

Overview and Key Findings

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 'Overview and Key Findings' volume briefly introduces this research, as also the defining features of accountable service provision. The accompanying volume contains 10 case studies that discuss some of these mechanisms in more detail.

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

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Glossary and Acronyms

Glossary

<i>Adalat</i>	court of law
<i>Chawls</i>	slum tenements
<i>Gram swaraj</i>	village self-rule
<i>Jal suvidha kendras</i>	water sale centers
<i>Kutcha</i>	semi-finished construction
<i>Lokayukta</i>	People's Ombudsman
<i>Mandals</i>	sub-districts
<i>Panchayat</i>	village council
<i>Parivartan</i>	transformation
<i>Pucca</i>	fully complete construction
<i>Sabhas</i>	public meetings
<i>Sadak, bijli, paani</i>	roads, electricity, water
<i>Vidyut adalats</i>	public electricity courts

Acronyms

AEC	Ahmedabad Electricity Company	KSEB	Kerala State Electricity Board
AMC	Ahmedabad Municipal Corporation	KWA	Kerala Water Authority
ARR	annual revenue requirement	lpcd	liters per capita per day
AusAID	Australian Aid Agency	MGD	million gallons a day
BMC	Brihan-Mumbai Municipal Corporation	MLA	Member of Legislative Assembly
BMP	Bangalore Mahanagar Palike	MP	Member of Parliament
BPL	below poverty line	mlm	million liters per month
BWSSB	Bangalore Water Supply and Sewerage Board	MSW	municipal solid waste
CBO	community-based organization	MW	megawatt
CCC	centralized call center	MU	million units
CCCGRM	Consumer Courts and Consumer Grievance Redressal Mechanisms	NDMC	New Delhi Municipal Council
CEO	chief executive officer	NGO	nongovernmental organization
CERC	Central Electricity Regulatory Commission	NHG	neighborhood group
CNG	compressed natural gas	OCMS	online complaint monitoring system
CPA	Consumer Protection Act	O&M	operation and maintenance
CRC	citizen report card	PAC	Public Affairs Centre
CUTS	Consumer Unity and Trust Society	PHED	Public Health and Engineering Department
DERC	Delhi Electricity Regulatory Commission	PIL	public interest litigation
DJB	Delhi Jal Board	PPC	people's plan campaign
Discom	Commonly used term for private electricity distribution companies	RWA	residents' welfare association
DWAF	Department of Water and Forestry	SAC	State Advisory Committee
EA 2003	National Electricity Act 2003	SDU	social development unit
FES	Friedrich Ebert Stiftung	SEB	State Electricity Board
Gol	Government of India	SEP	Slum Electrification Programme
IAS	Indian Administrative Service	SERC	State Electricity Regulatory Commission
IBNET	International Benchmarking Initiative	SEWA	Self Employed Women's Association
JNNURM	Jawaharlal Nehru National Urban Renewal Mission	T&D	transmission and distribution
kL	kiloliter	UFW	unaccounted for water
		ULB	urban local body
		WDR	World Development Report
		WSP-SA	Water and Sanitation Program-South Asia
		XIBM	Xavier Institute of Business Management

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 most relevant, convenient and affordable, and only if citizens 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, and so on.

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,¹ water supply and sanitation provision has not adequately kept pace with this development. Urban water

¹ 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 people² — 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 2025,³ 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.

² 2001 Indian National Census.

³ *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).

Section 1 briefly discusses the service challenge in the Indian water supply and sanitation services sector.

End users are key in determining which services they find relevant, convenient, and affordable. Clear and publicly agreed standards for service delivery are crucial.

Section 2 defines the elements of accountable service provision and explains why the sector currently falls short in India. Section 3 provides a brief overview of the 10 'voice' and 'client power' mechanisms profiled in detail in an accompanying volume titled *Engaging with Citizens to Improve Services*, and describes the theoretical framework through which they are analyzed. Section 4 presents the key findings and lessons from the case studies and Section 5 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.
- *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.

Section 1

Introduction – India's Water
Supply and Sanitation
Service Challenge



Over the past few years, “*sadak, bijli, paani*” (roads, electricity, water) has become the powerful new demand of the urban Indian electorate and, so, naturally the key promise of the Indian government and politician. Aggravated by the poor state (or nonavailability) of water supply and sanitation services, the urban Indian has begun to exert concerted pressure on the government to dramatically improve service access, quality, and delivery.

Yet, according to the Indian National Census of 2001, while 90 percent of urban India now has access to a safe source of water, only 74 percent is covered by piped water networks. Much of urban India is perennially water-short, especially in summer. Millions of households struggle on a daily basis to cope with problems that include inadequate and interrupted supply, and poor water quality.⁴

Most poor households are not even nominally connected to piped systems, since they often live in informal and unauthorized settlements that utilities are not permitted to service officially, due to existing municipal and urban tenure laws in India.⁵ The costs are high — whether in the form of health risks and the coping costs of accessing alternative modes of water provision.

Across income classes, consumers are also supplied with far less water than they require for fulfilling basic daily requirements. While India’s urban water delivery infrastructure is built to supply legally connected households with at least 130-150 liters per capita per day (lpcd),⁶ estimates are that consumers receive just 100 lpcd at best and slum households that access water

Box 1.1: Health Costs of Poor Water Services

The Voluntary Health Association of India (VHAI) estimates that the country loses 73 million working-person days because of illnesses caused by water-borne diseases, while UNICEF puts the same estimate at 1,800 million workdays. The impact is particularly marked with respect to children. UNICEF estimates that India loses an estimated 2,500 children every day — that is, close to 1 million annually — due to diarrhea and other intestinal diseases caused by polluted drinking water and lack of sanitation. Diarrhea and related diseases are responsible for over 25 percent of all deaths among children in the 0-5 age group.

through public sources receive an average of just 16-25 lpcd. Moreover, as Figure 1.1 shows, the system’s capacity to effectively service urban Indian consumers

⁴ Two recent studies of water supply in India’s larger cities show that urban households are provided with water for an average of just five to seven hours a day. These are, firstly, a 2006 Water and Sanitation Program—South Asia (WSP-SA) study of 18 Indian urban water and sanitation utilities, entitled *Benchmarking Urban Water Utilities*, and, secondly, a joint Institute of Hydraulic Engineering-Delft University and Loughborough University (Water, Engineering and Development Center) of 35 Indian utilities, entitled *India: Urban Water Supply*. In smaller Indian towns, the frequency of supply drops to just a few hours a week.

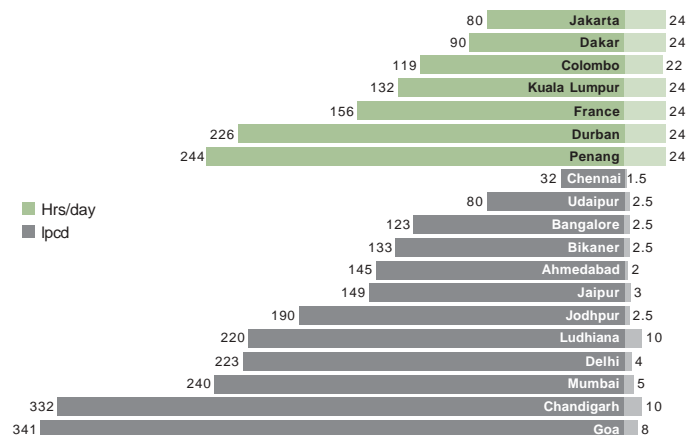
⁵ According to the National Census, 65 percent of India’s slums have access to water only through communal taps, 25 percent rely on wells and handpumps, and 10 percent on tankers, many of which supply water at prices considerably higher than that charged by the local water utility. It is important to note that all the statistics cited in this paragraph refer only to those sections of the urban poor population living in ‘authorized’ slums; a significant number lives in ‘unauthorized’ settlements not counted by the census.

⁶ The Central Public Health and Environmental Engineering Organization has set technical guidelines for the per capita quantity that utilities are supposed to provide customers. These are 70 lpcd in areas with no sewerage, 130 lpcd in areas with sewerage, 150 lpcd for cities with over 1 million in population, and 40 lpcd for public standposts.



appears to be deteriorating. Bangalore, which had maintained an average of 20 hours of supply per day in the 1980s, is now able to sustain an average of just 2.5 hours. Chennai, which had supplied consumers an average of 10-15 hours of water a day, can now provide an average of just 1.5 hours. This is far short of the 24-hour supply that is now common in other developing country cities. Figure 1.1 compares the average hours of supply achieved by larger Indian cities against that of similar developing country cities. While Jakarta, Dakar, Kuala Lumpur, and Penang can now provide water around the clock (average hours of supply are indicated in the column on the right), Indian cities lag far behind although they have a larger amount of water per capita flowing into the delivery system (average lpcd is indicated in the column on the left).

Figure 1.1:
Average Water Supply in Selected Indian and Comparator Cities



Source: Ministry of Urban Development and Water and Sanitation Program—South Asia Benchmarking Study, and ADB Utilities Book, verified with relevant utilities.

The rapid and unplanned growth of urban slums, combined with the poor's lack of tenure and recognition by urban authorities, has made it difficult for water and sanitation utilities to service these populations effectively.

Table 1.1:
Slum Population of Million-Plus Cities
(2001, in millions)

City	Total population	Slum population	%
Mumbai	17.07	5.86	34.30
Kolkata	13.11	4.31	32.90
Delhi	12.22	3.26	26.70
Chennai	6.98	1.96	28.10
Hyderabad	6.30	1.25	19.80
Bangalore	6.36	0.79	12.50
Ahmedabad	4.36	0.89	20.31
Pune	3.53	0.58	16.30
Kanpur	2.49	0.51	20.60
Lucknow	2.26	0.37	16.60
Nagpur	2.32	0.74	31.90
Surat	2.29	0.58	25.40
Jaipur	2.21	0.64	29.10
Kochi	1.54	0.38	24.80
Vadodara	1.71	0.31	18.30
Indore	1.54	0.23	15.20
Coimbatore	1.33	0.12	8.70
Patna	1.53	0.97	63.50
Madurai	1.31	0.24	18.00
Bhopal	1.53	0.21	13.99
Visakhapatnam	1.67	0.42	25.20
Ludhiana	1.63	0.58	35.40
Varanasi	1.33	0.27	20.10
Total	96.63	25.48	26.37

Source: Central Statistical Organisation

Accelerating Urbanization and Urban Poverty

Burgeoning population growth, exacerbated by rapid and unplanned urbanization, poses an immense challenge to municipal governments charged with delivering water and sanitation services to India's cities. According to the 2001 census, some 28 percent of Indians — or some 300 million people — now live in urban areas; a figure that is expected to double to 634 million people — or 46 percent of the national population — by 2030. One-fifth of all Indians with no access to drinking water (that is, some 23 million people⁷), and over a 10th of all Indians without sanitation facilities (some 77 million people) now live in India's towns and cities.⁸

Moreover, for sometime into the future a significant portion of the urban population will be poor. Already 25 percent of India's poor lives in urban areas (Table 1.1) — and 31 percent of this urban population is poor.⁹ This slum population will continue to expand, according to some experts, by as much as four times by 2020¹⁰ (totaling some 285 million people).

The rapid and unplanned growth of urban slums, combined with the poor's lack of tenure and recognition by urban authorities, makes it difficult for water and sanitation utilities to service these populations effectively. Addressing these challenges requires a range of measures, including improved citizen participation in the planning and monitoring of services. This study analyzes trends, issues, and experiences in India as far as such participation is concerned, and draws out key lessons for wider application.

⁷ USAID analysis, based on 2001 National Census.

⁸ USAID.

⁹ 2001 National Census.

¹⁰ *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.

Section 2

Accountability
Relationships in the Indian
Urban Water Supply and
Sanitation Services Sector



The institutional arrangements and associated incentives that characterize the Indian Urban Water and Sanitation Sector (UWSS) hamper utilities' ability to achieve safe, reliable, affordable, and sustainable services for all citizens. This is largely because utilities are structured and governed to draw their direction and validation from higher tiers of government, and not from citizens or customers.



Customers have little power over their water and sanitation service providers.

No Direct Accountability to Citizens

In an effort to make service providers more accountable to citizens, the 74th Amendment to India's Constitution¹¹ decentralized responsibility for key areas of service delivery (including water supply and sanitation) to the local level. However, devolution has not occurred in the manner envisaged. In many states, state-level parastatals continue to deliver services even at the local level. Since effective public accountability mechanisms have not been instituted at either the state or local level, decision-making related to key service delivery issues tends to be far removed from communities, who have little knowledge or understanding of how the sector works, how they might effectively articulate community voice, and by what means they can hold water and sanitation utilities to account.

The sector relies on 'horizontal accountability'¹² mechanisms, in which service providers only report to higher tiers of government and elected representatives and provider performance is measured only on the basis of construction and expenditure targets set by higher tiers. Mostly, no provision exists for 'vertical accountability'¹³ – in which citizens monitor performance and help enforce service standards. Customer needs and satisfaction tend to be overlooked in deciding on new investments and service projects.

In states where some degree of decentralization has been introduced in accordance with the 74th Amendment, significant shortcomings remain in the empowerment of municipal bodies in aspects such as staffing, expenditure, and revenue authority. Most

municipal governments continue to rely heavily on state and central financing, not only for capital investments but also for a significant part of operational expenditures. They therefore do not feel fully empowered and responsible for service delivery, and continue to 'look up' to state governments for financial and technical support, feeling little need to involve, consult or inform end users about proposed schemes.

