

<sup>39</sup> Based on data from four cities.

<sup>40</sup> The discussion of outcomes is based on a detailed study of three urban areas in different districts, each belonging to a different class of ULB — one a town *panchayat*, another a small municipality and the third a larger, 'Special Grade' municipality, and to review of recent academic and public literature on the project.

64 urban areas.<sup>41</sup> Moreover, the project gives equal attention to small as well as large agglomerations.<sup>42</sup> The scheme is in active operation in one-third of all the areas covered, and in the investigation/drawing board/negotiation stage in the other two-third areas.

TWAD is implementing/coordinating the scheme in 50 out of the 64 urban areas, while Metrowater is doing so in 11 areas. In Tiruppur, the New Tiruppur Area Development Corporation Ltd. — a special purpose vehicle — is implementing the scheme.

The Tamil Nadu Government intends to gradually expand the scheme to the entire state, once its success has been proven.

### Empowering ULBs

This is one of the first schemes in India to put ULBs at the center of planning, implementation and maintenance of networked infrastructure even if there are some limitations as of now. In this sense, it de facto addresses the widespread concern that initiatives for local development rarely come from ULBs, who are insufficiently consulted on user charges, property tax, octroi, the optimal role of parastatals in water supply and sanitation services, etc.

### Empowering users

Since the official sanction for the sewerage system of a city is preceded by actual collections of deposits from users, users are part of the decision on whether their city needs such a system and how much it should cost. For this reason, there is widespread public knowledge of and understanding about the scheme. On successful

### Box 2.6: Public Participation Propelling a More Rapid Spread of Sewerage Infrastructure

Self-financing by ULBs and the public is propelling greater and more rapid investments in basic infrastructure in Tamil Nadu.

The scheme's most noteworthy feature is that it marks the first time that local bodies within a state have undertaken such a large number of sewerage projects simultaneously. Innovative forms of financing enable the program to expand organically in response to demand, and to provide at least small towns with total sanitation coverage. By contrast, erstwhile sanitation initiatives in India have only sought to cover a few areas at a time, leaving health risks in others unaddressed.

completion, users, municipal councilors, and municipal officials exude pride and confidence in having successfully achieved a challenging, almost unattainable, service for their area. Additionally, with all users defraying the cost of infrastructure equally, influential consumers are not able to divert it to their own benefit as often happens elsewhere.

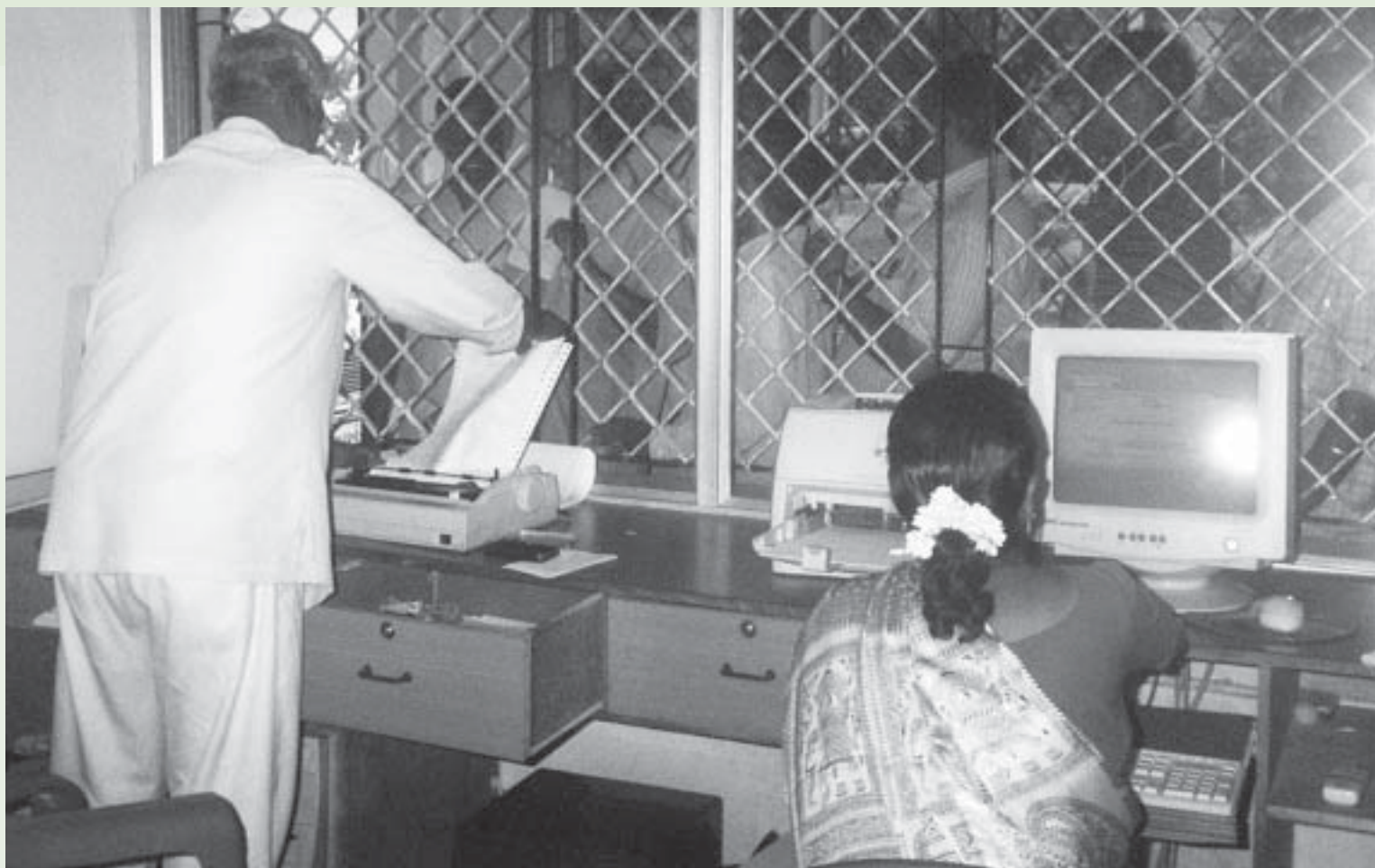
### More serious study of costs

Since there is considerable debate on assessee contributions and their relationship to total project costs, the elected representatives who make the decision about the loans to be taken by ULB tend to exercise

<sup>41</sup> This includes five municipal corporations, 50 municipalities, and nine erstwhile town *panchayats*.

<sup>42</sup> 26 of the urban areas in which it operates have populations of less than 100,000, and 13 have populations of between 100,000 and 200,000.

Public scrutiny of project structure and timelines has led to greater cost accountability from elected representatives and municipal authorities.



responsible financial planning. For instance, the state government has responded to ULB requests to re-cost the scheme, in some cases even modifying the engineering design to reduce costs. This kind of accountability on costs has only been seen when a ULB takes charge of a scheme and effectively engages with all its aspects, including user contributions. When the state government takes the lead for a particular scheme, such responsiveness to users has not been evident due to the administrative distance between them.

#### **Collaborating with the contractor**

Additionally, the collection of user contributions has tended to put pressure on both the elected representatives and municipal functionaries to ensure that the project is completed in a timely and quality-conscious manner. Alandur's and Valasaravakkam's ULBs, for instance, interfaced directly with the contractor on a regular basis. They have pressurized contractors to limit works to one ward at a time so that these may be

**The design of the scheme also ensures that sewerage investments will be made only if local bodies and the public consider them priority enough to invest significant amounts of their own funds in them.**



quickly completed. All households in the ward are informed about impending works and their duration. A citizens' committee is set up to monitor the quality of work, including safety aspects, and regular meetings are scheduled with the contractor.

It must be noted, though, that this pattern was not seen in Thanjavur — where users and ULB together contributed only 32 percent of project costs, as opposed to 91 percent and 74 percent for Alandur and Valasaravakkam. Here, ULB liaised only with the state agency, TWAD, and not with the contractor engaged by it.

### Rise in property values

Property values have reportedly increased as a result of the sewerage scheme.

### Success Factors

Despite pockets of reservation on the issue of user fees, the scheme has succeeded in invoking strong demand and continuing political acceptance throughout the state. A number of factors have been crucial to its attaining this level of credibility:

#### A strong set of incentives for each stakeholder

Each set of actors had a strong motivation to ensure the success of the scheme. Users wanted improved sanitation services, a better environment, and a rise in

the value of their property.<sup>43</sup> They also did not want to risk being denied a water connection should they not participate. Municipal councilors felt they could claim personal credit and draw political mileage from their role as initiators of the scheme. ULB officials and the Government of Tamil Nadu both saw it in their interest to have an expanded sanitation network to show. TWAD and Metrowater got more infrastructure work to do than ever before.

### ULB commitment

The spearheading role that ULBs have played in moving the scheme forward is a key element in its success — most especially as they have engaged with the public directly and not depended on external resources, such as consultants and NGOs. For this reason, ULBs cannot escape from the weight of public opinion because they have actively engaged with informing and convincing the public. Finally, the methods of engaging with the public are those that fit with ULBs' existing institutional arrangements, so can last over time without external inputs or support.

### Resident Welfare Associations

RWAs have played a key role in fostering user demand for the scheme, and in maintaining pressure to move the initiative forward. Not only did they spearhead deposit mobilization, they also monitored construction and forwarded complaints to ULB, including on the need to better manage roads during sewer installation.

**Most importantly, the protection of groundwater quality was a shared concern among all stakeholders, since the shortage of piped water has caused handpumps, tubewells and wells to become the primary source of drinking water for large segments of the urban population.**

<sup>43</sup> The Chairman of Alandur Municipality said that a 'Ground' (measure of land) now cost US\$11,110 in Alandur after the sewerage scheme was nearing completion.

Public support and user contributions were quickly mobilized due to the scheme's innovative and concerted communication strategy.

### The communication and mobilization strategy

Public support and user contributions were quickly mobilized due to the scheme's innovative and concerted

#### **Box 2.7: Psychological Underpinnings of a Public Communication Strategy that Worked**

- The fact that everyone in the town was targeted was important. For a successful initiative, it appears to be necessary not to create many stages or categories for the project or the public. The feeling 'everyone is in it' has to be overarching, almost a campaign mode, for users not to hesitate to pay.
- The initiative (particularly in its more successful models in Alandur and Valasaravakkam) is designed to make the achievement of a sewer system a high priority not just for the town, but for every family. That is achieved by a concerted face-to-face and public media campaign.
- The fact that urban users in Tamil Nadu have uncritically bought the image of sewer systems as a necessary upgradation in their standard of living is very important too. Chennai city seems to have played a large role in setting the benchmark in their mind for this and other civic amenities.
- The underlying feeling that non-payment will result in non-cooperation from ULBs for specific services to specific households is another driving factor.
- Land prices will go up. A very clear positive 'externality' from participating.

communication strategy. As a result, ULBs were able to assuage public fears about unaffordability and to appeal to individual assessee's self-interest (Box 2.7).

The media also played a key role in mobilizing public opinion in favor of the scheme. Both the English and vernacular press consistently reported on the sewerage initiative city by city, at all stages of the scheme. ULB-RWA negotiations about user rates were reported on, details of the scheme were explained, and progress commented upon. Users, and other public commentators were given space to share their views and experiences, including on unattended complaints. In some municipalities, local cable channels were used to maintain dialogue with the public.

Most importantly, there are wider and more sustained discussions around the initiative between the state agencies and ULBs, between ULBs and Federations of RWAs and other stakeholders, and between RWAs and their members (besides ULBs and the public at large), than is usually the case. Public engagement with information on the scheme, and on whether they want to participate in it or not, is attempted in a systematic way.

### Financial health of the ULBs

Another key innovation in the project is that it has compelled ULBs to rely on loans, rather than on government monies. Since these loans have to be serviced, there is a pressure on ULBs to be more financially responsible – and to 'engage' more deeply with respect to the financing, implementation, and operation and maintenance (O&M) of the scheme. In Valasaravakkam, for example, the loan component is 37 percent of the project cost — US\$17 million — whereas the grant component is only 16 percent. The remaining 47 percent of the project cost is being paid by

users. Resultantly, only ULBs in sufficiently strong financial health have really played an active role in this project.

### The existence of precedents

As discussed earlier, Tamil Nadu had, for some years, been home to projects in which public contributions were required, such as the 'Nammake Naame' and World Bank-funded initiatives. Partly for this reason, the sewerage scheme did not provoke resistance from the local political class, which in other parts of India has often sought to gain electoral mileage from blocking schemes in which the poor are required to pay. The fact that the maintenance of sewerage assets can also be taken up under the Namakku Naame, under continuing community participation arrangements, further adds to the political and financial attraction of the scheme.

### Complaints

To help ensure that roads are quickly rebuilt once the sewerage pipes have been laid, and that the system continues to function smoothly, users have been provided with access to a municipal complaint system. The Municipal Office receives complaints over the telephone, in person and by letter, and maintains complaint registers. In better managed initiatives, such as in Valasaravakkam, the ULB head monitors the complaints-handling personally. Ward Councilors also act as a via media to transmit complaints. However, since



**A municipal complaint system has been created to ensure that the sewerage system functions smoothly.**

no innovations/streamlining appear to have been introduced in the Municipal Office complaint systems, they have soon tended to become overwhelmed and less responsive.<sup>44</sup>

**The size of a city or town — whether in population or land area terms — has not been a critical determinant of success in the scheme.**

<sup>44</sup> Per municipality, the average estimated cost of such a complaint system is about US\$22 per day.

The accountability relationship between ULBs/users and parastatals is still very weak because of remote monitoring by state-level agencies.

### The sustainability of investments

Since O&M charges are fixed on the basis of actual costs, ULB and parastatal have, by and large, been able to recover operating costs. Through various measures instituted in the past (including the threat of severing connection for persistent non-payment, etc.), the proportion of revenue receipt to billing has been quite high. Additionally, since ULB handles O&M through contractors, it has been able to carry out contractual refinements to make the service more efficient.

### Wide-ranging political support

All Tamil Nadu's major political groupings continue to support the program. This is partly because large-scale public participation allows for a much larger number of such projects to be taken up within a shorter span of time, which reflects positively on the political leadership as well as the bureaucracy. Senior officials also see part self-financing by users as the only way to expand and sustain services.

### Limitations

#### Insufficient accountability

As yet, the accountability relationship between ULBs/users and parastatals is still very weak. Neither users nor ULBs have any enforcement mechanisms over the parastatals, since monitoring and enforcement are performed only by the state legislature, the audit wings of the parastatals, and the Department of Municipal Affairs. The only manner in which users may pressure service providers is through the 'long route of accountability' — that is, through elected representatives (local or state level), municipal officials, the media, or the courts.

#### Box 2.8:

#### Some Deposit Mobilization Problems

Deposit collection has not been completely smooth, even in those cities in which the scheme has had the greatest success.

In Valasaravakkam, one of the scheme's 'model towns', users had only paid 21 percent of the deposit money even a year after the project was announced, as against the 50 percent that was required as a condition to begin implementation. The state agencies even asked the town *panchayat* to return the collected amounts to the public, but the *panchayat* persisted with its efforts. Finally, the ULB requested the state agencies to initiate the tendering process to 'convince' the local population of their intention to implement the proposal. The Municipal Administration Department agreed to float the tenders with a precondition that work orders would be issued only after the deposits were mobilized. Once the tender notice was public, money began to come in. To speed up receipts, the Municipal Office announced that work would first start in the areas which had registered maximum remittance.

Additionally, since the parastatals report to the state government, which monitors physical and financial targets only, there is no concern with collecting/dispersing data on the satisfaction of ULBs/users. Parastatals provide little information to ULBs, much less to users. The only exceptions are routine monthly review meetings with the Municipal Council that are attended by a few citizen representatives.

### **Box 2.9: Consultation with Users**

In its engagement with a large number of cities, World Bank-financed TNUDP-II conducted an extensive consultation process which included dialog with users, RWAs, councilors, and officials, both at ULB and higher levels, on what their priorities for city improvements were. Nearly 75 percent saw improvements to water supply and sanitation as critical priorities. Thus the large-scale investments in water supply and sanitation that are underway have the underpinning of users' priorities in a general sense. This might also explain the relatively greater alignment between users and ULBs on sewerage schemes.

### **Unclear compact**

The compact between users and ULB acting in unison as the 'client', and the parastatal service provider is also unclear – the client has insufficient feedback and control in the preparatory and implementation phase of the scheme. This is the scheme's main weakness and may hurt its continued expansion in the longer term.

### **No continuing transparency**

Even in towns where capital contributions were discussed in detail with the public, there was little or no discussion of sewer connection charges and monthly sewer use charges. As a result, many members of the public were under the impression that the deposit they were paying would take care of all their liability toward the scheme. It was only when it was time to start laying connecting sewers that the connection charges were

announced and discussed. Similarly, monthly sewer use charges were only announced when sewer connections in that part of the city were nearing completion.

Moreover, the intense dialogue with users is not continued in the implementation phase in such a way as to allow them to control aspects that concern them. Neither is the public kept abreast of how project funds are spent as the sewer system is built and operated.

### **No menu of options**

There was no effort to present users with a menu of desirable and possible options for urban improvements in their city which they would like to contribute toward. While the sewerage initiative sells the idea of the scheme to the populace and encourages them to make contributions, it does not really draw users into a discussion of what other priorities there might be for improvements to their areas.

Additionally, the project makes no attempt to engage users or their elected representatives on the following issues:

- whether a sewerage scheme is a cost-effective solution to the environmental issues faced by the town, and whether a centralized or decentralized model of sewerage treatment should to be adopted;
- a detailed plan on how to implement the scheme with the least possible inconvenience to the public, which includes monitoring and ongoing reporting to the public during and after implementation;
- damages to be paid by the contractor, by a defined authority in TWAD/Metrowater, and by ULB, if members of the public are involved in accidents related to the works being implemented;

The scheme is not predicated on the concept of differential rates for the poor, who are supported through a variety of flexible payment options.

- continuing reporting to the public (perhaps twice a year ahead of the property tax due date) on scheme performance, number of connections, per capita waste-water treated, untreated discharges, treatment standards met, O&M costs, user charges collected, etc.; and
- some form of monitoring by citizens/elected representatives of the treatment plant (problems with access to electricity supply, whether treatment process followed as stipulated, etc).

#### Little involvement by qualified NGOs

NGOs appear to have played a minor role in the initiative. Should they have been more involved, they might have been a useful entity in engaging with ULBs and parastatals on the technicalities involved in the scheme, leading to a better public understanding of all the financial and other liabilities involved.

#### Political and administrative issues within ULBs

Although the two main political formations in the state have broadly shown a commitment to the reform process, at a local level their rivalry can affect the functioning of ULBs and the sewerage scheme. Additionally, protracted vacancies in the ULB's top executive positions can create a vacuum in the ownership and implementation of the scheme.

#### Accountability to the Poor

The scheme covers areas that include concentrations of poor residents. Thirty-one of the 64 participating cities have slum populations that average 20 percent of the total population.

Nonetheless, the scheme is not predicated on the concept of differential rates for the poor. Officials cite a number of reasons to explain the scheme's insistence on a non-differentiated rate for the poor. These are:

- the urban poor already pay non-differentiated per unit rates for water and power; and
- exempting or reducing capital contributions for any one category of users will open a Pandora's box and radically slow momentum, at a time when no city has fully completed a sewerage scheme under the new initiative. A vast number of users will claim concessions under one guise or another — ex-servicemen, elder citizens, and the like.

Officials at all levels,<sup>45</sup> however, appear to be conscious of the need to fully include all residents in the scheme area as far as possible. Thus, in some municipalities, families that have been unable to pay have been given the option of taking a loan from the local bank with a nominal interest rate. In such cases, the bank pays the deposit directly to the municipality. Poor users are also given the choice of paying in two installments a year (on the pattern of existing property tax payments). In some cases, poor users have requested ULBs for a further leeway of two months, and the latter have complied. Poor users who cannot afford a connection are encouraged to use pre-existing public toilets, which will eventually be connected to the new sewerage system.

Many poor areas have already contributed to the scheme, and have been connected. In Valasaravakkam, for example, 40-50 percent of the 1,159 'Below Poverty Line' families have paid capital costs for the scheme. However, some municipalities have sent proposals to the

<sup>45</sup> Department of Municipal Affairs, TWAD, Executive and Political heads of ULBs, etc.



government to consider a concessional capital cost contribution rate for the poor, but only *after* the rest of the town has not only paid the deposits, but the sewerage scheme has been fully implemented including connections to individual households. Some ULBs have already worked out cross-subsidized rates for capital costs as well as for monthly sewer charges, based on the annual rental value of the property. Others are pressing the state government to formally recognize differential rates for the poor. It is likely that these rates may be announced when some of the initial sewerage schemes are complete.

Some of the possible rates mentioned in this regard have been US\$2.2 a month, for as many months as required to make the full payment of the deposit, as also a flat one-time deposit/connection fees of US\$2.2<sup>46</sup>/US\$6.6/US\$8.8. A reduced monthly sewerage charge of US\$0.3 is under discussion for BPL families.

### Conclusions

Should poorer users be asked to pay capital costs? The experience from Tamil Nadu appears to say 'yes'. The requirement to charge all users, including the poor, forces

<sup>46</sup> Slum dwellers in Chennai are being offered a sewerage connection now at a one-time payment of US\$2.2. No separate sewer connection charges are being taken.

This initiative has the potential to ensure that nearly all intended beneficiaries take connections as soon as they are available in their area.

the ULB to engage in intense dialogue with residents to make the scheme fit as closely as possible to their needs. Also, users who pay substantial costs are likely to be more vigilant against misuse, including the dumping of polluting wastes and construction refuse into sewers.

This initiative has the potential to ensure that nearly all intended beneficiaries take connections as soon as they are available in their area. Success factors include making ULBs the main driver for the scheme; ensuring that the scheme is demand-led rather than supply-led; and strengthening the compact between ULBs, users, and the parastatals.

In this context, it is essential to introduce some form of accountability between users, ULBs and the parastatals. This might be done by creating mechanisms by which to tie state government funding (including salaries/bonuses) for TWAD and Metrowater to each ULB's rating of their performance in the sewerage scheme in their area. Similarly, a sense of competition should be fostered between TWAD and Metrowater, as the TNUDP is indeed attempting to do. These innovations would compel the parastatals to be responsible to ULBs and users.



# Case Study 3

## Ensuring Access of Urban Poor Communities to Basic Services: Ahmedabad's Experience

*Abridged from a study by Shikha Shukla*

*Parivartan*<sup>47</sup> is an ongoing slum upgradation initiative in Ahmedabad, conceived when Arvind Mills, a leading industrial house, approached the Ahmedabad Municipal Corporation with the intent of contributing up to US\$220,000<sup>48</sup> for improving the living conditions in a few informal settlements located in the mill's neighborhood. Implemented through a partnership between target communities, the urban local body, NGOs and the private sector, the initiative is intended to ensure access of informal communities to basic infrastructure (including individual water supply; underground sewerage; individual toilets, storm water drainage; paved internal roads and by lanes; street lighting; solid waste management; and landscaping) and social services in an affordable and sustainable way. Another ongoing initiative in the city is anchored by a private electricity company, Torrent Power AEC, which provides affordable electricity connections to informal settlements in the city.



The project aimed at creating private sector participation in slum development.

<sup>47</sup> *Parivartan* means 'transformation'. The project is also variously referred to as 'Slum Networking Project'; 'Deen Dayal Upadhyay Yojana (Antyodya); and "Rajiv Gandhi Yojana".

<sup>48</sup> About Rs 10 million (Conversion rate is US\$ 1 = Rs 45, as per September 2006 exchange rates).

## General Context

Ahmedabad, with a population of 3.51 million,<sup>49</sup> is the largest city in the state of Gujarat, and the seventh largest city in India. The city's population is expected to expand to 4.63 million by 2011.<sup>50</sup> Its economy was based on textile production, but the industry's decline during the 1970s and 1980s resulted in the closure of more than half the units and laid off approximately 60,000 workers.<sup>51</sup> In the post-liberalization era, a number of chemical, petro-chemical and engineering industries established operations in the city, but since these are not labor intensive this led to redundancy of a major section of the labor force, which has been absorbed primarily within the informal sector.<sup>52</sup>

Unabated population growth coupled with a growing proportion of working population in the informal sector has led to mushrooming of slums<sup>53</sup> and *chawls* in the city. According to the 2001 Census of India, approximately 1.6 million people i.e., 46 percent of Ahmedabad's population lives in 1,668 such settlements. The local government has not yet been able to ensure universal access to water, sanitation, and other services, or to comprehensively improve environmental conditions in these areas. Where services have been provided, they are largely adhoc in nature (representing short-term responses to ongoing demands from citizens and/or elected representatives) rather than the long-term development of service infrastructure for these areas.

## Parivartan: Specific Context

Arvind Mills, a leading Ahmedabad textile house, provided the trigger for the *Parivartan* project. It approached the Ahmedabad Municipal Corporation with the intent of contributing up to US\$220,000 to improve the living conditions in informal settlements located in its mill's neighborhood. The primary objective was to improve the living conditions in the mill workers' settlement.

**Figure 3.1:**  
The components of the program



<sup>49</sup> 2001 Census of India

<sup>50</sup> Ahmedabad Development Plan

<sup>51</sup> Source: S.S. Dutta, "Partnerships in Urban Development – A Review of Ahmedabad's Experience", Environment and Urbanisation, Vol. 12, No. 1, 2000

<sup>52</sup> The city's informal sector directly employs some 100,000 people, indirectly employs 300,000 people, and generates some US\$ 888,888 (Rs 40 million) of business everyday, according to an unpublished 2003 report by the School of Planning, Centre for Environmental Planning and Technology, Ahmedabad.

<sup>53</sup> The definition of slums as per the 2001 Census of India: In towns/cities with a population of more than 50,000 in 1991, slums are such compact areas in which reside at least 300 people (60-70 households) in poorly built congested tenements, in unhygienic environment, with inadequate infrastructure and lacking in proper sanitary and drinking water facilities. Such areas should be notified as Slums by the state/local government.

The main challenge lay in mobilizing heterogeneous communities which had families from different religious and caste groups.

*Parivartan* was aimed at ensuring access of informal communities to basic infrastructure and social services in an affordable and sustainable manner. Departing from the conventional approach of providing housing, the initiative concentrated on providing infrastructure at a household level, connected to city level systems.

*Parivartan* had two components, namely, providing a bundle of services to informal settlements (including individual water supply; underground sewerage; individual toilets; storm water drainage; paved internal roads and lanes; street lighting; solid waste management, and landscaping) and community development to enable communities to manage and develop themselves. To avail of the program, beneficiary communities were to institute Community Based Organizations (CBOs) that would initially mobilize community support, contributions, and involvement in infrastructure development, operation, and maintenance. Over time, these CBOs were to become the basis for ensuring access to health and education facilities; livelihood opportunities; and micro-credit.

### How Does the *Parivartan* Program Work?

Although initiated by a grant from Arvind Mills, the Ahmedabad Municipal Corporation (AMC) led the initiative. It designed the program; and took principle responsibility for financing it, establishing the necessary linkages with city level networks, operating and maintaining services through its zonal offices; and ensuring convergence with other schemes/programs. It drew inspiration from similar initiatives in Indore and Vadodara.<sup>54</sup> The planning process was top down and did

not provide any platforms/mechanisms for participation/consultations with elected representatives, civil society representatives or poor communities.

The other partners in the initiative include target communities, the private sector, and NGOs. The initiative aimed at inducing private sector participation in project financing and implementation. The role of NGOs was envisaged to include community mobilization; formation and capacity building of CBOs; collection of community contributions; and undertaking community development programs. Since 2002, NGOs have also been involved in undertaking the physical development work in informal settlements. SEWA Bank was to function as a financial intermediary providing access to micro finance for infrastructure development. Apart from contributions toward capital, operation and maintenance costs, it was envisaged that slum communities would organize in the form of CBOs and get proactively involved in community development initiatives.

Once a settlement was identified for project implementation, the local NGO would start interacting with the community and organize focused discussion groups to explain the *Parivartan* concept and individual components of the program; to arrive at a common understanding of the institutional development plan; and to initiate collection of upfront contributions; the opening of accounts in SEWA Bank, etc. Other social development activities would continue side by side. The main challenge lay in mobilizing heterogeneous communities, which had families from different religions, castes, etc. Another challenge was to keep the morale and mood of the community upbeat despite the slow pace of implementation by AMC and its contractors.

<sup>54</sup> The Indore Slum Upgrading Project was, by and large, funded by the U.K. Government's Overseas Development Administration (subsequently renamed Department for International Development) and did not involve any financial contribution from the community. In Vadodara, a substantial proportion of development funds (50 percent) were raised internally from slum dwellers, with the rest coming from UNICEF and the municipal corporation.



### About the Ahmedabad Municipal Corporation

Created in 1950, the Ahmedabad Municipal Corporation (AMC), is reckoned to be one of the better administered municipal bodies in the country. Its main functions are provision of water supply, sewerage and storm water drainage, road construction and maintenance, street-lighting, disease prevention and monitoring, conservancy (solid and liquid waste disposal), public transport, and park and garden maintenance. Financially, AMC is now one of the healthiest corporations in India — following a concerted program of operational and financial modernization launched in the mid-1990s. Additionally, AMC was India's first municipal body to issue a credit-rated municipal bond issue – and to raise 70 percent of its funds from the capital markets.

In 2002, it established an e-governance initiative, in the effort to make its functioning more efficient, transparent and citizen-friendly by setting up one-stop shops called *civic centers*. It was one of the first municipal bodies in India to do so. Residents in all its 43 wards may now undertake tax assessment and payments; register births and deaths; and apply for building approvals, and establishment licenses, and file complaints online, at the network of 16 civic centers set up through the city for this purpose. Citizens may complete these tasks over dedicated phone lines at civic centers, or register complaints directly on AMC's Web site. As of February 2006, some 376,000 complaints were registered at city civic centers (that is, an average of 250 complaints per day). About 93 percent of these complaints have been resolved, although with delays.

In order to encourage slum communities to join the program, AMC assured all participating slums that they would not be evicted for the next ten years.

### **Pilot Project – Sanjay Nagar: A Global Best Practice**

Sanjay Nagar, a settlement located on an AMC plot in the north of the city, was chosen as the pilot, primarily because a majority of its residents were employees of Arvind Mills. The settlement had 181 households and a total population of 1,200. The project was launched in August 1996 with AMC, NGOs, the private sector and slum community as partners. The AMC's role was primarily that of a facilitator, but it also financed a significant proportion of the capital (70 percent) and project design costs (80 percent). Arvind Mills contributed to project capital cost (14 percent) and assisted with implementation, through a trust "Strategic Help Alliance for Relief of Distressed Areas" (SHARDA), which it had set up in December 1995. SAATH, the NGO partner, was responsible for community organization and development, while SEWA Bank provided access to micro-finance.

The project was completed within eight months (August 1996- April 1997)<sup>55</sup> at a total cost of US\$48,222. AMC's share of the project was funded through soft loan assistance from the Housing and Urban Development Corporation (HUDCO). While two-thirds of the households were able to pay the upfront contributions toward capital costs (US\$44.5); the remaining one-third took a loan from SEWA Bank. A local CBO, Sanjay Nagar Residents' Association, was registered, which was responsible for undertaking maintenance of on-site infrastructure.

The project was completed without any cost overruns — and even before its completion was recognized for its efficiency as a "Global Best Practice" by the Habitat II Conference in Istanbul (1996). The major factors that have been responsible for the success of the pilot project are — homogenous nature of the community which

facilitated community organizing and collection of community contributions; granting of de facto land tenure by AMC; high credibility of partners; and the role of SEWA Bank in ensuring access of slum dwellers to credit for infrastructure and housing.

After the completion of the pilot project Arvind Mills opted out of the program. Differences in work culture and decision-making structures are understood to have caused tension in the relationship between Arvind Mills and other project partners.

### **Phase II (1997-2004): From Best Practice to Nil**

Despite the early success of *Parivartan*, the progress in upgrading Ahmedabad's informal settlements has been tardy ever since the pilot phase. In the past eight years the program has been implemented in 18 slum settlements<sup>56</sup> covering only 1 percent of the city's informal population. This accomplishment is far short of the target initially set by AMC, which was to cover all slum communities by 2002. Additional to these settlements, work is currently ongoing in another five settlements.<sup>57</sup>

AMC, NGOs, and slum communities continue to be partners in the initiative. However, private sector participation has been limited to financial contributions toward capital costs in a few slum pockets. Lions Club, Jaycees Club, and SBI Employees Union are the private sector partners that have associated with the initiative in this phase. The lukewarm response can be attributed to the learnings from Arvind Mill's experience and the overall low economic growth in the city. To prevent the absence of private sector participation from jeopardizing the initiative, AMC passed a resolution in 1997 that

<sup>55</sup> There was a delay of two months beyond the anticipated timeframe.

<sup>56</sup> Ranging in size from 43 households in Sinheshwari Nagar to 937 households in Praveen Nagar Gupta Nagar I

<sup>57</sup> Including Nitinagar, Barotas, Madrasi-ni-Chaali, Keshav Nagar and Jadibanagar.

allowed the local body to implement the initiative even without any other partner provided the slum community was willing to participate.

While the slow pace of execution can be attributed to many factors, the most pertinent has been the lack of institutionalization of the initiative within AMC. The result has been that the program's fate has been decided by whether it coincides with the vision and ideology of the incumbent Municipal Commissioner. The pace of implementation and allocations of funds have fluctuated with every change in AMC's leadership. The other factors that have led to the tardy progress include the bureaucratic routine due to which the project approval (and later release of funds) takes very long, and delays in mobilizing and organizing the community in cases of heterogeneous social structures.

Developments in 2005, including a change in AMC's leadership and the city being accorded the 'Mega City' status by the Union Government, have prompted the urban local body to take a serious relook at *Parivartan*. Ahmedabad's nomination as a mega city (implying a considerable step-up in its access to national infrastructure funds) has put tremendous pressure on AMC to up-scale the initiative, to improve conditions within informal settlements so as to improve the city's image. These events have propelled AMC into action, some of the measures that have been taken up by AMC include enlisting of slums<sup>58</sup> where an initial feasibility for implementation of *Parivartan* has been established; capacity assessment of NGOs to identify potential partners; and the proposal for setting up of a Special Purpose Vehicle (SPV) for implementing the program which is currently under review of AMC's Standing Committee.

<sup>58</sup> Includes a list of 43 slum settlements in the city.

## Financing *Parivartan*

*Parivartan's* financing model is based on eliciting contributions from informal communities toward capital costs and the payment of user charges in the form of property tax. In order to ensure participation of slum communities an assurance was provided by AMC that all participating slums would not be evicted by the local body for the next 10 years. Even though the assurance has no legal binding, it provided the slum dwellers a sense of security that facilitated their participation and ensured their readiness to contribute toward capital costs and community level operation and maintenance fund. Subsequent to the implementation of *Parivartan* the settlement is handed over to the respective ward for operation and maintenance of infrastructure services.

### Capital costs

The cost for infrastructure development was estimated at US\$351 per household. Of this cost, while AMC's contribution was to be 70 percent (US\$255.5), the target community and private sector contributed 14 percent (US\$44.5) each. The NGO's contribution was estimated at US\$6.6 per household exclusively toward community development works. The project's design costs were estimated at US\$10.6 per household; split between AMC (US\$8.4 per household; 79 percent) and the private sector (US\$2.2 per household; 21 percent). Target communities also contribute US\$2.2 per household for operation and maintenance.

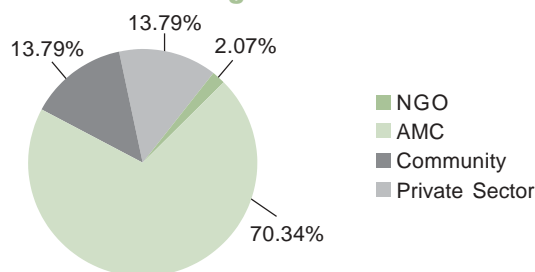
CBOs are responsible for collecting community contributions, which are maintained in individual accounts with SEWA Bank and are handed over to the AMC at the initiation of work on site.

There are various reasons for the gap between the estimated and actual receipt of community contributions including slow pace/non completion of work and internal community dynamics especially in heterogeneous communities which have discouraged communities to contribute.

**Table 3.1:**  
**Cost for Infrastructure Development per Household (in US\$)**

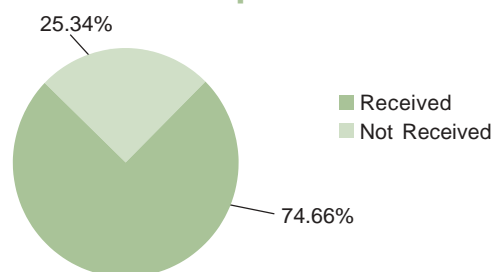
Component	Cost per household	AMC	Household	Private	NGO
Infrastructure development					
Physical development	133 (Rs 6,000)	44 (Rs 2,000)	44 (Rs 2,000)	44 (Rs 2,000)	
Individual toilet cost	128 (Rs 5,800)	128 (Rs 5,800)			
Linkages with city infrastructure	67 (Rs 3,000)	67 (Rs 3,000)			
Community development	22 (Rs 1,000)	15.5 (Rs 700)			6.7 (Rs 300)
Total	351 (Rs 15,800)	255.5 (Rs 11,500)	44 (Rs 2,000)	44 (Rs 2,000)	6.7 (Rs 300)
Project design costs	10.6 (Rs 480)	8.4 (Rs 380)	0	2.2 (Rs 100)	0
Fund for maintenance	2.2 (Rs 100)		2.2 (Rs 100)		

**Figure 3.2a:**  
**Capital Costs: Financing Mechanisms**



Community contributions toward capital cost from 16 slums<sup>59</sup> where *Parivartan* has been implemented were estimated at US\$152,000, of which 75 percent (US\$113,466) was collected during the period 1998-2003. There are various reasons for the gap between the estimated and actual receipt of

**Figure 3.2b:**  
**Community Contributions – Capital Cost**



community contributions including slow pace/noncompletion of work<sup>60</sup> and internal community dynamics especially in heterogeneous communities<sup>61</sup> which have discouraged communities to contribute. The deficit from non/payment by the community has been borne by AMC.

<sup>59</sup> Excluding Sanjay Nagar where 100 percent of community contributions toward capital costs were received and Patan Nagar for which data is not available.

<sup>60</sup> Reasons for slow pace/non-completion: long time taken for mobilizing the community, collecting community contributions, lack of clear direction on program implementation and funds flow by AMC.

<sup>61</sup> In heterogeneous communities where there were differences due to religion, caste, social structures the task of mobilizing the community around a common agenda/plan was very challenging and time consuming. There are three communities that have recorded community contributions of less than 60 percent of the expected amounts, namely, Revabanagar (57.86 percent), Azad Nagar (56.11 percent), and K.K. Vishwanathan Chaali (44.32 percent).



**Box 3.1:**  
**Capital Cost Financing by the Urban Local Body**

**Investments required:** AMC's plans to extend *Parivartan* to all the informal settlements in the city would require funds to the tune of approximately US\$88 million.

**Sources of funds:** In the pilot phase (Sanjay Nagar) AMC's contribution was funded through soft loan assistance from the Housing and Urban Development Corporation (HUDCO). In the subsequent scale up phase, AMC has depended exclusively on Central Government Grants for financing its share of the capital cost. In 1998, AMC secured assistance of US\$633,000 under the National Slum Development Project (NSDP) which had two components, that is, grant US\$189,000 and loan US\$444,000. This amount has been used by AMC to finance its share of capital cost for *Parivartan* projects.

**Micro-finance**

While access to micro-finance is considered critical for ensuring community financing of capital costs for infrastructure development, the experience in *Parivartan* has been otherwise. Of the total beneficiary households, only 70 households (2 percent) took a loan, of which majority (63) were from Sanjay Nagar (Pilot Project) and the remaining seven from Sinheshwari Nagar (the slum where the program was implemented immediately after the pilot). The reason for most households not availing of a loan is that the project implementation in each settlement took long enough for households to save and deposit the entire capital contribution of US\$44.5 in manageable installments.

<sup>62</sup> The sum of outlets and energy consuming devices.

**User charges**

Once an informal settlement is covered under *Parivartan*, the slum households become liable to pay the property tax levied by AMC – which is a composite tax that includes water and sewerage charges as a pre-assigned allocation. This tax is calculated on the basis of the ratable value of property. Since the majority of informal households have an area of less than 30 square meters, they fall within the lowest slab and are required to pay property tax of US\$6 per annum. Of the 18 slums covered under *Parivartan*, property tax assessments have been conducted for 15 slums and the process is ongoing for the remaining three. The recovery of property tax from slum households is quite poor; only 10.4 percent of the total property tax due from *Parivartan* slum households has been recovered by AMC. Since the recovery of property tax is a low priority for AMC there are no incentives (or penalties) for front-end staff to recover the arrears from slum households. Discussions with AMC officials revealed that they concentrate on the large defaulters from where the overdue amounts are much higher.

**The Slum Electrification Program:  
Specific Context**

Only a very small proportion of Ahmedabad's informal settlements have legal electricity connections, since they have been unable to prove legal tenure and/or to raise the upfront costs of connections. An informal system of electricity distribution had thus developed in Ahmedabad's slums, in which households pay an illegal service provider to provide an electricity connection based on the number of points.<sup>62</sup> For the Ahmedabad Electricity Corporation (AEC), this practice alone translated into energy losses of approximately 40 percent, according to a

The monthly user charge for a legal slum connection works out to almost a half of the payment to an illegal service provider.

### **Box 3.2: About Torrent Power**

Torrent Power – Ahmedabad Electricity Company Limited (AEC) is a private utility distributing power in Ahmedabad. AEC is an integrated utility with a generating capacity of 500 MW, and supplies close to 4 billion units of power to 1.25 million customers in Ahmedabad and Gandhinagar. Since 2002, AEC has been adopting new and innovative methods for maintaining and improving the quality of power supplied to its customers. As a result of these innovative methods and mechanisms the company's Transmission and Distribution (T&D) losses are amongst the lowest in the country (13-14 percent) and the customers enjoy a high level of reliability of power supply.

study the utility had commissioned in 2002. The AEC has been keen to connect these settlements to the network, but has been unsure whether communities would pay for connections and service. Also, it was concerned that enhanced infrastructure might create an increased capacity to steal electricity. For the slum communities, the main issue was whether paying the connection fee would actually result in AEC delivering a quality (affordable and reliable) service. To test out these issues, AEC initiated a pilot with 3,000 households in 2002, with financial support from USAID (U.S. Agency for International Development).

### **How the Slum Electrification Programme Works**

The slum electrification program aimed at extending safe, reliable, and legal electricity connections to

informal households. While the AEC was to expand the existing network to cover the relevant informal settlements, the households were to pay upfront connection charges and a security deposit, and monthly usage charges. The NGOs were to facilitate the process of trust and confidence building between the utility and informal communities. While the tariff structure<sup>63</sup> remains the same for all settlements, a monthly billing<sup>64</sup> was introduced for slum households to make payment of user charges easier.

Connected households were automatically provided access to AEC's grievance redressal mechanism, which operates through its three zonal offices, namely, Navrangpura, Amraiwadi, and City. Complaints can be registered in person, over the phone through a dedicated call center and online through their Web site ([www.torrentpower.com](http://www.torrentpower.com)).

### **Financing Slum Electrification**

Connection charges were US\$78 for *pucca* structures and US\$4.4 for *kutchra* structures. The security deposit was US\$4.5. To assist slum households in paying the connection cost, AEC allows for payments to be amortized in the form of monthly installments. However, an additional charge of US\$6.7 per household is levied for availing of this facility. Discussions with officials at the Slum Electrification Programme (SEP) Cell in AEC revealed that the performance of the slum households with respect to payment for capital costs had been quite good with the proportion of defaulters being less than 10 percent.

*User charges* – While the tariff structure is the same for formal and informal settlements, a majority of the slum

<sup>63</sup> 0-50 units per month at Rs 2.70 per unit; 51-200 units per month at Rs 3.10 per unit; 201 units and above per month at Rs 3.80 per unit. Additional to this is the monthly fixed charges (as applicable) and government duty at 20 percent.

<sup>64</sup> As opposed to a quarterly billing cycle for formal housing.

households have a consumption level of approximately 50 to 100 units per month resulting in a monthly user charge of approximately US\$3.3-US\$4.4 per month. This is almost half of what they were paying to the illegal service provider before the initiation of slum electrification initiative. Encouraged by reliable electric supply and the facility of monthly payment, the majority of slum households are now making regular user charge payments.

