

# Water Working Notes

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## WAYS TO IMPROVE WATER SERVICES BY MAKING UTILITIES MORE ACCOUNTABLE TO THEIR USERS: A REVIEW

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## ABBREVIATIONS AND ACRONYMS

APC	<i>Aguas de Puerto Cortés</i>
BMC	<i>Brihanmumbai Municipal Corporation</i>
BWSSB	<i>Bangalore Water Supply And Sewerage Board</i>
CAMEP	<i>Centrale Autonome Métropolitaine d'Eau Potable</i>
CCRs	consumer confidence reports
CSOs	civil society organizations
DJB	<i>Delhi Jal Board</i>
DMAE	<i>Departamento Municipal de Agua e Esgoto</i>
GRET	<i>Groupe de Recherche et d'Echanges Technologiques</i>
NGO	nongovernmental organization
NPM	New Public Management
NWSC	<i>National Water and Sewerage Company</i>
O&M	operation and maintenance
OMCS	Online Complaint Monitoring System
PAC	Public Affairs Center
PUB	Public Utilities Board

PWCs	provincial water companies
SADM	Servicios de Agua y Drenaje de Monterrey
SAGUAPAC	<i>Cooperativa de Servicios Públicos Santa Cruz Limitada</i>
SANASA	<i>Sociedade de Abastecimento de Água e Saneamento</i>
SIMAPAG	<i>Sistema de Agua Potable y Alcantarillado de Guanajuato</i>
UWSAs	urban water supply authorities
VEWIN	Association of Dutch Water Companies
VWSSA	Vietnam Water Supply and Sanitation Association
WCCs	water supply customer advisory committees
WSS	water supply and sanitation
YLKI	<i>Yayasan Lembaga Konsumen Indonesia</i>
OECD	Organization for Economic Cooperation and Development

# EXECUTIVE SUMMARY

In many countries, the way in which water supply and sanitation services are managed is changing. After a decade of mixed results from private involvement, formal regulation, and decentralization, most water services in developing countries are provided by poorly regulated municipally owned service providers whose performance often leaves much to be desired. But some of those utilities are now seeking to provide better services by adopting new styles of management and administration.

While considerable attention is placed on the financial and technical governance of utilities, the voice of users is often muted. One consequence is that service providers do not take account of users' priorities and preferences. The utility, in turn, loses the trust and cooperation of the community that it is supposed to serve. The result is often service deterioration, further alienating users.

This review aims to help those who work in and with water utilities, as well as organized users, regulators, and policymakers to improve the quality of water services by making service providers more accountable to the people they serve.

Traditionally, users relied on politicians to maintain oversight of budgets and compliance with rules and to intervene on their behalf when services failed. This institutionalized a "long route" of accountability from user to political representative to service provider. Modern approaches to public management seek to hold service providers more directly accountable to their users for the outcomes of their work. Providers are expected to ensure that water flows safely and reliably from taps, that blocked drains are cleared, and that services are accessible and affordable to all. Accountability in this context is about establishing a direct "short route" between users and service providers.

This review identifies a range of practical tools that can help to do this. It considers where they have been used, where they have succeeded and, as important, where they have failed, and draws lessons from this experience.

While there is a great deal of theoretical and advocacy writing on the subject, there has been little structured investigation of how these tools work in practice. This review sets out to fill the gap in knowledge about their practical performance. Using country studies and personal interviews to complement available literature, it provides an overview, a structured analysis, practical guidance, and sources of further information for managers seeking to design and apply tools to improve the performance of utilities.

## **Tools for accountability range from information to consultation, participation, and recourse**

Information tools include the publication of annual reports, information provided at service centers or with bills, and structured outreach programs (Figure S1). Information needs to be offered in plain language that users can understand.

While information provision is a one-way process, consultation involves actively seeking and listening to users' opinions. Surveys, if appropriately designed, can help utilities to understand and respond to users' preferences, as well as to chart their own performance. More interactive consultation tools include public hearings and advisory committees.

Tools allowing user participation in decision making include giving consumer representatives formal voting rights in the decision-making bodies of utilities or regulatory institutions. At the extreme, this can

**Figure S1 Tools for accountability**

<b>Information</b>	<ul style="list-style-type: none"> <li>Community outreach and ad hoc user meetings</li> <li>Publication of performance data</li> <li>On-demand information provision</li> </ul>
<b>Consultation</b>	<ul style="list-style-type: none"> <li>Forecast surveys</li> <li>Retrospective performance and perception surveys</li> <li>Structured consultation processes</li> <li>Membership on advisory bodies</li> </ul>
<b>Participation</b>	<ul style="list-style-type: none"> <li>Membership on decision-making bodies</li> <li>Involvement in the execution of specific utilities activities</li> <li>Participatory budgeting</li> <li>Ownership of utility</li> </ul>
<b>Redress/recourse</b>	<ul style="list-style-type: none"> <li>Utility complaint mechanisms</li> <li>Third party complaint mechanisms</li> <li>Legal recourse and redress</li> </ul>

extend to consumer ownership of a service provider. Involving consumers in service provision can be a way of ensuring accountability as well as simply getting a job done.

A service provider is fully accountable only if users have some way of voicing their concerns (recourse) and then, if a complaint is justified, obtaining an appropriate response (redress). Complaint systems are an important vehicle through which a utility can engage with users.

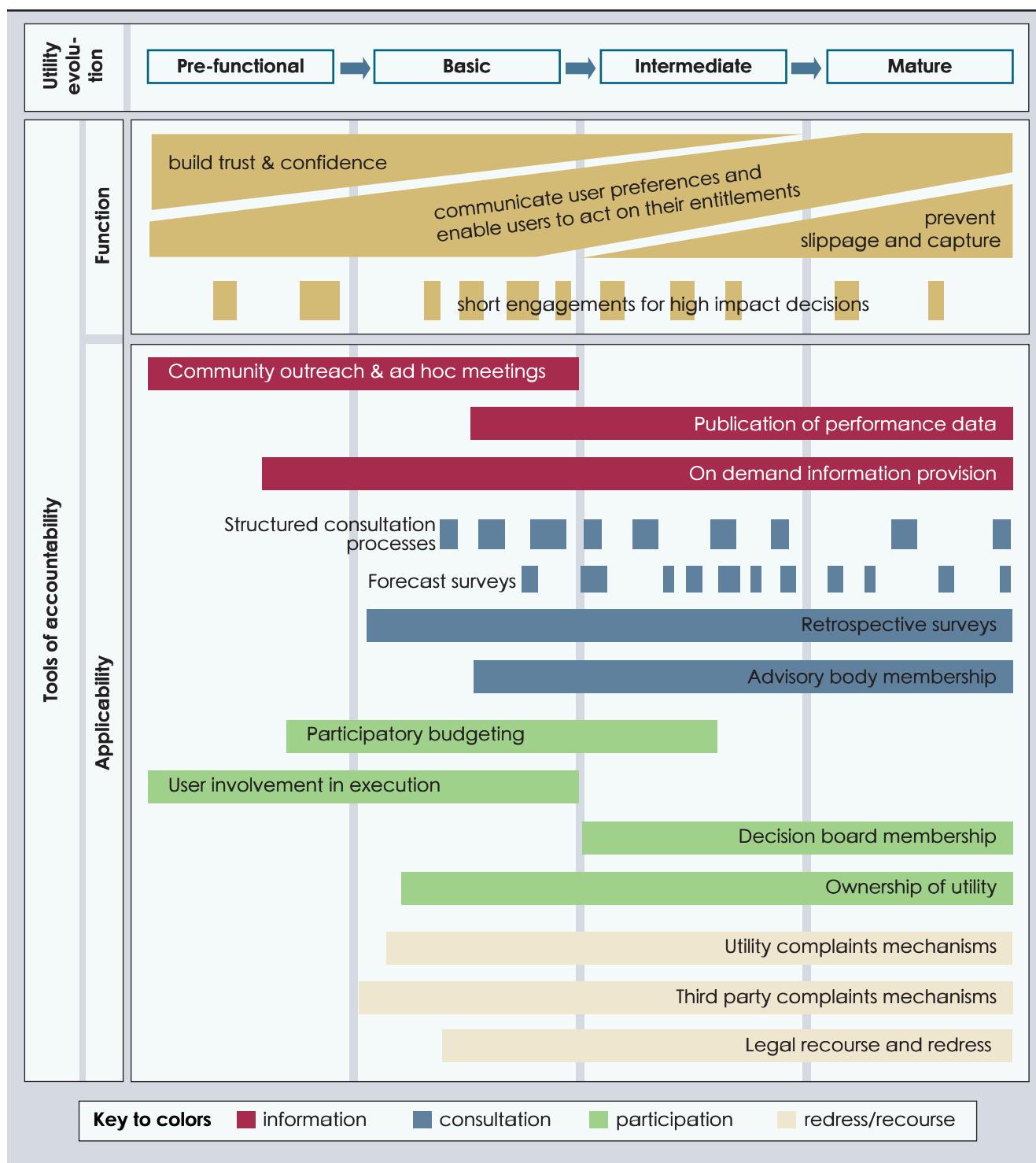
### **Correctly chosen and properly implemented, tools for accountability have contributed to better performance in many water utilities around the world**

The review shows that tools for accountability cannot by themselves provide sustainable water services. But their use can contribute to this goal, by improving utility practices and the utility's policy and institutional environment.

The effectiveness of tools depends on how they are designed and implemented. The challenge is to choose a "suite" of tools to ensure that all service users can engage with the utility or at least have their concerns and views heard and responded to. Individual tools perform different functions. They may communicate key information to users or help utilities to understand users' preferences and ensure their participation in key decisions, and they may build trust and a habit of engagement between user and utility.

To be successful, tools should be inclusive, efficient, and sustainable. Some tools focus on individuals, while others address the interests of specific groups or communities, and others cover all customers or the entire citizenry (both served and unserved) within a jurisdiction. A tool that targets individuals can be inclusive if it is equitably available to all. The inclusiveness of collective tools often depends on how user representatives are selected and appointed. Special measures will often be needed to reach out to people who have no voice in collective mechanisms or who lack access to information or redress

Figure S2 Mapping of applicable accountability tools by different stages of the maturity of a utility



tools. In the context of water services, particular attention must be paid to ensuring that the specific needs of women, minority groups, and poor communities are met.

Tools of accountability often have considerable costs for both utility and users. The transaction costs for users can be a barrier to the successful application of some of the tools and must be evaluated and minimized. For a utility, integrating tools for accountability into normal operational management lowers direct costs but also ensures that the tools are linked to internal performance management and monitoring systems, strengthening the incentives for staff at all levels to adopt a user-focused approach.

Sustainability is also important. Many tools are only effective when implemented over time (information and complaint mechanisms) or repeated regularly (surveys). In some cases, tools introduced by external parties are difficult to sustain, because of their complexity and cost.

## **Tools should match the utility and its environment**

Selecting and applying a set of tools is no guarantee of success if the environment is not conducive. Success can be affected by external factors such as:

- physical and financial constraints that limit the feasibility of improvements in service
- political will and space for decision making
- attitudes and culture in the user community
- clear service mandates.

The corollary to this is that the promotion of greater accountability can help to create a more conducive environment for service provision.

Important factors within the utility include:

- customer-focused organizational structures
- performance-management systems
- service-oriented skills.

## **Different tools are appropriate at different stages of a utility's evolution**

There is a strong tension between the need for tools, which is higher in less conducive environments, and the potential of tools, which is lower in less conducive environments. Many tools for accountability can only be introduced when utilities have developed some capacity to respond to their challenges. But the need for accountability will by definition be greater in less conducive environments.

Figure S2 shows which tools are applicable at which stage of utility development.

Where a utility is pre-functional, with poor services, weak organization, and low levels of public trust, simple measures to share information about the state of the organization and informal consultation on consumers' priorities will be critical. User involvement in the execution of certain utility functions can help build trust. A pre-functional utility will have limited capacity to introduce its own tools, so tools are often deployed by third parties such as regulators or civil society groups.

As utilities move to a basic then an intermediate stage, improving their organizational structure and services, accountability tools can enable users to understand and act on their entitlements and communicate their preferences. At this stage, utilities will often introduce basic customer service systems, such as complaint processes and informal consultation processes. Utilities can use surveys to obtain information on critical issues, or civil society can provide them with this information generated by con-

sumer report cards. Participatory budgeting can help citizens communicate their preferences to local governments.

As utilities become autonomous, self-sufficient providers of reliable services, tools of accountability become intrinsic to their overall toolkit of management and oversight systems, and become increasingly formal. At this stage, accountability tools can help to prevent utility performance from slipping or being "captured" by politicians or other interest groups. Users may seek participation in utility governance, for instance through membership of oversight boards. Mature utilities can maintain users' confidence through tools, such as notice periods for public comment on proposed investments or changes in policy or tariffs, that keep the door open for their participation but are dormant for most of the time. Surveys and the publication of service data (in the form of annual reports and other products) will continue to play an important part.

Information sharing and structured consultation processes are vital at all stages when high-impact decisions are being taken on future investment priorities and service levels as well as on organizational structures and the possible involvement of the private sector.

## **Success factors in context**

The application of accountability tools has, in many cases, led to improvements in the performance of water utilities and their services. Some simple conclusions can be drawn about the context in which they work best.

First, a reasonably supportive environment is needed beyond the water sector. Basic corporate governance and legal frameworks must be in place, with acceptance that political interests should not simply override administrative processes. *The broad concept of accountability needs to be accepted, not just by utilities but also by regulators and governments at different levels.*

Within the sector, there needs to be sufficiently broad agreement about the application of tools if they are to be useful. Accountability is a process that builds trust but a certain degree of trust is needed from the start. There is a *logical sequence for the introduction of accountability tools*, related to the state of the utility and its evolution. Some tools are prerequisites for others, so there are some critical paths (although not one set path) for building up a suite of accountability tools.

For accountability tools to be effective, their application must be accompanied by the development of *public capacity* among utility users. Users' ability to engage with their service providers will need to evolve as accountability moves from simple information exchange to more substantive engagement in utility management.

*Strong leadership* from the top, which respects and is able to mobilize the engagement of the utility staff, is needed to embed accountability tools effectively in a utility's day-to-day operations.

This said, efforts to achieve effective accountability should not be delayed until the conditions seem right. This review finds plenty of evidence that the energetic application of the tools described here can itself help to transform the broader environment. That outcome, just as much as the provision of cost effective, reliable and safe water supply and household sanitation, needs to be kept at the forefront.

## 1. INTRODUCTION AND OBJECTIVES

This review is part of a broader work program at the World Bank to help utilities in developing countries provide better water supply and sanitation services (see Annex). While building the infrastructure for water supply and sanitation in a rapidly urbanizing world is a huge challenge, establishing effective organizations and management systems to operate and maintain the infrastructure is even more daunting.

In this broad context, the present review has a limited and specific focus. It identifies a range of practical mechanisms—*tools for accountability*—that have been used to make water supply and sanitation service providers more responsive and accountable to their users. It is believed that becoming more responsive and accountable will help providers to become more efficient and effective in what they do.

Using case studies and country reports, backed by an extensive literature search and consultations, the review describes and analyzes different tools that service providers can use to engage with and account to service users. Many of these tools are relatively simple and obvious but there has, to date, been little practical consideration of how and when they may best be applied. Some of the best known are those promoted by external actors such as donor agencies, nongovernmental organizations (NGOs), and research institutes. Yet these tools may not be the most appropriate for application by a community of users or within a utility itself, because they often entail a level of detail that is interesting for specialists but highly demanding in practice.

The aim of the review is to give utility managers and their advisors information about accountability tools as well as some considerations about their application. (The term “utility” is used interchangeably with “service provider” to describe an organization, whether public or private, that provides water services of a public service nature.) The review should also help organized user groups, policymakers, regulators, and donors who work with the utilities.

While the tools described can help providers to improve their performance, they cannot do so in isolation. The review thus explores how the tools can fit into a utility’s overall activity. It also recognizes that in many cases, the tools will only be effective if used as part of a broader process of institutional development, including policymaking and legislative processes. Some factors that are critical to the success of the tools are discussed, but the broader institutional development processes lie beyond the scope of the review. Similarly, while many of the tools depend on the involvement of effective civil society organizations, the important but separate issue of building and supporting civil society capacity is noted but not pursued.

Both water supply and sanitation services—henceforth “water services”—are addressed, though there is more discussion about water supply, for which more information is available. As a service, sanitation differs from water supply. In small, less dense communities, sanitation is often dealt with at the household level; as communities grow, it is linked to the provision of stormwater drainage and roads rather than to water supply. However, in large urban communities, both water supply and sanitation involve the use of large public networks and the relationship between user and service provider is similar; often the same utilities provide both water supply and sanitation services.

The differences between the water supply and sanitation functions affect how the people who depend on them are viewed. Thus people *consume* water but *use* a toilet—words that raise an important debate about the roles and status of the users of water supply and sanitation services. Do they receive these services as consumers? As customers? As citizens?

These distinctions are reflected in the tools themselves, with some of the tools (such as legal redress) viewing the user as a *citizen* with rights, others (such as consumer surveys) viewing the user as a *consumer*, and a third group (such as complaint mechanisms) identifying the user as a formal, contractual *customer*. Given the physical and philosophical issues, this review generally stays with the more neutral generic term *users*.

The review is structured as follows. Chapter 2 provides some background on changing approaches to providing water services in past years, and introduces the concept of accountability and the various routes of accountability between service providers and users within the broader context of the corporate management of utilities. Chapter 3 systematizes and describes tools of accountability. It categorizes the tools according to four dimensions—driver, modality, formality, and targeting—and then describes 14 individual tools, whose purposes range from information provision to consultation, participation, and redress. Chapter 4 assesses the outcomes that have been achieved by applying the tools. It starts by establishing a set of criteria to measure performance, and then discusses achievements in various environments in terms of effectiveness, inclusiveness, efficiency, and sustainability. Based on this assessment, Chapter 5 identifies some critical success factors in the application of tools for utilities at different stages of maturity, with the aim of assisting practitioners to choose the right suite of tools to match their circumstances. Chapter 6 concludes.

## **2. THE CONTEXT**

This chapter outlines changing approaches to providing water services over the past two decades. It introduces the concept of accountability and the various routes of accountability between users and service providers. It emphasizes the need to enhance the "short route" directly between user and service provider, in addition to the "long route," whereby users raise their concerns with their political representatives who then address them with the utility. Direct mechanisms of engagement and accountability allow citizens to influence utilities directly, without going through the state as intermediary. The discussion also looks into the contributions that other intermediaries, such as regulators and organs of civil society, can make to improved accountability.

### **2.1 The 1990s: Private involvement, regulation, and decentralization**

Global approaches to water services during the decade of the 1990s had three main thrusts: private sector participation, formal independent regulation, and the decentralization of service provision.

Much attention was paid to expanding the private provision of water services, mostly through various types of delegated management contracts. This was accompanied by the development of regulatory systems. Despite much polemic about private alternatives, it is now widely recognized that the public sector, which currently provides more than 90 percent of such services in the developing world, will continue to play a leading role in the future.

Independent regulation to ensure that tariffs were economic (from providers' perspective) and fair (from users' perspective) was often extended from private to government-owned water utilities. Recent reviews have found that independent regulation has had little effect on the performance of government-owned utilities. Regulators often cannot enforce the rules, especially when financial sanctions may hurt the consumer or the government/owner more than the utility. Yet competent independent regulators can nonetheless provide useful information and benchmarking (Ehrhardt and others, 2007). One reason for the mixed success of regulatory reform was that measures were not tailored to local circumstances. Groom and others (2006) blame policymakers' uncritical introduction of formal independent regulators:

... policymakers short-circuit the process, saying, "We know we need regulation, so we had better create a regulator," and importing regulatory designs from elsewhere. The resulting regime may be doubly ill adapted, in the sense that it is not designed to solve the problems the country really has and also that it does not take into account the political, legal, and organizational cultures and capacities in the country.

The decentralization of functions to the local level has continued in recent years, with substantial implications for the organization of water services. Though promising to bring governments closer to their citizens, in practice decentralization has often not produced the desired results, whether for lack of local government resources, lack of clear responsibilities, or lack of capacity in newly established utilities (Foster, 2005). As Peña and Solanes (2002) point out, sudden and drastic decentralizations have a mixed track record, and decentralization, "...rather than a question of radical alternatives, is more importantly a question of structuring balanced systems, where legal and political powers are assigned to the appropriate level of government."

### **2.2 The specific challenges of public water utilities**

After a decade of mixed results from private involvement, formal regulation, and decentralization, most water services in developing countries are now provided by poorly regulated municipally owned

service providers. It is important to understand the challenges these providers face in order to structure support to help them improve their services.

The public sector has an often-fuzzy mandate and is governed by a complex set of priorities, incentives, and oversight institutions. In contrast, private operators are driven by financial incentives and usually held accountable for explicit operational goals by a formal regulator. But, users expect more of private than of public organizations, and private utilities also need to systematically improve their relationships with users. Paradoxically, while proponents of public service provision emphasize that public providers are more likely to reflect the priorities of the broad community of users, this is often not the case in practice. Some of the reasons lie in the nature of water services operations.

Water supply services are viewed variously as human rights, public goods, essential universal services, or civic entitlements. In sanitation, there are clear public health and environmental “public good” reasons for communities to ensure the safe removal and treatment of human wastes. This makes it difficult, and arguably inappropriate, to enforce commercial contractual conditions of service between service providers and residential users. The widely dispersed nature of water services renders them difficult to monitor and vulnerable to interference, particularly in densely occupied, poorly planned urban communities.

In these circumstances, all water service providers need to maintain the trust that underpins the formal or informal “contracts” that they have with their users in order to maintain viable businesses. But while the private sector simply loses money if it loses users’ confidence and consent, public sector service providers have a more diverse set of stakeholders to satisfy and a more complex social contract to fulfill. Public sector managers who have brought in private operators, through service, management, or lease contracts, often face both sets of pressures.

Public utilities suffer the vagaries of politics, with oversight board and management posts often filled by political appointments rather than on merit. They are affected by both national and local politics, sometimes with different political parties in power at different levels. Since utilities are seen as an important source of employment, the interests of their employees narrowly, or organized labor more generally, frequently impinge on their management decisions. As public organizations, they are often expected to take social responsibility for poor users without the (usually) more carefully structured arrangements that govern private utilities.

Their finances are often underpinned by irregular and unpredictable public subsidies, which are determined as much by political dynamics or responses to crises as by technical requirements or structured and predictable arrangements. And where they receive cash through user fees, their budgets are often vulnerable to being raided to fund other functions of local government that lack a ready source of revenue.

Relationships between utilities and users are thus often contested if not actually conflictual. Tension may be fueled by tariff increases or ongoing service challenges. Establishing a social contract and mutual trust, or even establishing an understanding of roles and responsibilities, between users and the utilities that serve them is often an arduous task.

## **2.3 The relationship between monopolies and users’ responses**

The challenges of accountability to consumers are aggravated because water services tend to be monopolies in urban communities where piped household connections predominate. (Water from “retail” distributors, such as the ubiquitous water carriers, usually costs consumers much more than piped water.) Similarly, sanitary collection, removal, and treatment of wastewater can only be undertaken by one service provider (even septic tank suction truck operators normally depend on a monopoly provider for safe disposal of the waste).

Water users thus have limited choice and, if their service provider does not perform adequately, they cannot simply choose another. This colors their attitudes and has important implications for their relationships with the provider.

For users dissatisfied with the quality, the prices charged, or other aspects of water services, an easy option is to refuse to pay. In some countries, this behavior is indirectly encouraged by government agencies and political leaders who build up extensive arrears and consider themselves exempt from bills and immune from cut-offs. A further provocation to ordinary users is that these elites often receive a more continuous and reliable service.

Another option for users is to access services illegally. In many countries, particularly but not exclusively in poorer communities, "illegal" or "informal" connections represent a substantial proportion of what utilities report as "unaccounted-for water." Other user responses such as vandalism may not be formal expressions of discontent but affect service providers through their effect on other users.

Users may adopt a strategy of switching between "the ballot and the brick," engaging in dialogue with government and public agencies but reverting to tacit or overt resistance where that does not achieve the desired outcomes (Booyse, 2007). In Mexico:

Despite the explicit recognition of the need for public participation in the governance of water and WSS, in practice the model implemented in Mexico during the 1990s has not produced the much-desired changes in the water culture. The prevailing notion of user participation is mostly limited in practice to the expectation that users would become obedient customers who pay their water bills punctually. This limited and instrumental notion of participation has been contested by the population, which continues to deploy a wide range of tactics from pacific bureaucratic demands and civil disobedience (e.g. non-payment of water bills) to open and violent opposition by sabotaging water infrastructure (notoriously water meters), kidnapping water company employees, or destroying property. (Castro, 2007)

Often water utilities respond by reducing or avoiding investment in the expansion of services to "difficult" communities, blaming users themselves for the problems that arise. Another is to continue to provide services and to seek financial support through political channels—which often causes a vicious cycle of further deterioration in services and further user dissatisfaction if funds are not provided.

Often the problem underlying poor performance is the policy framework within which the utility operates. Hence the challenge is not just to find ways for utilities to break out of the vicious circles and be more responsive to users. It is also to separate service performance from underlying policy issues and to ensure that there are appropriate channels through which both can be addressed.

In this context, water users need to be able to do more than just communicate their preferences and constraints and understand their entitlements and responsibilities. Crucially, they need to be in a position to determine or at least understand the responsibilities of their service providers and to hold them accountable for their performance. Approaches are needed that can create and then sustain relationships of trust and understanding, establishing a social contract between user and provider.

## 2.4 A pragmatic approach to public administration

Under traditional public administration arrangements, policy is established by elected representatives who allocate resources through budgetary processes to officials, who in turn administer the resources according to agreed procedures. Politicians are then held accountable for the performance of their officials and the use of the resources channelled to them.

Such systems are not always an appropriate way to manage complex services and, in many countries, public institutions are being radically transformed. While overarching policy is still set by (and

overall accountability remains with) politicians, more power and control over resources is transferred to managers who are held accountable for the outcomes of their work rather than simply for their use of resources. It is also in this context that regulation emerged.

Though the establishment of relatively autonomous public utilities to provide water services is not new (it is how services were often provided in Europe in the nineteenth century and in middle-income developing countries in the twentieth) it has been given new impetus by the so-called New Public Management (NPM) approach to public service reform. This approach explicitly aims to enhance accountability through contractual relationships and focuses on organizational performance and outcomes rather than on traditional concerns with compliance with budget decisions and administrative procedures.

While some commentators see an ideological tension between the traditional model of public management and the NPM approach, this review draws on the more pragmatic approach taken by Ormond and Löffler of the OECD Public Management Service:

After a decade and a half of NPM-oriented reforms in some OECD member countries, there may be some pointers on what to take and what to leave from NPM. The ideological debate that has taken place has often conceived NPM as an end in itself that defines a desirable state of the public administration in terms of structure, functioning and results. Nevertheless, the evolution of NPM shows that it rather has to be understood and used as a "tool box" that may provide an approach to solve some specific problems in certain parts of the public administration if implemented properly. (Ormond and Löffler, 1999)

The relevance of this pragmatic approach to water services was shown by a study that found no simple connection between successful public utilities and either the traditional or the NPM models. Elements of both models—notably internal and external autonomy and consumer orientation—were found in all successful utilities studied (Schwartz, 2006).

The present review seeks to help practitioners to move beyond the ideological debates by focusing on tools for accountability that offer practical ways to strengthen the engagement between users and utilities.

## **2.5 Creating a balanced accountability system**

Implicit in any definition of accountability is the question: *What to account for, to whom, and how?* The response to this question has evolved along with new approaches to management, as Auge (2002) describes:

Narrowly conceived, accountability ensures that public resources are not wasted—whether by honest mistake or fraudulent design. Systems of cash management, contracting, accounting and audit then become instruments for curtailing opportunities for corruption. The benchmarks of this conception become established standards of bookkeeping, procurement and fiduciary controls.

As Auge (2002) further points out, following rules does not guarantee that the desired results are achieved:

If accountability is conceived far more broadly—as a means of reconciling public actions with achieving public policy objectives—other dimensions emerge. Accountability then comprises the rules, customs, standards and systems that collectively guide and inspire officials towards maximizing progress in accordance with the development aspirations of the public they serve. In this larger enterprise, the benchmarks of accountability become expectations for achieving goals—well beyond compliance with rules and regulations.