At best, the Indian water and sanitation sector is characterized by the '*long route to accountability*',¹⁴ with elected representatives conveying citizen needs and concerns to service providers and attempting to translate these into operational standards, terms, and processes for service delivery through '**compacts**' with service providers. Citizens then have a publicly instituted framework within which to exert '**client power**' on utilities to ensure optimal service delivery. The *short route to accountability* — where customers and service providers engage directly with each other rarely exists. In its purest form, the *short route* is the sort of relationship that exists between customers and service providers in a free-market situation of competition among them.

Visually, the World Development Report 2004 illustrates the 'short' and 'long' routes to accountability in the following manner.

For a public service delivery system to function successfully, each of the three elements of voice, compact, and client power is necessary. In other words,

¹¹ The Amendment was passed in 1992.

¹² Hybrid Forms of Accountability: Citizen Engagement in Institutions of Public-Sector Oversight in India, Anne-Marie Goetz and Rob Jenkins, *Public Management Review*, 2001.

¹³ *Ibid.*

¹⁴ *Making Services Work for the Poor*, World Development Report 2004, World Bank.

The channels of political representation and accountability that characterize a democracy such as India fail to translate into pressures for universal and quality service in the urban water and sanitation sector.

Figure 2.1:
Framework for Public Service Provision



Source: World Development Report 2004: Making Services Work for the Poor

the triangle of relationships — that is, citizen-policy maker (voice), policy maker-utility (compact), and citizen-utility (client power) — must be complete, and each side equally balanced in vitality and strength. Should any of these relationships be weak, it distorts the system’s ability to sustainably produce quality services over the long term.

Politicians and Accountability in the Indian Urban Water and Sanitation Sector

In the Indian urban water supply and sanitation sector, the absence of formal mechanisms to enable citizens to participate in policy-making, financing and investment decisions, utility monitoring and performance enforcement has seriously weakened the ‘voice’ and ‘client power’ relationships. As a result, citizens have

Box 2.1: The Enabling Policy Environment

India’s national policy framework on urban water and sanitation¹⁵ has begun to emphasize community participation, demand responsiveness, decentralization, and financial responsibility as basic principles for sectoral reform. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM),¹⁶ which will invest US\$12 billion¹⁷ in leading Indian cities by 2012, emphasizes the development of urban water and sanitation service together with governance reform centering on a formal role for citizen participation in investment decisions and the monitoring of service delivery.

little understanding of the ‘compacts’ that their elected representatives reach with utilities, much less the ability to influence them.

For this reason, the channels of political representation and accountability that should characterize a democracy such as India fail to translate into pressures for universal and quality service in the urban water and sanitation sector. A key reason is the administrative and financing arrangements in the sector that make water and sanitation utilities operationally dependent on elected representatives and higher tiers of government, rather than citizens, for their survival. (These arrangements and their specific outcomes on accountability flows in the sector are discussed in detail in the next subsection.) For these reasons, the operational decisions taken within the sector tend to be influenced more by the political visibility and support they will bring the incumbent

¹⁵ The National Water Policy (2002), and the 8th-11th Five Year Plans (1992-1997, 1997-2002, 2002-2007, 2007-2012).

¹⁶ The program was launched in December 2005.

¹⁷ Conversion rate is US\$1 = Rs 45 (as per September 2006)

government, individual elected representatives, or senior government officials, rather than the degree to which they result in enhanced service for all citizens. Moreover, since elected representatives and bureaucrats allocate finances to individual utilities, decide how these are to be spent, and post and promote senior utility staff, utility management and staff endeavor to satisfy them — rather than citizens — to ensure their continued survival and professional success.

In other words, the current relationship between politicians and utilities has acquired an orientation that undermines the 'long route to accountability', at the heart of which is the setting of clear and publicly agreed standards of performance for utilities that both compel and enable them to benefit all customers equally.

Given the absence of both publicly-understood and clearly-defined standards of utility performance and enforcement mechanisms in the country, patronage flourishes as it seems to many the only way of accessing services or influencing service decisions.

The following press extract (Box 2.2), and scores of others like it from other parts of India, capture very pithily the patronage relationships that characterize India's urban water and sanitation sector.

Further undermining the effective functioning of the 'long route' is that citizens' dependence on alternative means of delivering water, such as tankers and informal water vendors, has expanded in step with utilities' mounting inability to service growing urban populations. This development has weakened political interest in improving delivery through the piped system, since

Box 2.2: Patronage at Work in Water and Sanitation

The ruling party's MLAs and councilors today came down heavily on the water department for its failure to cater and live up to the expectations of the people. Accusing the bureaucrats in the Board of behaving in an "indifferent manner," the citizens' elected representatives let loose their ire on the field staff including engineers for turning a deaf ear to the needs and demands of their areas. The MLAs were particularly harsh on their area engineers for cold-shouldering the elected representatives on the excuse that they were answerable only to the CEO. The MLAs were sore that despite repeated reminders the engineers do not listen to their pleas to resolve the problem in their respective areas. In fact, some of the MLAs informed the Chief Minister that the engineers rarely responded to their calls even after being called up and reminded several times. Their complaint was that engineers did not give an ear to the issues raised by them and nothing was being done to resolve the situation that had been continuing for the past so many years. A large number of MLAs complained of supply of poor quality water that had made life miserable for the residents. There were complaints galore about the failure to carry out repairs and implementation of the planned projects in many constituencies. In fact, the majority opinion was that the bureaucrats were not bothered about the image of the government or the local representative and they continued to adopt a callous attitude.

Extracted from The Hindu, May 28, 2005

Tankers and informal water vending arrangements appear to offer an easy-to-deliver solution to a pressing problem, and are logistically easier to administer than network expansions.

municipal councilors and Members of Parliament are able to earn political capital by arranging tanker supplies for their electoral constituencies. Similar 'disincentives' are also apparent among utility officials. Tankers and informal water vending arrangements appear to offer an easy-to-deliver solution to a pressing problem, and are logistically easier to administer than network expansions. Local water officials are able to manage this avenue of delivery fairly autonomously – without having to rely on the technical expertise or financial clearances of higher tiers of government.

While these developments are understandable, such alternative arrangements are inherently deficient in service terms. Moreover, they often emerge without any due process and so are not accompanied by formal mechanisms by which customers might hold providers to account.

For frontline officials, particularly, these alternative methods of delivery present opportunities for rent-seeking. Although user payments for tanker are supposed to go to the municipal water department (and tanker supply to slum communities is free), there have been cases where water-starved consumers are charged 'facilitation' fees for expediting services to them.

Modifying Sectoral Incentives to Restore Accountability

Given these emerging trends, how might accountability be restored to the Indian water and sanitation sector?

Most importantly, incentives within the sector have to put citizens at the heart of the service delivery process. 'Vertical accountability' would enable citizens to hold

utilities to account by participating in the standard-setting, performance-monitoring and enforcement process. At the same time, binding penalties need to be instituted in a transparent manner for nonperforming utilities that are administered by entities or institutions especially charged with doing so. Thus, citizens — armed with a detailed understanding of what they should expect from their utilities and how they may penalize them for nondelivery — are also able to hold their elected representatives to account for enforcing these standards. But how can civil society groups and policy makers achieve this?

The World Bank's World Development Report 2004: Making Services Work for the Poor helps to answer this question. Based on a study of public and private sector service provision systems around the world, it finds that successful relationships between providers and customers involves the following elements:

- **Delegation** (or the setting of performance standards) – the customer demands a service and reaches an agreement with the provider on the parameters¹⁸ by which it will be delivered;
- **Performance** (or service delivery) – the provider delivers the service, as per the parameters agreed with the customer;
- **Finance** – the customer pays for the service;
- **Information** – the customer assesses the quality of the service and decides whether to buy more of it or not; and
- **Enforceability** – dissatisfied customers are able to penalize providers that provide poor service.

¹⁸ Including service structure, price, delivery mechanism, and payment arrangements, etc.



Box 2.3: Water Tankers: A Profitable Business

Tankers are now a common sight in most Indian cities. Initially, they were used by municipal water departments as a stop-gap measure to overcome supply shortages in summer. Now, a growing number of water departments have begun to rely on tankers as the primary means to supply unconnected households, using private contractors or investing in their own fleet to do so.

Delhi's water tanker industry, for instance, has grown rapidly since the 1980s, and the city now hosts some 1,200 private tankers. Tanker operators began as landowners with access to underground water, or transport operations. While the city's water utility, the Delhi Jal Board, supplies tankers free of cost to connected or eligible households, the city's private tankers charge at least US\$2.2 for 1,000 liters. Richer consumers pay a higher rate than poorer ones, and prices rise substantially for both groups in summer. Although industrial areas in Delhi are supposed to be provided with reliable water and power supply, a recent survey of 70 companies¹⁹ found that 25 percent of respondents relied on private water tankers on a more or less regular basis.

A study by a policy think-tank in Delhi²⁰ provides an insight into the economics of private tanker operators. The tankers that supply Sangam Vihar, a South Delhi colony, tank up at Faridabad on the city's outskirts at a cost of US\$2.2-5.5. This water is then sold for US\$12.2-13.3, making the profit per tanker US\$2.2-3.3, after all costs have been recovered.

¹⁹ *The Urban Water Sector: Formal versus Informal Suppliers in India*, Marie Llorente and Marie Helene Zerah in *Urban India*, Vol. XXII, No.1, National Institute of Urban Affairs, January-June 2003.

²⁰ *Private Provision of Public Services in Unauthorized Colonies: A Case Study of Sangam Vihar*, Prateep Das Gupta and Swati Puri (Working Paper), Centre for Civil Society, 2005.

Water utilities are not legally bound to report on their performance to customers. They are only required to report to higher tiers of government on budgets and expenditures.

Each of these elements must be strongly present for a service provision system to function effectively and accountably. In other words, institutionalized citizen engagement and monitoring needs to be created at each of these five points to build a successfully operating model of service delivery in the Indian water and sanitation sector.

Visually, an accountable system could be depicted as a closed loop, as in Figure 2.2.

Currently, the accountability loop in the Indian water and sanitation sector is far from complete due to the lack of effective citizen engagement on each of these five key elements, as discussed below.

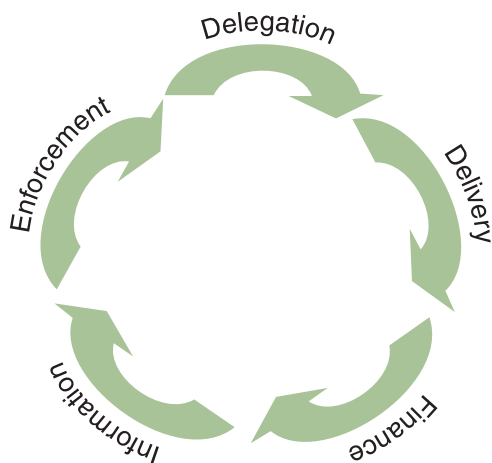
Delegation (or the setting of performance standards): In view of the top-down manner in which the sector operates, water and sanitation utilities look to elected representatives and government officials to set performance standards and decide on new projects for them. Performance standards thus relate primarily to the

fulfillment of construction and expenditure targets, and not to the issues which most concern citizens: that is, uninterrupted, high-quality service and responsiveness from the service provider. Since citizens are largely unaware about the performance standards that have been set, they find it difficult to influence them.

Performance (or service delivery): Investment decisions on new infrastructure projects are generally taken by parastatal agencies, without consulting citizens or municipal governments. Moreover, the institutional arrangements and resulting incentives within the sector create systemic pressures for more infrastructure spending,²¹ rather than service improvements through better operations and maintenance. As a result, infrastructure often does not cater to citizens' needs and/or the technical ability of local engineers. Additionally, deficient operation and maintenance (O&M) practices results in repeated wasteful capital investment, which make a negligible dent in the continuing cycle of high water losses and inadequate and irregular water supply.

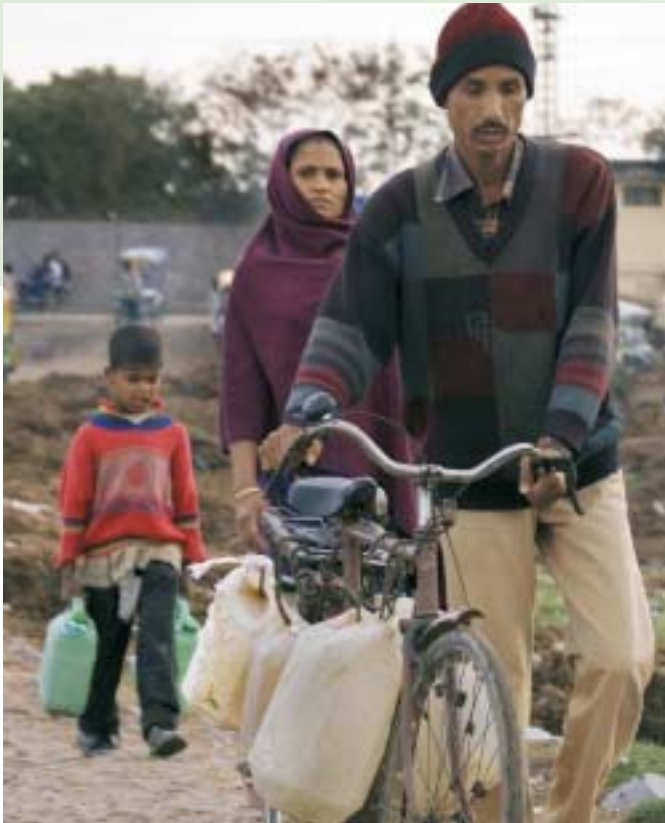
Finance: Citizens play a minor role in financing the operations of the sector and, so, it is easy for water utilities to overlook them in planning new investments or setting tariffs. 70 percent of all capital spending in the sector comes from budgetary allocations made by central and state governments, through a variety of grants, schemes, and incentive funds.²² Moreover, state and municipal governments require service providers to keep domestic water tariffs at an average of US\$0.03 per cubic meter (while the average cost of supply is about

Figure 2.2:
The Accountability Loop



²¹ Since state engineering agencies receive fees that are a fixed percentage of total project costs, they have little incentive to optimize costs and strike a better balance between O&M and capital expenditures.