### Outcome<sup>65</sup>

Access to basic services and improved environmental conditions – One of the major impacts of *Parivartan* and Slum Electrification has been that they have ensured access of informal settlements to basic services at an individual level connected to city level networks. While traditionally water and sanitation services have been provided in slums through state supported programs and/or through local area development funds of elected representatives, *Parivartan* provides a composite package of basic services. Slum Electrification ensures access to legal electricity connections. None of these services had been integrated as a component of earlier slum upgrading initiatives. Improved access to basic services, provisions at individual household level, and adequate maintenance, have resulted in significant improvements in the environmental sanitation conditions both within and around slums.

### Water Supply

There has been a shift from community to individual level water supply. Before *Parivartan*, a majority of the



**Water, sanitation, and electricity had not traditionally been a component of earlier slum upgrading initiatives.**

households<sup>66</sup> had access to community level water supply, however, now 89 percent of households have access to individual water supply. The shift from community to individual level provision has reduced daily average water collection time from over two hours to less than one. While the responsibility of collecting water still rests with the women members, they now

<sup>65</sup> This section is largely based on findings of a study – *Wealth and Well Being Impacts of Slum Upgrading and Improved Service Delivery to the Poor – A Case of Slum Networking Project, Ahmedabad* – undertaken by School of Planning, Centre for Environment Planning and Technology, Ahmedabad (2003). It covered 17 *Parivartan* slums, and other types of informal settlements in the city, namely, serviced slums that have access to basic services through other programs/funds, and nonserviced slums which have no access to basic services. The research methodology comprises of interviews with key community members/leaders and Focus Group Discussions, complemented by a survey of 486 *Parivartan* households, 90 serviced slum households, and 164 nonserviced slum households.

<sup>66</sup> 61 percent had access to water supply through stand-posts, 19 percent through hand-pumps. Additional to this, 15 percent of the households used to access water from outside their settlement. Only 1 percent of the households surveyed had individual level water supply.

## The creation of individual connections cut daily average water collection time by half.

have more time to look after other household chores,<sup>67</sup> take on economically productive employment,<sup>68</sup> and young girls have more time to study. The communities reported a high level of satisfaction with access (60 percent) and quality (85 percent) of water supply. This is marked in *Parivartan* slums, where a majority of these settlements did not earlier have access to regular water supply. However, there is some dissatisfaction with shortages resulting from the low pressure of water supply.<sup>69</sup>

### Sanitation

There has been a shift from community toilet blocks/no service<sup>70</sup> to individual toilets connected to sewerage network. The access to individual toilets has drastically reduced the incidence of open defecation among both children and adults (96 percent). There is a high level of satisfaction among households in *Parivartan* slums with respect to provision of toilets.

### Drainage

Similarly, there has been a shift from open drains to underground drainage connected to the city network. The incidents of flooding and water logging have also reduced significantly. Eighty-seven percent of households are satisfied with the drainage system and its maintenance, as opposed to the erstwhile 13 percent.

### Solid Waste Management

An organized system of garbage management has replaced dumping of garbage in open areas and drains.

Garbage collection, in a majority of the communities, is being undertaken by local CBO through private sweepers. The impact is visible in the form of a clean environment that has also contributed to abating the proliferation of disease spreading vectors.

### Roads and Street Lights

There has been a shift from *kutchra* roads to *pucca* cemented/metalled roads in *Parivartan* slums. The households shared a high level of satisfaction with the condition of roads after program implementation. The initiative has also resulted in the provision of streetlights; 86 percent of the households were of the opinion that the streetlights were adequate and that the provisions had ensured greater level of safety and security in their settlements.

### Electricity

The slum electrification initiative has ensured legal, relatively cheaper and reliable electricity connections for slum dwellers. The cost of accessing an electricity connection through AEC is cheaper than doing so through an illegal one.<sup>71</sup> Further, the typical monthly user charge for households that were previously relying on illegal service has decreased by almost 50 percent. In addition to reduced costs (capital and usage charges), the benefiting households also identified additional benefits including: extending the ability to work or study in the evenings, the ability to initiate household enterprises, increased quality of electrical service (more hours and stable voltage) and the consequent reduced damage to appliances, and the increased ability to

<sup>67</sup> Reported by 68 percent of the households surveyed in *Parivartan* slums.

<sup>68</sup> Reported by 14 percent of the households surveyed in *Parivartan* slums.

<sup>69</sup> As shared by communities in Focus Group Discussions.

<sup>70</sup> Of the households surveyed in *Parivartan* slums; prior to the initiative 9 percent were using community toilets and 62 percent were resorting to open defecation in the absence of any facilities.

<sup>71</sup> Slum households that have been covered under the program have to pay between US\$78 and US\$111 for electricity connections depending on the nature of their dwellings while those accessing illegal connections have to pay as much as US\$170 as connection charges.

partake of leisure activities. In addition, community associations earned income by engaging women to provide meter reading services and by loaning funds for the connection charges. These funds were recycled within the community to provide daycare, adult education, and other social services. For AEC, the initiative has resulted in an enhanced customer base along with increased revenue generation, substantial reduction in electricity loss due to theft, and reduction in the number of accidents.

### Impact on Health and Well Being

The improved environmental sanitation conditions have translated into better health for the slum dwellers. (A majority of the households have recorded a decrease in the incidence of diseases.) The same can be attributed to improved access to basic services (water, toilets, drainage, and solid waste management), better hygiene and higher awareness on disease prevention, and so on. Eighty-two percent<sup>72</sup> of households have recorded a decrease in the expenditure on health and medicines. There has also been a substantial reduction in morbidity; 77 percent of households said that they have not missed a single day of work due to illness since the program began.

### Increase in Income

Approximately 58 percent of households reported that there has been an increase in their income levels following the implementation of the initiative. The factors that have contributed to enhanced income levels as cited by community members include: the time saved for accessing water and toilets being utilized for economically productive work; better accessibility and connectivity with the work place/rest of the city; access to reliable and safe electricity

which has facilitated household enterprise development; and fewer days lost due to illness or poor health.

### Shelter Consolidation

The *Parivartan* initiative has resulted in ensuring community's investments toward shelter consolidation. A little over one-third of the households in Parivartan slums have undertaken home improvements, this is comparatively higher than the figures for serviced (19 percent) and non-serviced slums<sup>73</sup> (27 percent). The amounts spent by families for home improvements have ranged from US\$11 to US\$6,666 (average US\$690). Most home improvements have pertained to the addition of one floor, subdivision of a room, improvements in roof, floor, and walls. While 45 percent of the households have used their savings for shelter improvements, the remaining 55 percent have taken loans from relatives, employers, money lenders, and banks.

### Enhancement in Property Values

There has been an increase in the property values in slums covered under *Parivartan*. The increase has been approximately 67 percent (from US\$1,244 to US\$2,088). While this increase in property values can be attributed partly to inflation, the other reasons for the increase are improvements in physical infrastructure and the subsequent consolidation of housing.

### Critical Success Factors

#### Enabling legislations and policies

National and state level enabling legislation and policies, such as the 74th Constitutional Amendment which

<sup>72</sup> Compared to 50 percent in serviced slums and 26 percent in non-serviced slums.

<sup>73</sup> The non-serviced slums have to spend more often due to the poor quality of houses whereas in serviced slums the amounts spent are higher.

## Access to micro-credit was critical in ensuring community participation for infrastructure development.

introduced economic, social planning and poverty alleviation as the 'obligatory' responsibilities of an urban local body, and the amendment to the Bombay Municipal Corporation Act of 1949 which made it obligatory for AMC to spend at least 10 percent of its own revenue for improving basic services in slums and *chawls*, have been factors that have promoted AMC to develop programs to address the issues facing the urban poor.

### 'Enlightened self-interest' from the private sector

For both Arvind Mills (*Parivartan*) and AEC (Slum Electrification Initiative) participation was motivated by 'enlightened self-interest.' While Arvind Mills associated itself with the pilot phase as most of the residents of Sanjay Nagar were their employees, AEC initiated the Slum Electrification Initiative to reduce the huge unaccounted for energy losses, a major proportion of which were attributed to the operation of illegal service providers in informal settlements.

### Financial health of AMC

Improvements in the financial position of AMC following fiscal and management reforms, and the fact that it has a high level of autonomy regarding usage of its funds,<sup>74</sup> has enabled AMC to take up several innovative development projects including *Parivartan*.

### Presence of a 'Champion'

The main credit for the reforms process in AMC and the development initiatives in Ahmedabad goes to the dynamic leadership of the then Municipal Commissioner, who served from 1994 to 1997. *Parivartan* was conceived and the Sanjay Nagar pilot implemented during his tenure.

### Security of tenure

An assurance by the Ahmedabad Municipal Corporation that all participating slum pockets would not be evicted/ removed by the urban local body for the next 10 years has gone a long way in ensuring the readiness of slum communities to participate and contribute toward the capital cost of infrastructure development and toward a community level corpus fund for operation and maintenance.

### Access to micro-finance

Access to micro-credit was considered critical for ensuring community contributions for infrastructure development. However, this was the case only in time bound projects, including the pilot project at Sanjay Nagar, the first settlement in the up-scale phase (Sinheshwari Nagar), and in the Slum electrification program. In other projects, slum households were able to pay in easy installments since project implementation took so long.

### Limitations

Despite the early success of *Parivartan*, the progress in upgrading Ahmedabad's informal settlements has been tardy ever since the pilot phase. The following are the factors that have been bottlenecks in the scaling-up process.

### Lack of institutionalization of *Parivartan* within AMC

The slow pace of execution can be attributed primarily to the lack of institutionalization of *Parivartan* within AMC. Given the central role that the incumbent Municipal Commissioner (1994-97) played in supporting and

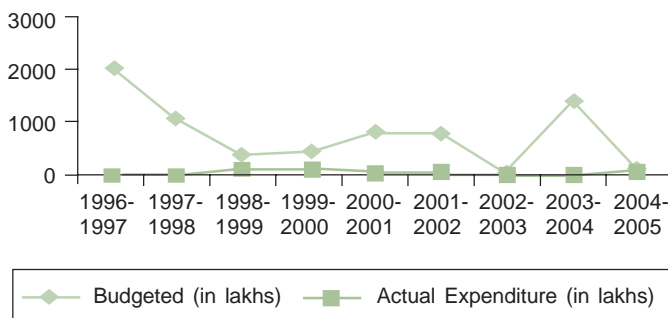
<sup>74</sup> The AMC depends on the state government for only 10 percent of its total revenue in the form of a grant for primary education.

advancing the program, his successor has not been able to provide the same fillip to the initiative or to inspire the management cadre and the front line staff to push the program forward. In the absence of appropriate institutionalization mechanisms, the program's fate will always depend on the Municipal Commissioner's support (or lack thereof).

### Inadequate financial resources

While *Parivartan* appears to have no shortage of funds, with budgetary allocations made in each financial year, this is in fact not the case. Since the financial planning exercise is generally ad hoc in nature, budgetary allocations are usually inflated and do not prioritize projects on the basis of anticipated revenue flows. The result is that while huge budgetary allocations are made, funds are allocated on the basis of available revenue. Since *Parivartan* is not a priority initiative, allocated funds are usually spent on other projects perceived to be more important for the city's development. An analysis of the budgetary allocations for *Parivartan* vis-à-vis the actual expenditure on the project reveals very low utilization levels; the average utilization of budget during the period 1996-2004 is only 5.62 percent.

**Figure 3.3:**  
***Parivartan*: Budgeted and Actual Expenditure**



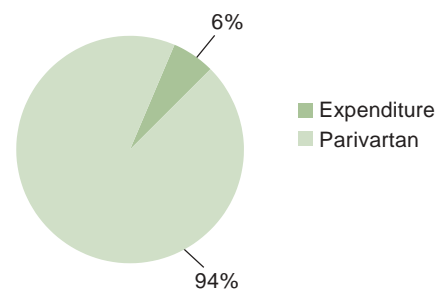
### Inadequate human resources

The *Parivartan* (SNP) Cell is grossly under-staffed, since a number of positions continue to remain vacant. Since this program has been accorded a low priority in AMC, officials are transferred from SNP cell to other departments without replacements. Additional to this is the fact that senior SNP Cell Officials have multiple responsibilities. For example, the Deputy Municipal Commissioner, SNP is also responsible for South Zone, AMC, as well as the Administration of Class I and II officers. The Assistant Manager of SNP Cell's Administrative Wing shares responsibility in the Light Department. The highest number of vacancies is observed in the Engineering Wing, which has no senior engineers to draft designs for the complex infrastructure installations because of which the AMC has had to contract private engineering firms to prepare design documents.

### Weak management links between organization and front line staff

Subsequent to the implementation of *Parivartan*, the slum settlement is handed over to the ward office for

**Figure 3.4:**  
***Parivartan*: % of Budget Utilization (1996-2005)**



The frontline staff of the ward offices enjoys a poor reputation regarding customer responsiveness, and they have been particularly reluctant to provide post-construction support to *Parivartan* communities.

operation and maintenance. The frontline staff of the ward office enjoys a poor reputation regarding customer responsiveness, and they have been particularly reluctant to provide post-construction support to *Parivartan* communities. Its resistance can be attributed to the fact that it was not involved in the project design or implementation phase, and also because there is a lack of any incentives for good performance or penalties for poor performance. For their part, ward office staff justify their reluctance to service infrastructure in *Parivartan* communities by citing improper designs, poor construction and nonadherence to prescribed norms.

#### **Non-alignment with political representatives**

Although politicians have publicly expressed support for the *Parivartan* initiative, it does tend to undermine their influence among the urban poor — which represents an enormous vote bank. The majority of the councilors use funds allocated to them from numerous state and federal government welfare and poverty alleviation programs for infrastructure upgrading in slums and *chawls*. The value of political grants for infrastructure investments in Ahmedabad in 1999-2000 was 2.5 times that of SNP's budget and 11.3 times SNP's actual expenditures. By reducing the obligations of residents to participate in infrastructure projects funded by these grants (for example, requiring no cash contributions as does the SNP), politicians are undermining the scaling up of *Parivartan*, despite the support they display in public.

#### **Resistance from the state government**

A principal obstacle to taking *Parivartan* to scale is the state government's unwillingness to cooperate with AMC's innovative approach to land tenure issues. The state government has declined to provide clearance (no objection certificate) for implementing the initiative in informal settlements located on its land.

#### **Protracted project approval process**

The project approval process is lengthy, cumbersome and time consuming. As it involves approvals from various officials at different levels in AMC, namely Central AMC, SNP Cell and Zonal Offices, it results in inordinate delays. Discussions with NGO partners of the initiative revealed that typically the project approval process takes anywhere between three to six months.

#### **Inability to retain private sector partners**

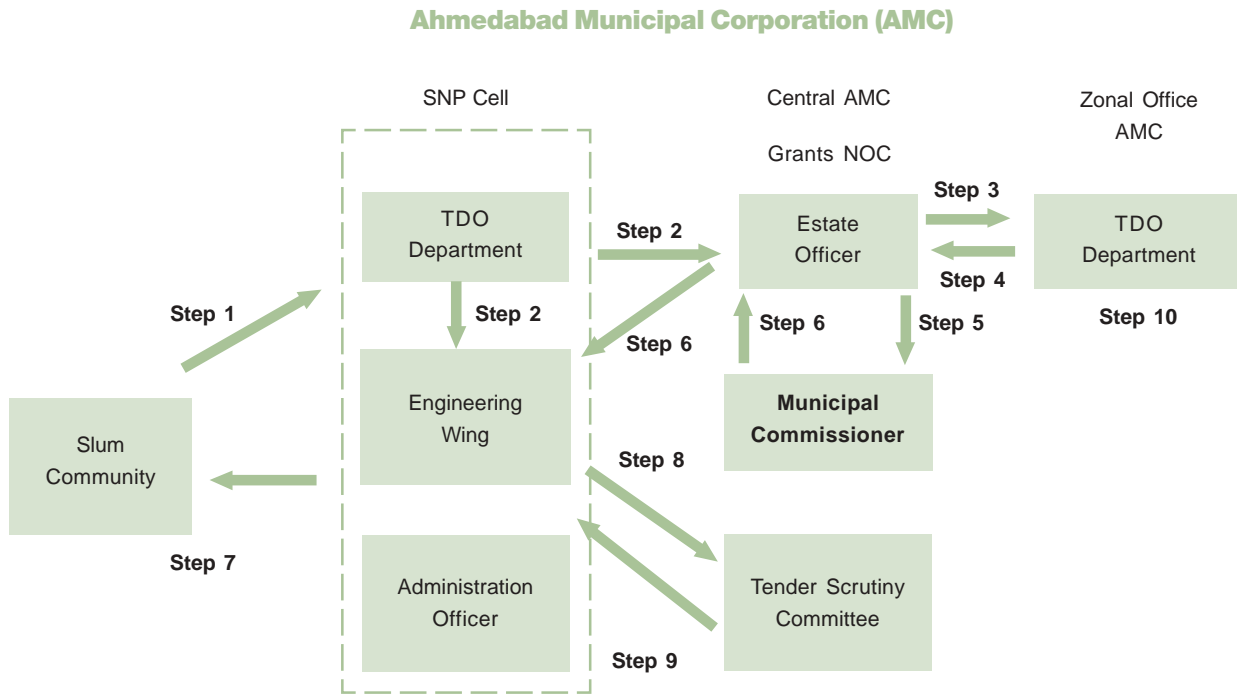
While the initiative aimed at ensuring private sector participation in project financing and implementation, this could be accomplished only in the pilot phase. In the subsequent scaling-up phase, very few private sector companies have partnered with the initiative and their participation has been limited to financial contributions toward capital costs in a few slum pockets. The program has been unsuccessful in leveraging funds from the private sector for financing infrastructure development. Similarly, despite Ahmedabad's large and, robust voluntary sector, only three NGOs have been associated with the initiative. The primary reason for this being that *Parivartan* requires participating NGOs to have skills and experience in community development, as well as infrastructure development, a combination that is not readily available.

#### **Inflexible Program Design**

A very small percentage (less than 2 percent) of households in *Parivartan* slums had access to any of the eight services offered by *Parivartan*. This situation prompted AMC to come up with a "bundle of services." However, since most other informal settlements in Ahmedabad had obtained access to some of these services through a combination of political sponsorship,



**Figure 3.5:**  
**Project Approval Process: Files from one table to another**



**Process: From initiation to implementation**

1. Step 1: Expression of Interest by Slum Community to TDO Department of SNP.
2. Step 2: Preparation of Initial Feasibility Report by Town Development Office (TDO), *Parivartan* SNP Cell. Forwards to Estate Officer, AMC and Engineering Department, *Parivartan* SNP.
3. Step 3: Estate Officer, AMC writes to TDO Department of Zonal Office to conduct detailed feasibility report.
4. Step 4: TDO Department of Zonal Office conducts detailed Feasibility Report and returns proposal back to Estate Officer, seeking opinion.
5. Step 5: Estate Officer gives opinion and forwards to Municipal Commissioner for his approval.
6. Step 6: Municipal Commissioner grants NOC for Proposal, decision conveyed to Estate Officer and from thereon to Engineering Wing, *Parivartan* SNP.
7. Step 7: *Parivartan* SNP Cell, conveys approval to Slum Community. Initiates collection of initial contribution.
8. Step 8: After approval, Engineering Wing prepares base maps, broad cost estimates and detailed drawings and conducts tendering. Forwards to Tender Scrutiny.
9. Step 9: Tender Scrutiny Committee monitors overall tendering process and approves final contractor selection and informs decision to Engineering Wing, SNP.
10. Step 10: Project Implementation on site and O&M post-implementation by Zonal Office.

A very small percentage (less than 2 percent) of households in *Parivartan* slums earlier had access to any of the eight services offered by *Parivartan*.

informal market, and AMC's ward offices, residents were not interested in the entire bundle. While *Parivartan* allows households that have already obtained any of these services to reduce their financial contribution, this reduction applies only to services that have been obtained legally. AMC officials see little need to adjust the suite of services offered, nor to create opportunities for residents to select subsets of the services according to their needs and preferences. This inflexibility is an important explanation for *Parivartan*'s slow rate of expansion in the city.

### Accountability to the poor

The *Parivartan* and Slum Electrification initiatives are departures from the traditional approach that residents of informal settlements have no right to basic services. They recognize these settlements as an integral part of the city, and seek to ensure that individual households are connected to city level basic services networks. However, these initiatives are not outcomes of a formal demand from clients (poor) and there were also no mechanisms to include the poor and/or their representatives (civil society organizations and/or elected representatives) in the project design phase.

Additionally, they display weak links in the chain of grievance redressal and enforcement. While all slums covered by *Parivartan* and the Slum Electrification initiative have access to the utilities' grievance redressal mechanisms, frontline staff of the ward officers are not responsive and are largely reluctant to redress complaints registered by slum communities. (From these programs' experience thus far, slum communities tend to record their grievances in person or over the phone). Frontline officials' resistance can be attributed to the fact that they were not involved in the project design or

implementation phase, and also because there is a lack of any incentives for good performance or penalties for poor performance. For their part, ward office staff justify their reluctance to service infrastructure in *Parivartan* communities by citing improper designs, poor construction and nonadherence to prescribed norms.

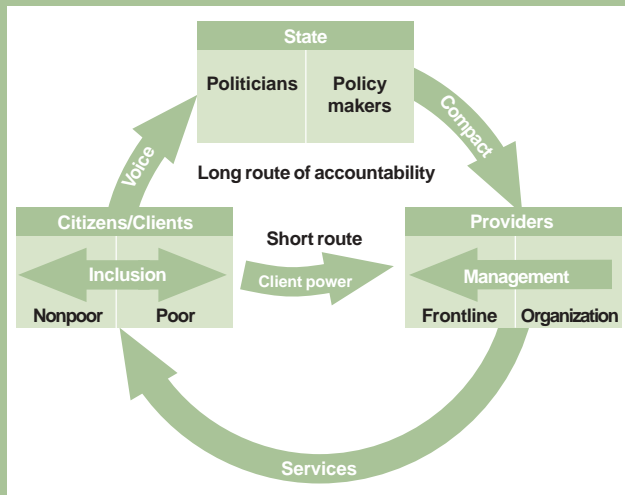
Additionally, both *Parivartan* and Slum Electrification initiatives lack institutional mechanisms for informing clients about service provider's performance and for the former to impose sanctions for inappropriate services. To a very limited extent, in *Parivartan* CBOs are involved in ensuring quality control of physical development work at site, which has been facilitated by training and capacity building inputs from NGOs.

The fragmentation of Ahmedabad's NGO and civil society community is also a factor contributing to these programs' inability to create 'voice' and maximize 'client power' for beneficiary communities. While it is mandatory for communities to organize themselves into CBOs to participate in the *Parivartan* program, they continue to rely heavily on NGOs active in their locality to undertake much of their community management work for them. At the same time, since NGOs had not developed a systematic plan of exit, they have not focused enough efforts on quickly building sufficient capacity within the community.

Although Ahmedabad has had a long tradition of charitable and welfare activity, and NGOs have made significant contributions, particularly in health, education, service delivery and in generating awareness among the poor on various key issues, the majority of these efforts have remained isolated and there has been no citywide collaboration and/or issue-based networking among NGOs or civil society groups.

**Box 3.3:**  
***Parivartan* and Slum Electrification:  
 Client Power Initiatives**

*Parivartan* and Slum Electrification are 'Client Power Initiatives', intended to ensure that the poor have access to basic services and are able to exert control over the performance of the service provider (AMC and AEC) and clients (residents of informal settlements). In this sense, they have not focused on creating 'Voice' for the urban poor, since program planning and design were led by the service providers (in *Parivartan* the executive wing of the AMC and in Slum electrification AEC). In both cases, the project planning process was nonparticipatory and did not ensure mechanisms/spaces for participation of target communities, civil society groups or political representatives, or other representatives of the poor. These projects, nevertheless, necessitate submission of an application signed by all community members. This expression of interest can be interpreted as "delegation" whereby communities are seeking access to basic services from service providers.



**Conclusions**

Although the *Parivartan* and Slum Electrification initiatives in Ahmedabad have been 'top down' supply-driven initiatives, with no institutional mechanisms for informing clients about utility performance or by which to impose sanctions, they have resulted in discernible improvements in informal settlement's access to basic services. Additionally, they have had numerous spin-off results, including improvements in environmental sanitation conditions, better health for slum dwellers, reduced health expenditures and a substantial drop in the absence from work due to illness. The initiatives have also propelled certain indirect changes at the household and city level, including shelter consolidation, increase in income, and enhancement in property values.

Additionally, the performance of informal communities with respect to upfront capital cost contributions has been quite high, which in part, can be attributed to access to micro-finance. The informal communities also pay user charges, in the form of property tax in *Parivartan* and user charges in "slum electrification." The recovery of property tax from slum households is quite poor which can be largely attributed to the lack of mechanisms and of will to target slum households due to AMC's preoccupation with recovery from larger defaulters. On the other hand, the private utility (AEC) has been successful in recovering user charges.

Initiated in 2002, the Slum Electrification Initiative covered 9.2 percent of the city's informal households by 2004. On the other hand, *Parivartan* covered only 18 slums, i.e. only 1 percent of the city's informal households, in an eight-year period.

The tardy progress of *Parivartan* can be attributed largely to the lack of appropriate mechanisms to

*Parivartan* proceeded slowly because it was not sufficiently institutionalized.

**Table 3.2:**

	<i>Parivartan</i>	<i>Slum Electrification</i>
Planned	Achieved (1996-2004)	Achieved (2002-04)
100% of the city's informal population (1.6 million people)	Only 1% of the population covered (16,500)	9.2% of the city's informal population (150,000)

institutionalize the initiative within AMC, while the rapid progress of slum electrification is driven by the commercial 'self-interest' of AEC in minimizing its electricity losses. Insufficient resources (financial and human), marginalization and lack of incentives for front line staff, and the inflexibility of the bundle of services offered by AMC are reasons for the slow rate of expansion. A lack of political will by the state government to confer legal title on slum settlements

has left out slums on state government land from *Parivartan's* purview. In addition, the city's elected councilors are undermining the program's attractiveness by supplying slum communities with free services.

A number of related developments, including a change in AMC leadership and its designation as a 'Mega City' in 2005, have prompted AMC to take a serious re-look at *Parivartan*. Some of the measures that have been taken by AMC include enlisting slums where an initial feasibility for implementation of *Parivartan* has been established; capacity assessment of NGOs to identify potential partners; and the proposal for setting up a Special Purpose Vehicle for implementing the program. Urban experts and political leaders in Ahmedabad believe that the mega city status would facilitate implementation of infrastructure development projects, which would also translate in improved access to basic services for the city's poor.

# Case Study 4

## Participatory Planning and Budgeting in Kerala: The People's Plan Campaign

*Abridged from a study by Anjana Mehta*



Since 1997-98, the Government of Kerala has devolved 30 percent of all state plan finances to urban local bodies. More importantly, it has also given them a high degree of autonomy in planning for and spending these funds – both of which are done through a unique and elaborate public consultative process, referred to as the ‘People’s Plan Campaign’. It is widely considered to be one of the pioneering and most successful experiments in participatory budgeting in India, with all stakeholders – including slum representatives, middle class volunteers, women’s groups, elected representatives, and government officials – being especially trained to exert their voice in public service planning and delivery.



Kerala's government felt that participatory local planning would economically mobilize citizens.

## General Context

Kerala is India's most literate state, with a literacy rate of 91 percent as against the all-India average of 65 percent.<sup>75</sup> Its land reforms program in the 1950s and 1960s dramatically reduced the gap between the rich and the poor. Partly as a result, much of its population actively participates in organized civic life. Kerala's successive administrations also placed poverty elimination at the center of their economic development initiatives. Nonetheless, the state continues to have a poverty rate of 9 percent in rural areas and 20 percent in urban areas.<sup>76</sup>

### Government efforts to decentralize

Various Kerala governments attempted to decentralize governance with a view to boost democratization and empowerment. They were concerned by Kerala's stagnating production base, and felt that, among other things, participatory local-level planning would economically mobilize citizens to remedy this situation. Other strong influences were Mahatma Gandhi's use of the concept of *gram swaraj* as an instrument for mass mobilization during the national independence movement, and the hitherto unique *Kerala Sastra Sahitya Parishat* (KSSP), or 'People's Science Movement'. Since the 1960s, KSSP had run various state-wide campaigns in Kerala — including a very successful literacy program in the 1990s — that relied completely on volunteers. The campaigns emphasized public awareness and participation, government responsiveness, and a search for alternative models of development.

## Fiscal crisis

Also compelling decentralization was the fiscal crisis into which the state had begun to descend by the mid-1990s. The government launched a concerted program of fiscal reform — including legislation for fiscal responsibility, restructuring the civil service for greater efficiency, the speedy completion of long-pending projects, a new budget cycle enabling early budget implementation, and an improved asset management system. A package of urban local body (ULB) reforms was also initiated, including fiscal devolution, improvements in accounting practices, and efforts to enhance taxes and user charges. Since Kerala's ULBs raised just 3.5 percent of its total revenue, the state government was keen to ensure that they were compelled to raise more money of their own.

## Specific Context

Due to the combination of factors described earlier, the Left Democratic Front (LDF) government decided in 1996 to devolve some of its functions to local government bodies. The government's move was enabled by Kerala's *Panchayati Raj* and Municipal Acts, both passed in 1994 and whose key feature was the transfer of various state-level schemes, institutions, buildings and staff to local bodies. The government's objective was to empower local bodies, ensure the preparation of plans that responded to felt local needs, and to create an environment for institutional reforms. Most of all, it wanted to mobilize Kerala's people — especially its

<sup>75</sup> 2001 Census of India. Additionally, the leading newspaper in Kerala, *Malayalam Manorama*, is among the highest circulated newspapers in the country.

<sup>76</sup> The all-India figures are 27 percent in rural areas and 24 percent in urban areas. Poverty in Kerala is not as glaring as elsewhere in the country. Almost all poor people appear to own their houses even if not always *pucca*.

The state government decided to introduce decentralization in one go, with a sudden transfer of funds and responsibility to local bodies.

poor — to become more self-reliant and to develop themselves. It also felt that removing 'non-core' functions from the state government would make the delivery of these functions and services more efficient.

Thus, in 1997, the Kerala Government devolved one-third of annual state plan funds to the 1,215 local self-government bodies (including ULBs) in the state, and gave them significant power over planning and finance. It also required that these bodies make all planning and budgeting decisions in consultation with beneficiary local communities.

### 'Big bang' approach

The state government decided to introduce decentralization in one go. It reasoned that a sudden transfer of funds and responsibility to local bodies would put considerable pressure on them, and on state-level agencies, to ensure success. By mandating public participation in decentralized planning and budgeting, the government also hoped to harness public action and opinion in support of devolution. To maximize reach and impact, the government launched the program on a campaign footing through the state,<sup>77</sup> and it was thus christened the 'People's Plan Campaign' (PPC).

### How PPC Works

The funds devolved to ULBs are to be spent in a participatory manner through an elaborate chain of consultation.

### Local-level units

One of the fundamental units in this chain is the Neighborhood Group (NHG). Comprising of about 20 below poverty line (BPL) families each, these groups were set up under the Kudumbashree program (Box 4.1) and as of mid-2005 represented 1.3 million of Kerala's urban poor, or some 16 percent of the state's urban population.<sup>78</sup>

NHGs receive loans and subsidies for self-employment and housing, in addition to intensive training and infrastructure-related inputs. In urban areas, all NHGs in a municipal ward get together to form an Area Development Society (ADS), and all ADSs in a city further amalgamate to form a Community Development Society (CDS) to make proposals to the city council.<sup>79</sup> Every CDS is supported by a CDS project officer and a city superintendent, and leaders at every level of the NHG-ADS-CDS structure receive intensive training. Additionally, the CDS president and community organizers are paid small honorariums for their organizing work.

The other fundamental unit is the Residents Welfare Association (RWA), which represents all families in a neighborhood, including poor households in the locality. They collect membership fees from participating households, discuss and take action on civic and developmental matters affecting the neighborhood, and are generally well-organized in terms of process and structure. Many RWAs have also federated at a ward or city level to take up complaints that have not been solved locally, or to lobby for wider-reaching projects.<sup>80</sup>

<sup>77</sup> There was a major effort to ensure that various local bodies and other prospective participants in PPC were trained together, enabling materials were distributed, successes and failures in different regions were analyzed and lessons disseminated to all local bodies.

<sup>78</sup> Extrapolated from the Kerala State Government's Economic Review, 2003, Appendix 18.9, 'Status Report on NHGs, and Thrift and Credit Under Kudumbashree'.

<sup>79</sup> CDS proposals generally tend to be in the areas of self-employment, infrastructure development, and housing improvement.

<sup>80</sup> While there are reports of functional RWAs and their federations from the bigger cities, it is not clear whether RWAs are a feature of all urban areas.





#### **Box 4.1: The Kudumbashree Program**

Launched in 1993, Kudumbashree is the Kerala Government's women-centered poverty eradication mission. It is based on the principle of empowering poor women so that they serve as the impetus for development within their communities. It also makes poor women responsible for the management of basic service provision to fellow underprivileged families, through grassroots NHGs.

Nine non-economic indicators are used to identifying high-risk families that need to be supported by NHGs in accessing basic services. Households displaying at least four of the following features may qualify for targeted subsidies and handouts:

- a non-permanent structure for a house;
- no access to safe drinking water;
- no access to sanitary latrines;
- an illiterate adult member in the family;
- not more than one earning member in the family;
- family getting two meals or less a day;
- children below five years in the family;
- a scheduled caste or scheduled tribe family; and
- an alcoholic or a drug addict in the family.

The Municipal Council convenes public ward consultations — in which all voters discuss and assess the progress of development plans.

### Ward-level institutions

The Ward Committee is the next link in PPC's chain. Every ward in the city is represented by a committee that represents its NHGs and RWAs, in addition to political parties, trade unions, educational institutions, cultural organizations and other experts. The committee is chaired by the locally-elected ward councilor, who represents the ward in the municipal council. Ward committee meetings are conducted at least four times a year, although some councilors hold monthly meetings. Participants present their suggestions for ward improvements, and the ward councilor in turn briefs them on city plans and budgets.

The municipal council also convenes *Ward Sabhas* — or public ward consultations — in which all voters within a ward can discuss development plans for the area with the mayor, deputy mayors, or other senior municipal officials, and assess the progress on ongoing schemes. *Ward Sabhas* are supposed to meet four times a year but, in practice, tend to meet only twice: first, to assess works completed in the previous financial year and, then, to discuss works proposed for the current year.

Ward Committees and *Ward Sabhas* have no existence outside of these meetings. Their only permanent representation is the ward councilor, who is thus compelled to single-handedly carry ward concerns forward between the Ward Committee and *Ward Sabha* meetings. While some resources are allocated for ward-level consultation expenditures, no professional expertise is provided for nurturing leadership and organizational capacity, as is the case in CDS' structure. As a result, many better-off residents/RWAs find

channels other than Ward Committee meetings to make their suggestions. For example, many speak directly to politicians and government officials.

### City-level institutions

The *Ward Sabha* chooses 16 ward representatives to communicate the ward's views at a City-level Convention, where a draft plan for the city is crystallized. The convention divides itself into 16 subject areas, each addressing one aspect of the City Plan. The convention then prepares and sends a draft city plan to the municipal council,<sup>81</sup> which in turn finalizes and forwards it to the District Planning Committee. The District Committee gets Technical Committees (which have some nonofficial experts as members) to vet each plan and provide their comments. The District Committee then sends the plan back to the municipal council for finalization.

### Implementation

Once projects have been approved, ULB implements them through one of the following five institutions:

- one of its own departments;
- another government agency;
- a regular contractor;
- a cooperative or a nongovernmental organization (NGO); or
- a beneficiary committee (Box 4.2), constituted from the families that benefit from a particular project.

<sup>81</sup> The Municipal Council's 'Development Committee' is responsible for tracking the elaborate PPC process, scheduling Ward Committee meetings, keeping minutes, and so on.

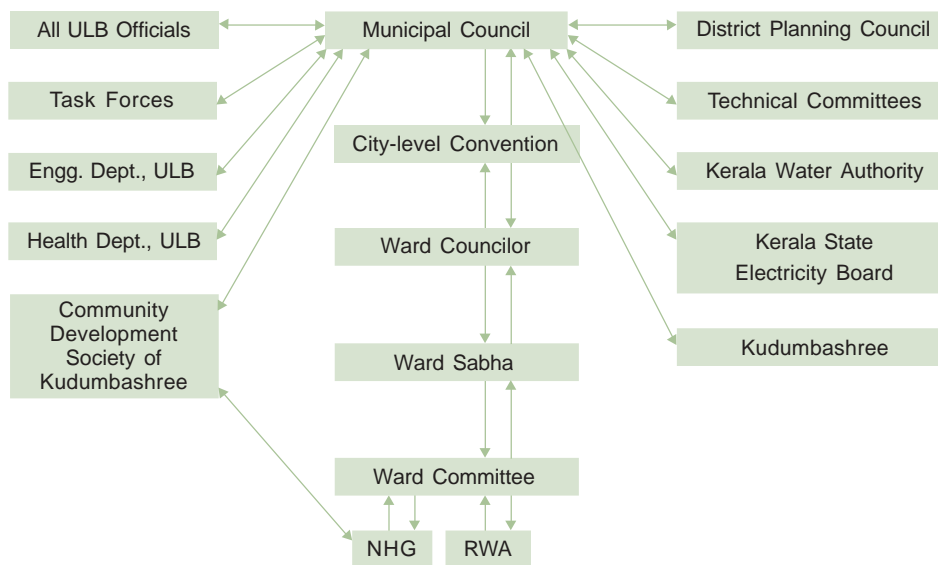
Figure 4.1 illustrates the chain of planning and command inherent in PPC’s planning process. The central column lists the institutions integral to PPC structure. The column on the left lists the agencies over which the municipal council — or ULB — exerts a direct authority, and that on the right lists those that report to the state government (and so are not responsible to local bodies).

Additionally, the Kerala State Government issues a number of guidelines and orders relating to PPCs,<sup>82</sup> which are interpreted by ULB officials for implementation and are also forwarded to ward councilors for their suggestions. In this respect, the executive and legislative arms of Kerala’s ULBs work smoothly together, unlike the pattern seen in many other Indian states.

**Box 4.2:  
The Beneficiary Committee**

Beneficiary Committees are a unique innovation of PPC. Since their inception, such committees have handled a large number of valuable contracts, including the construction of roads and school buildings, and the extension of pipelines. Their usefulness has somewhat dwindled in recent years because of allegations that, in some cases, contractors used them as fronts.

**Figure 4.1:  
Kerala’s Participatory Planning and Budgeting Structure**



<sup>82</sup> Chathukulam, J. and John, M.S. 2002: <http://www.keralaplanningboard.org/>, Decentralized Planning, Tenth Five Year Plan, Various Guidelines.

A Development Report is prepared for each city listing the status of services and enunciating its citizens' vision for further development.

### Civic services

With respect to service provision, the accountability relationship between PPC and service provision operates at three levels:

- ULBs and the state government, including parastatal utilities such as the Kerala Water Authority (KWA) and the Kerala State Electricity Board (KSEB);
- within a ULB area (between the Ward Committees and Service Agencies); and
- within a ward.

Kerala's ULBs provide civic services through their Public Health and Engineering Departments (PHEDs). The former is responsible for physical infrastructure, including roads and drains, and slum development inputs. The latter provides solid waste management services. Water and power is supplied by KWA and KSEB, which are under the control of the state government.

### Intensive and widespread training

One of the highlights of PPC has been the massive and ongoing program of training and capacity-building that it has undertaken throughout the state. In the first year alone, PPC trained some 400,000 elected representatives, government officials, and volunteers. The Kerala Sastra Sahitya Parishat was a key resource, providing a vast, experienced army of volunteers who manned key positions in the Campaign as trainers, strategists, members of the volunteer technical corps and task forces.

Resultantly, the initial stages of the Campaign were run with only 28 full-time paid staff. It was only toward the

end of 1997, that staff strength was increased to 224, to allow for full-time coordinators at block, municipality, and district levels, who could help local bodies with capacity building, training and management. Efforts to develop high quality trainers and training modules continue, and are being spearheaded by institutions such as Capacity Building for Decentralization in Kerala (CAPDEK).

### Documentation

PPC regularly evaluates and documents planning and implementation at various levels. A Development Report was prepared for each city listing the status of services and enunciating its citizens' vision for further development at the start of the Campaign. The reports were intended to be reflective in nature, recognizing past mistakes and explaining changes in future direction. In addition, five-year and annual plans are developed at the local level, as per formats given by the State Planning Board (SPB). This kind of detailed documentation, with common formats, has been crucial in harmonizing the participatory planning process throughout the state.

### Gender sensitivity

PPC also focuses on women's empowerment and participation. All office-bearers in CDS structure (NHGs, ADS and CDS) are women, and they are intensively trained in self-organization, negotiation, and management. Gender concerns have also been built into the selection of poor beneficiaries for various schemes. For example, in allocating grants for house-building, families with daughters are given priority.

### Lokayukta/Ombudsman

PPC has set up a quasi-judicial authority, or ombudsman, to inquire into allegations of

### Box 4.3: PPC Innovations to Enhance the Accountability of Government

PPC has attempted to build new forms of accountability into the functioning of local governments, over and above the traditional systems of checks and balances. These include:

- **Committee system of decision-making:** All local governments' decisions are to be made through consensus or by voting. Power is not to be concentrated in single individuals;
- **Right to information:** All local government documents are declared public by law. The handful of exceptions includes patients' health records and draft contract documents;
- **Participatory budgeting:** Citizen action and intervention in the evolution of budgets, particularly for development works. Additionally, the involvement of experts in final budgeting, before approval by elected bodies;
- **Due process in beneficiary selection:** Eligibility and prioritization criteria are to be clearly enunciated. Potential beneficiaries submit applications in writing, which are publicly vetted and ranked on the basis of eligibility criteria. This ranking is read out in the relevant Ward Sabha. Each applicant is also permitted to see all records, including others' applications;
- **Technical sanction:** Technical sanctions are now made by public committees at the block/ municipal/corporation/district levels, rather than by government officials. This provides some protection against inflation of estimates and dilution of technical standards;
- **Audit system:** A concurrent public audit system — known as the performance audit — now acts as an online corrective mechanism that helps local governments strengthen implementation and delivery systems. This audit is conducted twice a year in all local governments. The accountant general also carries out grant-in aid audit of all local bodies;<sup>83</sup>
- **Social audit:** A semi-structured social audit is conducted in Ward *Sabhas*, where the accounts of ULBs are presented and queries replied to;
- **Awareness building:** Special meetings are held with NGOs to tell them about citizen entitlements vis-à-vis local governments. Media campaigns are also a regular feature; and
- **Filing of property statements:** All elected members are also required to file property statements immediately upon election.



<sup>83</sup> The situation in most other states is different: 'The C&AG has a role only in a few states and that too for the audit of district level *panchayats* and for very large urban bodies.' (11<sup>th</sup> Finance Commission Report, Chap 8, 'Local Bodies').

PPC has had a positive impact on services by enabling local governments to implement approved projects quickly.

maladministration and irregular activity against members of local self-government institutions. Provisions have also been made in the Kerala Municipalities Act to set up judicial tribunals to consider statutory appeals arising out of the decisions by ULBs.

### Financing the Model

Of the US\$252 million<sup>84</sup> allotted by the Kerala Government for planning at the level of local bodies in 2004-05, US\$30 million was for urban areas.<sup>85</sup> Local bodies also receive funds from central- and state-sponsored schemes. Additionally, ULBs access revenue from their own taxes and user charges, and the share they receive from those charged by the state.<sup>86</sup> The plan funds are used for new infrastructure provision and to subsidize basic services for the poor. Most of ULBs' own revenues go toward maintenance of existing infrastructure and services – salaries, administrative expenses, etc., which go under the category of 'non-plan'.

### Outcomes

#### Better services

PPC has had a positive impact on services by enabling local governments to implement approved projects quickly. It has also dramatically stepped up spending on solid waste management, roads, drainage, and slum improvements, since these are all ULB services. This development has been aided by the use of volunteer

labor and cash contributions by beneficiaries, which has substantially lowered costs in a number of projects. Similarly, there has been a marked improvement in solid waste management, due to a tie-up with Kudumbashree units which collect wastes door-to-door and sell cloth bags as a substitute for plastic ones. ULBs have also invested in rehabilitating and improving wells and ponds (on which much of Kerala depends for water supply), apart from extending and improving the piped water supply system in parts.

#### Alternative modes of service delivery

PPC has also spawned service improvements through alternative modes of delivery: beneficiary committees, decentralized water supply, collection of waste house-to-house by NHGs, and so on. Beneficiary Committees have had a number of benefits, including the execution of works without a profit component, the reduction of costs, quality improvements because of direct supervision by beneficiaries, and the making-up of budget shortfalls through money, materials, labor and supervision contributed by beneficiaries themselves.<sup>87</sup> However, some officials and auditors also point to the drawback of Beneficiary Committees, leading amongst which are a lack of technical expertise, and of competitive tendering and purchasing.

