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**EXECUTIVE SUMMARIES AND  
ABSTRACTS OF CASE STUDIES**

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## PRO-POOR SERVICE DELIVERY INITIATIVES BY BANGALORE MAHANAGARA PALIKE

Bangalore, India's 'Silicon Valley' and prominent techno-knowledge center, is one of Asia's fastest growing metropolises. Ironically, nearly one million of Bangalore's urban poor live in slums. About one-third of these slum-dwellers fall below the poverty line, with a monthly household income of less than Rs.2,500 (US\$55). Further, the literacy rate among the urban poor is below the overall rate at city level and the female literacy rate is lower than the male. The local self-government institutions responsible for the municipal services in the Bangalore Urban Agglomeration (BUA) comprise the Bangalore Mahanagara Palike (BMP), seven City Municipal Councils (CMCs) and one Town Municipal Council (TMC).

There are an estimated 253,600 urban poor households within the BMP area. The short-term approach of BMP towards urban poverty alleviation has been undergoing a change with the adoption of Benchmarking and Continuous Improvement programme called NIRANTARA, which in the local language, means 'continuous improvement'. The programme is mainly intended to systematize and institutionalize aspects of service delivery improvement through community involvement and customer feedback.

Two committees were set up under the NIRANTARA programme called NIRANTARA Steering Committee (NSC) and NIRANTARA Working Committee (NWC) with representation from NGOs and CBOs to be the voice of the community. Australian Continuous Improvement Group (ACIG) in association with STEM, Bangalore trained the BMP officials who are members of NWC in the benchmarking and continuous improvement techniques before undertaking the projects and services for improvement. The training curriculum included: (a) Identifying service priorities for improvement in consultation with community; (b) process mapping; (c) situational analysis; (d) benchmarking techniques – by comparing and learning through sharing of information; (e) coming up with new solutions; (f) implementing these solutions and bringing about a change; and (g) making sure the improvement continues by effective monitoring and customer feedback system

Ten services were prioritized by NSC and NWC for detailed project study and preparation of implementation reports with technical details and cost estimates. After several rounds of deliberations, short-listing and revision, the NIRANTARA Working Committee (NWC) of the BMP has finally chosen two services for improvement on a priority basis. These are: (a) footpaths and (b) community toilets.

Even the footpaths that existed at the time of the introduction of NIRANTARA were in a deplorable and hazardous condition. A survey conducted by a team of NWC revealed that 80 percent of footpath users are urban poor. After analyzing the existing service level and suggestions made by the public, the team recommended different types and dimensions of footpaths based on usage and location. BMP has earmarked Rs.227 million (US\$ 5 million) for this work in its budget 2003-2004. Users' feedback shows that the level of satisfaction *vis-à-vis* footpaths has now increased to 63 percent from the earlier nine percent. Improvements on footpaths have weaned pedestrians, especially the more safety-conscious women, away from dodging them. Now, their usage has gone up to 93 percent. BMP has now committed itself to improving footpaths all over the city in a phased manner.

NWC conducted a similar study, involving beneficiaries, on the state of community / public toilets and made an on-the-spot study of existing toilets, both "Pay and Use" and "Free Use". The survey provided the best practices prevailing among the communities and their preferences. The BMP has allocated Rs.800 million (US\$17.8 million), in its budget for 2003-04, for construction of "Pay and Use" toilets. A large number of corporate bodies have come forward to finance public toilets in collaboration with BMP. User feedback received shows that above 90 percent of residents in the vicinity of the community toilets now use the facility.

Though 25 percent of city's population live below the poverty line, BMP is yet to evolve a long term plan and systematic approach to identify urban poor. Slum survey reveals women and adolescent girls are identified as target groups to be economically empowered. Each year, BMP trains around 4000 adolescent girls / women in tailoring. At the end of the training, successful candidates receive certificates, which make them professionally and commercially acceptable in the market. Every successful trainee is provided a sewing machine to enable her to start working and earning. Nearly three-fourths of such women secure placement in the private sector garment factories. The feedback from beneficiaries indicates that more than 60 percent of trained women are employed full time. More than 30 percent are partially engaged. The social stature of these women, within and outside their families, too has now improved in keeping with their newly acquired economic status.