²² Another 20-25 percent of funding comes from the Life Insurance Corporation of India (LIC) and the Housing and Urban Development Corporation (HUDCO), both of which are government bodies directed to lend a fixed percentage of their funds each year to water and sanitation projects. Multilateral and bilateral donor agencies provide the remaining 5 percent of funds.



Citizen engagement will create accountability pressures on utilities, together with the separation of sectoral policy-making, service provision, and regulation.

US\$0.33 per cubic meter²³) and to provide free water to the poor through public taps and handpumps. From the utility's perspective, therefore, there is virtually no financial incentive to pay attention to customers. Municipal financial management and accounting practices further entrench this state of affairs. Since municipal governments do not maintain a separate budget for water and sanitation spending,²⁴ they do not have a reliable estimate of how much it actually costs them to supply these services within their jurisdiction – nor, indeed, of the subsidies they are providing.²⁵

²³ *A Scorecard for India*, Raghupati, Usha and Foster, Vivien (2002). (*Water Tariffs and Subsidies in South Asia*, Paper No 2 of the *Water Tariffs and Subsidies in South Asia* series published by the Water and Sanitation Program-South Asia, PPIAF, and the World Bank Institute).

²⁴ This is clubbed together with other urban services including transport and solid waste management.

²⁵ *Benchmarking Water Utilities*, Water and Sanitation Program–South Asia (2006).

²⁶ *Ibid.*

Overview and Key Findings

Engaging with Citizens to Improve Services

Information: Water utilities are not legally bound to report on their performance to customers, and they are only required to report to higher tiers of government on budgets and expenditures. Further, many municipal water departments have no definitive measures and mechanical tracking systems by which to monitor and record water flows, and so are unable to assess the extent to which poor metering, theft, or breaks and leakages are individually responsible for water losses.²⁶ There is thus a significant information vacuum in the sector, which makes it difficult for citizens and policy makers to press for targeted improvements and to effectively hold utilities to account.

Enforcement: Since the same set of interlinked entities act as policy maker, regulator, and service provider, governments and elected representatives have no real incentive to act against poorly-performing water and sanitation utilities. For this reason, citizens find it difficult to institute effective action against poorly-performing utilities.

While citizen engagement will go a long way in creating accountability pressures on utilities, in the longer term it is vital to clearly separate these three sets of institutions, in functional and financial terms. Role clarity and demarcation will lead to definitive improvements in accountability. First, service providers would have the autonomy to make operational choices in accordance with their objectives, particularly decisions related to personnel recruitment, compensation, performance, and outsourcing. Secondly, role separation will facilitate performance measurement and the creation of service

Citizen engagement will create accountability pressures on utilities, together with the separation of sectoral policy-making, service provision, and regulation.

'contracts' that bind water service providers to well-defined and enforceable service targets, regulated by clearly defined and independent bodies. Thirdly, it would allow policy makers to focus on ensuring the achievement of service outcomes, rather than feeling compelled to control day-to-day operational and pricing issues in the greater public interest.

Enhancing Accountability in Practice

As is clear from the preceding sections, both the theory and practice of accountability emphasize that the more points of contact that can be created between the service provider and the customer, the more accountable a public service delivery system is likely to be. Most importantly, existing processes for 'horizontal accountability,' in which one tier or agency of government holds another one to account, must be complemented and strengthened by the establishment of 'vertical

accountability,' in which consumers are also given the power and the right to participate in the various stages of service planning and monitoring, including:

- the design of both sector policy and services;
- the design of financing mechanisms and tariffs;
- the monitoring and assessment of service quality; and
- the institution of penalties against poorly-performing utilities.

This does not mean that customers become providers, but rather that they will actively participate in setting standards and priorities. In a context where citizens have had the opportunity to say so little, this creates practical opportunities for them to influence the nature and effectiveness of service delivery.

Section 3

Augmenting Citizen
'Voice' and 'Client Power':
Some Models



A variety of pioneering Indian 'voice' and 'client power' initiatives present important models by which to design citizen involvement in the Indian water and sanitation sector. Some have been devised by consumer and civil society groups; some by local governments and public service providers; and some by Indian state or central government agencies. 10 of these innovations²⁷ are examined in detail and summarize more extensive research commissioned by the Water and Sanitation Program-South Asia (WSP-SA) in 2004-05.

The Framework for Analysis

The 10 case studies provide lessons on the points at which citizen engagement was created, the form it took, and the impact it had. Within the framework of the World Development Report 2004's five-point accountability matrix (Figure 2.2) the analysis sought to determine how elements of this matrix — 'delegation', 'performance', 'finance', 'information', and 'enforcement' — could give citizens a voice in setting the terms of service delivery, designing delivery infrastructure and defining tariffs. The key question was whether civil engagement created incentives for service providers to consider customers in their decisions rather than 'look upward' to politicians and higher tiers of government? Other questions were how dependence on state/central government grants was reduced, and information made available to citizens on the performance of their service providers. The effectiveness of consumer grievance redressal was also considered. Did engagement follow the indirect 'long route' of accountability or the 'short route' of

directly holding service providers accountable for standards of delivery? What are the particular challenges in effectively serving the poor? Did frontline staff become more responsive? Are the experiences replicable, and under what conditions?

Case Study Summaries

For the reader's convenience, the 10 citizen engagement and participation initiatives are briefly introduced below. Although only three of these initiatives relate solely or even directly to the water and sanitation sector, in totality they yield important findings on potential areas for citizen engagement and internal management improvements in any water utility or public service provider aiming for a happier and better-served customer. Also, while each innovation has its own unique institutional and sectoral context, for purposes of discussion it has been viewed as a representative prototype for the possibilities and challenges presented by similar mechanisms throughout the country.

²⁷ These were identified on the basis of intensive interactions between WSP-SA and leading Indian civil society organizations over 2004-05, in particular Janaagraha (Bangalore), Lok Satta (Hyderabad), and the Consumer Unity and Trust Society (Jaipur).

Case Study 1 User Contributions in Urban Water Supply Infrastructure: Bangalore

What and when?	In 2000, the Bangalore Water Supply and Sewerage Board (BWSSB) launched a program designed to test the feasibility of providing metered individual water and sanitation connections to unauthorized slum households in the city, departing from its traditional practice of servicing such communities via free, shared public taps. For this purpose, it waived its requirement that only households with legal tenure could avail of an individual connection.
Why?	BWSSB was forced to find new ways to recover the costs of servicing the poor, because the Bangalore Municipal Corporation (which had earlier reimbursed BWSSB for the cost of free water from public taps) discontinued this payment. However, the corporation agreed to finance the extension of the city's water distribution network to more outlying areas. This, together with financial support from AusAid, encouraged BWSSB to experiment with new models by which to serve slum communities.
How?	<ul style="list-style-type: none"> • BWSSB worked closely with community-based groups to generate awareness and mobilize finance from slum communities. It also dialogued extensively with them on the nature and price of the services they desired, and brought down by two-thirds the rates for new domestic connections to US\$12.2-17.7, and user tariffs from US\$2.5 to US\$1.6 a month. • It set up an in-house Social Development Unit to spearhead the program. Each BWSSB engineer was set a zonal revenue target. • Slums were connected to the network only after at least 50 percent of households committed to pay; and water usually supplied on alternate days for two to six hours at a time.
Impact	<ul style="list-style-type: none"> • BWSSB succeeded in mobilizing 46 poor communities by early 2005, accounting for 10 percent of the city's slums. More than half of these have connected to BWSSB's network, and continue to receive and pay for service. The program is now being scaled up, and the Government of Karnataka is planning to replicate it throughout the state. • BWSSB engineers' need to mobilize revenues and connections from the areas under their jurisdiction has compelled them to engage with slum communities, both to explain the program and to lay the distribution pipes. This has served to create client power for these communities for the first time, in response to which BWSSB has had to innovate new models for service delivery to the poor.
Limitations	Since the model is heavily reliant on community-based organizations, slum communities lacking such entities may be by-passed. Additionally, the momentum has slowed since BWSSB has not yet introduced incentives that specifically reward its engineers for working with the urban poor, and has not provided sufficient resources to its Social Development Unit.

Case Study 2

User Contributions in Sewerage Infrastructure: Tamil Nadu

What and when?	In 1997, Tamil Nadu's Urban Local Bodies (ULBs or municipal governments) embarked on a pioneering effort to expand their sewerage networks by raising capital contributions from the public.
Why?	Over the 1980s and 1990s, the Tamil Nadu Government had become seriously concerned by the state's high incidence of water contamination and diarrheal disease, resulting from its rudimentary and limited sanitation infrastructure. It decided to upgrade and universalize the state's sewerage network, but did not have sufficient resources. It thus asked ULBs to spearhead this initiative, in collaboration with local communities.
How?	ULBs (municipal councilors, in particular) mobilize communities, while the state's two water and sanitation utilities — that is, the Tamil Nadu Water and Drainage Board and Metrowater — lay the sewerage network. Each ULB decides on the flat-rate amount to be contributed by households and other users, in close consultation with municipal councilors and community organizations. ULBs pay about a quarter of the cost of expanding the municipal sewerage network, households one-sixth, and the rest is obtained through loans (defrayed through property taxes) and a variety of government funds. Household contributions are paid in two installments – 50 percent before state funds are released, and 50 percent at the time of implementation. Sewer connections are paid for separately from monthly sewerage maintenance charges. The average connection charge is US\$142.2 per household, and the average monthly sewerage charge is US\$3.5. Few cities have differential rates for the poor.
Impact	64 urban areas in Tamil Nadu are now involved in building sewerage schemes, up from 14 just a few years ago. This is the first time that ULBs have been given the power to decide the amount of public contributions and user charges. Public support for the scheme has been extensive, expanding community ownership and engagement with local government. Since municipal councilors have played the central role in championing the initiative, they have been careful to ensure that all implementation details are decided upon only after extensive consultations with constituents. As a result, local communities have been able to proactively contribute to the design and implementation of the scheme, and to cost management. For these reasons, implementation has also proceeded largely on schedule.
Limitations	Neither end users nor ULBs have a mechanism by which to demand performance information from or to enforce service standards upon the two parastatals undertaking construction within the scheme, since no post-construction performance standards were put in place. Some participating urban areas have also witnessed difficulties with deposit mobilization.

Case Study 3 Ahmedabad's 'Parivartan' and 'Slum Electrification' Initiatives

What and when?	In 1996, the Ahmedabad Municipal Corporation (AMC) collaborated with Arvind Mills, a local industrial house, to launch a program to upgrade the city's slums. Called ' <i>Parivartan</i> ,' it offered each household a bundle of eight fee-based services, including an individual water connection and toilet, underground sewerage, and storm water drains. Simultaneously, AMC collaborated with the Ahmedabad Electricity Company to pilot the electrification of slum households.
Why?	Arvind Mills wished to improve the living conditions in the slums in which many of its workers lived, and donated US\$220,000 to AMC for this purpose. At the same time, the Ahmedabad Electricity Company was battling with electricity losses of 40 percent, due to electricity theft by urban slum populations. It, therefore, decided to tackle the problem head on, by working directly with slum communities to regularize and meter their connections.
How?	In the ' <i>Parivartan</i> ' initiative, AMC contributed about 70 percent of the capital cost of US\$350 per household, and Arvind Mills and the beneficiary community contributed 14 percent each. AEC's slum electrification initiative, on the other hand, emphasized full-cost recovery and O&M costs. Connection costs ranged between US\$78 and US\$111, which could be paid in monthly installments. User charges are approximately US\$3.3-4.4 a month, about a half of what households were earlier paying their illegal electricity providers. In both instances, community-based organizations were responsible for mobilizing communities and collecting payments. Connected slum communities also become liable to pay property tax.
Impact	In the span of eight years, the ' <i>Parivartan</i> ' program has networked 18 settlements. In these, 90 percent of households now have individual water connections, open defecation and diarrheal diseases have reduced significantly, incomes have increased, and property values have risen. The Slum Electrification Program now covers almost 10 percent of the city's slum population, and has considerably reduced AEC's losses.
Limitations	The ' <i>Parivartan</i> ' program has fallen far short of its original target, networking only 1 percent of the city's slum population in eight years. A variety of factors has contributed to this, including its top-down approach; the lack of involvement of or incentives to frontline staff; inadequate institutionalization within AMC; and slum households' inability to pick and choose among the eight services to suit their needs and pocket. Additionally, since the responsibility for O&M rests with local ward offices, rather than with AMC, it has been difficult to ensure upkeep. Politicians, promising free water and electricity to slum communities from their constituency development funds, have also undermined slum communities' willingness to avail of paid services. However, AEC's program showed considerable success – expanding to 10 percent of slums in just two years, by explaining to slum households that it was considerably cheaper for them to legally connect to the network than to pay bribes.