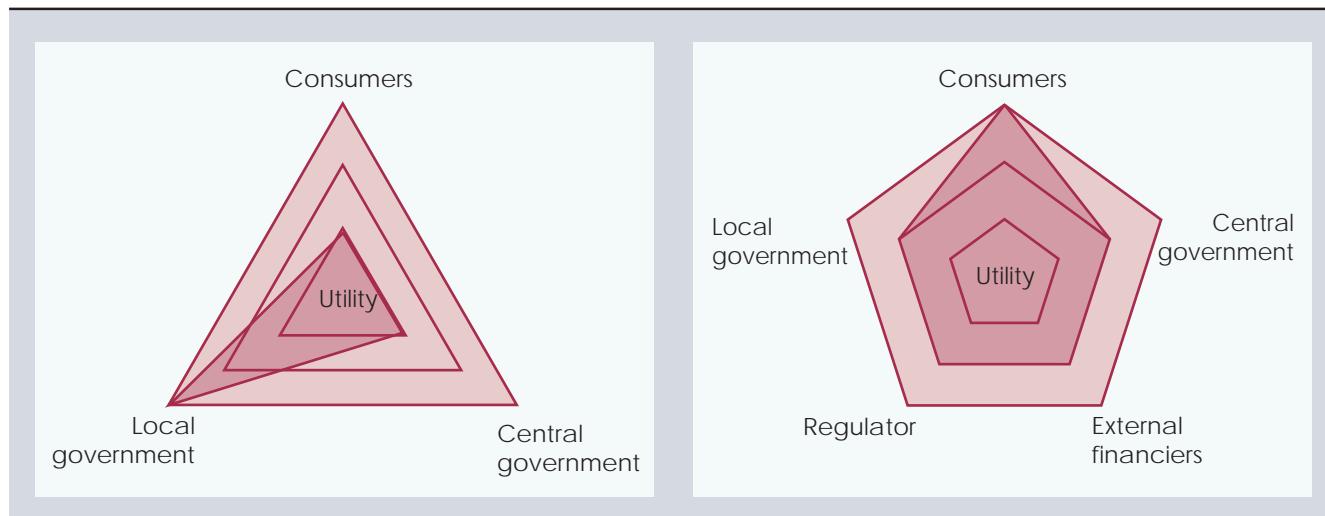
The latter approach is followed here, distinguishing between *principals*—the users and policy makers—and *agents*—the service providers. Accountability requires agents to be answerable to their principals for performance.

A wide range of relationships between the different principals and agents needs to be reflected in the combination of tools for accountability that comprises the *accountability system*. Often, the service provider is not equally accountable to its different principals, including regulators or asset-holding companies that act on principals' behalf. And service providers often have to account to financing institutions that are not necessarily linked to principals. Acknowledging this, the accountability system of a utility can be mapped on a diagram (Figure 1) in which each corner represents an actor to whom the utility is accountable and the shaded area represents the relative degree of accountability (van Ginneken and Kingdom, forthcoming).

Accountability is often skewed towards one powerful actor, often a local government that combines the functions of ownership with those of financing, policymaking, and regulating. Introducing other actors can help to balance the powers. Strengthening accountability to consumers can create a better balance and prevent the capture of utilities by political actors. For this to be possible, users must have a voice and be able to engage with the utilities that serve them.

Consultation, participation, and accountability are not new topics in development theory and practice and have been pursued in the water sector. There is a substantial literature on approaches to and benefits from involving users in initial decisions about projects for delivering water services. But less attention has been given to aspects of users' involvement in ongoing water services operations or to how these translate into accountability.

**Figure 1 A skewed and a balanced accountability framework**



## 2.6 Different routes to accountability

Some of these dynamics were explored in the 2004 *World Development Report: Making Services Work for Poor People*, which identifies the challenges that face providers of public services as a result of the providers' dependence on political support and politicians for guidance and direction. That report also points out how recent trends, including democratization, the emergence of civil society, and better information technologies have increased the possibilities for consumers to hold utilities directly accountable (World Bank, 2003).

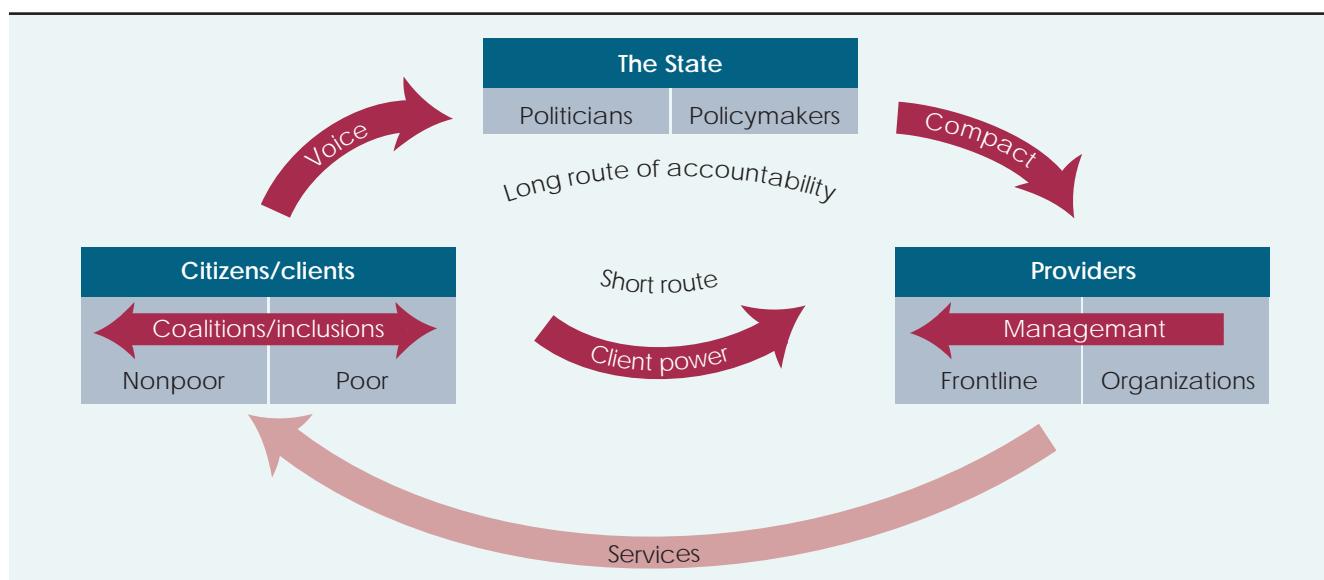
Figure 2 illustrates two routes of accountability between citizens/clients and service providers. In the "long route," users raise their concerns with their political representatives who then address them with the utility. In this situation, utilities rely on communication from political channels, rather than communication from their users, to assess whether their performance is adequate. "Long route" communication is cumbersome, allowing other interests, sometimes corrupt, to intervene and running the risk that the concerns of the poor and less vocal users in particular will be lost.

This risk highlights the need for more direct mechanisms of engagement and accountability—for a "short route" in which citizens exert direct "client power" on utilities without going through the state as intermediary.

While the 2004 *World Development Report* emphasized the importance of the "short route," the accountability map (Figure 1 above) suggests that a more nuanced approach is needed. Concentrating only on the "short route" would neglect the fact that utilities operate in a world in which politics still rules (appropriately so in the view of many stakeholders), and might exclude many important ways through which users could secure better services. In addition, the "long route" is important to give voice to the unserved who do not (yet) have a direct relationship with a utility.

Hence our primary focus in this review is on tools that can enhance the "short route" between user and service provider, but the review also looks into the role of intermediaries, such as regulators and organs of civil society, that can contribute to improved accountability. It recognizes that these tools do not supplant the "long route" but allow a focus on more strategic dimensions.

Figure 2 Two routes of accountability



## **2.7 Accountability tools and organizational development and change**

As is analyzed in Chapter 4 and 5 below, accountability frameworks are part of the broader corporate management and performance measurement framework that governs water service utilities. A country's approach to utility structure and management, as well as its political environment, will directly influence the choice, application, and performance of any accountability tools and their contribution to an effective system of accountability. The reform of water utilities will rarely occur in isolation from change in the broader public sector, and approaches adopted within the water sector will reflect the general trends outside it. The choice and design of accountability tools should build on the broader public agenda.

Within utilities, the priority that management gives to accountability, and the placing of the accountability function within the organization, can determine the success or failure of accountability tools. For example, if the customer-relations function reports directly to the chief executive officer, it is likely to have a very different impact than if it is housed in the administration division as an adjunct of public relations. Moreover, different tools will be appropriate at different stages in the evolution of a utility. Where services do not yet meet minimum standards—as in many poor and lower middle-income countries—many tools for consumer accountability may not be applicable.

These dimensions are considered in Chapters 4 and 5, always with a focus on identifying those practical tools that can and have made service providers more accountable to their users. But first we need to develop an understanding of these tools by systematizing and describing them.

### **3. TOOLS FOR UTILITY ACCOUNTABILITY**

This chapter starts by categorizing tools according to four dimensions: driver, modality, formality, and targeting. It then describes 14 individual tools ranging from information provision to consultation, participation, and redress, along with examples of their use. The approach taken is pragmatic. Since it is concerned with the functioning of the overall accountability system, the tools considered go well beyond traditional definitions of accountability, ranging from basic information sharing at one extreme to user ownership at the other.

#### **3.1 Categories of tools**

Tools for accountability can be categorized in many ways and one aim of this report is to provide a structured guide to a complex universe. To this end, four basic dimensions are used to characterize each tool:

- driver
- modality
- formality
- targeting.

##### **3.1.1 Driver**

One dimension of each tool is the driver who directs it, whether from the supply side (the government or provider) or the demand side (the users). We distinguish four drivers:

- The government, using the long route (described in Chapter 2) in which politicians and policy-makers listen to consumers and raise their concerns with the utilities.
- Drivers in other variations of the long route: autonomous public bodies, such as regulators or ombudsmen.
- The service provider as driver in the short route, in which utilities account directly to their consumers.
- Independent drivers such as independent consumer or civil society groups that set up their own accountability mechanisms.

Tools may be used in response to demand or supply drivers, although it is often difficult to determine who initiated certain tools, because people will identify with successes but shun failures. Tools may also be adopted by mutual agreement, and consumer-initiated tools may be adopted and formalized by utilities and governments, “jumping” from one driver to another.

##### **3.1.2 Modality**

The *modality* of accountability refers to increasing intensity of interaction, ranging from mere provision of information to consultation, fuller participation, and finally, to redress where performance is unsatisfactory (OECD, 2001).

*Information* provision from utility to user may be proactive or passive, i.e. provided only when requested by users. A proactive approach may provide information through messages that are sent out to consumers with their bills, through structured outreach programs, or through the mass media. Facilities to respond to user requests may be provided at payment points or through call centers or websites. While relevant information may be available in sources such as annual reports, both the proactive and passive provision of information may need tailored formats.

While information provision is seen as a one-way process, *consultation* involves actively seeking and listening to users' opinions, whether as a once-off exercise or an ongoing process. Feedback mechanisms such as surveys and notice periods for comment can be distinguished from more interactive consultation mechanisms. Unsolicited feedback provided by consumer comments, complaints, and so forth can yield valuable information if systematically assessed. More interactive consultation tools include public hearings and focus groups and may be used semi-continuously, as with standing advisory committees.

In consultation, the preferences and wishes of consumers must be heard but do not necessarily have to be acted upon. Tools allowing user *participation in decision making* are a step further along the continuum of responsibility, in which utilities or governments take decisions together with the consumers. This may be done by giving consumer representatives formal voting rights in the decision-making bodies of utilities or regulatory institutions. At the extreme, user participation can extend to consumer ownership of a service provider.

A service provider can only be considered to be fully accountable if users have some way to call it to account (*recourse*) and then, if their complaints are justified, to obtain an appropriate response (*redress*). Tools for recourse and redress can enable consumers to hold a service provider accountable for failing to deliver services to agreed standards and to have remedial action taken or compensation provided. These tools include utilities' complaint systems. Recourse may also be achieved through third parties, such as regulatory bodies and ombudsmen, who often address consumer complaints in the second instance, after the complaints have not been adequately dealt with by service providers directly. Civil society organizations, including the media, can also collect complaints and communicate them to the utility. Finally, most jurisdictions allow some recourse through the courts, although this is often burdensome.

### **3.1.3 Formality**

The formality of tools reflects the extent to which they are codified and made obligatory. Formality can range from voluntary or informal at one extreme to formal or statutory at the other. Tools that are implemented by external non-governmental actors will usually be voluntary, although "formality" should not be equated only with "governmental." For example, an NGO may make a decision, at its own initiative, to exercise citizen's rights to obtain information using the formal procedures of legislation.

Examples of formal or statutory tools are consultations conducted directly by utilities and governments, or indirectly through regulatory bodies, and backed by a legal obligation of the decision makers to listen to consumers. An example of a statutory information tool is the application of mandatory notice periods.

Statutory tools may succeed if they help to establish clear targets and procedures while allowing utilities freedom to act within these rules to improve performance, thus providing bounded autonomy for utility managers. Their impact depends on whether laws and rules are enforced; many countries have a tradition of enacting laws but not enforcing them. Introducing sweeping new consumer rights is an attractive move for politicians and utility managers alike but, to be effective, basic rules including the consequences of violations need to be clearly spelled out, and effective arbitration and enforcement mechanisms implemented. Care must also be taken to avoid creating a plethora of poorly conceived rules that constrain the utility, confuse the users, and do not improve service delivery.

There are also many *procedural* tools. Utilities can establish their own rules to govern the conduct of public consultations, building consultations into their own strategic plans and procedures. Consumer rights and obligations can be formalized in the utility's statutes or bylaws. Some utilities have adopted

a citizens' charter stating the organization's aims, the standards of service that users can expect, and the arrangements for following up users' feedback. Others have opted for individual consumer agreements signed by the customer and the utility.

Utilities and governments will often take the initiative to consult even though they are not obliged to do so, and may use *informal* tools to obtain consumers' input or feedback. Voluntary and informal initiatives can be a first step to build trust between utility and consumers; they may be a good way to test different approaches before formalizing them.

### **3.1.4 Targeting**

This term describes whether a tool focuses on individuals or on collectives. Four categories of targeting can be distinguished:

- *Individual* targeting tools include utility complaint mechanisms, through which individual users can hold utilities accountable for their performance as well as for providing information on demand.
- *Target groups* for accountability might include social classes of user such as the unserved, women, or the disabled, or specific geographical areas or a specific customer segment such as industrial consumers. Targeted tools include the representation of specific consumer groups on decision-making and advisory bodies as well as outreach activities in selected neighborhoods.
- Other tools are clearly collective, designed for *all consumers at large*. They include information and consultation processes associated with changes in tariffs or budgets. They do not reach people who are not served by the utility.
- Tools in the last category focus on the *entire citizenry*, including people who do not receive services from the utility. They include community mapping processes used by civil society organizations to promote the interests of unserved groups.

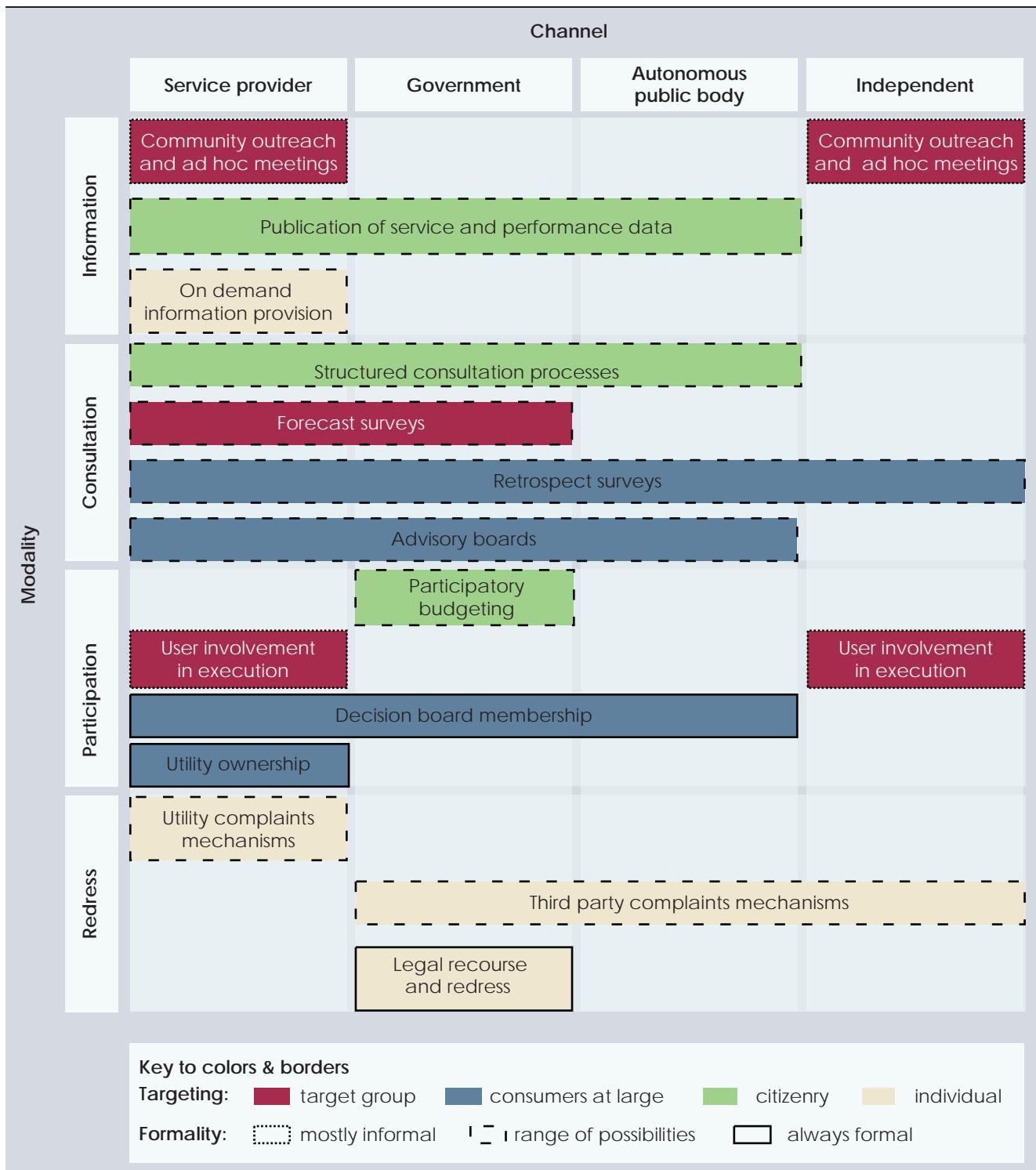
## **3.2 The tools**

This section describes 14 tools for accountability. Figure 3 provides an overview of the tools according to the four dimensions described above: driver, modality, formality, and targeting. In this paragraph the tools are ordered by their modality, starting with information tools, followed by consultation, then participation in decision making, and finally recourse/redress, although some straddle more than one category.

In the discussion that follows, each type of tool is outlined in a summary table and briefly introduced in the accompanying text. Ahead of the review in Chapter 4 of the merits of different tools as shown by experience, the summary table for each tool assesses the potential merit of the tool against the following criteria:

- *Effectiveness*: Does the use of the tool contribute to better, more accessible, and safer drinking water and sanitation?
- *Inclusiveness*: Who is involved, a small group or all consumers? Do poor and disadvantaged groups have equitable access? Where intermediaries such as NGOs are involved, are they effective representatives of the broad consumer base?
- *Efficiency*: What are the costs of applying the tools (including non-monetary costs such as time inputs from consumers), and how do they compare to the benefits?
- *Sustainability*: Can the approach be institutionalized, for a lasting impact?

Figure 3 Overview of tools



### **3.2.1 Tool 1: Community outreach and ad hoc user meetings**

Utilities conduct outreach activities for a variety of reasons, including creating understanding about using water wisely and about healthy hygiene practices. While consumer education is valuable in itself, it is also part of building a relationship with users, of which accountability may be one dimension. To this end, outreach programs may go beyond consumer education and include information about the utility and its services, and even move towards a consultative dialogue between utility staff and users.

Private operators normally put a good deal of effort into community outreach when taking over the management of a utility, in order to build good customer relationships. Indeed, outreach may be required by their contracts. For instance, the concessionaire in Guayaquil, Ecuador was required to conduct 150 school visits, 300 public meetings, and more than 10,000 home visits, costing some \$1.5 million over 12 months (Diaz, 2003). In the Philippines, the Manila Public Performance Assessment Project was established by the regulator and had a semi-independent status in conjunction with a university; the project distributed information to the public through road shows, a permanent Performance Café, and the Internet (Cook and Stevens, 2004).

Most public utilities also conduct outreach, ranging from ad hoc activities to structured programs. All the public utilities that were interviewed in Honduras during the country work underlying this review reported that they did outreach work. Three quarters of the 39 utilities that responded to a survey in Vietnam reported that they met with residents' groups and water users' groups in response to customer complaints, and many of them reported organizing annual urban water supply conferences in their cities, inviting the press and other media. (Box 1.) Periodic open hours provided regular opportunities for consumers to gain direct access to decision makers at specific times.

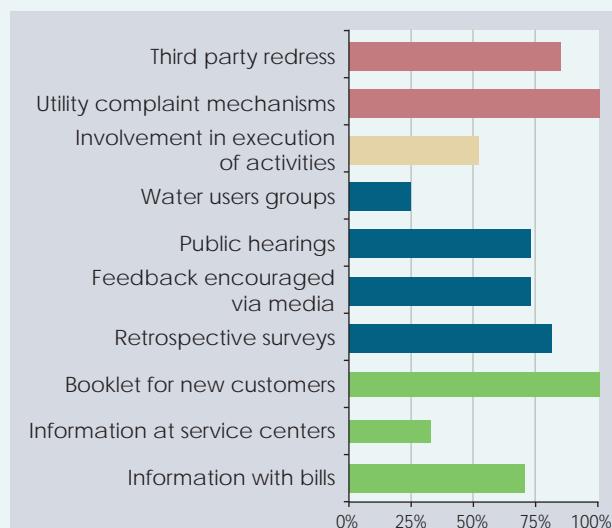
#### **Box 1 VIETNAM—Prevalence of tools of accountability**

Vietnam's urban water services are provided by 67 provincial water companies (PWCs). Traditionally, sector planning was done top-down with little opportunity for local communities to participate in decision making. Tariffs were low, corruption was rife, and services were poor. In recent years, PWCs have remarkably improved their performance and coverage, sometimes in response to public protests.

A survey by the Vietnam Water Supply and Sanitation Association (VWSSA, 2007) elicited responses from 39 PWCs, and 13 utilities were interviewed in depth. Respondents had connection ratios of more than 80 percent in their service areas, which serve between 10,000 and 100,000 connections, and had average unaccounted-for water of 35 percent. Seventy percent of these utilities reported that their revenues covered operations and maintenance, and 92 percent used computerized databases for customer management.

The survey found that information tools are widely applied to communicate rules and regulations, works, and service interruptions, but pay little attention to performance. Most of the utilities use surveys and ad hoc hearings, and encourage feedback through the media. A quarter of the PWCs reported the use of user advisory groups. About half reported that users are involved in the management of tertiary networks or water points. Other forms of participation were reported occasionally. All utilities had complaint mechanisms in place, and in more than three quarters of the utilities consumers could approach third parties if complaints were not solved by the utility itself.

The PWCs reach out to specific customer segments. Most of them offer large-scale customers more frequent meter readings and monitoring for early leak detection. While advance warnings of service interruptions of four hours or more are communicated to all consumers, those who consume more water or are more sensitive to interruptions also



**Figure 4 Tool 1—Community outreach and ad hoc users' meetings**

Description	<p>Community outreach refers to efforts by a utility to connect directly with its public by means of local events, public information meetings, information centers, and educational sessions at school and door-to-door home visits. The broad objective is often consumer education, which can be a first step in building accountability. Outreach can also be used to provide information on the utility, including works and service disruptions, and on how to use complaint and consultation mechanisms.</p> <p>Outreach can be aimed at specific groups or institutions or at specific communities where programs may be underway. Face-to-face engagement may be needed to reach those who are not reached by other information channels, including people who cannot read or write, and people who do not receive or pay bills.</p> <p>Outreach is mostly a one-way process, with information flowing from utility to the public. Outreach can be a first step to two-way dialogue and consultation. Outreach activities are often tailored to engage specific groups such as women. This is commonly done in the planning of major investments, where commercial and municipal users are involved.</p> <p>Meetings can also be organized by third parties (e.g. NGOs) that invite representatives from the utility or government to respond to concerns. This is often observed in situations in which the utility does not have the capacity to initiate the outreach.</p>		
Prevalence	Near universal		
Classification	driver modality formality targeting	Service provider Information – sometimes developing towards consultation Informal Target group or citizenry	
Potential merit	<ul style="list-style-type: none"> <li>• <i>Effectiveness:</i> Medium/low; community outreach can establish a basis for accountability by building trust and making utility staff more accessible.</li> <li>• <i>Inclusiveness:</i> Medium/high; can be used to reach specific (disadvantaged) communities or groups, although ad hoc activities will often evolve on a first-come first-served basis.</li> <li>• <i>Efficiency:</i> Medium/high; cash costs are modest; costs for consumers are low; can be organized in parallel to other utility activities.</li> <li>• <i>Sustainability:</i> Medium/high; outreach activities can be easily made routine, but ad hoc nature makes tool not very sustainable if only implemented at the whim of the staff involved.</li> </ul>		
Success factors	<ul style="list-style-type: none"> <li>• To contribute to accountability, consumer outreach should go beyond education and include information that enables consumers to use other mechanisms.</li> <li>• Should be well targeted and tailored to the groups and individuals who are meant to be reached.</li> </ul>		
References	Cook and Stevens (2004).		

#### **Box 1 VIETNAM—Prevalence of tools of accountability (continued)**

get alerts for shorter interruptions. Thirty percent of the PWCs responding to the survey provide poor households an option to pay connection fees in installments, while 5 percent have a free connection policy.

The survey did not investigate whether the tools that were reportedly in place actually functioned, or how effective, inclusive, cost-efficient and sustainable they were. Overall, the PWCs' main goal is to provide services to consumers rather than to be accountable to them. The survey reported that "Water supply companies hardly have specific customer accountability but just implement it incompletely and integrate it into some other activities."

However, it is clear that Vietnam's water service sector is changing rapidly. Ninety five percent of the surveyed PWCs agreed that information on services should be provided to all consumers, while 97 percent stated that users are entitled to raise their opinions to the PWCs. Most utilities have formalized consumer rights and responsibilities through customer contracts. A government decree of July 2007 formalized consumers' rights and obligations, referring to contractual rights such as compensation for damage. To encourage community participation it instructs people's committees to "abide by the procedure on community consulting, participation and supervision".

Source: VWSSA (2007).

### **3.2.2 Tool 2: Publication of performance data**

While users of water services will be able to report on the quality of the services they receive, they require more than their own experience to determine whether a utility is providing services efficiently and fairly. To make a full assessment requires information about the utility's operations, complemented where possible by information about comparable organizations. (Figure 5.)

Publication of data can be formalized by stipulating which data must be published and when. Financial disclosure is often required by company law and, when combined with formal audits, can be a valuable means to inform users as well as to win their confidence. For example, municipalities in South Africa are obliged to report their performance against a standard set of indicators under the Water Services Act 1997 and the municipal systems legislation (Schoeman and Magongoa, 2004). By contrast, performance reporting in many countries in the European Union is still voluntary (Rivière y Martí, 2007). Many regulators and national utility organizations make utility data available in standard formats. Examples at a national level include Malaysia, Vietnam, and Brazil. At the global level, the World Bank-sponsored IB-NET (<[www.ib-net.org](http://www.ib-net.org)>) collects data using a series of standard definitions for basic metrics.

Recent benchmarking programs have mainly focused on professional audiences. Making data useful for users requires local information that is presented in clear format with no jargon and with illustrations. A review in South Africa found a "remarkable concordance" between officially directed indicators and consumer preferences (Schoeman and Magongoa, 2004), but elsewhere published indicators are often found to be too technical or data too aggregated for local users. To build trust, summarized data and streamlined messages need to be backed up, and raw data sets made available to parties who want more detail.