The above BMP initiatives are marked by four distinguishing features: (i) an analytical & need-based approach; (ii) people-centric governance; (iii) influence on urban poor; and (iv) institutionalization of the NIRANTARA initiatives. These moves by the BMP to seek customer feedback on its services generate responsiveness in administration and bring in directional changes towards people-friendly governance. The present case study offers the following lessons: (i) BMP needs to have an "Urban Poor Action Plan & Budget" as a separate entity under its annual planning and budget programmes; (ii) lack of continuity at the helm, adversely affects the sustenance of BMP's programmes and their institutionalization; (iii) there is a need to fix service delivery performance standards and judge senior managers in terms of service performance; (iv) there is a need to set up a permanent secretariat for NIRANTARA; and (v) the successful implementation of the BMP's improvement programs greatly depends on consultation with the community and partnership with NGOs, voluntary organizations and corporate bodies.

The future initiatives of the BMP are broadly: (i) sustaining the momentum created by NIRANTARA; (ii) enhancing facilities for community consultation, involvement and beneficiary feedback; (iii) creating a platform for BMP officials, NGOs & professionals to jointly select, prioritize and analyze projects for enhancing municipal services delivery; (iv) developing a comprehensive Poverty Reduction Strategy (PRS); and (v) preparing Annual Action Plans from PRS linked to budgets; (vi) establishing information kiosks for transparency and accountability in the governance system ; and (vii) training more BMP officers in management techniques involving Bench Marking & Continuous Improvement so that, besides improving service delivery within BMP, they will also extend their expertise to other municipalities in the BUA.

There is a scope for replication of these initiatives, by other ULBs. Cities elsewhere could draw upon some of the approaches evolved under NIRANTARA to improve the delivery of their civic services. These include: (a) adoption of the NIRANTARA Management Model involving working & steering committees; (b) capacity building of ULBs, especially in

benchmarking and continuous improvement, by external agencies; (c) shift in approach of ULBs from traditional planning to a process involving people, corporate bodies, NGOs, voluntary institutions and residents' associations; (d) provision of separate budget and funding for urban poverty alleviation programmes; (e) eliciting citizens' feedback, through annual report cards on services; and (f) empowerment of women & adolescent girls through demand-responsive vocational training.

## PROMOTING SERVICE DELIVERY BY THE COLOMBO MUNICIPAL COUNCIL THROUGH EFFECTIVE PARTNERSHIPS

Colombo is the main city and commercial capital of Sri Lanka. Within the city, the urban poor live in 1,614 under-served settlements, some of which are degraded, low cost housing formerly owned by commercial companies and others, temporary shanties built on marginalized lands. The urban poor are mostly employed in the informal sector. They face social exclusion and major problems in accessing basic services. Lack of land tenure security, low incomes and indigence, poor access to clean water and sanitation, health threats due to vector-borne disease and congested surroundings, and high numbers of female headed households are some of the problems that they face. Their community organizations are weak or non-existent, making dependency on political decision makers and other powerbrokers, the norm.

In the past twenty years, there has been enhanced emphasis on optimizing service delivery to the urban poor, beginning with the interest shown by significant political personalities. With this came several externally funded projects, which sought to cater to the needs of the marginalized groups, especially in improving their habitat and livelihoods. With 51% of its population living in underserved settlements, the Colombo Municipal Council (CMC) has been increasingly urged to develop strategies and systems of focusing on pro-poor service delivery to urban poor. The CMC is thus an organization in transition in relation to its service orientation.

Since the extent of poverty and the nature of poverty stricken groups were not well documented, the CMC found it difficult to prioritize service delivery. The provision of services to the under-served settlement often took on political undertones in the past. CMC sought solutions by linking up with civil society organizations, which had close connections with and ample experience in mobilizing the urban poor. With the development of a comprehensive Poverty Profile of Colombo's 1,614 under-served settlements and through expansion of its uses, CMC has developed a management tool by which the most poverty-stricken settlements and their specific needs could be prioritized. This Profile has proved its uses for ongoing CMC programs as well as a base for future planning. CMC has also placed before its Councilors a draft Poverty Reduction Strategy for ratification, which will further bolster its pro-poor stance. The joint experience of carrying out the activity with a civil society organization has also built in complementary skills in the CMC and put in place an effective partnership.

As with most urban centers, garbage disposal has been a critical issue of concern to citizens of Colombo. The poor were particularly more vulnerable, as about 70% of the previous

1,250 wayside dumping sites were near under-served settlements. The extent of this problem was underlined by CMC when it established a Solid Waste Management Department as early as 1987. Various modes of controlling haphazard dumping of garbage have been tried since 1984, but most of these attempts did not have a positive impact on the under-served settlements due to the acute lack of space in which garbage could be stored prior to pickup.