#### Enhanced fund-flows for capital development

PPC has compelled ULBs to utilize most devolved funds for asset creation, since diversion for non-development

<sup>84</sup> Conversion rate is US\$1=Rs 45, as per September 2006 exchange rates.

<sup>85</sup> These amounts are given as grant-in-aid, normally in proportion to the population.

<sup>86</sup> Participatory planning mechanisms under PPC apply to the amounts devolved through the state government as grant-in-aid and not to the schemes sponsored by the center and the state, devolved taxes or the ULBs' own funds. However, PPC funds form the largest share of funds available to local governments. Several of the center and state sponsored schemes aimed at the poor also have to be detailed and implemented through participation of the Kudumbashree system, so participatory planning permeates a large portion of the local body operations.

<sup>87</sup> A study of projects funded through PPC in the Thiruvananthapuram City Corporation states, 'About 20 percent of the financial resources were expected to come from beneficiary contributions' (Center for Development Studies, October 2003). This was surprising because, on the one hand, there were a number of protests against the raising of bus fares by marginal amounts and, on the other, there were families contributing substantial amounts toward infrastructure meant for them – perhaps this was because the public saw a degree of transparency in the planning process.

expenditures is not possible without state government concurrence. Spending has concentrated on developing both networked and non-networked services, such as ponds, wells and toilets, on-site waste water treatment facilities for the poor, sewerage and solid waste management, and roads. Since such diversions do occur at the state level, the PPC has had the net effect of enhancing the funds available for development at the local level. Sixty-two percent of all plan funds (for new infrastructure and services) spent by ULBs during the Ninth Five-Year Plan were from PPC (that is, US\$114 million in total, or US\$391,000 on average per year per-ULB). Seventeen percent of all plan funds spent were from ULBs' own sources.

### Reduced space for clientelism

Not only has PPC entailed enhanced fund-flows to ULBs' for expanded basic services provisions, participatory processes now oversee how these funds are spent. Since the selection of project beneficiaries is debated at a public forum, there is a reduced space for politicians to disburse public goods and services only to those groups that support them electorally. Additionally, collective decision-making and the vetting of projects by independent experts has reduced favoritism in the disbursement of contracts. New methods of contracting have also been introduced that further reduce the scope for arbitrariness in decision-making.

### Intensifying decentralization

PPC has transformed the relationship between the state government and ULBs, since state-level politicians and officials now have no control over one-third of Kerala's budget, other than issuing broad guidelines from time to time. Moreover, the administrative devolution that has accompanied the

program has now given ULBs effective control over service-related officials from various government department. ULBs have been made fully responsible for projects that directly affect their constituencies, including poverty eradication measures, and the upkeep of roads (except highways and major district roads). This has given ULBs a greater sense of ownership and responsibility for the services delivered even by parastatals, such as KWA and KSEB, even though their assets have not been formally devolved to the local level. As a result, ULB service departments — and ULBs themselves — have noticeably moved in the direction of greater fiscal responsibility and operational autonomy.

Kerala's ULBs are now governed by modernized legislation: elections are held on schedule, a substantial component of ULB budgets are finalized after extensive public consultation, and implementation is monitored. Intensive training and ongoing computerization have also upgraded the quality of governance.

### Mass mobilization and skill-building

The training that has accompanied PPC has not only built technical skills, it has also triggered attitudinal change. As a result, the public now is more demanding of elected officials, and PPC has created platforms by which the former is able to consistently pressure the latter to deliver on commitments. For instance, citizens now regularly pressure their municipal councilor to account for the non-completion of budgeted projects.

Additionally, PPC has trained citizens to make collective decisions after a detailed process of negotiation across the city, and to find creative solutions to local-level problems. Most noticeably, this has expanded the

PPC has trained citizens to make collective decisions and find creative solutions to local level problems, rather than merely relying on ULBs to take action.

**Box 4.4:  
Developing Skills for Negotiation and  
Self-management**

When ULBs/councilors take the initiative to ask the group affected by a problem to find the solution themselves, and support them in doing so, then users develop the skills to negotiate among themselves and devise strategies for action. A recent example is the commissioning of a new, modern fish market in Kozhikode. Stalls have to be hired out, the premises kept clean and toilet facilities for visitors to the market have to be managed. Normally these services are provided by the contractor who gives the highest fees to the ULB. But ULB asked the fish sellers to form an association and bid for the contract as they would benefit both from the extra income and from self-managing the facility.

capacity of RWAs to organize themselves to find workable solutions for shortcomings in local service delivery, rather than relying on their ULB to take action, as discussed in Box 4.4.

Kerala's network of NHGs, ADSs, and CDSs has gained significant clout and visibility. Some 300,000 urban and 2.5 million rural women belonged to this network in 2003, a development that has the potential to significantly influence Kerala's politics. Similarly, the nearly 18,000 *panchayat* — or village administration — officials that have been involved in day-to-day neighborhood and community issues have become a formidable pressure group.

**Encouraging users to pay for services**

Public involvement in planning and budgeting has both increased citizens' understanding of the costs involved in delivering individual services, and created the space for them to contribute financially and in labor terms to the extension or improvement of public services in their area. These two factors have contributed to a climate more conducive to the levying of user fees for public services within the state. An important manifestation of this changing outlook is that the Kerala Government authorized the levying of development charges on every land transaction, new construction and commercial venture in 2005. Charges will be collected irrespective of whether the transaction is effected by a state, central, or local government agency, public sector unit, or private company.

**Modernizing local government**

PPC continues to review the ongoing decentralization process to identify and remedy gaps in skills and institutions. In particular, it continues to focus on building capacity for high quality project preparation, the development of asset management plans, the introduction of new office management systems, and the introduction of transparency in the procurement of goods and services. In addition, it is working to develop a public works manual which would facilitate community contracting, planning and implementation. It is also attempting to design a service and performance standard system, as well as a new social security system to be implemented through local governments. Initiatives are also planned to further enhance local governments' accountability to citizens, ranging from Citizens' Charters to monitoring by independent institutions.



## Accountability to the Poor

A key objective of PPC's emphasis on decentralization and community participation has been the empowerment of the poor and the creation of a development model in keeping with their needs. Thus, Kerala's new participatory budgeting system is specifically tuned to the economically underprivileged. Poor people attend most PPC fora, such as Ward Committees and Ward *Sabhas*, in large numbers. Subjects of immediate concern to them are discussed at these platforms. They also enthusiastically participate in PPC schemes and willingly defray the capital costs of water supply and other infrastructure schemes by, among other things, taking loans from NHGs to which they belong or pawning their jewelry.

### Drawing the poor into the heart of local-level planning and expenditure

PPC's real achievement has been to draw the poor into the center of ULB identity, practice and planning, through the sustained participation of NHGs in Ward Committees and in discussions with ULBs. This has had significant implications for Kerala's anti-poverty programs, "with the local self-government institutions spending US\$111-133 million annually for programs targeting the poor."<sup>88</sup>

### Meeting the infrastructure needs of the poor

Several PPC funds/schemes are specifically earmarked to extend the services infrastructure to the poor<sup>89</sup> and to SC/ST residents. Additionally, SPB has created a strong incentive for officials to target these households for

### Box 4.5: Turning Subsidies on their Head

In Kozhikode, a household-based subsidy for electric connections (about US\$22 per selected house) was given to over 200 poor families during the Ninth Plan (some 7,000 households were reportedly without power connections). Mid-way, a change in strategy was affected in consultation with Ward Committees: the subsidy was instead channeled toward extending streetlighting in slums. This enabled slum connections to be delivered at a lower cost, allowing a large number of slum households to legally connect to the electricity grid by paying the normal fees. Thus, a much larger number of people benefited than would have through the initial subsidy model.

development activities. Other than basic infrastructure provision, local governments are focusing on employment generation for the poor in partnership with Kudumbashree. They have had a large measure of success in this effort.

### Empowerment of women

PPC has enhanced the welfare, efficiency, mobility and self-confidence of the women at the grassroot level. Since 20 NHG members are to be members of their Ward Committee, the participation of at least one poor woman in developmental discussions is ensured.

<sup>88</sup> If we assume that the amounts budgeted for programs for the poor would be equivalent in rural and urban areas, we get US\$31.1 per capita for the poor (US\$122 million divided by 12 percent of Kerala's population — the poor). In urban areas, such an amount would be around double that for all urban citizens under PPC.

<sup>89</sup> Under 'Slum Development' and 'Funds for SCs/STs', separate funds are earmarked for women, for children and for the aged.

PPC has enhanced the welfare, efficiency, mobility, and self-confidence of women at the grassroots.

**Box 4.6:**  
**Sanitation in slum areas of Kozhikode**

Twenty percent of Kozhikode's 437,000 population or some 87,000 people — lived in slums at the commencement of the Ninth Plan; 40 percent of slum families — or some 7,000 people — did not have individual toilets. Despite the dense population, they were forced to defecate in the open or in shallow pits dug into the ground. There had been no dialogue between the affected people and the Kozhikode Municipal Corporation on this situation. During the Ninth Plan, subsidies were given to nearly 2,000 families to build sanitary toilets (although the planned target had been 5,000 families) but it was noticed that several did not use that money for this purpose. It was decided that in the Tenth Plan that different agencies would be asked to build the toilets for families rather than handing over the subsidies to the families themselves.<sup>90</sup>

One-third of the ward councilors and ULB heads are women, and they contribute actively to ward meetings. "Earlier poor women had no relationship with the corporation, except the occasional death/birth certificate that they needed to get, but today they have a lot of stake in the corporation."<sup>91</sup>

Thus, in 2001-2002, there were 30 schemes specifically drawn up and implemented to benefit women. 10 percent

of local government outlays are utilized for women-specific projects. In fact, PPC has provided extra training to female politicians and elected representatives, so that they may have a stronger impact on the drawing up of sectoral and gender programs. There are now plans to build on these achievements by possibly including gender budgeting and gender auditing in local governments. PPC organizers are also trying to induct women with higher levels of education into the participatory planning and budgeting process, to further strengthen this practice.

## Strengths

### Widespread understanding of its key concepts and objectives

The public is well-informed about the structure and objectives of PPC, and so is easily able to access the forums by which to participate in collective discussions and decision-making. The public is also by and large satisfied with the role that their individual councilors play as a channel by which to relay their desires to their ULB. As a result of the high level of training imparted throughout the CDS structure, and to political and executive members of ULBs, there is a widespread common understanding of PPC concepts and processes. For this reason, participants exercise a high degree of discipline at PPC forums, and well-structured processes modulate the discussion.

### Institutionalization of PPC

The genuine and widespread support for decentralization within Kerala has strongly helped to institutionalize PPC and its many elements — including fiscal and functional

<sup>90</sup> However, this approach too has failed in some states — namely, Uttar Pradesh and Rajasthan, where NGOs made a large number of such facilities for slum families which have subsequently remained incomplete and unused.

<sup>91</sup> Discussion with a former member of PPC planning cell.

devolution, legislative and administrative reform, citizen participation in planning, the assistance of outside experts in the formulation of proposals and their assessment, training of all principal actors, strong linkage with poor peoples' forums, and the stress on voluntary effort and contributions by citizens. Taken together, these are intended to transform local bodies into genuine institutions of local self-government – and, in this respect, Kerala's success is still unique in the country.

## Limitations

### Poor service-related accountability

PPC has not succeeded in making KWA and KSEB accountable to ULBs. While many ULBs are dissatisfied with the performance of these parastatals, they have no means to enforce improved standards and information disclosure upon them. Despite the large amounts that ULBs now spend through these parastatals to improve water, sanitation and electricity services within their jurisdictions, the latter are only required to report to the state government on the effectiveness of these expenditures. Neither are Ward Committees provided with the opportunity to interface directly with these service agencies or with ULB PHEDs. Thus, all interaction is mediated only through the ward councilor.

### Not enough spending on water and electricity

Although the majority of Kerala citizens want radical improvements in water and electricity services, PPC spends just one-third on these services, as compared to drainage, solid waste management, and roads, which are under the control of ULBs. This is because the devolution of funds is to ULBs, and not to KWA and KSEB. While



ULBs do fund the extension and repair of water and electricity infrastructure, consumers remain dissatisfied with these services for reasons discussed in the preceding paragraph.

### Weak ULB accountability

Similarly, it is difficult for citizens to systematically understand ULB performance on the basis of four Ward Committee meetings a year. Most ULBs do not have Web sites, and the subject-committees within the Ward Committees have not instituted the practice of regularly disbursing information to the public. As a result, citizens have no means by which to directly exert their wishes on ULB. They can only make suggestions to the ward councilor, and pressure him or her to act on these.

Organized community self-reflection on the achievements of collectively-developed programs has slackened over the past few years.

### No permanent ward-level decision-making structure

Since only the ward councilor is a recognized part of PPC administrative machinery, this has dampened discussion and activity within the committee. For this reason, only the councilor is responsible for day-to-day governance at the ward level, in contrast to NHGs in which individual volunteers handle health, education, and infrastructure schemes, for example. Also dampening Ward Committee activity is the subsidiary focus given to ward-level planning. While City Development Reports have been prepared, this is not done at the ward level. This makes it difficult for citizens to understand and actively involve themselves in the vision and developmental achievements for their locality.

### Inadequate data and self-analysis

Organized community self-reflection on the achievements of collectively-developed programs has slackened over the past few years. This is because project accounts are closed and oversight committees disbanded when final payments to contractors are made. “No requirements or guidelines for future ‘sustainability’ evaluations exist, nor does SPB recommend particular management systems.”<sup>92</sup> While SPB undertakes some assessments and documentation, and while ULBs and state-level agencies collect expenditure and implementation data, currently there is no systematic collection of other qualitative data, such as social and gender impact and improvements in access to services. Similarly, while councilors put considerable effort into

dialoguing with citizens at Ward Committee meetings, they do not provide more systematic information through regular reports, Web sites, or local information boards.

### Amateur planning

Some of the plans produced by the *panchayats* and by ULBs have tended to be of poor quality, representing a wish list of schemes rather than an actionable budget document. Despite SPB’s detailed guidelines, and periodic training of *panchayat* and ULB officials on planning and budgeting (Box 4.7), there continue to be gaps in capacity. Additionally, PPC’s heavy reliance on volunteers for training has fallen prey to ‘volunteer fatigue’. As a result, there is variable planning capacity and outcomes across areas.

#### Box 4.7: Project Clinics

Wards or *panchayats*, with well developed projects, were asked to run 'project clinics' — or seminars — to explain their work to counterparts. Clinics focused on the technical and financial aspects of a project, to demonstrate the detail of what was expected in plan submissions. By encouraging participants to work through the issues for themselves, their ability to look at a range of developmental approaches and to produce better development plans was enhanced.<sup>93</sup>

<sup>92</sup> *In Pursuit of Good Governance, Experiments from South Asia's Water and Sanitation Sector*, Water and Sanitation Program- South Asia, April 2003.

<sup>93</sup> 'Community Learning Information and Communication Case Study', GHK Research and Training, 1999.



### **Drawbacks with Beneficiary Committees**

In some cases, inexperience has slowed the implementation of projects undertaken through Beneficiary Committees, since members may not possess the expertise to plan systematically and in a cost-effective manner. There are also reports of contractors colluding with officials to use Beneficiary Committees as a front for lucrative contracts. To check this malpractice, Beneficiary Committees may now only take on school building and road-work projects.

### **Little public involvement in monitoring**

While Beneficiary Committees are to monitor neighborhood and local-level projects, ULB Committees (comprising of elected representatives and officials) are

to maintain oversight of larger projects. However, there are few instances of public involvement in project monitoring. While the absence of formal monitoring mechanisms may reflect the trust that SPB places in the power of community vigilance, accountability can be undermined by not consciously creating the platforms and capacity required to make them effective.

### **Inadequate staffing**

Some ULBs have been unable to absorb and spend such large amounts of additional funds without an increase in manpower/level of technology. Thiruvananthapuram had to return nearly half its PPC allocation unspent for 2003-04. In Kozhikode, a large number of projects could not be completed during the Ninth Plan and were brought forward into the Tenth Plan.

E-governance would significantly boost ULB-citizen interface in the PPC process.

### Inadequate computerization

E-governance would significantly boost ULB-citizen interface in the PPC process. Despite early initiatives in this regard, computerization within ULBs still has some way to go, although citizens may now obtain birth and death registrations and tax and other receipts online. Online facilities would help citizens, political representatives, and government officials monitor plan formulation and implementation processes, the movement of files, accounts, works and purchases, and the quality and delivery of services. In this context, the government has piloted a laudable initiative, 'Akshaya', intended to make at least one member of each family in the state e-literate and to create shared access through computerized kiosks to public information in local languages.<sup>94</sup>

### No women in senior positions

Despite PPC's emphasis on involving women in decision-making and implementation, women are poorly represented in SPB, the Administrative Reforms Committee, the District Planning Committees, and the ombudsman.

### Limited NGO Role

The Campaign has not actively sought the participation of NGOs, which could be invaluable allies in deepening citizens' participation in urban areas. With some exceptions, NGOs have tended to participate in PPC process more as contractors in implementing housing or public toilet projects.

### Box 4.8: Design Limitations?

The fact that Kerala's urban citizens have a platform for continuing face-to-face contact with ULBs is not proving to be enough of an incentive to keep the middle and upper class interested in the Ward Committee process. There is a widespread feeling that the process concentrates too much on the selection of beneficiaries for schemes for the poor. 'At the ward level people felt that there was not enough training on how to plan and that more skills of action planning would be useful for the objectives of the Campaign to be sustainable.'<sup>95</sup>

### Poor media strategy

While the media has written extensively on PPC, coverage has at points tended to be needlessly critical and sensationalist, and has relied largely on official handouts or public controversies. This is partly because PPC focused so intensively on informing all stakeholders that it overlooked a well-thought out strategy for the media.

### Vulnerable to political shifts

Since PPC was launched by an LDF government, Kerala's subsequent United Democratic Front (UDF) government did not give it the same type of public

<sup>94</sup> 500,000 people have been trained under the initiative and 70 *panchayat* areas are now considered to be 100 percent e-literate. The initiative continues to be extended to other districts.

<sup>95</sup> Some initial efforts were made: 'Some excellent models' were identified for 'demonstration for other wards. It was also felt that inter-Ward study tours needed to be encouraged to promote Ward-level learning. There is also the potential to develop the use of satellite TV as a means of communication and mass education. The proposed idea is to make this kind of technology available in each ward.' 'Community Learning Information and Communication Case Study', GHK Research and Training, 1999.

spotlight or leadership as its predecessor did. This contributed to diminished public enthusiasm. Also affecting the speed with which policy and spending decisions are taken is the political dissension within each party on economic issues.

## Conclusion

PPC is now in its 10th year of implementation. It was launched quite suddenly, and created a tremendous pressure on state and local government officials to ensure smooth implementation. It has survived shifts in government, and has proved that supply-driven programs can be widely popular and successful by creating an institutional space for public participation. PPC's most significant success has been its ability to expand citizen participation in a new form of governance, in a way that no other Indian state has been able to. Also unique is that it has been local governments, assisted by path-breaking volunteer movements that have managed peoples' participation at a vast scale, with good training and guidelines provided by state-level institutions.

PPC has demonstrated that it is possible to embark on far-reaching reform of India's ULBs. State-wide, at one stroke, the funds available to them were dramatically enhanced; improved budgeting and accounting put into place; citizens mandatorily involved in planning, budgeting and implementation; and a stress put on finding out-of-the-box solutions. By enabling the public to participate in ULB affairs, it has made the latter more accountable to citizens, although more can be done to strengthen PPC's achievements in this regard. In fact, citizens find that the informal units for civic engagement supported by the PPC — that is, RWAs and NHGs — serve as better fora for such activities than the formal ward-level institutions provided for by India's new

decentralized structure of government, dictated by the 74th Amendment to the Constitution.

Local bodies' control over an increased — and annually assured and nonnegotiable — level of funds has boosted the availability of basic services and triggered citizen-centric innovations in service provision. Among these are the door-to-door collection of wastes, mini-schemes for water supply, and the channeling of individual subsidies into the building of common infrastructure. However, these improvements and innovations need to go a lot further, including the revival of traditional water bodies and rainwater harvesting.

PPC's experience so far is that it has worked better in smaller ULBs than in larger ones, due to the average citizen's greater ease in grasping and interacting with local development. In general, Kerala's northern areas (Kozhikode and surrounding areas) appear to have done better than southern ones, as they have a more pronounced culture of participation and cohesiveness.

PPC has also succeeded in changing the orientation of local elected representatives and officials toward more democratic ways of functioning. Additionally, it has created the institutional space for all political parties to participate equally in local and city-level decisions, regardless of which party holds power at the state and municipal level. However, there is scope to considerably increase the involvement and cooperation of councilors, in the effort to further scale up and institutionalize the initiative.

The poor have also, for the first time, been given a role in planning and governance on a state-wide level. Most importantly, they have been empowered to plan and oversee the implementation of programs that benefit them. Elsewhere in the country, investments and

Since PPC has accelerated the pace of rural development, migration to urban areas appears to have slowed.

development are known to be heavily skewed in favor of capital cities and the largest metros, but in Kerala decentralization and reform measures have been instituted equally for all ULBs. Funds are available to agglomerations in proportion to population and levels of backwardness.

PPC has also coincided with a slow-down in Kerala's urban growth rate. Kerala experienced a negative growth rate of more than 1 percent<sup>96</sup> from 1997 to 2001, while the average annual urban growth rate for major Indian states was nearly 3 percent during the same period. Some analysts feel that PPC might have reduced rural residents' incentive to migrate to urban areas, by accelerating the pace of development and service provision in rural ones.

Participatory mechanisms have expanded public accountability, through institutions such as Ward Committees, Task Forces, Concurrent Audits, and the *Lokayukta*, among other things. However, other easily accessible forms of accountability — such as ULB Web

sites, periodic reports, and the Right to Recall — have still not been effectively instituted. Neither have relationships between service providers and the public been strengthened through any direct means such as improvements to the complaints system, enhanced spaces for interaction between officials in charge of services and the public, and so on.

Finally, PPC has been criticized for its single-minded focus on ULBs as the fulcrum of change in urban services. It has been suggested that instead of centering citizens' participation on ULB affairs only, self-managed initiatives should now be encouraged. An example of such an initiative is Mumbai's 'Area Locality Management', in which RWAs manage, with ULB support, source-separation, collection and local composting of wastes, apart from greening and improvement measures. Encouraging the private sector to supply more effective urban services has also not been tried out widely, even though it is now formally part of the state's policy framework for service provision.

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<sup>96</sup> *India's Municipal Sector*, National Institute of Public Finance and Policy, 2004.



# Case Study 5

## Consumer Courts and Consumer Grievance Redressal Mechanisms

*Abridged from a study by VOICE, New Delhi*



Over the past few years, the Government of India has stepped up consumer protection and complaint redressal standards in a number of sectors, including electricity and, to some extent, water. Underlying these changes is the Consumer Protection Act of 1986, which — in addition to enunciating a set of consumer protection principles that bind all Indian public and private sector agencies — has also set up a national adjudicative machinery (at the district, state, and central levels) to redress consumer complaints. At the same time, most private Indian companies and public service providers have significantly strengthened their customer care and grievance redressal mechanisms to keep with tightened regulatory requirements and/or to boost their image among consumers.

Using Delhi's experience as a test case, the following study assesses the success of these new consumer protection and redressal mechanisms in promoting end-user accountability in urban electricity and water services, particularly to the poor. It also looks at how effective the Consumer Court system and the Consumer Protection Act have been in redressing consumer complaints relating to electricity and water services.



The Consumer Protection Act recognized the Indian consumers' right to redressal.

## General Context

### The Consumer Protection Act, 1986<sup>97</sup>

Over the past century and a half, the Government of India (GoI) has established a variety of regulatory measures intended to protect the Indian consumer from exploitation or harm by unscrupulous businesses and public service agencies. These included the Indian Penal Code (1860), the India Contracts Act (1872), the Sale of Goods Act (1930), the Drug and Cosmetic Act (1937), the Prevention of Food Adulteration Act (1954), the Essential Commodities Act (1955), the Bureau of Indian Standard Act (1986) and several others. These Acts created the legal framework by which businesses found to be selling adulterated and potentially harmful substances could be tried and punished. However, none of these Acts enabled citizens to seek redressal for shortcomings in the quality of goods and services.

As a result, Indian companies found it easy to sell defective or poorly made products to Indian consumers. Similarly, public agencies — charged with providing basic amenities to the Indian citizen — were able to continually deliver a poor service.

In 1986, in an effort to reverse this situation, the Indian Parliament passed the Consumer Protection Act (CPA), which for the first time recognized the Indian consumer's right to redressal. Its basic tenets are that consumers should:

- be provided with the information necessary to make informed choices;
- be protected from hazardous products and physical harm;
- have their economic rights protected;
- have the right to redressal; and
- be involved in the setting of production and performance standards.

*National consumer protection machinery* : To put these principles into practice, CPA established an extensive national machinery to protect consumer rights and adjudicate consumer disputes. Consumer Protection Councils were set up in every district in India to promote and protect the rights of consumers in their districts, and to serve as 'watchdogs' against consumer exploitation. In each state, a State Consumer Protection Council has also been set up to promote and protect the rights of the consumers in the state. The central council is responsible for advising GoI on national consumer policy for the promotion and protection of consumer rights.

As a parallel network, Consumer Dispute Redressal Forums (which are the subject of this case study), were set up at the district, state and national levels. Their function is to speedily adjudicate and redress consumer grievances. (The working of these Forums is discussed in detail in the section entitled 'How the Model Works' on Pg 83.)

<sup>97</sup> For purposes of this study, references to the Consumer Protection Act encompass both the original 1986 version of the Act and all subsequent amendments to it.

Discoms must resolve consumer grievances and intimate complainants within 15 days – or pay a penalty.

## Specific Context: Consumer Protection Standards in Delhi's Electricity and Water Sector

### Delhi Electricity Act, 2002

In 2002, the Delhi Government decided to allow private participation in electricity distribution. It thus set up distribution joint ventures with Reliance Power and Tata Power — India's leading electricity companies — in each of which the private company controls 51 percent of equity and, therefore, has management control. Its two joint ventures with Reliance Power are BSES Yamuna Power Limited (BYPL), which distributes power in Central and East Delhi, and BSES Rajdhani Power Limited (BRPL), which supplies power to South and South-West Delhi. These two companies supply about 1.7 million people in a 900 sq km area. Its joint venture with Tata Power is known as North Delhi Power Limited (NDPL), and services 4.2 million people over 600 sq km in North and North-West Delhi.

The New Delhi Municipal Council (NDMC) continues to be responsible for supplying electricity to all amenities in its area of jurisdiction (primarily New Delhi), including community halls, embassies, gardens, hospitals, hotels, stadiums and tourist places.

*Consumer care and grievance redressal:* The Delhi Electricity Reform Act 2000, which opened Delhi's electricity sector to private participation, requires the Delhi Electricity Regulatory Commission (DERC) to impose performance and information disclosure standards on distribution companies — or discoms — with a view to enhancing their coverage, operation

In 2003, the Indian Parliament passed the national Electricity Act, considerably liberalizing the Indian electricity sector. Among other things, it requires every electricity distribution company to set up a Consumer Grievance Redressal Forum to adjudicate disputes arising from unresolved complaints. This had to be done within six months of being granted a license.

efficiency, and ability to satisfy consumers. Thus, in 2002, DERC issued the Performance Standards (Metering and Billing) Regulations which binds Delhi's discoms to a detailed list of legally-enforceable service, metering, billing, and meter inspection and repair standards, while at the same time requiring consumers to pay for the electricity they consume<sup>98</sup> and the proper maintenance of their meters. Among these regulations are that the consumer must receive the bill at least 15 days before its due date, and that bills must clearly explain the various costs and charges that the consumer is being asked to pay. If the bill is late, the consumer is entitled to an extension of the payment period.

This same regulation tightens the standards for consumer complaint handling on connection, disconnection and bill-related issues. Distribution licensees are, for instance, to resolve consumer grievances on billing and intimate the complainant about the solution within 15 days of receiving a complaint. A licensee not meeting a deadline stipulated by the regulation must pay a penalty of US\$11<sup>99</sup> for each delayed case.

<sup>98</sup> Consumers found to be stealing energy are to be tried in special courts set up for the purpose.

<sup>99</sup> Conversion rate is US\$1=Rs 45, as per September 2006 exchange rates.



In 2003, DERC ruled on the shape that the discom's consumer grievance redressal forums were to take.<sup>100</sup> Each forum is to comprise three members with a renewable three-year term, appointed by the discom. The Chairperson is required to have a background in electrical engineering; one member in law; and the other must be a consumer or nongovernmental organization (NGO) representative. Additionally, the discom is to widely publicize the existence of the Forum, and to obtain a dedicated post box for easy submission of complaints.

Aggrieved consumers can submit complaints to the Forum within three months of normal redressal procedures being exhausted. On receiving a complaint, the Forum immediately acknowledges receipt to the

complainant and dispatches a copy to the relevant discom officer, who in turn must provide a detailed response within 15 days. The Forum then hears the case, as per procedures it considers fair.<sup>101</sup> and is required to pass orders on it within 60 days of receipt. discoms are required to comply with the Forum's orders within two days. A complainant who is dissatisfied with the orders of the Consumer Grievance Redressal Forum may, as a final recourse, appeal to a special Ombudsman set up by the Delhi State Regulatory Commission.

### **Delhi's Water Supply and Sanitation Service System**

Delhi's water supply (and sanitation service) system is still completely government-owned and controlled. Delhi Jal

<sup>100</sup> Each discom is to bear the cost of setting up and servicing its own Forum (including honorariums for the three members, and the deputation of one or two staff members to serve as the Forum Secretariat).

<sup>101</sup> As per DERC regulation, Consumer Grievance Redressal Forums are not bound by the Indian Code of Civil Procedure (1908).

DJB — through a publicly announced Citizen’s Charter — has enunciated for itself a number of service and complaint redressal standards, relating to new applications, metering, billing, and water testing.

Board (DJB), which is today responsible for providing water and sanitation services to Delhi’s 14 million residents and 400,000-500,000 migrant laborers.<sup>102</sup> In this role, DJB oversees the operation of some 9,000 km of water mains and distribution pipes, water treatment plants, and booster pumping stations. It is also responsible for the collection, treatment and disposal of wastewater and sewage in the capital.<sup>103</sup>

However, with DJB — as stated on its own Web site — having connected just 1.5 million households in the city, there is a considerable shortfall between demand and supply. As in electricity, water in Delhi is priced significantly below the cost of supply, resulting in under-investment and limited/poor quality of service. For this reason, while the total demand for water in Delhi varies between 750 million and 830 million gallons a day (MGD), depending on the season, DJB is only able to supply 600 MGD of treated water a day. Although DJB claims to have ensured 50 GD per capita to all Delhi residents, most households in Delhi receive water for only a few hours a day and, often, go for days without any supply. Even when water is available, pressure tends to be extremely low. Additionally, water quality is poor. Further aggravating the situation is the significant leakage of water, occurring due to old pipes and unchecked water theft.

*Consumer Care and Grievance Redressal:* In contrast to the tightening service and disclosure standards seen in the electricity sector, DJB has not yet been put under

any regulatory pressure to introduce improvement in complaint handling and redressal mechanisms. The only new regulatory requirement on Indian water utilities is the Right to Information Act,<sup>104</sup> by which they are mandatorily required to respond to operational or financial questions raised by the public.

Nonetheless, DJB — through a publicly announced Citizen’s Charter — has enunciated for itself a number of service/complaint redressal standards and timelines, including the processing of new applications; metering, billing and water testing; and for the disposal of complaints. Additionally, it now provides ‘back-up’ water services, including supply through tankers and 20 liter packs through specialized sales centers, or *Jal Suvidha Kendras*. It commits to supplying (via tankers and within three hours of being contacted) connected households that have not received their daily supply of water. Additionally, it has permitted over 100 of Delhi’s Residents Welfare Associations (RWAs) to act on its behalf in collecting payments, facilitating water supply through tankers, replacing old or leaking pipes, and in curbing water wastage.<sup>105</sup> It has installed check drop boxes at convenient locations throughout the city, including RWA, government, and DJB offices. In Outer Delhi’s rural areas, consumers have the convenience of making payments through Cash Collection Vans. Responding to the Right to Information Act, DJB has also created a mechanism by which consumers may obtain information on specific investments and activities of DJB through its senior officials.

<sup>102</sup> DJB is responsible for the distribution of potable water in all areas under the jurisdiction of the Municipal Corporation of Delhi (MCD). It also supplies water to the New Delhi Municipal Council (NDMC) and the Delhi Cantonment Board, but they assume responsibility for distribution within their jurisdictions.

<sup>103</sup> DJB has provided sewerage connections to all authorized colonies in the city. As of 2004, it had also connected 414 of Delhi’s 567 unauthorized and/or ‘regularized’ colonies, and in all slum resettlement areas. Sewer lines have also been laid in 93 of Delhi’s ‘urban villages’ – that is, pre-existing villages around which urban Delhi has been constructed.

<sup>104</sup> Delhi passed a Right to Information Act in 2001, which has subsequently been complemented by the national Right to Information Act (2005).

<sup>105</sup> This is done through the Bhagidari Scheme of the Government of Delhi that enables public-private partnerships in the delivery of a variety of essential services so as to improve their reach and quality.

## How the Model Works

### District Consumer Disputes Redressal Forums

Each District Consumer Dispute Redressal Forum consists of a President<sup>106</sup> and two members, appointed by the state government on the recommendation of the State Consumer Disputes Redressal Commission and the state departments of Law and of Consumer Affairs.

The Forum can admit complaints from any consumer<sup>107</sup> to whom defective goods have been sold or supplied. Complaints may only be filed in the district where the opposite party resides, runs a business, or has a branch office. District Forums may admit complaints in which the relief or compensation being claimed is up to or less than US\$44,000.

To file a complaint, the complainant must submit a written statement (in five copies), clearly describing the two parties involved (including name, address, and contact numbers) and the facts of the case. The statement must also explain the nature and amount of relief being sought,

and include all documents relevant to the case. A complaint filing fee is to be submitted<sup>108</sup> as a crossed demand draft drawn on a nationalized bank, or through a crossed Indian Postal Order in favor of the President of the District Forum. (Table 5.1 for fee schedule).

*Redressal procedures:* The District Consumer Redressal Forum is to decide on the admissibility of the complaint within 21 days from the date of its receipt, and to inform the accused party within 21 days of admission. The accused party is required to respond within 30 days, and attach any supporting documentation. In extenuating circumstances, the accused may be given a further 15 days in which to respond.

The District Forum then convenes a hearing<sup>109</sup> in which both parties present their cases and evidence. Should the complainant fail to appear on the date of hearing, the District Forum may either dismiss the complaint, or decide it on merits. Adjournments are avoided to prevent unnecessary delays. If extenuating circumstances warrant an adjournment, the District Forum must record the reason for its decisions and award costs to the consumer.

**Table 5.1:**  
**Schedule of Fees for Filing Complaints in District Consumer Disputes Redressal Forums**

<i>Value of goods/services and compensation claimed</i>	
For complainants who are below the poverty line and hold Antyodaya Anna Yojana cards	Nil
Up to US\$2,220	US\$2.25
Above US\$2,220, but less than US\$11,110	US\$4.5
Above US\$11,110 but less than US\$22,220	US\$9
Between US\$ 2,220 and US\$4,440	US\$11

<sup>106</sup> The Act stipulates that the President should be a sitting or former District Judge, or be qualified to be appointed as such.

<sup>107</sup> Also defined as 'consumer' and so eligible to file cases are recognized consumer associations; a group of consumers (class action); or a central or state government agency.

<sup>108</sup> This requirement was introduced in March 2004, to meet the district forum's administrative expenses and to discourage frivolous complaints.

<sup>109</sup> District Forums are vested with powers of civil forums under the Code of Civil Procedure, 1908, for conducting the proceedings before them.

District Forums — or consumer courts — are to rule on complaints within three months.

**Box 5.1:**

**A Close-up of Delhi's District Consumer Redressal Forums**

Delhi has nine District Consumer Redressal Forums (established in the 1990s), servicing its total population of over 17 million people. As of June 2006, a total of 165,620 consumer cases had been filed in Delhi, averaging some 18,400 cases per district forum. Since Delhi is a Union Territory, it also has its own State Consumer Disputes Redressal Commission.

Delhi has succeeded in disposing of 93 percent of all the consumer cases it has received, bettering the national average of 90.5 percent. Although Delhi still has some 11,000 cases pending, this is much lower than the number outstanding in Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra and Uttar Pradesh.

While most of Delhi's District Forums operate in dedicated buildings, these are often too small to accommodate the variety of functions that must proceed simultaneously. Among these are the filing of complaints, case hearings, the maintenance of records, and working space for staff. As a result, there is not enough space to maintain records in a systematic and user-friendly manner.

Since August 2003, the Department of Consumer Affairs has been attempting to computerize Delhi's District Forums, and to link them with the Delhi State Consumer Disputes Redressal Commission and the National Consumer Disputes Redressal Commission. However, neither Delhi's District Forums, nor its State Commission yet have the necessary infrastructure to maintain a database of the cases filed and disposed of. Vacancies in the post of members, and inadequacies in staff strength also contribute to the backlog of cases.

*Schedules:* The CPA stipulates that the District Forum should dispose of the complaint within three months of the accused party receiving the complaint, if there is no need for laboratory analysis or testing. Should such testing be required, the District Consumer Redressal Forum is to ensure that the necessary results are obtained within 45 days — and that the total period from receipt to redressal does not exceed five months. If the District Forum passes an order in favor of the complainant, the other party is required to take the necessary action — which may include repairing or replacing the goods, returning the consumer's money,

paying compensation for damages, removing the goods from the market, ceasing manufacture, or issuing corrective advertising.

If the other party does not comply, the District Forum may attach its property. The attachment remains valid for three months, after which — if the party has still not complied — it may be sold and the proceeds adjusted against the award amount. Should there still be a shortfall, the District Collector has the power to recover the amount as arrears of land revenue. The District Forum may also have the accused party imprisoned for one month to three years, or



fined for US\$44.5 to US\$220, or both. Conversely, if the District Forum finds a complaint to be frivolous or vexatious, the complainant is required to pay the opposite party a penalty of up to US\$220.

Although the District Forum's decision is final, the aggrieved party can appeal to the State Consumer Dispute Redressal Commission within 30 days of the District Forum's order. The appellant must also pay US\$555 or 50 percent of the amount, whichever is less, to be eligible to appeal.

State Consumer Disputes Redressal Commissions oversee the workings of the District Forums in their jurisdictions. They are also responsible for hearing and adjudicating cases in which the compensation being claimed is between US\$44, 440 and US\$222,000. Consumers unhappy with State Commission orders may prefer appeal within 30 days to the National Consumer Disputes Redressal Commission, on payment of US\$780 or 50 percent of the decreed amount. The National Commission is also empowered to hear compensation claims in excess of US\$222,000 from anywhere in India.<sup>110</sup>

*Administration and finance:* The Department of Consumer Affairs within the national Ministry of Consumer Affairs, Food and Public Distribution is responsible for overseeing the effective implementation of CPA and has appointed a Secretary,<sup>111</sup> Consumer Protection, to do so. State governments have done the same.

While CPA requires state governments to set up, finance, and operate District Consumer Disputes

Redressal Forums and State Consumer Disputes Redressal Commissions, the Department of Consumer Affairs, Ministry of Consumer Affairs, in New Delhi, is responsible for the National Commission.

### Delhi's Electricity Distribution Companies

Delhi's three discoms have similar complaint registration and redressal mechanisms, in accordance with the Delhi Electricity Act of 2002 and the National Electricity Act of 2003.

Consumers may complain about the nonreceipt/low voltage of electricity over the telephone, or in writing, to a Centralized Call Center (CCC). The CCC is to immediately acknowledge each complaint, and to provide complainants with a unique 'case' number, which is logged into a centralized database/register of all grievances received. Should the CCC be aware of the reason for nonsupply (including distribution fault, burnt main, transformer or substation problem, maintenance work, or planned load shedding), it must inform the consumer and provide an approximation of when supply will be resumed.

The complaint is then passed on to the Mobile Service Group (comprising a Junior Engineer and linesmen) at the service center concerned. The Group goes out to investigate the problem, and rectify it if possible. If resolved, a report is sent to both the service center and CCC. Should it be unable to rectify the problem, the Mobile Service Group directs the problem to the Assistant Engineer (one step up in the administrative hierarchy), so that he may deploy the necessary resources and materials to do so.

<sup>110</sup> For more information on India's consumer court network, please see the Web site of the National Consumer Redressal Commission - [www.consumercom.nic.in](http://www.consumercom.nic.in)

<sup>111</sup> A Secretary is the seniormost bureaucrat within a government department and, in some cases, a ministry.

DERC uses the data on complaint handling by discoms when considering whether to renew their licenses.

**Box 5.2:  
Computerized Records of Each Consumer's  
Billing History**

Delhi's private electricity companies have computerized consumer data to smoothen the billing process and minimize complaints. Historical information on each customer's electricity consumption and bills are maintained in a centralized database, which also serves as a single window facility to consumers in resolving bill-related problems. The database is able to track illegal consumption or diversion for commercial purposes. Consumers who feel they are being overcharged are able to approach the zonal officer in charge of the database for their zone, to examine their billing history and instantly remedy inaccuracies. This officer has the power to adjust excess bills and to convert high bill amounts into affordable equal monthly installments (EMI). Companies are also focusing on fine-tuning their computerized billing systems to prevent errors, and detect faults in the underlying data.

CCC monitors the status of all complaints, and escalates those that are not resolved to the Executive Engineer. The software that controls CCC database has been programmed to automatically escalate an unaddressed complaint every two hours, until it reaches the General Manager (Operations). Additionally, this software provides daily-computerized reports on the status of complaints to the Chief

Executive Officer, the General Manager-Operations, and the Chief Engineer (Distribution).

Complaints relating to metering and billing are handled in accordance with DERC's Performance Standards (Metering and Billing) Regulations. Consumers, who feel that their meters are not functioning, are to file an application for testing with the Assistant Engineer in charge of their areas, and to submit a testing fee. The engineer's office is to install a 'test' meter within seven days to ascertain the functionality of the consumer's meter. Should the latter's meter be found dysfunctional it is removed, leaving the test meter in place for future billing. The testing fee is to be refunded to consumers whose meters prove to be dysfunctional, by adjusting the fee against future payments. There is no refund for meters that are found to be functional. If metering complaints are not answered in a timely manner, consumers may approach the concerned Executive Engineer for action.

Billing complaints are to be filed with the concerned Assistant Engineer (in person or by post), who must immediately acknowledge receipt. Complaints are to be resolved (and the consumer notified) within 15 days of filing, if no supporting documentation is required – and 30 days if it is). Consumers that are not satisfied with the resolution of any type of complaint may approach the company's Grievance Redressal Forum, set up as per DERC regulations.

DERC keeps a record of all complaints brought to the Consumer Grievance Redressal Forums, including the manner and timeframe in which each was resolved. DERC uses this information when considering license-renewal and tariff-determination, and also has the authority to make it publicly available.



### Delhi Jal Board

Consumers may file complaints over the telephone to DJB's Centralized Call Room,<sup>112</sup> to its 21 zonal offices, or to its three water emergency offices. The phone numbers of all these offices are printed on all consumer bills, and are also available on the organization's Web site. The linesmen concerned are deputed to investigate and resolve the complaint. When this is not possible, complaints are reported to the zone's supervising Junior Engineer who may — if necessary — commission the necessary resources and materials from his superior Assistant Engineer or Executive Engineer. As soon as a problem is resolved, the Junior Engineer reports it to the Assistant Engineer.

There is no centralized electronic system that records the number and type of complaints received, and the manner in which they were resolved. The status and complaints, and their redressal, are maintained in a physical register. For convenience, DJB requires that different types of complaints be filed with different zonal officers. Consumers are to book water tankers, and file complaints about water shortages, choked sewer lines, leaking or burst pipes, or contaminated water store with Junior Engineers, that is, Zonal Level 1. Zonal offices are, in turn, to respond as per the specifications listed in Table 5.2.

At Zonal Level 2, comprising Zonal Engineers or Zonal Revenue Offices, consumers may lodge complaints

<sup>112</sup> Three phone lines have been allocated to CCR, for both incoming and outgoing calls. CCR operates in three shifts, of five to seven staff per shift, each headed by a Junior Engineer. Since no criterion has been set for the size of CCR, staff may be used in other departments as necessary.

Complaints received from or through MLAs, MPs, and municipal councilors are accorded top priority.