Case Study 4 Participatory Budgeting in Kerala

What and when?	In 1997, Kerala's State Government made ULBs responsible for spending 30 percent of state annual plan funds. This triggered a state-wide pioneering participatory budgeting and training initiative, known as the 'People's Plan Campaign,' in which local neighborhood groups and Ward Committees contribute project ideas for their city, negotiate with counterparts, and reach an agreement with the local municipal council on specific projects for the year. Communities then participate in the drafting, implementing, and monitoring of projects.
Why?	The Government of Kerala wanted to ensure that development spending responded to felt local needs, and so placed ULBs and beneficiary communities at the center of planning, budgeting, and implementation. Most of all, it wanted to mobilize Kerala's poor citizens to be more self-reliant and learn how to undertake development on their own.
How?	Neighborhood Groups and Residents' Welfare Associations relay their ideas to their Ward Committees, who send representatives to city/town-level conventions, where a draft plan for the city is negotiated and crystallized. Draft plans are then sent on to the municipal council, which forwards it to the district council for inputs, and finalizes it accordingly. Over 224 full-time coordinators, and scores of citizen volunteers, at the municipal, district and block levels assist this state-wide process.
Impact	Citizens are now able to exert 'voice' through their involvement in the municipal planning and implementation process. This is particularly evident in the case of the poor, as a result of which basic services have seen significant improvements. Citizens have also been able to exert more 'client power' over some municipal service providers. Additionally, ULBs have now become fully responsible for projects that directly affect their constituencies, including poverty eradication and the upkeep of roads. This has completely transformed their relationship with the state government. At the same time, the use of volunteer labor and cash contributions by beneficiaries has substantially lowered project costs.
Limitations	Since water and electricity continue to be provided by parastatal agencies that are not responsible to ULBs, accountability in such services remains weak. The Campaign has also not succeeded in ensuring widespread public participation in performance monitoring and enforcement, as a result of which there have been some instances of corruption in citizen-led project implementation. Better-off citizens have also lost interest in active involvement, since they perceive the Campaign as primarily serving the needs of the poor.

Case Study 5 Consumer Courts and Consumer Grievance Redressal Forums

What and when?	Since the late 1980s, customers who are dissatisfied with the manner in which their complaints are handled by Delhi's electricity and water utilities may approach Delhi's network of consumer courts for a more favorable solution.
Why?	In 1986, India passed the Consumer Protection Act which, among other things, stepped up the standard for consumer protection and complaint redressal across a variety of sectors. Subsequently, Delhi's liberalization of its electricity distribution sector was accompanied by the imposition of stringent consumer protection and complaint redressal norms on private electricity distribution companies. At the same time, the Delhi Jal Board is attempting to upgrade its complaint redressal system as part of a voluntary effort to become more accountable to consumers.
How?	Delhi's three electricity utilities have fairly similar complaint registering and redressal systems. Both written and telephonic complaints are logged into a computerized system by a centralized complaint cell, and are then forwarded to the respective area engineers for action. The computerized system automatically monitors the status of complaint redressal, 'escalating' unaddressed complaints to the General Manager (Operations). Delhi's electricity utilities have also established Consumer Grievance Redressal Forums, which serve as in-house courts that adjudicate on unresolved consumer complaints. Delhi Jal Board customers file different sorts of complaints at different zonal levels. All complaints — whether telephonic or written — are logged in a physical register, and forwarded to area engineers for action. The Delhi Jal Board is working to streamline this process by devolving the responsibility for billing, complaint redressal, and the maintenance of local customer databases to the zonal level. Customers dissatisfied with the remedy they receive from Delhi's electricity and water utilities can then file cases with Delhi's consumer courts, which are required to rule on them within three months.
Impact	Delhi's consumer courts tend, by and large, to rule in favor of complainants, so customers have been able to exert some punitive pressure on the city's utilities. To avoid legal action, the latter have also proactively made more of an effort to attend quickly and positively to complaints.
Limitations	The massive backlog of cases and the courts' limited ability to enforce rulings significantly undermine the effectiveness of this route. Additionally, court processes are not easily comprehensible to complainants, so they must rely on lawyers who charge a high fee. Court houses are generally located at a considerable distance from where consumers live, creating transaction and transport costs. Also, monitoring court performance is hard due to poor record-keeping.

Case Study 6

CUTS-FES Program to Involve Rajasthan's Rural Electricity Consumers in Sectoral Policy-making

What and when?	Since the late 1990s, the Consumer Unity and Trust Society (CUTS), a Jaipur-based nongovernmental organization (NGO), has mobilized and trained Rajasthan's rural electricity customers to present their views about service and sector policy to the state's utilities and electricity regulatory commission. CUTS has also served as the intermediary between the state's grassroots consumers and its Electricity Regulatory Commission and policy makers.
Why?	CUTS realized the importance of creating a mechanism by which to formally involve Rajasthan's consumers in the power reform process in the state, particularly since the Rajasthan Government committed that it would "use participatory approaches to address and balance the genuine concerns of various stakeholders" in restructuring its power sector in 1999.
How?	The Friedrich Ebert Stiftung (FES), a German think-tank advocating democratic participation, financially supported CUTS in establishing a three-tier advocacy and information-sharing civil society network across six districts in Rajasthan. CUTS, together with partner NGOs at the district level, facilitated the setting up of <i>vidyut sudhar samitis</i> (power improvement committees) in each village to organize, educate, and obtain feedback from consumers on service-related issues. Each <i>samiti</i> is responsible for logging information on service standards/technical problems in a dedicated village register on a daily basis. CUTS agglomerates this information and conveys it to the state's policy makers. Moreover, CUTS regularly holds workshops in each of the participating districts to encourage interaction and information-sharing amongst <i>samitis</i> , utilities, and the electricity regulator on an ongoing basis.
Impact	The initiative has succeeded in translating citizen engagement into tangible impacts on policy-making and service delivery. As a key member of RERC's Advisory Committee, CUTS (and its citizen network) has been integrally involved in the design of all electricity-related policy and regulation in Rajasthan. The ongoing interface with and pressure from consumers has also encouraged Rajasthan's electricity regulatory commission and its utilities to noticeably increase their accountability, transparency, and responsiveness to the public.
Limitations	The information-sharing process between CUTS and the grassroots relies on regional workshops, which are dependent on donor funding and the consumer mobilization capacity of local partners. Moreover, consumers are not allowed to see the performance reports that utilities submit to the regulator, making monitoring difficult.

Case Study 7 Mumbai's Online Complaint Monitoring System

What?	<p><i>PRAJA</i>, a Mumbai-based civil society organization, has helped the, Brihan-Mumbai Municipal Corporation (BMC) set up an Online Complaint Monitoring System (OCMS), which enables citizens to register service-related complaints via telephone, personal visits, letter/ fax and the Internet. Citizens may monitor the status of complaint redressal online, from the comfort of their homes. <i>PRAJA</i> also carries out regular 'complaint audits' to determine the public's level of satisfaction with complaint resolution – a pioneering initiative in which a citizen-based organization plays a formal watchdog function over service delivery.</p>
Why?	<p>BMC was anxious to transform Mumbai into a world-class city, and saw partnerships with civil society groups such as <i>PRAJA</i> as key to rapidly improving urban governance and service delivery. In 1999, <i>PRAJA</i> assisted the corporation in drafting a Citizen's Charter, committing to significantly upgraded standards of service delivery and consumer responsiveness. In 2000, <i>PRAJA</i> helped BMC establish a centralized complaint registration system to facilitate the speedy redressal of consumer complaints, and to aid in the establishment of new benchmarks for performance. OCMS carries forward these efforts.</p>
How?	<p>Complaints are registered on a central data server, which automatically distributes them to the relevant ward offices for redressal. The action taken is then recorded on the system, and unaddressed complaints escalate upward to senior officers, all the way up to the Municipal Commissioner. In addition, a review committee of senior BMC officials and <i>PRAJA</i> representatives meets regularly to determine action on non-redressed complaints. <i>PRAJA</i> also generates instantaneous reports on the status of departmental and ward complaints, allowing BMC officials at various levels to monitor and manage the quality of redressal, and address structural complaints. Additionally, as mentioned earlier, <i>PRAJA</i> also undertakes complaint audits, in which it survey citizens on the speed and effectiveness of the redressal they received. <i>PRAJA</i> incurred most of the costs of OCMS software, while BMC paid for hardware and O&M.</p>
Impact	<p>There has been a marked improvement in the corporation's complaint handling system and in some broader service indices, as indicated in <i>PRAJA</i>'s ongoing consumer surveys. These include a reduction in the average number of visits required for successful redressal; and lower levels of rent-seeking by BMC officials. Additionally, services to some of the city's slums have improved.</p>
Limitations	<p>Since OCMS has not been accompanied by systems to hold individual staff responsible for complaint handling and service delivery, it has not resulted in a dramatic improvement in service standards. Another difficulty is the continuing 'leakage' of complaints to the corporation's pre-existing consumer grievance redressal forums.</p>

Case Study 8

Independent Regulation

What?	Andhra Pradesh, Karnataka, Maharashtra, Orissa, and Rajasthan have set up State Electricity Regulatory Commissions (SERCs) to protect the interest of consumers. In particular, they are mandated to ensure that utilities deliver good service, and that electricity prices remain affordable to consumers by providing them an opportunity to participate in tariff-setting.
Why?	Since the mid-1990s, India has fundamentally reformed its electricity sector – moving away from heavy subsidization and government control to private participation and market-based pricing. The government has, therefore, established independent electricity regulators to balance the conflicting interests of consumers who want low prices, and utilities who need to recover costs.
How?	Electricity tariffs are set on a state-by-state basis. Electricity distribution companies file ARR with their respective SERCs. These explain the company's proposed tariffs for the coming year, in the context of a list of various items of expenditure such as power purchase and capital costs, O&M, and debt-servicing. The ARR also lists the transmission and distribution losses claimed by the utility. SERCs invite the public to scrutinize ARRs and to submit feedback on the proposed tariff. Additionally, SERCs conduct a series of public hearings on ARR to record the views of all stakeholders within the state. On the basis of this feedback, SERCs issue tariff orders that bind each utility to a particular tariff for the following year.
Impact	Regulation has forced utilities to address easily observable concerns, such as faulty meters, incorrect billing, load-shedding or brown-outs. It has noticeably improved consumer grievance redressal and the transparency of utility functioning. It has also depoliticized tariff-setting to a large extent, enabling utilities to recover costs and thus provide better service. Most importantly, it has amplified citizen voice and client power by involving the public in tariff-setting and in establishing performance standards for utilities.
Limitations	Citizen and civil society intervention in rule-making and tariff-setting has not been as extensive as was hoped, due to the technical nature of the power sector, and the fact that many ARRs are not issued in the vernacular and are not easily available. Moreover, while consumer organizations serve on regulatory commissions' Advisory Committees, they wield no weight in the decisions that the latter eventually take. Regulatory commissions do not have consumer advocates on their staff; the only exception being Karnataka.

Case Study 9

Public Interest Litigation and Judicial Activism

What?	In the 1970s, the Supreme Court of India innovated the practice of the Public Interest Litigation (PIL), which permits litigants to file cases on issues that affect the public at large. Over the years, the PIL has emerged as a form of political action by which citizens can hold politicians and policy makers, as well as service providers, accountable. This case study examines two landmark Indian cases in detail: the Delhi Vehicular Pollution Case and the Municipal Solid Waste Management Case.
Why?	The Delhi Vehicular Pollution Case (1985) was filed by M.C. Mehta, who was concerned by the Delhi Government's inaction in the face of rising vehicular pollution in the city. He accused the Delhi Government of jeopardizing the health of city residents, especially children, by failing to take concerted steps to check air pollution. The Municipal Solid Waste Management Case (1996) was filed by Almitra H. Patel against the Government of India for its inability to properly collect and dispose of municipal solid waste, which was being dumped in the open and destroying the environment.
How?	In both cases, the Supreme Court instituted high-level governmental committees to study the issues and make recommendations on new standards of governance in the sector. Additionally, the Supreme Court maintained a close oversight on the implementation of these recommendations to ensure that they were strictly adhered to.
Impact	The Delhi Vehicular Pollution Case resulted in the conversion of Delhi's public transport fleet to Compressed Natural Gas (CNG); in the phasing out of old and polluting vehicles in the city; and in the development of a National Fuel Policy, among other things. The Municipal Solid Waste Management Case resulted in the institution of national rules on municipal solid waste management, now gradually being operationalized throughout the country. In both cases, the judges that heard the case have continued to oversee the implementation of their ruling over a number of years.
Limitations	PILs do not generally involve a widespread process of public consultation. As a result, PILs may sometimes impinge on the poor. For example, in the Delhi Vehicular Pollution Case, it was bus and autorickshaw drivers that suffered the most, and in the Municipal Solid Waste Management Case it was rag-pickers.