When household collection of garbage was instituted in 1998, the overall garbage dumping situation improved in Colombo, except in the under-served settlements. By benchmarking and continuously improving on previous efforts, the CMC developed familiarity with community consultations in the under-served settlements. A consultative process between the CMC and the urban poor led to the solution to introduce plastic bins in under-served settlements, where garbage can be stored until the designated collection time. This succeeded in reducing haphazard garbage dumping and in creating a cleaner environment in the settlements. The system is client-driven, with the all-important timing of the collection being based on the client requests. CMC also brought about internal changes that support this process. A full time Solid Waste Management Education unit was created to link with the under-served settlements. The Solid Waste Management project is seen as a successful solution, improving garbage collection of urban under-served settlements through effective consultation and consensus building.

Bi-annual monsoons result in heavy rains and floods that spread diseases in Colombo. Health problems due to vector borne diseases such as dengue have affected the urban poor the most, in the form of income lost due to illness and medical costs. The CMC likewise used to incur heavy expenditures in controlling dengue outbreaks through traditional means.

The poor level of awareness of citizens regarding mosquito-breeding sites was cited as one of the major reasons for the prevalence of dengue. The Integrated Health and Environment Management program, also known as the Green Star Home Project, is an innovative means of forging a multi-stakeholder network of CMC officers, civil society organizations, schools and commercial companies to carry out a citywide awareness campaign to control mosquito breeding. The Public Health Department of the CMC initiated a stakeholder network for launching a clean-up campaign and inspection of 45,000 households. This inspection process was supported by a large-scale media and public awareness campaign. Environmental friendly efforts of 10,000 civic-minded citizens were recognized through the Green Star Home certification. As a result of this campaign, the incidence of dengue was substantially reduced, and a greater awareness of environmental management has been formed within the communities.

CMC continues to enhance its capacity to improve service delivery to the poor. A Decentralized Budget with a steadily increasing Members' Allocation gives greater flexibility of response to client needs; it is being strengthened by the CMC Poverty Reduction Strategy, which is in the process of being ratified. Various consultative mechanisms such as Housing and Community Development Councils (HCDC), Public Days and Mobile Public Hearings provide the platform for citizens to voice out their needs. E-mailed complaints to the Mayor are responded to promptly and a system of E-governance is being put in place.

The CMC Approach to Poverty Reduction, the Solid Waste Management program and the Integrated Health and Environmental Management program for under served settlements are all part of the CMC attempts to build a client-responsive approach through the partnership mode, focusing on giving expression to the needs of the poor. Collectively, all

three activities have a positive impact in enhancing the living environment and well being of the urban poor and provide a learning experience in mobilizing effective partnerships for pro-poor service delivery.

## EMPOWERING THE POOR: KEY TO EFFECTIVE SERVICE DELIVERY

**I**n the late 80s, Naga City was in a bad shape. Its economy was sluggish, revenues were down, its central business district was congested, basic services and facilities have deteriorated and the poor were living in squalid conditions.

The new administration reversed this dismal state by developing new growth areas outside the old CBD in partnership with the private sector. This attracted new investments, set off a wave of entrepreneurial activities and created new jobs for the poor. Auguring well for the city was the presence of a vibrant community of non-government and people's organizations riding on the crest of the EDSA Revolution. They helped in organizing and mobilizing the poor preparing them for effective engagement with the city government and planting the seeds of a participatory shelter program.

The initial engagement with civil society had a positive impact on the lives of the urban poor becoming the impetus for exploring participation in other areas of governance. This opened more doors for consultation and participation, later on structured as the Naga Socialized Program for Empowerment and Economic Development (Naga SPEED) until it became imperative to institutionalize the civic engagement into a binding law. This led to the passage by the city local legislative body of the Empowerment Ordinance and the organization of the people's and non-government organizations engaging the city into the Naga City People's Council (NCPC).

The Empowerment Ordinance and the NCPC institutionalized civil society participation in all the standing committees of the local legislative body, the city development council and the various special bodies. This made civil society a part of the policy making and resource allocation process, and gained involvement in the implementation, monitoring and evaluation phases as well. Considering that the people's and non-government organizations comprising the NCPC are mainly grassroots based (many springing from the urban poor sector), NCPC became the voice of the poor in many aspects of local governance.