**Table 5.2:**  
**Schedule for Complaint Redressal: Zonal Level 1**

Type of complaint	Official responsible	Timeframe
Leakage in municipal water mains/lines, etc.	Zonal Engineer (Water)	Within 48 hours
Contaminated water supply/quality of water	Zonal Engineer (Water)	Within 24 hours
Pumping system failure	Zonal Engineer (Water), or Assistant Engineer (E & M)	Same day

Source: Delhi Jal Board Web site: www.delhijalboard.nic.in

**Table 5.3:**  
**Redressal of Complaints Regarding Water/Development Charges/Billing: Zonal Level 2**

Complaints relating to billing (water and development charges, wrong indication of category, etc.) and the mutation of water connections may be directed to any of the following: the Zonal Revenue Officer (Water), the concerned Survey Officer or Joint Director, and the Director or Deputy Director of Revenue (Water).	
Complaints/Inquires will be attended by ZRO (W)	All working days between 2-4 pm
Complaints made on personal visit regarding billing	Resolution within 7 days
Acknowledgment of the complaints received by post	Within 3 days
Final reply to the consumer	Within 15 days

Source: Delhi Jal Board Web site: www.delhijalboard.nic.in

about billing discrepancies, nonreceipt of water bills, and defective meters, which are to be addressed as per the timeframes in Table 5.3. Additionally, Joint Directors and Deputy Directors are available from 10 am to 1 pm to settle public grievances in their zones. This level also handles applications for new connections/disconnections, and address and consumer category changes. Additionally, consumers may file complaints about the illegal installation of booster pumps, illegal water connection, water leakages, misuse of DJB public water hydrants with the Consumer Care Centre at DJB headquarters.

CCR maintains a separate register of complaints received from, or directed through, MLAs, MPs and municipal councilors, and these are accorded the utmost priority.

### **Outcome: Evaluating the Effectiveness of Consumer Courts and Consumer Grievance Redressal Mechanisms**

To evaluate the effectiveness of the new consumer grievance redressal mechanisms set up by CPA 1986,

### Box 5.3: Improving Consumer Interface

DJB is attempting to streamline its interface with customers. Zonal Engineers are now responsible for interacting with RWAs, traders associations, public representatives, etc. First, it is attempting to devise a single window mechanism at the zonal level to handle all water, sewer, and revenue-related services. Secondly, it is attempting to decentralize its billing system to the zonal level. In other words, bills will not — as currently — be generated by a centralized database at headquarters and distributed through zonal offices. Zonal databases will be created so that bills can be generated, distributed, and redressed at the local level itself. Additionally, it is proposing to create zonal level 'brigades' capable of speedily installing new water connections and maintaining local pipe lines.

and by Delhi's electricity and water utilities, VOICE<sup>113</sup> ran a survey among consumers who had water and electricity-related cases pending in Delhi's District Consumer Disputes Redressal Forums between 2000 and 2004. All complainants had approached Delhi's District Consumer Disputes Redressal Forums to resolve complaints that had not been adequately addressed by the in-house grievance handling mechanisms of the city's electricity and water utilities. Additionally, the survey questioned only poor consumers, with the intention of gauging the responsiveness of these grievance-handling mechanisms to the economically underprivileged.

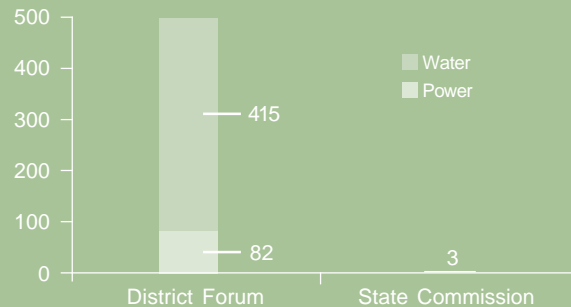
<sup>113</sup> A Delhi-based consumer action group.

<sup>114</sup> The National Consumer Grievance Redressal Commission is not included in this study, since no poor consumers have filed cases with it.

### Box 5.4: Survey Methodology and Characteristics of Sample

Four hundred and eighty-five complainants were surveyed. They were identified by isolating all pending water and electricity-related cases in five of Delhi's District Forums and its State Commission,<sup>114</sup> filed by poor complainants between 2000 and 2004. Of the 500 cases identified, the survey team was only able to make contact with 485 complainants.

Of these, 413 complainants had filed electricity-related cases, while the remaining 82 had filed cases relating to water. Two-thirds had incomes of under US\$220 a month. While a half were homeowners, 40 percent lived in slum colonies and 443 respondents resided in areas classified as 'rural'. One-third owned small businesses, while the other two-thirds were employed in the private sector or government. While the average family size was 5.9, the average number of wage earners per family was 1.4.



While CPA is a powerful tool by which to hold service providers accountable for service deficiencies and provide relief to consumers, VOICE's survey reveals a number of limitations with the workings of consumer forums.

Since survey respondents had sought redressal from the complaint handling mechanisms of Delhi's utilities, as also from the city's consumer courts, they were asked to provide a comparative evaluation of the effectiveness and consumer-friendliness of each institution. The assessment was to center around four primary parameters: accessibility, user-friendliness, responsiveness, and accountability.

### **Survey Findings: District Consumer Disputes Redressal Forums**

While CPA is a powerful tool by which to hold service providers accountable for service deficiencies and provide relief to consumers, VOICE's survey reveals a number of limitations with the workings of consumer forums.

*Poor accessibility:* About 37.5 percent had not known of the existence of consumer forums and of their rights as consumers. Most had learnt about these from lawyers, who approached them when they went to file complaints with electricity providers or DJB, and others had done so from friends.

Moreover, consumer forums were often at a considerable distance from the slums or peri-urban habitations in which respondents lived. They thus had to travel an average of at least 10 km by bus or cycle/rickshaw to access a district forum, incurring an average expense of US\$2.75 to US\$3.5. Those using their own vehicle spent up to US\$5.8.

*User-friendliness:* Sixty-nine percent of respondents considered consumer forums procedures to be simple, but 56 percent felt that they are unduly lengthy. Thus, 80 percent of respondents had to employ lawyers to file and pursue complaints for them since they found forums procedures to be complicated and lengthy. Average legal expenses were US\$33. These costs included

photocopying expenses, and 'facilitation' payments to forum staff to expedite hearing dates or to obtain important documentation.

*Responsiveness:* While virtually all complainants had found senior officials of the consumer forums helpful, over a half found lower-level staff to be rude, evasive and unconcerned. Lower-level staff provided little or no assistance to complainants. A third of respondents even said that staff had tried to dissuade them from filing complaints.

Most consumer forum cases involve four to eight hearings, each between 5 and 30 minutes long. For this reason, consumer forums are unable to rule on cases within the stipulated period of 90 days. Although a half of all cases had never been adjourned, the other half had been adjourned as much as up to four times. Finally, despite consumer forums being empowered to quickly resolve cases on the principles of natural justice, they continue to conduct proceedings on the same lines as other civil courts.

*Accountability:* For these reasons, 70 percent of respondents rated the effectiveness of consumer forums to be average, while 30 percent provided a rating of 'poor' or 'very poor'. Since consumer forums tend to be significantly underfunded, they are not infrastructurally and technologically equipped to handle and process a large number of cases. As discussed earlier, there is thus a considerable backlog of cases, and most consumers have to wait over six months for orders.

Moreover, orders are to be executed with police help, which takes time. This provides a convenient loophole for the errant service provider or company, which sometimes manages to escape complying with rulings.

In such cases, complainants are forced to once again approach the forum to press for action.

Consumers' lack of understanding about the processes involved in lodging and pursuing a grievance in the consumer forum system significantly deters them from using it. Many of them would rather forego the money that they have lost to the utility, rather than undergo the inconveniences involved in seeking a redressal from the consumer forum.

### Survey Findings: Electricity Utilities' Consumer Redressal Forums

Of the 430 respondents contacted, 63 percent had sought redressal from the government-controlled Delhi Vidyut Board (DVB), and the rest from Delhi's new discoms (28 percent from BSES Rajdhani, 6 percent from BSES Yamuna, and 2 percent from NDPL). The survey indicates that although Delhi's discoms have radically upgraded the grievance handling and redressal mechanisms of DVB operations they have taken over, consumers continue to have difficulty in lodging and pursuing complaints.

*Accessibility:* Most respondents did not find the process of lodging and pursuing complaints at the discom's consumer grievance redressal cells easy. Ninety-one percent of respondents had to visit the complaint cell personally to lodge their complaints. Two-thirds had to make up to five visits to follow up their complaints, traveling between 5 and 10 km to do so, and spending between two and four hours in the complaint cell on each visit. Over a half of respondents traveled by bus, spending an average of US\$1.5 per trip, and those who used their own vehicle spent US\$2. The handful of respondents who traveled by auto-rickshaw spent an

#### Box 5.5: The Opportunity Cost of Accessing Consumer Forums

Seeking redress from a District Forum entails transportation, legal and other costs. It also entails 'opportunity costs' in terms of lost income,<sup>115</sup> since complainants often have to absent themselves from work (for an average of between one and three days) to lodge and follow up complaints. When this 'lost income' is added to the other expenses incurred by the respondents of the VOICE survey, the 383 complainants who had engaged a lawyer incurred an average cost of US\$49.9 and those who had filed cases themselves a cost of US\$23.5.

average of US\$5; and an average of US\$4.5 if they had used a cycle rickshaw. 58 percent of respondents had to skip work at least thrice to pursue their complaint.

*User-friendliness:* Although the discoms are required to post detailed information about their complaint registration and processing procedures/staff in a prominent place, many consumers said that they had not seen such a board. As a result, most complainants were unclear about the procedures they were to follow, as also which staff member was in charge of complaint handling. Neither were they aware of the timelines that Delhi's electricity utilities had committed to in handling specific types of complaints. Many consumers also did not see the 'drop boxes' that utilities are to have provided for the public to lodge grievances and suggestions in writing.

<sup>115</sup> 'Lost income' was calculated by dividing a respondent's monthly wage by the number of workdays he/she spent lodging and following up a complaint.

Disputed billing was the leading cause of consumer cases against both Delhi's electricity and water service providers.

Respondents incurred an average cost of US\$11.5 in seeking redressal from Delhi's electricity service providers. This included transportation and documentation costs, 'facilitation' payments, test meter and other opportunity costs.

*Responsiveness:* Over a half of all respondents said that they could not locate the staff member designated to handle their problem. When they did, they found that the indifferent and uncooperative attitude of staff made it difficult for them to register complaints. Additionally, 98 percent of respondents said that they did not receive any subsequent call from the discom to apprise them of the status of redressal, despite the regulatory requirement to do so.

*Accountability:* 75 percent of respondents had approached consumer forums because they were dissatisfied with the solutions provided by the electricity service provider. In most cases, forum decisions were in favor of consumers who were to receive redressal and also to be compensated for the time and harassment they had suffered. However, respondents rarely obtained timely redressal. In close to a half of the cases, it took consumer forums over six months to deliver a judgment, as illustrated by Figure 5.1.

Additionally, electricity service providers delayed redressal in 86 percent of the 324 cases on which the forums had passed orders. In a further 10 percent of cases, they did not act on the orders at all.

**Box 5.5:  
The Nature of Electricity-related Complaints**

Of the 430 electricity cases identified, 106 were still pending when the VOICE survey was carried out. An analysis of these outstanding cases show that two-thirds of complaints related to billing, and one-third to metering. Table 4 indicates the specific nature of complaints in more detail.

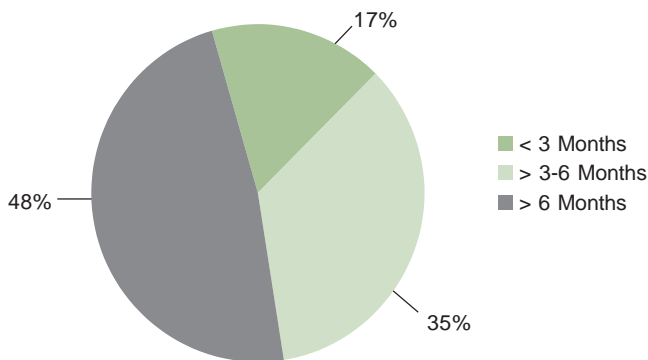
**Table 5.4:  
Pending Electricity-related Cases (1999-2004)**

<i>Billing problems</i>	67
Billing without meter/connection	28
Misuse/theft charges included in bill	17
High bill amount despite low consumption	16
Other billing related problems (e.g. non-receipt of bill, excess payment not adjusted, etc.)	6
<i>Metering problems</i>	36
Problems relating to application for a connection/meter	19
Excess billing due to fast-running meter	15
Non-function meter	2
<i>Supply breakdown</i>	4
Total	107

An analysis of respondents' lost income due to the need for repeated visits to electricity providers' complaint cells in seeking redressal indicated the average opportunity cost to be US\$7. This figure was arrived at by dividing respondents' monthly income by the number of hours they spent in and traveling to complaint cells.



**Figure: 5.1:**  
**Time taken to deliver judgments in  
electricity-related cases**



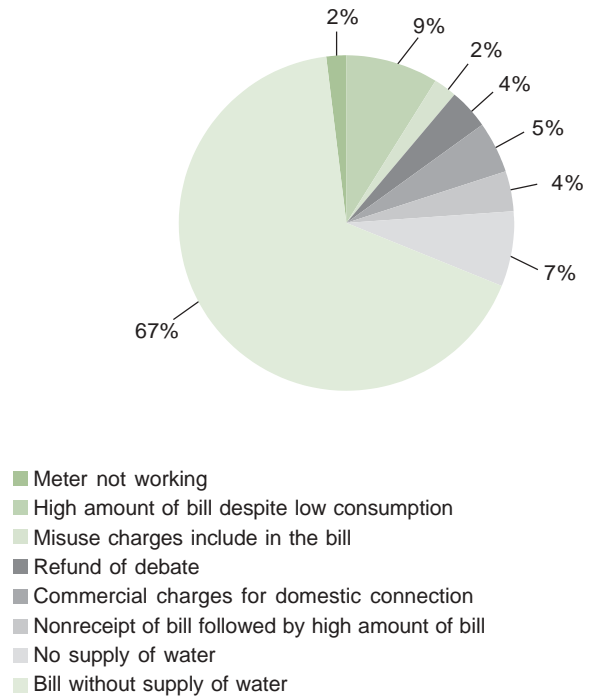
### Survey Findings: Delhi Jal Board

Disputed billing was the leading cause of complaints pertaining to water, as clear from Figure 5.2. Most complaints related to the receipt of bills despite the non-supply of water, to high bill amounts despite low consumption, and to the billing of ‘domestic’ consumers at ‘commercial’ rates. Survey respondents expressed a high degree of dissatisfaction with the manner in which DJB had handled their complaints, and with its grievance redressal mechanism in general.

**Accessibility:** 93 percent of respondents had to travel more than 5 km to file and pursue complaints. Nearly a half had to travel more than 10 km. Seventy-one percent had to make more than five visits to do so, spending between two to four hours at the complaint cell each time. Respondents spent an average of US\$3 on transportation, although those who used their own vehicle paid a far higher amount.

**User-friendliness:** Respondents found the complaint registration process to be complicated and

**Figure: 5.2:**  
**The nature of complaints**



protracted. A half of all respondents had to miss three days of work, spending an average of two to five hours at the complaint cell per visit. Moreover, information about complaint filing and follow-up was not prominently displayed.

**Responsiveness:** Over 80 percent of respondents considered complaint cell staff to be ‘irresponsive’ or ‘highly irresponsible’. Not one of them said that staff had been prompt in registering and processing their complaints. Moreover, 75 percent of respondents could not locate the individual staff member designated to handle their complaints, and 90 percent said that the names of these officials were not displayed in a prominent location. Not a single

Poor consumers are unhappy with the complaint redressal mechanisms of Delhi’s water and electricity services, but had a better experience with consumer forums.

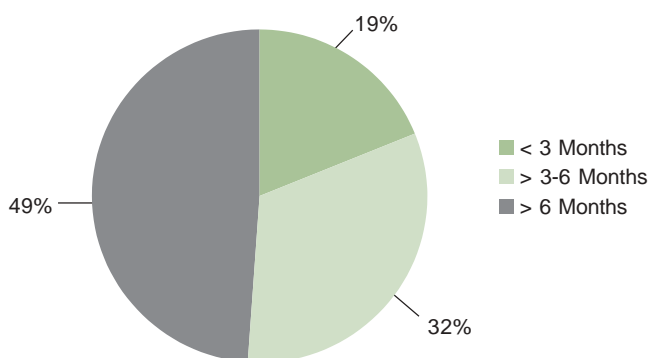


respondent had received a follow-up phone call from DJB on the status of their complaint, or was aware of the timelines by which grievances should have been redressed.

*Accountability:* 98 percent of complainants had approached consumer courts due to their dissatisfaction with DJB’s complaint redressal mechanisms, which they rated as ‘poor’ or ‘very poor’. The other 2 percent did so due to inordinate delays in complaint handling. However, in close to 50 percent of all cases, consumer forums took over six months to deliver a judgment, as is clear from Figure 5.3.

Moreover, 29 percent of complainants were not satisfied with the redressal provided. Although in most of the cases relating to “no water supply” or “bill without water supply”, the forum had directed DJB to ensure the delivery of water and pay compensation, water problems continued to persist. However, DJB did pay the requisite compensation.

**Figure: 5.3:**  
Time taken to deliver judgments in water-related cases



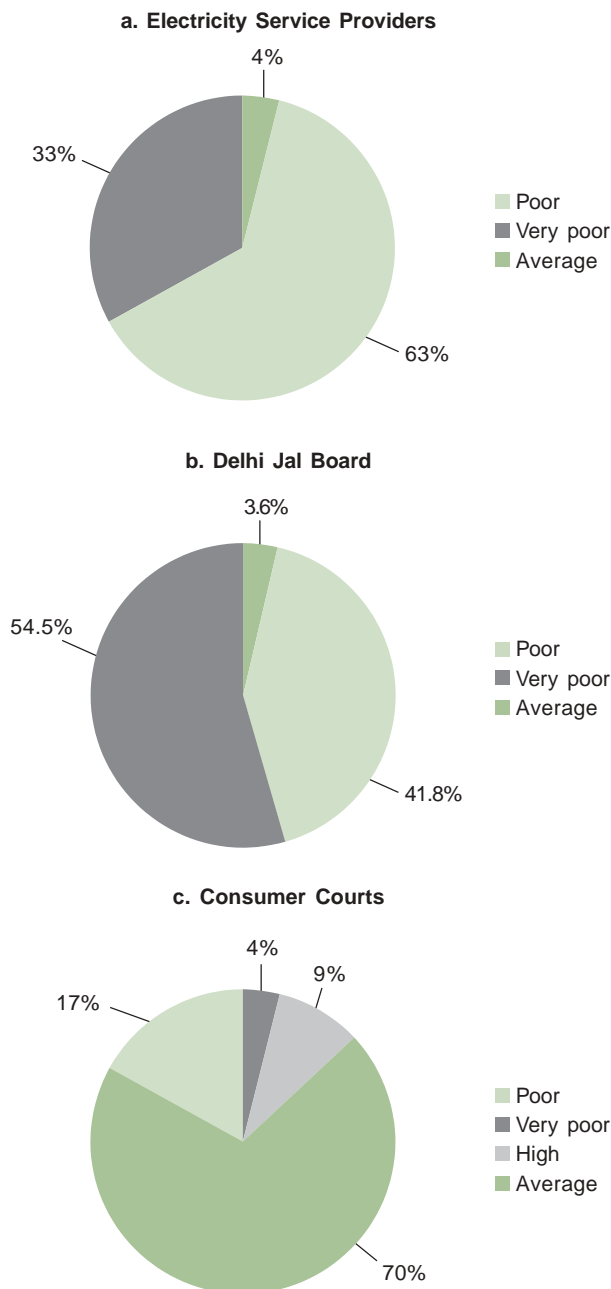
In many other cases, DJB failed to implement the Forum’s order. Of the 31 cases in which orders had been passed, DJB acted only on 14 — and, that too, with significant delays. In another 14 cases, DJB argued its inability to implement the order.

### Conclusion

By and large, poor consumers are deeply dissatisfied with the complaint redressal mechanisms of Delhi’s water and electricity service providers. Complainants have to travel a considerable distance to lodge their grievances, absenting themselves from work and incurring a considerable expense. Moreover, complainants often have to make four to five visits to have their grievance resolved. By and large, frontline staff are unfriendly or nonresponsive – an attitude that has developed due to the lack of monitoring by and accountability to supervisory staff.

Complaints generally relate to billing issues, such as excess billing, the nonadjustment of previous payments, and/or the receipt of bills not matched by the supply of water or electricity.

**Figure: 5.4:**  
**Complainants' Perceptions of the Effectiveness of  
Grievance Redressal Mechanisms**



While poor consumers generally had a better experience with consumer forums, there are notable limitations to this method of consumer redressal as well.

Complainants had to travel long distances and incurred a number of expenses. Leading among these were legal fees. Since most complainants found it difficult to file their own case, or to attend the average of three to four hearings required to resolve it, they opted to hire lawyers to represent them — often at considerable expense.

While most consumer forum orders are in favor of the complainant, they are generally not made within the mandated period of 90 days. On an average, it takes over six months to obtain a ruling. Subsequent to this, it often takes the service provider a number of weeks to implement the Forum's decision. So, while consumer forums play an important adjudicatory role between consumer and service provider, they are not in themselves able to ensure compliance by the latter.

Nevertheless, it must be underlined that CPA is a powerful tool to hold the service provider accountable for any deficiency in service and to provide relief to the complainant. Based on the experience of the poor citizens from Delhi profiled in this study, consumer forums protect the interests of the underprivileged more effectively than the existing grievance-handling mechanisms of the country's electricity and water utilities do.

Figures 5.4 a-c clearly illustrate this finding. It provides a comparative overview of survey respondents' perceptions of the relative effectiveness of Delhi's consumer forums and the grievance redressal mechanisms offered by the city's electricity and water service providers. DJB fares the worst, with over a half of all respondents rating its complaint-handling mechanisms as 'very poor', and virtually the other half

The study highlights the need to expand the use of information technology in handling and redressing consumer complaints.

as 'poor'. In the case of electricity providers, one-third of respondents rate their complaint-handling as 'very poor', and the other two-thirds as poor. In comparison, over two-thirds of respondents considered the effectiveness of consumer courts to be 'average'.

The study highlights the need to expand the use of information technology in handling and redressing consumer complaints. Improvements in service quality would also most likely follow from the maintenance of information/databases on the nature of complaints received and the manner in which they were redressed. In this respect, consumer forums are particularly

outdated and their operations need to be modernized. Information technology would enable consumer forums to deliver judgments more promptly by providing easy access to the necessary data. Consumer forums also need to make information more transparent and accessible to the citizens and consumer organizations.

The other key issue revealed by the study is the importance of training staff in charge of handling consumer complaints. A large number of Delhi's electricity- and water-related complaints were referred to consumer forums due to the poor customer relations and customer care practices of the service providers.

# Case Study 6

Bringing Consumer Voice  
into Power Sector Reform  
in Rajasthan:  
The CUTS-FES Model

*Abridged from a study by Sachin Chowdhry*

The Consumer Unity and Trust Society (CUTS), a Rajasthan-based nongovernmental organization (NGO), has mobilized grassroots domestic and agricultural consumers to demand better services from the state's three new electricity distribution companies. More importantly, it has created a mechanism that enables grassroots consumers to present their concerns and suggestions to the Rajasthan State Electricity Regulatory Commission with respect to the design of power policy and regulation. While educating consumers about their rights, it has also emphasized their responsibilities in restoring the financial viability of Rajasthan's electricity utilities. CUTS' program has been funded by the Friedrich Ebert Stiftung (FES), a German policy think-tank active in India.

### General Context

Until India's power reform process began in the late 1990s, Rajasthan's electricity sector was characterized by frequent service interruptions, high system losses, voltage and frequency swings, and power rationing. Additionally, poor cost recovery led to heavy commercial losses.<sup>116</sup> The state's geographical spread posed a further difficulty. Its transmission and distribution system had to serve over five million industrial, agricultural and domestic consumers, distributed across 342,000 sq km, two-thirds of which was desert with low population density. Additionally, there was tremendous unserved demand — with some 600,000 pending applications for electricity connections. As a result, Rajasthan faced a chronic power shortage, of 36 percent at peak load and 11 percent at normal.

The Rajasthan Government realized that it needed to adopt some radical measures to overcome these difficulties, and achieve the national goal of 'Electricity for All' by 2012.<sup>117</sup> It would have to expand local

generating capacity by 5,000 MW over the 10th Five-Year Plan period (2002-2007), requiring an investment of about US\$8,888 million<sup>118</sup> in generation, transmission and distribution systems. To attract this investment, it

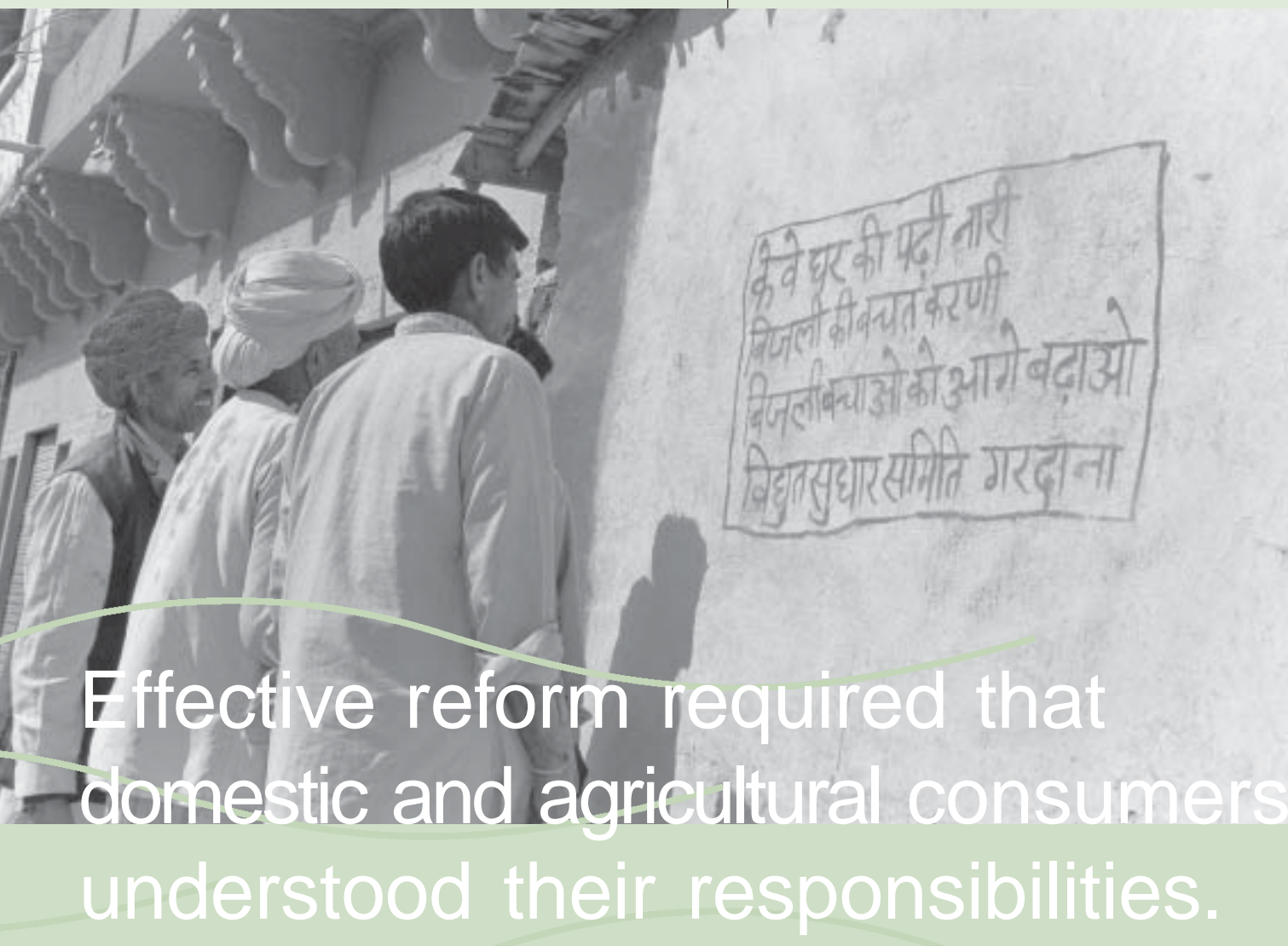
**Box 6.1:  
How Rajasthan's discoms are Organized**

Each discom is managed by a Chairman and Managing Director, who is advised by a Board of Directors. At the field level, the organization is divided into Operation and Maintenance (O&M) circles under different zones. Each circle is further divided into divisions and subdivisions, which are the lowest operational units. A Superintendent Engineer normally heads each circle. The staff of the erstwhile RSEB was retained and divided among the three discoms, and the state generation and transmission companies, under the same service conditions they enjoyed earlier. Almost 85 percent of the staff is technical.

<sup>116</sup> RSEB's annual revenue deficit was some US\$222 million (conversion rate is US\$1=Rs 45, as per September 2006 exchange rates). This was compensated for by subsidies from the state government and long-term borrowings from financial markets.

<sup>117</sup> The Chief Ministers' Conference on Power, held in 1996, noted that the requirements of future expansion and improvement of power could not be fully achieved through public resources alone. Electricity for All by 2012 was endorsed in the Chief Ministers' Conference on Power held in March 2001. Further, the Electricity Act 2003 states, "Uninterrupted and reliable supply of electricity for 24 hours a day needs to become a reality for the whole country including rural areas.... The consumer is paramount and he should be served well with good quality electricity at reasonable rates".

<sup>118</sup> Conversion rate is US\$1= Rs 45, as per September 2006 exchange rates.



Effective reform required that domestic and agricultural consumers understood their responsibilities.

decided to liberalize the state's power sector so as to allow private participation, and to make it financially viable through the de-politicization of tariff setting.

The loss-making Rajasthan State Electricity Board (RSEB) was broken into three independent electricity distribution companies (discoms) — *Jaipur Vidyut Vitaran Nigam*, *Jodhpur Vidyut Vitaran Nigam* and *Ajmer Vidyut Vitaran Nigam*, operating in the Jaipur, Jodhpur and Ajmer areas, respectively.<sup>119</sup>

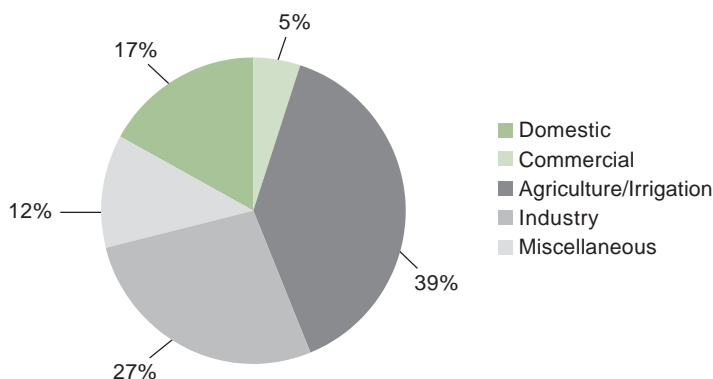
An independent regulatory authority — the Rajasthan Electricity Regulatory Commission (RERC) — was established in December 1999 to oversee tariff-setting, and to monitor the quality of service delivery by the three newly established distribution companies. RERC was empowered to issue transmission and distribution licenses; to encourage competition; to promote transparency, efficiency and economy in the operation and management of Rajasthan's power utilities; and to ensure a fair deal to the customers.

<sup>119</sup> However, the Rajasthan Government continued to control power generation and transmission activity.

The reform program hinged on participatory approaches to balance stakeholder concerns and build a durable constituency for change.

To attract private capital into the sector, the Rajasthan Government had to assure potential investors that their investments would be safe and provide a return. To this end, it was particularly important that domestic and agricultural consumers understood their responsibilities. They accounted for over half of all power consumption in the state (Figure 6.1), and were allowed to buy electricity at highly-subsidized rates, or received it free. As a result, RSEB was only able to realize 18 percent of the revenues that should have been due from this group (Table 6.1).

**Figure 6.1:**  
Consumer Category-wise Sale of Power in Rajasthan in 1999-2000



Source: *The Working of SEBs and Electricity Departments*, Planning Commission Annual Report (2001-02), Government of India

**Table 6.1:**  
Share of Revenue from Sale of Power to Domestic and Agricultural Consumers in Rajasthan

Year	Revenue from agricultural consumers (% share)	Revenue from domestic consumers (% share)
1994-95	6.90	9.90
1995-96	6.32	9.90
1996-97	5.54	11.22
1997-98	4.62	10.87
1998-99	6.17	11.19
1999-2000	6.37	11.98
2000-01	8.10	14.92
2001-02	8.32	15.42

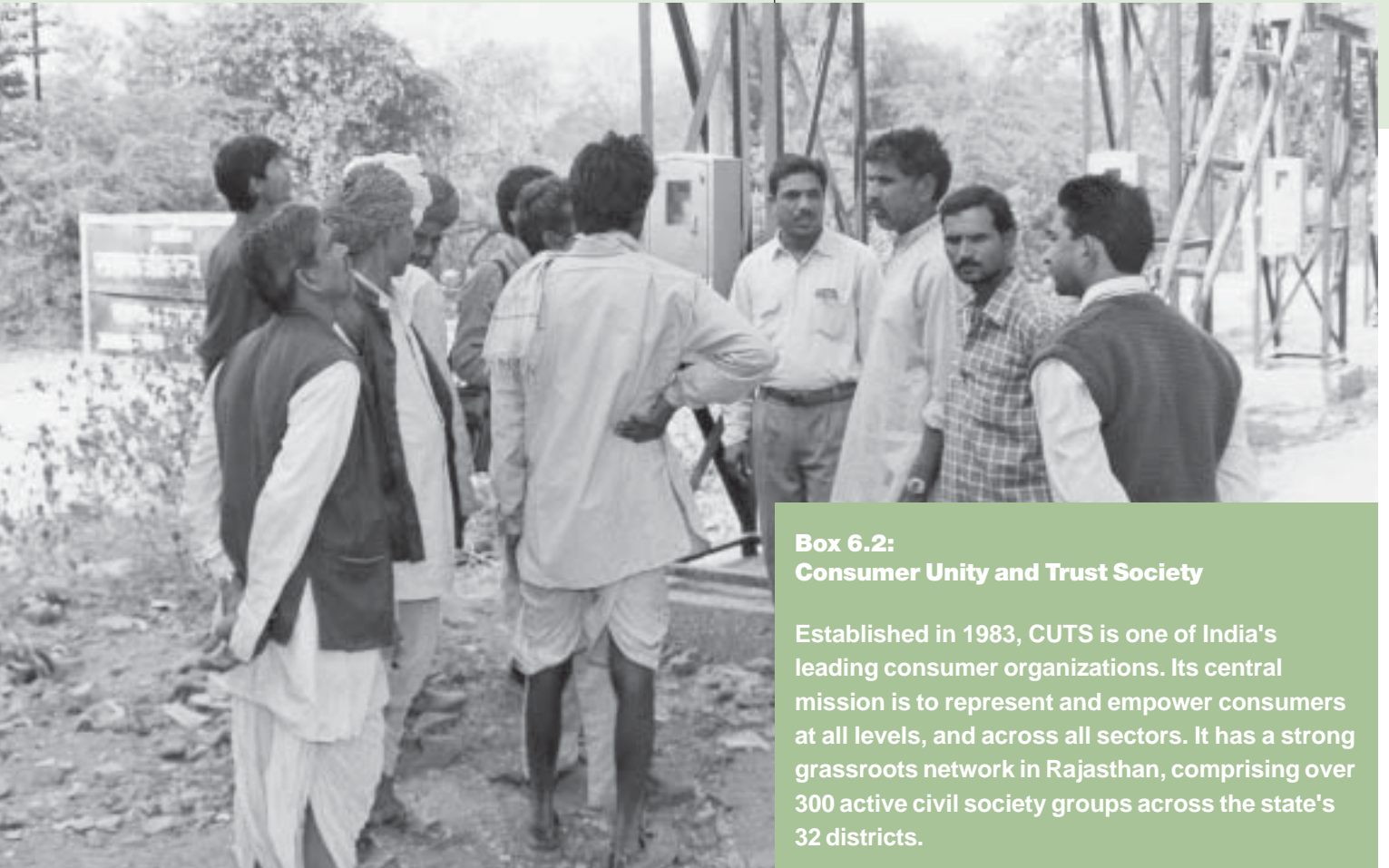
Source: *The Working of SEBs and Electricity Departments*, Planning Commission Annual Report (2001-02), Government of India

### Specific Context

Rajasthan's power sector reform program thus hinged on "ensuring that the implementation strategy (used) participatory approaches to address and balance the genuine concerns of the various stakeholders and (aimed) at building a broad and durable constituency for change."<sup>120</sup> The government thus made a pervasive effort to engage consumers and other stakeholders, through public hearings, Web posting of information, and media outreach campaigns, to determine their concerns and explain the reform program to them. Despite these efforts, consumers were deeply apprehensive about the fall-out that the reform process might have on them. In particular, they were concerned by the absence of mechanisms to enable them to hold the new discoms to account. Masses of consumers thus took to the streets to vociferously protest reform.

<sup>120</sup> Rajasthan Power Sector Reforms policy statement, 1999.





**Box 6.2:  
Consumer Unity and Trust Society**

Established in 1983, CUTS is one of India's leading consumer organizations. Its central mission is to represent and empower consumers at all levels, and across all sectors. It has a strong grassroots network in Rajasthan, comprising over 300 active civil society groups across the state's 32 districts.

In this context, CUTS, a Jaipur-based organization that had long championed the cause of consumer rights in the state, decided to take up the cause of integrating citizens' concerns into the design and implementation of reform. To start with, it assembled a coalition of Rajasthan NGOs to draft a Citizens' Charter for the state's power sector in 1999, which — among other things — called for the setting up of an autonomous state electricity regulatory authority, the strengthening of grievance redressal processes, the enunciation of minimum standards of performance, and mechanisms by which to make electricity utilities responsive to customers.

Additionally, drawing on its years of consumer advocacy at the grassroots and policy levels, it conceived a three-tier mechanism to link rural electricity consumers with utilities and policy makers to ensure that their needs and

concerns vitally informed the reform process. Through it, CUTS would educate rural consumers about their rights, while creating direct engagement for them with electricity utilities, politicians, and Rajasthan's nascent RERC to impel them to focus sustained attention on achieving 'quality' and 'quantity' improvements for consumers. CUTS also hoped to assist rural customers and utilities work together to develop model villages, in which there would be 100 percent household electrification, 100 percent metering and bill collection, 100 percent energy efficiency, and no theft. The experience of Piplod, a Rajasthan village that succeeded in dramatically improving its electricity situation, was an inspiration in this regard.

Finally, CUTS also aimed to mobilize villagers, utilities, and Rajasthan's policy makers to explore the possibilities of collective participation in power distribution and generation through the setting up of



### Box 6.3: The Piplod Experience

The residents of Piplod village, Jhalawad District, Rajasthan, faced much hardship due to the erratic and poor quality of the electricity they received. Additionally, electricity theft was rampant. This affected Piplod households' ability to irrigate their crops and light their homes, as a result of which agricultural production dropped and children found it difficult to study.

Determined to improve the situation, the *Sarpanch* — or head — of the village researched the problem. He convened a meeting of all households to present his findings, at which the village decided that the pilferage of electricity

would no longer be allowed. In 2002, the *panchayat* (using its development funds) invested in the installation of a tamper-proof cable, and small groups of 10-15 households were formed to oversee it. Responding to this collective initiative, the electricity company changed the transformer and promised the village an assured number of hours of electricity supply at proper voltage.

Since 2002, the electricity transformer has not burned even once, and Piplod has received an uninterrupted supply of good-quality electricity. The success of this initiative encouraged neighboring Kisanpura to follow the same path.

cooperative societies for distribution, and cooperative generating stations using biomass or other alternative energy sources.

In 2001, CUTS obtained the funding with which to implement its idea from the Friedrich Ebert Stiftung

(FES), a German think-tank dedicated to promoting democratic participation in the economy, and with which it had had some earlier collaborations. This funding was for an initial period of three years. Given the success of the program, it has continued to receive FES funding and has entered its third phase in 2006.

## How the CUTS-FES Model Works

While, initially, the program covered six districts in Rajasthan – Alwar, Sawai Madhopur, Jalore, Sirohi, Bhilwara, and Chittorgarh (each of which fell into the jurisdiction of one of Rajasthan’s three electricity distribution companies) — it has now expanded to another six — Kota, Phagi, Churu, Jhunjhunu, Barmer, Ajmer and Udaipur — to cover 12 districts.

In each of these districts, the program operates through village electricity improvement committees (*vidyut sudhar samitis*) at the grassroots level and NGO partners at the district level. CUTS oversees and supports this network of partners at the state level.

Together, these three sets of actors undertake the following activities at the village, district and state level:

- educating consumers and civil society groups about the reform process, the issues involved, and their rights and responsibilities;
- sensitizing other stakeholders such as utility, politicians, media, consumers, Panchayati Raj Institution (PRI) representatives, block and district administration officials and regulators to the needs and concerns of consumers;
- the generation of information on electricity access and quality, and utility performance, at the grassroots level; and
- raising consumer-related electricity and power reform issues within the appropriate policy forums.

## Network partners

The program relied on the inputs and support of a variety of network partners. CUTS and FES selected these on the basis of two criteria – whether they were capable of undertaking consumer mobilization, education and consultation activity at a district-wide level; and whether they had ongoing interaction with consumers at the grassroots. One partner was chosen in each of the six program districts, and CUTS-FES team supported the partner in instituting consumer organizations in every village, capacity building, and so on. CUTS-FES network is supposed to facilitate upward, as well as a downward, communication – the former to collect information that forms the basis for policy advocacy, and the latter for information dissemination.

## Village electricity improvement committees

Six district-level partners were responsible for grassroots-level mobilization, which centered on the setting up of consumer electricity improvement committees — or *Vidyut Sudhar Samitis* — in every village within the program area.<sup>121</sup> These committees were to organize and educate consumers, and to eventually become agents in the service delivery chain. Committee members usually comprise unemployed youth, with an interest in the projects and the expectation that their involvement in service delivery may become an income-earning opportunity in the future. In some cases, distribution companies are using registered consumer organizations to distribute bills on an honorarium/commission basis.<sup>122</sup>

<sup>121</sup> Some have now become dysfunctional.

<sup>122</sup> The Chief Ministers/Power Ministers’ Conference of March 2001 decided to allow the handing over of local distribution to *panchayats*/local bodies/franchisees/users associations, wherever possible.

## CUTS-FES' partners frequently hold public hearings to pressure the discoms to respond to public concerns.

To build the network's capacity to identify needs, demand better service from the utilities, and contribute to policy-making, CUTS-FES team held a series of three-phase workshops in the six program districts. All stakeholders were invited to participate, including consumers, civil society, politicians, *panchayat*, block and district officials, utilities and regulators, and the media. This speaks both for network partners' success in establishing strong functional relationships with various stakeholders, and for CUTS' standing as a member of RERC's Advisory Committee.

Although workshops initially concentrated on explaining reform-related issues, they moved on to more practical themes such as how to collaborate with the utility, how to conserve energy, and how to monitor service delivery and play the role of watch-dog. Participants were also called upon to share their experiences and discuss the problems they face with the utility. CUTS-FES workshops have been well-attended at all levels. The minimum number of participants has been 40, and the maximum about 175 people. Women have also been active participants: in one meeting they constituted 40 percent of the audience.

Additionally, published material and the media<sup>123</sup> were also used to disseminate information and initiate policy discussions on an ongoing basis. The CUTS-FES model has also proactively educated consumers about the grievance redressal mechanisms provided to them by Rajasthan's discoms (Box 6.4), and has exerted considerable pressure on the latter to publicize these more widely. Additionally, CUTS-FES' partners frequently hold *jan sunwais* (public hearings) and *chaupal baithaks* (meetings at *panchayat* places) to pressure the discoms to understand public concerns and improve the quality of service.

### Box 6.4: Complaint Redressal in Rajasthan's discoms

Each of Rajasthan's three new electricity distribution companies is bound by its distribution license to draw up (in consultation with RERC) and widely publicize a Charter of Consumers' Rights. Additionally, the national Electricity Act of 2003 and RERC have both required Rajasthan's three distribution companies to strengthen the existing grievance redressal mechanisms within their organizations, and have issued specific guidelines on how this should be done. Accordingly, Rajasthan's discom's set up:

- Complaint centers within their organizations to hear and redress complaints;
- District-level grievance redressal forums to which consumers dissatisfied with the recourse provided by complaint centers can appeal. Each forum is chaired by the Circle Superintending Engineer, and is to dispose of complaints within 30 days; and
- A corporate-level forum, headed by the company's Managing Director, which is to entertain complaints not resolved through the above-mentioned channels, and to dispose of them within 45 days. The RERC has also set up an electricity Ombudsman to settle unresolved consumer-utility disputes.