Case Study 10

Citizen Report Cards

<p>What?</p>	<p>In 1994, 1999 and 2003, the Public Affairs Centre, a Bangalore-based NGO, ran extensive surveys with city residents to determine their levels of satisfaction with a range of municipal services, as also to ascertain the costs they incurred for poor service. Based on the findings of the survey, Citizen Report Cards (CRCs) and ratings were then produced on individual public service providers within the city. These were widely disseminated in the local press, and served to create a significant pressure for service improvement. The Citizen Report Card model has now also been used by a variety of governments, donors, and civil society groups, both in India and overseas, to gauge public perceptions about the status and impact of public services and other governmental interventions, with a view to enhancing them.</p>
<p>Why?</p>	<p>Citizen Report Cards are an invaluable tool by which to gauge public feeling and to design actionable interventions for government, donors, and civil society. This is why they have also come to be used as a strategic tool for building public awareness about civil and development issues.</p>
<p>How?</p>	<p>The Public Affairs Centre first assessed the nature of the problems that citizens were confronting through group discussions. It then designed a specialized questionnaire, and used a market firm to administer it to 1,200 middle class to low income households. Local donations covered the costs of the survey. A similar approach has been employed in the other citizen report card exercises, although the size and nature of the respondents' sample varies.</p>
<p>Impact</p>	<p>In Bangalore, user satisfaction with municipal services went up by some 40 percent between 1999 and 2003. Also, the percentage of customers facing service-related problems dropped from 24 percent to 11 percent, and consumer satisfaction with the behavior of service staff rose from 27 percent to 44 percent. Similar impacts are seen in many of the other instances in which citizen report cards have been employed.</p>
<p>Limitations</p>	<p>Political and bureaucratic support is essential if consumer feedback is to translate into tangible improvements in service and in governance. Additionally, deep-rooted problems, such as poor staff motivation, can only be remedied through a multi-pronged approach that includes staff training, the reduction of transaction costs, the use of IT, and the publicization of standards and norms.</p>

Section 4

Key Findings and Lessons





Citizen engagement in one stage of service delivery can also strengthen other stages.

Strengthening Systemic Accountability: Applying the WDR Framework

Each of the case studies attempted to strengthen a different element, or elements, of the World Development Report 2004's five-point accountability matrix. However, they also indicate that focusing on specific accountability

relationships often generates subsidiary gains in some of the other accountability relationships. For instance, the new approaches to water supply and sanitation service provision in Tamil Nadu (Case Study 2) and Bangalore

and Ahmedabad (Case Studies 1 and 3) centered on strengthening the ‘finance’ relationship, by requiring users wishing to receive piped water and sewerage service to contribute to the capital costs of extending infrastructure. This led to gains in ‘delegation’ too.

Similarly, while consumer courts, consumer grievance redressal mechanisms and online complaint systems (Case Studies 5 and 7) strengthen ‘enforcement,’ they can lead to gains in ‘information.’ While independent regulation primarily creates an ‘enforcement’ relationship between citizen and service provider, it also strengthens the ‘finance’ relationship by requiring citizens to pay a fair and collectively-agreed price for the services they use. While citizen report cards (Case Study 10) focused on creating more information on performance, it also improved ‘delegation’ and service delivery systems.

Creating ‘Voice’ and ‘Client Power’: A Comparative Overview

Table 4.1 illustrates the points within the service delivery chain at which consumers were provided the opportunity to engage with service providers and policy makers in the innovations profiled.

Voice was created mainly by focusing on three elements:

- **Delegation** – Citizens determine the kind of service they want (user contributions, participatory budgeting, regulation).
- **Finance** – Citizens participate in deciding how and on what terms the service will be financed (user contributions, participatory budgeting, regulation).

Table 4.1:
Enhancing ‘Voice’ and ‘Client’ Power: A Comparative Overview

	BWSSB	TN	Ahm'bd	Ker'l	CC/GRM	CUTS	OCMS	Reg'In	PIL/Jud'l	CRC
Sectoral policy-making						✓		✓	✓	
Tariff-setting						✓		✓		
Performance standards	✓ Informal	✓ Informal	✓ Informal	✓ Informal		✓		✓		✓
Planning and budgeting	✓	✓		✓						
Cost recovery	✓	✓	✓			✓		✓		
Implementation	✓	✓	✓	✓						
Performance measurement						✓	✓	✓		✓
Complaint redressal audit							✓	✓		
Penalties for poor performance					✓			✓	✓	

BWSSB = Bangalore Water Supply and Sewerage Board's slum program; **TN** = Tamil Nadu Sewerage Infrastructure program; **Ahm'bd** = Ahmedabad 'Parivartan' and Slum Electrification program; **Ker'l** = People's Plan Campaign; **CC/GRM** = Consumer Courts and Grievance Redressal Mechanisms; **CUTS** = CUTS-FES program to facilitate dialogue between rural consumers, electricity utilities and the electricity regulator in Rajasthan; **OCMS** = Mumbai's Online Complaint Monitoring System; **Reg'In** = Independent regulation in the electricity sector; **PIL/Jud'l** = Public Interest Litigation and Judicial Activism; **CRC** = Citizen Report Cards

Citizen participation results in more locally-relevant, cost-effective projects and better service to the poor.

- **Performance** – Citizens participate in setting standards of performance for public service providers (judicial activism, regulation).

Client power emanated largely from three elements:

- **Information** – Citizens monitor the performance of public service providers, so as to ensure satisfactory service standards (citizen report cards, participatory budgeting, user contributions).
- **Enforcement** – Citizens are able to ensure that poorly performing institutions are made to deliver (consumer courts, online complaint management systems, judicial activism).

The Five Accountability Relationships

The specific ways in which each of these 10 new approaches strengthened individual relationships within the accountability matrix is now discussed in detail below.

1: Delegation

Budgeting and planning: In Kerala (Case Study 4), citizen participation in project conception, selection, planning, budgeting, and overseeing implementation has resulted in more locally-relevant, cost-effective projects and expanded basic service infrastructure to serve the poor. Planning starts with discussions at the neighborhood level, during which local communities decide which projects they consider to be a priority, and write technical and financial proposals for them. Their suggestions are agglomerated and prioritized, first at the ward level and then at the municipal level, and then implemented.

Tariff setting and standards of performance: The ongoing process of power sector reform in the country (Case Studies 5, 6 and 8) presents some important lessons for the water sector. Electricity, like water, is a networked service and, until a few years ago was completely government-controlled. It displayed the same problems seen in India's urban water and sanitation sector, including politically-motivated tariff subsidization and free power, poor metering, a heavy reliance on governmental handouts, operational intransparency, and widespread collusion and theft. Resulting financial crises constrained State Electricity Boards' capacity to maintain and expand power generation, transmission, and distribution infrastructure, triggering severe electricity shortages throughout the country.

Reform has brought discernible improvements in this situation, by assisting electricity providers in moving toward full-cost recovery, while minimizing the influence of government over tariff-setting. Additionally, citizens have been given a formal space in policy-making and tariff-setting, as a result of which these processes have become significantly more transparent in those states undertaking power sector reform. Now, electricity distribution companies are required to file ARRs with their respective SERCs. These explain the company's proposed tariffs for the coming year, in the context of a list of various items of expenditure such as power purchase costs, operating costs, and planned investments. SERCs then seek public feedback on these ARRs, on the basis of which they fix tariffs. SERCs also hold public hearings on ARRs and other power-related issues, although they are not required to do so by law. Civil society groups that have developed an expertise on power issues, such as Prayas in Pune and CUTS in Rajasthan, are thus able to play an active role in defending citizens' interests in the sector, at both the state and central levels.

Electricity regulation has introduced clear performance parameters for electricity distribution companies. 'Discoms,' as these companies are popularly known, can now only operate on the basis of licenses issued by the SERCs, which commit them to detailed standards of performance and electricity supply, public participation and disclosure, and customer care (including how to meter, bill and redress complaints). Companies that do not meet these standards are liable to have their licenses revoked. Not only has the public's understanding of the working of the sector improved, so gradually has its performance. Electricity bills now itemize each component of tariff and, in some states, utilities even inform consumers about scheduled power cuts in advance. Collusion and theft have reduced drastically, although many states continue to provide free power to farmers for reasons of electoral gain.

The benefit of these new standards and penalties in the electricity sector is also illustrated in Case Study 5. Significantly, Delhi's private electricity companies, now subject to regulation, complied with 86 percent of consumer court rulings against them, while Delhi's unregulated government-controlled water-utility complied with less than 50 percent.

De facto service 'contracts': The Bangalore, Tamil Nadu, and Ahmedabad case studies point to the crucial role that *de facto* performance contracts, arising from the reputational pressures upon utility engineers, municipal officials and councilors, and community-based organizations, can play in enhancing service, in situations in which *de jure* contracts do not yet exist. Since each of the three schemes profiled in these studies required community contributions, the municipal council/service provider had to persuade citizens to participate, and had to work in partnership with local community-based organizations and/or municipal councilors to do so.

Since required contributions were fairly significant, local residents were keen to exact the greatest return on their money. They thus questioned in detail the individuals

Box 4.1: Setting Water Prices in the United Kingdom

While not profiled in this study, tariff-setting in the United Kingdom's water supply and sanitation service sector also points to the benefits of a regulator. Although the United Kingdom has a completely privatized system of water and sanitation delivery, price-setting is closely overseen by Ofwat, its water regulator. All utilities are required to submit five-year business plans to Ofwat, in which they explain the investments that they plan to make over this period and how they will impact on tariffs. They are also required to report on their performance against specific financial, operational and service parameters, such as capital-to-output ratios, cost reductions and efficiency achievements, reduction in complaint levels, and the speed and customer satisfaction with grievance handling. Utilities must have their business plans and performance reports vetted by Ofwat-recognized audit firms. Ofwat then shares these plans and reports with experts and the public for their comment. Incorporating all these inputs, Ofwat sets the tariff that each utility is allowed to charge over the coming five-year period, including the percentage by which prices are allowed to rise every year. Ofwat is bound to publicly explain the reasoning by which it reached its decision. All relevant business plans, audited performance reports, and Ofwat notifications and documents are available to the public on its Web site (www.ofwat.gov.uk).

The attitude of frontline staff can make or break even the best-intentioned accountability initiative.

Table 4.2:
Engagement Engenders de facto Delivery ‘Contracts’

BWSSB	Tamil Nadu	Ahmedabad	Kerala	CUTS-FES	OCMS	Citizen Report Cards
✓	✓	✓	✓	✓	✓	✓

responsible for popularizing and administering the scheme within their community, on such issues as its purpose, its costs, its scheduled timelines and other key deliverables. This process created an unwritten performance contract between the scheme’s administrators and the community, further strengthened by local municipal councilors’ and community-based organizations’ active stake in ensuring that they drew reputational mileage from its success. The close engagement between service provider staff, and local communities and community-based organizations also created personal relationships between these two groups that made the former feel personally responsible for adhering to the timelines and standards they had committed to.

A similar pattern is seen in the other case studies in which service providers worked closely with civil society/ local communities on an ongoing basis, engendering *de facto* service contracts that worked to enhance delivery. For the readers’ convenience, Table 4.2 lists the studies in which this pattern is evident.

2. Service Delivery (Performance)

Co-delivery: Involving beneficiaries in downstream activities, such as billing and complaint handling, or the actual delivery of services, is a strategy that displays a strong potential to make frontline officials more responsive to customers. Electricity utilities in Rajasthan and Orissa (Case Study 6) have begun to successfully use local youth to distribute bills and collect payments,

document utility performance, and interact with the community on its behalf. In Andhra Pradesh and Karnataka (Case Study 8), electricity utilities have outsourced the task of complaint registration and grievance handling to franchisees. In many parts of India, local governments have also begun to outsource such functions to Resident Welfare Associations.

The need to hold frontline officials accountable: The single common learning from all case studies is that the attitude of frontline staff can make or break even the best-intentioned accountability initiative. Consumer Courts and Consumer Grievance Redressal Mechanisms (Case Study 5), and Mumbai’s Online Complaint Management System (Case Study 7), both set up specifically to protect the interest of consumers, do not serve the end for which they were intended due to the indifference, disinterest, and ‘work overload’ of frontline staff. In contrast, the energy and enthusiasm displayed by BWSSB engineers, Tamil Nadu’s municipal councilors, the staff of the Ahmedabad Electricity Company and of Rajasthan’s electricity distribution companies, and of People’s Plan Campaign volunteers in Kerala (Case Studies 1, 2, 3, 6 and 4) was instrumental in ensuring the success of these programs.

Since frontline staff is the public ‘face’ of the service provider, and its ‘eyes and ears’ on the ground, they play the lead role in the process of engaging with customers. For this reason, it is absolutely essential that they be properly trained, resourced, and incentivized to



Involving beneficiaries in downstream activities, such as billing and complaint handling, or in the actual delivery of services, is a strategy that displays a strong potential to make frontline officials more responsive to customers.

genuinely engage with consumers. Frontline officials are also crucial to the successful operation of a public service delivery system because they maintain the network at the point of service provision, and are thus intimately familiar with how the system performs on the ground, the challenges it confronts, and how it may be improved.

The case studies on Bangalore, Tamil Nadu, and CUTS-FES in Rajasthan show the gains that accrue from enabling frontline staff to transmit policy and operational information back to management, take decisions on the ground, and respond quickly to evolving customer needs.

Frontline performance must be measured: While citizen report cards (Case Study 10) afford an external measure of frontline performance, service providers need to develop matching internal measures. The 'audit' that PRAJA and BMC regularly undertake on the handling of complaints through OCMS is a step in this direction. Additionally, the information that OCMS makes available enables management to isolate and study the performance of individual departments/employees. There is also an urgent need to train and resource frontline staff to execute their responsibilities.

To improve frontline behavior, management needs to assign specific responsibilities and outcomes to frontline staff, and hold them to account for these. Only in Bangalore (Case Study 1) did the service provider adopt such an approach, by assigning revenue targets to individual frontline staff and monitoring performance against these. As a result, BWSSB's program has shown a high degree of success.

Also important is that customers are provided the opportunity to engage with senior and/or middle officials to put a further pressure on frontline staff to deliver. The case studies on CUTS-FES' program in Rajasthan, citizen report cards in Bangalore, and the Ahmedabad Electricity Company's pilot slum electrification program demonstrate the value of regular customer-manager interaction, over and above formal organizational systems for customer liaison.