**Figure 5 Tool 2—Publication of performance data**

<b>Description</b>	The effectiveness of publishing performance data depends on the relevance, quality, timeliness, and format of the information provided. A traditional way of making service and performance data available is through publishing and disseminating an annual report. This can be a powerful tool for consumer advocates demanding change as well as for community representatives monitoring utility performance, particularly if it provides data on service performance as well as finances. Annual reports provide an overview of activities and a tool to monitor performance. For the public at large, which would not normally read formal reports, summarized plain-language materials and visual presentations can make data more accessible. Developing user-friendly materials can be expensive and while many utilities use standard materials from utility associations, service and performance data are utility specific and materials need to be developed for each case.								
	Products and messages can be delivered directly and indirectly. Direct mechanisms include direct mail, information centers, and telephone services and the Internet. Indirect mechanisms include the media (press releases and press conferences) and advertising (on TV, radio, newspapers, billboards, posters) to reach a wide audience. As utilities already send bills to consumers, this provides a valuable channel through which additional information can be provided.								
<b>Prevalence</b>	Regularly publishing data on service and performance is a sign of maturity in a utility and reasonably rare. Some countries have made great progress through an enforced legal requirement, an active utility association, or a regulator.								
<b>Classification</b>	<table> <tr> <td>driver modality</td><td>Service provider or independent government body</td></tr> <tr> <td>formality</td><td>Information</td></tr> <tr> <td>targeting</td><td>Full spectrum</td></tr> <tr> <td></td><td>Citizenry at large</td></tr> </table>	driver modality	Service provider or independent government body	formality	Information	targeting	Full spectrum		Citizenry at large
driver modality	Service provider or independent government body								
formality	Information								
targeting	Full spectrum								
	Citizenry at large								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> High; publication of service and performance data provides the basis for accountability. It is a prerequisite for many consultation and participation mechanisms.</li> <li><i>Inclusiveness:</i> Medium/high; depends on understandable presentation of data, and proactive dissemination mechanisms.</li> <li><i>Efficiency:</i> Medium/high; while setting up a reliable data collection and quality control system may be expensive, it should be seen as part of normal management. Cost of broader dissemination can be considerable.</li> <li><i>Sustainability:</i> High; good once a performance management system is in place. Strongly encouraged by formalization through enforced laws or guidelines, or through continued consumer demand.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Utilities require a certain maturity and capacity before they can produce dependable performance data.</li> <li>The value of performance data increases if standard definitions are used, if it is provided in a format that allows for benchmarking with other utilities, and if it is audited, to give confidence in its accuracy.</li> <li>Data should be summarized, simplified, and disseminated proactively in various formats through appropriate channels.</li> </ul>								
<b>References</b>	<p>&lt;<a href="http://www.ib-net.org">www.ib-net.org</a>&gt;</p> <p>Kingdom and Jagannathan (2001).</p>								

### **3.2.3 Tool 3: On-demand provision of information**

Consumers have a direct and legitimate interest in basic utility information, such as how to obtain a connection or submit a complaint as well as in technical and in-depth information that governs practical issues such as network extension and tariff levels. This can include financial data, as well as designs and tender documents for works. (Figure 6.) Withholding information can erode trust between utilities and users.

Access to information is often mandated by legislation (such as freedom of information acts, sectoral laws, consumer protection laws, and corporate laws governing utilities) that specifies response times, charges (if any), and formats.

Freedom of information is a concept widely adopted but less often respected. While rights to privacy and confidentiality are sometimes justified they are often exaggerated. In addition, information that is disclosed as a result of judicial process often takes the form of raw memoranda and service data that may require expert help to understand. Freedom of information acts are rarely invoked in the water sector, but they have value as a safeguard against abuse and in establishing a culture of openness to public scrutiny.

Many sectoral laws prescribe more proactive information strategies according to which utilities provide timely and comprehensive information in a digestible format. For example, environmental impact assessment laws apply to new infrastructure works in the water sector and often require extensive consultation. Administrative procedure laws strengthen the rights of citizens in relation to government. They often include provisions to ensure that citizens who are potentially affected by administrative actions and decisions have the possibility to defend their interests in decision-making processes.

Utilities can only respond efficiently to user requests for information if their in-house systems for information management are functioning well. Another key aspect of implementing on-demand information tools is having frontline staff who are skilled in dealing with customers. SIMAPAG, the utility in Guanajuato, Mexico, invested considerably in providing training programs for its staff members dealing with customer relations. The Singapore Public Utilities Board's system is a good example of the application of a complete set of customer service tools supported by extensive training for staff who interact with customers. A third aspect of improving access to information is to increase the number and accessibility of service points.

**Figure 6 Tool 3—Provision of on-demand information**

<b>Description</b>	<p>Channels for on-demand information provision include data rooms where public documents can be consulted, customer service centers, call centers, Internet-based services, and more complex technical advisory services.</p> <p>Information provided is often general (such as on tariffs, how to get a connection, works, and service interruptions), but consumers have a legitimate interest in information about a utility's operations and motivations, for instance to understand if infrastructure expansion is the only way to meet demand or if other approaches were considered.</p> <p>Sometimes regulators or ombudsmen also offer an inquiry service for citizens that either provides direct responses or refers callers to the relevant utility.</p> <p>The ability of utilities to respond efficiently to user requests for the provision of information depends crucially upon improving in-house capacity for information management. Such as document classification, archiving practices, and quality control. Catalogues, indexes and registers allow citizens to identify and locate information materials produced by utilities.</p> <p>Providing information in understandable formats is more complex than simply producing utility-defined data and information. Well trained staff need to be in place to respond to users within a reasonable timeframe.</p>								
<b>Prevalence</b>	Near universal								
<b>Classification</b>	<table> <tr> <td>driver</td><td>Service provider</td></tr> <tr> <td>modality</td><td>Information</td></tr> <tr> <td>formality</td><td>Full spectrum</td></tr> <tr> <td>targeting</td><td>Individual</td></tr> </table>	driver	Service provider	modality	Information	formality	Full spectrum	targeting	Individual
driver	Service provider								
modality	Information								
formality	Full spectrum								
targeting	Individual								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/high; can help build relationship between user and utility.</li> <li><i>Inclusiveness:</i> Medium/low; requires action from consumers.</li> <li><i>Efficiency:</i> Medium/high. Costs for utilities vary; so do costs for consumers.</li> <li><i>Sustainability:</i> Medium/high; easy to institutionalize.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Availability of quality information.</li> <li>In-house capacity for information management (document classification and archiving); well trained staff.</li> </ul>								
<b>References</b>	OECD (2001).								

### **3.2.4 Tool 4: Forecast surveys**

Consumer surveys investigate the behavior, preferences, attitudes, or opinions of a target group sample. Forecast or "ex-ante" surveys can help governments and utilities to shape plans (on investment projects, institutional changes, or tariffs) before they embark on them. (Figure 7.) These surveys contrast with service quality surveys, which ask consumers' opinions about their existing services and are described in Section 3.2.5.

Well-designed surveys can promote greater communication and accountability. Surveys are powerful, but not as simple as they appear. They require considerable human, financial, and knowledge resources to provide meaningful results, although their costs can be lowered by using local firms or doing the surveys in-house. Before setting out to collect quantitative (survey) data, water utilities need knowledge of the things that can go wrong, so as to ensure that enough resources (time and cost) are devoted up front to designing and testing the questionnaire or interview protocol.

Different groups sometimes use results of well-designed surveys selectively to promote their causes. An example is the surveys of willingness to pay (WTP) that are often conducted as part of reform proposals. When implemented correctly, with integrity and the engagement of stakeholders, WTP surveys can help to make sound decisions about service levels. However, those who implement them sometimes have preconceived ideas of the results they want to see confirmed. Reform agencies are naturally optimistic, eager to expand coverage, innovate, and attract investors. Conversely, local or national governments fear adverse public reaction to tariff increases. And potential users may overstate their willingness to pay in anticipation of receiving new services. One measure against abuse of survey results is to put the survey methodology and data in the public domain.

Another technique, community mapping, locates all households and records the structure of settlements and their facilities to help prioritize investments. It was developed by NGOs in India in 1985 and has been propagated by Slum Dwellers International to other countries including Cambodia, Guyana, Tanzania, and Zimbabwe (WaterAid, 2005).

**Figure 7 Tool 4—Forecast surveys**

<b>Description</b>	Consumer surveys are investigations of the behavior, preferences, attitudes or opinions of a target group sample, collected through a questionnaire. Ex ante surveys can help government and utilities to shape future plans, such as investment plans to expand services, institutional changes and tariff changes.  Surveys provide utilities with objective information on attitudes and preferences. They may cover particular sub-groups or geographical communities within the service area or the whole service area. Ex ante, forecast, surveys may measure willingness to pay or preferences for service levels and tariff structures.								
<b>Prevalence</b>	Willingness to pay studies are widely used								
<b>Classification</b>	<table> <tr> <td>driver</td> <td>Service provider, government (could be independent)</td> </tr> <tr> <td>modality</td> <td>Consultation</td> </tr> <tr> <td>formality</td> <td>Informal</td> </tr> <tr> <td>targeting</td> <td>Citizenry or target group</td> </tr> </table>	driver	Service provider, government (could be independent)	modality	Consultation	formality	Informal	targeting	Citizenry or target group
driver	Service provider, government (could be independent)								
modality	Consultation								
formality	Informal								
targeting	Citizenry or target group								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/high; targeted surveys are a useful tool for consultation about service development and improvement.</li> <li><i>Inclusiveness:</i> High; can include unserved.</li> <li><i>Efficiency:</i> Medium/low; surveys are expensive, but high cost may be warranted for large planned activities.</li> <li><i>Sustainability:</i> Low, tend to be used mainly to guide specific programs.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Design and execution determine the integrity of the results.</li> <li>Options considered must be within actionable range of utility.</li> <li>Transparent publication of methodology and data.</li> </ul>								
<b>References</b>	Water and Sanitation Program (1999), Gunatilake and others (2007).								

### **3.2.5 Tool 5: Retrospective surveys of performance and perceptions**

Surveys can also report on actual performance and consumers' opinions about it. They can be used to validate in-house data on aspects of the utility's performance, such as the time taken for complaints to be resolved. Surveys gain in usefulness when repeated consistently. Surveys can be carried out by utilities, regulators, or independent groups. Given the complexity and cost of doing surveys, water utilities with little prior experience and limited resources may prefer to analyze their own customer contact and complaint data, using simple qualitative techniques, before embarking on full-fledged surveys. They can also use data from national household surveys, which are conducted regularly by statistical agencies in most countries.)

When carried out well, user surveys can be inclusive, can balance different interests, and can help to make utilities more accountable to their users. Various stakeholders have an interest in survey outcomes, and some might manipulate their design to get the results they desire. Utility managers may treat them simply as tools to maintain a user database or, if user perceptions are used to determine performance bonuses, more material interests may supervene. Public relations staff and community activists may use surveys to shape perceptions and support campaigns and steer outcomes through their design.

Civil society groups can conduct their own surveys and provide public agencies with systematic feedback from users. The Public Affairs Centre's Citizen Report Card in Bangalore, India was an important catalyst for performance improvements by service providers in a city experiencing rapid growth and change (Box 9 below).

Perception surveys can use composite scores to rate users' perceptions of the quality of service provided by water utilities, enabling cross-sectoral benchmarking. For instance, the Bangalore 2003 citizen report card showed that water service utilities performed worse than electricity, telephone, and transport companies. The Dutch Water Utilities Association compares customer satisfaction with the water utility service with satisfaction in other sectors (VEWIN, 2007) although the generic scoring used for these assessments limits the potential to pinpoint specific areas of sectoral concern and increases the room for misinterpretation.

**Figure 8 Tool 5—Retrospective performance and perception surveys**

<b>Description</b>	Consumer perception surveys and report cards use established methodologies to obtain a statistically valid representation of the opinion held in a given population on specific issues. They require random samples, trained interviewers, and pre-tested questionnaires.								
	Consumer surveys report mainly on consumers' perceptions but can also provide factual information. Research evidence suggests that consumers' personal circumstances and socio-economic situations can have a significant bearing on their perception of services. For instance, consumers judge private utilities more critically than public ones. Consumers with similar service levels express less satisfaction when their neighbors' services are better than theirs.								
<b>Prevalence</b>	Retrospective surveys are mainly used by quite advanced utilities. Report cards tend to be used by independent groups, often covering a number of sectors.								
<b>Classification</b>	<table> <tr> <td>driver</td> <td>Service provider or independent (government in case of household survey).</td> </tr> <tr> <td>modality</td> <td>Consumers</td> </tr> <tr> <td>formality</td> <td>Full spectrum</td> </tr> <tr> <td>targeting</td> <td>Consumers at large; citizenry</td> </tr> </table>	driver	Service provider or independent (government in case of household survey).	modality	Consumers	formality	Full spectrum	targeting	Consumers at large; citizenry
driver	Service provider or independent (government in case of household survey).								
modality	Consumers								
formality	Full spectrum								
targeting	Consumers at large; citizenry								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> High; survey results can give utilities insights into what consumers want, and can give consumers and NGOs a tool to draw attention to problems and to bring pressure to bear for their resolution.</li> <li><i>Inclusiveness:</i> Medium/high; survey and report cards normally only focus on served consumers. Within the served consumer base, inclusiveness is high.</li> <li><i>Efficiency:</i> Medium/low; surveys are expensive, and are only efficient if their results are used to create change.</li> <li><i>Sustainability:</i> Medium/high; can be institutionalized into normal utility operations.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Results must be within actionable range of utility.</li> <li>One survey may have little effect; staying-power is key.</li> <li>Surveys require considerable financial and human resources as well as experience with statistical techniques.</li> <li>If conducted independently, the impact of a survey depends on the power of the independent organization to lobby for change.</li> </ul>								
<b>References</b>	Colbourne and others (2001); Deichmann, and Lall (2003); Water and Sanitation Program (2007a).								

### **3.2.6 Tool 6: Structured consultation processes**

Activities of crucial importance to users may range from proposals to interrupt a service for repairs or to undertake new works, to changes in the structure and levels of tariffs or changes in the ownership and/or management of the utility. For such activities, there may be a legal requirement to consult, or the utility may itself decide to consult, or civil society or organized users may demand an opportunity to voice their views (Figure 9.)

Many utilities around the world use mandatory public notice and comment periods. For instance, the 1946 US Administrative Procedures Act obliges federal agencies to publish proposed rules and decisions for comment for 30 days before they take effect. During that time, the proposed step can be challenged on constitutional or statutory grounds (Ackerman, 2005).

More structured public hearings are becoming widespread in the Americas. For instance, between 1996 and July 2003 the Costa Rican regulator carried out 250 hearings involving 1,600 local user groups in municipalities (Castillo, 2003). Five Latin American countries legally oblige regulators to hold hearings. Colombia's Constitution guarantees the right of local communities to call for public hearings, although the findings of the hearings are not binding (Comisión de Regulación de Agua Potable y Saneamiento Básico, 2003). In the USA, rate reviews are a quasi-judicial process in which information can be requested as evidence and parties can be asked to testify. A similar approach is taken in Guyana and Barbados (Public-Private Infrastructure Advisory Facility, 2006).

With all consultation processes, the value in terms of accountability depends on whether the agency takes the comments seriously and has the capacity to act on them. A record of decision is an important tool for this. For instance, Colombian law stipulates that the regulator must consider and provide a response to any counter-proposals to its plans (Comisión de Regulación de Agua Potable y Saneamiento Básico, 2003). Such a "paper trail" allows citizens to understand whether the government made a rational decision and may also form the basis of legal challenges to the agency's decision.

**Figure 9 Tool 6—Structured consultation processes**

Description	<p>Consultation processes include hearings, comment and notice periods, and records of decision. They are common but they can be rendered ineffective if not appropriately organized. Structured consultation procedures are often mandated by law, notably for social and environmental impact assessments. They should be designed to ensure that citizens are informed about relevant issues, can comment on them, and can find out how their comments were considered.</p> <p>Mandatory and comment periods establish the minimum period for which information should be made available and provide citizens with an opportunity to voice their opinions. Comment periods provide an opportunity for users to voice their opinions in writing. The effectiveness of notice and comment periods depends on how well they are advertised. As a minimum, they should be publicized in local media, but preferably also through dissemination to community-based groups and targeted individuals.</p> <p>A public hearing is a formally advertised and convened meeting to afford any person who deems their interest to be affected by a proposal an opportunity to be heard before decisions are made. Hearings are consultative; they do not normally bind a utility to take consumers' views into account. Focus groups allow for the collection of comments and suggestions from representatives of certain target groups with a specific interest in a policy proposal or decision.</p> <p>So that those concerned can determine whether their comments have been considered and acted upon, some jurisdictions require a record of decision. This requires an agency to state its final decision, identify all alternatives considered, specify the best alternative, identify all factors that it used to make its decision (including comments received), and state how those factors affected the decision.</p>								
Prevalence	Structured consultation processes are quite common for water resources-permitting processes, public works planning, and environmental assessments. They are less common before major changes in service provision although many utilities hold ad hoc meetings (see Tool 1).								
Classification	<table> <tr> <td>driver</td><td>Government, autonomous government body, or service provider</td></tr> <tr> <td>modality</td><td>Information and consultation</td></tr> <tr> <td>formality</td><td>Formal or procedural</td></tr> <tr> <td>targeting</td><td>Citizenry</td></tr> </table>	driver	Government, autonomous government body, or service provider	modality	Information and consultation	formality	Formal or procedural	targeting	Citizenry
driver	Government, autonomous government body, or service provider								
modality	Information and consultation								
formality	Formal or procedural								
targeting	Citizenry								
Potential merit	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> High for public works planning and major changes such as tariff adjustments, major infrastructure projects, or institutional changes.</li> <li><i>Inclusiveness:</i> Medium/low; requires action from consumers.</li> <li><i>Efficiency:</i> Medium/low; cost for utilities vary (cheap for notice periods, considerable for public hearings and records of decision). Submitting written testimony or attending hearings can require considerable resources of consumers, but cost may be warranted in case of key changes or substantial new activities.</li> <li><i>Sustainability:</i> High; Mechanism can be a safeguard, ensuring consultation if utility plans any controversial activities.</li> </ul>								
Success factors	<ul style="list-style-type: none"> <li>Advertise processes and provide easy access, including providing equal access to background information to ensure equal opportunity for participation.</li> <li>Ensure that attendees reflect the full range of interests in a given issue; include representatives who interact with the wider constituencies they represent.</li> <li>Capacity as well as willingness of utility to take comments into account.</li> <li>Communicate outcomes widely in an accessible form.</li> </ul>								
References	US-NEPA (1999), OECD (2001).								

### **3.2.7 Tool 7: Membership in advisory bodies**

Advisory bodies can be set up permanently or temporarily for a specific purpose by utilities, (local) governments, or regulators. Their members can represent different consumer interests as well as those of other stakeholders.

User membership of advisory bodies avoids many of the conflicts of interest that may be faced by user-members of decision-making bodies (see Tool 8), because advisory body members do not have to make compromises, and will less likely be co-opted by the organizations they advise. Advisory bodies require a quite extensive time commitment from their members that represent users. As a result, standing bodies have at times been hard to sustain, especially in those cases in which results are limited, often due to unclear mandates and procedures.

Many utilities have advisory bodies that consist of consumers, or bring together different stakeholder groups. The national water utility of Uganda conducts regular strategic alliance meetings to consult with the different segments of its customer base (Box 17 below). Brazil has made ambitious efforts to engage user representatives in a structured way through municipal councils established in various sectors including water and sanitation. Though these municipal councils are often referred to as "participatory management" bodies, their real function is advisory. Of the regulators that responded to a survey in East Asia, nearly a third has a formal advisory or consultative group (Muzzini, 2005).

Advisory bodies can help to increase women consumers' involvement in water service planning and management. In Caracas, Venezuela, for instance, 75 percent of the members of the *mesas tecnicas* neighborhood forums for the development of water services are women (Cariola and Lacabana, 2005). And in Kerala, India, all the three levels of advisory groups of the Kudumbashree program (which is oriented to empowering women) consist of women, intensively trained in self-organization (Mehta, 2007).

**Figure 10 Tool 7—Membership in advisory bodies**

<b>Description</b>	<p>Advisory bodies are composed of representatives of a target group. They are regularly consulted and provide guidance and advice to managers. Advisory boards can be solely composed of consumers or can bring diverse stakeholders together.</p> <p>Advisory bodies can be attached to a utility, a regulator, or different levels of government. It is important to define the scope and mandate of an advisory body based on the mandate of the organization it advises. The role of the advisory body, and its interaction with the management of the organization it advises, should be clearly spelled out, including what information, training, and support services are to be provided to the advisory body, how advice is to be presented (e.g. in writing, in periodic meetings), and the procedures for management to react to this advice.</p> <p>Advisory bodies convene regularly, and can either be time-bound or standing bodies.</p>								
<b>Prevalence</b>	Depends per country – often attached to regulatory bodies, while utilities often opt for user membership on oversight boards.								
<b>Classification</b>	<table> <tr> <td>driver</td><td>Service provider, government, or autonomous government agency</td></tr> <tr> <td>modality</td><td>Consultation</td></tr> <tr> <td>formality</td><td>Procedural or statutory</td></tr> <tr> <td>targeting</td><td>Consumers at large; citizenry; target group</td></tr> </table>	driver	Service provider, government, or autonomous government agency	modality	Consultation	formality	Procedural or statutory	targeting	Consumers at large; citizenry; target group
driver	Service provider, government, or autonomous government agency								
modality	Consultation								
formality	Procedural or statutory								
targeting	Consumers at large; citizenry; target group								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/high: advisory boards can inform and influence utilities.</li> <li><i>Inclusiveness:</i> Medium/low; often based on recognition and locus standi and so potentially exclusive</li> <li><i>Efficiency:</i> Medium/low; cost for utility low but considerable hidden costs for consumers.</li> <li><i>Sustainability:</i> Medium/low; hard to sustain consumers' interest, but can also be used for specific periods.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Ensure that attendees reflect the full range of interests in a given issue and have enough expertise on the issue at hand.</li> <li>Match the facilitator base to participant base. Skilled facilitation and careful discussion moderation can help to minimize the adverse effects of cultural differences.</li> <li>Provide equal access to background information to ensure equal opportunity for participation.</li> <li>Capacity and willingness of utility to take comments into account.</li> <li>Communicate outcomes widely in an accessible form.</li> </ul>								
<b>References</b>	Forstater and others (2007).								

### **3.2.8 Tool 8: Membership in decision-making bodies**

Another way to ensure accountability is to ensure that people who can reflect users' interests sit on the boards and committees that make decisions about service provision. Corporate oversight boards (or boards of directors) are traditionally responsible for monitoring and steering the performance of their organizations. Users' membership of the oversight boards of utilities is quite common but not always effective. (Figure 11.)

Consumers also occasionally sit on policymaking and regulatory bodies. In East Asia and Pacific, 22 percent of the regulators who answered a survey reported that they had consumers among their members (Muzzini, 2005). In Honduras, the regulatory committee in Puerto Cortes consists of three respected local citizens: a lawyer, a doctor, and an engineer, nominated by their respective professional associations.

Ensuring effective users' membership of decision making bodies requires a clear understanding of the function of the board and its members. If implemented badly, it can help to make the utility a site of political contest and patronage, as discussed in Chapter 4. The inclusiveness of representative mechanisms depends on the appointment procedures of the members who are supposed to represent consumers—by the government, through a recognized intermediary, or by elections or by nominations from consumers.

**Figure 11 Tool 8—Membership in decision-making bodies**

<b>Description</b>	<p>Corporate oversight boards provide a buffer and a bridge between the management of a utility and its (usually government) owners. Other decision-making bodies in the water services sector include regulatory boards, as well as sectoral policy commissions at the national or municipal level. If consumers are represented on these bodies, they are normally one of several groups.</p> <p>The effectiveness of consumer membership on boards as an accountability mechanism depends on the power of the body and the role and mandate of its consumer members. Many utility oversight boards have little effective power, and are regularly bypassed by politicians. Even if a board has power, its consumer members might not share in it.</p> <p>One important aspect is how many consumer representatives are on the board, and what their voting power is. Another is how the members who are supposed to represent consumers are appointed: by the government (in case of board membership, the utility owner), through a recognized intermediary (e.g. nominated by a consumer group), or by elections or nominations from consumers. Direct appointment by government increases the risks of the government co-opting or even replacing members.</p>								
<b>Prevalence</b>	Consumer membership of utility oversight boards is common. Membership of other commissions is less common.								
<b>Classification</b>	<table> <tr> <td>driver</td><td>Service provider or autonomous government body</td></tr> <tr> <td>modality</td><td>Participation</td></tr> <tr> <td>formality</td><td>Statutory or procedural</td></tr> <tr> <td>targeting</td><td>Consumers at large</td></tr> </table>	driver	Service provider or autonomous government body	modality	Participation	formality	Statutory or procedural	targeting	Consumers at large
driver	Service provider or autonomous government body								
modality	Participation								
formality	Statutory or procedural								
targeting	Consumers at large								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/high; decision-making bodies have strong mandate, but influence of consumer members depends on selection and appointment process.</li> <li><i>Inclusiveness:</i> Medium/low, role of representatives lowers inclusiveness.</li> <li><i>Efficiency:</i> High; low marginal cost.</li> <li><i>Sustainability:</i> Medium/high; the membership itself is often formal and sustained, but effectiveness is often not sustained.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Provide and consistently implement clear and formal rules on the (fiduciary or representative) nature of the board, its mandate, and the rules for appointment of members.</li> <li>Ensure that attendees reflect the full range of interests in a given issue and have suitable expertise.</li> <li>Provide equal access to background information to ensure equal opportunity for participation.</li> <li>Capacity as well as willingness of utility to respond to comments.</li> </ul>								
<b>References</b>	Commonwealth Business Council (2006); Robinett (2006); National Consumer Council (2002).								

### **3.2.9 Tool 9: Involvement in the execution of specific utilities activities**

Engaging users in activities such as managing standpipes and kiosks, protecting a water catchment, or maintaining distribution infrastructure provides an opportunity and a tool to communicate and explain such issues through action learning. This option is especially useful for utilities that lack the organizational capacity to engage in more sophisticated consultation or participation tools. For utilities, user involvement in their activities might be less threatening than using formal consultative tools. In many cases, structures that were put in place for community participation in service delivery evolved gradually into more sophisticated consultative or participative mechanisms. (Figure 12.)

Users' involvement can be organized either by a utility or by an NGO. If civil society is sufficiently organized, this tool is also applicable to pre-functional utilities, which have little organizational capacity of their own. NGOs can act as an enabler, but they should have an explicit exit strategy and hand over responsibilities gradually to local actors, either in the utility or in the local community, or both. For instance, in Haiti, users' direct involvement, organized by an NGO, helped to expand access to water while building trust and accountability. The NGO gradually and deliberately handed over responsibility to the utility and stepped back (Box 2).

The involvement in the execution of specific utility activities does not always mean involvement in physical service provision. In Ahmadabad, in India, an NGO took on a financial intermediary role between the community and the Municipal Corporation, helping to reduce petty corruption among utility staff (Davis, 2004).

#### **Box 2 HAITI—User committees helped expand water supply in slums**

CAMEP is the national state-owned utility providing services to Haiti's capital Port-au-Prince—a city of 2.5 million people, 68 percent of whom live in slums. From its establishment in 1964, CAMEP focused almost exclusively on providing house connections. In 1995, when coverage was 13 percent, the French NGO *Groupe de Recherche et d'Echanges Technologiques* (GRET) started a project in partnership with CAMEP aiming to (a) improve water services, (b) help build self-reliant communities, and (c) assist CAMEP to better serve the slums in the longer term.

In eight years, 300,000 people received new water supply services through public taps managed by neighborhood committees that had a service delegation contract with CAMEP. These committees consisted of representatives of neighborhood organizations and prominent citizens. Tariffs were set to allow the committees to hire a sales person, maintain and operate the system, invest in small works, and pay a discount bulk rate to CAMEP. CAMEP has now scaled up the approach, using aid to provide water to nearly 800,000 people, or 50 percent of the slum dwellers of Port-au-Prince.

Results go beyond these impressive improvements in basic services. Botton and others (2005) report that "At a second level, the committee, as a 'middleman' between the users and the state-owned company, conveys the complaints to CAMEP. In other words, it is a bridge in the service relationship, the commercial relationship, and also in the citizen relationship built between the poor neighborhoods' user and CAMEP, which until now was seen as a representative of a public service on which it was absolutely impossible to count. Hence, the committee is not seen any more as a simple intermediary of a service: it represents the users, on the one hand, and participates in the co-production of public goods, on the other... It thus becomes a driver, in a Haitian context, of the local citizenship."

An indication of the newly built trust between users and the utility is that the collection rate from committees is nearly 100 percent, while CAMEP's overall collection rate is 50 percent. In the words of Mr. Baptiste, former Director General of CAMEP (in an interview in 1997): "The fact that these people of the slums pay their bills on a regular basis is a very hefty argument for CAMEP when facing its other customers (...). This project within the slums has enhanced the image of CAMEP, the sole state-owned institution that has managed to supply water to the poor neighborhoods and to have a dialog with them, to enter the slums and provide them with an organized service. A partnership relationship is thus established between the populations and CAMEP."

GRET followed through its explicit initial choice to partner intensively with CAMEP. It also shifted its leadership to CAMEP in recognition of the symbolic role that better water services may play in rebuilding a state in the wake of civil unrest. International aid flowed directly to CAMEP from year four.

Source: Botton and others (2005).

**Figure 12 Tool 9—User involvement in the execution of specific activities of the utility**

<b>Description</b>	This tool is often used in poorer communities. Where consumers organize themselves to provide an element of the service, they may provide the service under contract to a community that has its own decision-making powers, or under a sub-contract with a utility.  While its initial intent is usually to ensure that utility activities benefit the consumer community, this engagement can also serve as a channel through which users are informed about the nature of the utility's operations and the reasons for them, and hence be a first step to building a relationship between the utility and users.								
<b>Prevalence</b>	Used in many developing countries, often in underserved areas.								
<b>Classification</b>	<table> <tr> <td>driver</td><td>Service provider or independent</td></tr> <tr> <td>modality</td><td>Participation</td></tr> <tr> <td>formality</td><td>Informal</td></tr> <tr> <td>targeting</td><td>Target group</td></tr> </table>	driver	Service provider or independent	modality	Participation	formality	Informal	targeting	Target group
driver	Service provider or independent								
modality	Participation								
formality	Informal								
targeting	Target group								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/high; creates greater public awareness of operational problems.</li> <li><i>Inclusiveness:</i> High; group participation can improve inclusiveness.</li> <li><i>Efficiency:</i> Medium/low; can be very inefficient in terms of users' time.</li> <li><i>Sustainability:</i> Medium/low; concerns about multiple functions of community groups may lead to conflict of interest.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Should be implemented deliberately and be well planned in order to be more than cheap labor and to provide more than second-class services.</li> <li>Consumer groups or NGOs that act as intermediaries for the involvement of specific utility activities should be required to account to users.</li> </ul>								
<b>References</b>	Consumers International & Water and Sanitation Program (2004); Rakodi (2002).								