<sup>123</sup> For instance, the media focused so much attention on the flaws in Rajasthan's proposed new Electricity Bill that the Rajasthan Government had to put it aside.

### Collecting grassroots information

CUTS has trained its entire member network to regularly collect information on electricity service standards, local technical problems, and so on, by way of a village logbook that is filled on a daily basis. CUTS then surveys its network partners on electricity-related issues from time to time, and the information collected is used to lobby policy change or governmental action. For instance, CUTS surveyed network members in 310 villages on whether the standards set by the discoms' Citizen's Charter were being met or not, and was able to prove to the RERC that the average supply in these areas was for just five to six hours per day.

### Consumer-utility dialogue

The CUTS-FES program has, additionally, focused on instituting direct consumer-utility dialogue at the grassroots, so as to make frontline officials more sensitive to the fall-out of poor service delivery and more willing to resolve operational problems at the local level itself. CUTS' calculation was also that such interaction goes a long way in inducing a sense of partnership among all stakeholders. This effort seems to have paid off: many discom officials participating in CUTS-FES meetings have promised their full support to the program.

This new channel of communication has helped rural and peri-urban consumers make complaints and suggestions directly to responsible utility officials. These consumers often find it difficult to access distribution companies' complaint cells, since these are generally at a considerable distance from their villages. Thus, complainants not only have to incur transportation costs but also sacrifice at least two or three days' wages to lodge and pursue a complaint.

#### **Box 6.5:** **Consumer-utility Dialogue before CUTS-FES**

**Program** In the pre-reform era, the only platform that consumers had to participate in policy-making was RSEB's occasional public hearings. However, given the technical nature of the electricity sector, it was mostly consumer organizations and subject matter experts who participated in these meetings. Moreover, since these meetings were held only in a few places, they could not be accessed by a mass of consumers, especially the poor.

Similarly, the only avenue for grievance redressal available to them was the frontline staff of the nearest substation. Although consumers could approach higher authorities if the staff failed to redress their grievances, they rarely did so, especially in the rural areas. As a result, opportunities for frontline official to demand unauthorized payments for services became widespread, since it was less time-consuming for consumers to acquiesce than to pursue complaints with higher-ups (where redressal was also not assured).

Consumers also had recourse to *lok adalats* (public courts) and consumer courts — that is, non-electricity specific consumer redressal mechanisms set up by the government — but it is not clear what impact they had in making RSEB more responsive to consumers.

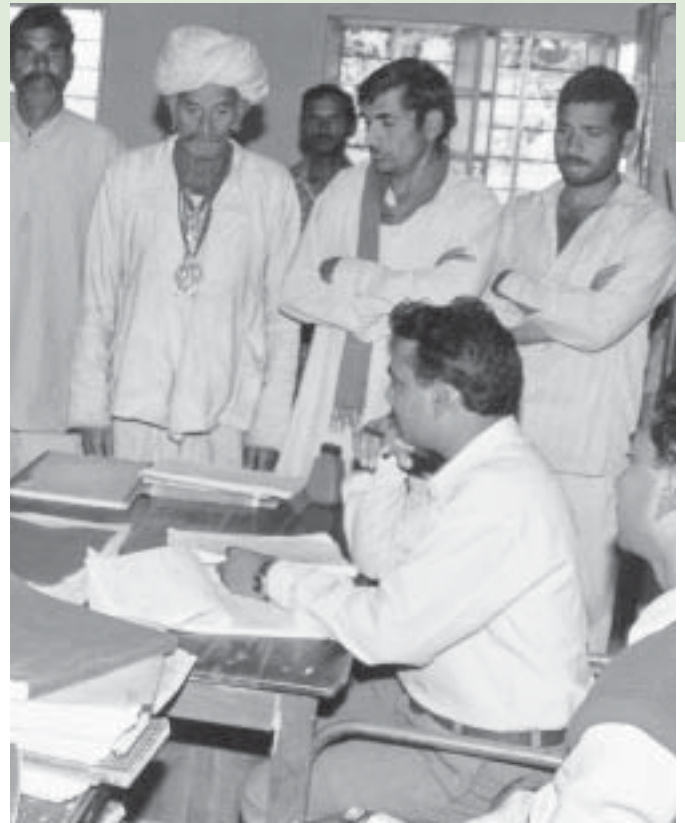
A network of consumer organizations at the grassroots level educates rural consumers about the reforms, and their rights and responsibilities.

### Financing the CUTS-FES Program

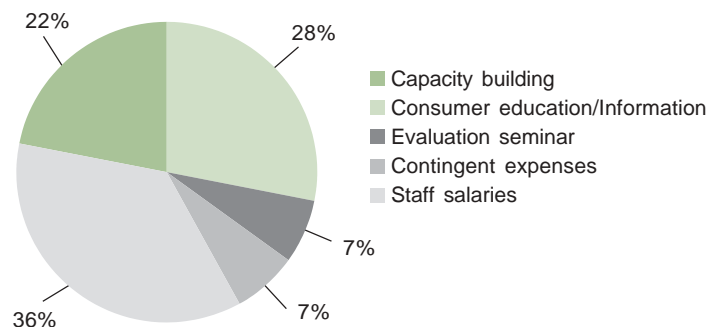
Since CUTS has financed the program primarily from its own corpus of funds, it is difficult to estimate actual costs. Moreover, many activities that now form an intrinsic part of the program constitute a central part of CUTS' ongoing work program. However, according to 'guesstimates', CUTS has spent about US\$44,445 over a three-year period, including FES' expenditures on the series of 12 workshops. Each workshop cost US\$670 on average; so US\$10,670 was spent on capacity-building activity. Another US\$16,670 was spent on staff salaries; US\$3,335 for contingent expenses and another US\$3,335 for the evaluation seminar. The remaining US\$13,335 (or US\$4,445 a year) was used to support consumers' groups, and information collection and information dissemination.

The CUTS-FES program involves various other costs. These are:

- organizational expenses that include salaries and other contingent expenses;
- formation of a network, which includes all expenses incurred by network partners in mobilizing people and putting other infrastructure in place;
- capacity-building, which includes expenses on organizing workshops/seminars, transport, training modules, resource persons, etc.;
- information collection, that includes getting logbooks filled, surveys conducted, etc.; and
- information dissemination, which includes publication and distribution of appropriate material, etc.



**Figure 6.2:**  
**Break Up of CUTS-FES Expenses**



CUTS has also employed two electricity sector experts to serve as full-time resources in the program, for without an authoritative understanding of the technical issues in the power sector it would be impossible to make a meaningful contribution to the ongoing reform discussion. CUTS also hires supplementary resources when organizing workshops and other activities.

## Outcomes

### Creation of consumer voice

The program has created a galvanized and responsive network of consumer organizations at the grassroots level that has succeeded in educating rural consumers about the ongoing reform process and their legitimate rights and responsibilities. Additionally, it has equipped this organizational network to understand the complex and technical issues involved in electricity distribution,<sup>124</sup> as also to mold consumer opinion against malpractices, such as electricity theft and energy wastage.

The most important achievement of the program, however, is that grassroots consumers now have a formal institutional platform on which to interact directly with senior discom officials to relay their suggestions on policy issues and share their grievances on service quality.

CUTS' membership of RERC's Advisory Committee has enabled it to translate citizen engagement into a tangible impact on policy-making, the design of regulation, and standards for service delivery. It persuaded RERC to release guidelines to all three discoms to resolve consumer complaints in a time-bound manner and to report on the implementation of these standards on a periodic basis. In this role, CUTS has also commented on every discom petition on pricing, thus bringing consumer voice into tariff-setting in the sector. It has also questioned a number of RERC rulings, to ensure that consumer interests are fully protected. Although it is difficult to say what impact CUTS-FES program has had

### Box 6.6: Independent Audit of Service Quality

Most importantly, CUTS has persuaded RERC not to depend solely on distribution companies' quarterly reports to assess service quality and utility performance, by arguing that it contravenes the principles of natural justice to have a service provider to report on its own performance. It is working with the Commission to evolve a mechanism of independent verification, which includes consumer feedback about the implementation of Consumers' Charter, standards of performance, and other prescribed codes. CUTS was able to do this by showing RERC that, in many cases, there was a considerable gap in the quantity of power supply recorded in *vidyut sudhar samitis'* logbook and the matching performance report submitted by the distribution company.

in enhancing the public accountability and responsiveness of the RERC, its officials have always attended CUTS-FES' workshops and supported all its initiatives. This has consequently sent strong signals to frontline utility staff to be more responsive.

### Consumer education centre-stage

CUTS' efforts have underlined the importance of consumer education and participation in the effective functioning of the power sector. CUTS' sustained campaign for consumer awareness persuaded the Rajasthan Vidyut Vitran Nigam Limited to earmark

<sup>124</sup> These were the views expressed by the multitude of key stakeholders – that is, government officials, regulator, service provider, media, and consumer groups that gathered in Jaipur in March 2004 to critically evaluate the achievements of the first phase of the program.

## CUTS-FES has pressured Rajasthan's discoms to publicize their Charter of Consumer Rights throughout the state.

US\$27,000 for consumer education. It also asked CUTS advice on the direction this should take.<sup>125</sup> RERC also invested more money on programs to educate consumers about their rights than any of its counterparts in the country.<sup>126</sup> Most importantly, CUTS' advocacy efforts prompted the national Ministry of Power to include consumer education as one of the strategic action points in its six-point blueprint to reform electricity distribution in the country.

CUTS has successfully pressured the distribution companies into widely publicizing their Charter of Consumer Rights throughout the state. Although they were legally required to do so, they had merely published their Charters in the newspaper and had not followed up with a concerted program of consumer information and education.

These efforts also seem to have influenced Rajasthan Government officials to be more responsive to consumers, for instance, the District Collector of Jalore set up a consumer coordination cell in the collectorate office.

### Closer utility-consumer relationship

The CUTS-FES initiative has compelled Rajasthan's electricity utilities/distribution companies to actively consult with consumers and their representatives on policy and service quality issues. This is a complete reversal of the pre-reform relationship between utilities and consumers, when the former took decisions without consulting the public at large, and so remained aloof and insensitive to consumer needs. In turn, consumers only approached utilities to resolve individual supply problems.

### Box 6.7: A Tradition of Civil Society Activism

Rajasthan has a rich experience of civil society initiatives, which have induced accountability in government agencies. Jan Sunwai, a platform created by the Mazdoor Kisan Shakti Sangathan, has caught the imagination of all and has become a potent tool. CUTS network partners have organized a variety of jan-sunwais in Sawai Madhavpur, Alwar and Chittorgarh districts to build a constructive partnership between rural consumers and local utility staff. Since senior RERC and discom officials regularly participate in CUTS-FES' district level workshops, junior officials are willing to participate in the sunwais. It is reported that up to 80 percent of the grievances were resolved on the spot in these meetings.

Now, utility-consumer interaction occurs at various levels. While CUTS and other community organizations engage directly with distribution companies' top management to discuss larger policy issues, network partners at the district level have been able to engage with utility staff to share concerns. Senior and junior utility officials have participated in all CUTS-FES workshops, expressing their views and committing themselves to become more responsive to consumer needs.

### Responsiveness from the top management

CUTS has prompted the top management of utilities to engage with consumers and their representatives. All three distribution companies are thus designing schemes

<sup>125</sup> Until this point, only the Karnataka and the Gujarat State Electricity Regulatory Commissions had spent any money on consumer education activity. No other utility — whether public or private — had done so.

<sup>126</sup> The Gujarat Electricity Regulatory Commission spent US\$6,330 in 1999-2000 and 2000-01, and the Karnataka Electricity Regulatory Commission spent US\$2,220 in 2001-02. Looked at in per capita terms, this is an expenditure of US\$0.0004 per consumer, as compared to US\$0.00004 in Karnataka and US\$0.0001 in Gujarat.



to involve NGOs and civil society groups in monitoring and operations. Jodhpur's and Ajmer's discoms, for example, have agreed to allow registered consumer organizations to distribute bills in rural areas on an honorarium/commission basis.

However, the discoms have as yet failed to address certain fundamental issues with the public which, if not addressed, could hamper their ability to move to a situation of long-term financial sustainability. Leading among these is the issue of energy conservation. Despite underlining its importance in CUTS-FES workshops, none of Rajasthan's discoms has bothered to design and invest in public education, training, awareness promotion, and 'audit' programs on this issue.



**Rajasthan's power reforms have considerably reduced the state Government's role in the sector.**

## Success Factors

### Strong state government-RERC relationship

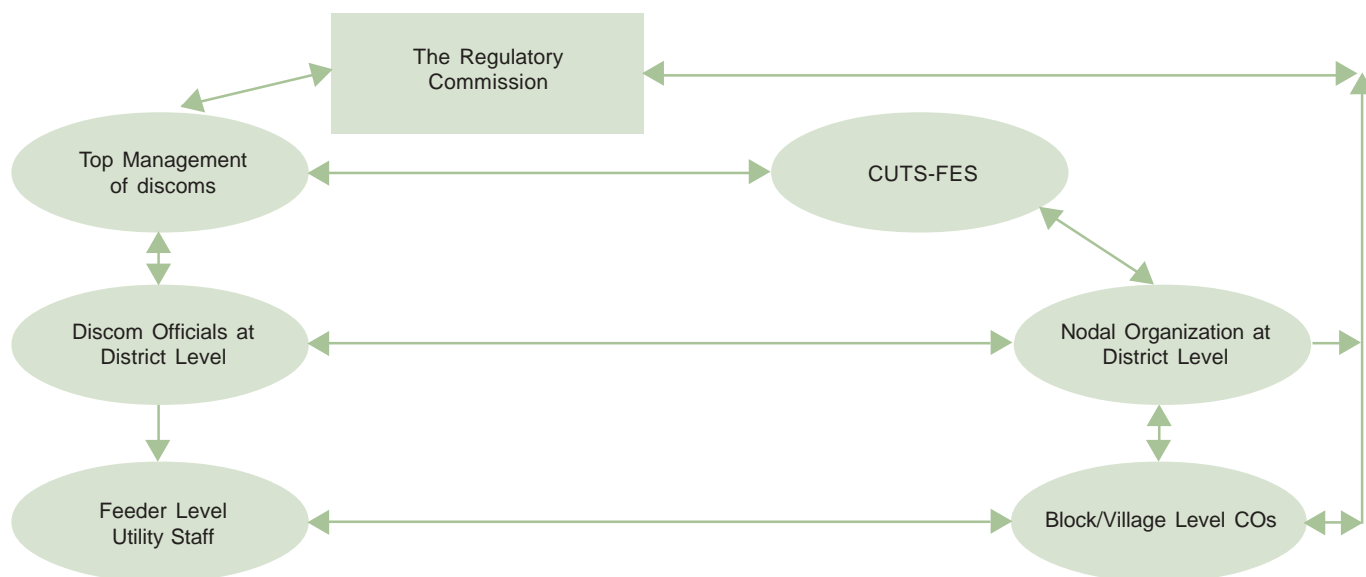
Although Rajasthan's power reforms have considerably reduced the state government's role in the sector, it still determines the direction of policy. Fortunately, there appears to be a cordial relationship between the state government and RERC. The former has not interfered with the latter's functioning, despite a change in the state's governing political regime. While RERC was set up under a Congress Party government, the current party in power — the Bharatiya Janata Party (BJP) — has not replaced RERC's Chairman. In this respect, the fact that senior and long-serving bureaucrats, rather than a

### Box 6.8: The Importance of Grassroots Political Support

Local politicians, party workers, petty officials and the village elite are often hostile toward civil society groups working to empower grassroots communities. They feel that empowerment activities will undermine their traditional standing and privilege within their communities. Fortunately, CUTS-FES program has not faced such a problem, since it has made an active effort to inform and involve Rajasthan's politicians, party workers and petty officials. This group of grassroots stakeholders also realizes the value of the program's longer-term effort to improve the working of Rajasthan's electricity system by persuading consumer to pay their fair share for electricity and to reduce theft.

A limitation of the program is that it is primarily a supply-side initiative, strongly influenced by its donors.

**Figure 6.3:**  
**The CUTS-FES Model**  
**Two-way communication across different levels**



political appointees, are chosen to head RERC bodes well for its stability. The former are not only intimately acquainted with the functioning of government, but are also chosen for their administrative and technical expertise.

Although the state government is permitted to issue orders to all organizations within the sector, including discoms, they must comply with RERC’s overall regulations. Additionally, the government must refer to the legislature if it wishes to change any electricity-

related regulation. So, when the Rajasthan’s BJP-led Government attempted to introduce a new Electricity Bill just after coming to power in 2004, it was forced to withdraw this due to resistance from RERC, CUTS, and other stakeholders.

#### **RERC-discom relationship**

Since both the Chairman of RERC and the Managing Directors of Rajasthan’s discoms are senior bureaucrats, they tend to have a strong working relationship. Discoms

**CUTS has called upon the Rajasthan Government to appoint a technocrat – rather than a bureaucrat – as Chairman of the RERC since the sector needs a regulator with an in-depth understanding of the technical and economic issues relating to power generation, distribution and transmission.**

have thus tended to follow all RERC orders. A survey conducted by the Prayas Energy Group<sup>127</sup> confirms that RERC is comfortable with the discoms' implementation of its orders and directives.

## Limitations

One broad criticism of the program is that it is primarily a supply-side initiative, and its direction is more influenced by its donor agencies (CUTS and FES) than by consumers/consumers' organizations. Other limitations are:

### Narrow grassroots-to-policy information flow

At present, CUTS gathers information from the grassroots through occasional surveys or questionnaires, rather than an established and ongoing regular feedback mechanism. Moreover, network partners have thus tended to be dependent on the directives issued by CUTS, rather than to display their own initiative. As a result, the upward flow of information is weak, and only a limited number of grassroots-related concerns reach the policy advocacy level, since they are only elicited within a framework devised by CUTS.

### Inadequate transparency at lower levels

While the discom's top management now engages with consumer representatives on service- and policy-related issues, transparency and engagement at the grassroots is still limited. Moreover, although the Right to Information Act enables citizens to access utility information, rural and less-educated consumers have, in practice, benefited little from it due to their poor

### Box 6.9: Accountability for Network Members?

Another weak link is the inadequate attention that has been given to instituting accountability from network members. Currently, there is no system of monitoring program activities or their impact at the grassroots levels, and district-level partners are not required to submit any form of performance reports. Thus, they have tended to restrict their role merely to facilitating CUTS-designed activities, and not to show much initiative of their own.

understanding of the technical aspects of power generation and distribution — and, indeed, of the Act itself.

### Weak RERC accountability to the public

RERC is limited by its small budget and staff.<sup>128</sup> It thus continues to rely heavily for information about sector and utility performance on the distribution companies themselves. Partly for this reason, it has tended to soft-pedal the enforcement of legislated performance standards on Rajasthan's distribution companies, to give them more time to adapt to the reformed operating environment.

Although RERC regularly holds public hearings, and has put all annual reports and most major orders and documents on its Web site, it is not explicitly accountable to the government or to the public by law. The members of RERC are appointed by the Rajasthan Government, and so submit its annual reports to the

<sup>127</sup> Prayas Energy Group's 2003 report on Indian State Electricity Regulatory Commissions.

<sup>128</sup> The annual budget of RERC is less than US\$222,220. For comparison with budgets of other ERCs see Prayas Energy Group's 2003 report on Indian State Electricity Regulatory Commissions.

The frequency of consumer-utility interaction is still too low to significantly impact discom performance and accountability across the state.

legislature. Similarly, while RERC categorizes and analyzes the grievances it receives, and sends these on to the concerned distribution company, it is not responsible for redressing them. Only in some cases does the RERC issue explicit orders that the distribution companies have to comply with.

Moreover, it has not shared distribution companies' annual performance reports with the public for comment, a practice which would enable consumers to hold distribution companies and regulatory officials accountable for their actions.

### **Need for more utility-consumer interaction**

The frequency of consumer-utility interaction is too low to exert an expanding impact on the performance and accountability of Rajasthan's distribution companies, as also of its electricity regulator. However, some beginning has been made. Some discom officials have assured periodic *chaupal baithaks*. Many top level officials have pledged their full support to such activities and in fact urged CUTS-FES to carry this process to the *panchayat* level.

### **Resource constraints**

In some cases, network partners do not have the manpower and finances to establish and oversee the operation of consumer groups across a wide sweep of villages. In others, where *vidyut sudhar samitis* exist, activity levels are poor due to finance crunch, continuing power theft, and noncooperation by utility officials. Since the majority of consumer group members are unemployed youth, they also expect some incentive for undertaking program activities, even if just a reimbursement of expenses. A number of measures are currently being envisioned to overcome these problems, including bank guarantees, public support, and insurance

information systems. The announcement by the Jodhpur and Ajmer discoms that they will use registered consumer organizations to distribute bills on an honorarium/commission basis has also served to re-energize some committees.

### **No sensitization of politicians**

Although CUTS-FES program recognizes political representatives as stakeholders at all levels, it has not made a concerted effort to educate them about power reform issues, or to involve them directly in consultations with utilities or with consumers. Resultantly, many of them are still unaware about the crucial role they can play in moving the sector toward financial viability, particularly since concerns about political popularity compel them to demand free or subsidized power for their constituencies.

### **Disinterest from frontline staff**

An extensive CUTS survey among its grassroots partners finds that distribution companies' frontline staff continue to be arbitrary and unmindful, despite their top management's greater consumer responsiveness and engagement. Mutual distrust between consumers and utility officials still prevails, partly due to the high levels of theft and low revenue recovery that have characterized the Indian power sector so far. Additionally, Rajasthan's distribution companies have inherited large rosters of employees from RSEB, who view their jobs as permanent government entitlements. Their productivity is far below international norms, and they have not been involved in any capacity-building effort.

### **Neglect of urban areas**

CUTS-FES initiative is heavily biased in favor of rural consumers (although in principle the program is designed



for all domestic consumers). Efforts have focused on forming rural, rather than urban, consumer groups, and training workshops centered on rural participation and concerns. As a result, most urban consumers are unaware about CUTS-FES initiative.

Although Rajasthan's urban areas face less difficulty with electricity than rural areas do, it is important that CUTS-FES program begin to proactively involve them. In Rajasthan, as in the rest of India, urban populations are growing and it is necessary to engage them in an ongoing dialog with public service providers. In a practical sense, the transaction costs involved in setting up urban consumer groups are considerably lower than those for rural ones. Since urban populations are spatially concentrated, it is significantly easier and cheaper to undertake public

education and awareness-raising campaigns, and urban consumers need to devote far less time and energy than rural ones to travel to group meetings, workshops, and public hearings. Additionally, since utility officials are more accessible in urban areas, urban consumers are more able to engage constructively with them on an ongoing basis.

### **Accountability to the Poor**

While not specifically targeted at the poor, CUTS-FES program has in effect functioned as a 'pro-poor' initiative. It has also considerably reduced transaction costs for rural consumers, most of whom are poor. By creating the space for consultation/direct interaction with utility, government and regulatory officials at the grassroots level, rural consumers are no longer forced to cover long

Citizen engagement has enabled the government to proceed with power reform, while allowing civil society to actively contribute to this process.

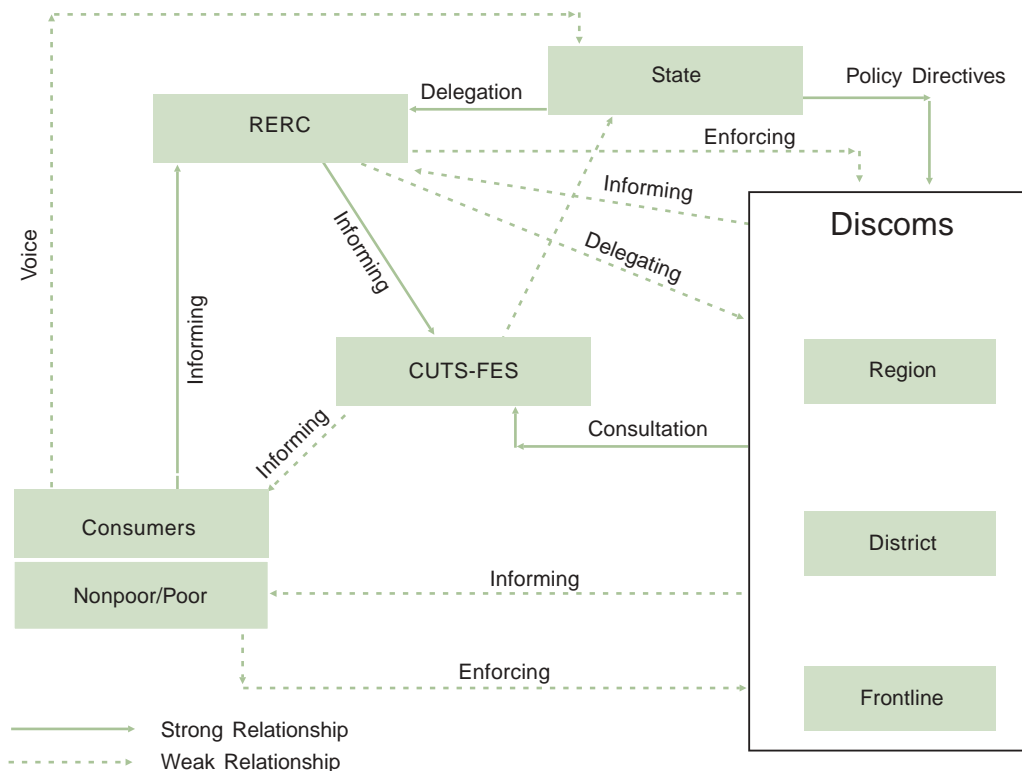
distances to lodge complaints or make operational suggestions to the discoms. Neither are they compelled to waste many hours, lose wages, or spend on other incidental costs. Collective engagement has already begun to reduce frontline officials' demands for unauthorized payments. Additionally, the program has focused on teaching consumers about alternative and cheaper sources of energy, although there is as yet no data available on the impact that this has had on consumer behavior.

Moreover, the *vidyut sudhar samitis* have a significant representation of unemployed youth, living below poverty line or just above it.

### Price affordability

Since many rural consumers find electricity expensive, CUTS has repeatedly filed petitions against the discoms' undifferentiated tariff hikes arguing that tariffs/connection charges for the poor must be kept affordable. It has also emphasized to the discoms that if they do not keep tariffs affordable, the poor will continue to resort to illegal connections. Additionally, it has succeeded in persuading RERC to rule that the discoms discontinue the traditional practice of recovering 10-year-old dues from poor people. In keeping with provisions in the Electricity Act of 2003, the recovery period is now restricted to two years.

**Figure 6.4:**  
**Accountability Relationships**



## User-friendly complaint mechanisms

CUTS has also persuaded RERC and the discoms to modify the practice by which rural consumers (particularly poor ones) are allowed to lodge their grievances. Traditionally, the only formal mechanism available to illiterate rural consumers was to depose before a committee consisting of discom officials and engineers. However, the complainant was required to do so singly; even close relatives and friends were not allowed to accompany him or her. Since the consumer was often not articulate enough to describe the problem in detail, it remained unaddressed. CUTS took up the issue in RERC's Advisory Committee, as a result of which a rural complainant may now rely on a companion to present the case on her or his behalf.

## Conclusion

While reform initiatives rarely bring immediate improvements in service delivery, CUTS-FES program's greatest — and most unique — impact is in including the voice of rural and poor consumers in the policy and regulatory process. More generally, it has convinced the Rajasthan Government, electricity utility staff, and RERC about the importance of involving consumers and civil society in reform and service monitoring processes, by creating a recognized platform for mutual debate and discussion among all stakeholders. As a result of these efforts, significant changes are already noticeable in the manner in which the Rajasthan's electricity utilities and regulator relate to rural consumers,<sup>129</sup> including a greater sensitivity to affordability and the convenience of complaint channels.

### Box 6.10: The Importance of Social Capital

CUTS-FES program's most important contribution, though, has been in the building of social capital — that is, the stocks of social trust, norms and networks that people can draw upon to solve common problems. Social networks are at the heart of social capital, since people who know each other are more inclined to do things for each other reciprocally, than those who do not. Since much of CUTS-FES' program revolves around creating trust between all stakeholders, the greater the scope for continued mutually beneficial partnership between the utility and consumers. Shared interest in consultation, dialogue and fact-finding — together with the reach of CUTS-FES coalition — drastically minimizes the need for financial resources, since reciprocity defrays many program costs.

The program's greatest success is that it has created a voice for consumers by working within the 'political space' provided by the regulator and the government. In doing so, it has enabled the government to push ahead with its own agenda, while creating a platform that enables civil society to contribute to this process. The strength of CUTS-FES model is that it serves the interests of all stakeholders within the sector. Since RERC receives inputs on consumer concerns, the government is under less pressure to institute populist policies to further its political agenda. Discoms can expect better revenue realization and cooperation from

<sup>129</sup> Interestingly, the Prayas Energy Group — one of India's leading organizations on power reform issues — suggested that a Citizens' Coalition on Electricity be instituted to make reforms successful. It says that "this coalition could host joint efforts by its members to create awareness among the public and other civil society institutions as well as building its own capabilities."

Discoms can expect better revenue realization and cooperation from consumers, who can in turn expect improved service and responsiveness.

consumers, and the latter can expect improved service delivery and better interaction with the utility. In this respect, it holds much potential as a model by which to bring value to consumers, service providers and the government, in similar service improvement and reform efforts throughout the country.

However, if the program is to make a more definitive impact on service delivery in Rajasthan, it has to intensify its civil society organization training activities, particularly on the techno-legal-commercial aspects of electricity generation, transmission and distribution, and

spread them across a wider geographical area. This is what it is attempting to do in the third phase of the program, launched in 2006. Other directions envisaged for the coming phase of the program are to build the capacity of *vidyut sudhar samitis* to repair feeders and, over the longer term, to undertake electricity distribution locally; to make the training of utility staff more responsive to customers; to initiate the wider involvement of women; and to produce simply-written, reader-friendly reference material on energy issues. Another suggestion is that *vidyut sudhar samitis* report regularly to *gram panchayats* or *ward sabhas* on their performance.



# Case Study 7

Institutionalizing  
Partnerships around a  
Tool: The Case of the  
Online Complaint  
Monitoring System

*Abridged from a study by Badal Malick*



**PRAJA**, a Mumbai-based civil society organization, has assisted the Mumbai Municipal Corporation to set up an Online Complaint Monitoring System. This not only enables Mumbai citizens to register service-related complaints via telephone, personal visits, letter/fax and the Internet, but also to access online information regarding redressal status — without having to call or visit a corporation office. The system has facilitated a new institutional arrangement wherein a citizen-based organization assumes a formal watchdog function in a framework of service delivery.

## General Context

Mumbai is India's largest city. Its population of over 16 million in 2001<sup>130</sup> is predicted to grow to 28.5 million by 2015, making it the world's most populous city. Half of Mumbai's population consists of the urban poor (the city has the largest slum population in the country), which lives in slums and *chawls* spread throughout the city.<sup>131</sup>

Mumbai's island geography, and its public railway system that operates purely in a north-south direction, have constrained its natural expansion and development. Combined with rapid population growth, these factors have resulted in a severe shortage of urban public services, housing and infrastructure. In particular, poor road conditions, weak land and housing policies, air and noise pollution, erratic and inequitable water supply and low levels of sewerage treatment have adversely impacted quality of life in the city. At the same time, the city is also in economic decline. The number of old formal sector jobs is declining, and there is no injection of new investment and jobs in the city.

The Brihan-Mumbai Municipal Corporation (BMC),<sup>132</sup> which administers the city, is one of several public agencies responsible for the overall governance of municipal services. Among other things, it is responsible for water and sewerage, power, roads and infrastructure, education and health services. It is the largest municipal corporation in Asia, administering an area of roughly 438 sq km, and the civic needs of 11.5 million citizens. Governed under the BMC Act of 1988 (which has already undergone over 150 amendments), the BMC employs a staff of 107,000 and operates an annual budget of over US\$733 million,<sup>133</sup> an amount that is greater than the budgets of many Indian state governments.<sup>134</sup>

Politically, BMC is accountable to the government of Mumbai, unlike the city's other public service providers which are parastatals and report to the state government of Maharashtra. However, the interface between BMC and these parastatals appears to be well defined (although limited), despite the political shifts that have occurred within the city and the state's governing coalition.<sup>135</sup> For instance, many major infrastructure projects have been funded and implemented through the Mumbai

<sup>130</sup> 2001 Census of India.

<sup>131</sup> Registrar General of India, Census of India 2001, Provisional Population Totals. In 2001, there were 1959 estimated slum settlements in Greater Mumbai which together accounted for 6.25 million people. [YUVA Survey under Bombay Sewerage Disposal Project – Slum Sanitation Project (2001).]

<sup>132</sup> The Municipal Corporation of Greater Mumbai

<sup>133</sup> Conversion rate is US\$1=Rs 45, as per September 2006 exchange rates.

<sup>134</sup> The BMC operates seven separate budgets corresponding to its different operations (general administration, health and medical activities, improvement scheme accounts, Brihan Mumbai Electric Supply and Transport Undertaking (BEST), education, and water supply and sewerage). The BMC is financially self-sustaining with revenues generated through user fees and taxes (water, power, road, and property taxes), road taxes, license fees, etc. The octroi charged on goods imported into the city is the highest source of revenue, whereas employee salaries account, by far, for its highest expenditures. Barring very few large projects such as the Bombay Sewerage Disposal Project, BMC receives little external funding.

<sup>135</sup> Different parties have dominated these governments for over 10 years, with the Congress/National Congress Party and the Shiv Sena in power at state and local levels, respectively.



*PRAJA* proactively set an agenda for the municipality toward greater citizen participation and public accountability.

### **Box 7.1: How Does BMC Work?**

Organizationally, BMC comprises nine statutory collateral authorities. Its political authority, the Municipal Corporation, consists of 221 elected ward-level representatives (called Municipal Councilors), who deliberate on policy and administrative matters primarily through budgetary and financial controls.<sup>136</sup> They allocate budgetary expenditures, set taxes and user fees, approve contracts and other financial proposals. The Municipal Commissioner, who represents and is appointed by the state government (for a period of three years, extendable for another three) heads the executive authority within the BMC.<sup>137</sup> He shares financial and appointing power control with the Corporation, and can participate in debates and discussions on policy matters. He has discretionary authority on expenditures below US\$44,440.<sup>138</sup>

The BMC's policy-making and execution/administration functions are clearly delineated. Policy proposals, including initial budget formulations, are typically developed by the administration and sent to the Corporation for approval. These are reviewed and approved by the Standing Committee of the Corporation, and then sent back to the Municipal Commissioner for execution under Corporation oversight. The Corporation can also institute smaller statutory,<sup>139</sup> special and ad hoc 'consultative' committees (comprising nominated councilors and members

to consider particular policy or administrative issues. Although each of these political and administrative authorities is independent, with well-defined powers and areas of jurisdiction, they need to work in close cooperation for effective service delivery.

Operationally, BMC has divided Mumbai into 24 city wards. While the formal separation of deliberative and executive powers extends down to the ward-level organization, this is not always the case in practice. The statutory Ward Committee, which comprises local political representatives, the Ward Officer (administrative head), and three nominated citizens, is the only formal institution in which political and administrative officials work together. These committees arbitrate over citizen concerns relating to ward-level service operations, review ward-level budgetary proposals under different heads, and hold the power to authorize civic works not exceeding US\$11,110. Other than the specific role assigned to these committees, BMC service operations are to be exclusively handled by ward-level administrative staff without any political interference. However, it is reported that direct linkages between elected representatives and local ward officials are common, and encourage rent-seeking activity, especially with respect to construction projects. Such practices have further strengthened the "politicization" of the lower level bureaucracy.

<sup>136</sup> The Corporation also includes five nominated members mandated under the 74<sup>th</sup> Amendment to the Constitution.

<sup>137</sup> Additional Commissioners are also appointed directly by the state government.

<sup>138</sup> Expenditures higher than this amount require approval from the Standing Committee.

<sup>139</sup> Although, by law, these committees are directly accountable to the Corporation, they frequently become loci of decision-making with strong and direct linkages to the administration (Pinto, Marina, *Metropolitan City Governance in India*, Sage Publications 2000, p. 103).

Metropolitan Regional Development Authority (MMRDA) and other state agencies, with little BMC involvement — although key BMC officials are members of the MMRDA Board. The judicial system has also frequently played an active oversight role in matters of local governance, and has a history of intervention on BMC matters.

### Specific Context

*PRAJA* was founded in 1997 by a group of eight concerned individuals in an effort to create a citizen's platform to re-establish public accountability in the provision of BMC services. They recognized the importance of fostering systemic and sustainable change in governance, as opposed to merely reacting to individual instances of perceived mismanagement and demands for unauthorized payments. For this reason, they adopted a conscious and proactive 'agenda-setting' approach to promote greater citizen participation, transparency and accountability in the functioning of the city and state governments.<sup>141</sup>

*PRAJA*'s efforts stemmed from the understanding that inefficient public services were a source of frustration to all citizens. It also realized that these were difficult to remedy without established benchmarks for performance and formal mechanisms to consult users or obtain their feedback. It felt that the system of accountability within BMC hierarchy did not extend to users and citizens, whose needs and preferences remained ignored.

*PRAJA* thus adopted the following three objectives:

- to generate effective feedback mechanisms that would promote direct communication between citizens and provider agencies;



- to strengthen collaboration in operations, maintenance and service delivery; and
- to disseminate information on public services to encourage transparency and collaboration in service provision.

To attain these objectives, *PRAJA* decided to work closely with BMC — and to strategically build and solidify this relationship over the years. It saw the partnership as a key instrument by which to promote transparency, accountability and overall systemic efficiency in the delivery of public services in Mumbai. *PRAJA*'s first formal partnership with BMC involved the development of a 32-page consumer-oriented Citizen's

<sup>141</sup> Interview with *PRAJA*.

*PRAJA* helped the BMC develop a Citizen's Charter committing it to faster and better service delivery and complaint handling.



**Box 7.2:**  
**BMC's Other Civil Society Partnerships**

BMC's collaboration with *PRAJA* is part of its wider effort to partner with civil society groups across a range of issues. A key program in this regard is the Advanced Locality Management (ALM) – in which BMC incentivizes communities to meet solid waste management objectives, such as source separation, efficient disposal and recycling, by promising to give them priority treatment with respect to other services. The other is Bombay First, in which major corporate organizations have joined with BMC to increase the city's competitiveness and quality of life by addressing social and economic infrastructure needs. The goal is to transform Mumbai into a world-class city by 2013.

Charter which, among other things, committed BMC to speed and quality of delivery, and clear procedures for registering grievances. *PRAJA* also partnered with local media groups and nongovernmental organizations (NGOs) to publicize this Charter, and to initiate a debate on the issue of citizen participation in the accountability process.

As a logical corollary to the Citizen's Charter, BMC instituted a Centralized Complaint Registration System (CCRS) in December 2000. Consumers dissatisfied with BMC services could register complaints via a 24/7 central helpline (telephone number '1916').<sup>142</sup> Live operators registered user complaints on a back-end software application, and provided complainants with unique tracking numbers. Processed complaints were then dispatched via e-mail to the relevant ward offices for redressal, as per the standards and procedures enunciated in the Citizen's Charter.

In parallel, *PRAJA* carried out public audits of BMC's performance, using the Citizen's Charter as a benchmark. Over 3,500 citizens, across 23 city wards, were surveyed for their perceptions on the performance of elected/political and administrative officials. Resulting data analyzing and comparing the performance of different wards and departments were published and disseminated in the press. Similar surveys were to be repeated every six months, so as to put continuous pressure on elected and administrative officials, as well as to monitor changes in service quality over time.

<sup>142</sup> CCRS was driven by a cost-cutting impetus and replaced a previous, relatively inefficient system of five separate service-specific control rooms (for disaster management, drainage, demolition, vigilance/anti-corruption and solid waste management). Separate help-lines for disaster management and emergencies were continued. CCRS led to substantial cost savings in terms of manpower, machinery/equipment, transport- and communications-related expenses. In addition, it appears to have had a significant quality impact on the nature of complaints handling and processing.



Key insights gained from the first two performance surveys (conducted in 2000 and 2001) indicated mixed citizen awareness about BMC service obligations, dissatisfaction with minimal interaction/consultation with citizens on service-related issues, poor accessibility (and use) of existing complaint channels, low satisfaction with grievance handling, and limited awareness about local political representatives and the resources that could be accessed through them.<sup>143</sup>

These findings, coupled with the learnings generated from *PRAJA*'s ward-level training workshops, prompted BMC to collaborate with *PRAJA* in the design and implementation of a more efficient and responsive complaint management system.<sup>144</sup> To this end, *PRAJA* decided to improve CCRS by enhancing its front-end interface while fully automating back-end processes (i.e. complaints processing, distribution, status reporting and internal monitoring of redressal). Created in April 2003, this new system is known as the Online Complaint Monitoring System (OCMS).

## How OCMS' Works

OCMS allows citizens to register service-related complaints by way of phone calls, letters/faxes, the Internet, and personal visits. The system admits 91 types of complaints, and covers the operations of various BMC departments including solid waste management, drainage, roads and traffic, repairs to municipal property, water supply, buildings, factories, licenses, pest control, etc. It also allows citizens to receive information on the status of their complaints without the need for calling or visiting BMC offices.

When complaints are received, they are immediately registered on a central data server, which automatically distributes them to the relevant ward offices for redressal. Action taken by Ward Officers (Assistant Commissioners) is recorded on the system. If a complaint is not redressed speedily, it escalates to the Deputy Municipal Commissioner, and if not redressed at this level, to the Additional Commissioners and, then, to the Municipal Commissioner.

Complaints are passed on to the heads of the relevant departments for investigative action. In addition, a review committee comprising senior BMC officials, including the Municipal Commissioner, and *PRAJA* representatives, meets regularly to determine action on non-redressed complaints.

Data recorded by OCMS can also be used to generate instantaneous reports based on the status of departmental and ward complaints, such as the number of registered, redressed, pending, and escalated

<sup>143</sup> The findings indicated that, on average, only 34 percent of citizens had ever contacted BMC for a service problem, and that less than half of them were dissatisfied with subsequent actions taken by the organization. Furthermore, time-consuming procedural formalities at the ward offices were identified as the primary reason for low complaint levels (MoU signed between Municipal Corporation of Greater Mumbai and *PRAJA* Foundation for Development of an Online Complaint Registration System).

<sup>144</sup> During this time, BMC undertook a set of e-governance initiatives, ranging from online tendering of contracts to computerizing municipal election results.

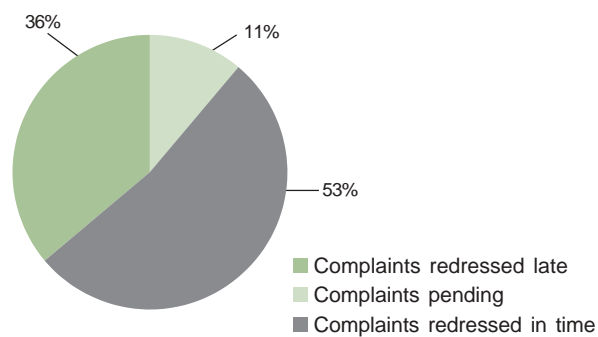
Using complaint data, *PRAJA* periodically generates diagnostic reports for municipal authorities that identify chronic problem areas and assess department-level performance.



### Box 7.3: The Nature of OCMS Complaints

Since its inception in 2003, OCMS has recorded an average of around 60,000 complaints a year (64,309 in 2003; 61,931 in 2004 and 62,296 in 2005), or an average of 172 complaints<sup>145</sup> per day. The OCMS use appears evenly divided across Mumbai, with each ward generating a daily average of five to 10 complaints. Over 60 percent of complaints relate to five issues. In 2005, the highest number of complaints related to unauthorized construction and regularization (27 percent), followed by drainage-related complaints (17 percent), commercial licenses (13 percent), solid waste management (12 percent), and water supply (8 percent).

Overall redressal efficiency for 2003-05 is approximately 90 percent. However, as the adjoining figure indicates, only 53 percent of complaints were redressed within the timeframe stipulated within BMC's Citizen's Charter.



complaints. These reports allow BMC officials to monitor and manage the quality of redressal, and address structural constraints associated with improvements in service performance. Additionally, by enabling the identification of chronic complaint areas, it provides an assessment of the performance of relevant utilities and departments. In fact, *PRAJA* periodically generates such diagnostic reports for BMC. It also plays the role of an external auditing agency by routinely conducting user surveys to measure BMC performance and to record citizen perceptions about the complaint redressal process.<sup>146</sup>

### How is OCMS Financed?

The expenses associated with developing OCMS have been incurred largely by *PRAJA*, which is funded by donors.<sup>147</sup> This has included the costs of software development, as well as of training and capacity-building. Additionally, it bears the cost of maintenance and

<sup>145</sup> Total complaints registered from 2003-2005 = 188,536/Number of days (365x3) = 172 complaints per day.