3. Finance

The Bangalore, Tamil Nadu, and Ahmedabad case studies present a new approach to financing basic services, particularly for the poor. In these, service providers defray a portion of the capital costs involved in extending the municipal water supply, sewerage and/or

Service providers were compelled to engage with customers when government grants were reduced.

electricity network through direct contributions from users who must, thereafter, also continue to pay monthly O&M charges. Triggering this change was the reduction or non-availability of financing from the service provider's erstwhile primary funding source. In Bangalore, for instance, the municipal corporation ended its subsidy on free water through public taps, forcing BWSSB to find new ways of financing water supply to the poor. In Tamil Nadu, the state government had only a limited budget to expand sewerage and sanitation infrastructure within its jurisdiction and so encouraged ULBs to work with citizens to assume this responsibility. In Ahmedabad, the municipal corporation wanted to dramatically upgrade basic services to the urban poor throughout the city, but faced financial constraints.

The most noticeable fall out of compelling service providers to seek financing from within beneficiary communities, and reduce their dependence on government grants, is that they are forced to engage with and respond to end users.

In all three cases, the service provider had to repeatedly dialogue with target communities to persuade them to connect to the expanded network. It had to explain schemes to them in detail and outline benefits of participation. In each case, consumers insisted that they should be allowed to pay only for what they used, so service providers were forced to find creative ways to bring down connection and service tariffs to win a larger number of customers. In Bangalore, BWSSB brought down tariffs from US\$2.5 to US\$1.6 per month, when it realized that slum households use an average of just 8 kiloliters a month, and not 15 kiloliters as the initial tariff had assumed. Customers were allowed to choose between individual or shared connections to further

reduce connection costs. In Tamil Nadu, many towns redesigned their proposed sewerage infrastructure to minimize costs and the required contribution from individual households. In Ahmedabad, the Ahmedabad Electricity Company permitted new customers to pay their connection fee by way of monthly installments.

The Bangalore scheme showed the greatest success for two reasons. First, BWSSB engineers and staff interacted directly with slum communities on an ongoing basis, to understand their needs and service preferences and relay these back into the organization. Secondly, BWSSB management was willing to yield to the suggestions of end users, and was thus able to tailor a more relevant and affordable service, by giving customers the liberty to choose between various delivery and financing options.

In contrast, Ahmedabad's '*Parivartan*' slum upgradation scheme failed to take off because AMC was unwilling to respond to clearly-stated customer needs and requirements. Although most customers only wished to obtain a few of the program's package of eight services (individual water supply, underground sewerage, individual toilets, storm water drainage, paved internal roads and bylanes, street lighting, solid waste management, and landscaping), AMC remained resolute in maintaining an 'all or nothing' approach.

4. Information

As a World Bank study asserts,²⁸ "Publishing information is not enough to enhance performance. Information must be *used* to enhance performance." The case studies show how both citizens and utilities can strategically collect and employ service-related and complaint information in an effort to enhance service delivery.

²⁸ India: *Urban Governance and Finance Review*, World Bank, December 2004

Box 4.2: Harnessing User Payments Correctly

Requiring users to pay for or contribute to services can have a significant impact on accountability. Nonetheless, payment schemes relying solely on upfront contributions fail to create a sustained relationship of accountability between citizens and providers.

User payments have the greatest accountability impact when directed toward O&M or when paid in multiple installments over a long period of time. Such arrangements afford users the option of using nonpayment as a credible sanction against the provider for failing to meet service obligations. Similarly, phased tariff increases should be accompanied by tangible improvements in service quality to be publicly credible and politically acceptable.

Most importantly, cost-related information must be effectively communicated to users to help them distinguish genuine costs from those arising from systemic inefficiency.

Thus, the following types of payment schemes are likely to be the most effective:

- Payments in small installments, particularly for poor consumers who find it difficult to put together a large sum at one time.
- Direct payments to provider, since this limits the diversion of funds due to corruption and financial leakages.
- Explicitly linked to individual services, so that the amounts paid can be matched to the quality of services on offer.
- Recurrent or paid through an entire project cycle, to empower citizens to use bill payments as a credible means to enforce service quality on a continuous basis.
- Reflective of the full costs-to-serve, to sufficiently pinch provider budgets and induce a more responsible management of costs.

Citizen monitoring of utility performance: The case studies make it clear that it is possible and feasible for consumers to collect information on provider performance, and use it to pressure improvement. In Rajasthan, CUTS measured the quality and availability of electricity service on a daily basis by training designated villagers to log the number of hours of service, voltage and fluctuation levels, and so on. In Mumbai, *PRAJA* collected extrapolated data on service by monitoring customer complaints and the speed with which they were addressed.

In Bangalore, the Public Affairs Centre used customer satisfaction as a vicarious measure of service. All three organizations strategically used this information to identify and highlight shortcomings in provision, rally widespread public support, and to militate for targeted investments and improvements. The fact that this information was credible to service providers, also earned for them the formal authority to actively collaborate with these institutions in monitoring related service and management improvements.

Citizens and utilities can strategically collect and use service quality and complaint information to press for service improvements.

The power of benchmarking and comparison: The most crucial lesson on the strategic use of information is the power inherent in public benchmarking and comparative rating. The Public Affairs Centre's comparison of Bangalore's municipal agencies on a standard set of service and operational parameters prompted them to compete with each other, as also against past performance. This led to measurable improvements in service delivery. Some agency heads were so concerned about their institution's relative rating that they called up the Public Affairs Centre to determine the results of the survey before it was released and, if they discovered a bad rating, to plead that it not be publicly disclosed. Similarly, the information collected through PRAJA's OCMS provided BMC's management — both at the top and at the departmental levels — with a comparative perspective on the performance of individual departments and staff. While not profiled in this study, the Hyderabad Metropolitan Water and Sewerage Board's use of internal benchmarking, to assess staff against certain performance indicators, has shown significant results since it was introduced a few years ago.²⁹

Upgraded information on system performance and service outcomes: In India consumer complaint and grievance redressal mechanisms form the primary institutionalized mechanism for direct engagement between customers and service providers. Complaint systems can provide service providers with vital internal management-related information. The OCMS has provided BMC with a new and more detailed perspective on the nature of complaints being made by consumers, and further insights are provided by PRAJA's ongoing audits of customer satisfaction. The institution has been better able to direct investments to priority areas and to identify high-performing departments and individuals. The

Box 4.3: Performance Indicators for Water and Sanitation Utilities

The International Benchmarking Initiative (IBNET)³⁰ enables the public to compare the performance of water and sanitation utilities on a core set of performance and cost indicators, which present a clear picture of a utility's financial and operational health. These indicators include:

- Service coverage
- Water consumption and production
- Non-revenue water
- Metering practices
- Network performance
- Costs and staffing
- Quality of service
- Billings and collection
- Financial performance
- Assets
- Affordability of services
- Process indicators

upgraded complaint and management systems set up by Delhi's water utility and its three private electricity distribution companies afford management a bird's-eye view of service problems and the speed of complaint handling. An external civil society 'watchdog' can further help to audit performance and mobilize pressure for improvements on an ongoing basis.

In CUTS-FES' program in Rajasthan, electricity utilities' readiness to engage with village-level consumers on service standards has provided management with a detailed understanding of the functioning of the

²⁹ *In Pursuit of Good Governance: Experiments from South Asia's Water and Sanitation Sector*, Jennifer Davis et al, Water and Sanitation Program-South Africa (WSP-SA), 2003

³⁰ IBNET is an initiative of WSP-SA, DFID and World Bank.



While service providers are trying to enhance their customer-responsiveness through online complaint management systems, it is more valuable for them to institutionalize ongoing mechanisms of customer feedback.

distribution system down to the smallest participating village. Similarly, the Bangalore Municipal Corporation's willingness to act on the findings of the Public Affairs Centre's citizen report cards has not only improved service delivery, but has also revived its flagging reputation with city residents. The information contained in these public surveys has provided the corporation's management with an invaluable insight into which departments and services need to be reformed, and training packages and incentives on how this might be done.

Public service providers can greatly augment their accountability and responsiveness to customers by

strategically employing computerized complaint registration and monitoring systems. Such systems are not too expensive to deploy (OCMS cost just US\$9,000 given PRAJA's *pro bono* contribution of technical expertise), and will most likely continue to become cheaper as they are purchased more widely. Moreover, they require only a handful of well-trained staff to run.

Formal avenues for customer feedback: However, complaints represent only a narrow data set and are an inadequate basis on which to base ongoing and strategic system enhancements and refinements. Complainants represent only a limited group from within a service providers' overall universe of customers and their complaints may not adequately reflect the varying problems of the broader mass of consumers or help measure specific service outcomes. Additionally, as made clear by an analysis of the electricity- and water-related cases filed with Delhi's consumer courts, over two-thirds of all complaints relate to billing. In Mumbai, the largest number of complaints received by OCMS relate to building violations and encroachments, offering little idea about the strengths and limitations of service delivery in other areas.

While a number of service providers are trying to enhance their customer-responsiveness through online complaint management systems, it is more valuable for service providers to institutionalize ongoing mechanisms of customer feedback. Citizen report cards present a useful instrument in this respect, if run by a credible and sufficiently resourced agency (although it may be financially difficult for service providers to regularly commission such studies on their own). In addition, direct management interaction with customers makes it possible to obtain feedback and mobilize public understanding and support in dealing both with immediate and specific service problems and longer-term

Existing consumer protection and grievance redressal mechanisms are failing to deliver due to the absence of platforms for citizen oversight and enforcement.

strategic issues, including utility plans for investments, service improvements, and pricing.

The need to make information available in a comprehensible and convenient manner. As Case Studies 6 and 8 show, merely instituting platforms for public input is not sufficient to ensure meaningful participation, particularly in technically complex sectors such as electricity and water. The case study on independent regulation in the electricity sector identifies the lack of public understanding of the issues as the primary limitation to consumer engagement on reform and tariff issues. Aside from training, consumers will benefit if technically complex information is made comprehensible, and issues highlighted simply and clearly, in a language they understand.

For instance, although citizens are encouraged to participate in tariff-setting in the electricity sector, ARR documents run into hundreds of pages, and are highly technical and often issued in English. This limits the number of people who can comprehend them. Even vernacular language versions of these documents tend to be found only on SERC Web sites or at state/district headquarters, and are not easy for poorer and rural consumers to access.

The experience suggests that civil society organizations are mostly best skilled and positioned for educating consumers, but specific government support can add value. In Rajasthan, NGO CUTS-FES's work benefits considerably from special funds created by the state electricity regulatory commission and discoms for consumer education.

Public and open dialogue is essential: Another important lesson from the experiences profiled is the need for

Box 4.4: Empowering Consumers to Demand Improved Service from Water Utilities

South Africa's Department of Water and Forestry (DWF) has realized that consumers are its key partner in ensuring that³¹ water utilities deliver as intended. DWF has therefore developed an 11-module consumer education program, intended to teach water users their rights and responsibilities, how to read their bills and water meters, and how to work with their municipalities in improving service. The program comprises three-hour training sessions every fortnight, for six months, each dedicated to one of the 11 topics below:

- Citizens' rights and responsibilities
- Understanding the water cycle
- From tap to toilet
- Using water wisely
- Sanitation and hygiene
- Pollution abatement and water quality
- Tariffs, billing and meter-reading
- Affordability
- Different spheres of government
- Regulation, monitoring and evaluation
- Identifying the gaps and planning the way forward

The program will initially be funded by DWF funds but other sources of funding will also be tapped as the program expands. To further incentivize water utilities to perform, DWF has made its funding to municipal water departments contingent on their regularly reporting on a set of eight performance indicators, including access to water and sanitation, drinking water quality, metering coverage and efficiency, environmental impact, customer service standards, financial performance, and institutional effectiveness.

³¹ While there is some private participation in South Africa's water sector, it is extremely small.

information collection to be accompanied by open and public dialogue, within civil society, and with the concerned provider. Besides generating widespread awareness and institutional transparency, extensive participation has two benefits. First, it helps to marshal and synergize the collective strength of various groups toward one common end, so as to apply greater pressure on the government for reform. Secondly, it minimizes the possibility that one set of players benefit at the cost of another by throwing up likely areas of conflict, as also a host of potential solutions. In the case studies, a variety of approaches were used to foster free and open discussion, including workshops and collaborative seminars, media campaigns, public hearings, and community meetings, at all of which governmental officials interacted with consumers on key service improvement issues.

5. Enforcement

In addition to the poor performance of frontline officials, the other common failing of the innovations profiled in this volume was consumers' inability to take public service providers to task for not holding up their part of the bargain, in service implementation or complaint redressal.

Holding service providers to account: Despite the significant accountability gains issuing from closer utility-customer (or government-citizen) engagement in the Bangalore, Tamil Nadu, Ahmedabad and Kerala cases, no ongoing standards of service were stipulated for the post-construction stage, or enforcement mechanism set up to enable citizens to enforce continued quality delivery. This led to noticeable problems in the two cases in which parastatal agencies were responsible for implementation and service – that is Tamil Nadu and Kerala (Case

Studies of 2 and 4). While, in Tamil Nadu, sewerage expansion occurred rapidly when local actors were spearheading the process, service problems were experienced when parastatals took over O&M. Similarly, in Kerala, the noticeable expansion in basic services that followed the introduction of the People's Plan Campaign slowed due to local governments' and consumers' inability to exert any effective influence over parastatal agencies, such as the Kerala Water Authority (KWA) or the Kerala State Electricity Board (KSEB).

This underscores the need to truly devolve basic municipal services, so that citizens and local governments exert effective control over service providers.