### **3.2.10 Tool 10: Participatory budgeting**

Participatory budgeting can determine resource allocation from municipal budgets to the WSS sector, yet the process does not really address the management of water services. In principle, user participation in the budget processes should significantly improve accountability. In practice, its influence on the water services sector is often limited; participatory budgeting only guides the allocation of municipal capital investment budgets, which generally are only a small part of the municipal budget, and utilities often have other sources of capital investment. (Figure 13.)

Brazil has seen the most sustained effort at participatory budgeting, engaging tens of thousands of citizens in influencing investment decisions for public services. Since 1996, participatory budgeting has been adopted by about 180 Brazilian municipalities including Porto Alegre, Belo Horizonte, and Recife, and has allowed women and the poorer segments of the population to take part in the decision-making process (Box 10 below). Participatory budgeting has spread to other parts of Latin America, including Peru, where 22 out of 24 of the new regional government structures established by the Toledo administration in 2003 introduced participatory budgeting (Ackerman, 2005). Some cities outside Latin America are applying variations of participatory budgeting or similar broad municipal processes, though many such efforts have in practice contributed little beyond providing a discipline for technocrats and politicians to think through priorities.

**Figure 13 Tool 10—Participatory budgeting**

Description	<p>In participatory budgeting, residents decide how to allocate (part of) a public budget. Participatory budgeting is mostly applied at the city level, to assign budget priorities to investments in different municipal services. Participatory budgeting is guided by complex rules at every step to ensure transparency and objectivity. Direct popular participation through voting is used at plenary sessions to select priorities for investments and to elect representatives on a council. This council works out more detailed conclusions on behalf of the citizenry.</p> <p>Participatory budgeting gives a strong voice to the poor, for whom the significant cost of attending participatory budgeting sessions is offset by the resulting priority setting favoring their neighborhoods. Experience shows that water services are often prioritized. Participatory budgeting usually focuses on capital investments in water services from municipal budgets, it does not usually address directly the operational management of water services.</p>								
Prevalence	Prevalent in Brazil; occasional elsewhere								
Classification	<table> <tr> <td>driver</td><td>Government</td></tr> <tr> <td>modality</td><td>Participation</td></tr> <tr> <td>formality</td><td>Statutory or procedural</td></tr> <tr> <td>targeting</td><td>Citizenry</td></tr> </table>	driver	Government	modality	Participation	formality	Statutory or procedural	targeting	Citizenry
driver	Government								
modality	Participation								
formality	Statutory or procedural								
targeting	Citizenry								
Potential merit	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/low; participatory budgeting does not make a large specific contribution to service delivery although it has a track record in building democratic institutions.</li> <li><i>Inclusiveness:</i> High; non-exclusive philosophy, includes both the served and the non-served, can provide service to formerly excluded groups, especially in highly unequal societies.</li> <li><i>Efficiency:</i> Medium/low; costly for the implementing municipality and can have high transaction costs for users.</li> <li><i>Sustainability:</i> Medium/high; mechanism has been sustained in some places, notably in Porto Alegre since the 1960s. However, high transaction cost lower sustainability.</li> </ul>								
Success factors	<ul style="list-style-type: none"> <li>Carrying decision making to the community level through popular voting is key to ensure inclusiveness.</li> <li>Requires quite sophisticated organizational capabilities of the social movements and strong commitment and outreach efforts by dedicated municipal staff.</li> <li>Significant commitment in staff time and resources required for effective outreach, organization, and smooth implementation.</li> </ul>								
References	Schneider and Baquero (2006); Serageldin and Driscoll (2005).								

### **3.2.11 Tool 11: Ownership of utility**

Consumer (co)ownership can be a powerful tool for making service providers accountable to their users, giving consumers/owners a formal decision-making role in the governance of the utility. Utilities can be partially owned by consumers, with the remaining part normally staying in the hands of the state, or fully owned by consumers. The latter model is called a utility cooperative. (Figure 14.)

The best-known example of a water utility cooperative is SAGUAPAC in Santa Cruz, Bolivia, which provides continuous water supply service of good quality through metered house connections to about 0.75 million people (Box 3).

Ownership by consumers can help to set clear goals for a utility and insulate day-to-day utility management decisions from political interference, but the priorities of utility cooperatives can vary considerably. In Bolivia, some utility cooperatives have vigorously enforced transparent governance rules, but others have had to contend with undue influence of political interest or pressure groups such as unions or local businesses on their boards (Constance, 2005). External factors that influence the performance of cooperatives include the size of the population served (in general, smaller cooperatives have performed better), and a strong civic culture often cultivated by the strength of the state (Ruiz-Mier and van Ginneken, 2005).

An example of partial consumer ownership is Aguas de Puerto Cortés in Honduras, which is co-owned by a number of organizations which are in turn owned by users (Box 13 below). Increasing partial ownership over time can overcome the abruptness of reforming a utility into a cooperative. However, this will require legitimate consumer representatives that are strong enough to balance the public co-owners, as well as decision makers who are willing to provide autonomy to utilities.

#### **Box 3 BOLIVIA—A successful consumer cooperative in Santa Cruz**

The Cooperativa de Servicios Pùblicos Santa Cruz Limitada (SAGUAPAC) is a cooperative, fully owned by its consumers, that provides water services to the city of Santa Cruz. The 1979 decision to establish a cooperative was triggered by the poor services being provided by the incumbent public utility and influenced by a strong civic movement that opposed state ownership and advocated community participation. Utility cooperatives were already providing electricity and telephone services in Santa Cruz.

By 2002, SAGUAPAC was providing continuous water supply of good quality through metered house connections to about 95 percent, and sewerage service to about 50 percent, of the population in its service area. SAGUAPAC's strong financial performance is anchored in a 95 percent collection rate and a 17 percent unaccounted-for water rate.

SAGUAPAC has a two-tier electoral system with members/owners/users selecting district delegates in a delegate assembly, which in turn selects its board of directors. SAGUAPAC pays its employees competitive salaries and offers work stability and transparent promotion prospects. Like other Bolivian utilities, it is regulated by a national regulator through a 40-year license agreement.

SAGUAPAC's statutes spell out the rights and obligations of its members. Members can make their voices heard through a delegate assembly that elects the board of the utility as well as through other accountability mechanisms including a complaint system. The utility disconnects customers for non-payment but poor households can agree special payment plans. Customer service employees receive extensive training and their performance evaluation emphasizes service orientation.

SAGUAPAC's success is partly attributable to its cooperative structure, which has isolated utility management decisions from political interference. Mr. Yavari, SAGUAPAC's planning and systems manager (quoted in Constance, 2005) explains that "If political interests or pressure groups such as unions or local businesses find ways to influence a cooperative's management board, problems are sure to emerge....There is no nepotism at SAGUAPAC because our personnel policies make it impossible for anyone to be appointed to a job or promoted without justification."

Ruiz-Mier and Van Ginneken (2006) attribute SAGUAPAC's success to its cooperative structure, combined with a two-tiered electoral system and a stable and strong management that installed a service-oriented corporate culture. Its success has been enabled by the powerful and well-organized civic movement in the city of Santa Cruz, which grew out of a high degree of self-reliance and a strong sense of regional identity. However, challenges remain. Because of its cooperative structure, SAGUAPAC has limited access to public financing.

**Figure 14 Tool 11—Ownership of utility**

Description	<p>Utilities can be fully owned by consumers or co-owned by consumers and governments. In cooperatives, consumers own a utility directly (each customer owns a share). In the case of co-ownership, shares can be owned by consumers directly, or by their (proxy-) representatives, such as community groups or workers' cooperatives. A co-owned utility is governed by private company law rather than public law.</p> <p>Utility (co)ownership does normally not mean asset ownership; cooperatives and consumer co-owned utilities nearly always lease assets from the government. Hence, consumer co-ownership is more common in countries with a civil-law tradition (including many countries in Africa and Latin America) than in countries with an Anglo-Saxon common-law tradition, in which assets have often been divested to corporatized utilities.</p> <p>A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Consumer cooperatives have greater political independence than public utilities and a higher accountability to customers, while usually having the same regulatory accountability as any other service provider. A cooperative's statute normally specifies that any profit must be reinvested in the service.</p>								
Prevalence	Quite rare in urban areas, but quite common in rural areas of countries as diverse as Argentina, Vietnam, USA.								
Classification	<table> <tr> <td>driver</td><td>Service provider</td></tr> <tr> <td>modality</td><td>Participation</td></tr> <tr> <td>formality</td><td>Statutory</td></tr> <tr> <td>targeting</td><td>Consumers at large</td></tr> </table>	driver	Service provider	modality	Participation	formality	Statutory	targeting	Consumers at large
driver	Service provider								
modality	Participation								
formality	Statutory								
targeting	Consumers at large								
Potential merit	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> High; co-ownership can be an effective tool as consumers play a formal decision-making role within the company.</li> <li><i>Inclusiveness:</i> Medium/high; a one customer-one share-one vote system is inclusive in theory although risk of capture by special interest group exists; the use of (proxy-) representatives increases that risk.</li> <li><i>Efficiency:</i> Medium/high; establishment of a cooperative carries considerable costs, though full operational costs are relatively low.</li> <li><i>Sustainability:</i> Medium/high; once consumers have fully assumed their role as owners, tool will sustain itself.</li> </ul>								
Success factors	<ul style="list-style-type: none"> <li>Smart institutional design and strong implementation of governance rules to avoid political interests or pressure groups such as unions or local businesses commanding their boards.</li> <li>In general, smaller cooperatives have performed better.</li> <li>The strength of the state; a weak state tends to foster cooperatives.</li> <li>A strong civic culture including consumer organization.</li> <li>Introduction requires real transfer of power—need for strong political leadership.</li> </ul>								
References	Ruiz-Mier and van Ginneken (2006); Constance (2005).								

### **Box 3 BOLIVIA—A successful consumer cooperative in Santa Cruz (continued)**

The service area of SAGUAPAC excludes the poorer outer rings of Santa Cruz, where seven other smaller cooperatives provide lower levels of service. The reason why is debated, but some say SAGUAPAC's reluctance to reach out to these neighborhoods not only reflects the vested interests of some members in the smaller cooperatives, but also reflects SAGUAPAC's own members' lack of interest in expansion, because the cost of expansion might jeopardize their good cheap services.

Sources: Ruiz-Mier and van Ginneken (2006); Constance (2005).

### **3.2.12 Tool 12: Utility complaint mechanisms**

Complaint mechanisms can be a powerful tool if all consumers are aware of them and have equal and easy access to them. The importance of good complaint handling should be understood and supported at all levels throughout a utility. Staff dealing with complaints need to be adequately trained and have sufficient status within the utility to resolve complaints effectively.

A utility's own complaint mechanisms should be backed up by a secondary external mechanism that can resolve consumer complaints that have not been solved by the utility (see Section 3.2.13 below).

Nominal complaint mechanisms exist in most utilities around the world, but many barely function. The effectiveness of complaint mechanisms is notoriously hard to measure; a small number of complaints might signal a poor system that has no apparent complaints because there is nowhere to register them or because people do not bother to use it, or it might signal a well functioning utility that provides little reason to complain.

A guaranteed standards scheme that gives "no quibble" refunds for undue interruption of service is the CARE system of Singapore's Public Utilities Board (PUB). Consumers automatically get \$50 compensation in the event of service failure. PUB claims a 99 percent success rate in addressing complaints, which average between 45 minutes and five days to resolve (Public Utilities Board of Singapore, 2004).

While the main function of a complaint system is to resolve or explain individual problems, such systems can also be a rich source of information for utility managers. Disaggregating data on complaints by type of customer, location, and type of complaint can help to pinpoint problem areas. Trends over time can be used to evaluate utility performance. For instance, 87 percent of the utilities covered by the country review in Vietnam use their complaint data to help shape their decisions on priorities.

**Figure 15 Tool 12—Utility complaint mechanisms**

<b>Description</b>	An effective complaint system must be well known, easy for users to access, and treat all complainants fairly and consistently within clear and appropriate time limits. Complaint systems can only provide accountability to their users if the utility can act on the problems reported. This requires overall financial, technical, and managerial capacity within the utility as well as good communications between those receiving complaints and those who must act on them (engineers, management).  Clear information should be provided about how to pursue a complaint, with a single point of contact and good feedback on how the issue is being addressed. Easy access requires multiple access channels and removal of potential barriers.  An effective protocol to achieve high levels of performance must include well understood and accepted definitions of what constitutes a complaint; accurate recording methods (e.g. provision of reference numbers for follow up); secure and efficient data handling; and consistent processes for resolving complaints and determining outcomes; and follow up to check consumer satisfaction with the process. It should include time limits for resolving the majority of consumer complaints and, where necessary, flexibility for dealing with complex complaints while keeping the complainant informed.	
<b>Prevalence</b>	Near universal, although scope and performance vary.	
<b>Classification</b>	driver modality formality targeting	Service provider Redress Full spectrum Individual
<b>Potential merit</b>	<ul style="list-style-type: none"> <li>• <i>Effectiveness:</i> High; can provide recourse to individual users, but also provide collective feedback through complaint data analysis.</li> <li>• <i>Inclusiveness:</i> Medium/high; requires action from users.</li> <li>• <i>Efficiency:</i> Medium/low; costs vary but tool requires considerable resources from utility over time. Efficiency can be enhanced if findings are generalized.</li> <li>• <i>Sustainability:</i> Medium/high; although complaint handling can be fully integrated in running of utility, it requires a regular budget and ongoing management commitment.</li> </ul>	
<b>Success factors</b>	<ul style="list-style-type: none"> <li>• Results must be within actionable range of utility.</li> <li>• Users should have easy and equitable access through variety of modes of contact, non-literate and marginal users should be catered for.</li> <li>• Staff involved in complaint handling need to have sufficient status and be properly integrated with relevant departments.</li> </ul>	
<b>References</b>	George and others (2007).	

### **3.2.13 Tool 13: Third-party complaint mechanisms**

Parties outside the utility can provide an alternative channel for complaints. Intermediaries such as regulators, ombudsmen, or NGOs can help users who are not confident that their concerns are being fairly dealt with. However, third parties face the same implementation challenges as utilities do with complaint mechanisms, and must be able to elicit a response from utilities if they are not to contribute to general disillusionment with service providers. (Figure 16.)

In some countries, regulators or ombudsmen have the mandate to deal with public complaints that are not satisfactorily settled by the utility (Box 4). If utilities' own complaint systems function well, secondary systems will not receive many complaints. For instance, utilities in Chile reported that they themselves received 381,000 complaints in 2005; 76 percent were resolved in favor of the consumer, while 23 percent were found to be ungrounded, and 1 percent were not resolved. By contrast, the regulator received only 6,700 complaints in that year (Superintendencia de Servicios Sanitarios, 2006).

Some specific water ombudsmen exist, as in the Australian state of Victoria, where the industry itself has established such a function. Some countries have a general ombudsman dealing with public sector-wide complaints. In Peru, Argentina, and El Salvador, the *Defensores de los pueblos* that originally developed to monitor political and civil rights have extended their area of work to include public utilities. In Peru, in 2006, the defensor reported that, of 583 complaints received about Agua de Lima (of a total of 28,297 nationally for all public administration matters), 554 were successfully dealt with; only 29 were still being dealt with; and none had been obstructed by lack of cooperation by the utility (República del Peru, 2007).

Complaint mechanisms can also be implemented by civil society groups and the local media. Many utilities will cooperate with an independent body if complaints are exposed in the media. In Monterrey, Mexico, public utility staff address customer complaints and suggestions during a weekly one-hour radio program.

**Figure 16 Tool 13—Third-party complaint mechanisms**

Description	<p>Many countries have formal redress mechanisms, external to the utility, that deal with resolving consumer complaints in the second instance (after they have been dealt with by service providers); these can be implemented by autonomous government bodies such as a regulator. Another option is recourse to a political representative such as a local councilor. Informal mechanisms can be implemented by civil society. In the latter case, the cooperation of the utility to follow up on the complaints gathered is critical.</p> <p>An ombudsman charged with representing the interests of the public by investigating and addressing complaints public sector-wide may be cost-efficient. Ombudsmen are often the first point of call for consumers, but in some countries they serve as a secondary complaint mechanism. In some cases, the mandate of a public-sector wide ombudsman excludes (autonomous) water utilities.</p> <p>Third party redress mechanisms need to be adequately resourced; here a balance needs to be struck between the financial advantages of serving a range of functions against the knowledge and contacts needed to be effective, which is easier to achieve with a dedicated function.</p>								
Prevalence	Where regulators or ombudsmen exist, they often deal with previously unsolved complaints.								
Classification	<table> <tr> <td>driver modality</td><td>Autonomous government body or independent</td></tr> <tr> <td>formality</td><td>Recourse</td></tr> <tr> <td>targeting</td><td>Full spectrum</td></tr> <tr> <td></td><td>Individual</td></tr> </table>	driver modality	Autonomous government body or independent	formality	Recourse	targeting	Full spectrum		Individual
driver modality	Autonomous government body or independent								
formality	Recourse								
targeting	Full spectrum								
	Individual								
Potential merit	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> High; can provide recourse for individual users, but also provide collective feedback through complaint data analysis.</li> <li><i>Inclusiveness:</i> Medium/high; requires action from users.</li> <li><i>Efficiency:</i> Medium/low; costs vary but tool requires considerable resources over time. Offers lower cost and less formal alternative to legal procedures. Efficiency can be enhanced if findings are generalized</li> <li><i>Sustainability:</i> Medium/high; can be institutionalized in regulator or ombudsman but will always require a regular budget.</li> </ul>								
Success factors	<ul style="list-style-type: none"> <li>Users should have easy and equitable access through variety of modes of contact. Non-literate and marginal users should be catered for.</li> <li>Staff involved in complaint handling need to have sufficient status and be properly integrated with relevant departments.</li> <li>Third parties must be able to make utilities respond to complaint.</li> <li>Results must be within actionable range of utility.</li> </ul>								
References	George and others (2007), OECD (2007).								

### **3.2.14 Tool 14: Legal recourse and redress**

Users who are not satisfied with the performance of a service provider can resort to legal proceedings, whose form will depend on the legal system of their country. At the highest level, some issues of service provision may be dealt with as matters of human or constitutional rights. Most countries have laws governing the conduct of companies generally, and public utilities specifically (including laws on contracts and responsibility for negligence), that provide a framework for action, and most have systems of administrative and regulatory law that enable users to pursue grievances on specific technical grounds.

The merit of pursuing legal processes is limited by their slowness and cost, which often far exceeds the sums of money involved in cases involving individual consumers. Where complainants resort to the courts, it is usually to establish a principle on behalf of a group of users. The key advantage of using legal processes is that courts can provide redress; they have the power to order a service provider to change its policy and practice and to compensate a user or to make good the damages done. Though recourse to the courts will only occur in exceptional instances, court jurisdiction remains important as an underpinning of consumer rights.

The circumstance under which a utility has the right to disconnect customers is one important issue for which legal recourse is sought. In the UK, the government intervened to stop water service providers from disconnecting supplies to domestic users, following court judgments that had concluded that pre-payment meters were effectively illegal (de la Motte, 2005). A similar issue was addressed by the courts in Chile (Lezak Shallat Chile, 2002). In El Salvador, consumer groups went to the Supreme Court seeking reconnection after an earthquake.

Different levels of law often interact. Thus a current court challenge in South Africa is contesting the constitutionality of using pre-paid water meters, which restrict water supplies to consumers who have not paid their bills. Raised as a Constitutional matter, the grounds given for complaint include the failure of the municipality to follow due administrative process in establishing and implementing its policy (High Court of South Africa, 2007).

Legal recourse and redress can play a role if users suspect corruption. For instance, the mayor of Grenoble in France was indicted following allegations that a concession contract had been awarded in return for financial support to his election campaign. Further lawsuits brought by consumer associations led to the cancellation of the contract (Pfleiger, 2006).

**Figure 17 Tool 14—Legal recourse and redress**

<b>Description</b>	Users may take legal action against service providers using constitutional, contract, or administrative law in addition to the provisions of specialized water service legislation. For individual users, court-based processes are often too cumbersome and expensive. Legal action is thus appropriate for matters involving large groups of users (class actions) or to establish key principles potentially affecting many users; here an individual case may be used to establish a precedent. In these cases, users will often need the support of specialized advocacy or rights groups to take action in their name.								
<b>Prevalence</b>	Widely available but rarely used								
<b>Classification</b>	<table> <tr> <td>driver</td><td>Governments</td></tr> <tr> <td>modality</td><td>Recourse and redress</td></tr> <tr> <td>formality</td><td>Statutory</td></tr> <tr> <td>targeting</td><td>individual (can be collective through class action suits)</td></tr> </table>	driver	Governments	modality	Recourse and redress	formality	Statutory	targeting	individual (can be collective through class action suits)
driver	Governments								
modality	Recourse and redress								
formality	Statutory								
targeting	individual (can be collective through class action suits)								
<b>Potential merit</b>	<ul style="list-style-type: none"> <li><i>Effectiveness:</i> Medium/low; generally low for individual cases; may be effective in cases affecting large groups or key principles.</li> <li><i>Inclusiveness:</i> Medium/low; requires extensive action from users.</li> <li><i>Efficiency:</i> Low; high cost compared with low value of claims.</li> <li><i>Sustainability:</i> Medium/high; supported by the court infrastructure, an option that is always available.</li> </ul>								
<b>Success factors</b>	<ul style="list-style-type: none"> <li>Can only work if the general juridical system in a country works smoothly.</li> <li>Speed and costs of procedures are often an obstacle.</li> </ul>								
<b>References</b>	COHRE (2007).								

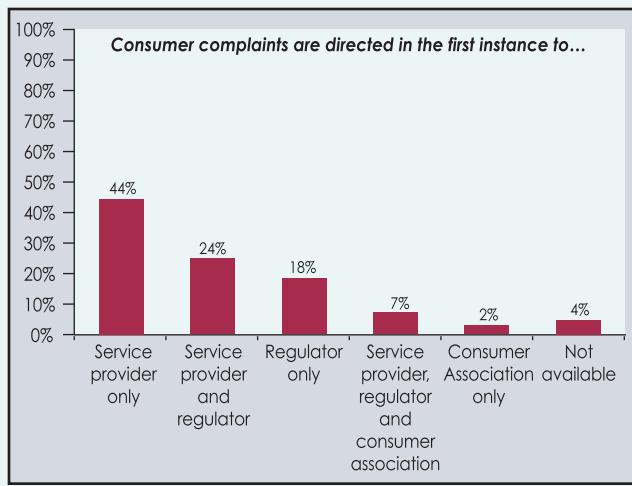
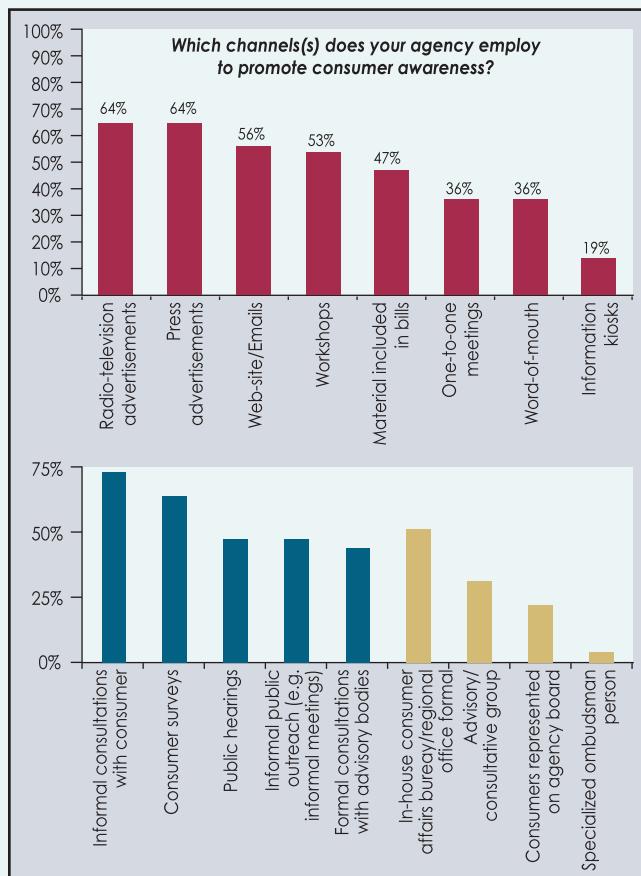
#### **Box 4 EAST ASIA AND PACIFIC—Regulators' use of accountability tools**

A survey conducted among infrastructure regulators in the East Asia and Pacific region in 2005 provides an idea of the prevalence of information, consultation, participation, and redress mechanisms in the region. The survey covered 45 regulatory bodies from 21 countries, 17 of which were independent agencies. There were fifteen respondents from the energy sector, eleven from water services, ten from telecom, one from transport, and eight from other sectors.

As regards information provision, 64 percent of the utilities disclosed their procedures and decisions, while 43 percent disclosed the benchmarked performance of service providers. Only 32 percent disclosed licenses and contracts. Most agencies employed multiple channels to engage with consumers. (See top graph at left).

Most utilities have periodic, often informal, consultation mechanisms to get feedback from their consumers (see second graph in blue), while 71 percent of respondents reported a standing consultative or participatory representation of consumers in the regulatory process (see second graph in yellow).

Most complaints are directed to the service provider in the first instance, although some are also directed to the regulator or a consumer association (see third graph). Where utilities are responsible for dealing in the first instance with consumer complaints, regulators ensure that consumer complaints are handled effectively, mostly by reviewing complaint records and by being a second point of call if complaints are not resolved by the utility (see graph below).



Source: Muzzini (2005).

## 4. THE TRACK RECORD OF ACCOUNTABILITY TOOLS

This chapter draws lessons from experience to guide the choice of tools to match specific contexts, looking at the effectiveness, inclusiveness, efficiency, and sustainability of individual tools in different circumstances. It emphasizes that because users' perceptions of service quality are often quite subjective, utilities cannot simply provide objectively defined standards of service but must also address users' felt needs. To do this they need to develop a shared understanding with users, of what constitutes acceptable service and what must be done to achieve it. While many utilities have adopted more customer-oriented approaches to maintaining and improving their service quality, results have been mixed. The successful application of individual tools depends on utility governance and the social, technical, political, and economic contexts as well as the design of the tools themselves. While accountability is a means to the end of better service provision, experience suggests that institutionalizing accountability approaches can help to sustain service providers themselves.

### 4.1 Criteria for and challenge of assessing accountability tools

#### 4.1.1 *What do users want?*

Since the purpose of applying tools for accountability is to ensure that service providers are responsive to the concerns and preferences of their users, it is important to start by asking: What do users want?

Users have clear ideas about what they expect from their service providers: "good" water supply and sanitation services. A series of focus groups run by the UK Consumer Council for Water found that, in water supply, consumers identified the key responsibility of the utility as the supply of clean, safe water, followed by the provision of reliable service and value for money (Fife-Schaw and others, 2006). Similar sentiments have been expressed elsewhere.

But good service has an important subjective element. Individual interpretations of "clean," "safe," "reliable," and "value for money" are relative and cannot just be understood through objective technical definitions of service standards. Such subjectivity was shown in England and Wales where complaints went up even as services apparently improved (Box 5).

Users' perceptions are often based on comparisons with other users:

... a household's satisfaction is influenced by how service quality compares to that of its neighbors or peers and by household level characteristics such as welfare and tenure status. This implies that responses in satisfaction surveys are at least in part determined by factors that are unrelated to the service performance experienced by the household. (Deichmann and Lall, 2003)

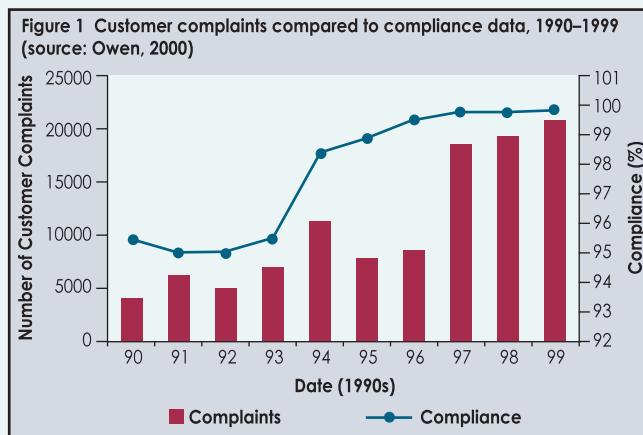
Other factors, such as utility ownership, also color users' perceptions. One European study concluded that:

"Willingness to pay (WTP) is lower when the supplier is in the private sector and WTP anything more is close to zero if private sector supplier is seen to be wasteful or profiteering. Where the state/regional government is responsible WTP can be higher than the status quo." (Fife-Schaw and others, 2006)

Users do not often mention the need for greater participation and involvement, however important other parties may believe these to be for the development of effective institutions and democratic societies. Where reasonably effective services are already provided, consumers tend not to consider the need for accountability or effective recourse until things go wrong; they prefer "involvement by exception." But people whose services are poor, or who have no services, will be keen to see improve-

### **Box 5 UK—The number of complaints went up while services improved**

England and Wales have one of the most regulated water service industries in the world, applying an extensive range of mechanisms designed to hold utilities to account, including a consumer council, mandatory publication of information, customer charters and statutory standards as well as recourse for dissatisfied users with penalties for providers who do not meet their obligations. Despite this, the UK utilities have come under continued criticism, whether for failing to address drought-related supply restrictions and local flooding adequately or for allegedly performing poorly in reducing leaks. During the 1990s, complaints increased even as objective measures of service provision, such as compliance with standards, improved.