<sup>146</sup> According to the initial design, quantitative data generated through the complaint database and qualitative information gathered through performance surveys were to feed into a comprehensive redress score for each BMC department. Similarly, ward scores were to be computed as weighted averages of department scores. However, such a formalized model of performance benchmarking has not been implemented.

<sup>147</sup> The main funding agencies for the OCMS were the Tata Council of Community Initiatives, HDFC Bank and the Infrastructure Development Finance Company (IDFC). Previous efforts, such as the Citizen's Charter, have been partially funded by other donor agencies, including the Friedrich Naumann Foundation and the Madhu Mehta Foundation.



operation of the Web and database servers until the expiry of its contract with BMC. *PRAJA* has also committed a lot of *pro bono* time to the project on technical and legal issues.

BMC has borne the costs of installing and upgrading supporting hardware (primarily computer and communications equipment). It is also responsible for expenses relating to operations and maintenance (including support staff salaries and continuous Internet connectivity). Fortunately, the redeployment of excess manpower has minimized additional labor costs. Table 7.1 shows the individual breakdown of costs associated with OCMS.

In addition, at least in the short run, there exist explicit monetary costs. These may include the costs of redundant hardware currently supporting OCMS as well as erosion of savings that were initially generated through its implementation.

**Table 7.1:**  
**Costs Related with OCMS**

Type of Cost	Estimated Expenditure
Software development	US\$10,000 (50 percent subsidy due to pro-bono work)
Training costs	US\$3,330 (technical) and US\$4,890 (motivational)
Legal costs	Drafting and legal review done pro-bono
Server hosting costs	US\$13,333.3 over three years
Man-hours	US\$1,333.3-US\$2,222.2 per year

<sup>148</sup> These audits are based on a sample size of 2,500 nonanonymous complaints, representing all city wards.

<sup>149</sup> More people, however, remain dissatisfied than satisfied with the manner in which BMC handles and redresses user complaints.

<sup>150</sup> Interviews with ward level officials indicated that while CCRS received user complaints, there was little transparency with respect to the status of complaints thereafter.

## Outcomes

### Improved grievance redressal

*PRAJA*'s 2003 and 2004 complaint audits<sup>148</sup> indicate a marked improvement not only in BMC's complaint redressal system, but also in broader service indices. These include a reduction in the average number of visits required for successful redressal and higher satisfaction with BMC's complaint handling.<sup>149</sup> Additionally, the OCMS — which prevents tampering with complaint-related information — has resulted in greater transparency on the status of both BMC's service delivery and complaint handling.<sup>150</sup> Low levels of rent-seeking by BMC officials are also reported.

BMC has also institutionalized OCMS at all levels of operation. It has appointed a Citizen's Action Group that oversees OCMS implementation and testing process on a quarterly basis. Accordingly, BMC staff at various levels is constantly monitored for its efficiency in redressing complaints.

### Lower transaction costs

OCMS has substantially reduced the operating costs involved in grievance redressal. By creating a direct link between citizens and provider agencies, it has undermined the monopolistic hold that politicians have so far maintained on this relationship. By creating an online system of complaint registration and automated status reporting, it has enhanced the accessibility and use of BMC's consumer grievance channels, and has removed the need for repeated inquiries. Moreover, by integrating different channels into one single processing system, it has

OCMS has created a direct link between citizens and provider agencies, and reduced politicians' hold on grievance redressal processes.



facilitated greater coordination between central and ward offices, and across zones and departments. This enables BMC to prioritize its investments toward high return areas, both in financial/economic and political terms.

### Facilitating reform

By facilitating a rich and credible source of service performance-related information, OCMS creates pressure for institutional reform and increases the opportunity costs of the prevailing status quo. Readily available and publicly accessible information on recurring service bottlenecks feeds public demand that BMC address these in a sustainable manner through far-reaching reform.

## Limitations

### Limited service improvements

Evidence suggests that while OCMS has resulted in clear and concrete outcomes,<sup>151</sup> it may take time to convert these into tangible service-related impacts. This is largely because OCMS has not been accompanied by a matching clarification of departmental and individual roles and responsibilities for complaint redressal. At present, the complaint escalation process, review meetings and audit mechanisms only serve to create moral pressure. OCMS has not been accompanied by management tools — most especially, transparent performance-based rewards and penalties — that would incentivize performance down to the frontline staff level. Current performance incentives tend to be non-monetary and recognition-based. Moreover, although comparative analysis of ward performance identifies “best” and “worst” wards in the audit reports, these measures do not yet provide adequate incentive to hold operational staff accountable so as to improve overall quality of services.

### Weak enforceability

BMC also does not have the power (and perhaps the will) to enforce credible performance incentives. Promotional policies are still based on seniority and reservation criteria, and are not performance-based. Further, labor unions are strong, politicized and resistant to labor reforms. In such an environment, it is difficult for an accountability-based work culture to permeate down to the operations level.

<sup>151</sup> This is starkly apparent when comparing pre- and post-OCMS scenarios. For example, during the first performance survey, the contracted agency had to visit the BMC 21 times and separately meet each head of department to obtain a manual list of complainants. (Interviews with representatives from ORG-Marg.)

## Unsatisfactory redressal

OCMS treats each ward as a single unit, ignoring the fact that each ward has its own complex internal chain of command and of functional specialization.<sup>152</sup> As a result, the Ward Officer is made accountable for the performance in the entire ward, and is provided with no management tool by which to disentangle, monitor and evaluate performance within different departments and tiers of management.<sup>153</sup>

Partly as a result — and despite OCMS' automated monitoring of the status of complaints and their redressal — multiple enquiries are still required before a complaint is successfully redressed. However, the estimated average number of visits/inquiries required has dropped from 13 (pre-OCMS) to four (as per the 2003 Complaint Audit).

The focus on speedy redressal may be providing frontline staff with incentives to find quick fixes rather than permanent solutions to service problems.<sup>154</sup> Additionally, BMC staff and complainants differ in their perception of what constitutes a “redressed” complaint. There appears to be a significant gap between customer perceptions and BMC records on “redressal” status. While 51 percent of complainants felt no action was taken on their complaints, BMC reported this figure to be 12 percent.<sup>155</sup> Many complaints are “closed” by ward staff without reaching any consensus on the status of redressal. While BMC provides citizens with a mechanism by which to register their feedback after a complaint has been

closed, users seldom exercise this option and the BMC rarely monitors it.

## Inadequate involvement of politicians and frontline staff

The lack of involvement of political representatives and frontline operational staff, both of whom are key stakeholders, could potentially undermine the institutionalization of OCMS. This is because *PRAJA* overlooked to set in motion a process of dialogue with elected representatives while OCMS was being designed and implemented. Given that elected representatives serve as important conduits for citizen grievances in their constituencies, particularly the urban poor who face barriers in accessing other formal channels, their nonsupport is likely to lead to less than optimal public acceptance and utilization levels.

Additionally, insufficient attention has been directed to capacity-building at the sub-ward level, especially of frontline staff (for example, junior engineers, meter readers, billing officers, line technicians etc.).<sup>156</sup> While training was conducted at the ward level (to build awareness about the new OCMS system), it primarily targeted higher-level officials. Thus, even though BMC and ward-level management have supported OCMS, political representatives and frontline staff have not yet been incentivized to align with its objectives. The ‘politicization’ of junior administrative officials also influences their willingness to support OCMS.<sup>157</sup>

<sup>152</sup> Complaint Officers are responsible for receiving and redirecting OCMS complaints to concerned officials across as many as 18 departments, each with its functional hierarchy down till the frontline staff. For example, in the water and maintenance department, the ward-level chain of command includes Assistant Engineers, Superintendent Engineers and Junior Engineers. In addition, the functional hierarchy in certain departments is physically diffuse and frontline staff works out of local *chowkis* (area offices).

<sup>153</sup> Probing chronic or repeated complaints is often the only way for a Ward Officer to hold lower-level ward employees accountable.

<sup>154</sup> This underscores the need for a more systematic analysis and resolution of chronic complaints, a process very much part of the functional scope of OCMS.

<sup>155</sup> *PRAJA* Complaint Audit, 2003.

<sup>156</sup> Communications from meetings on the implementation process indicate that Ward Officers, Complaint Officers and Assistant Complaint Officers were the only ward-level staff that were formally included in the training and capacity building programs.

<sup>157</sup> Such officials are more willing to support reform initiatives if launched by the political party they support.

Since the municipality has not assigned individual responsibility for complaint handling to staff, it may take time for OCMS to trigger tangible service-related impacts.

### Complaint 'leakages'

Since other grievance channels have not been adequately integrated with OCMS, there is a fair amount of duplication and/or a leakage of complaints.<sup>158</sup> A major source of leakage is the network of Customer Facilitation Centers, set up by the BMC in 2001, as single window cells for all customer transactions (including bill payments, license applications, and complaints). These are, as yet, only weakly linked to OCMS' database.

Ward officers maintain separate lists of complaints received through elected representatives and senior BMC officials to enable a fast track mechanism for VIP complaints. Such complaints, which constitute 1-2 percent of the total, show the best redressal rates.

*Public hearings* – Another source of leakage is the *Lok Shahi Din*, or the 'public hearing' held by BMC and all its Ward Offices on the first Monday of every month. Through the day, consumers may express grievances and lodge complaints in person with senior departmental officials. The intention is to facilitate speedy redressal by public agency heads, including divisional commissioners, district collectors, zila parishad CEOs, municipal commissioners, etc. Complaints that fail to be redressed at these local monthly forums are passed on to the Chief Minister, who heads a similar redressal forum every month.

*Slums* – Large populations of unauthorized settlements (primarily consisting of the urban poor) are excluded from legal BMC service coverage and, therefore, denied

### Box 7.4: Overlapping Jurisdictions

Inadequate consultation with ward-level staff on design issues has also resulted in some unforeseen technical problems. For example, OCMS does not allow for two-way communication on complaint matters that fall outside the powers of the ward authorities. The redressal of certain types of complaints, such as illegal encroachment, often requires cooperation from other agencies such as the courts, police and politicians.<sup>159</sup> Similarly, certain types of complaints require remedial work (for example, rehabilitation of transmission mains), which is the responsibility of centralized agencies. There are no provisions for redirection or extension periods for such complaints, which end up unfairly penalizing wards by bringing down their perceived overall performance. These issues are now being addressed through refinements in the system, but have stretched the time and resources needed for complete implementation. Further, many ward officials have felt the need for greater clarity in complaints and consider the allotted time periods to be inadequate for complaint redressal.

formal access to statutory services. While these communities often use prevailing institutions of political patronage and rent-seeking, and illegally tap into the system to access limited supply of services, they do not enjoy the formal feedback channels offered by OCMS. This not only limits the scope of OCMS coverage, but also raises issues around citizenship rights and the contribution of urban poor populations to the city's informal economy.

<sup>158</sup> This reflects the findings from PRAJA performance surveys, OCMS database, and discussions with BMC officials. According to one Ward Officer, only a quarter of an estimated 40 complaints per day were being seen on OCMS.

<sup>159</sup> For example, according to one interviewed Ward Officer, a particular complaint related to an illegal construction could not be redressed, as BMC had no authority to take action on the disputed construction without due Court procedures.



### Technical shortcomings

OCMS' processing capacity is also hampered by technical limitations. First, it uses text-based complaint identification technology, under which repeated or multiple complaints (unless perfectly identical) are treated separately. While superior technologies are available, these come with substantially higher associated costs.<sup>160</sup> OCMS is also forced to consistently handle false or crank complaints, from persons abusing the system's anonymity to settle scores with quarreling neighbors or to express other personal grudges.

### Limited awareness and use

Awareness and use of OCMS appears to be concentrated within the upper echelons of the city population.<sup>161</sup> PRAJA now plans to intensify public awareness by strengthening partnerships with other citizen groups, and by holding OCMS 'clinics' on a ward-by-ward basis.<sup>162</sup>

### Success Factors

Other than PRAJA's strong vision and commitment, other factors appear to have contributed to the successes and failures of the initiative. These are:

#### Generalized public pressure for reform

The strong public demand for better governance in Mumbai has resulted in the emergence of over 2,000 active civil society groups demanding improved public services and quality of life. This includes pro-poor advocacy groups such as YUVA and SPARC that work in slum settlements, and NGOs like AGNI, INTACH and Mumbai Grahak Panchayat that mobilize citizens around socially, economically and environmentally significant issues. Higher-level agencies, including the judiciary, state and central governments have also contributed to pressures for local-level reforms and helped create spaces for institutional innovations such as OCMS. PRAJA's strong linkages with these agencies have generated widespread support and awareness for OCMS.

<sup>160</sup> According to PRAJA, advance text matching technology was available but at a prohibitive cost of approximately US\$33,335-US\$44,445.

<sup>161</sup> Initial complaint audits indicate that infrastructurally and economically deficient areas account for a lower share of total complaints, an otherwise counter-intuitive result. These observations have also been mirrored in interviews with ward officials. According to the Ward Officer of the richest ward, 7,500 complaints per month were received compared to a city average of 2,500 complaints per month. This may also be a perceptual issue, with poorer populations having lower expectations and therefore showing a lower propensity to register complaints

<sup>162</sup> Discussions with PRAJA.

Although the poor lodge one-third of complaints, OCMS does not address the key problems they confront in dealing with the municipality.

### High-profile support

The strategic involvement of high-profile and influential individuals from both government and civil society, at various stages in the development and implementation of OCMS, has led to the strengthening of the dialogue with BMC. It has also significantly bolstered the credibility of the initiative.

### Champions within BMC

Senior officials within BMC, namely the Additional Commissioners responsible for OCMS, have been instrumental in legitimizing the project, and in garnering the necessary support and capacity within BMC. They have personally supervised progress during implementation, including the institutionalization of the public audit every three months.<sup>163</sup> Other administrative officials, including the Municipal Commissioner and Assistant Commissioners at the ward level, have played supportive roles in institutionalizing the initiative.<sup>164</sup>

### Strategic incrementalism

*PRAJA* strategically deepened its partnership with BMC through a series of well-defined and value-adding reforms. These built an enabling environment for the implementation of OCMS and helped to sustain the *PRAJA*-BMC partnership. By taking such a pragmatic and sequential approach, *PRAJA* has been able to clearly demonstrate the project's utility to BMC. Further, by systematically capturing information related to service performance for the first time, OCMS itself could be seen as a driver for institutional reforms. Further, *PRAJA*'s

decision to bear significant portions of the development and implementation costs has increased the attractiveness of these projects, and facilitated further BMC support.

### The role of the media

*PRAJA*'s long-term, strategic partnerships with key media agencies, particularly the Indian Express Group, has generated sustained coverage for OCMS in the English, Hindi and Marathi papers. In addition, *PRAJA* is exploring a tie-up with Radio City FM, a leading local Hindi radio station. However, in-depth analysis and public debates around *PRAJA* initiatives seem to have been primarily confined to the English mainstream press and, as a result, have targeted educated, middle-class populations. Recently, *PRAJA* has stepped up efforts to engage the vernacular press, which accounts for the largest readership.

### The Right to Information Act

Maharashtra passed a Right to Information (RTI) Act in 2003, which mandates that all state agencies provide citizens with any public information they demand. This provides legislative support to accountability-enhancing tools such as OCMS. Moreover, Maharashtra's RTI Act is stronger than those of other states since it: (1) specifies time limits for public agencies to deliver on information petitions, and (2) imposes penalties on individual officers that fail to meet these requirements. Some of Mumbai's public interest groups, such as Mahadhikar, have used RTI provisions to expose illegal activity, which is then redressed via OCMS.<sup>165</sup>

<sup>163</sup> Minutes from the OCMS meeting dated August 6, 2002.

<sup>164</sup> For example, in a particular meeting, the Municipal Commissioner raised the possibility of false compliance by the redressal agency and the related need for public dissemination of redressal statistics. (Minutes from OCMS meeting dated August 6, 2002). In addition, select Assistant Municipal Commissioners, engineers and the Chief Officer of the CCRS were actively involved in this process.

<sup>165</sup> RTI has demonstrated impacts even when departmental responsiveness has been weak. For example, an RTI initiative to stop political interference in police transfers received no response from BMC but appears to have led to a drastic reduction in the number of recommendatory transfers from 400 in the previous year to eight in four months post the filing (interview with Mahadhikar representatives).

## Accountability to the Poor

Some 30 percent<sup>166</sup> of complaints currently issue from economically underprivileged communities, even though no sustained consultative efforts were made to incorporate their concerns into the design and implementation of OCMS. However, poor consumers tend to use OCMS less than middle and upper class citizens do, since they rely far less on BMC's civic services. This is largely because OCMS does not, as yet, address the civic administration issues which have the most direct bearing on the daily lives of Mumbai's poor, such as the speedy issue of hawkers' licenses and permits for auto-rickshaw drivers.<sup>167</sup> Other barriers that confront Mumbai's poor — such as illiteracy, lack of tenure and of access to modern methods of telecommunication, and a hesitancy to deal with government officials — limit the full pro-poor potential of OCMS.<sup>168</sup>

Thus, by and large, OCMS is still perceived to be responding primarily to middle-class interests.<sup>169</sup> Since much of the media coverage and public debate about this innovation has been in English, significant sections of Mumbai's poor continue to be unaware about it.

Nonetheless, OCMS could have clear advantages for the poor, particularly as it enables anonymous registration of complaints. This prevents the authorities from discriminating against complaints made by the urban poor, who are reportedly subject to suspicion and harassment from ward-level officials when availing

direct complaint channels.<sup>170</sup> By entering into partnerships with groups such as YUVA, *PRAJA* has made a conscious and determined shift toward targeting poor populations — and is beginning to develop sensitivity training programs for frontline OCMS staff to help change their attitudes toward customers, particularly the poor.

As the nature of its partnership with other civil society groups is still informal and ad hoc, a move toward a more structured joint program would be useful. This could include greater coordination on the planning of future projects, such that the needs of the poor are well integrated into the future development of OCMS and a broader agenda to enhance public accountability in local governance.<sup>171</sup> In addition, OCMS data should be made more readily accessible to groups such as YUVA to support their pro-poor advocacy efforts vis-à-vis local political and provider agencies.

## Conclusion

OCMS has not only helped BMC transition to becoming a more customer-oriented organization with a state-of-the-art user interface, but has also served as a repository of relevant and easily accessible information on service performance. Additionally, *PRAJA* — through its periodic and publicly disseminated 'audits' — objectively evaluates BMC's performance and places a continuous pressure on it to speedily address complaints and chronic problem areas. Taken together, these factors have the potential to drive systemic change in the organization.

<sup>166</sup> *PRAJA* audits.

<sup>167</sup> Interviews with YUVA, AGNI and the National Slum Dwellers' Federation.

<sup>168</sup> These barriers further strengthen patronage-based relationships between political representatives and the urban poor.

<sup>169</sup> In contrast, as previously mentioned, the elected representatives, for reasons of political self-interest and cultural affinity, are perceived to be stronger advocates of pro-poor interests. Their exclusion from the OCMS development process has therefore led to negative consequences on equity dimensions.

<sup>170</sup> Interviews with YUVA.

<sup>171</sup> YUVA's ward-level networks feed into a city-level consultative forum to engage and participate in governance debates.

The OCMS is likely to remain a feature of municipal governance in Mumbai, since reputational and ‘goodwill’ costs associated with exiting the system are likely to be large.

More significantly, OCMS has been successfully implemented despite the lack of broader and enabling reform. Being part of a series of accountability-related initiatives, OCMS successfully leveraged increasing external demand for better governance, administrative will, and strategic partnerships through a pragmatic and outcome-focused approach. Both the Citizens’ Charter and OCMS are tangible, well-defined instruments, which have been used to establish accountability-based processes and partnerships. However, OCMS’ potential to reduce transaction costs will not be fully realized till the accountability process it has introduced is completed, and greater enforceability is achieved. Further, rent-seeking practices at operational levels must be discouraged through the institution of a new system of incentives.

OCMS is likely to remain a feature of municipal governance in Mumbai. For BMC, the reputational and ‘goodwill’ costs associated with exiting the system are likely to be large – in view of the pressure emanating from large sections of the citizenry for better governance. Further, the credibility of the innovation has received widespread support, as reflected by its replication by NGO-public agency partnerships in Chennai and Bangalore.<sup>172</sup>

However, even now, many councilors, including elected heads of political parties, remain unaware of its

#### **Box 7.5: Citizen as ‘watchdog’**

The OCMS has facilitated a new institutional arrangement wherein a citizen-based organization assumes a formal watchdog function in a framework of service delivery and, on this basis, is able to engage policy makers and bureaucrats on comprehensive reform agendas.

existence and have no documented use.<sup>173</sup> OCMS’ longer-term success will thus require more effective communication and mobilization strategies to increase awareness and utilization. For this purpose, *PRAJA* will need to shift its focus from improving the back-end to extending the front-end.

Partnering with politicians in policy-making is crucial to translate the information generating capacity of OCMS into an instrument for change. Elected officials still remain the major conduit for citizen complaints and grievances on service delivery issues, most especially so in the case of the poor. Councilors must thus be approached as stakeholders in their own right, so that the complaints they receive can also be channeled into a unified, comprehensive, and efficient system of grievance redressal and broader systemic reform.

<sup>172</sup> In Chennai, the NGO Concert has taken up the initiative, as have Janaagraha and the water utility in Bangalore. The Maharashtra State Government has also expressed interest in exploring the use of the OCMS as a complaint management system for all its agency operations (interviews with *PRAJA*).

<sup>173</sup> Interviews with councilors indicated their strong preference to use other channels, most notably their direct relationships with administrative officials including the Commissioners. This is partly explained by long prevailing norms but is also perhaps indicative of a certain suspicion of OCMS, which may be seen as a tool that either bypasses or is positioned against them. Higher administrative officials, on the other hand, claim that limited OCMS access to corporators has more to do with lack of resources, such as hardware, and less to do with proprietary issues. (Interview with Mr. S.J. Kunte, Additional Commissioner, BMC.)



# Case Study 8

Role of Independent  
Regulation in Enhancing  
End-User Accountability:  
A Case Study of Power  
Sector Regulation in Five  
Indian States

*Abridged from a study by Sudha Mahalingam*

Since the 1990s, India has been in the process of reforming its electricity sector — most notably by attempting to move away from a loss-making governmental monopoly to a regime characterized by utility autonomy and independent regulation. A number of Indian states have now unbundled, corporatized and privatized components of their power generation and distribution systems, and have established independent electricity regulatory commissions to oversee the operation of this sector, tariff-setting in particular. The objective is to ensure that tariffs remain affordable (especially to poorer consumers), cover sectoral operating costs, and that electricity utilities deliver the best possible service to the public.

This study examines the role that independent regulation has played in enhancing the end-user accountability of Indian electricity utilities through an analysis of the regulatory experience of five Indian states — Andhra Pradesh, Karnataka, Maharashtra, Orissa, and Rajasthan.

## General Context

Until the 1990s, India's electricity sector was controlled and operated by governments in most states,<sup>174</sup> and was governed by the Indian Electricity Act of 1910 and the Electric Supply Act of 1948. Vertically-integrated state electricity monopolies — known as State Electricity Boards (SEBs) — produced, transmitted and supplied electricity to the consumers within their jurisdiction. The role of Government of India (GoI) was to make power, electricity policy, and to plan and coordinate the sector, which it did through the Ministry of Power, the Planning Commission and the Central Electricity Authority.<sup>175</sup>

In the 1970s, GoI also set up two wholly-owned national power companies — National Thermal Power Corporation (NTPC) and National Hydro Power Corporation (NHPC) —

to supplement the states' efforts in generation. They sold power to SEBs according to pre-determined allocations. Eventually, GoI's role expanded to include facilitation of inter-state transmission through the Power Grid Corporation, power trading through the Power Trading Corporation, and power financing through the Power Financing Corporation. However, SEBs — which by the early 1990s owned two-thirds of generation and virtually monopolized distribution — continued to be the nodal utilities for power supply to consumers.

Although India's electricity laws stated that SEBs should charge tariffs that would cover the cost of servicing their consumers,<sup>176</sup> and earn a 3 percent return on net capital base, state governments used their ownership of SEBs

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<sup>174</sup> Historically, private utilities generated and supplied power in Kolkata, Mumbai, Ahmedabad, and Surat, and this arrangement continues till date.

<sup>175</sup> The Planning Commission, of which the Indian Prime Minister is the Chairman, has overall responsibility for identifying the level of investments required in the sector and also for coordinating among the ministries of power, coal, finance, railways, agriculture, water resources, etc. The Central Electricity Authority was tasked to formulate specific sector-related policies and guidelines, and coordinate with the Planning Commission to decide on allocations of Plan funds to the states.

<sup>176</sup> However, SEBs were free to discriminate between consumer categories, charging higher than cost-to-serve to certain categories and to utilize the surplus to cross-subsidize other categories which were charged lower-than-cost-to-serve tariffs.



According to Ministry of Power estimates, in 2001 less than half of the power supplied in the country was paid for.

to score political points with the electorate by pricing electricity well below cost and paying out the difference as subsidy. Moreover, many state governments provided free electricity and abolished metering for irrigation pumpsets, since farmers constituted a formidable vote-bank.

In many states, unmetered agricultural supply accounted for about a quarter of the total supply, and — moreover — made it easy for utilities to hide thefts since they could be claimed as agricultural supply. As a result, SEBs began to operate at a considerable loss, posing an unsustainable

drain on the exchequer. At the same time, the distorted tariff structure (in which industrial and urban consumers had to pay prices far higher than rural ones) encouraged electricity theft, with the active collusion of SEB officials. By 2001, less than half of the power supplied was paid for, according to estimates by the Ministry of Power.

While, in theory, SEBs were supposed to be autonomous bodies, in practice they were extremely vulnerable to ongoing political control. SEBs were often headed by the local councilor or member of the legislative assembly, without expertise in the management of this complex



sector. As a result, SEBs became politicized, over-staffed and unaccountable, undermining commercial and financial prudence. By the late 1980s, SEBs had begun to routinely default on payments for fuel and power purchases from Central public sector units, becoming a drain on central budgets. By 2001, Indian SEBs had toted up combined outstandings of \$613 million approximately.<sup>177</sup>

For these reasons, prior to reform, Indian electricity utilities were not directly accountable to consumers. While the local linesman attended to consumer complaints, the utility itself was a distant entity inaccessible and unresponsive to the common citizen. Citizens and consumers played virtually no part in any

decisions made by the utility such as how much power was to be sourced from which source, which villages were to be electrified, how to distribute load-shedding among various consumers, etc. There were a few statutory mechanisms for incorporating voice inputs into utility functioning, but they were largely dysfunctional. As far as the citizens and consumers were concerned, SEB was a black box. If they had any grievances against the utility — their monopoly service provider — their only recourse was through the political route: the local councilor or legislator. More often than not, it was exercised through the electoral process. Thus, the accountability of SEBs to consumers and citizens was through the long route and far from satisfactory.

<sup>177</sup> Planning Commission, 2001 (pp 90).

## The Specific Context

By the early 1990s, it had become abundantly clear that India's power sector was in the throes of a financial crisis. SEBs were unable to add capacity to meet the growing demand for electricity. According to the Power Ministry, peak shortages were around 19 percent and non-peak 8 percent.<sup>178</sup> Realizing that this situation was unsustainable, Gol decided to restructure and reform the Indian electricity sector, within the broader context of the program of national economic liberalization launched in 1991. All through the three reform phases, the reform trigger has remained the same, namely to arrest the financial decline of SEBs, to reduce — and eventually relieve — the subsidy burden of the governments, and to make the sector self-sustaining.

Broadly, India's power sector reforms can be divided into the following three phases.

### Phase 1 (1991 onward)

In October 1991, Gol amended the Electricity Supply Act of 1948 to allow Independent Power Producers (IPPs) to set up greenfield generation projects to supply electricity to SEBs, thus officially allowing the private sector to participate in expanding national generating capacity. Attractive incentives — including cost-plus tariffs that encouraged cost-padding and sovereign guarantees — were provided to both Indian and foreign investors to invest in new local generating capacity.

However, it soon became apparent to both Gol and to private investors that long-term investments in Indian's non-self-sustaining electricity sector could not be tenable. Gol (both at the central and state levels) could

not go on offering payment security mechanisms for new IPP projects — as clearly demonstrated by the Enron experience. The IPP program slowed down considerably. More importantly, it became evident that a complete overhaul of the sector was required — most urgently in the distribution segment.

### Phase 2 (1996 onward)

The initiative for the second phase of reform came from World Bank. In 1993, it identified opaque command and control management, and poorly defined objectives, government interference in daily affairs, and lack of financial autonomy as the main problems afflicting India's power utilities. It advocated transparent and independent regulation to remove this conflict of interest, and also advised that SEBs be commercialized and corporatized as the necessary first step in attracting private investments.

Accordingly, Orissa became the first model for this experiment. The World Bank provided it a power loan to unbundle its SEB into separate and corporatized generation, transmission and distribution entities, and to privatize distribution. Andhra Pradesh also availed of similar funding from World Bank, although it stopped short of privatization. Meanwhile, a national consensus had begun to build on the need to distance state governments from tariff-setting in the electricity sector, and to vest this power with independent statutory regulators.

### Creation of the State Electricity Commissions

Thus, in 1998, the Indian Parliament passed the Electricity Regulatory Commissions Act (ERC 1998)

<sup>178</sup> Government of India, 1994.

The Electricity Act of 2003 emphasizes the concept of ‘user cost recovery’ but also lays down detailed and binding consumer protection and utility performance standards.

enabling creation of separate State Electricity Regulatory Commissions (SERCs) in the states,<sup>179</sup> and a Central Electricity Regulatory Commission (CERC) that would regulate supply of power at the inter-state level. To further reinforce this development, the GoI instituted the Accelerated Power Reform Development Program (APRDP) by which it would disburse power funds to the states on the basis of their achievement of electricity-reform milestones. Among these are tariff-determination by SERCs, the commercialization of distribution, and SEB restructuring.

As of July 2006, 25 states had set up independent SERCs. While some states, including Orissa and Andhra Pradesh, set up SERCs under their own Acts, others including Gujarat, Rajasthan, Maharashtra, and Karnataka have set up SERCs under the Central Electricity Regulatory Commission Act.<sup>180</sup> In all these states, the SERCs — rather than the governments — now fix tariffs, and they are gradually reducing cross-subsidies. However, many state governments have required the utility — for social considerations — to fix tariffs at a level lower than what SERC ordered, offering to pay the difference in the form of an upfront and transparent budgetary subsidy.

Six SEBs — Orissa, Andhra, Haryana, UP, Karnataka, and Rajasthan — have been unbundled, and Delhi and Orissa have privatized distribution. The ERC Act or the State Reforms Act also contains provisions that require better service quality and speedier complaint redressal on the part of the utilities.

### Phase 3 (2003 onwards)

In 2003, the GoI revamped and consolidated all laws relating to generation, transmission, distribution, trading, regulation, and use of electricity into a single new law — the Electricity Act 2003. Most significantly, the Act enables the development of limited electric supply markets, by allowing ‘open access’ to transmission and distribution networks. Any generator may thus sell directly to any consumer above a threshold consumption level. Supply is no longer controlled by the incumbent monopoly. Entities consuming over 1 megawatt (MW) of electricity may opt for the suppliers of their choice, at negotiated tariffs. Those who opt to stay with the incumbent utility will pay tariffs fixed by the regulator. SERCs are empowered to establish regulation relating to open access, including the fixing of transmission and cross-subsidy charges.

While the Act emphasizes the concept of ‘user cost recovery’, it also lays down detailed provisions relating to Consumer Protection and Standards of Performance. The deadline for state governments to implement the reforms, initially fixed for June 2005, has now been extended indefinitely due to resistance from the states.

### What Does Independent Regulation of the Indian Electricity Sector Entail?

The Electricity Act of 2003 (EA 2003) empowers State Electricity Commissions to draft their own regulations under its auspices, as well as under their respective State

<sup>179</sup> However, not all states have availed of this enabling legislation.

<sup>180</sup> Maharashtra Electricity Regulatory Commission (MERC) has been set up under the Central Act (ERC 1998) while the other states have enacted their own specific reform legislation. In states where ERC is set up under the Central law, the state government has the discretion to decide which of the functions enumerated in ERC 1998 are to be vested in the state ERC. Thus, the Maharashtra Government had retained licensing functions with itself leaving only tariff fixation to the regulator. Of the 16 crucial functions listed under Section 22.2 of the ERC Act, only seven have been delegated to MERC. Keeping crucial functions (such as investment regulation, licensing, etc) outside regulatory purview has weakened the scope of regulation. However, with the implementation of EA 2003, discretionary powers of the state governments to withhold certain functions from the regulator will have been removed.

Reform Acts (which have to be modified in line with EA 2003). These regulations can range from business rules to tariff philosophy, standards of performance, open access regulations, and so on. Regulations are finally issued after incorporating feedback from citizens/consumers. At the moment, all SERCs are in the process of re-issuing their earlier regulations and in framing new rules, in accordance with the mandate of EA 2003.

### Tariff determination

Each commission lays down the terms and conditions for determination of tariff within the framework of Part VII of the EA 2003 or the respective Reform Acts. Most commissions publish a tariff philosophy paper on their Web sites, which outlines their thinking on tariff-determination. Tariff-setting is an annual exercise and is designed to be a consultative process in which citizens can participate and be heard. Tariffs can be revised only on the request of the utility; the commission is not authorized to revise tariffs on its own initiative. The regulator's main task is thus to determine a reasonable revenue requirement for the utility, and to evolve a tariff or other mechanism to address this gap.

The Annual Revenue Requirement (ARR) of the utilities is available on the Web sites of the commissions as well as the utilities. It is a complex document, running into hundreds of pages. A printed copy can be obtained for a nominal fee. The ARR contains all the costs of the utility — power purchase, operation and maintenance, return on capital, debt-servicing, and so on. It also lists the T&D (transmission and distribution) losses claimed by the utility, that is — the difference between the power that the utility purchases and that which it sells and is paid for. Due to old infrastructure, theft and free supply to farmers, many utilities had T&D and commercial losses amounting to more than half of all the power they purchase.



The ARR is open to scrutiny by all stakeholders, who are invited to submit their feedback and objections on the proposed tariff to SERC. Additionally, SERCs conduct open hearings (not a statutory requirement, but a customary practice) to record the views of stakeholders and to fix tariff levels. Tariff hearings are occasionally conducted in more than one location in the state to give an opportunity to stakeholders in different areas to participate. Government representatives also participate to explain the government's point of view.

Once issued, the tariff order is binding on the utilities. If the state government requires tariffs for any consumer category to be pegged below the levels ordered by SERC, the law ensures that the former will have to pay





## Grievance Redressal Forums

EA 2003 also mandates that each distribution licensee establish a grievance redressal forum to attend to consumer grievances in each distribution zone, as also to inform consumers of their rights and protect their interests. Nineteen such forums were in existence as of July 2006.

The forum is to comprise three experienced and qualified persons (identified and appointed by the licensee), and the representative of a registered consumer organization. All members are to have three-year terms. While the consumer representative may participate in all forum meetings and express his/her views, he/she has no voting rights. Nonetheless, all forum rulings must contain a description of the views expressed by the consumer representative.

Grievances are to be submitted to the forum in writing, according to a prescribed format, and receipt is to be acknowledged by the utility. The forum must communicate and explain its decision to the complainant within 45 days of receiving the complaint. Additionally, the licensee is required to bring the forum's existence to the attention of customers by describing it in all bills, and by displaying forum members' names, designations, addresses, e-mails, facsimiles and phone numbers at all its offices.

## Ombudsman

EA 2003 also stipulates that each SERC must establish an electricity ombudsman to decide on appeals from consumers dissatisfied with the rulings of the Grievance Redressal Forum. Fourteen states, including Delhi, Maharashtra and Himachal Pradesh, now have electricity ombudsmen.

Only consumers (not aggrieved utilities) can appeal to the ombudsman and must do so within 30 days of receiving the ruling of the Grievance Redressal Forum, or from the day it was to have received its ruling from the forum. In turn, the ombudsman is to rule on the appeal within three months of receiving it. Should this not be possible, the ombudsman should record the reasons for its delayed ruling in writing.

While SERC may appoint (and must underwrite the costs for) more than one ombudsman per licensee or a common ombudsman for two or more licensees, it must ensure that these are all persons with considerable experience in one or more of the following: legal affairs, engineering, education, industry, civil service, administrative service, consumer affairs.

Special Courts and the National Appellate Authority: Similarly, EA 2003 empowered state governments to set up Special Courts to try specific offences like electricity theft, meter theft, damage of electricity supply lines; and a number of states have done so. Fourteen states had set up special courts as of July 2006. It also mandated the establishment of a national Appellate Authority, which was set up in 2005, to hear appeals on the orders of all State Electricity Regulatory Authorities. Appellants dissatisfied with the ruling of the Authority may appeal to the Supreme Court, but only on substantive questions of law.<sup>181</sup>

## Standards of Performance

SERCs are also to issue Standards of Performance, which are binding on the utility. These stipulate, among

<sup>181</sup> Prior to the implementation of EA 2003, appeals against regulatory orders lay with the High Court.

Regulation has forced the utility to address easily observable concerns – such as faulty meters and incorrect billing, and has distanced the government from the politically sensitive task of tariff-setting.

other things, service quality and the timeframe for repair of faulty lines/restoration of supply. Utilities that fail to comply must monetarily compensate aggrieved consumers. Should this compensation not be forthcoming, the consumer can appeal to the Grievance Redressal Forum and then, further, to the ombudsman.

### What Does Independent Regulation in Electricity Cost?

The operational costs of independent regulation are estimated to be less than 3 percent of the total turnover of the power sector in each state. Firstly, regulatory commissions are slender organizations, with minimal staffing and infrastructure. Secondly, most states have provided the land/buildings that house SERC. Operating costs thus comprise primarily staff salaries and consultant fees.

Currently, the fees that regulators levy on and collect from utilities are surrendered to the state government. SERCs thus ‘charge’ their expenses to the consolidated State Fund, which are borne by taxpayers.<sup>182</sup> However, EA 2003 empowers regulators to retain the fees they collect from utilities for issuing licenses, tariff orders, and so on. The Karnataka Electricity Regulatory Commission has thus announced its schedule of fees, ranging from about US\$1.6 million for a transmission license to US\$22,220 for a distribution license. Other commissions also charge similar fees. In Maharashtra, fees vary with the quantity of power supplied by the licensee. Fees charged by SERC will be reflected in ARR of the respective utilities and will be passed on to electricity consumers, most likely as a separate item in the electricity bill.

### Outcomes

The establishment of CERC and SERCs has shortened the long route to accountability. These regulators act as a buffer between electricity utilities and the consumer, distancing the government from the politically sensitive task of tariff-setting. ERC also provides a forum for citizen and consumer participation in decision-making, by establishing clear guidelines — through regulatory rule-making — for transparency and participation. The compact is now well-defined and documented by way of the license issued to the service provider by the regulator.<sup>183</sup> Regulation has also introduced a degree of transparency in the functioning of the utility, enabling citizens to monitor its functioning. At the same time, the unbundling of integrated utilities has clearly demarcated functional responsibilities and made them more manageable, boosting accountability.

### Client Power

Most importantly, regulation has forced the utility to address easily observable concerns – such as faulty meters, incorrect billing, load-shedding or brown-outs, thus strengthening client power. At the same time, it has goaded domestic consumers — unhappy at higher user fees — to demand better accountability on the part of utilities. Electricity bills now break up the various costs incurred in servicing the customer. In some states, consumers are informed in advance about the schedule of power cuts. Additionally, accountability mechanisms have been established at village, zonal, and district levels in most utilities — and administrative hierarchies set up to establish lines of accountability. By

<sup>182</sup> SERC budgets are audited by the Comptroller and Auditor General of India.

<sup>183</sup> Under EA 2003, licenses are issued for a period of 25 years. Licenses contain the terms and conditions under which the utility (service provider) should operate. Violation of terms of license could invite penalties, which can even extend to cancellation of license.

introducing a degree of uniformity in the accountability mechanisms across states, independent regulatory oversight has begun to slowly replace the earlier system of political patronage.

At the same time, the utilities' response to consumer grievances has also improved tremendously. Earlier, the meter-reader/lineman was judge, jury and executioner. Many utilities have set up call centers in urban areas, and consumer service centers primarily in rural areas, to address consumer complaints at the division and circle levels. In Andhra Pradesh, applications for new connections as well as complaints are registered at these centers. The centers prominently display the rates payable for new connections and the deadline (24 hours) for obtaining new connections. Web-enabled software facilitates monitoring of complaint redressal. The utility is randomly evaluated for compliance by SERC, and erring officials are now subject to financial penalties. Additionally, all SERCs surveyed have issued regulations for the establishment of Consumer Grievance Redressal Forums within utilities and utilities have complied.

Andhra Pradesh has set up *vidyut adalats* in each of its 1,200 *mandals*. The *adalats* are held once a month, and the accounts and operational staff of the utility come equipped with their records. Both billing and engineering complaints are recorded, and action is taken. Complaints are sent to headquarters, which randomly monitors them. Karnataka has also set up similar *adalats* for spot resolution of consumer disputes. Introducing private franchisees for complaint registration has tended to improve redressal.<sup>184</sup> However, so far, complaint redressal in urban areas has tended to be better than in rural areas.

## Franchising Experiments

Utilities in Orissa and Karnataka have begun to experiment with franchising, perhaps reflecting their inability to change the mindsets of or discipline their own staff. The objective is to raise utility revenues, while increasing accountability to consumers. In 1999, the Xavier Institute of Business Management (XIBM) in Bhubaneswar, Orissa, in collaboration with the state's new distribution companies (discoms) — CESCO, WESCO, NESCO and SOUTHCO — adopted 100 villages in Sambalpur District. In each village, one village youth was appointed to read meters, bill and collect fees, and to record and transmit complaints, for a modest fee. These youth were trained by XIBM management graduates.

The discoms also assigned these youths the task of convincing villagers to pay by the meter, explaining to them that their monthly bills would actually come down. Prior to the experiment, villagers were paying a flat rate of \$5.7 per month, which had induced them to switch to electricity-intensive gadgets. Since electricity was available only for a few hours every day, the villagers were actually paying for more than their actual consumption.

To persuade villagers to pay by the meter, the consumption rates for different gadgets were prominently displayed in the villages. Over time, villagers saw the logic of opting for a meter,

*Box continued on next page*

<sup>184</sup> Earlier when the same person registered as well as redressed complaints, there was tendency to dispose of complaints without actually redressing them.

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### **Franchising Experiments**

improving revenue collections for the utility. The experiment has now been extended to 5,000 villages, and is now also attempting to check theft. Each 11 kv feeder is employed by an especially appointed contractor, who monitors power input and output and records resultant loss levels. He is paid an incentive for every improvement in utility revenues.

In another experiment, WESCO — one of Orissa's distribution companies — has distributed automatic spot billing machines to franchisees, who in turn collect the bill amount and deposit it every day in the zonal office. The franchisee pays the utility upfront the amount he expects to collect that day. The billing machine is calibrated accordingly, so that it cannot generate receipts beyond that amount so as to check misuse. The more the franchisee collects, the more his income. WESCO has substantially improved its bill collection as a result of this pilot.

Karnataka utilities are experimenting with micro-privatization, with the involvement of village communities to improve distribution management. In a pilot project, Bescom (a Bangalore-based distribution company) has appointed feeder franchisees from neighboring villages, who are expected to collect a certain target sum from their jurisdictions. For this, they get a fixed income of approximately US\$44 per month. Should they succeed in collecting 85 percent of the target, they get to keep 8 percent of the revenue. They also get additional incentive for bringing in new metered consumers. Periodic review meetings between utility officials and franchisees are held to thrash out difficulties.

To improve customer service, Andhra Pradesh and Karnataka have outsourced the task of registering consumer complaints and monitoring action to franchisees and Maharashtra is following suit. Orissa and Karnataka have also outsourced billing.

### **Standards of Performance**

While Standards of Performance have been issued by all the utilities, including penalty clauses for poor service, their actual working is as yet untested.

### **Popular participation in tariffs setting**

The five SERCs surveyed for this study have issued at least two retail tariff orders each. The survey shows that after the initial reluctance to adhere to the requirement of transparency, regulators have been disciplined into following transparent procedures by a vigilant civil society and the media. Initially, SERCs did not take the transparency mandate too seriously. For instance, the media was banned from attending the very first tariff hearing of the Andhra Pradesh Commission. It was only after civil society protests that the media was allowed from the next day. In 1999, after hearing all the stakeholders in open hearings, the Maharashtra Commission proposed to hear Maharashtra State Electricity Board (MSEB), the state-owned utility, in camera. However, timely representation by civil society forced SERC to abandon the idea. Now, for every hearing, notice is issued to four civil society representatives to facilitate informed participation.