Holding consumer protection mechanism to account: Similarly, all consumer protection mechanisms examined in this study are failing to deliver due to the absence of platforms for consumer oversight and enforcement. These include consumer grievance redressal mechanisms, consumer courts, public interest litigation, and independent electricity regulation.

For instance, VOICE's study of the experience of 485 poor Delhi consumers in pursuing justice via the city's consumer court system (Case Study 5) found that 50 percent of complainants had to wait for over six months for a ruling, and a further one-third for up to six months.³² Additionally, Delhi's water utility could not comply with 50 percent of the rulings, since it had been ordered to improve supply to complainants and said it did not have the water necessary to do so. In other words, Delhi's courts were unable to ensure that Delhi's water and electricity utilities complied with their rulings in a timely manner, if at all. While the huge backlog of cases is partly responsible, more important is the absence of any mechanism by which consumers may exert 'client

³² The Consumer Protection Act 1986 stipulates that consumer courts must rule on consumer complaints against service providers within three months of receipt. Only a fifth of respondent had received a ruling within this time.

Service providers need to approach the poor as a distinct customer segment.

power' over the institutions intended to safeguard their welfare.

Similarly, while independent electricity regulation³³ has resulted in improved service and stepped up sector and utility transparency in five states (Karnataka, Andhra Pradesh, Orissa, Maharashtra, and Rajasthan) that are undertaking power reform programs, some shortcomings remain. First, State Advisory Committees, which include a variety of consumer and other representatives, have no power over the decisions of SERCs. Similarly, although Electricity Act 2003 mandates each distribution company to set up a Consumer Grievance Redressal Forum that includes one consumer representative, he or she has no voting rights. According to Case Study 8, only the Karnataka SERC has appointed a consumer advocate to its staff to intervene on behalf of the public in the tariff-setting process and in clearing related investment proposals. It is also considering whether to fund select NGOs to regularly intervene in its hearings.

Moreover, while all the five SERCs are punctilious about making available their draft regulations and ARRAs for public comments, they pass on the work of scrutinizing ARRAs as well as consumer inputs to consultants. It is difficult for citizens, therefore, to verify whether and how their comments were incorporated. Similarly, none of the five states reviewed sought public inputs or comments on the selection of SERC chairmen. In all cases, the public learnt about the new chairman from the media, *after* the appointment had been made.

While PILs enable citizens to take errant service providers to court, the two cases profiled in Case Study 9 underscore that the absence of public consultation or participation in the court process can result in outcomes

that impact negatively on third parties, in particular the poor. In both cases, the Supreme Court consulted widely with experts, but did not make effort to seek public feedback. While the Municipal Solid Waste Management Case resulted in radical and far-reaching shifts in the policies regulating waste handling/disposal the resulting regulation fails to make any provisions for rag-pickers, who have traditionally run waste management services in the country. The Delhi Vehicular Pollution Case resulted in the introduction of new emissions and pollution abatement standards in the country, but the short deadline that the Supreme Court gave commercial vehicle (taxi, bus, and autorickshaw) operators to convert to using CNG forced them to wait for hours on an almost daily basis to fill their tanks at the restricted number of CNG stations in Delhi.

Servicing the Poor

The primary lesson on servicing the urban poor is that providers need to approach this group as a distinct customer segment. Cost recovery is possible, if services are relevant and affordable to the poor, and providers would be well advised to engage directly with urban poor communities to understand specific service and delivery needs, consumption patterns and ability to pay.³⁴ Unless service providers find innovative ways to legally connect this population, they will increasingly resort to illegal or unauthorized methods of servicing their needs.

Modifying municipal and service rules: A variety of existing municipal and provider-specific rules will need to be modified to enable universal service to the poor. In Bangalore and Ahmedabad, BWSSB and AMC made significant departures from established operational practices to develop packages to service the poor. In

³³ Independent regulation was introduced by the Electricity Act 2003, which also opened India's electricity distribution, generation, and transmission sector to private participation for the first time.

³⁴ For instance, daily wage laborers may prefer to buy water on a daily basis, since they do not have guaranteed monthly incomes.

**Box 4.5:
Who Will Police the Policeman?**

Many countries have created formal ‘watchdog’ consumer institutions in their UWSS sectors to ensure that both utilities and regulators remain accountable to consumers and the public. The budget for these institutions is provided by the government on an ongoing basis, which often also underwrites the expenses of relevant consumer training and education throughout the country. Examples are the Consumer Council for Water in the U.K., and the consumer department of the Florida Public Services Commission. Indian state and municipal governments might wish to consider the creation of similar institutions within their service areas. A key challenge to address in design is to put sufficient distance between the watchdogs and the government so as to ensure the highest level of independence. Quality information, transparent nomination and operating procedures, and clear rights, powers and responsibilities are key elements of achieving such distance.

both cases, they were willing to waive their long-standing requirement that only households with tenure documents could be legally connected to the city’s water and electricity networks. AMC even went so far as to promise participating slum households that they would not be evicted or removed for 10 years, to reassure them that their investments in legal connections would not be lost. This requires firm and clear policy decisions to balance the expansion of services with procedural stability.

More customer-friendly complaint channels: While service providers throughout the country are making sincere efforts to make themselves more accessible and responsive to customers by upgrading complaint handling and redressal mechanisms, the case studies indicate that poor consumers’ ability to access these forums is constrained by a number of logistical factors. A survey of 485 poor consumers who had filed complaints with Delhi’s water and electricity utilities had to travel an average of 10 km to reach them, spending an average of US\$3.3 to get there and back, and missing a day of work (Case Study 5). Moreover, they were forced to make an average of three to five trips to the redressal forum to follow up and resolve their complaints, due to the absence or disinterest of key staff. This happened despite the fact that these utilities have set up complaint offices in every one of their divisional zones within the city.

Conversely, while Mumbai’s OCMS offers consumers the convenience of filing and pursuing complaints over the telephone or the Internet, it can only be used by customers who possess these facilities. Similarly, most existing complaint cells stipulate that complainants must submit their cases in writing – a requirement that is difficult for illiterate customers to meet.

Service providers thus need to devise grievance systems that are more physically and culturally accessible to poor consumers. Indian water and sanitation utilities might wish to take a leaf from the book of electricity distribution utilities in Rajasthan (Case Study 6) and Orissa (Case Study 9), which have both appointed local youth to deliver bills, collect revenues, and record service-related information at the grassroots level.

Service providers should create grievance redressal systems that are physically and culturally accessible to poor consumers, who are finding it difficult to access existing systems.

**Box 4.6:
Keeping Politicians in the Loop**

The empirical evidence in the case studies illustrates that pro-poor initiatives which completely bypass political leaders may not be easily sustainable in the long term. While politicians can be a vital force for community mobilization, they can also be a source of opposition to utilities' efforts to improve services (particularly to poor communities) through a more realistic model of cost-recovery. When politicians are harnessed as partners in public service and infrastructure schemes, they are less prone to create obstacles as seen in the case of user contributions for sewerage networks in Tamil Nadu. On the other hand, politicians have hindered reform when insisting on free services without due analysis of the fiscal scope for such policies, as in the case of electricity reform in Rajasthan. It is important to invest in raising awareness among politicians about the systemic and practical trade offs often required to achieve sustainable service delivery improvements in UWSS.

The Bangalore, Tamil Nadu, Ahmedabad, and Kerala studies also point to the value of empowering a trusted member of the local community to serve as a conduit and a broker between the customer and the utility. In all of these cases, poorer citizens relied on community leaders or NGOs to mediate on their behalf with utilities with respect to the schemes in which they were participating, and in conveying and resolving complaints.

In another pro-poor innovation, CUTS persuaded the Rajasthan SERC to permit rural complainants to employ

a companion to depose for them before the utility's complaint cell. This was a marked departure from the prevailing practice in which all complainants had to present their own cases themselves. Since many rural and poor consumers were not articulate enough to do so effectively, their problems were often not fully understood by the utility and so remained unresolved. Public hearings are another method of customer-utility engagement that poor citizens find comfortable. Andhra Pradesh, for example, has set up *vidyut adalats* — or public electricity courts — in each of its 1,200 *mandals* (sub-districts). *Adalats* are held once a month, and the accounts and operational staff of the utility come equipped with their records. Billing and engineering complaints are recorded, and action is taken. Complaints are sent to headquarters, which randomly monitors their resolution. Karnataka has now set up similar *adalats* for the on-the-spot resolution of consumer complaints.

Changing the Incentives of Public Service Delivery

Utility incentives: Direct engagement between service providers and citizens on service and financing issues generates pressures for providers to become more responsive to end users, and to grapple more directly with the challenges of universalizing and improving service. At the same time, as the experiences profiled in the case studies show, service providers might stand to benefit significantly from working more directly with consumers. Citizen engagement has enabled service providers to more quickly raise finances and expand delivery infrastructure; recover costs; ensure the cost-effectiveness and sustainability of projects; obtain a better understanding of system performance and service outcomes; and establish a more constructive and sustaining relationship with end users.



Service providers can meet their own goals by engaging directly with consumers.

For instance, BWSSB was able to expand its network in the city by working closely with slum households to encourage them to opt for paid household connections and to design a relevant and cost-effective physical delivery system. 46 slum communities, representing 10 percent of the city's slums, have signed on to the program and BWSSB's revenues have risen. Additionally, its engineers' continuing interaction with connected and 'target' slums has also provided it with an ongoing source of customer feedback on system performance and possible improvements.

In Ahmedabad, AEC substantially reduced power theft by persuading slum communities to legally connect to its network, proving to them that paying for use through a metered connection was half the monthly fee typically paid to middlemen for an illegal, 'unmetered' one. To assist slum households in paying the upfront capital costs, AEC allowed for payments to be amortized in the form of monthly installments. As a result, AEC succeeded in getting close to 10 percent of Ahmedabad's 'unauthorized' slum households to pay for a legal connection and meter monthly consumption, in a period

Citizen engagement has enabled service providers to devise innovative ways to connect the poor, thus moving closer toward universal service.

of just two years. Similar gains accrued to the Orissa State Electricity Board (mentioned in Case Study 8) which, in partnership with the Xavier Institute of Business Management (XIBM) in Bhubaneswar, trained and appointed one local youth in 100 pilot villages of the state's Sambalpur District to study fellow villagers' electricity use habits and to show them how paying for electricity would, in fact, be cheaper than the monthly payment to touts and officials to enable illegal consumption. The pilot was so successful that the program has now been extended to 5,000 villages.

A similar set of gains is apparent in the Tamil Nadu case study, where ULBs and local communities have a direct influence in infrastructure investment decisions about expanding sewerage infrastructure in their areas. Municipal councilors actively discuss proposals with constituents, including how project costs might be contained, the size of household contributions to the initial deposit, as well as sewer connection and monthly user charges. As a result of public financial contributions, 64 urban areas in Tamil Nadu had partial sewerage schemes by mid-2005, as opposed to 14 in 1998 when the program began, and many smaller towns have already achieved 100 percent coverage. Moreover, municipal councilors have managed to draw political mileage from their role as initiators of this scheme, while both ULB officials and the Government of Tamil Nadu saw it in their interest to have an expanded sanitation network to show.

Table 4.3 provides a brief visual overview of the varied gains that have accrued to public service providers profiled in this publication through an enhanced and direct engagement with consumers. In the case study on Public Interest Litigation and Judicial Activism, there is no direct engagement between public service providers and utilities, since this relationship is completely intermediated and directed by the Supreme Court.

Box 4.7:
The Value of Engaging 'Face-to-Face' rather than through Consultants

The case studies underscore the importance of service providers engaging directly with citizens, rather than through third party consultants. Further momentum is obtained when senior and mid-level management, rather than just frontline officials, interact directly with consumer groups to explain a scheme to them, or to discuss refinements and modifications in those under implementation. While this is not to diminish the value that trained development communications consultants can bring to a project, their role should support rather than substitute that of provider officials. Using responsible officials as an interface has two strengths. First, they have enough authority to discuss and commit to suggested program modifications during public consultations; unlike consultants who can only commit to relaying the same information to their contracting institution. Secondly, only a direct interaction can begin to overcome the distance and relationship of mistrust that currently prevails between many service providers and customers in India by attaching a 'face' to the service provider and putting pressure on senior officials to make and honor public commitments on service improvements.

Political Incentives

The analysis also sought to determine the role that civic engagement and citizen involvement have in compelling politicians to hold service providers to account against a set of predetermined service standards.

In Tamil Nadu (Case Study 2), since municipal councilors were personally responsible for persuading their electoral constituencies to financially contribute to the sewerage scheme, they were particularly careful to ensure that voters got the best value for their money. Councilors worked closely with scheme participants to vet and reduce project costs, and connection and user fees, and held contractors to the terms of their construction contract on timelines and quality standards.

In Kerala (Case Study 4), the collective and transparent decision-making that has accompanied the People's Plan Campaign and vetting of projects by independent technical experts reduced favoritism and arbitrariness in the disbursement of contracts.

Finally, while most citizen report cards (Case Study 10) have focused on holding service providers and government agencies to account, some groups have successfully used them to hold politicians accountable as well. The Public Affairs Centre in Bangalore strategically used the findings in its series of report cards to press the senior-most tier of the political establishment — particularly the state's Chief Minister — to improve service quickly and along the lines suggested by the customer satisfaction data.