Source: Owen (2007).

ments and anxious to have their views heard by service providers and politicians, even though they may be pessimistic about the likely outcomes.

There is an important message in all this for utility managers: their task is not simply to ensure an objectively defined level of service delivery, it is also to address users' felt needs. The goal is to find ways to build relationships among all parties—users, utilities, and governments—and to develop a common understanding of acceptable service provision and what needs to be done to achieve it.

#### **4.1.2 Challenges in performance assessment**

Though substantial theoretical and advocacy work has been done on tools for accountability, far less empirical work is available on their practical benefits and performance and therefore cost-effectiveness. While compelling narratives can be constructed, only limited operational research has been undertaken, most of it in developed countries, whose findings can be extrapolated only with caution to poorer countries with their more complex challenges. This is one reason that the same cases are referred to repeatedly in this review. There is also a danger that the cases reported are isolated tools that have enjoyed external support, both technical and financial. And few of the cases have a long track record, because many of the tools chosen have been too complex and costly to be sustained over time. These experiences may also not be replicable in situations where external support is not available.

It is difficult to show that the tools reviewed have actually led directly to better and expanded service provision and more satisfied users, let alone whether successes have been sustained. Other authors have noted the same limitations:

...data constraints have not permitted a rigorous measurement of "effectiveness." Instead ...we have tried to establish whether the initiative in question succeeded in achieving its own objectives—whether this concerned citizens' efforts to provoke prompt and appropriate delivery of services, or the efforts of public sector officials to improve the alacrity and probity with which their departments deliver services or respond to citizens' concerns. Beyond this, for factors influencing effectiveness we look...at the relative strength of the client group in civil society, the nature of political competition in the country and the nature and effectiveness of state institutions. (Goetz and Gaventa, 2001)

Structured, "designed for the purpose," monitoring of the performance of the various accountability tools has rarely been undertaken even in advanced countries. A review of consultation and participation tools in policymaking in OECD member countries stated that:

There is a striking imbalance between the amount of time, money and energy which OECD member countries invest in government-citizen connection and their efforts to evaluate the effectiveness of these measures and their impact on public policy-making. No OECD member country currently conducts a systematic evaluation of their efforts to enhance access to information, citizen feedback, consultation, and active participation. (OECD, 2001)

Any assessment must also recognize that individual tools are used as part of a system of accountability, and that accountability is just one of a range of organizational objectives. This analysis therefore considers wider issues of utility governance as well as the social, technical, political, and economic contexts that determine whether and when a particular tool for accountability can help service providers perform better for their users.

In successful cases, it is relevant to ask whether the tools are in fact merely symbols of a broad commitment to and progress in service improvement or whether they have merit in themselves. For example, it is tempting to link the exemplary performance of Singapore's Public Utility Board with the Board's extensive use of tools for accountability (Box 6). Are PUB's successes due to these tools or should they be attributed to Singapore's general approach to public administration? Do cultural factors play a role, reinforced by nationalist tensions with neighboring Malaysia over water matters? Are the successes largely attributable to having relatively new infrastructure, serving a compact, well planned, city

#### **Box 6 SINGAPORE—Successful use of a suite of tools of accountability by the Public Utilities Board**

Singapore's Public Utilities Board (PUB) aims to ensure customer satisfaction in all areas, in part as a means to enhance its effectiveness. To do this, it has introduced a range of tools including a multi-channel contact center, customer surveys, regular dialogue sessions, and feedback forms. Frontline staff are trained in customer service skills and 99 percent of complaints are successfully addressed.

Though there is no customer organization representing consumers in PUB, the utility's contact center, PUB-One, provides customers with a single point of contact for inquiries and feedback related to water, sewerage, and drainage matters 24 hours a day seven days a week. The center can be reached through six channels: toll-free telephone calls, fax, emails, short message service, web-chat, and voice-over-Internet protocol. Feedback and inquiries are used to enhance service quality and operation efficiency across PUB in serving customers.

Every department in PUB has institutionalized the 'CARE' model (Call-Action-Response-Evaluate) in everyday dealings with customers. When a call is received from the public (Call), immediate Action is taken by recording all necessary information and forwarding it to the relevant department for follow-up (Response). The feedback is monitored and tracked. Once follow-up action has been taken, and the matter resolved, the department evaluates the causes and takes measures to prevent recurrence. Finally, the customer is informed of the outcomes and results.

Under its Quality-Based Management Information System, PUB utilizes eight feedback channels (PUB-One, customer feedback forms, letters and faxes, e-mails, dialogue sessions with customers, newspapers, online consultation portal, and QSM Helpline and other service helplines) to obtain information that guides the planning and day-to-day management of PUB's operations. At the first level (feedback channels), data are collected, entered, verified, and compiled. At the second level, the Quality Service Committee processes data into quality service information, which is used for day-to-day monitoring of PUB's operational performance, review of quarterly performance, and short-term and long-term planning. At the third level, reports are made to PUB management and the ministries. The Quality Service Committee looks for improvement opportunities and creates service programs from the performance reviews.

As of December 2002, PUB had achieved impressive technical performance, with unaccounted-for water at 4.8 percent, water supply and sewerage coverage at 100 percent, staff per thousand accounts at 2.95, and accounts receivable at 0.938 month of sales equivalent.

Source: Public Utilities Board of Singapore (2004).

with high income levels? It would be difficult, and not particularly useful, to attempt to weight these factors, all of which clearly have some influence.

Despite the complexity of quantifying performance, it is important to describe the record of accomplishment, if only to encourage practitioners to make more considered efforts at evaluation in the future.

#### **4.1.3 Criteria used to assess the merit of various tools**

This review uses four criteria to assess the merit of the various tools:

- *Effectiveness*: Has the use of the tool contributed to better, more accessible, and safer drinking water and sanitation?
- *Inclusiveness*: Who is involved: a small group or all consumers? Do poor and disadvantaged groups have equitable access? Where intermediaries such as NGOs are involved, are they effective representatives of the broad consumer base?
- *Efficiency*: What are the costs of applying the tools (including non-monetary costs such as time inputs from consumers), and how do they compare to the benefits?
- *Sustainability*: How long have the tools been used? Is the approach ad hoc (occurring once or a few times only) or can it be institutionalized?

The tables in Chapter 3 include short assessments of the potential merit of each tool against these criteria. These assessments are summarized in Figure 18, which shows that most tools have medium or high potential effectiveness, inclusiveness, efficiency, and sustainability.

**Figure 18 Summary of the potential merits of the 14 tools**

		<i>Effectiveness</i>	<i>Inclusiveness</i>	<i>Efficiency</i>	<i>Sustainability</i>
<b>Information</b>	Community outreach and ad hoc meetings				
	Publication of performance data	High	Medium/high	Medium/high	Medium/high
	On-demand information provision	Medium/high	Medium/high	Medium/high	High
<b>Consultation</b>	Structured consultation processes	High	Medium/high	Medium/high	High
	Forecast surveys	Medium/high	High	Medium/high	Medium/high
	Retrospective surveys	High	Medium/high	Medium/high	Medium/high
	Advisory bodies and focus groups	Medium/high	Medium/high	High	Medium/high
<b>Participation</b>	User involvement in execution of activities	Medium/high	Medium/high	Medium/high	Medium/high
	Membership of decision-making bodies	Medium/high	Medium/high	High	Medium/high
	Participatory budgeting	Medium/high	Medium/high	Medium/high	Medium/high
	Ownership of service provider	High	Medium/high	Medium/high	Medium/high
<b>Redress</b>	Utility complaint mechanisms	High	Medium/high	Medium/high	Medium/high
	Third party redress	High	Medium/high	Medium/high	Medium/high
	Legal recourse and redress	Medium/high	Medium/high	Medium/high	Medium/high

**Key to colors:**   □ low   □ Medium/low   □ Medium/high   □ High

The review of experience that follows shows that when applied in real life, tools often fall far short of their potential. Translating potential merit into real performance depends on choosing the right tool for the right objective in each situation, as well as on sound design and implementation. For instance, users' involvement in executing activities often falls short of its potential inclusiveness. One reason may be unsound design or implementation, for instance if some users have not been told about the scheme. Users who lack trust in the utility or government may not want to help execute a water supply scheme no matter how well it is implemented. In this case, the tool might be the wrong choice for the context it is used in. Similarly, providing information through leaflets included in bills will not help where the billing system is in disarray or where most of the users are illiterate. A decision to publish service data might require major efforts if these data are not available. A consumer complaint system is hard to implement if customer records are incomplete. Advisory bodies that use representatives are not representative if users are not organized. And independently driven tools such as citizen report cards will only succeed if decision makers can be convinced to take action.

## 4.2 Effectiveness

The evaluation of tools must be anchored by a clear understanding of the functions that each is intended to serve. The four broad functions of accountability are to:

- build trust and confidence between user and utility
- communicate users' preferences and enable them to act on their entitlements
- prevent slippage of performance or political "capture" of utility
- ensure users' participation in key decisions.

Figure 19 shows these functions and the tools that may be most appropriate to pursue them.

### 4.2.1 ***Building trust and confidence through information sharing and dialogue***

There is substantial value in simply sharing information between users and service providers. Among the tools for this purpose, shown in Figure 19, *community outreach* and *users' involvement in execution* of specific utility activities are important building blocks for sharing information in places where utilities are weak and not trusted by their users. Informal dialogues and consultative processes can lead to substantial policy changes, better services, and better relations.

In Cape Town's formerly separate black local authority areas, community involvement in the work of the service provider was sought both as a means to reduce water leaks and to help garner support for a move from flat rate to metered volumetric charging for water. The IKAPA Water Leaks Project, launched in 1997, hired 270 community residents as "barefoot plumbers" to do basic maintenance. Community members were trained to fix leaks. The project showed communities how a great deal of water was lost through leaks that no one had had an incentive to repair, and that overall water consumption could be substantially cut without affecting domestic use. By July 2001, the metering was completed, signaling the end of subsidized flat rates and the introduction of bills based on volumetric metering. The project claimed to have saved R10 million (US\$1.4 million) annually through once-off repairs to the plumbing in all dwellings. It succeeded in raising awareness of water management issues although the tariff policy remained contentious (Box 16 below).

In Haiti, when the public utility in Port-au-Prince extended basic water supply services to nearly 800,000 people through standposts managed by community committees, these committees became a bridge between the public utility and its users. The committees communicated complaints and concerns to the utility, and explained the utility's limitations to its users (Box 2 above).

Figure 19 Choosing the right tools for the purpose

	<i>Build trust and confidence</i>	<i>Communicate user preferences and enable them to act on their entitlements</i>	<i>Prevent slippage and capture</i>	<i>Inform important decisions</i>
<i>Information</i>	Community outreach and ad hoc meetings			
	Publication of performance data			
	On-demand information provision			
<i>Consultation</i>	Structured consultation processes			
	Forecast surveys			
	Retrospective surveys			
	Advisory bodies and focus groups			
<i>Participation</i>	User involvement in execution of activities			
	Membership of decision-making bodies			
	Participatory budgeting			
	Ownership of service provider			
<i>Redress</i>	Utility complaint mechanisms			
	Third party redress			
	Legal recourse and redress			

The usefulness of published information on performance may depend on how it is produced and on the general level of trust between user and utility. For instance, of US consumers who remembered getting a consumer confidence report on water quality with their bill, nearly half indicated that getting the report made them feel more confident about the health and safety of their tap water while only 6 percent said it made them feel less confident (Box 7). Building trust takes time as well as dependable information, as shown by a survey conducted in five Ukrainian cities, which found that 71 percent of respondents did not trust official information on drinking water quality (MAMA-86, 1999).

An annual report can become a powerful and sustainable mechanism to disseminate key data and ensure the ongoing accountability of a utility. Not only does its publication remind management of the need to account to stakeholders and to maintain management systems that can provide the necessary information, but it can also help to assure consumers of quality by showing that formal audit requirements have been met. As information becomes available, it can also be provided to consumers on demand, and widely communicated to users through the media.

### **Box 7 USA—How do users respond to the information they receive from utilities?**

In 2004, the American Water Works Association Research Foundation studied the effectiveness of consumer confidence reports (CCRs), which all utilities in the USA are obliged by law to provide to their consumers. The study used mail and telephone surveys, focus groups, a review of CCRs, and visits to utilities, to better understand the effectiveness of CCRs.

Of the customers polled, 38 percent remembered receiving a CCR. Of those who remembered receiving the CCR, 45 percent indicated that getting the report made them feel more confident about the health and safety of their tap water and 6 percent said it made them feel less confident.

The survey showed that efforts to make the CCR more effective should focus on publication designs that make important information easily accessible for people who will just skim it and that also encourage people to read the information more carefully. The results suggested ways of making information more accessible, including having a short but prominent listing of contents and a short section that allows the customer to quickly locate a particular topic of interest; supplying contact information so that individuals who want more information can follow up; describing the water treatment process; and keeping information tables as simple as possible.

Source: Lazo and others (2004).

Bringing utility staff physically closer to their users by opening more offices also builds trust. To improve access to on-demand *information* and to increase the ease of filing complaints, utilities may increase the number of service points and their accessibility. For instance, in Rabat, Morocco, the private operator holding the concession contract doubled the number of customer centers between 2002 and 2006, and introduced mobile offices where people can pay their bills, obtain information and education materials, make complaints, and meet their local elected representatives to discuss the services (Veolia, 2006).

#### **4.2.2 Communicating users' preferences and enabling users to act on their entitlements**

Clearly users communicate their preferences when they use complaint systems. Other tools for communicating preferences include surveys and user participation in public hearings, focus groups, and advisory bodies. The Municipal Conference in Recife was a once-off intensive consultation that set future directions (Box 25 below). Participatory budgeting allows user preferences to directly influence investment priorities, even if not all the utility's funds for investment are subject to this type of decision making.

Providing consumers with information can help them understand their entitlements, while consultation processes, which are interactive, can help to define the utility's mandate and clarify what consumers can reasonably expect. Additional tools that help consumers understand and act on their entitlements are complaint mechanisms, run by utilities or third parties, and legal redress and recourse.

#### **Communicating user preferences**

Surveys, if appropriately designed, can help utilities to understand and respond to users' preferences as well as to chart their own performance. Using surveys to promote communication and accountability is not without challenges, however. Sampling approaches may alienate potentially interested participants. Users who were not part of the survey design and were not interviewed may reject the results, especially if they do not trust the organizations undertaking the surveys. Stakeholders can use the results of even well designed surveys selectively to promote their causes, as happened in South Africa (Box 8). One safeguard against the abuse of survey results is to put the methodology and comprehensive results of surveys in the public domain.

### **Box 8 SOUTH AFRICA—Use and abuse of survey results**

Surveys can support policy decisions by providing information on contentious issues but they can also be manipulated. In South Africa, a group of social scientists used results from a survey, which they had helped to design, to claim that “the number of people affected by water cutoffs is just under 10 million” (almost 25 percent of South Africa’s population) (McDonald, 2002).

Using the same survey vehicle but with a modified questionnaire, a completely different picture emerged. The number of people who reported that they had “actually used” a satisfactory water source on the previous day was 91.8 percent (which corresponded with the government’s claims for service coverage). Only 1.2 percent had in the past been affected by cutoffs for nonpayment, not the 25 percent originally claimed. However, more than 16 percent had been affected by technical interruptions: “Only 7 percent of interruptions were reported to be ‘for non-payment.’ Instead, 38.9 percent reported that their service was interrupted for repairs and 39.3 percent that ‘it just stopped.’” (Muller, 2007)

This case demonstrates how different groups can use the same survey vehicle to produce different results that support their own objectives. The one sought to highlight breaches of the right to water, the other the need for more attention to effective operations and maintenance.

As noted in Chapter 3, surveys become more useful when repeated consistently. In Mexico, for example, SADM in Monterrey undertakes an annual customer survey while SIMAPAG in Guanajuato surveys about 200 customers every month on a rolling basis. Singapore’s Public Utilities Board surveys its customers every three years.

Civil society groups can conduct their own surveys and provide public agencies with systematic feedback from users and so “name and shame” public officials into action. Of course, unless utility managers and their political heads believe they need to know what users think, consultations and report cards will have little impact on service provision. This is a challenge for user groups that initiate accountability tools such as public hearings and citizen report cards. The Public Affairs Center’s Citizen Report Card (CRC) helped to achieve important performance improvements in Bangalore, India, where other conditions were favorable for improving services (Box 9). Though its success in Bangalore has led to its use elsewhere, the technique has not yet elicited big improvements from water service providers in these other cases.

*Participatory budgeting* can help citizens communicate their preferences to local governments.

The best-known example of participatory budgeting is from Porto Alegre in Brazil (Box 10).

The leverage that citizens can exert on the sector through participatory budgeting depends on the extent to which municipalities have access to other sources of funds (such as tariff revenues) for capital investments. But even if participatory budgeting covers only part of the government budget, it can nonetheless help to prioritize basic services, especially when focused on service expansion. For instance, in Kerala, India, where participatory budgeting developed after budget responsibilities were devolved from the state to local governments, funds are now granted to neighborhood groups, which are represented in ward committees chaired by elected councilors. Each ward selects representatives to a city-level convention, which draws up a city plan. Although water services are a state-level mandate, the development of local participatory budgeting has mobilized significant extra municipal resources for capital spending for slum development (Mehta, 2007). In some Brazilian cities, the establishment of municipal councils for water and sanitation has had more impact on water service providers than the participatory budgeting process itself. But these councils can themselves be seen as an evolution and deepening of the participatory process, benefiting from the better understanding of the issues created by participatory budgeting.

### **Box 9 The track record of citizen report cards**

In Bangalore, India, comparative ratings by the 1994 citizen report cards (CRCs) administered by the Public Affairs Centre (PAC) of Bangalore triggered competition between various agencies in the city. As a result, the second CRC showed better ratings, although progress varied by agency.

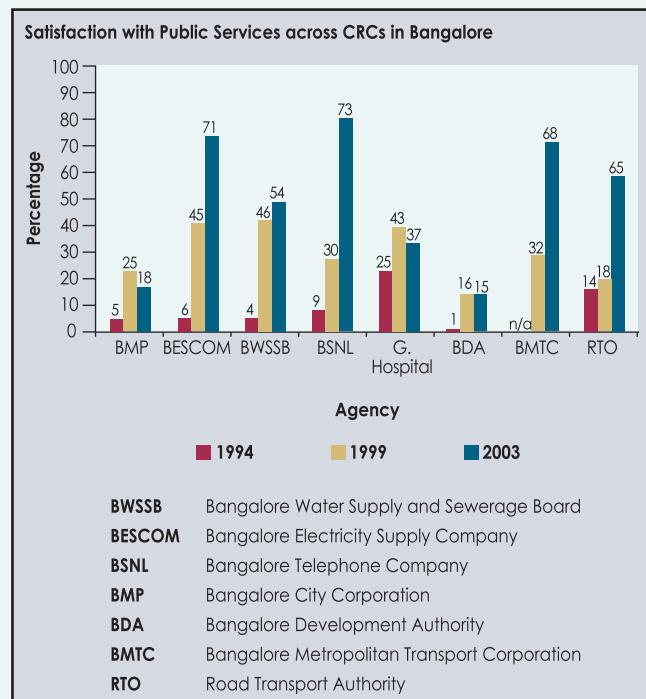
PAC was able to use its CRC as a driver in the city's service improvement process because of the strong support of the state government, which was determined to improve services to support the growth of the city's information technology sector. Also, sustained attention in the English-language media (with its middle- and upper-class audiences) contributed to the success, although the CRC was not well known among slum communities.

A World Bank evaluation (Ravindra, 2004) concluded that "The contribution of the Report Cards to these outcomes should not be viewed in isolation; these improvements reflected a congruence of Government initiatives, proactive civil servants, a civil society itching for improved governance, and a positive environment for reform. The Report Cards came at the right time to act as a catalyst."

The success of the Bangalore CRC led to the adoption of this technique elsewhere, often with the support of international NGOs and donors. But while some of these CRCs have highlighted weaknesses, few have yet elicited actual improvements in services. For instance, the NGOs behind the CRC in Ahmadabad, India lacked the time and staff resources to trigger widespread improvements. On the other hand, mayors in Ukraine have been particularly active in their responses to CRC findings. In the Philippines, a first CRC was undertaken in 2001 but not followed up despite a strong government commitment to institutionalize the CRC at the time (World Bank, 2001; World Bank, 2007).

It is still too early to determine the impact and durability of some CRCs. For instance, the Kenyan Water Service Regulatory Board has committed itself to institutionalize a 2007 CRC that was undertaken in three cities by a consortium of CSOs supported by international donors (Water and Sanitation Program, 2007b).

Bangalore's experience shows that well-focused user feedback from NGOs on services can stimulate service providers to respond if both the initiating organization and the government invest the energy and resources to press for and implement change. A review of CRCs quotes an all-in cost of between seven and nine US dollars per questionnaire in India and concludes that: "The most significant impediment to a wider use of CRCs is their cost and their dependence on a specialized agency for analysis.... Extensive replicability is, therefore, difficult unless new ways are found to allow local actors to administer the questionnaire and analyze findings without having to rely on the support of specialized agencies" (Water and Sanitation Program, 2007a).



### **Helping users to act on their entitlements**

Helping users understand their entitlements, through consultations that clarify mandates, rights, and reasonable expectations, is in the interest of both utilities and users. Recognizing this, the regulator of water services in Maputo, Mozambique promotes consultation meetings with user groups, and user surveys, though it plans not to introduce consumer charters or mandatory service standards until a high proportion of households have access to water and the infrastructure permits a continuous service. Similarly, consultations about tariff increases are more likely to succeed if conducted with a shared understanding of the level of subsidies available. This happened in Puerto Cortes, Honduras, when the town was left without a reliable water supply after a storm washed away the intake works.

### **Box 10 BRAZIL—Complementarity of participatory budgeting and consumer membership of a utility board in Porto Alegre**

Porto Alegre, with a population of about 1.4 million, has successfully promoted progressive citizen participation in its public administration while significantly improving its water services. Two tools are of particular relevance to the WSS sector:

- Participatory budgeting gives citizens a voice in the allocation of municipal investment sources; and
- Consumers are represented on the Board of Directors (the DC) of the autonomous water utility, giving them a voice in how the service provider is run.

Since 1961, WSS services in Porto Alegre have been provided by the municipally owned *Departamento Municipal de Agua e Esgoto* (DMAE), a statutory body that reports to a Deliberative Council (equivalent to a board of directors). DMAE's Director-General is appointed by the Mayor. The Deliberative Council has 13 members, each of whom is appointed by the mayor from a shortlist of three, drawn from predefined groups: engineers, economists, medical experts, chamber of industry employees, lawyers, academia, the Press Association, social statisticians, municipal workers, environmentalists, residential estate managers, and the members of the Neighborhood Associations Union of Porto Alegre. Members are appointed for three-year fixed and staggered terms. The mandate of the Deliberative Council includes approval of policies, budgets, construction plans, contracts, and tariffs.

In 1989, the social-democratic Workers Party introduced a participatory budget system (*Orcamento Participativo*), originally to prioritize the use of new funds from federal government although it is now also used to guide the allocation of part of the municipal investment budget.

Participation in the budget system was low at first but increased as results started to emerge. Between 1989 and 2000, attendance at public budget meetings rose from 1,510 to 19,025. In this period, the proportion of investments serving lower-income communities increased as well. The cost of attending participatory budgeting sessions is significant for lower-income citizens, including the expense of transport and the opportunity cost of time spent. Even so, in 2002 people from the poorest 20 percent of the population accounted for 30 percent of the participants in plenaries, nearly 20 percent in the forum of delegates, and approximately 15 percent in the council.

Water supply and sanitation have consistently ranked among the top three priorities of the participatory budget system. "Basic sanitation" (which includes water supply, sewers, storm drainage, rivers, and environmental education) was voted first priority three times in the decade 1992–2002. As a result, a significant part of the municipal capital investment budget is allocated to the sector and the proportion of investments serving lower-income communities has increased.

The participatory budgeting process covers only capital investments, which account for 5 percent to 15 percent of the total municipal budget; DMAE recovers all operation and maintenance costs from its customers.

The inclusion of customers in both the budgeting process and the Deliberative Council has contributed to the achievement of 99.5 percent coverage for piped water supply. Sewerage coverage increased from 70 percent in 1990 to 84 percent in 2003 while wastewater treatment coverage rose from 2 percent to approximately 25 percent, with a program under way to raise this to 77 percent. Some commentators credit these improvements with contributing to the city's relatively low levels of infant mortality.

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Sources: Serageldin and Driscoll (2005); Viero and Cordeiro (2003); Prefeitura de Porto Alegre (2003a, b); Schneider and Baquero (2006); Hall and Lobina (2002).

Since the central government had limited resources, water users both domestic and industrial knew that they had to come together to resolve the situation, and accepted tariff increases of more than 100 percent to pay for the new works. This began a productive relationship between the utility and its users, because the latter felt they had been involved from the start and all were clear about the challenges. Other utilities in Honduras have also been able to raise tariffs to cover better services, after extensive use of public hearings and other consultation mechanisms.

More broadly, when the public has a clear idea of the utility's mandate, pressure can be brought to bear on it to deliver on its current mandate and/or to press at a political level for changes in the mandate. Consultation meetings can be organized by user groups themselves, inviting utility staff or gov-

### **Box 11: UKRAINE—How civil society can initiate consultation tools that are adopted by the state**

Consultations that community and consumer groups organized to address drinking water quality challenges in the wake of the Chernobyl nuclear disaster were later formalized by legislation.

The response of the Soviet government authorities to the 1986 Chernobyl nuclear incident in Ukraine notoriously showed a reluctance to acknowledge that a calamity had happened, increasing the existing mistrust of official pronouncements. Local group MAMA-86 was established shortly before Ukraine was established as an independent republic in 1991. It sought to respond to fears about water pollution and to campaign for better environmental safety. MAMA-86 has since expanded its focus to the entire water services sector, including public participation in decision making.

The activities of MAMA-86, combined with other (donor-supported) local initiatives, resulted in the establishment of informal local stakeholder committees to open up decision making in the water services sector. These committees evolved into more formal advisory bodies, often under the aegis of reforming mayors. They include representatives from municipalities, service providers, and civil society. Their mandate and practical functioning varied considerably depending on the receptiveness of individual local authorities. Their multi-stakeholder oversight became a requirement for tenders with private operators as well as for contracts with *vodokanals*, the incumbent public service providers. Committees also scrutinized and approved consumer contracts. The consultation mechanisms were formalized by national legislation in 2000 (which the NGOs helped to draft) following Ukraine's ratification of the Aarhus convention in 1999.

This case shows how an independent initiative by an NGO can be formalized if it has political support. The stakeholder committees were replicated across the country because different municipalities faced similar problems: while water supply coverage was near 100 percent, the infrastructure was decrepit and drinking water quality was poor.

Sources: Tsvetkova and Grinkevich (2004); Slesarenk (2005).

ernment officials to respond to concerns and questions. Such informal dialogues can lead to better relations and better policies and services, and over time be institutionalized. In Ukraine, consultations initiated by community and consumer groups, organized to address drinking water quality challenges in the wake of the Chernobyl nuclear disaster, culminated in new drinking water legislation (Box 11).

The effectiveness of *complaint mechanisms* is very difficult to measure, as noted in Chapter 3. As a result, improving a complaint system may well cause an increase in complaints as the public gains confidence that complaints will be acted upon.

Utility complaint mechanisms exist in most utilities around the world, but many of them barely function. Often, at least part of the problem lies with the inability of a utility to respond to complaints that it receives. While all the utilities reviewed in Honduras and Vietnam have complaint mechanisms in place on paper, only the more mature ones actually have the capacity to respond systematically to complaints received. Utility managers typically regard complaint handling as a marginal aspect of the business. They might fear that because redress mechanisms make complaints visible, they will give them a poor reputation. They let the mechanisms deteriorate—which reduces the numbers of complaints, because users lose confidence that they will be heard. A well documented example of this spiral comes from New Delhi (Box 12).