### **Tariff depoliticization**

Annual SERC tariff determination has eliminated political interference in the actual process of tariff-setting. In all the states reviewed, the first SERC chairman (and in some, even the subsequent ones) came from the Indian

Administrative Service (IAS) and had usually served as chief secretary to the state, which is the seniormost post in the bureaucracy. For this reason, these chairmen knew how the government functioned and could play a key role in getting the necessary logistic support in establishing SERC and in charting a course for policy in the initial stages.

## Limitations

### Little transparency within the broader reform process

Once the decision to reform had been taken, little effort was made by state governments to inform the public about what to expect from reforms. In none of the five states reviewed was there any public debate on the need for reform or on the reform design to be adopted. Only in Maharashtra (which decided not to unbundle but to adopt a 'cautious but informed approach') did MSEB, the utility unions, and the state government reach a tripartite agreement, although without consulting the public. Incentives and penalties were effectively used to push through internal reforms, and profit centers were created within MSEB to ensure better accountability.

### Inadequate public participation

By and large, citizen and civil society interventions in rule-making and tariff-setting have been weak, sporadic and not very informed. Although nongovernmental organizations (NGOs), consumer organizations, and individual consumers have succeeded in obtaining ARR copies and filing objections, these rarely contain informed, intelligent and concrete objections which would force the regulators to sit up and take note. Rather, they make general claims about high T&D losses, the poor quality of power, or high tariff. In fact, many objections are merely photocopies of each other sent under different names.

However, a few civil society organizations have made some crucial interventions in the regulatory space, including Lok Satta in Andhra Pradesh, Prayas in Maharashtra, Consumer Unity and Trust Society in Rajasthan, *PRAJA* in Delhi, and Consumer Education and Research Centre in Gujarat. Prayas in Pune is now so well regarded for its expertise on power sector issues that it has been invited to the membership of several policy-making bodies of the government, including the Planning Commission and the Central Electricity Regulatory Commission. In fact, Prayas's interventions appear to have forced a degree of discipline on the Maharashtra regulator — in particular in regulating the tariffs of private utilities in the state and in calling for a review of certain Power Purchase Agreements (PPAs).

Karnataka is the lone ERC where a consumer advocate is part of the commission staff and intervenes on behalf of consumers in the tariff-setting process. Recently, for example, they petitioned the commission for prior regulatory approval of any investments exceeding US\$2.2 million. The commission then ordered the transmission company to submit investment proposals for its approval. However, no action has yet been taken on this issue. The commission is also thinking of funding select NGOs to regularly intervene in its hearings.

In other states, consumer representation is largely through the SERC State Advisory Committee (SAC).

### Insufficient monitoring of public feedback

All the five SERCs reviewed in this study put up their draft regulations and ARRs on their Web sites, and provide interested citizens sufficient time for feedback. However, the fact that these documents are in English precludes wide participation. Also, those without Internet connectivity can only obtain physical copies of these

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documents at each commission's headquarters within the state capital.

Of all SERCs reviewed, only the Andhra Pradesh ERC (APEREC) issues tariff orders in the local language; other commissions have not been issuing vernacular orders. Rajasthan's discoms publish Hindi versions of their ARR on their Web site. Since December 2003, Maharashtra issues separate booklets for low tension

and high tension consumers at a nominal fee, but these are in English and do not disclose the rationale for arriving at the tariffs, but merely list the charges applicable to different consumer categories.

Moreover, there is no mechanism to verify what citizen inputs were received, whether they were incorporated and, if not, why not. There have been instances when citizen inputs were bypassed. For instance, when MSERC failed to follow due procedures while framing its regulations on "open access", civil society organizations intervened to force it to follow a consultative process. In Orissa, ERC did not publicize its hearings on regulations, but a vigilant consumer activist obtained a court order directing the commission to issue advertisements in the newspapers to ensure maximum citizen participation in the hearings.

### Information asymmetry

Despite the transparency stemming from independent regulation, citizens/consumers are at an inherent disadvantage vis-à-vis other stakeholders due to the highly technical nature of electricity generation, supply and pricing. In this sense, SERCs have done little to facilitate greater citizen participation by educating civil society on the implications of their regulations, or by funding and training consumer representatives on electricity-related issues. On the other hand, industry and commercial consumers have been able to avail of expert help — former utility officials, consultants and lawyers — in analyzing data.

### State advisory committees' lack of power

Although SACs can be a useful forum for advance consultation with key consumer groups on issues of regulatory policy — such as the need and timing of open access, the quantum of cross-subsidy surcharge, and the quality of supply — they have no power over SERC decisions.

The Andhra Pradesh SAC, for example, has met twice since its inception and discussed a wide range of issues, including free power to agriculture, performance standards of the licensee, general terms and conditions of supply of distribution licensees. According to one member who attended these meetings, each member expressed his opinion and there was no discussion. Usually these meetings are held for two hours, which members claim is too short for a fruitful discussion. Moreover, not all members attend SAC meetings. The Maharashtra, SAC has wide representation from several consumer bodies, but meetings have not been regular. The Orissa, SERC had sought to broadbase attendance at SAC, but the state government objected.

### No control over power purchase costs

The regulator has little flexibility to control power purchase costs (including fuel costs<sup>185</sup> and exchange rate fluctuations on imports and debt servicing), which account for up to 80 percent of the final tariff charged to the consumer. In other words, regulation exerts an influence only on 20 percent of the total tariff. Every utility purchases power from the generator at predetermined prices. The regulator is only empowered to direct the utility to first buy power from the cheapest power station, followed in ascending order by the costlier stations. More often than not, the utility is forced to buy power from all stations and to overdraw on its central grid quota (incurring financial penalties that are passed on to the consumer) to meet the state's burgeoning demand. Should the utility not buy from costly stations, it still has to pay the fixed (stranded) cost to the developer.<sup>186</sup>

<sup>185</sup> Fuel costs have risen by over 60 percent over the past five years.

<sup>186</sup> The rationale was that fixed costs incurred by the developer on setting up a power plant should be paid for, even if not single unit of power is generated and supplied. Thus stranded costs refer to fixed cost of building power stations, as opposed to operating cost which includes fuel costs and O&M.

<sup>187</sup> However, KPCL petitioned the High Court and got a favorable order.

The regulator's discretion over power purchase costs is limited to proposed PPAs, or to amendments in existing agreements. Since transmission companies are still government-owned, their decisions to enter into PPAs are often influenced by the government. This is why most SERCs have displayed a reluctance to intervene on this score. For example, the Andhra Pradesh SERC failed to respond to citizens' demands for the review of a local PPA. There are some exceptions, though. The Karnataka SERC forced the state-owned power generator, Karnataka Power Corporation Limited (KPCL), to revise the tariff for all its seven units on the basis of the new 'thermal plant efficiency' norms issued by CERC.<sup>187</sup> Similarly, in Rajasthan, which has expanded generation by 50 percent since SERC was set up, the regulator has scrutinized and approved PPAs.

### Poor quality of data available to the regulator

The greatest lacuna in regulation has been the inability of SERCs to accurately assess the level of T&D losses. Entrenched interests — collusion between those who steal and the utility officials who allow and facilitate such theft — obstruct a detailed audit, which would expose the actual level of thefts and engender corrective action. While SERCs do set targets for loss reduction, enforcement has been weak. Thus the level of data disaggregation available in the ARR/tariff orders is far from satisfactory, but the SERCs have not taken a proactive interest in persuading the utilities to reveal more than what they do. Nor have they made any effort to demystify ARR and make it comprehensible to the common man. The only exception is Andhra Pradesh, which publishes a gist of ARR for the benefit of consumers.

There is no mechanism to verify what citizen inputs were received, and whether and how they were incorporated.

### Poor public perception of regulatory commissions

Despite providing a valuable forum to address consumer concerns, SERCs have sometimes come to be associated with continuing tariff hikes – of up to as high as 25 percent. Many citizens thus see them as agents employed by the government for this purpose, which is why they consider it futile to attempt to influence the regulatory process through participation.

For this reason, a large number of SERC rulings have been challenged in the courts, attesting to the poor acceptability of the regulator as a mediator between the utility and the consumers. Andhra Pradesh has the highest number of challenges, with 12 appeals by mini-power plants on generation tariffs, 35 cases pending in the High Court, and 13 appeals in the Supreme Court on Captive Power Policy. On tariffs, there are seven pending appeals and 24 writ petitions. Additionally, there are hundreds of other petitions on virtually every order issued by APERC. This is significant because litigation expenses — whether SERC's or the utility's — are eventually borne by the consumers, because they are shown as costs in ARR. More worryingly, not only do appeals impact the credibility of the institution but also cause a setback to the reform process.

### No democracy in selection of the regulator

In none of the five states surveyed was public feedback either solicited or incorporated in regulatory selection<sup>188</sup> whether in the initial round or in subsequent replacements of those who have superannuated. People usually learnt about the appointment of a regulator only through newspapers after the selection has been made. Civil society is of the view that regulatory selection

should be accorded the seriousness it deserves. Especially in these initial years when regulators set precedents, the quality of regulation is crucial to the success of reforms. There is a need to broadbase regulatory talent, diffuse vested interests and emphasize regulatory independence. Regulators also need to have a long enough tenure if the institutions are to enjoy a modicum of certainty and stability. Another civil society concern is that regulators are not formally groomed or trained, despite the rapidly changing nature of the sector and of the policy and regulatory issues stemming from it.

### Bureaucrats as regulators

Moreover, civil society representatives interviewed during this study expressed the view that since regulators — as retired bureaucrats — are often selected for their loyalty to the incumbent government, they might thus refrain from taking decisions that might make it unpopular. In fact, in every state reviewed, consumers and civil society organizations expressed the view that regulators remained loyal to the government even when the statute clothed them with autonomy and independence. Maharashtra was the first state to induct a private sector expert as a commissioner.

### Governments' continuing interference

Despite the establishment of SERCs, state governments continue to interfere in the power sector pushing up discom costs and affecting their balance-sheet. They continue, as permitted by EA 2003, to give policy directions to the regulator — particularly with respect to the agricultural sector. In late 2004, for

<sup>188</sup> The selection process has been stipulated by Statute. A selection committee comprising Chief Secretary, Energy Secretary and a CEA member choose the regulator. But there is no public explanation about how the list of candidates is drawn up and evaluated.





instance, the Maharashtra Government announced free power to farmers (with retrospective effect from July 1, 2004, thus costing the utility an additional US\$88 million approximately every quarter), as did the Andhra Pradesh Government.

Similarly, governments have informally pressured public sector utilities against filing tariff revision proposals, especially in an election year, and have periodically directed discoms to increase supply to agricultural pumpsets especially during harvest seasons. In December 2004, for instance, the Rajasthan

Government required the utility to extend supply to agriculture from eight hours to 10 hours a day — or 650,000 million units (MU) to 900,000 MU — to fulfill an election promise. This forces the discoms to overdraw from the central grid, entailing penalty for overdrawal. Besides, the utility bears the burden of this excess supply to an unremunerative consumer segment.

In all the five states reviewed, governments still fund power sector deficits post-reforms. In Andhra Pradesh and Maharashtra, such funding takes the form of an open transparent subsidy from the government to the utilities. In the other states, government funding is indirect. While, in the short-term, such measures help keep tariffs down, in the long run they severely erode the generating companies' ability to add capacity. Besides, governments are in fact condoning the discom's failure to tackle T&D losses by assuming the resultant cost burden one way or another.

### **The need for cooperation from other arms of government**

The utility's success in tackling thefts and T&D losses is dependent on support from other arms of the government. Andhra Pradesh has enacted an Anti Theft Act, for example, which gives very wide powers to the discoms to apprehend and punish theft of electricity, and it has assigned 32 dedicated police stations and a Joint Managing Director, Vigilance exclusively to tackle power thefts. In Rajasthan, the government has provided an officer of Superintendent of Police rank and 100 policemen to each discom to help tackle electricity thefts. It has also set up 32 Special Courts to deal exclusively with power theft cases. However, other states have not been as proactive in this regard.

Electricity regulation only addresses connected households since it does not mandate universal service by discoms.

### Is Independent Regulation Accountable to the Poor?

Post-reforms, the regulatory mechanism has provided for greater transparency in utility functioning, participatory spaces in regulatory policy-making and tariff fixation, and obligations on the part of the utility and the regulator, as Table 8.1 shows.<sup>189</sup> The anticipated 'responsiveness' of the utility is predicated upon three factors: a clearly defined compact, the introduction of a direct commercial relationship between the service provider and the consumer through recovery of user charges and, finally, regulatory oversight. The concept of equity used here includes the poor who have no access to electricity yet, as well as those who are already connected.

However, none of the accountability parameters discussed above addresses the concerns of the unconnected poor who are outside the periphery of the electric grid. Unlike in the telecommunications sector, where the regulator imposes universal service obligations on the service provider for extension of network to unconnected areas, electricity regulation is limited to connected households. While EA 2003 does stipulate deadlines for extending connectivity to new applicants (and penalties for not fulfilling this obligation), it is subject to the applicant paying the costs involved in extending such connectivity. According to government data, more than 63 percent of rural households and nearly half of urban households still remain unconnected and these are outside the purview of regulation.<sup>190</sup> Equity, therefore, appears to be only a tangential concern of reforms in India's power sector.

Moreover, EA 2003 stipulates that regulators should 'eliminate' cross-subsidy in a phased manner and that utilities should charge tariffs that will reflect cost-to-serve for each consumer category. This will entail the steepest tariffs for those with the least capacity to pay, namely, rural consumers for whom the cost-to-serve is considerably higher than for others.<sup>191</sup> The relevant legal provision for substituting cross-subsidies by transparent government subsidies is difficult to implement considering the poor financial health of most state governments. In a situation of rampant power theft — as high as a third or more of all power supplied — loading on the total costs of the utility on the paying customers is also against the principle of equity.

At the same time, the utility ensures better quality service to high-tariff consumers, but neglects low-tariff (especially agricultural) consumers, because it perceives them to be freeloaders even though the government pays their tariff on their behalf.<sup>192</sup> The difficulty of monitoring service quality in rural areas further contributes to the poor quality of rural supply. In all the states surveyed, farmers get power supply only at night and intermittently. They do not get advance notice of load shedding. In Jhunjhunu District of Rajasthan, farmers have set up homesteads in the middle of their fields so as to be able to switch on their pumpsets at night which is the only time when power is supplied to them.

Finally, while contestability has been introduced for large consumers, it is not yet an option for agricultural consumers because of the low tariffs. Raising tariffs to cover the cost of supply will have to take into

<sup>189</sup> Transparency is defined in terms of ease of observability of information relevant to consumers and citizens. Participation is taken to mean informed and effective participation where citizens and clients make intelligent interventions.

<sup>190</sup> Government of India, 2001.

<sup>191</sup> Recent news reports saw that Gol is considering amending this section of EA 2003.

<sup>192</sup> Every utility official interviewed confirmed that the utility ensures better quality of supply to HT consumers and that LT, especially agricultural load, comes last in their priority in terms of quality of supply.

**Table 8.1:**  
**Has Independent Regulation Made the Power Sector More Accountable?**

<i>Parameter</i>	<i>Pre-reform</i>	<i>ERC 1998 and EA 2003</i>
<b>Transparency</b>		
Transparency in utility functioning	Not transparent	Tariff fixation through ARR
Transparency in regulatory functioning	NA	Yes
<b>Participation</b>		
Participation in policy-making	State electricity council and local electricity councils to have consumer representatives – but not effective/dysfunctional	<ul style="list-style-type: none"> <li>• Advisory Committee (with consumer reps.)</li> <li>• Framing of regulations through participatory process</li> </ul>
Participation in tariff-setting		Public hearings (not stipulated in the law, but practiced by CERC and SERCs)
<b>Responsiveness</b>		
Responsiveness	Local linesman the only contact for consumer	<ul style="list-style-type: none"> <li>• Clearly defined compact</li> <li>• Codified and enforceable standards of performance</li> <li>• Penal provisions for violations</li> <li>• Clearly defined appeal mechanisms</li> </ul>

consideration concerns of affordability – especially because low tension connections are the most expensive to service as they require long lines and step-down transformers. If tariff rationalization does not go hand in hand with quality improvements, LT consumers — who form a formidable vote-bank — might well take recourse to the political route to enforce utility accountability.

## Conclusions

It appears that independent regulation in the electricity sector has strengthened client power, but has fallen short of expectations when it comes to amplifying citizen voice. This may be due in part to the objective of reforms which emphasizes economic efficiency rather than improved accountability. It may also owe to the fact that

the reforms were triggered by fiscal crisis and external agency pressures and, as such, were top-down rather than due to any bottom-up demand for change in the status quo. There was also weak commitment on the part of the implementing stakeholders especially when reform objectives were inconsonant with the larger imperatives of an electoral democracy.

However, reforms in the power sector do offer some valuable insights that could help improve service delivery in other sectors.

- Unbundling has had a salutary impact on accountability, isolating problem areas and highlighting fault lines, which is the first step to correcting them. Moreover, regulation has provided a

Power purchase and fuel costs are outside regulatory purview – restricting the scope of regulation to just a fifth of the user charges paid by consumers.

modicum of stability and certainty for the utility by institutionalizing the tariff determination process.

- Regulation has brought a paradigm shift in the manner in which the utility relates to consumers. The stipulation of standards of performance has provided a benchmark against which utility performance can be measured. The delegation of authority by the utility to district and circle/ward levels has made the local officials more accountable to the consumers, as have Grievance Redressal Forums, ombudsmen, call centers and *vidyut adalats*.
- Ease of observability of relevant data is critical to operationalizing transparency and improving governance. Where data are observable — as in the case of quality of service or billing complaints — regulation has enhanced end-user accountability. It has had much less success in other areas such as controlling utility costs or reducing leakages.
- Designing regulation right is critical to its success. Leaving power purchase costs and fuel cost escalation outside regulatory purview — even if only for practical reasons — has severely restricted the scope of regulation to only a fifth of the user charges paid by the consumers. This is especially critical in a situation where neither of the contracting parties bears the burden imposed by the performance of the contract.
- User charges have raised consumer awareness, but have had only a modest impact on standards of service. Utility behavior is determined by who pays and how much, not whether its costs are covered. Providing contestability for all consumers is not an

#### **Box 8.1: Enabling public participation**

Transparency is a key tool for improving governance, but requires informed and intelligent civil society interventions if it is to be of any real value. A key failure of the regulatory experiment has been the assumption that citizens can take care of themselves. Merely creating mechanisms for citizen/consumer intervention without empowering citizens to utilize them is of little avail, especially in a situation of capacity asymmetry.

Empowering citizens to identify relevant data and intervene purposively is essential to promoting participatory governance. To achieve this, it is necessary to create, fund, and train civil society and demystify the regulatory processes. If regulation does not deliver its potential, civil society interventions will continue to occur through the political space. At present, some civil society interventions that do occur come from ex-utility officials with professional knowledge of the manner in which the industry functions.

option in a situation of low prices and raising prices for marginal consumers is inconsistent with equity.

- It is difficult to depoliticize tariff-setting in electric supply. That electricity is viewed as a necessity that needs to be made available at affordable prices to the people has made it particularly vulnerable to political manipulation. The management of electric supply is seen as subservient to the larger objectives of the state — such as food security — and is often determined by the imperatives of electoral democracy.

# Case Study 9

## The Reach and Limits of Public Interest Litigation and Judicial Activism

*Abridged from a study by Lavanya Rajamani*



Public interest litigation was a procedural innovation introduced by the Supreme Court of India in the 1970s. It has evolved, over the years, as a form of political action by which citizens can hold politicians and policy makers as well as service providers accountable, strengthening enforcement and citizen empowerment. Using two public interest litigations: one on solid waste management, and one on vehicular pollutions, this study explores the role that judicial activism and public interest litigation play in enhancing accountability, improving delivery, and triggering governance-related reforms.

## General Context

Although the Indian Constitution guarantees to every citizen the same set of basic 'fundamental' rights, until the 1970s India's poorest and most illiterate citizens faced numerous obstacles in their attempts to enforce their legal rights. Traditionally, Indian courts only admitted cases by injured parties seeking to protect their own personal interests, and the process was expensive. Thus, litigants — whether singly or in a group — could not take up wider issues that affected a multitude of consumers, or the public at large.

In the 1970s, the Supreme Court of India decided to permit public-spirited citizens, even if not personally affected by a prevailing situation, to use the courts to defend the interests of the poor and oppressed, as also to institute sanctions against public agencies that did not perform their mandated duties. This new form of litigation has become known as the Public Interest Litigation (PIL).

Petitioners wishing to file PILs may do so in the High Court of the relevant state, or in the Supreme Court. High Courts are to entertain complaints that pertain to legal wrongs, while the Supreme Court is to admit allegations about violations of fundamental rights.

Over the past three decades, hundreds of petitioners have lodged PILs and the Indian judiciary has passed

far-reaching and progressive orders that have exposed executive failings, brought relief to the exploited, and protected natural resources. However, through the 1990s, as citizens became increasingly dissatisfied with the government's performance on a variety of issues, the number of PILs demanding redress for executive inaction began to burgeon. In all cases, petitioners sought the active intervention of the Indian judiciary to ensure that governmental agencies and public service providers were forced to take immediate steps to remedy the problems highlighted. The PIL has, therefore, now become a central tool in the effort to create enhanced accountability from governmental agencies and service providers.

## The Specific Context

This case study examines two of India's landmark PILs, in which the Indian Supreme Court succeeded in compelling Gol to take far-reaching steps to protect the urban environment and the interests of urban residents. The first was filed by M.C. Mehta against the Union of India in 1985, and is popularly referred to as the Delhi Vehicular Pollution Case. The second was filed by Almitra H. Patel against the Union of India in 1996, and is popularly referred to as the Municipal Solid Waste Management Case.



### Constitutional Basis for Public Interest Litigation

Article 32 of the Indian Constitution, which guarantees every citizen the "right to move the Supreme Court" for the enforcement of fundamental rights provides the legal basis for PILs. Articles 21 and 14 are also commonly invoked by public interest litigants.

Article 21 guarantees the fundamental "right to life and liberty". Over the years, creative Supreme Court judges have extended it to cover unarticulated but implicit rights, such as the right to a wholesome environment. In 1991, the Supreme Court recognized the "right to a wholesome environment" as "part of the right to life". Since then it has been inundated with PILs relating to the environment. In response, the Supreme Court has gradually incorporated both well-established and nascent principles of international environmental law into Indian environmental jurisprudence, such as the "polluter pays" principle, the "precautionary" principle, the principle of "inter-generational

equity", the principle of sustainable development, and the notion of the state as a trustee of all natural resources.

Article 14, which guarantees the fundamental "right to equality", has been used against questionable municipal permissions and government sanctions. In some PILs, the Supreme Court also refers to Article 51A, which imposes a responsibility on citizens to protect and improve the environment.

The Directive Principles of State Policy, contained within the Indian Constitution, are also frequently invoked in public interest litigations. They are intended to guide the Government of India (GoI) in creating a social order that is characterized by the ideals of social, economic and political justice, liberty, equality, and fraternity. While not enforceable by law, the Constitution holds that it is "the duty of the State to apply these principles in making laws."

The Supreme Court directed the Delhi Government to specify the steps it had taken to control vehicular emissions which had a serious health impact, particularly on children.



### The Delhi Vehicular Pollution (or “CNG”) Case

Over the 1980s, air quality in Delhi declined to such an extent that it earned the reputation of being the fourth most polluted city in the world. Dissatisfied with Gol's failure to check this pollution, M.C. Mehta, a crusading environmental lawyer, filed a carefully researched PIL in the Supreme Court in 1985. It drew attention to the serious health impacts arising from Delhi's mounting air pollution problem, particularly on children. It also held that existing environmental laws obliged the Delhi Government to take steps to reduce air pollution in the interest of public health.

In 1986, the Supreme Court directed the Delhi Government to specify the steps it had taken to control emissions of smoke, dust, and noise from vehicles plying in Delhi. The Delhi Government began to experiment with new air pollution control policies, such as the announcement in 1989 that it would raise the penalty on polluting vehicles. In 1990, Gol

for the first time established emission standards for vehicle exhaust.<sup>193</sup>

In 1991, the Supreme Court directed the Delhi Government to prosecute all polluting heavy vehicles. It also directed the Ministry of Environment and Forests to set up a committee to recommend low-cost technological alternatives to reduce automobile emissions in India, after a thorough evaluation of all technologies within the country and overseas. The committee's<sup>194</sup> primary recommendation was that low-leaded and unleaded fuels be introduced immediately, together with catalytic converters. It also suggested that commercial vehicles be required to shift to Compressed Natural Gas (CNG), a less polluting, cheaper, and more widely available fuel than either petrol or diesel. In contrast to these fuels, CNG was not easy to adulterate. (Widespread fuel adulteration contributes significantly to high air pollution levels in India.) The Supreme Court thus ordered Gol to phase in low-leaded and unleaded petrol in the entire country

<sup>193</sup> Neither of these initiatives was fruitful since they depended for their success on the existence of adequate numbers of tamper-proof emissions testing equipment and honest testers, both of which were found to be in short supply.

<sup>194</sup> The Committee was headed by Justice K.N. Saikia, who had recently retired from the Supreme Court.



by 2000. It also directed the Ministry of Environment to convert all government vehicles (registered before April 1995) to CNG.<sup>195</sup>

Further impetus was provided in 1996, when the Centre for Science and Environment (CSE), an environmental advocacy group in Delhi, launched the “Right to Clear Air Campaign.”<sup>196</sup> The Supreme Court then issued a suo moto notice to the Delhi Government to submit an action plan for controlling the city’s vehicular pollution problem — and authorized the establishment of an Environmental Pollution (Prevention and Control) Authority for the greater Delhi region.

This Authority ruled that the most effective way to cut urban air pollution in Delhi was, first, to require all diesel-operated vehicles (primarily buses and commercial vehicles) to switch to CNG by 2001. Secondly, it required the phasing out of all old commercial vehicles in Delhi after 1998. Taxis, auto-rickshaws and other commercial vehicles, that were older than 15 years, were no longer to be allowed to operate. Buses that were older than eight years were to be discontinued after mid-2000, unless they operated on CNG.

While the phasing out of old vehicles proceeded fairly smoothly, there was considerable resistance to the mandated switch to CNG, from both bus operators and the Delhi Government, which was under considerable pressure from its various political constituencies to stall or overturn the requirement. After granting a repeated extension of the deadline to both public and private bus operators, in 2002 the Supreme Court refused to accede

to any further requests for extension. It levied a fine of US\$11<sup>197</sup> a day on diesel vehicles that had not switched to CNG, raising this to US\$22 if they did not comply within 30 days. Further, despite transition problems caused by the limited number of CNG filling stations, all Delhi’s diesel city buses were compelled to convert to CNG by the end of 2002.

Since then, the Supreme Court has continued to oversee the Delhi Government’s air pollution control process, including issues related to the pricing of CNG and the next generation of reforms in air pollution control. Projecting the air pollution control issue onto the national stage, it has asked Gol and state governments to prepare action plans for reducing respirable suspended particulate matter (RSPM) levels in leading Indian cities and to place them before the Environmental Pollution (Prevention and Control) Authority. Similarly, it has required State Pollution Control Boards (SPCBs) to prepare action plans and schemes to require automotives to switch to CNG/liquefied petroleum gas (LPG) in highly polluted cities

### The Municipal Solid Waste Management Case

In 1991, the Bangalore City Corporation (BCC) began dumping truckloads of city garbage on both sides of the Dodabetti road, outside Bangalore’s city limits. This compelled Almitra Patel, a retired engineer who ran a poultry farm in the area, to approach the concerned BCC officials and petition them to find a suitable disposal site. However, despite two-and-a-half years of repeated requests, BCC was unresponsive.

<sup>195</sup> While the phase-out of leaded petrol proceeded smoothly, the early experiments with CNG failed to take off because they had not taken into account the sequencing problems inherent in introducing new technology. Existing CNG infrastructure, in the form of pipelines and filling stations, was limited and difficult to install. And, manufacturers were unlikely to produce new CNG vehicles without clear evidence of increased demand.

<sup>196</sup> The campaign was intended to pressure Gol to radically cut air pollution in Delhi. CSE claimed that some 2,000 tons of air pollutants were released in Delhi every day, with vehicular pollution accounting for 64 percent of the total.

<sup>197</sup> Conversion rate is US\$1=Rs 45, as per September 2006 exchange rates.

The petition noted that up to 80 percent of garbage remains uncollected. Much of the collected waste is thrown along roads, waterways, and wetlands.



Ms. Patel thus filed a PIL in the Supreme Court of India, together with Captain J.S. Velu, who was also concerned about the poor state of municipal solid waste management in India, in 1996. The petition noted that “faulty and deficient” garbage disposal practices were practised in urban centers throughout the country. It claimed, inter alia, that 20-80 percent of garbage remains uncollected, and of the garbage that is collected at least 100,000 tons is thrown along roads, waterways, and wetlands just outside the city limits of India’s 300 odd Class 1 towns.<sup>198</sup> It also argued that a range of government agencies had neglected to discharge their constitutional and statutory obligations in relation to the proper collection, handling, transportation, and hygienic ultimate disposal or recycling of municipal solid waste (MSW). The petitioners sought writs of mandamus against various respondents asking them, inter alia, to discontinue open dumping, identify waste processing and disposal sites, and take other appropriate steps for the

collection, storage, transportation, hygienic disposal, treatment, and recycling of MSW.

The petitioners identified 41 respondents – including Gol (through the Ministry of Urban Development), the Central Pollution Control Board (CPCB), the chief secretaries of every state and union territory. They also included as respondents India’s 10 “worst cities” and four “best cities,”<sup>199</sup> ranked on the basis of how effective they were in managing and disposing of their municipal solid waste. The objective was to compel India’s best cities to “share their experiences with the other respondents.”

The Supreme Court sent the petition to all respondents, as is customary, all of whom responded in due course with unhelpful replies that blamed other actors/agencies, rather than sharing information with a view to tackling the problem. So, the petitioner decided to independently verify some of the claims made in the responses. She

<sup>198</sup> These are towns with populations of 500,000 and above.

<sup>199</sup> Identified by the petitioners as Chandigarh, Surat, Ahmedabad, and Rajkot.

found, for instance, that Mathura whose lawyers had claimed that it had no cases of malaria, had over 4,000 cases listed in the first hospital she visited. Further, she drafted six specific questions, which would help her and the Court get the information she desired. These were: the number of waste processing sites and the size of the population/area serviced by each site; plans for acquiring land for future sites; prevailing disposal methods; proximity of waste management sites to human habitation or traffic; and measures adopted with respect to limiting adverse effects on human health. The responses were more helpful this time and put into a tabular form for the Court.

The Supreme Court then set up the high-level Asim Barman Committee to prepare a report on the status of municipal solid waste management in the country. An Interim Report was prepared in six months and presented to 400 city officials at four regional workshops. The committee's Final Report<sup>200</sup> made a number of key recommendations. Some of these were: municipal authorities were to introduce waste segregation and recycling; they were to prohibit littering and to ensure house-to-house (or building-to-building) collection of garbage, including in all slums, slaughterhouses and vegetable/fruit markets. Biomedical and industrial wastes were to be segregated from municipal solid waste. Manual handling of wastes was to be prohibited and, in situations in which it was unavoidable, steps had to be taken to safeguard the safety of workers. Biodegradable wastes were to be composted or processed in a manner that ensured environmental stability, and landfills were only to be used for non-biodegradable and inert wastes. Finally, all waste transportation vehicles were to be covered, and all storage facilities cleared of wastes daily.

The Committee then involved the Central Pollution Control Board in converting these regulations into Municipal Solid Waste (Management and Handling) Rules that could be implemented throughout the country. These Rules were notified in October 2000. Most importantly, they required the improvement of existing landfill sites by the end of 2001, the identification of future landfill sites by setting up of waste processing and disposal facilities by the end of 2002, and the setting up of waste processing and disposal facilities by the end of 2003. The Supreme Court ordered Delhi, Mumbai, Chennai, Kolkata, and Bangalore to respond to the recommendations of the Asim Barman Committee report and highlighted particularly the problem caused by solid waste generated by slums.

Ms. Patel also sought the Court's help to ensure that the MSW Rules and the recommendations of the Asim Barman Committee report were implemented. To this end, she drafted a set of 12 directives for the Court to consider. Among other things, these would require all Indian states and union territories to comply with MSW Rules; financially strengthen their Class 1 cities to this end; appoint Civic Warden volunteers to monitor compliance; constitute District Environment Protection Authorities; rationalize Urban Local Body (ULB) accounting; and consider the setting up of State Technology Missions for urban solid waste management. At the same time, Gol would be required to augment municipal resources; shift subsidies on synthetic fertilizers in favor of compost; eliminate support for the landfilling of unsegregated wastes, as also for the incineration, and recovery of energy from municipal waste (except to complete projects that had already invested 30 percent of their capital cost). Additionally,

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<sup>200</sup> Submitted in March 1999.

The two PILs have resulted in tightened emissions and solid waste management norms.



Gol was to be required to constitute a National Technology Mission for Clean Cities, and to direct CPCB to formulate waste prevention and eco-friendly packaging rules.

The Supreme Court continues to monitor compliance with MSW Rules.

## Outcomes

### Delhi Vehicular Pollution Case

**Improved air quality:** The clearest outcome of the Delhi Vehicular Pollution Case is the conversion of Delhi's bus

fleet to CNG. According to officials, Delhi is the first city in the world to have a public transport system that runs fully on CNG. As of mid-2006, Delhi has over 10,000 buses, 4,000 mini buses, 15,000 taxis and 45,000 auto rickshaws all running on this fuel, and the number of filling stations has increased from nine to 146 in just five years.

**Improved air quality:** The Delhi Vehicular Pollution Case has also triggered two decades of “judicial oversight,” due to which lead-free petrol has been introduced in many parts of the country. In Delhi, older vehicles have been phased out and all commercial transport converted to CNG.<sup>201</sup>

As a result, air pollution in Delhi had dropped considerably, although in 2003 (the last date for which data were available when this study was written) the levels of suspended particulate matter (SPM) and RSPM still did not meet National Ambient Air Quality Standards. While some 85 percent of the reduction in air pollution has come from tightened emissions norms and quality improvements in locally-available petrol and diesel, the introduction of CNG has been responsible for the rest.

Inspired by the developments in Delhi, a number of other South Asian cities, including Mumbai, Chandigarh, Bangalore and Dhaka, have now introduced CNG.

**Governance effects:** Two decades of judicial oversight has also had a definite impact on governance. First, it has brought various departments/ministries together to tackle the issue of air pollution in a comprehensive and holistic fashion, overcoming their traditional jurisdictional segregation. It has also resulted in the development of an Auto Fuel Policy, approved by

<sup>201</sup> The Supreme Court has even succeeded in extracting an assurance from Gol that it will keep CNG prices competitive even when it ends price control in the Indian petroleum industry.

the National Cabinet in 2002 which is now the long-term roadmap for fuel policy in the country. Similarly, CPCB is now actively seeking to improve air quality in 37 cities, over and above the 16 cities that the Court had already instructed it to look at.

### Municipal Solid Waste Management Case

#### **New rules on municipal solid waste management:**

The Municipal Solid Waste Management Case precipitated the creation of a new set of national rules on solid waste management in urban areas that citizens can use as a tool to demand compliance. The most significant feature of these rules is that they cover all ULBs, and not just Class 1 cities. The case also produced a detailed national mapping (thanks to the Asim Barman Committee report) of municipal waste management practices and shortcomings across the country, on the basis of which further action can be taken.

Most importantly, the issue of solid waste management has evolved from an “untouchable” topic in 1994 to a high-visibility issue today, by recasting the garbage debate as an environmental one. The Municipal Corporation of Delhi has set up a dedicated environmental department, and it is likely that other municipalities may follow suit.

**Continuing judicial oversight:** The case has triggered an ongoing process of judicial oversight, or “continuing *mandamus*” on the issue of municipal solid waste management in the country. Since 1996, the Supreme Court has passed over 40 orders, directing states to identify and assess the steps they have taken to implement the reports and the recommendations of the Planning Commission and CPCB; requiring the Ministry of Environment to speedily notify the Management of Municipal Waste (Management

and Handling) Rules, 1999; instructing the Municipal Corporation of Delhi (MCD), the New Delhi Municipal Council (NDMC), and others to scrupulously comply with the statutes under which they function; and requiring CPCB to respond to the issue of noncompliance with the Municipal Waste Management Rules.

Judicial oversight has had the salutary effect of awakening “sleeping” institutions. For instance, at the time that the petition was filed, MCD did not have a waste database based on which informed decisions could be made about waste treatment options. Following the case, it has participated in a United Nations-funded study to determine the nature, quantity, quality and distribution of Delhi waste, and the feasibility of differing waste treatment and disposal options.

**Community responses:** The case had other smaller, but nevertheless significant, impacts. This includes the institution of a number of community-based solid waste management projects, such as the “Clean Jharkhand Project” funded by the India-Canada Environment Facility (ICEF). Also, the MSW Rules’ emphasis on composting has served to create an industry opportunity, which small businesses all over India have sprung up to service.

### Strengths

The power, promise and reach of PIL lies in its freedom from the constraints of traditional judicial proceeding. As a result, PILs enable judicial interventions to create changes in policy as well as rules, and to visible improvements in governance, the delivery of public services, and the accountability of public servants. Most importantly, PILs enable public-minded individuals to collaborate with an activist judiciary to lever the country in a particular direction.

## The issue of solid waste management has evolved from an ‘untouchable’ topic to a high-visibility issue.

In the collaborative approach that has come to typify Indian public interest litigations, activist judges take pains to reach out to numerous parties and stakeholders; form fact-finding, monitoring or policy-evolution committees; and arrive at constructive solutions. The judicial freedom offered by such litigations also gives judges considerable power to design innovative solutions, direct policy changes, catalyze law-making, reprimand officials and enforce orders, and they have not hesitated to exercise this power in what they perceive as the public interest.

### Limitations

However, judicial activism and public interest litigation also present some inherent shortcomings.

### Unpredictable field level impact

While, in some cases, such as the Delhi Vehicular Pollution Case, there might be a considerable impact on governance, in others — such as the Municipal Solid Waste Management Case — it is more limited. In 2004, three years after the MSW Rules were notified, most municipalities have still not complied. The Supreme Court merely asked relevant officials to “endeavor to comply with the suggestions” of the Asim Barman Committee report; it did not mandate compliance with its recommendations. Moreover, the improved governance triggered by PILs has not yet led to extensive organizational reform, or to the enhancement of the technical, financial and infrastructural capacity of public servants to deliver better services. As a result, they have often not been able to trigger service improvements on a sustained basis.

### Judicial excessivism

The phenomenon of potentially endless judicial oversight in public interest cases creates a concern that the judiciary is merely substituting judicial governance for

executive governance in the areas highlighted by public interest litigants, and that it has become over-active in undertaking responsibilities normally discharged by other coordinate organs of the government. For instance, in the Delhi Vehicular Pollution Case, the Court — instead of directing GoI to use its statutory powers to control air pollution throughout the country — established itself as the main protector of the environment, and sustained this role through interim orders and directions. In the Municipal Solid Waste Management Case, the Court moved on from the MSW Rules to the petitioner’s 12 suggested directions.

The freedom that judges have in resolving PILs also contains the inherent danger that outcomes may be heavily influenced by their individual preferences. In the Municipal Solid Waste Management Case, for example, the presiding judge spent two years addressing slum clearance, although it was only incidentally connected to the petitioner’s plaint.

### Policy evolution forum

Many PILs are not the end point of extensive citizen mobilization and are filed by individuals with a particular opinion on policy, or the nature and quality of public services. This is why the Court’s evolution into a policy-making forum in a number of PILs is of concern to some parties. The Indian Constitution holds that policy should emerge primarily from a representative democratic process predicated on the elected legislature. Given the limited public participation in the judicial processes that accompany PILs, the Court is often unaware of the complex repercussions its interventions may have on a variety of third-parties. Instances of this phenomenon are the profound impact that the Delhi Municipal Solid Waste Case had on rag-pickers, and that the Delhi Vehicular Pollution



Case had on small transporters and daily wage commuters. (For more detail on these issues, see the “Accountability to the Poor” section that follows.)

### Possible misuse

A final concern is that PIL can be a ‘double-edged sword’. Of the approximately 40 PILs currently pending against MCD, the MCD Commissioner believes that several are litigations filed by criminal elements merely to harass or intimidate those who are allegedly transgressing the law. PILs may also aid those indulging in NIMBY-ism (Not In My Backyard). Numerous PILs have been filed against, for instance, composting facilities, by neighbors complaining of the foul smell.

### Accountability to the Poor

A number of logistical issues continue to make it difficult for the poor and marginalized to file their own Public Interest Litigations. First, even if lawyers do not charge for their services, such litigations usually involve transportation, documentation, and other expenses that economically underprivileged

litigants find difficult to afford. Secondly, effective litigations involve the continual presence of the petitioner, and the support of knowledgeable counsels and experts.

As mentioned earlier, the public consultation process that has accompanied even major PILs has inadvertently tended to bypass the groups most affected by its outcomes. In both the Municipal Solid Waste Management and the Delhi Vehicular Pollution cases, although a number of experts were consulted, little effort was made to keep citizens abreast of judicial developments and to seek public comment on the various options being considered.

As a result, the resulting MSW Rules overlook the “waste interests” of the poor, waste-pickers in particular. Although the MSW Rules emphasize Public-Private Partnerships (PPPs) and privatized landfills that will lead to a substantial reduction in rag-picking opportunities, they fail to rehabilitate waste-pickers within the proposed new system.<sup>202</sup>

In the Municipal Solid Waste Management Case, the presiding judge also held that slums were a primary

<sup>202</sup> Delhi alone has some 90,000 to 1,000,000 waste-pickers, of whom an estimated 50,000 are children. Together, they lift an estimated 10-15 percent of all wastes in the city.

## PILs need sufficient public participation to ensure pro-poor outcomes.

factor in the solid waste problem in cities and prioritized their clearance. This despite the fact that the average per capita waste generation by a Delhi slum household is only 80 gms per day, as compared to 420 gms for a high-income household. Although the density of population in slums is relatively high, critics hold that this in itself is not sufficient reason to prioritize slum clearance.

Similarly, in the Delhi Vehicular Pollution Case, critics hold that the conversion to CNG badly affected the common man. Small private transporters, who were compelled to make huge investments to convert to CNG, argued that their vehicles' contribution to pollution was not significant when viewed against the sheer number of other vehicles on Delhi roads. While, in 2000, there were some 70,000 private commercial vehicles in Delhi (including taxis, auto-rickshaws and buses), there were 852,000 cars/jeeps which were completely exempted from the requirement to convert to CNG. At the same time, drivers of commercial and public transport vehicles had to wait for hours to fill their tanks at the highly limited number of CNG stations. Finally, since CNG buses are 1.5 times more expensive than regular buses, bus fares had to be raised further affecting the common man.

### Conclusions and Way Forward

PILs are powerful tools in the hands of citizens and, if responsibly used, can lead to equitable and sustainable outcomes. However, while PILs can have dramatic effects in transforming sectoral policy and practice, concerted efforts must be made to ensure public participation in the discussion of solutions to ensure that outcomes are socially representative and equitable. It could be argued that PILs need to follow a few guidelines

to maximize effectiveness and minimize unintended impacts. These are:

- Ideally, a PIL should be based on an extensive and widely-representative citizen mobilization effort;
- A PIL should be the last resort; after all other avenues are exhausted;
- A PIL should hold the government to its policies rather than to provide an opportunity for the Court to dabble in policy-making. It should thus not be filed on a generic issue and should be backed by detailed research;
- A PIL should offer constructive solutions that are cost-effective, scalable, equitable, and sustainable. It should advocate governance-related reforms;
- The petitioner should not disengage with the process as soon as the Court establishes a committee, but should nominate a judicious and widely representative mix of technical experts and stakeholders. It is also important to ensure that the process set in motion by the committee offers avenues for public participation and engagement with relevant stakeholders and institutes a mechanism for feedback; and
- The petitioner should not limit himself/herself to the litigation, and the Court room. It is essential to further the cause by networking outside the Court, particularly by garnering the power of the media to high profile the issue and thereby bring pressure to bear on the government.

While the process of evolving these guidelines may be arduous, they may help to unleash the true power and promise of PIL.



# Case Study 10

## Citizen Report Cards

*Premila Nazareth Satyanand*



Citizen Report Cards (CRCs) were innovated by the Public Affairs Centre, Bangalore. They survey citizens about the state of public services and developmental programs. This information is then used to design and lobby improvements. While CRCs do not trigger service improvements by themselves, they are an invaluable tool by which to plumb public feeling and convert it into a clear and actionable set of interventions for government, donors and civil society. The Citizen Report Card model is now being used by a variety of governments, donors, and civil society groups in India and overseas, including as a strategic tool for building public awareness about civic and development issues.