In Gujarat, the Self Employed Women's Association (SEWA) segmented its citizen report card findings on a ward-by-ward basis to provide each area with a comparative perspective on services. This provoked

Table 4.3:
Public Service Providers Benefit from Engaging Directly with Customers

	<i>BWSSB</i>	<i>TN</i>	<i>Ahd'bd</i>	<i>Ker'l</i>	<i>CUTS</i>	<i>OCMS</i>	<i>Reg'In</i>	<i>CRCs</i>
More locally-relevant projects	✓	✓	✓	✓				
Reduced reliance on state/central finances	✓	✓	✓		✓			
Lower project costs	✓	✓	✓	✓				
Faster project implementation	✓	✓	✓	✓				
Enhanced understanding of consumer needs	✓	✓	✓	✓	✓			
Improved capacity to service the poor	✓	✓	✓	✓	✓			
Better data on system performance				✓	✓	✓		✓
Improved understanding of service outcomes	✓	✓	✓		✓	✓		✓
More credibility with consumers	✓	✓				✓	✓	✓

BWSSB = Bangalore Water Supply and Sewerage Board's slum program; **TN** = Tamil Nadu Sewerage Infrastructure program; **Ahd'bd** = Ahmedabad 'Parivartan' and Slum Electrification program; **Ker'l** = People's Plan Campaign; **CC/GRM** = Consumer Courts and Grievance Redressal Mechanisms; **CUTS** = CUTS-FES program to facilitate dialogue between rural consumers, electricity utilities and the electricity regulator in Rajasthan; **OCMS** = Mumbai's Online Complaint Monitoring System; **Reg'In** = Independent regulation in the electricity sector; **PIL/Jud'l** = Public Interest Litigation and Judicial Activism; **CRC** = Citizen Report Cards

In Mumbai, slum residents used citizen report card findings to present a 'charter of citizens demands' to their municipal councilor and hold him accountable.

residents from poorly-performing wards to demand an explanation and seek improvement from their municipal councilors. In Mumbai, Apnalaya used the findings of its citizen report card 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. Citizens thus created an agenda for service and governance improvements by their elected representatives.



Citizens can create an agenda for service and governance improvements.

Other Lessons

The case studies also put forward a number of secondary learnings that could serve to reinforce any initiatives to advance consumer voice and client power in the water and sanitation sector. These are briefly discussed below:

- **Microfinance:** Financial support is of immense value to slum households in enabling them to make the investments required to connect to public infrastructure systems, even when their participation is subsidized – as was the case in the ‘Parivartan’ and slum electrification programs in Ahmedabad. This holds particularly for first-generation migrants, who often do not have a guaranteed monthly income.
 - **Reduced project costs:** Accountability is not just about ensuring a better service. While in the private sector, competition exerts a constant pressure on companies to reduce project costs, this incentive is weak among public service providers that draw their operating budgets primarily from government grants and do not have to show good investment-return ratios.
 - **Need for sufficient funding:** Underfunding and understaffing pose a significant limitation to efforts to scale up innovative new programs, and sufficient provisions should be made for this at the time of project planning and design.
- Success Factors:** From the experiences detailed in the case studies, certain factors appear to enhance the credibility and success of governmental and utility efforts to enhance accountability, transparency, and consumer participation. These are:
- **Champions:** In all cases, the involvement and support of ‘champions’, who wield authority, credibility and respect within the public service provider or beneficiary groups, was vital to the adoption and success of new programs. This might include utility managers, municipal commissioners, regulators and judges from among governmental agencies, and municipal councilors, politicians and community leaders from within beneficiary communities. A caveat, though, is that programs that rely heavily on champions tend to wane in their absence. It is thus of the essence to institutionalize such programs as soon as possible, by establishing suitable and formal staffing, financing, performance measurement, and reward mechanisms.
 - **Honest brokers:** An intermediary trusted by both customers and the public service provider can be of immense value in building the mutual confidence required to design and initiate an acceptable program. This role can be played by NGOs and community-based organizations, but may also include local politicians, an independent regulator, or a credible third party, such as a judge. Such intermediaries often serve as a bridge through which provider-customer engagement is initiated. Additionally, they assist in taking this early contact forward by representing each party’s compulsions and positions to the other.
 - **Co-finance:** Composite financing, in which governmental agencies, beneficiary and other interested groups share program costs, facilitates the launch of much-needed programs that may otherwise not have come into existence due to limitations on government funds. More crucially, they result in significant design improvements due to the need to convince and share information with all contributing

Small-scale, experimental projects are invaluable to test new hypotheses and translate them into working models.

parties about their proposed merits and achievements.

- **Pilots:** Small-scale, experimental projects are invaluable to test new hypotheses, translate them into working models and build the legitimacy of new approaches within the institution.
- **Incremental development:** Developing a program gradually often makes it more durable as it provides time for public consultation and feedback, improvements based on early experiences and the evolution of a relationship of 'trust' and partnership. The challenge is to ensure a regular flow of

deliverables simultaneously in order to retain and increase public interest.

- **Space for innovation:** Successful programs allow room for innovation in response to changing needs and conditions on the ground, and the more public support is mobilized, the better the prospects of getting innovations accepted. The service providers that have achieved success have generally monitored public support and customer satisfaction as they went along. This shifts the emphasis from simply making additional connections to also attending to the quality of services and improving planning, innovation and delivery.

Section 5

Conclusions:
Some Practical Steps to
Enhance Accountability



The lessons emanating from the case studies indicate some major ‘action points’ for Indian water service providers, policy makers, and civil society groups searching for new strategies by which to create a greater role for end users in the operation and control of the sector. For convenience, these are separated into three discrete agendas, although in reality there are many overlaps, complementarities and interdependencies among them.

Action Points for Water Service Providers

Involve and consult citizens

In instituting formal practices to involve citizens on planning and operational issues, it might be useful for water utilities to take a first step by:

- inviting the public to attend their operational meetings on a regular basis;
- pasting the minutes of such meeting on the utility Web site and/or publishing them in local newspapers;
- holding public hearings on proposed investments, policies and tariffs; and
- sharing contracts with the public.³⁵

Not only are these practices common in utilities overseas but they can be introduced immediately with little extra effort or expense, while growing into ongoing relationship of citizen participation in policy-making, service design, implementation, delivery, and performance monitoring.

Collect and disseminate information on performance

Water service providers will more effectively meet their own needs, not to mention those of policy makers and end users, by collecting and publicly reporting data about institutional performance and service outcomes. While some of this information may already be with providers, new methods by which to measure delivery and outcomes will need to be instituted. In this respect, the International Benchmarking Network for Water and Sanitation Utilities (Box 4.3) represents an interesting model for performance measurement and disclosure.

Also useful in this regard would be to institute a practice of regularized customer feedback, as also expenditure and performance audits.³⁶ Strategically collected and analyzed complaint information can also be a valuable tool for management.

Delineate clear responsibilities for individual staff

Once a service provider has committed to a set of external deliverables and performance parameters, internal management needs to focus on creating

³⁵ In some countries, consumer pressure for more transparency has resulted in the practice of ‘open tendering’, in which all bids received by utilities are public. In this way, it is easy for consumers to monitor and influence the contracting process.

³⁶ Such measures would also contribute to strengthening the long-term provider-customer relationship. Repeated experience shows that customers, including the poor, are willing to pay higher rates for a service if they believe that it is of superior or definitively improving quality.



Water service providers will more effectively meet their own needs, as also those of policy makers and end users, by collecting and publicly reporting data about institutional performance and service outcomes.

supporting systems of internal delegation, in which clear job roles, responsibilities and outcomes are assigned to individual staff members, together with transparent and collectively agreed institutional rewards and penalties.³⁷ This is particularly important in the case of frontline staff. Possible targets and standards might include, among other things, customer satisfaction with complaint redressal; improved water quality; expanded service area; enhanced revenue and reduced leakages; operational

and financial efficiencies; delivery innovations; new types of services for the poor; and so on.

Create channels for citizens to interact directly with senior officials

Platforms that give customers the opportunity to interact directly with management on policy, investment and service issues, and complain about poorly performing frontline officials provide management a good overview of how the institution and its performance is perceived by customers. Online systems of complaint registration and monitoring are useful, but work best when consumers can also interact directly with management.

Action Points for Policy Makers

Create separate budgets for water supply and sanitation

As discussed, the prevailing system of financing water and sanitation activity out of a budgetary 'common pool' has resulted in a considerable lack of understanding about the real costs of operation and of supplying water to differentiated customer segments. Even the best-intentioned water and sanitation utility finds it difficult to significantly increase efficiency, cut unnecessary costs and make useful investments, when it cannot accurately measure how much it is spending to obtain a specific level of output. For this reason, creating a clear delineation within municipal budgets for water and sanitation spending and revenues would trigger significant performance and accountability gains within the sector.

³⁷ In this respect, a growing body of research shows that reward and reinforcement systems create a positive and sustained incentive toward outstanding performance. Penalties tend to incentivize performance in which staff members 'stay out of trouble' by meeting minimal standards, while rewards drive innovation and excellence. Similarly, while financial incentives could be useful, peer recognition and public acclaim is also a strong motivator.

It should be mandatory for utilities to report regularly to the public on service quality and performance.

Increase cost recovery

Enhanced cost recovery will also have a discernible impact in improving performance and water providers' response to customer demands. This can be done in a number of ways, including rationalizing tariffs, improved metering, more effective billing and collection, reduced leakage, and the development of affordable service packages for the poor. State and local governments can provide incentives by linking funding to water and sanitation utilities to clear poverty-related or performance criteria.

Declare minimum service standards

Since the absence of clearly-defined service contracts is one of the reasons for the poor state of water and sanitation delivery in the country, central and state governments should announce minimum standards of performance for municipal water departments and water boards against which they should be forced to report. Publicly committing water departments to a key set of deliverables will compel a generalized re-think about the management and reporting structures required to achieve such an outcome. South Africa presents an interesting example in this context (Box 4.8). Its Department of Water and Forests has now introduced eight service indicators on which all municipal water departments are required to report every year.

Depoliticize tariff-setting

Important lessons can be drawn for the Indian water and sanitation sector from the country's ongoing power reform experience, which illustrates the potential benefits that could accrue from a public and objective way of setting tariffs, with a formal role for consumers.

Educate consumers

India's electricity reform experience also points to the importance of consumer education in training citizens to effectively dialogue with policy makers on sectoral policy and performance monitoring issues. As state governments and service providers have done in the electricity sector, municipal governments and water and sanitation service providers might wish to consider developing and funding programs of consumer education in this area.

Action Points for Citizens and Civic Action Groups

Information on service is essential to lobby for change

Given the dearth of information in the sector, civil society can play a useful role in creating new 'service-related' parameters by which utility performance can be measured. At the same time, citizens can play a key role in collecting and disseminating data to policy makers and utility management, to highlight strategic areas for change. Widespread publicity of this data in the media, and through public hearings and workshops, generates further and stronger pressure for reform.

The power of comparative rating and benchmarking might be strategically harnessed to foster competitive pressures that trigger delivery and efficiency improvements. Thus, civil society groups might benchmark the performance of utilities across cities; or they might benchmark their local utility's improvements on past performance. This creates incentives both for officials, and for the political leadership overseeing these utilities, who will be held accountable at future elections.



Citizens need to pay a fair price for water.

Fulfil responsibilities

Citizens need to fulfill their own responsibilities in paying a fair price for the water they consume, if the health and responsiveness of the sector is to improve. Proper metering and conservation is key. Only if all players in the sector assume their part of the bargain can a sectoral turn-around begin.

Auditing Institutional Accountability

Finally, in understanding the specific issues on which utilities, consumers and policy makers need to focus in enhancing consumer 'voice' and 'client power' at an operational level, they might wish to make a careful assessment of the extent to which existing institutional structures and processes within individual water service

Improving the finance and information relationships appears to have made service providers most responsive to customers.

Table 5.1:
An Accountability Questionnaire

Have the specific objectives, performance standards, service targets and delivery schedules for the institution being clearly defined? Have consumers been given the opportunity to participate in this process?	Delegation
Have the finances and resources necessary for these tasks, and their longer-term financial and other implications, been identified in partnership with consumers?	Financing
Is the resulting system of service delivery relevant, convenient and affordable to end users? Is the institution capable of operating the delivery system effectively?	Performance
Have mechanisms been created by which consumers and policy makers may assess the performance of the institution, and provide effective feedback?	Information
Have mechanisms been established that enable aggrieved consumers to seek redressal from providers, and to effectively penalize those who do not comply?	Enforcement

providers encourage responsiveness and openness to consumers. In doing so, Table 5.1 presents a set of questions that might serve as a useful guide. They draw on the World Development Report 2004's accountability framework, and are intended to evaluate the manner in which internal processes and structures within utilities contribute to or hamper operational transparency and clear lines of responsibility. As emphasized earlier, even the best-intentioned and most carefully designed mechanism for customer engagement yields little tangible benefit if not matched by supporting incentives and lines of responsibility amongst the staff responsible for execution.

For Further Research

The case studies raise a number of interesting issues for further research and investigation. These are:

Differential accountability gains: Will strengthening specific points within the World Development Report 2004's five-point accountability matrix have more impact in making service providers accountable to customers

than focusing on other areas. Is it easier to close the 'accountability loop' by investing efforts to bolster some, rather than others, of the five accountability relationships? Such an investigation would require the development of reliable parameters to measure the accountability of a public service provision system. From the case studies, it appears that improving the finance and information relationships seemed to have resulted in the largest gains in customer responsiveness by the service providers profiled.

Political incentives: What forms of civic engagement and oversight would help to transform the existing political incentives within the Indian water and sanitation sector to restore politicians to their intended role of acting on behalf of citizens to hold service providers to account, on the basis of collectively agreed performance and service quality standards?

Internal lines of control: What internal performance measurement and management systems, and lines of control, should Indian water and sanitation service providers introduce to ensure optimal organizational performance?





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