In Great Britain, the long-established Guaranteed Standards Scheme of the regulator OFWAT requires utilities to respond to complaints within ten working days. But poor administration, the system's *de facto* reliance on consumers to trigger the mechanism for compensation (rather than payments being made automatically), and other inefficiencies in recording infractions resulted in substantial sums going unpaid. Thus Thames Water incurred a fine from OFWAT for its failures during the twelve months ending in July 2006. Retrospective payments for the prior six years came to UK£4.4 million excluding claims that were not recorded (OFWAT, 2007).

### **Box 12: INDIA—Redress mechanisms cannot solve all service problems; an example from New Delhi**

India's capital Delhi has serious water problems. The water utility, the Delhi Jal Board (DJB), has a shortage of bulk supply capacity, and this is aggravated by poor network maintenance and tariffs that are too low to fund remedial measures. DJB does not provide 24-hour supply. Widespread discontent led DJB to make structured attempts to address complaints more effectively. A charter was published which, while "not a legal document for enforcement either against the Board or the customers," outlines the services, charges, conditions, and the responsibilities of both users and supplier. Consumers can file complaints over the telephone to DJB's centralized call room, its 21 zonal offices, or its three water emergency offices.

Customers who are not satisfied with the response can have recourse to consumer dispute redressal forums, which were established under the 1986 Indian Consumer Protection Act to enable speedy resolution of consumer grievances up to the value of US\$44,000. While the Delhi district forums (DCDRF) have satisfactorily concluded 93 percent of the 160,000 cases considered since their inception, a far smaller proportion of complainants were satisfied in the 413 cases for electricity and 82 for water that were registered between 2000 and 2004. The process they used was expensive and time-consuming, and the costs for users of pursuing a complaint—in terms of lost income, lodging, and transport—were estimated at up to 20 times the average monthly water bill or nearly half the average annual household income.

More than half the complainants who responded to a survey reported that DCDRF front-line staff were rude, evasive, and unconcerned. The process, while simple, took too long: more than half of the complainants had to wait more than six months for their complaints to be resolved. And the outcome was disappointing: although most complainants obtained an order in their favor, only 29 percent of respondents surveyed were satisfied with the redress provided and in only 45 percent of cases did the DJB act. "Although in most of the cases relating to 'no water supply' or 'bill without water supply', the forum had directed DJB to ensure the delivery of water and pay compensation, water problems continued to persist. However, DJB did pay the requisite compensation."

The most common cause for complaint was for "receipt of bills despite the non-supply of water." The DJB's Charter actually provides that registered users may be charged a fixed fee regardless of the amount consumed. While complainants may have received refunds, a forum order could not improve their water services.

The high proportion of cases in which the orders of the forum were not implemented highlights the danger of establishing complaint mechanisms before it is technically possible to give effect to such orders. Further, dissatisfaction with the work of the DCDRF illustrates the limits of using isolated tools for accountability to provide assurances of good quality services, and shows that mechanisms of accountability can become as much of a problem as the services themselves. A final, paradoxical, consequence of the poor relationship between DJB and its consumers is that proposals for institutional and technical measures, and tariff increases, to resolve the problems were delayed by widespread community opposition.

Source: Water and Sanitation Program (2007c).

#### **4.2.3 Preventing slippage in performance and political "capture"**

Where services are generally good, user involvement is likely to bring only limited, immediately visible benefits to individual households. Users will prefer tools for accountability that require the least effort from them (and at the lowest possible cost) but that provide them a voice to prevent services slipping from their existing levels. Utilities cannot be immunized against management complacency or political capture, but a diversified accountability system can help to reduce the risk of a takeover by any one party or interest group. A period of political stability offers possibilities to build up a resilient accountability system. Thus, for instance, the Puerto Cortes water company Aguas de Puerto Cortés (APC) benefited from an unusual degree of political stability and continuity by Honduran standards. APC has managed to expand and improve services with the support of its users, despite having to double its real tariff over the period. The governance regime created during this period of political stability incorporates a strong consumer voice. This might help to prevent political interference in the future (Box 13).

Mandatory comment and notice periods could be seen as a kind of insurance policy, giving consumers the chance to participate or to opt out of specific decisions. Similarly, redress mechanisms are only

triggered when water services to individual users are interrupted, making users willing to exert considerable effort to restore service.

Representation by consumers on oversight boards may be an appropriate tool for users who want to limit the risk that services may deteriorate in the future due to political capture of the utility. But users' membership of utility oversight boards has often been marked by confusion between board members' representative and fiduciary roles. Use of a constituency representation approach risks transforming the utility into a site of political contest and patronage, with all the disadvantages of political management of operational activities but without the checks and balances provided by formal political processes (Robinett, 2006). Even if a board's role and mandate are clearly and formally defined, they

### **Box 13 HONDURAS—A suite of tools of accountability in Puerto Cortés**

In the port city of Puerto Cortés, several mechanisms designed to ensure accountability to users have contributed substantially to the water utility's success in meeting users' needs.

Until the mid-1990s, water services in the city were managed by a national utility. Performance was poor and water supply coverage was 62 percent. In 1994, asset ownership was transferred to the Municipality of Puerto Cortés. In 1995, operation and maintenance were decentralized to a municipal water department under a lease agreement with the municipality, which retained asset ownership. Four years later the department was corporatized into a government-owned company, Aguas de Puerto Cortés (APC).

In the early 2000s, the Municipality of Puerto Cortés sold part of its shares in APC to user-owned cooperatives such as the cooperative of port workers and the chamber of commerce. At the same time, a local regulatory committee was set up, whose three members were nominated by professional associations independent of local government and the water company.

Over the years, the Municipality has sold more of its APC shares and now holds 19 percent. Sixty two percent of the shares are owned by five cooperatives and a private company, while 19 percent are owned directly by households. The five cooperatives collectively have 11,000 individual members, all of whom are also customers of APC. APC engages regularly with users through public meetings as well as fielding occasional surveys to inform the company of user perceptions of its performance. APC has a functioning complaint mechanism, and users can go to the regulator if they are not satisfied with the actions taken by APC.

The multiple ownership arrangement has improved APC's accountability to its consumers. Since its establishment, the company has mobilized substantial investment to repair a damaged water intake and achieve continuous water supply service in most areas. A project has been started to provide sewage collection and treatment, to improve household health, reduce coastal pollution, and support efforts to expand local tourism. To fund operations and minor extensions on a sustainable basis, tariffs were substantially increased (with the community participating in tariff setting), metering was extended, collection improved, and illegal connections and leaks reduced. APC has now achieved 92 percent water supply coverage with 24 hour a day service, and unaccounted-for water has decreased from 50 percent to 30 percent.

It is important to take into account the circumstances that contributed to the success of APC. First, many of the initiatives for improvements originated after floods destroyed the weir from which the town sourced its water. Since the national water utility could not provide rapid assistance, local initiative was needed to address the crisis. Second, by Honduran standards, Puerto Cortes has had an unusual degree of political stability and continuity, with one mayor in place for twelve years who was replaced by the former director of the water company. Third, the fact that the port is a major local employer, that the cooperative of organized port workers is an active shareholder in the water operation, and that the port provides about 25 percent of the company's turnover have also contributed significantly to the success.

Some other municipalities in Honduras are now adopting features of the Puerto Cortes model. For instance, the municipality of Choloma has recently transformed its utility into a mixed capital company and transferred 5 percent of the shares to the local chamber of commerce, a market sellers' cooperative, and a solid waste reclaimers' cooperative. Other cities have adopted regulatory committees consisting of local respected citizens. It is too soon to tell whether the Puerto Cortes model will succeed elsewhere.

Source: Urbina (2007).

are often circumvented by the utility owner. A comparative study of five utilities in Mexico found that only two of five utilities had boards constituted as prescribed by their statutes; the other boards were directly appointed by mayors despite rules to the contrary (Schwartz, 2006).

One approach to avoiding such problems is for community/constituency representatives to join boards as "fiduciary" members, selected for their ability to contribute to and oversee the organization's activities, and expected to give priority to the interests and objectives of the utility and its mandate. If board members have the confidence of their communities, they should still be able to help the utility mobilize support for decisions and strategies. They can certainly help to guard against the management complacency that is a frequent cause of performance slippage.

Consumer ownership of utilities can remove some of the potential conflicts of interest for utility boards. An example of partial consumer ownership is APC in Honduras, which is co-owned by a number of organizations that are in turn owned by users. Thus, consumers are represented on the Board of the utility (Box 13). Here too, the ownership arrangement has encouraged the utility to be accountable to consumers.

Maintaining users' interest in overseeing public services often remains a challenge. Municipal and district advisory boards for water supply and sanitation in France have been formalized over time but have struggled to recruit and maintain members (Box 14).

Even simple advisory bodies can be hard to sustain. In Zambia, the Lusaka Water Watch Group had three vacancies out of the membership of seven people by 2004, despite a good track record (Box

#### **Box 14 FRANCE—Formalizing consumer mechanisms by law**

In France at the national level, two major consumer associations are involved in the water services sector. Private water operators and the state consider that these represent "consumers at large." These representatives influence new legislation in four ways: through ministerial working groups that draft laws; through parliamentary commission hearings; through lobbying parliamentarians for amendments; and through lobbying ministries on ministerial orders after a law is passed.

In the 1990s, the national consumer movement successfully lobbied for inclusion of consumer rights in the 1992 Law on Spatial Planning (ATR) and the 2001 Water Law. The 1992 law included the establishment of a national monitoring body (the *Haut Conseil de l'Eau y de l'Assainissement*) which can investigate consumer complaints, and the compulsory establishment of local advisory boards. The boards were given formal rights and responsibilities in 2001.

At the local level, the chapters of the consumer associations play a minor role, alongside environmental groups. There is little cooperation between the two groups. In a number of cases, local protest groups have sprung up around local conflicts or corruption cases.

At the local level, the water sector represents a hybrid model combining representative democracy (using the long route of accountability) and direct consumer engagement with service providers. Media monitoring by private water operators shows trends in public awareness: from 1995 to 2000, press coverage of the water sector was mostly on consumer issues such as billing and tariffs. From 2000, coverage has shifted to public health and environmental issues. Utilities have responded to this. Traditionally, users engaged with service providers mainly through the long route of accountability. The 1990s saw a shift, with many utilities and municipalities introducing consultative and information tools. More recently, the long route has been somewhat revived as citizens have become more aware of health, food safety, and environmental issues.

The establishment of local advisory boards has been slow, partly due to the difficulty of recruiting members. Local user engagement is often fragmented across many consultation mechanisms. For instance, two parallel participation mechanisms exist in the city of Lille, where the private water supply operator consults with consumers on service delivery, while the municipality provides sewerage services and consults with citizens on environmental issues. If a crisis occurs, ad hoc local protest groups use legal recourse and redress mechanisms.

Source: Pflieger (2006).

### **Box 15 ZAMBIA—Enhancing customer services through an advisory body to a regulator**

In Zambia in 2001, the national regulator of water services (NWASCO) set up the Lusaka Water Watch Group (LWWG) to enhance customer involvement. Members of LWWG were selected competitively for a voluntary two-year term, and provided with training and logistical support. LWWG interacted with consumers through letters, telephone contacts, and open meetings at which representatives of the municipal utility explained their action plans to improve service levels. By 2004, LWWG had resolved a number of complaints and an initial evaluation showed that the utility was responding better to new complaints. The utility consulted with the group and informed it of upcoming events such as planned rationing or supply interruptions. Despite its good track record, LWWG had three vacancies out of the membership of seven people by 2004.

Source: Kayaga and Franceys (2004).

15). And in Brazil, after a Municipal Conference in Recife mobilized user interest, subsequent attempts to establish a permanent sectoral WSS Council repeatedly stalled (Box 25 below).

#### **4.2.4 The special case of short engagement in high-impact decisions**

Experience shows that communities will engage intensively if tangible service improvements are attainable, but will not maintain their interest for long periods without practical results. Poor communities may legitimately ask (and have sometimes done so) why they must spend considerable time "participating" to gain access to services that are readily available to the better-off at the turn of a tap.

Tools to communicate users' preferences take on specific relevance when substantial initiatives are proposed, since users' willingness to engage will depend on the potential impact of the proposed measures. One cross-country review found that:

In some instances, respondents were willing to devote time and resources to a common effort to pursue common goods, for instance with complaints about the operation and maintenance of roads, community halls, streetlights, and drains. However, a substantial number of respondents, when faced with problems, chose not to take any measures, at least not officially, despite being affected by adverse outcomes. This was true even where organizations had been established and information asymmetries reduced. Respondents were more likely to opt for individual interests at the household level (i.e. complain about water supply or sanitation) over common interests. On one level, it seems that some respondents had performed a kind of cost-benefit analysis of whether to participate in collective action (based on resources, benefits, sense of responsibility for services, trust, predicted outcomes, relative bargaining power and fall-back position), and had decided that they were better off not contributing but hoping that the problem would be resolved by the participation of others. (Cavill and Sohail, 2004)

Decisions on new investment projects or about privatization and decentralization are often believed to have substantial impacts on price and service quality and users will be willing to engage intensively in discussing them for a limited time. In the US and Canada, for instance, consumer organizations are willing to engage in periodic "rate hearings" on tariff adjustments despite the substantial transaction costs of doing so, because the hearings are seen to be effective.

## **4.3 Inclusiveness**

In reviewing the extent to which tools meet the criterion of inclusiveness, it is again necessary to consider their intended purpose. In Chapter 3, a distinction was made between the different "targets" (individual, target group, consumers at large, and citizenry) that can be addressed by a particular instrument. But inclusiveness is not just about targeting, since a tool that targets individuals can be inclusive

if it is equitably available to all, while many tools that nominally serve a wide community are far from inclusive in practice, particularly if they are not implemented with inclusiveness as a goal.

The challenge is thus not to seek a single all-embracing tool but to ensure that a system is in place through which all service users have effective access to engage with the utility or at least to ensure that their concerns and views are heard and responded to.

#### **4.3.1   *The inclusiveness of tools targeted at individuals***

Designing a utility complaint system provides a good illustration of the challenges of making individually targeted tools inclusive. All users, particularly the poor, should have easy access to it. While telephone call centers and Internet-based systems may be convenient for users who have access and can afford to use them, they may not be accessible to the majority. Many utilities have opened additional service centers, reducing travel distances and costs. But this is only a first step since, as noted in Chapter 3, staff must be equipped to deal with the issues that arise. This implies a good knowledge of the services and the organization as well as an ability to engage with users in their own language. And in communities where women cannot engage with men on an equal basis, the gender balance in staffing is important, since it is often women who are expected to deal with domestic matters such as water supply.

Similar challenges are faced in designing other tools. Even the most obviously inclusive—house-to-house visits—requires a well-designed communication plan. As part of Cape Town’s IKAPA Water Leaks Project, a public awareness campaign with house-to-house visits as well as consultation meetings was designed to encourage water conservation and to inform people that the subsidized flat rate they had been paying would move to volumetric consumption after all households were metered (Box 16).

#### **Box 16 SOUTH AFRICA—IKAPA Water Leaks Project in Cape Town**

Officials within Cape Town’s Municipal Services department recognized that, with growing water scarcity, greater public awareness and cooperation would be needed to minimize waste and recover costs, particularly in areas with little customer interaction. The IKAPA Water Leaks Project, launched in 1997, involved the community in the work of the service provider both as a means to reduce water leaks and to help garner support for a move from flat rate to metered volumetric charging for water.

The authorities recognized that investment to upgrade the former BLA (black local authority) areas would be futile without a simultaneous public awareness campaign. For the first time in the history of this formerly separate black local authority area, water officials went house-to-house to make direct contact with residents. The visits were important in relaying the complex service changes to residents, many of whom had never experienced this level of service before. In exchange for receiving meters and better services, residents were to agree to pay for services once the administrative systems for billing were in place.

There were difficulties. Consultations were constructed to meet quantifiable targets, such as the number of meetings held, rather than to achieve the less measurable goal of broadening understanding. Most meetings and workshops were poorly attended, “possibly because of dwindling interest, no prospects for the appointment of local people, no contentious issues to discuss, or other exciting news.” A second issue that hampered the project was the inadequate involvement of political councilors who had offered to cooperate but were then unhappy to be “informed” about the issues rather than being involved in the decision-making process. This undermined their ability to inform their own constituencies. In the eyes of local authorities, residents’ receipt of a bill transformed their status from that of non-citizens to that of responsible paying customers. But the vital step of engaging with these historically marginalized residents as citizens first, and customers second, was missed.

Source: Smith and Vawda (2003).

Similarly, while including leaflets with bills to connected users is a very efficient way to transmit written information, it has to deal with the challenges of illiteracy generally as well as language in multilingual communities. In a country such as South Africa with eleven official languages, larger utilities routinely offer communications in a number of different languages.

#### **4.3.2 The inclusiveness of tools targeted at consumers at large**

Collective tools often involve representatives of consumers in sectoral structures such as advisory bodies or decision-making boards. Insofar as this involvement achieves input from communities into the operations of utilities, it may be highly desirable and cost efficient. The inclusiveness of representative mechanisms depends on how the members who are supposed to represent consumers are appointed—whether by the government, through a recognized intermediary, or by elections or nominations from consumers. Direct appointment by government increases the risks that the government will co-opt the member; elections by consumers may be more inclusive. Examples of good appointment procedures are found in Puerto Cortes and El Paraíso in Honduras, where the regulators are nominated by their respective professional associations rather than by the government, giving a greater assurance of their independence. This practice is thought to make an important contribution to the stability and performance of these utilities.

The challenges of ensuring effective representation on boards and other decision-making bodies are complex, and best understood in the context of broader challenges of corporate governance that have been extensively analyzed elsewhere (for example, Robinett, 2006; Commonwealth Business Council, 2006).

Consumer ownership can remove some of the challenges of representativeness, but does not guarantee inclusiveness in itself. Some cooperatives in Bolivia have been captured by political interests or pressure groups such as unions or local businesses. Even in well-governed SAGUAPAC, there is a tension between the interests of consumer representatives and unserved citizens (Box 3 above).

Muzzini observes a similar tendency in advisory bodies consisting of consumer representatives of connected customers:

As a downside, independent consumer bodies risk being captured by specific interest groups at the expense of the marginalized segments of the customer base. This risk is particularly high in developing countries, where independent consumer associations may be taken over by middle-class consumer groups whose interests are not necessarily aligned (and in fact are often conflicting) with those of the poorest customers. (Muzzini, 2005)

#### **4.3.3 Empowering the unserved and the unheard**

Existing utility customers are not a homogenous group; they range from households to industrial and institutional customers. Specific tools may be needed to ensure that all customers are being heard; strategic alliance meetings targeting specific stakeholder groups in Uganda are an example (Box 17).

It is important to clarify who is being represented, and, if necessary, to take special measures to reach out to people who have no voice in collective mechanisms or who lack access to information or tools for redress. In the context of water services, particular attention must be paid to ensuring that the specific needs of women and minority groups, and poor communities and individuals, are addressed, since their voices are often overwhelmed by more powerful interests. In Kerala, India, the Kudumbashree program is explicitly oriented to empowering women. Services are directed towards poor families who are identified on the basis of several criteria including access to water and sanitation, and local women are made responsible for ensuring that those families receive their entitlements (Mehta, 2007).

### **Box 17 UGANDA—Strategic alliance meeting with specific stakeholder groups**

Uganda's National Water and Sewerage Company (NWSC) involves its consumers in decision making through strategic alliance meetings. NWSC has identified stakeholders among the consumer segments in all its areas of operation. These include water vendors, water kiosk and public standpipe operators, urban authorities, large government consumers, urban poor communities, restaurant operators, industries, and education/academic institutions.

The NWSC area management teams conduct scheduled regular strategic alliance meetings with the different consumer segments. At these meetings consumers state what they require from NWSC, and these requirements are taken as action items for NWSC area management teams. Most action items can be implemented by the area teams, which have a good deal of autonomy in NWSC's decentralized system. In exceptional cases, the action items require the Area Management to "sell" the ideas agreed upon in the strategic alliance meetings to the NWSC Head Office and seek the necessary assistance and support.

Source: Baietti and others (2006).

An example of how utilities can reach out to the unserved is seen in Cape Town, where the use of latrines went up and maintenance improved after the authorities consulted communities on their location and maintenance (Box 18).

#### **4.3.4 The role of NGOs and the media as intermediaries for or representatives of users**

In poorer communities in developing countries, users may have very limited voice or ability to engage large, often distant, utilities. Nongovernmental organizations may act as a focal point through which utilities can respond to concerns in a structured way. Examples from Port-au-Prince (Box 2 above) and Indonesia show examples of the positive intermediary role that NGOs can play. In Indonesia, a consumer organization periodically hosts a meeting between complainants, regulators/service providers, and the media, after collecting complaints from consumers (Box 19).

Using NGOs can also have its dangers. NGOs can be transitory, dependent on charismatic individuals or external support, and often driven by crises or particular issues. And their contribution depends on the good will of the participants and the framework within which they operate. At the limit, NGOs can be simply another platform for political campaigning. Peña and Solanes, in a review of governance in the water sector in Latin America, note that:

The same system [of self-regulation], when promoted in societies in which there is no balance of powers nor equal access between various sectors of society, will result in the groups with the highest capacity and skills to influence in practice managing to get policies in place which do not necessarily benefit the public good....In this context, the reference to civil society loses its meaning, because the prerequisite for its functioning has disappeared.....On the other hand, the weak presence of civil

### **Box 18 SOUTH AFRICA—How use of latrines improved after consumers were consulted**

The municipal authorities in Cape Town worked with community liaison structures to improve sanitation in poor suburbs. In shack areas, with limited space for sanitation facilities, it was agreed that the best technical option was to install water-borne toilets along roads where sewer pipes had been laid. The first toilets were open to all; they were not kept clean and rapidly became unusable. After consultation, it was agreed that each cubicle would be allocated to a group of five or six families who would keep it locked and clean. This was usually effective.

The municipal officials initially placed toilets where it was technically convenient, ignoring their surroundings. As a result, some toilets were not used because they were felt to be too exposed to bus stops, shops, or other heavily trafficked areas. In later phases, households were consulted about alternative sites and the quality of maintenance and usage rates are reported to have improved significantly as a result.

Source: Dayile and Stern (2005).

### **Box 19 INDONESIA—How a consumer organization connects complaining consumers, service providers, and the media**

In Indonesia, the consumer organization Yayasan Lembaga Konsumen Indonesia (YLKI) collects customer complaints and communicates them to utilities, and participates in legal reform to protect consumer interests.

YLKI publicizes its complaint service via newspaper advertisements, brochures, and radio jingles. After collecting complaints from consumers across a wide range of services over a period of two to three months, the organization hosts a meeting between complainants, regulators/service providers, and the media for the resolution of problems. By bringing together the complainants in the same room as the regulators/service providers, common problems are solved, with YLKI and its smaller member organizations acting as the mediator. Water supply is consistently among the most prominent consumer issues.

These activities are concentrated in Jakarta but being emulated elsewhere. YLKI complaint systems complement those of regulatory bodies such as the Jakarta Water Supply Regulatory Body, which has jurisdiction over consumer complaints (source: private correspondence).

Gradually the relationship between YLKI and the water supply utilities has evolved towards one of partnership. YLKI reports that the process of synthesizing complaints has led to a wider appreciation of the problems of the water supply sector. The consumer agency has lobbied the Ministry of Finance for the heavy debt burden of utilities to be written off. In Surabaya, it carries out "complaint months," actively canvassing complaints with the encouragement and co-operation of the service provider. (Source: correspondence with YLKI.) Service providers are now funding the forums convened by YLKI.

Source: personal communications.

society often tends to be replaced by small groups of activists, not very representative of the whole of society, which are not in a position to generate comprehensive visions of existing problems, and often limit themselves to reproduce messages which are out of context and come from distant realities. (Peña and Solanes, 2002)

Some NGOs' own accountability arrangements have been skewed in favor of financiers, reducing their effectiveness in representing the long-term interests of their putative constituencies.

It is observed that accountability in practice has emphasized "upward" and "external" accountability to donors while "downward" and "internal" mechanisms remain comparatively underdeveloped. Moreover, NGOs and funders have focused primarily on short-term "functional" accountability responses at the expense of longer-term "strategic" processes necessary for lasting social and political change. (Ebrahim, 2003)

Some consumer organizations play multiple roles, exposing them to conflicts of interest. For instance, the Senegalese consumer association ADEETeIS is both a member of the regulatory board and a member of the board of the national water asset holding company, as well as a service provider through standpipes. While this situation carries a risk of conflict, ADEETeIS' involvement in the water services sector is in fact regarded to have contributed to service improvements (Brocklehurst and Janssens, 2004).

These examples are presented not to detract from the important role of advocacy or political organizations but simply to note that if organizations that are established to support the provision of water services focus on broader political objectives, the narrow goal of inclusive accountability may suffer.

Another important intermediary in promoting accountability to consumers can be the mass media. The media shares with NGOs the ability to give voice to individuals and communities who might otherwise be voiceless. In Johannesburg, South Africa, the "Metro Watch" column of a local daily newspaper, *The Star*, publicizes and follows up on individual complaints with local utilities with a high degree of success (Box 20).

## Box 20 SOUTH AFRICA—How the MetroWatch newspaper column deals with user complaints in Johannesburg

**FOUR YEARS OF SLEEPLESS NIGHTS**

■ JM Kruger writes: In 2004, Joburg Water put two meters that served the neighbour's property onto my account, debiting me with huge sums.

Despite repeated visits, phone calls and letters over three years trying to have this rectified, the city insisted the meters were correct.

Finally this June, Joburg Water acknowledged that neither meter served the account. Nevertheless, the city still refuses to credit my account, which is now R62 563.96.

Yesterday I learnt that Joburg Water has taken the account for financial recovery to Nkatehla Ravhuthula, the manager of the service recovery unit.

I am outraged. This is nothing short of extortion.

In September 2006, MDOB Attorneys found that I was not responsible for these debts after being handed the account for summons.

I have experienced great stress over this issue, and as someone with medically-controlled epilepsy I am supposed to factor stress out of my life as much as possible.

Can we help you?

MetroWatch is a service by The Star for ratepayers whose complaints about bad service or treatment from local government agencies and departments have fallen on deaf ears.

Fax 011-836-6188 or e-mail [metrowatch@star.co.za](mailto:metrowatch@star.co.za). telling us about your problem. include your contact details.

I did not have the huge financial resources that were required to pursue action against the city.

Can the Joburg Metro really tyrannise me like this and then not only hide behind a bureaucratic facade to get away with it but also force me to pay them for having done it?

**Joburg Water replies:** The complaint has been forwarded to the adjustment department for corrections.

The "MetroWatch" column appears weekly in *The Star*, a local daily newspaper in Johannesburg, South Africa. The column publicizes and follows up on individual complaints with the local municipality with a high degree of success. Dealing with 70 complaints in an average week, of which 20 relate to general billing and 21 to water specifically, it is an effective mechanism for those who can read, afford a newspaper, and have access to email or a telephone to contact the newspaper.

## Do your own readings!

■ Howard Pell writes: I hope you can assist me in recovering an amount from Joburg Water.

Early this year I sold my cluster house in Bryanston West and was required to pay three month's fees to Joburg Municipality and Joburg Water.

This came to a total of R12 716. In June, I received, via my attorney, an amount of R835.19, which they had received from Joburg Municipality. From Joburg Water, I received a statement each month showing a credit balance of R1040.29, which is the refund due to me.

I have been contacting these people on a regular basis, asking them to let me have a cheque to clear this matter.

They tell me that a cheque has been applied for but not received. The last time I phoned I was told that the cheque was expected during the first week of August and I was



quoted a reference number. I shall be most grateful for anything you can do to help me recover this money.

Pell writes again: I am very glad to tell you that I have received my refund from Joburg Water – your help is much appreciated.

There are many examples where structured media intervention on behalf of individuals has successfully held utilities to account. However, where the media is politicized, there is a danger that the promotion of accountability will take second place to political campaigning.

## 4.4 Efficiency

Accountability tools come with direct and indirect costs. The direct cost of establishing and maintaining such tools may be small by comparison with the full capital and recurrent costs of a utility, but it competes with many other priorities and must be justified by a promise of value for money for both users and the utility. The transaction cost for users is also a crucial consideration if the aim of serving and supporting the poorer members of society is to be achieved. Although frequently overlooked, the sharing of costs between user and utility merits more careful consideration.

### 4.4.1 Direct costs of the tools

The direct costs of accountability tools are of interest not only for utilities but also for users—individually and collectively—who ultimately pay these costs through levies on their water tariffs or through taxes. Cost estimates of accountability are scarce. Even the well resourced and intensively overseen water services sector of Australia reportedly lacks information on the costs of different methods of communicating with customers (International Water Association-Water Services Association of Australia, 2007).