## General Context

Over the 1980s, Bangalore's population grew rapidly (from 2.9 million in 1981 to 4.1 million in 1991<sup>203</sup>). This growth was fueled by the city's emergence as a global software hub, and the development of the city's computer technology and electronics industries. A sudden expansion in the demand for municipal services (such as electricity, water and sanitation, housing, garbage collection, and land registration/building clearances) accompanied this evolution. Since unplanned migration drove a significant part of this expansion,<sup>204</sup> it was difficult for the Bangalore City Corporation to establish the necessary service infrastructure in advance. This situation was further complicated by the fact that most of the growth occurred in Bangalore's core areas rather than at its periphery, where it would have been easier to radically upgrade infrastructure without disturbing existing residents.<sup>205</sup>

As a result, by the early 1990s, there was a considerable lag between the demand and supply for services in Bangalore. Inadequate investment in the maintenance and repair of existing service delivery infrastructure further aggravated this problem. Bangalore, thus, began to be characterized by persistent electricity and water cuts, inadequate sanitation, poor garbage removal, and a general slackness in all municipal services. As the population pressure on public services grew, so did the scope for rent collection by public officials. Increasingly, they began to require illegal payments to deliver the very services they had been hired to provide. Such practices became widespread, affecting both the rich and the poor.<sup>206</sup>

Citizens began to feel increasingly powerless in pressuring for better services and seeking redressal from poorly performing providers, particularly from those agencies that were controlled by the state government rather than the city government.

<sup>203</sup> Census of India, 1981 and 1991.

<sup>204</sup> According to Census of India 1981 and 1991 figures, the share of migration in Bangalore's urban growth rose from 39.68 percent 1981 to 43.97 percent in 1991. While the percentage of migration dropped in India's other metropolises over the 1980s, Bangalore indicated a steady increase in the share of migration in the city's urban growth. (*Handbook of Urbanization in India*, Oxford University Press, 2005).

<sup>205</sup> Bangalore is unique in this regard. A contrary pattern is seen in all of India's other metropolises. (*Handbook of Urbanization in India*, Oxford University Press, 2005).

<sup>206</sup> *Can Public Feedback Enhance Public Accountability? Experiences with Citizen Report Cards*, Gopakumar Thampi, Public Affairs Foundation, 2005.

## Specific Context

In 1993, concerned by this deteriorating situation, a handful of the city's most respected residents<sup>207</sup> decided to take remedial action, beginning with a survey of citizen satisfaction with public services. It thus organized a series of 'Focus Group Discussions' (FDGs) with fellow citizens to identify their perceptions and concerns about the performance of key services in the city. A questionnaire was prepared in consultation with experts. In 1994, the group established the Public Affairs Centre (PAC), an urban research and civic action organization, to spearhead and institutionalize this process, as well as to undertake other related activities.

The questionnaire was administered to 480 middle-income and 330 slum households, which had interacted with public services agencies within the previous six months, across six localities in Bangalore. Respondents were asked to assess eight of the city's key public services/agencies<sup>208</sup> on a scale of 1 ('Least Satisfied') to 7 ('Highly Satisfied'). They were also asked what direct and indirect costs they bore as a result of poor service provision, how courteous and responsive service agency staff had been, and whether it had been necessary to make illegal payments. Less than 25 percent of respondents expressed satisfaction with any of these agencies.

<sup>207</sup> This process was conceived and spearheaded by Dr Samuel Paul, who served for many years as the Director, Indian Institute of Management, Ahmedabad, and subsequently as a public sector expert with World Bank in Washington.

<sup>208</sup> These were electricity, transport, water and sewerage, telecom, publicly owned banks and hospitals, the Bangalore Municipal Corporation, and the Bangalore Development Authority.

<sup>209</sup> Established in 1996, this initiative helps to empower citizens to make an informed choice during elections. PAC and collaborating civil society organizations interview all electoral candidates in detail, on issues ranging from their educational/professional background to their developmental plans for their constituency, and make this information extensively available to the public. An independent 'impact' audit of this initiative by Gallup-MBA found that 77 percent of the voters interviewed said that it had enabled them to make an informed choice.

<sup>210</sup> PAC supported a number of city- and state-level agencies, including the Tumkur municipal government, pilot accounting systems that measured institutional performance against budget objectives and incomes for specific funds, in a departure from traditional governmental accounting practices than only budgeted on the basis of allocated expenditures. It has also assisted in the development of a software package that enables public agencies to conduct a 'real time' audit of its assets and liabilities at any time it chooses, without having to wait for auditors to approve its balance sheets.

### Box 10.1: About the Public Affairs Centre

PAC researches public policy and services issues with the aim of bettering the quality of governance in India. It has been guided by the two management principles: "What gets measured gets done" and "What gets compared gets bettered." To this end, it has innovated and/or refined a variety of 'accountability-enhancing' instruments, such as Citizen Report Cards on Public Services, Electoral Transparency Initiatives<sup>209</sup> and Fund-based Accounting Systems.<sup>210</sup> It invests considerable energy in mobilizing and educating fellow citizens to monitor the performance of service agencies and press for improvements, for which it has established a variety of ongoing platforms for proactive engagement between the citizens and the governments of both Bangalore and Karnataka. PAC also advises state and nonstate agencies on a variety of service and governance issues.

Increasingly, several civil society, governmental, and donor organizations both in India and overseas, have begun to call upon PAC to support them in adapting its set of accountability tools to improve governance in their contexts. To respond to this growing demand, PAC set up the Public Affairs Foundation (PAF) in 2003, to provide consulting, advisory and capacity-building services to organizations all over the world.

The findings of the Citizen Report Card were widely publicized, especially among the service agencies and political authorities concerned.

The findings of the Citizen Report Card (CRC) were shared with all the public service agencies concerned, as also the state's most senior politicians and bureaucrats. They were also publicized widely by the media. PAC also organized a series of public meetings across the city to enable citizens to consider survey results, as also a strategy to ensure the necessary improvements.

Subsequently, PAC has run two more CRCs in Bangalore. The Second CRC, run in 1999, on a larger sample, surveyed satisfaction with the same agencies as in the First CRC and applied the same methodology for representative samples. However, it actively engaged service providers and the city government in designing the questionnaire, so as to enable them to gather specific information that they required to improve

service, and to support their attempts to systemize the process of data collection and feedback. While the CRC revealed some improvements, satisfaction levels continued to remain below 50 percent even for the best-rated agencies. The scope was broadened considerably for the Third CRC, 2003 and it also included an assessment of reform initiatives by city agencies and an examination of the extent to which citizen feedback related to agency reforms.

CRCs have now been used by a variety of governmental and nongovernmental actors both in India and overseas. International and bilateral donors, including World Bank, the United Nations Development Programme (UNDP) and the Canadian International Development Agency (CIDA) have begun to commission the PAF to use CRCs

**Table 10.1:**  
**CRCs are now used all over the world...**

<i>India</i>	<i>Internationally</i>
<i>Delhi:</i> Social audit of public services (2006)	<i>South Asia:</i> Benchmarking corruption in South Asia (2003)
<i>Ahmedabad:</i> Poor urban women's perceptions of public services in slums (1996)	<i>Ukraine:</i> People's Voice Project (1999)
<i>India:</i> Millennium benchmarks on the national state of public services (2001)	<i>Bangladesh:</i> Governance Score Cards (2000/01)
<i>Hubli and Dharwad:</i> Urban public services (2006)	<i>Philippines:</i> Pro-poor services (2001)
<i>Bangalore:</i> Public services for the urban poor in peri-urban areas in Bangalore (2005)	<i>Zanzibar:</i> Participatory service delivery assessment for poverty reduction (2004)
<i>Bhubaneshwar:</i> Urban public services (2005)	<i>Sri Lanka:</i> Judicial reform project (2001/02)
<i>Bangalore:</i> Assessment of maternity care services provided by the Municipal Corporation of Bangalore (1999)	<i>Ethiopia:</i> Pro-poor water services (2004/05)
<i>Jharkhand:</i> Benchmarking public service delivery at the forest fringes	<i>Vietnam:</i> Public Administration Pilot Project, Quang Binh province (1997/98)

Source: Compiled from various sources.



to evaluate the impact of their development interventions, by surveying beneficiaries and other members of the public. Table 10.1 provides a glimpse of the diverse situations in which CRCs have been used in India and overseas.

### How Citizen Report Cards Work

Despite CRCs' varied uses across the world, they address a common set of service-related issues and follow a similar set of processes/practices. Described below, each of these steps continue to be improved and refined so as to capture the greatest body of customer satisfaction, demographic, and service-related information that is possible from running just one survey.

#### Typical content

CRCs generally question respondents, and make statistical analyses, on the following service-related questions:

- *Access* – How many members of a given population have access to a particular service? This analysis



can be further disaggregated to capture differences between specific locations, and gender, age, socio-economic, or ethnic groups.

- *Usage* – Where access exists, to what extent is the service infrastructure being used? What are the reasons for nonuse, where this exists? The objective of such questioning is to understand how effectively delivery infrastructure is functioning, and where the shortfalls lie.
- *Quality* – How satisfying, useful, and relevant is the service? What is the quality of service supply?
- *Reliability* – Is the service being delivered as per stipulated schedules and specifications? How frequent are infrastructure breakdowns and supply interruptions? What are the reasons for this?
- *Problem incidence and responsiveness* – How often do respondents experience a problem with service? Do they complain, and to whom? How rapidly is the problem resolved?

Many CRCs now also attempt to measure customer expectations of what a particular service should be.

- *Service and opportunity costs* – What costs (including ‘forced’ investments in alternatives) are respondents bearing due to poor service, demands for unauthorized payments, undue distance and inconvenient delivery schedules/mechanisms?
- *Transparency in service provision* – To what extent utilities provide proactive disclosure on norms and standards of service delivery?

Data collected across these indicators is analyzed to present summative measures of consumer satisfaction with specific services and to highlight shortcomings. However, for added authenticity, respondents are also requested to sum up their own experience with specific services by indicating whether they are ‘fully satisfied’, ‘partially satisfied’ or ‘dissatisfied’.<sup>211</sup> Many CRCs now also attempt to measure customer expectations of what a particular service should be, so that the levels of satisfaction indicated by the data can be evaluated against this benchmark. For instance, a customer who expects only two hours of water supply a day would be highly satisfied if provided water for four hours, in contrast to others who expect at least a six-hour supply per diem. Capturing such nuances minimizes the chance that survey data do not fully reflect ground realities. Similarly, many CRCs now also elicit respondents’ suggestions on practical processes and mechanisms by which services might be improved.

### The survey process

Administering a CRC broadly involves five major steps, which are described in detail below:

- *Pre-survey preparation* – The agency that decides to undertake the survey first holds a detailed FGD

with a group of representative respondents to identify key service challenges and design preliminary questions for the questionnaire. It then develops and refines the questionnaire with continuing inputs from this group, as also those of the public agencies concerned and other experts. A team is then sent out to map the populations and locations that will be covered by the survey, in terms of geographic boundaries, demographic composition, service infrastructure, and so on. This mapping is used to design survey implementation and to identify a representative sample. The minimum sample required for a statistically sound CRC is 300-350 respondents for each individual service surveyed;

- *Administering the survey* – The surveying agency may then hire a market research firm to administer the survey on its behalf, or it may decide to hire and/or train in-house staff to do so. Either way, the questionnaire is administered via direct and detailed personal interviews with respondents, each lasting between 45 and 60 minutes. (Interviews that run longer than this present the danger of respondents losing interest, and so not addressing each question with the thought and detail required. This can undermine the quality of the resulting data and analysis). Generally, a questionnaire that examines customer satisfaction with one service is 10-15 pages long; while one that considers two to three services is 25 pages. One interviewer can, on average, complete four to five questionnaires a day. A CRC survey, with a minimum sample size of 350 and using three full-time interviewers, can thus take up to two months, although there have been cases of the survey being completed in shorter periods. The

<sup>211</sup> Some report cards only allow respondents to respond as ‘fully satisfied’ or ‘dissatisfied’ to put added pressure on public agencies to definitively improve services. In some CRCs, a large percentage of ‘partially satisfied’ responses enabled public agencies to claim satisfaction with their services and so delay far-reaching action.

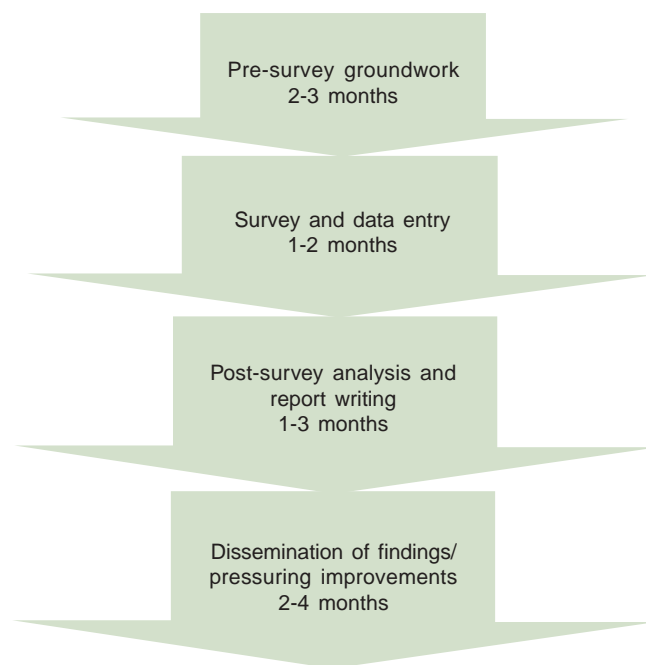


Since the objective is to work with public agencies to improve service, findings are discussed with them first.

Foundation for Public Interest (FPI)<sup>212</sup> and Self Employed Women's Association (SEWA) ran a CRC among urban poor women in Ahmedabad, across 12 wards. A 10-member data collection team completed the surveys in 20 days;

- *Data entry and analysis* – The data collected through the questionnaires is then entered into a database, analyzed and interpreted. The findings that emanate from this process are converted into a written analytical report, and become the basis for a citizen-government dialogue on the status of services and areas for improvement. While many of the agencies that initiate CRCs outsource the administration of the survey to a dedicated market research firm, they often prefer to undertake the analysis of findings in-house. In this way, they are able to use the data to answer a wider range of service-related questions and concerns, and can also refer back to it in the future when necessary:
- *Dissemination of findings to key stakeholders* – Survey findings and the main conclusions of the analytical report are then disseminated to the service agencies concerned, citizens, and the media. A cardinal rule is that survey findings first be shown to the relevant public agency or agencies, so as to instill a sense of trust and cooperation with the spearheading nongovernmental organization (NGO). Since the eventual objective of CRC is to aid service improvements and reform, the intention is not to publicly attack — but rather to work with — the service provider. Findings are then released extensively, through press conferences and releases, newspaper and television coverage, public presentations and meetings, written reports and posters targeted for various audiences.
- *Pressuring improvements* – The organization that initiates CRC collaborates with other civil society organizations, and with the service agencies themselves, to ensure improvements on the lines indicated by survey findings. Among the many tools employed to this end are awareness campaigns and public dialogues, open houses between government officials and citizens, and the exchange of best practice through workshops. In some cases, pilot reform programs have also been experimented with; and
- *Timeframes* – It can take up to a year to design a rigorous and impactful CRC, as Figure 10.1 indicates.

**Figure 10.1:**  
**Steps and Average Timeframes in Preparing Citizen Report Cards**



<sup>212</sup> FPI was established in 1974 as a development planning action team of professionals aimed at promoting interest of the public, especially the poor. The organization focuses on community capacity-building and includes performance rating of municipal services, infrastructure investments, action-planning workshops for communities, accounts and accountability related inputs and project-to-policy linkages.



## Financing a Citizen Report Card

Whether in India or overseas, CRCs have been variously financed by public and corporate sector contributions, aid agencies and other donors. Similarly, the average cost of a CRC varies, depending on sample size, levels of analysis, and whether the interview and data collection process is outsourced, or conducted by an in-house team.

*Outsourced versus in-house* – Currently, the average cost of outsourcing the fieldwork and survey process to a professional market research firm in India is between US\$3.50<sup>213</sup> and US\$5 per questionnaire, when the costs of analysis and report writing are not included. This cost includes the entire range of activities involved, including pre-testing the questionnaire, the hiring and training of enumerators, the conduct of the field survey, data cleaning and entry, preliminary analysis and basic tables. Thus, administering a CRC to a minimum sample of 350 people in India costs some US\$1,750 only for fieldwork. From PAC's experience, when the staff time required to analyze and write a detailed 'customer satisfaction' report is added to the base costs of field work, the expenditure per questionnaire goes up to between US\$7 and US\$9. Thus, the total expenditure on a minimum sample of 350 could go up to US\$3,150.

Costs can come down dramatically when in-house staff is used for the survey process. In fact, a number of NGOs — such as SEWA in Ahmedabad, Apnalaya in Mumbai, and APSA in Bangalore — have opted for this route. However, using in-house staff presents the danger

### Box 10.2: A broad-based CRC coalition

In Kenya, the national government, local civil society,<sup>214</sup> and donors are collaborating on a three city CRC intended to assess the impact of the country's current water and sanitation sector reform program on service, particularly to poor citizens. Among other things, CRC is seeking to ascertain how much citizens know about the working of the water and sanitation sector and the rationale for the proposed reform program; to map the variety of water sources and usage in the country; to understand how water scarcity affects individual socioeconomic groups and how the reform initiative is impacting the equity of water distribution.<sup>215</sup>

The cost of CRC is being shared across the various partners, each of which also, and more importantly, brings a specific offering and skill to the table. The government, for instance, assures reach throughout the country; survey and research organizations understand how to most effectively elicit and analyze data; civil society groups understand how to convert the issues identified into policy and advocacy agendas; and donors underwrite the costs. The significant feature of this CRC is that government willingness to act on its findings is embedded right from the start of the process.

<sup>213</sup> Conversion rate is US\$1= Rs 45, as per September 2006 exchange rates.

<sup>214</sup> One civil society group will spearhead CRC process in each of the three cities. These three civil society groups were identified on the basis of a public and competitive bidding and selection process.

<sup>215</sup> In other words, are only those who can pay benefiting?

It is often most effective to undertake CRC-related analysis in-house, even if field work is outsourced.

of bias, since they have often worked closely within the local communities they will be interviewing and may not be fully objective in eliciting answers from respondents. One strategy is to swap survey staff across localities, placing them in unfamiliar communities.

Among the other approaches being examined to minimize CRC costs are partnerships with universities, in which students will conduct field work. Another is collaborations among a network of government agencies, donors and NGOs. Such collaborations would also have the added benefit of bringing varied research and advocacy skills into the CRC exercise enabling greater mobilization and impact at both the grassroots and policy levels.

From its varied experience over the years, PAC has found it most cost-effective to undertake all CRC-related analysis in-house, even when it decides to outsource all field work to a market research firm. For this reason, it advocates that CRCs be funded in a manner that keeps CRC design and subsequent advocacy with the initiating NGO or local agency, even if the survey administration process is outsourced. Only in this way can local needs and perception be authentically captured.

*Sample-related costs* – On an average, CRC costs double with every new layer of segmentation incorporated into survey design and analysis, since it necessitates a larger sample size for the data to be statistically valid. Thus, while a minimum sample of 300-350 would be sufficient to understand customer satisfaction with water services, for instance, 600 respondents would be required to provide comparative information for ‘poor’ versus ‘nonpoor’ groups.

Similarly, sample sizes have to vary to reflect the percentage of the population that uses the service being

surveyed. For instance, since 100 percent of respondents use water and sanitation services, even a small sample would produce statistically valid results. However, if only 50 percent of a given population avails of a service, then the sample size would have to be increased to capture a sufficient number of users. Similarly, if target communities are heterogeneous, or if there are significant demographic and service-related differences between the range of localities being surveyed, sample sizes must necessarily be larger.

## Outcomes

A CRC is only an instrument in improving public accountability; it cannot by itself trigger widespread service improvements. To use an allegory, CRCs are a ‘thermometer’ by which to gauge citizen perceptions about public services and governance; they are not an ‘antibiotic’ that can cure ills. However, they provide a useful and fairly detailed diagnosis of what these ills are and what sort of medicine might be administered to relieve them. They also help citizens compare the relative performance of service agencies. CRCs have had a varied impact across situations, depending on the willingness of key government agencies to act on the findings; the level of strategic advocacy undertaken by the initiating agency; and the manner and audiences to which the findings are publicized. However, a number of common gains and outcomes can be seen from the body of CRC experience so far:

### Better services and policy

In Bangalore, PAC strategically used CRC findings to pressure improvements from local service agencies, by mobilizing a coalition of civil society organizations to demand better service. It also worked closely with the

city's service agencies and the Karnataka Government to help them develop the strategies and capacity to address service gaps. By disaggregating CRC findings to make independent presentations to specific service agencies on the level of public satisfaction with their services (by zone, by economic class, and by year), PAC enabled each agency to obtain a perspective on itself and plan more targeted interventions.

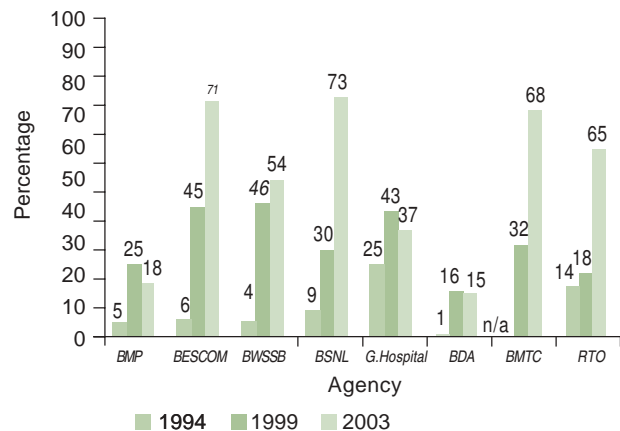
For instance, it compared the findings of the Second and Third Bangalore CRCs to enable Bangalore Electricity Supply Company (BESCOM) to assess whether it had improved its performance on specific indicators, such as voltage stability, 24-hour power, bill accuracy, and staff behavior between 1999 and 2003. It was also able to tell BESCOM that nonpoor respondents faced problems with frequent power cuts, high electricity costs, and improper wiring, while poor respondents suffered due to high electricity costs and irregular power supply.

PAC was also able to alert the government and civil society to the fact that a quarter of all slum residents were forced to make an average illegal payment of US\$27.6 to access the basic services to which they were entitled. CRC findings also showed that demands for unauthorized payments posed a heavier burden to the poor than on the middle class. Moreover, service agencies did not resolve slum residents' complaints in five out of the eight services surveyed. As a result, the city's telephone, electricity and water supply agencies made a number of improvements to address the problems identified in the three CRCs. Among these were the streamlining of bill collections, the registration of routine breakdowns, and improvement of customer interaction and consumer grievance redressal processes.

Interviews<sup>216</sup> with a number of Bangalore-based NGOs and journalists indicate that the public perceives electricity<sup>217</sup> and public transportation services to have improved the most dramatically over the past few years. Nonpoor respondents also report a reduced demand for unauthorized payments, and less service-related and grievance-related problems. These improvements are captured by a comparison of the data from the 1994, the 1999, and the 2003 CRCs in Bangalore (Figure 10.2).

A number of other reform-minded government officials have also commissioned CRCs to obtain a picture of

**Figure 10.2:**  
**Satisfaction with Public Services across CRCs in Bangalore**



Source: *Can Public Feedback Enhance Public Accountability: Experiences with Citizen Report Cards*, Gopakumar Thampi, 2005

BWSSB	Bangalore Water Supply & Sewerage Board
BESCOM	Bangalore Electricity Supply Company
BSNL	Bharat Sanchar Nigam Limited
BMP	Bangalore Mahanagar Palike
BDA	Bangalore Development Authority
BMTC	Bangalore Metropolitan Transport Corporation
RTO	Road Transport Authority

<sup>216</sup> By the author of this study

<sup>217</sup> PAC's efforts reinforced the service gains in electricity issuing from the Karnataka Government's coeval restructuring of its power sector.

While service agencies have tended to measure only physical indicators, CRCs measure customer satisfaction with service delivery.

their institutions' performance on the ground and design appropriate strategies. Based on the findings of a CRC he had commissioned in 2004,<sup>218</sup> the Municipal Commissioner of Hubli-Dharwad<sup>219</sup> stepped up the frequency of water supply from once in eight days to once in three-to-four days, streamlined property tax collection processes, and appointed zonal commissioners who would be directly accountable to citizens for the quality of basic services within their jurisdictions. It also established an NGO core group to help with municipal decision-making. The Commissioner is now planning to commission a follow-up CRC to evaluate the impact of these reform initiatives.

### Enhanced citizen attention to civic issues

In those instances in which initiating agencies invest time and money to publicize the findings of CRCs extensively, citizens begin to develop a stronger understanding of the shortcomings in service and how these might be remedied. In Bangalore, the First CRC, for instance, prompted a variety of residents' welfare associations and NGOs to link up with each other<sup>220</sup> to pressure service improvements from city agencies. Similarly, by measuring the incidence and costs of illegal activity, CRCs have put 'clean government' firmly on the agenda of citizens and civil society organizations.

### From 'shouting to counting'

CRCs present a structured set of service issues around which government agencies can initiate actions to show results. Many agencies have thus quickly recognized the strategic value of initiating regular engagement with consumers in this regard. In Bangalore, for instance,

three of the eight public service agencies surveyed in the First CRC sought the fledgling PAC's help in initiating an ongoing engagement with city residents on service issues. Among other things, they initiated regular 'open houses' with citizens; water *adalats* (or courts) at which consumers could air water-related grievances and resolve billing errors.

CRCs have presented governments with an expanse and type of service-related data to which they have not had access before. In India, as in the other countries which have used CRCs, service agencies have previously tended to measure only physical indicators, such as network mileage, the percentage of the population with access to the delivery system, and infrastructure development expenditures. CRC findings thus bring a range of key (and long-neglected) issues to the attention of both service agencies and the government for the first time, and enhance their understanding of those which they were already familiar with. It also enables inter-group comparisons (for example, women, children, and the poor) on parameters, such as service expectations, access, costs, and outcomes.

This is why a number of governments, both in India and overseas, are commissioning CRCs. Already cited are the cases of the Hubli-Dharwad and Kenya Governments. In 2001, the Karnataka Government (headed by the then Chief Minister S.M. Krishna) commissioned a CRC to understand public satisfaction with basic services, and in 2006 the Delhi Government commissioned an 'audit' of public satisfaction with the provision of drinking water through tankers, in-patient and out-patient services at government hospitals, municipal primary schools, and the motor licensing department.

<sup>218</sup> CRC findings showed high dissatisfaction, particularly among slum communities, with water supply, roads, drainage and garbage clearance.

<sup>219</sup> Karnataka's second largest municipal corporation.

<sup>220</sup> The umbrella group is known as 'Swabhimana' or 'pride in oneself'.



## A move from ‘shouting to counting’, and from ‘protest to proposal’.

Similarly, CRCs provide civil society groups with a storehouse of data with which to affirm or expand their experiences from field-level work. This has enabled them to present an objective, quantitative analysis of ground-level issues, and to prepare focused interventions to the government that offer solutions rather than just indicate problem. In many cases, a more collaborative relationship has emerged, as civil society has moved away from ‘shouting’ to ‘counting’, and from ‘protest’ to ‘proposal’.

Ongoing dialogue places continuing pressure on service providers to show results, while providing them with relevant information and ideas on potential solutions. It also creates a formal space within which civil society might play a ‘watchdog’ function. In Bangalore, for instance, civil society groups publicly began to monitor the performance, expenditure and efficiency of key service providers, forcing them to increase transparency, accountability, and the quality and speed of delivery. PAC held a series of public meetings to review the Karnataka State Electricity Board’s

While most CRCs have held service agencies to account, they can also be used to hold politicians accountable.

tariff policy (Annual Revenue Requirement), to put pressure on the utility to reduce costs so as to maintain prices at a reasonable level, and disputed its right to raise tariffs by a fixed percentage every year. This engagement both compels, and makes it easier, for public agencies to consider and initiate reform.

### More political accountability

While most CRCs have focused on holding service agencies and government agencies to account, some groups have successfully used them to hold politicians accountable as well. In Gujarat, SEWA segmented CRC findings on a ward-by-ward basis. This provided the public with comparative perspective of where they stood in the hierarchy of service provision in the city. This naturally provoked residents from poorly performing wards to demand an explanation for this state of affairs from their municipal councilors, who were compelled to investigate the issue and seek solutions.

Similarly, Apnalaya, a Mumbai-based NGO, actively used the findings of a CRC on services in urban slums to draft a 'charter of citizens' demands'. This was presented to the local municipal councilor with the warning that he would be voted out in the next election if he was unable to ensure that these were met. To create further pressure, the charter was painted on the walls of all community toilets in the area, together with the corresponding duties of the councilor.

By providing the public with the information necessary to hold elected representatives personally accountable, it enables citizens to create the agenda for service and governance improvements – reversing the current

situation in which politicians and political parties make electoral promises for which it is difficult to hold them accountable. It also creates competitive pressures amongst municipal councilors to find sustainable solutions to problems.

### Service competition

In many of the areas in which they have been used, CRCs have also provided — for the first time — a comparative perspective of the relative performance of individual service agencies vis-à-vis each other. This has made it easier for the public and policy-makers to make an objective assessment of the efficiency and customer-mindedness of differing service agencies. Also, it has prompted an examination of the reasons for differences in performance, throwing up important lessons for continued improvements and reform.

Most importantly, CRCs' public comparison of the relative performance of service agencies creates strong incentives for both leaders and laggards to work to show improvements. Bangalore Metropolitan Transport Corporation (BMTTC), which ranked at the top of the Third Report Card, has taken great pride in this fact. BMTTC management has actively disseminated CRC findings to its staff, and the organization is enthusiastically exploring new ways in which to further serve and please the public.<sup>221</sup> This competitive pressure was further evident from the fact that 'the chairmen of some of the agencies (being surveyed) called PAC to find out where they stood in the third report card before its findings were released. They wanted to know not only whether their ratings had improved, but also whether they ranked higher or lower than others'.<sup>222</sup>

<sup>221</sup> Interview with Dr Sita Shekhar, PAC.

<sup>222</sup> *Can Public Feedback Enhance Public Accountability: Experiences with Citizen Report Cards*, Gopakumar Thampi, Public Affairs Foundation, 2005.



### Quasi-regulator

By measuring the performance of service providers and placing this information in the public domain, CRC serves a function similar to that played by a regulator. It assists policy makers and the public to understand how a provider is performing against key service parameters, thus arming them with the information they need to take necessary action. In fact, one of the big impediments to ‘client power’ in India is the absence of performance- or service-related data from service providers. Given state control of public services, and the absence of a regulator in most public service sector, the public and policy makers have little information on the quality and real cost of service, and the speed with which complaints are being handled. This is especially so in the water sector,

where the regulatory requirements for public reporting are very rudimentary. By asking respondents detailed questions on the quality and reliability of service, CRCs enable citizens to — for the first time — participate in a public stock-taking of the service delivery process. So far, only the government has played this function and has, moreover, focused on the ‘hardware’ rather than the ‘software’ of service delivery (that is, reporting on expenditures and infrastructure development rather than service outcomes).

Recent CRC reports have begun to focus on matching customer expectations against possible best practice, in an effort to push policy discussion in the direction of improved norms – as is the function of regulators. Finally, the data collected through CRCs enable citizens, activists and policy makers to cross check and expand the national census data on access, and so on.

### A gauge of popular political feeling

CRCs’ insights into customer satisfaction often provide a valuable gauge into the political popularity of an incumbent government, and to differing perceptions about the role and value of elected representatives generally. Since, in most developing countries, it is the government that delivers public services, perceived shortcomings in this area may impact directly on the ruling party’s fortunes in the next election. PAC’s Second CRC, for instance, pointed to the fact that 70 percent of slum respondents knew who their municipal councilor was and that over 90 percent of them had voted in the last municipal election. They also acknowledged the contribution that their councilor had made in arranging the provision of basic services to them. Nonpoor residents, contrarily, had little knowledge of or interest in their municipal councilors.

<sup>223</sup> Gopakumar Thampi, 2005.

Some statistical experts have expressed concerns that CRCs use sample sizes that are too small to accurately represent larger populations.

Similarly, CRCs enable governments to identify service shortcomings and work to remedy them. For instance, the 2001 Pilot Karnataka CRC, commissioned by the then incumbent S.M. Krishna government to gauge citizen satisfaction with services, pointed to a deep unhappiness on the part of poor and rural respondents. Contrarily, better off domestic and industrial customers showed high levels of satisfaction. This difference played out politically in 2004, when the rural electorate voted out the incumbent (pro-corporate) government in favor of one with a far stronger rural base and manifesto. Similarly, the findings of PAF's 2006 CRC in Delhi show considerable improvements in a handful of key services, relating to sectors in which the Delhi Government has launched reform and restructuring programs.

### Success Factors

When CRCs have succeeded in prompting noticeable service improvements, some key conditions have been in place. Broadly, these are:

#### High-level political support

PAC's ability to put CRCs at the center of the city's service improvement process resulted directly from the tremendous support and receptivity of Karnataka's incumbent S.M. Krishna government. Strongly pro-reform, the government was determined to support the continuing growth of the global IT sector in the city by radically improving services and infrastructure. It entered into a city development partnership with leading corporates via the Bangalore Agenda Task Force (BATF), which relied strongly on the findings of the three Bangalore CRCs to disseminate information on its reform agenda. Given the strong self-interest that corporates had in ensuring better service, they also mobilized funds and expertise to help Bangalore's municipal agencies become more modern and effective.

#### Box 10.3: BATF's six monthly summits

BATF organized six-monthly summits, in which service providers were required to share their service improvement plans and outcomes with citizens. The Chief Minister personally attended these meetings to question officials, monitor progress, and hear citizen views. BATF thus created a platform by which to publicly hold service providers accountable. BATF also commissioned report cards on its own achievements, thus publicly auditing its own performance.

Two other developments that fed into this process were: first, the Karnataka Chief Minister's appointment of a high-level anti-corruption official (Lok Ayukta) to investigate consumer grievances on this score and, secondly, World Bank advice to the Karnataka Government to liberalize the electricity sector, reform governance and increase transparency.

However, it is essential that 'champions' view the report card as being objective, and prepared by a neutral party.

#### Strong media pressure and public lobbying

Government agencies are compelled to respond when coalitions of citizens or NGOs come together around a CRC and maintain sustained pressure for service improvements. Similarly, in Bangalore, for instance, sustained press coverage in all the leading city newspapers and television channels created a 'glare effect'.<sup>223</sup> The media began to focus more systematically on (and to schedule more space to) public service problems and related civic issues. The new types of articles/media campaigns included a series of reports on



individual wards, looking at their problems and profiling their municipal councilors. Media also organized interactions with officials from different agencies to give consumers a forum to air grievances and share potential solutions. By being forced to think about civil issues, and to respond to them, public officials were thus more informed and motivated to investigate and act. By being held publicly accountable to a large group, they were put under strong pressure to act and show results. FM radio channels also ran phone-in programs to which citizens could call in and raise questions on key issues. This dramatically contributed to raising public awareness on issues such as quality of service delivery, consumer rights, and so on.

## Limitations

### Over-reliance on champions

A CRC's success in prompting reform depends singularly on whether the spearheading organization is able to devote the time and resources to maintain pressure on the government for change or, conversely, whether it is able to inspire others to do so. CRCs are dependent on strong NGOs and champions, who use its results strategically, to work. Civil society has to mobilize itself to pressure improvements from service providers, and to actively use the information collected through CRCs to lobby improvements. To work, it is essential that they are used as the point for lobbying by NGOs.

Although the CRC run by the FPI and SEWA across 12 wards in Ahmedabad showed that 50 percent of urban poor women were dissatisfied with key public services due to poor maintenance, these NGOs were not able to trigger widespread improvements from the Ahmedabad Municipal Corporation, due to limited time and staff resources. Similarly, neither the Administrative Staff

College of India (ASCI), which surveyed a thousand city residents on their satisfaction with key services, nor other city NGOs, were able to commit the resources to strategically use their CRC to compel service providers to noticeably enhance accountability.

### Methodology issues

Some statistical experts have expressed concerns that CRCs use sample sizes that are too small to accurately represent larger populations, which is dangerous when major policy decisions are based on these findings. Another criticism relates to the outsourcing of the questionnaire administration process to a market survey firm. Since market survey teams typically comprise young university graduates trained only to question customers on a few product-related preferences, there is a danger that they will not have the sensitivity or experience required to elicit the width of information necessary from urban poor respondents. Given India's strong class, caste, and ethnic divisions, issues relating to service access and quality tie in directly with a host of other social equations. Unless these are adequately captured and accounted for, efforts to better service to the poor are likely to be poorly designed and ineffectual. This is being taken care of by providing extensive training to the team of investigators who carry out the interviews.

For instance, CRC findings in Bangalore reflected a much higher level of customer satisfaction among poor customers than better-off ones, despite lower levels of service access and reliability. Further examination indicated that poor customers, who have become accustomed to unreliable and poor quality service, are happy at lower levels of performance than their better-off counterparts. (This shortcoming has now been remedied by having respondents define what they consider to be

CRCs enable key policy makers to hear the voice of the poor without mediation or interpretation and, so, it could become a powerful instrument in the direction of pro-poor service reform.

the benchmark for satisfactory service, and measuring their level of satisfaction against that.)

### No discussion on institutional reform

Another criticism has been that CRCs do not entail a discussion on institutional reform, without which fundamental and ongoing improvements in service will be difficult to attain.

### Accountability to the Poor

CRCs enable key policy makers to hear the voice of the poor without mediation or interpretation and, so, it could become a powerful instrument in the direction of pro-poor service reform. Generally, the poor have few platforms on which to engage directly with municipal and state governments, leave alone the Central Government. Even when they do, they most often lack the confidence to present their perspectives and demands directly to decision makers, and tend to rely on politicians or NGOs to represent them. Thus, the voice of the poor tends to become 'filtered' as it moves up through layers of mediation, and it is this which informs policy-making. Similarly, in the need to make major points on behalf of the collective, the nuances and varying positions that differentiate individual voices are lost.

For this reasons, politicians and the government are beginning to see the value of listening to the poor directly, and in detail, through the practice of the CRC. This instrument provides an extensive, yet structured, input from the underprivileged among others on service issues. Moreover, the detail found in CRC data far

surpasses that obtained from public meetings or opinion polls – particularly in the case of the poor. Since, in a CRC, respondents remain anonymous, they are far more willing to speak frankly. Also, they are able to do so uninterrupted and without having to defer to others, as happens in village meetings, and in Participatory Rural Appraisal and Community Score Card forums.<sup>224</sup> Unlike these methods, CRCs do not require highly-trained and experienced community facilitators to animate poor residents to speak their mind. For this reason, they are able to capture a wider and more authentic range of perspectives from within poor communities, especially when they display marked social asymmetries.

PAC and other institutions, such as ASCI, have run a variety of CRCs on urban services for the poor across a number of Indian cities, including Ahmedabad, Pune, Bangalore, Kolkata, and Chennai, as a means to compel governments to improve service. Additionally, a growing number of Indian NGOs are using CRCs to better inform interventions and priorities amongst poor communities. APSA in Bangalore, for example, conducted a detailed CRC of the water and sanitation situation in four urban poor communities within which it works, in partnership with PAC. APSA staff worked closely with local residents to demographically and physically map each community, identify key service challenges, and design the survey questionnaire. Additionally, it held FGDs on service issues with women, youth and children to identify their specific challenges and perspectives, as also to understand local social dynamics. Once CRC was completed, APSA staff discussed the findings in detail with the communities they work in, to trigger widespread introspection on how the institution might better address

<sup>224</sup> In a Participatory Rural Appraisal, an external facilitator encourages groups of local residents to identify and discuss the challenges confronted by the community and potential solutions. In a Community Scorecard, the community audits government spending on basic services and matches it against service outcomes. For this purpose, the community is asked to rate the quality of services it receives and to dialogue with the service provider to ensure improvements.



specific service challenges, at both the local and policy levels.<sup>225</sup>

In Mumbai, the NGO Apnalaya, used its slum CRC to very strategically mobilize local residents to demand improved services from their municipal councilor, and to hold him politically accountable for delivering these. Additionally, now that slum residents have a clearer insight into the extent and specific nature of the service challenges faced by their communities, they have also become more insistent in their demands for improvement.

At the international level too, CRCs are becoming the basis for significant pro-poor shifts in policy and spending. In the Philippines, for example, a local civil society group used its CRC findings to effect a significant reallocation for pro-poor programs in key government budgets. In Zanzibar, UNDP has begun to provide technical and financial support to poor communities in reviving traditional water sources, since a CRC it commissioned found that wells were of more value to poor respondents than expansions in the piped water network. Aid agencies, such as UNDP,<sup>226</sup> World Bank and CIDA, have also begun to use CRCs to evaluate

the success of ongoing national poverty reduction interventions and to make mid-course corrections to enhance impact.

However, in the case of CRCs that are not specific to pro-poor issues or concerns, care must be taken to ensure that the subsequent process of mobilization and service improvement does not by-pass poor communities. Although in Bangalore, for instance, PAC's three report cards gave equal weight to determining the service challenges faced by poor and non-poor consumers, the subsequent process of public mobilization appears to have galvanized the rich primarily. One reason is that CRC process and findings were given more attention by the English media, which is read primarily by a middle- and upper-class audience and which has traditionally allocated more space and staff time to investigations of governance and service-related issues. This is validated by the fact that many of the larger NGOs working in city slums said that the communities they work with have little or no knowledge of the CRC initiative.<sup>227</sup> Only the slums within the interview sample were aware of it. Another comment was

<sup>225</sup> "Are They Being Served? (2nd Edition) Citizen Report Card on Public Services for the Poor in Peri-urban Areas of Bangalore," APSA and PAC, 2006.

<sup>226</sup> PAF is currently undertaking a CRC for UNDP in Ethiopia and Tajikistan to this end.

<sup>227</sup> Interviews with local NGOs by the author of this article.

Comparative rating triggers strong competition among the various service agencies surveyed, and pushes them to outdo each other by improving performance.

that many respondents were unaware of the larger purpose of CRC process. Since urban poor communities, serviced by better-known NGOs, are constantly being surveyed on a variety of service and development issues by a multitude of bilateral/multilateral and government agencies for internal research and planning purposes, they did not realize that this survey was inherently different since it was intended to focus policy attention on issues of direct concern to them. Similarly, the questionnaire was not seen as being analytical enough – that is, designed to trigger introspection on the part of urban poor communities as to the reasons for service shortfalls and of the role they might play in obtaining improved services.

## Conclusions

CRCs present a valuable tool by which to plumb public feeling, and convert it into an actionable set of recommendations for government and service providers. By enunciating indicators for service quality and shortcomings, they provide a hitherto unparalleled snapshot of service topography on the ground, making it easier for these two sets of public actors to design relevant reform and improvement programs.

However, for CRCs to trigger improvements, both the initiating organization and the government must commit to investing the energy and resources necessary to pressing for and furthering reform, and to enhancing the capacity of delivery agencies through training and the exchange of 'best practice'. Similarly, citizens and the media must be mobilized to exert continual pressure on service delivery agencies, and this commitment often needs to be sustained before it yields any results. An important and welcome discovery from Bangalore's multiservice CRC experience is that comparative rating triggers strong

competition among the various service agencies concerned, and pushes them to outdo each other by improving performance.

Although CRCs have some inherent shortcomings, they allow continual improvements through, for example, the fine-tuning of questions, adjustments in sample size, and modifications in the survey administration process. Such shifts not only enhance the relevance and accuracy of the data collected, they reduce 'bias' in the findings as well.

The most significant impediment to a wider use of CRCs is their cost and their dependence on a specialized agency for analysis. A rigorous CRC necessitates a large sample size, for which a considerable investment of time and money is required. Moreover, since the success of a CRC depends on whether government agencies and service providers see it as being credible and authentic, it must necessarily rely on an 'objective third party' to analyze findings and write the report. Extensive replicability is, therefore, difficult unless new ways are found to allow local actors to administer the questionnaire and analyze findings without having to rely on the support of specialized agencies.

To conclude, CRCs serve as a unique bridge between citizens and the government, enabling the public voice to be heard directly by policy makers. Equally significantly, they serve as a bridge between citizens. This is because most citizens tend to be familiar with the views of members of their own social grouping (whether by socioeconomic class, gender, or ethnic group), but have little understanding of the perspectives of those from other social sets. The cross-group analyses provided by most CRCs afford this sort of insight on what fellow countrymen (and women) have to say about the same set of issues.





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