The cost of some accountability tools is high enough to limit their applicability, particularly if the intention is to use them on an ongoing basis. More inclusive tools often have higher costs. For instance, the Australia review mentioned above found that the unit costs of mailing information to individual users were particularly high. Similarly, surveys and citizen report cards can be costly, depending on the sample size, the levels of analysis, and whether a specialized agency is used; the costs might significantly impede a wider use of citizen report cards (Box 9 above).

The choice of a suite of tools will thus need to include an analysis of costs and trade-offs. A study of four US utilities found that they could raise their already high customer satisfaction rate by up to 17 percent, without extra cost, simply by shifting spending to customer communications and training of representatives (Rambo and others, 2004).

The costs of maintaining complaint mechanisms are not closely correlated with their effectiveness. The Energy and Water Ombudsman of Victoria, Australia has more than 50 staff, and a budget of nearly US\$4 million; of the 17,000 communications (1,303 of them for water) that it received in 2006, many were either just enquiries or were referred directly to utilities to deal with (Energy and Water Ombudsman, 2006). In a review of 15 US utilities, the average cost of responding to a call in a utility call center was estimated at \$3.70, with 76 percent of callers' questions or complaints solved within the first call (Patrick and Kozlosky, 2006). These examples should be compared with the cost of an informal system such as that of the "Metro Watch" newspaper column described above, whose handful of staff deal with 70 complaints a week at no cost to users or taxpayers. Spending more money does not automatically produce better results, as illustrated by the complaint mechanism in Valasaravakkam, a small municipality in Tamil Nadu (India) with a population of 30,000, that cost more than US\$8,000 a year but produced disappointing results (Mehta, 2007).

Multisectoral accountability mechanisms often cost less to administer than tools that only deal with water services. Thus the Peruvian *Defensoría* has 490 staff, of whom only twelve are assigned to the head office's public services and environment division. However, the division can draw on the resources of the organization's 26 regional offices. Similarly, the citizen report card in Bangalore reported on a range of utility sectors including water services, spreading its costs in a way that would be impossible with a single-sector tool. The benefits of having a sector-specific agency would need to be weighed against those of having a cross-sectoral agency with lower costs but whose broader mandate may reduce its focus on water services.

#### **4.4.2 Transaction costs for users**

Several examples have shown that for individual consumers the transaction costs of using complaint mechanisms can be considerable. In New Delhi, as seen above, the costs for users of pursuing a complaint—in terms of lost income, lodging, and transport—were estimated at up to 20 times the average monthly water bill or nearly half the average annual household income. According to a report by the Water and Sanitation Program (2007c), "seeking redress from a District Forum entails transportation, legal and other costs. It also entails opportunity costs in terms of lost income, since complainants often have to absent themselves from work (for an average of between one and three days) to lodge and follow up complaints. When this 'lost income'... is added to [their] other expenses..., the 383 complainants who had engaged a lawyer incurred an average cost of US\$49.9 and those who had filed cases themselves a cost of US\$23.50." It is reported that many users would rather lose money to the utility than undergo the inconvenience involved in seeking redress.

The transaction costs associated with collective tools involving representatives tend to be considerably lower per consumer than those of tools used by individual users. The use of intermediaries and representatives, though challenging, as outlined above, should be considered in order to minimize costs for individual users.

### **Box 21 BRAZIL—The costs for government and users of the PoupaTempo program**

In São Paulo, the state government evaluated the *PoupaTempo* ("save time") program which was established, as in other parts of Brazil, to help citizens access in a single place the 400 different types of administrative service that are provided by 68 separate public agencies.

The evaluation found that the overall cost of issuing an ID document fell by 26 percent, with the cost for users falling by 42 percent (from US\$17.51 to US\$10.10). This was achieved by expanding facilities and employing better qualified staff, which increased the cost to the state by more than 50 percent (although only from US\$3.56 to US\$5.38).

**Cost estimates of issuing an ID document before and after PoupaTempo program**

<i>Process</i>	<i>Cost of ID using traditional method</i>	<i>Cost of ID at PoupaTempo</i>
<b>For the state</b>	USD 3.56	USD 5.38
<b>For the citizen</b>	USD 17.51	USD 10.10
<b>For the state</b>	USD 21.07	USD 15.49

Source: Florencia Ferrer Research and Consultancy, 2004.

#### **4.4.3 Balancing direct costs with transaction costs for users**

One policy question when designing tools for accountability is whether the aim is to reduce the overall cost, the cost to the utility, or the cost to the user. Should special consideration be given to poor users for whom the cost of pursuing complaints or participating in consultations can be an insurmountable barrier? Evidence is scarce on how this choice is resolved in the water sector, though the many programs designed to increase the number of service centers suggest that utilities do not always seek to minimize their own costs.

Other public sector reform initiatives that have grappled with similar challenges provide some useful lessons. The *PoupaTempo* ("save time") program of the state government of São Paulo, Brazil introduced a "one-stop shop" to provide access to the services of separate public agencies in a single place. The direct costs for government to issue an ID document went up, but the savings for citizens were four times higher (Box 21).

Sometimes transaction costs for the poor are offset by compensating community members for the time and cost of their participation. However, if this is not approached with care, people may see their participation as employment. Payment of fees for attendance at meetings can prolong processes, which is often not to the benefit of the wider community.

In balancing costs, it should be recognized that organizations as well as users have to bear transaction costs. Yang and Callahan (2007) report not only citizens' but also administrators' lack of time as barriers to greater citizen participation in US local government. In poor countries, overstretched utility managers continually have to choose among priorities and may give preference to immediate operational challenges over long-term relationship building.

#### **4.4.4 High impact, short-period versus low intensity, long-run processes**

As noted at the beginning of this chapter, users' willingness to incur transaction costs varies with the benefits that they expect to derive. Where processes are reasonably quick and the issues at stake are substantial, high transaction costs may be accepted as worthwhile. The "transaction cost/benefit" ratio is different for the ongoing business of service provision when users simply wish to ensure that services are maintained at existing levels. In these cases, tools for accountability should be deployed to protect users' interests with the least individual input (and at the lowest possible cost).

## **4.5 Sustainability**

Accountability tools need to be sustained over time to be effective. Where tools are introduced by an enthusiastic manager or the efforts of a consumer advocacy group are working well, it is important to institutionalize them or they may fall into disuse when the advocate moves on.

One way to do this is to formalize the application of tools through law or guidelines, as is often done with tools such as comment periods in consultation processes. But formalization does not automatically lead to institutionalization. For instance, a review of eleven utilities found that most of them stipulated the rights and obligations of customers in contracts or customer charters, but few of them specified performance targets or the sanctions to be used when targets were not met (Baietti and others, 2006). Even where targets and sanctions are defined, they are often not implemented. In Vietnam, for instance, the Hai Phong Water Supply Company has never paid out the compensation for interruption of water supply that is specified in customers' water supply contracts (Schwartz 2006). Excessive, incoherent, and impractical laws and regulations might even limit the accountability of service providers to their users.

It is easier to sustain the use of tools such as surveys, which become more valuable over time as they begin to show trends and can be used by utilities to monitor performance. Externally driven report cards are often less sustainable unless they are adopted and acted on by the utilities themselves.

Key data can be routinely disseminated through annual reports without much additional work. Where performance parameters are formalized in law or as utility policy, annual reports can be used to account to a range of interested parties. In many countries, regulators and utility associations have institutionalized the publication of standardized sets of utility and consumer survey data. For instance, the Association of Dutch Water Companies carried out four comparative studies of the Dutch drinking water industry in the decade up to 2006, allowing for comparisons over time of water quality, service, environment, and finance and efficiency data (VEWIN, 2007). One reason for this sustained track record is the threat that a formal regulator might be established by the national government if performance is not reported transparently and efficiency improved over time.

In Tamil Nadu, India, local governments held intensive consultations with communities about the planning of new projects, but paid less attention to communities' engagement in operations once the systems were built. The result was confusion about service charges and other complaints, detracting from the initial success (Mehta, 2007).

The failure of tools for accountability may contribute to general disillusionment with service providers. For instance, an investigation of the municipality in Dhaka, Bangladesh reported that:

Dhaka City Corporation has a grievance-redress system for complaints about its services. However, only a small proportion of households are aware of it or bother to use formal mechanisms. People feel that there will be no follow-up to their complaint and that officials are often unavailable or indifferent. (Cavill and Sohail, 2004)

In Cochabamba, Bolivia, the community ownership and management mechanisms that were adopted after the termination of a private provider's concession contract proved unsustainable. Just two years after the termination of the contract, which was triggered by massive street protests, only 4 percent of the eligible residents voted for a Board representative (Shultz, 2008). Yet Bolivia is also home to some sustained successes of user accountability, perhaps precisely because of the troubled environment; several cooperatives have achieved accountability through their cooperative structure in which the users are also members and owners. SAGUAPAC in Santa Cruz has been in operation since 1979 and continues to provide good service.

Where a tool is seen to create results, it will encourage those involved to continue to use it and others to join them. Thus, in Porto Alegre, Brazil, the number of people taking part in participatory budgeting processes actually went up as results started to show. The participatory budgeting process has sustained popular interest and support since the early 1990s, with consumer representation on the board or in the utility also contributing to accountability (Box 10 above).

Many utilities have adopted more customer-oriented approaches in order to maintain and improve the quality of their services and stay in business. Examples in this review include the Singapore Public Utilities Board and SIMAPAG and SADM in Mexico, which are all mature utilities that have strengthened their accountability mechanisms over time, continually reviewing their business and adopting new practices to keep abreast of their consumers, with good results.

A determinant of sustainability is whether institutional structures are resilient enough to survive major changes in the political environment. Utilities can never be fully protected against political capture, and every success story can be counterbalanced by a story of sudden decline after years of good performance. Nonetheless, a diversified accountability system can help reduce the risk of a takeover by any one party or person after political change. A period of political stability offers possibilities to build up a resilient accountability system. Thus, for instance, the Puerto Cortes water company (APC) benefited from an unusual degree of political stability and continuity by Honduran standards. (Box 13 above).

These examples show that institutionalizing accountability approaches can help to ensure that they are sustained. While the success of the tools of accountability is inextricably linked to the fate of the service providers themselves, if properly used the tools can also help to sustain the providers.

## 5. CHOOSING THE RIGHT TOOLS FOR THE CONTEXT

This chapter aims to assist practitioners to choose the right suite of tools for the context. It starts by describing how utilities evolve over time, and notes a strong tension between the need for accountability tools (which is higher in less conducive environments) and the potential of tools (which is lower in less conducive environments). In a utility that is pre-functional, with poor services, weak organization, and low levels of public trust, simple measures to share information about the state of the organization and informal consultation on consumers' priorities will be critical; involving users in the execution of certain utility functions, along with reliance on accountability functions managed by regulators or civil society groups, can help to build trust. Once a utility has developed some capacity to respond to challenges, many more tools for accountability can be introduced. As utilities become autonomous, self-sufficient providers of reliable services, tools of accountability become intrinsic to their overall toolkit of management and oversight systems, and increasingly become embodied in legislation.

The analysis in this chapter emphasizes that, for a utility, individual tools are only likely to be effective if managed as part of an overall framework of accountability, and, in turn, that such a framework may not contribute much to performance unless the surrounding political and civic culture is supportive. Success with specific tools for consumer participation may help to create a more supportive civic culture, but it is important not to overstate this potential. Experience shows that communities will engage intensively with utilities at particular moments, such as the development of new systems, but will not continue for longer periods without practical results; a more common sequence will see broad political reform opening the door for improvement in water services.

### 5.1 Changes over time in utilities and accountability functions

Chapter 4 emphasized that accountability tools that are helpful in one context may be inappropriate in another. Thus many tools may work well in one utility but fail if transplanted mechanically to another. As well as understanding the specific conditions indicated for the application of each tool, there is also a need to understand how utilities themselves evolve and how the choice of accountability tools will itself need to evolve as a part of this process. Different combinations of tools, with different functions, are relevant to different stages of a utility's development.

#### 5.1.1 How utilities evolve and mature

As a utility evolves and as its services improve, its objectives will change. To visualize this process, four stages of utility development can be distinguished:

- A *pre-functional* utility provides erratic supply to some of the citizens in its service area, and users often rely mainly on alternative water sources. Improvements are hampered by crumbling and limited infrastructure with large water losses. Operations and maintenance (O&M) are under-funded, partly because cost recovery from users is minimal. The utility has very limited autonomy if any and depends on others for staffing and decisions.
- A *basic* utility provides intermittent supply to many citizens in its service area, and consumer trust is still low but funding for O&M is assured. While it can maintain its current infrastructure, it faces obstacles in rehabilitating old assets or expanding services to new users. Institutionally, the utility's structure may be "ring-fenced" within a municipality but still dependent on others.
- An *intermediate* utility has achieved or is close to achieving continuous water supply, and has built some confidence and satisfaction among consumers. It can fund operations and maintenance from its own sources, and has secured some (external) financing for capital expendi-

## Box 22 HONDURAS—Prevalence and success of tools of accountability in six utilities

As part of this review, current practices for accountability were assessed in six municipalities in Honduras through a literature review, structured interviews, and a workshop.

The reviewed municipalities represent four different models for providing urban water services: an autonomous national utility, an autonomous municipal utility, a utility co-owned by municipality and users, and a private operator under a concession contract. The utilities in San Pedro Sula and Puerto Cortes are mature, the other four are more basic. Since water supply and sewerage are provided by different entities in several municipalities, the review focused on water supply.

The figure below shows the prevalence of tools and an assessment of their functioning. Not surprisingly, each utility applies accountability mechanisms to a different degree. Nearly all utilities apply information tools; some use consultation tools, mainly through structured consultation processes in the case of tariff changes and new works, and through advisory bodies. Users are represented on the boards of the two utilities co-owned by users; and in El Paraíso and Puerto Cortes, users are represented on the local regulatory committees. Only the two mature utilities have functioning complaint systems, both of which have a backup third-party redress tool to handle complaints not satisfactorily resolved by the utility.

The findings shown in the figure show a strong correlation between the use of accountability tools and levels of service provision but do not establish a causal relationship. It is unclear whether accountability tools contribute to better service provision or are simply an indicator of the overall status of the utility and its environment.

**Figure 18 Summary of the potential merits of the 14 tools**

		<i>El Progreso</i>	<i>La Ceiba</i>	<i>El Paraíso</i>	<i>Choloma</i>	<i>Puerto Cortes</i>	<i>SPS</i>
<b>Characteristics</b>	Type of service provider	National	National	municipal	co-owned mun/users	co-owned mun/users	Concession aire
	Type of regulator	none	none	committee	committee	committee	municipal
	Water supply coverage (%)	52%	60%	71%	71%	97%	93%
	Continuity of service	intermitte	intermitte	inttermitte	intermitte	continuous	continuous
<b>Information</b>	Community outreach						
	Publication of performance data						
	On-demand information provision						
<b>Consultation</b>	Structured consultation processes						
	Forecast surveys						
	Retrospective surveys						
<b>Participation</b>	Advisory bodies and focus groups						
	User involvement in execution of activities						
	Membership of decision-making bodies						
	Participatory budgeting						
	Ownership of service provider						
<b>Redress</b>	Utility complaint mechanisms						
	Third party redress						
	Legal recourse and redress						
<b>Key to colors:</b>							
No Data		Not applied	Existing on paper; not applied	Nascent application	Successfully applied in practice		

Source: Urbina (2007).

ture. A typical intermediate utility has a ring-fenced structure or is an autonomous body with a clear mandate and autonomy over most functions. Its infrastructure is maintained and it has the capacity to rehabilitate assets and extend services.

- A mature utility provides reliable 24/7 services to all users in its service area, who are generally satisfied with the services they receive. It provides high quality water, adhering to guidelines such as ISO 9001. It recovers its capital expenditure as well as O&M costs from its customers; if there are subsidies, these are clearly defined and targeted. It has clear financial procedures, has access to capital markets, and is institutionally autonomous with a clear mandate and internal and external lines of accountability. As a result it has a well maintained infrastructure.

While countries with non-conducive environments will have mainly pre-functional utilities, and more advanced countries more mature utilities, the Honduras review of six utilities shows that there can be large differences within one country. There, two utilities (in San Pedro Sula and Puerto Cortes) have considerably improved their services while others have not been able to do so. This partly reflects a decentralized environment that allows individual cities to innovate, but also different corporate cultures within the individual utilities (Box 22).

### **5.1.2 How accountability functions change as utilities evolve**

What does the evolutionary process of utilities mean for the application of a suite of accountability tools? Chapter 4 identified four functions of accountability tools:

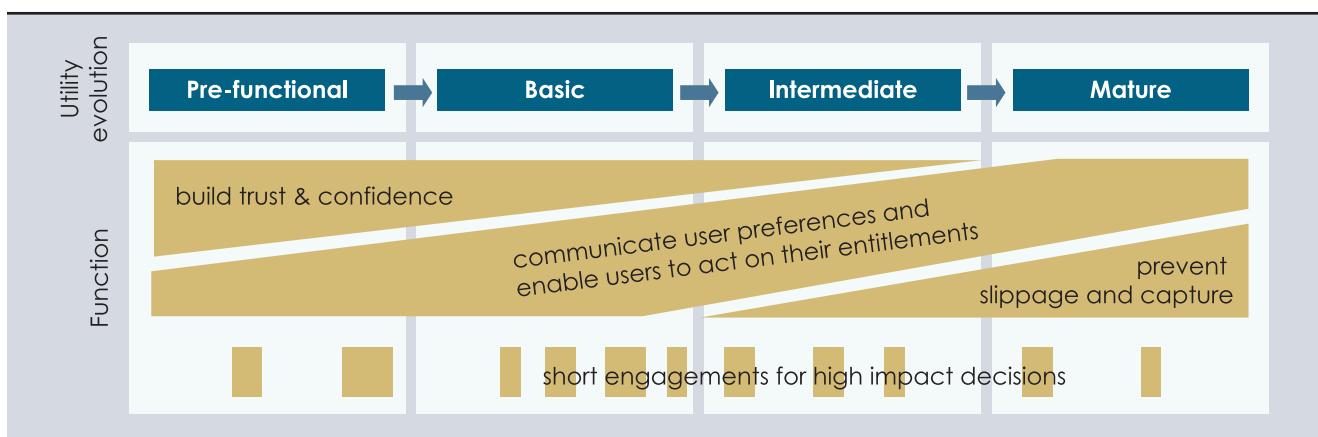
- build trust and confidence between user and utility
- communicate users' preferences and enable users to act on their entitlements
- prevent slippage of performance or political "capture" of utility
- ensure users' participation in key decisions.

Figure 20 shows how the importance of these functions changes as a utility matures.

In a utility that is effectively dysfunctional or pre-functional, with low levels of public trust and confidence, the accountability tools used must help to *build trust and confidence* as well support the development of the organization. Simple measures to share information about the state of the organization and informal consultation on consumers' priorities will be critical. A pre-functional utility will have limited capacity to establish its own tools to build trust and confidence, so tools may often be deployed by third parties. The case of Haiti (Box 2 above) is a good example of how user involvement in executing certain utility functions can help build trust. Also, informal "advocacy action" by users can help if civil society capacity exists. Improvements in utilities in crisis are often triggered by consumer protests.

As a more functional organization emerges, consumers should be able to *communicate their preferences and constraints*. Also, tools can enable users to *understand and act on their entitlements and responsibilities* and thus expand initial trust to a social contract between users and the provider. Many examples in this review fall in this stage. The case of Ukraine shows that consumers can communicate their preferences in informal consultation processes that can lead to service improvements and better understanding. Similarly, in Indonesia, consumer organizations started complaint processes to communicate their concerns to utilities. Rudimentary forms of report cards might be introduced by user groups. However, utilities in this stage can also take action themselves. In Vietnam, relatively young utilities are introducing basic customer service systems. Surveys may become important as a means of obtaining information on critical issues. Participatory budgeting is another way for users to communicate their preferences. User involvement in leak reduction and siting of toilets in Cape Town (Box 18 above) shows how approaches become more differentiated and targeted to certain (disadvantaged) consumer groups as utilities mature.

Figure 20 How the accountability tools needed change as utilities mature



In a utility that is on its way to maturity, users may seek some participation in governance, for instance through membership of its oversight board. More mature utilities can maintain users' confidence through tools such as notice periods for public comment, which keep the door open for participation but are dormant for most of the time. They may want to consider a complaint system with some formal recourse in cases where services do not live up to expectations. Such tools would help to prevent *utility performance from slipping or being captured by politicians*. In Puerto Cortes, Honduras, many of the accountability mechanisms were established by one enlightened politician who sought to solidify progress and protect the utility from future capture. Once an organization is self-funding, with clear governance arrangements, accountability instruments will become increasingly structured, as in France, where user advisory boards were formalized over time. Surveys (to benchmark users' perspectives on performance) and publication of service data (in the form of annual reports and other products) will continue to play an important part.

Throughout, intensive engagement over a relatively limited period for high impact decisions may be required periodically. Such decisions might involve proposed new investment projects and tariff increases, although privatization proposals often attract the most attention. Especially as utilities evolve from the basic to intermediate stage, more formal consultations and perhaps participatory budgeting may yield substantial benefits as priorities are set and improvement plans are designed and implemented.

Figure 21 provides an indicative mapping of which tools are most likely to be useful at different stages of the evolution of a utility.

## 5.2 External and internal influences on success

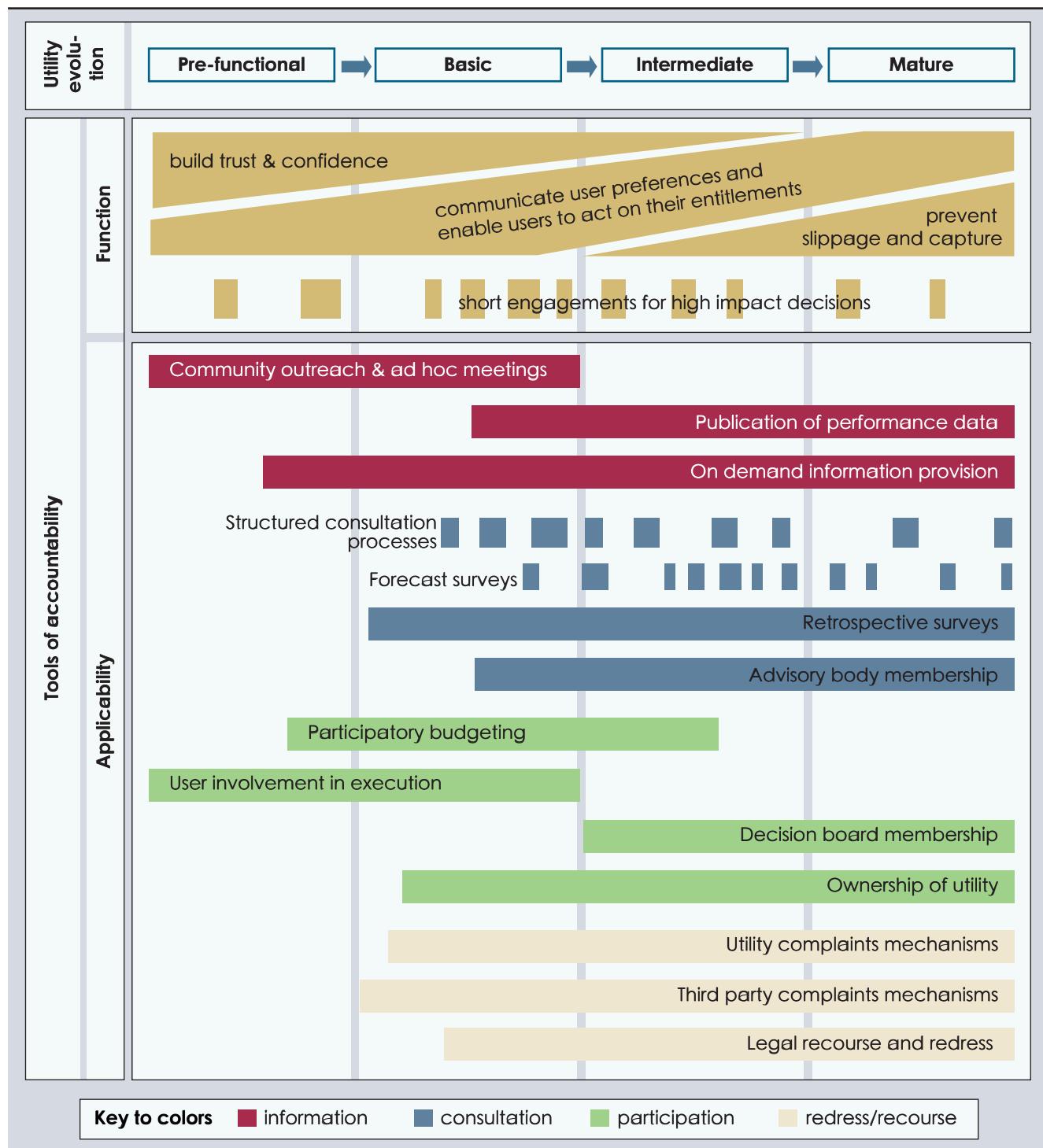
This section considers both external and internal factors in the broader institutional environment. Four sets of external factors that may affect the success of tools for accountability are:

- physical and financial constraints that limit the feasibility of improvements in service
- political will and space for independent decision making
- community culture and sustained user interest
- clear service mandates.

Factors internal to the utility that seem critical to success are:

- user-focused organizational structures
- performance-management systems
- service-oriented skills.

Figure 21 Mapping of applicable accountability tools by different stages of the maturity of a utility



### **5.2.1 External factors**

#### **Physical and financial barriers to improving service provision**

Tools for accountability cannot solve overarching physical and financial barriers to service delivery. In responding to users, utilities face physical and related financial constraints such as lack of infrastructure, lack of operating funds and investment capital, and lack of suitable staff resources. While in the first order these may be viewed as internal problems, very often they are caused or worsened by external circumstances such as laws that limit the ability to raise tariffs to economic levels or prohibit the extension of water pipes to squatter areas, inability to collect large arrears owed by government agencies for water consumed, and inability to borrow on capital markets.

The Delhi Jal Board (DJB) could not comply with orders pertaining to complaints about lack of service because its system simply did not have the capacity to do better (Box 12 above). A Tanzanian manual on customer service acknowledges that the water authorities' revenues are too low to fund the service expansion that is needed to carry out their mandate. But the manual then provides guidance on how to set up specific tools for accountability, though it does not address how to deal with consumers unhappy with no or intermittent services. The manual thus ignores the real difficulties posed by inadequacy of service provision infrastructure and the lack of funds with which to expand the system to reach the poor. (Box 23).

The limitations of accountability tools have also become apparent in Haiti, where community involvement dramatically expanded access to water but where the main obstacles for improving services beyond the current low-volume standpost service are now physical and financial (Box 2 above). Bottom and others (2005) point out that after ten years, CAMEP still depends heavily on international aid, which fluctuates with Haitian politics. Service improvements will only be made "if the public authorities, with the support of international aid, first resolve the problems linked to maintenance of the existing network, the reduction of both technical and commercial losses on the network, and if they manage to increase the production capacity by making the necessary production infrastructure investments."

If tools are applied where they cannot be effective, relationships will be damaged and user engagement weakened. Tools for accountability should not be abandoned in difficult circumstances; indeed, it is precisely in these circumstances that they are most needed. But the right tools should be chosen for the job. In Mozambique's capital, Maputo, a measured approach to consumer engagement at different stages of utility development is taken by the regulator, which promotes public meetings and user surveys but will only consider introducing additional accountability tools such as consumer charters or mandatory service standards once the physical infrastructure has been extended (Box 24).

#### **Political will and political space**

In communities where water services are neither universal nor reliable, water is inevitably a political issue. Water services are less controversial where good service is universal and cost-recovering tariffs represent an insignificant part of consumers' expenditure (Schwartz, 2006). While political pressure may be necessary to improve utilities' performance, utilities also offer opportunities for patronage and enrichment. The challenge for a utility is often to establish, and then sustain, some political autonomy.

Matas warns that implementing elements of reform that are not contextualized in local politics and administrative culture can backfire:

While in most of the countries in Latin America and Mediterranean Europe, a political debate has yet to take place in regard to the State model to be implemented, new management tools for a neo-corporate New Public Management have been decided, based on ideological and administrative values that, over time, will define the new State model. That is to say, the *how* (form of management)

### **Box 23 TANZANIA—Manual on customer service does not take into account limitations of utilities**

In Tanzania an excellent donor-sponsored manual on customer service was prepared for, and with, urban water supply authorities (UWSAs), including many of the tools described in this review. Its introduction gave the following perspective on the country's urban water supply situation: *"The UWSAs are charged with ensuring continuous supply that does not marginalize certain sections of individuals in society and this means reaching new customers.* In addition the UWSAs must concentrate on improving existing service delivery while paying attention to revenue collection including arrears, increased tariffs, and universal metering. Despite the many opportunities UWSAs face many hurdles; not all customers pay their water bills, current supplies are intermittent, unaccounted-for water (UFW) is in excess of 40 percent and leakage is also high. *Although revenue collection has improved most UWSAs are unable to expand services through their own funds due to continued repayment for capital investment.* Some authorities do not know how much water they produce due to the lack of meters. Typically the urban poor are not seen as a viable customer base as the authority is preoccupied attempting to recover costs for other market segments." (Emphasis added.) (Coates and Sansom, eds., 2001.)

The manual provides much good advice on how to set up consumer management systems, including systems to deal with complaints. However, it gives virtually no guidance on how to deal with consumers who are unhappy with the absence of service provision, interrupted supplies, or other failures of UWSAs to meet their mandate of continuous supply and service expansion to poor areas. These are likely to be the common problems, due to the underlying inadequacy of infrastructure and the lack of funds to expand the system to reach the poor. It is disempowering for users and dispiriting for utility workers to follow guidelines that do not enable them to deal with their real challenges.

will define the what (State model) .... In Latin countries, the post-bureaucracy advocated by the New Public Management will in many cases turn into a pre-bureaucratic model, wherein clientelism and judicial insecurity will prevail. (Matas, 2001)

Political will for utility accountability can more easily be mobilized once the broad political space for public discourse has been created. As Goetz and Gaventa comment:

Many participation and responsiveness initiatives are launched with scant consideration of their relationship to other institutions and processes for articulating voice or engineering state response—namely political parties and political competition. ... Responsiveness initiatives can be still-born if promoted in isolation from efforts to challenge patronage-based distribution systems managed by parties. (Goetz and Gaventa, 2001)

Our review shows that tools of accountability are often reflections of the local political economy. While certain political cultures support accountability, accountability initiatives may themselves support changes in political culture. For instance, Brazil's consultation and participation mechanisms often reflect the power-play between different tiers of government. In this context, it can be understood why the recommendations of a Municipal Conference in Recife were not fully implemented (Box 25):

### **Box 24 MOZAMBIQUE—How the regulator in Maputo tailors accountability tools to the situation at hand**

In Maputo, Mozambique's capital city, many users receive services from kiosks managed by *bairro* community structures or private operators. The regulator believes that the approach to accountability must take into account the actual state of the utility. Thus it continues to promote consultation meetings with user groups and user surveys, but has not introduced tools such as consumer charters or mandatory service standards, because these are considered inappropriate at this stage when infrastructure neither covers the majority of users nor permits a continuous service. The immediate challenge is to ensure that communities are informed about current service delivery developments and to engage with those who are not yet connected about how best to organize water distribution when this becomes possible. Additional tools will be considered as the physical infrastructure is extended and services improve.

Source: personal interviews.

### **Box 25 BRAZIL—The municipal conference in Recife**

In 2001, the mayor of Recife, Brazil, initiated a citywide Municipal Conference on water services. This combined selective large neighborhood meetings with a more intense assembly. Four thousand people attended 20 neighborhood meetings and elected 400 representatives for the deliberative assembly over a period of seven months. Of the assembly members, 27 percent represented NGOs, 7 percent were government representatives, and the others were directly elected citizens. The assembly voted on 281 resolutions covering the management model, social control mechanisms, and financial principles. It voted to oppose privatization and to create a municipal Water Supply and Sanitation Council (WSSC) to advise the municipality.

While the general policy decisions of the Municipal Conference have been adhered to, the practical results have been limited, with only 30 percent of the detailed proposals implemented four years later.

The limited impact of the conference decisions reflects the complexities of the larger political system. Recife citizens and civil society groups can participate through a multitude of channels. Acioly (2004) found 55 sector municipal councils in Recife's metropolitan region, which has 14 municipalities. The Metro municipality uses participatory budgeting and also has a tripartite council where government, NGOs, and residents of poor neighborhoods (Special Zones of Social Interest or ZEIS) interact. The multitude of consultation mechanisms may generate confusion as well as multiple and at times contradictory recommendations.

Also affecting the implementation of the Municipal Conference decisions, the Recife Municipal Conference advises the municipality, while COMPESA actually provides the water services. The state/local division of functions in Brazil has been contentious for many years. For instance, Heller (2006) comments that "taking charge of water supply and sanitation services has been the object of interest group ambitions because it is seen as a significant lever of power—political, economic, and social. As a result, disputes have broken out between representatives of the public and private sectors and federal authorities." A point of contention is that COMPESA makes a surplus in Recife that is used to cross-subsidize operations in smaller towns in the rest of Pernambuco State.

In the past few years, some new mechanisms have been introduced that were not originally planned by the municipal conference. A 2005 municipal decree established a water services authority within the municipality as well as a WSS Council as an advisory body to the municipality consisting of various stakeholders. However, it is unclear how active the WSSC has been since then. In December 2005, the municipality, the State of Pernambuco, and the state-owned utility COMPESA signed a tripartite agreement specifying (among other things) performance targets, consumer rights and obligations, tariffs, and investment responsibilities.

Sources: Ramos, 2005; Prefeitura do Recife; COMPESA.

the Conference advised the municipality, while water services were provided by a state-owned utility which was not bound by the Conference's conclusions. Some commentators believe that participatory budgeting has contributed more to the democratization and decentralization process following years of military rule rather than to service improvements:

It can be concluded that the experience of participatory budgeting (PB) in highly unequal societies such as Brazil should be valued more for its provision of citizenry to formerly excluded groups in society rather than for the material gains it may bring. In this sense, the experience of PB both in Porto Alegre and in Belo Horizonte can be seen as an important step towards building democratic institutions, a crucial aspect of the agenda of recently re-democratized countries. (Souza, 2001)

Political space can be created by community action, opening the door for structured mechanisms of accountability. Utility reform programs often begin when utility performance is declining and some event focuses attention on the poor service and creates the momentum for change. In Vietnam, for example, moves to more accountability were triggered by protests over local governance problems that resulted in the death of a utility employee following acute water shortages in Hai Phong in 1993 (Baietti and others, 2006). This was part of a more general problem in Vietnam; in 1997 violent protests against corrupt local officials, high taxes, land disputes, high food prices, and forced labor contributions to infrastructure projects lasted for a number of months in various cities. The protests highlighted serious governance problems at the municipal level including the fact that local officials' violation of laws and procedures often went unpunished (Mattner, 2004).

These cases illustrate the obvious but important conclusion that a broad political commitment to democratization and equity will generally support initiatives to expand or improve service in the water sector. But the contribution of intensive participation to changes in political culture is easily overstated. A more common sequence will see broad political reform opening the door for improvement in water services.

### **Community culture and capacity for sustained user interest**

The extent to which the impact of politics on service provision can be mediated and moderated depends to some degree on the broader community culture. Simple matters such as whether women are allowed to speak at meetings and whether government policy supports public access to information can determine whether tools for accountability will be effectively used or not.

Here too, tools designed to improve organizational accountability may benefit from, but also support, broader efforts at social reform. Thus, in a number of countries, there is a requirement that women should be included in any consultative or participatory structure (for example, one explicit purpose of South Africa's 1998 National Water Act is to ensure that water institutions have adequate gender representation). This is essential, because domestic responsibilities for water generally lie with women, and women's participation ensures a balanced perspective. Formal requirements for gender representation may not achieve the goal if women are, in practice, discouraged from speaking in meetings.

Similarly, freedom of information is widely adopted in law but less often respected in practice. For instance, in the Honduras country study, all utility managers who were interviewed stated that the freedom of information act adopted in the previous year had no bearing on them.

Freedom of information may occasionally be used to pursue specific goals. For example, in India, new legislation was used to obtain documents relating to the proposed reform of Delhi's water services—and thus contributed to the reform proposals being withdrawn. The usefulness of freedom of information generally lies less in extracting specific documents from public institutions and more in promoting the principle of openness, which is vital to users' effective oversight of their service providers. Its real impact will be on attitudes.

Differences in the extent to which local social and political cultures encourage users to persevere in the defense of their interests need to be recognized. Countries such as Brazil and India that have provided many of the examples in this review have an active and informed civil society. Similarly, the limited number of examples from former Soviet Union countries might be related to these countries' relatively weak civil society. The example of Ukraine shows how, even in difficult circumstances, a user movement can force a change in political culture. But in many countries, the lack of recognition of the role, or even the legitimacy, of community-based organizations sets limits to the extent to which they can engage effectively with service providers.

A final element of the challenge of communicating with users is the capacity of users themselves to understand the issues. Communities often complain they are overwhelmed by the issues discussed during a consultation process. Matters such as designs, tariff structures, and tenders for new works may seem technical and remote but they address practical issues such as network extension and tariff levels. NGOs can play a valuable role in helping users to understand the key technical and financial issues that affect their services and to build, diffuse, and maintain that knowledge.

### **Service mandates**

At the interface between external factors such as political will and community culture, on one hand, and internal, organizational factors, on the other, lie the formal mandates and obligations of utilities.

Unclear mandates present a substantial challenge to establishing effective accountability. Many water utilities historically focused on piped services and regarded the provision of services to the poor as a social contribution rather than a mandated responsibility. In countries with a common-law tradition, this stance is often supported, albeit not always explicitly, by the utilities' formal statutes of establishment. In this situation it is predictable and arguably appropriate that the utilities will not respond to communities that they are not responsible to serve. In countries with a civil-law tradition, national law often spells out a universal service obligation, but utilities may still focus only on certain areas. In both legal traditions, uncertainties may remain about water providers' duties with respect to households that cannot afford house connections. Also, providers may be explicitly forbidden to supply communities in illegal settlements or households that lack title to their land. If the utility is not mandated to supply people, can it reasonably be held accountable for failure to do so?

Political will, community support, and even clear mandates will not by themselves change the performance of service providers: once in place, they need to be translated into practical organizational measures that build accountability and client focus into utility structures and reinforce these features through effective performance management systems. Without both the external mandate and the internal changes, tools for accountability may have little impact.

### **5.2.2 Success factors within the utility**

If the external environment is supportive and utilities are committed to becoming more accountable to users, they need to address a set of internal issues in order to turn that commitment into practice:

- organizational structure
- performance management system
- staff skills.

#### **User-focused organizational structures**

How should a utility's commitment to accountability and responsiveness be embodied in its organizational structure? Management statements about the importance of users are an important start, but they need to be matched by assigning management responsibilities for specific customer-related functions.

One option is to establish a self-contained customer affairs section with its own staff and program, managing a range of the accountability mechanisms described here. The running costs of such a section would have to be evaluated against the increases in revenue, reductions in losses, and other less tangible benefits that might derive from establishing a good relationship with users. However, there is a danger that such a unit could be seen as a "customer service ghetto" not to be taken seriously by other parts of the utility.

Examples from Bangalore and Buenos Aires show that with such a structure, the challenge is to integrate two-way communications between utility and users into normal business activities. Bangalore's water utility established a Social Development Unit (SDU) that focused on the particular needs of unserved slum communities. Connors reports that:

Although senior management approved of the work of the SDU, they stayed out of practical matters entirely. While the SDU was technically part of BWSSB, the head of the unit still found she had "outsider" status from the point of view of many of the staff. In most instances, BWSSB staff, from the engineers down to the valvemen, needed to be convinced of the merits of the program and the reason they should spend their time working with the SDU to broker complex neighborhood agreements.  
(Connors, 2006)

Similarly, in Argentina, an evaluation of a Buenos Aires utility program to extend service to the unserved found three internal factors limiting the speed of implementation: the utility's own lack of recognition that poor communities are customers, lack of integration of the extension program with other activities of the utility, and the strong identification of the program with the special unit in charge of it and its manager (Botton and others, 2005). The examples of Bangalore and Buenos Aires show that, while placing responsibility for user-related issues in special units may ensure dedicated attention to the users, it does not address the day-to-day operational challenge of linking the function with the rest of the utility.

A further step is to elevate the user relationship in the organizational hierarchy to signal its priority and link it to strategic decision making. This may involve promoting "customer relations" from a minor public relations role housed in an administration department to a fully fledged marketing function, responsible for monitoring service provision as well as user perceptions and managing the relationship with individual users as well as key stakeholders. For instance, after experiencing user resistance in the first years of its concession contract, the Italian/Honduran private operator that serves Honduras' second city San Pedro Sula appointed a customer services manager reporting directly to the chief executive (Box 26).

To be fully effective, accountability tools should be integrated into normal utility operations. Horizontal structures can allow complaints to be received and transmitted to operational staff for action, improving response times. In Mexico, SIMAPAG, the utility in Guanajuato, routinely surveys consumers on a monthly basis and feeds the results into its performance assessment framework through a balanced scorecard. In Monterrey's public utility, internal working groups consider what action is needed to address different types of complaints and survey results (Box 27).

### **Performance management systems**

Sophisticated accountability tools cannot be applied until there is an organizational structure in place to support their use. In Mumbai, for example, an innovative Online Complaint Monitoring System (OCMS) was established but had limited effect because it was not effectively linked to broader institutional arrangements:

Evidence suggests that while OCMS has resulted in clear and concrete outcomes, it may take time to convert these into tangible service-related impacts. This is largely because the OCMS has not been accompanied by a matching clarification of departmental and individual roles and responsibilities for complaint redressal. At present, the complaint escalation process, review meetings and audit mechanisms only serve to create moral pressure. OCMS has not been accompanied by manage-

#### ***Box 26 HONDURAS—How the organizational structure of the utility in San Pedro Sula signals a commitment to consumer relations***

In San Pedro Sula, an Italian/Honduran private operator experienced substantial resistance and a wave of complaints in the first years of its concession contract in 2001. The operator realized that good technical performance alone would not satisfy consumers, and that it had to give greater priority to relationships with users. It appointed a customer services manager at a level equal to the technical and commercial managers, reporting directly to the chief executive. This manager engaged in a dialogue with users to identify those areas which consumers deemed important to improve. The operator established a comfortable, well-staffed customer center and started a range of outreach activities, involving the media, local community groups, and schools, on hygiene, wise water use, and the value of water. The various consumer accountability tools achieved a substantial change in customer perception and contributed to a significant improvement in the utility's commercial performance.

Sources: Urbina (2007); personal communications.

### **Box 27 MEXICO—Feeding consumers' opinions into decision making**

Over the past decade SIMAPAG (the municipal owned utility of Guanajuato, Mexico) has developed a strong customer orientation, partly because its customers, who pay one of the highest tariffs in the state, have become more and more demanding. SIMAPAG invests considerable amounts in training its staff in customer management. It has also implemented an effective complaints-tracking system. Changes in methods of billing and collection have reduced the waiting times at SIMAPAG offices.

The move towards customer orientation is reflected in the balanced scorecard that the utility uses as an internal management tool. The scorecard considers the client's perspective to be the most important perspective for assessing the utility's performance. One of the main indicators used in tracking the client's perspective is an image indicator, which is determined by undertaking about 200 customer surveys per month. These measures have contributed to consistent performance improvements in terms of unaccounted-for water and financial working ratio.

Monterrey's public water and sanitation utility (*Servicios de Agua y Drenaje de Monterrey* or SADM) organizes consumer complaints and survey results by specific topics, including comments received during a weekly one-hour radio program in which its staff address customer complaints and suggestions. The themed collections of comments are then discussed by designated working groups to determine what action, if any, is needed to address them. For instance, following comments and complaints the Human Resources and Commercial Department started staggering the holiday periods of its employees in order to avoid understaffing customer counters. The Department also expanded the locations at which customers could pay their bills, to include convenience stores, supermarkets, banks, and the Internet. These actions reduced waiting times, which had been one of the main sources of customers' complaints. In addition, any of SADM's employees who deal with customers is trained in customer relations. Training courses include client management techniques that encourage the employee to treat the customer "with kindness and courtesy."

Source: Schwartz, 2006.

ment tools—most especially, transparent performance-based rewards and penalties—that would incentivize performance down to the frontline staff level. .... BMC [spell out] also does not have the power (and perhaps the will) to enforce credible performance incentives. Promotional policies are still based on seniority and reservation criteria, and are not performance-based. Further, labor unions are strong, politicized and resistant to labor reforms. In such an environment, it is difficult for an accountability-based work culture to permeate down to the operations level. (Water and Sanitation Program, 2007c:126)

But once user-focused functions have been integrated with technical functions, further benefits can accrue. In particular, linking accountability tools to performance management offers an opportunity to achieve accountability and customer orientation without incurring substantial additional costs. In Vietnam, the strong performance and consumer focus of the Hai Phong Water Supply Company compared to other Vietnamese utilities is partly due to bonuses that are based on quarterly performance evaluations of employees (Baietti and others, 2006). The slum program led by the Social Development Unit in Bangalore, India—which was mentioned above—addressed the issue of incentives both through financial performance targets (to which the slum program contributed indirectly through improved collection rates) and by holding section engineers and frontline staff responsible for resolving complaints:

The BWSSB has made a concerted effort to improve water governance for its consumers by their phone and online complaint monitoring systems, with heavy penalties for engineers in the event complaints are not redressed. (Connors, 2006)

### **Service-oriented skills**

Dealing with customers is more complex than simply producing utility-defined data and information. Staff who deal with individual users need to be trained in listening skills and service excellence. Man-

aging focus groups or advisory or decision board meetings with stakeholders requires skilled and tailored facilitation.

Lack of interpersonal skills, or insufficient incentives for staff to use their skills, is a recurrent theme in evaluations of failed accountability tools. In the Delhi survey of complainants, more than half the respondents found frontline staff rude, evasive, and unconcerned (Box 12 above).

A survey of eleven well functioning utilities showed that all of them spent considerable resources on training staff to respond to users' concerns (Baietti and others, 2006). As noted in Chapter 4, a study of US utilities found that spending on customer communication and representative training was the most cost-efficient way of improving customer services (Rambo and others, 2004). The set of customer service tools used in Singapore's PUB system is supported by extensive training for frontline staff. Training should be given to frontline staff who deal specifically with accountability tools, but also to staff in other areas of the utility who are bound to come in contact with consumers during their regular activities (laborers, meter readers, and so forth). For instance (as noted in Box 27), any employee of the utility in Monterrey, Mexico, who interacts with customers is trained in client management.

### **5.3 Conditions in which accountability tools can improve performance**

The experience of utilities such as SAGUAPAC in Bolivia and PUB in Singapore shows that accountability tools can contribute to sustained service improvement. This lesson holds true whether in the relatively affluent UK or in poor cities like Puerto Cortes, Bangalore, or Port-au-Prince. Examples such as these offer some simple conclusions about the conditions in which accountability measures can improve the performance of water utilities.

First, tools for accountability will only work well if there is an appropriate supporting environment well beyond the water sector. Some understanding and acceptance of administrative and legal process will be required, whether to support judicial action, "soft law" mechanisms such as charters, or simply good corporate administration. Education may be needed to explain why some audit-type mechanisms should be managed independently, while in other cases, community representatives on boards will have to learn that their immediate duty is to the utility rather than to their constituencies. The notion that political interests should not simply override administrative processes is critical, and without a culture that allows access to organizational information, many tools will simply not work. In each country, the water sector will be guided by local approaches to overall corporate governance. It is not surprising that countries with well developed policy environments, such as Brazil and South Africa, should provide so many of the examples in this review.

To achieve effective, ongoing service provision, utilities, governments, and users need to *respect the rules*. Tools may be introduced through legislation or regulation or in contracts, but simply passing a law is no guarantee that it will be respected if there is a culture of ignoring legal requirements.

Further, *the broad concept of accountability needs to be accepted before specific tools can successfully be applied*. Acceptance is required not just from utilities but also from regulators, who need to explain decisions that may have constrained the utilities, and from governments at different levels, who must explain how mandates have been defined and what financial commitments have been made. Only if accountability is comprehensive can responsibility be correctly attributed.

While many of the tools described in this review can be introduced either by utilities themselves or by organizations representing their users, there needs to be *sufficiently broad agreement* about their application if they are to be useful. Accountability is a process that builds trust but a certain degree of trust is needed from the start. If trust is not there, the performance data and user surveys produced by one party may simply not be accepted by the others.

Thus there is a *logical sequence* for the introduction of accountability tools, related to the state of the environment and the evolution of the utility. Some tools are prerequisites for others, so there are some critical paths (although not one set path) for building up a suite of accountability tools. For example, formal reporting cannot precede the clarification of organizational mandates, mandatory standards cannot be put in place without the physical infrastructure required to meet them, and information is a prerequisite for consultation and participation.

The application of accountability tools must be accompanied by the development of *public capacity* among utility users. Users' ability to engage with their service providers, while not elaborated in this review, will need to evolve from community advocacy to policy engagement and performance monitoring, ending perhaps with a structured participatory role in management. Specialized NGOs such as consumer associations, as well as community-based organizations that represent the interests of households in specific neighborhoods, may play a part, or more elaborate and inclusive forms of engagement, such as participatory budgeting, may be developed. That activity may merge or run in parallel with the political oversight that will always remain part of the governance of institutions that provide public services.

Lastly, as shown in nearly all successful cases described in this review, embedding accountability tools effectively in a utility's day-to-day operations will require *strong leadership* from the top, which respects and is able to mobilize the engagement of the wider community.

## **6. CONCLUDING REMARKS**

Accountability to users is not a new concept and tools for accountability will not solve all the challenges of water supply and sanitation service providers. However, this review demonstrates that their thoughtful application can contribute substantially to improving the performance of utilities and the quality of the services that they provide to their users.

Our focus in this review has been to give a structured description and assessment of different tools for accountability. We hope it will help those facing the operational challenge of improving the performance of water utilities to choose and apply tools for the contexts in which they work.

But there is much more work to be done. Despite the substantial theoretical and advocacy work that has been done on tools for accountability, we found little data on their practical benefits and performance and therefore cost-effectiveness. Even where formal evaluations have been carried out, it has been difficult to draw concrete conclusions since few specific baseline data were gathered at the start to enable the impact of accountability mechanisms to be assessed. For governments and regulators as well as for utilities themselves, the development of the evidence base for policymaking should be a matter of priority. For external funding agencies, such research should be a normal part of monitoring and evaluation programs.

Several of the cases reported are isolated initiatives that enjoyed external support, both technical and financial, but proved to be too complex and costly for utilities or users to sustain over time. For this reason, they may not be replicable in situations where external support is not available.

Many of the documented cases either involved the construction of new infrastructure or were undertaken in the context of privatization initiatives. That is understandable, since both new building and privatization will be perceived as "high-impact" events by the communities concerned. But at least as much attention should be paid to the more mundane, low-intensity but pervasive operational issues that affect the performance of utilities and determine whether they can sustain safe, reliable, and efficient services to their users.

The challenge for practitioners is not to identify and implement the perfect "magic bullet" to promote and protect user interests. It is the more subtle one of instilling and maintaining appropriate cultures within utilities, and increasing the satisfaction and building the trust of the users, as well as enhancing users' ability to interact with the utility effectively. The tools chosen must be appropriate to the current state of the utility, and must evolve with it.

Tools for accountability are invariably applied as part of a broader suite of institutional reform and organizational development measures. One message from the review is that accountability should be seen as a core element of organizational development processes. While the impact of accountability tools cannot easily be distinguished from that of other institutional interventions, they can make an important contribution to the broader process—not least as symbols of new approaches and attitudes.

A further key conclusion is that individual tools are only likely to be effective within an overall system of accountability and that, to be effective, accountability systems must be backed by appropriate organizational structures and underpinned by the political and civic culture.

That does not mean that accountability must or can wait. Indeed, the final positive conclusion is that, while tools for accountability are most successful in a supportive social and political environment, their deployment may in turn help to create that environment. That outcome, just as much as the provision of cost effective, reliable, and safe water supply and household sanitation, needs to be kept at the forefront.

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# **ANNEX: RECENT AND ONGOING WORLD BANK KNOWLEDGE WORK ON URBAN WATER UTILITIES**

In the past few years, the World Bank has implemented a program to help utilities in developing countries provide better water supply and sanitation services. This annex provides an overview of recent and ongoing World Bank knowledge pieces on urban utility reform. For an updated and complete list, please check on <[www.worldbank.org/watsan](http://www.worldbank.org/watsan)>.

## **Decentralization**

*Ten Years of Water Service Reform in Latin America: Towards an Anglo-French Model*

## **Utility governance**

Key Topics in Public Water Utility Reform, Meike van Ginneken and William Kingdom. Forthcoming.

*Characteristics of Well Performing Public Water Utilities*

*Consumer Cooperatives: An Alternative Institutional Model for Delivery of Urban Water Supply and Sanitation Services?*

*Models of Aggregation for Water and Sanitation Provision*

Guiding Principles for Successful Urban Water Reforms, Forthcoming.

## **Benchmarking**

[www.ib-net.org](http://www.ib-net.org) – The International Benchmarking Network for Water and Sanitation Utilities

## **Private sector participation**

Public Private Partnerships for urban water utility in developing countries – Facts and lessons from the last 15 years of experience, Forthcoming.

*The Challenge of Reducing Non-Revenue Water (NRW) in Developing Countries. How the Private Sector Can Help: A Look at Performance-Based Service Contracting*

*Innovative Contracts, Sound Relationships: Urban Water Sector Reform in Senegal*

*Engaging Local Private Operators in Water Supply and Sanitation Services: Initial Lessons from Emerging Experience in Cambodia, Colombia, Paraguay, The Philippines, and Uganda*

## **Financing**

*Financing Water Supply and Sanitation Investments: Utilizing Risk Mitigation Instruments to Bridge the Financing Gap*

*Financing Water Supply and Sanitation Investments: Estimating Revenue Requirements and Financial Sustainability*

## **Economic regulation**

*Economic Regulation of Urban Water Supply and Sanitation Services: Some Practical Lessons  
Explanatory Notes on Key Topics in the Regulation of Water and Sanitation Services  
Taking Account of the Poor in Water Sector Regulation*

## **Subsidies**

*Water, Electricity and the Poor: Who Benefits from Utility Subsidies?  
Pro-Poor Subsidies for Water Connections in West Africa: A Preliminary Study*

## **Extending services for the poor**

*Getting the Assumptions Right: Private Sector Participation Transaction Design and the Poor in South-west Sri Lanka  
Water for the Urban Poor: Water Markets, Household Demand, and Service Preferences in Kenya*



## **Other Water Working Notes**

Water Working Notes are published by the Water Sector Board of the Sustainable Development Network of the World Bank Group. Working Notes are available online at [www.worldbank.org/water](http://www.worldbank.org/water). Working Notes are lightly edited documents intended to elicit discussion on topical issues in the water sector. They disseminate results of conceptual work by World Bank staff to peer professionals in the sector at an early stage, that is, "works in progress." Comments should be e-mailed to the authors.

- No. 1 Models of Aggregation for Water and Sanitation Provision. ERM, in association with Stephen Meyers Associates and Hydroconseil, and William D. Kingdom. January 2005.
- No. 2 Assessment of Resource Flows in the Water Supply and Sanitation Sector: Ethiopia Case Study. Peter L. Watson, Joseph Gadek, Eyob Defere, and Catherine Revels. January 2005.
- No. 3 Pro-Poor Subsidies for Water Connections in West Africa: A Preliminary Study (full report). Donald T. Lauria, Omar S. Hopkins, and Sylvie Debomy. January 2005.
- No. 4 Pro-Poor Subsidies for Water Connections in West Africa: A Preliminary Study (executive summary). Sylvie Debomy, Donald T. Lauria, and Omar S. Hopkins. January 2005.
- No. 5 Consumer Cooperatives: An Alternative Institutional Model for Delivery of Urban Water Supply and Sanitation Services? Fernando Ruiz-Mier, and Meike van Ginneken. January 2006.
- No. 6 Sanitation and Hygiene at the World Bank: An Analysis of Current Activities. Pete Kolsky, Eddy Perez, Wouter Vandersypen, and Lene Odum Jensen. November 2005.
- No. 7 Financing Water Supply and Sanitation Investments: Estimating Revenue Requirements and Financial Sustainability. Aldo Baietti and Paolo Curiel. October 2005.
- No. 8 Poverty Dimensions of Water, Sanitation, and Hygiene in Southwest Sri Lanka. Subhrendu K. Pattanayak, Jui-Chen Yang, Kelly Jones, Caroline van den Berg, Herath Gunatilake, Chetan Agarwal, Herath Bandara, and Thushara Ranasinghe. February 2006.
- No. 9 Characteristics of Well-Performing Public Water Utilities. Aldo Baietti, William Kingdom, and Meike van Ginneken. May 2006.
- No. 10 Rural Water Supply, Sanitation, and Hygiene: A Review of 25 Years of World Bank Lending: 1978–2003. Summary Report. Param Iyer, Jennifer Davis, Elif Yavuz, and Barbara Evans. July 2006.
- No. 11 Taking Account of the Poor in Water Sector Regulation. Sophie Trémolet and Catherine Hunt. August 2006.
- No. 12 Engaging Local Private Operators in Water Supply and Sanitation Services: Initial Lessons from Emerging Experience in Cambodia, Colombia, Paraguay, The Philippines, and Uganda. Thelma Triche, Sixto Requena, and Mukami Kariuki. December 2006.
- No. 13 Principles of Town Water Supply and Sanitation. Part 1: Water Supply. Nick Pilgrim, Bob Roche, John Kalbermatten, Cathy Revels, and Mukami Kariuki. December 2007.
- No. 14 Principles of Town Water Supply and Sanitation. Part 2: Sanitation. Kevin Tayler. December 2007.