The Empowerment Ordinance engaged civil society but left out the unorganized individual who comprise the majority of citizens. This gap was addressed by the i-Governance program which gave the individual citizen access to relevant information about their government, the performance standard for its services, and multiple channels for giving their feedback.

Empowerment has resulted in more legislation responsive to the urban poor, more effective and efficient service delivery to the poor, and a government bureaucracy more accountable and transparent to the poor. Indeed, empowerment highlighted the effectiveness of the participatory approach in governance. And contrary to conventional wisdom, the openness of the city made governance easier as the groups who are wont to make the task harder now share the burden of planning, resource allocation and service delivery.

Empowerment however is an evolving process. For Naga City, it means further raising the quality of participation and broadening access to governance. It means further improving the flow of information so that it will be accessible to citizens when needed. Timely provision of information is crucial for civil society to participate effectively. It also means streamlining government processes to remove any disincentive to accessing information.

Replicating the Naga City experience presupposes the existence of an enabling legal framework that grants substantial autonomy to local governments. This is essential as many of the mechanisms of empowerment Naga introduced, while not prohibited, may not have been contemplated by national laws. This is so as many of the innovations challenge conventional wisdom and run against the natural inclination of bureaucrats to centralize power and resources.

## EMBEDDING POVERTY REDUCTION INTO LOCAL GOVERNMENT TRANSFORMATION: THE CASE OF JOHANNESBURG, SOUTH AFRICA

The case study highlights lessons from Jo'burg for cities in middle-income countries (where there is a large proportion of the population living in poverty) and for cities facing dramatic transformation or restructuring. The emphasis is not only on the role of local government, but also of the political party, civil society, donors, and the rest of government. The shifting approach of local government to meeting the service challenge in Jo'burg is outlined, and the impact of the dramatic restructuring of water, waste, and electricity is detailed, looking specifically at shifts in governance, including the centralization of power, that were undertaken to deliver affordable basic services at scale to the urban population.

## GIVING VOICE TO THE GRASSROOTS MOVEMENTS AND INFRASTRUCTURE FOR THE POOR: THE EXPERIENCE OF PORTO ALEGRE'S (BRAZIL) PARTICIPATORY BUDGETING

Participatory budgeting (PB) has been introduced in Porto Alegre as a way to overcome the infrastructure gap between middle-class and poor areas. The case study discusses the electoral success of a political party and how it has transformed the city's policymaking process over the last two decades through the introduction of PB. Although not unique, PB in Porto Alegre has some special features compared to other participatory experiences.

URBAN GOVERNANCE AND POVERTY:  
LESSONS FROM A STUDY OF TEN CITIES

The lessons learned from Birmingham's experience in modernizing and diversifying the city economy and addressing social and environmental problems as well as future directions are discussed in this paper. Their initiatives resulted in modernization and diversification of the city economy and generation of new employment, vastly improved environment, animation of open space for public events and gatherings, and transformation in some inner neighborhoods.

CITY CENTER STRATEGY AND POLICIES TO EXTEND ITS  
BENEFITS TO WIDER COMMUNITIES:  
THE CASE OF BIRMINGHAM, UNITED KINGDOM

The lessons learned from Birmingham's experience in modernizing and diversifying the city economy and addressing social and environmental problems as well as future directions are discussed in this paper. Their initiatives resulted in modernization and diversification of the city economy and generation of new employment, vastly improved environment, animation of open space for public events and gatherings, and transformation in some inner neighborhoods.

### Comparison of International Cases

	Porto Alegre	Johannesburg	Birmingham
Profile	<ul style="list-style-type: none"> <li>• 1.3m</li> <li>• Good HDI</li> <li>• 13% poor</li> <li>• Infrastructure gap</li> </ul>	<ul style="list-style-type: none"> <li>• 3m rapid growth</li> <li>• 25% poor</li> <li>• Infrastructure gap</li> </ul>	<ul style="list-style-type: none"> <li>• 1m; conurbation of 2.2m</li> <li>• Population decline</li> <li>• High unemployment among minorities</li> </ul>
Context	<ul style="list-style-type: none"> <li>• Inequality</li> <li>• Decentralization, democratization, and redistribution</li> <li>• Infrastructure for poor</li> </ul>	<ul style="list-style-type: none"> <li>• City merger.</li> <li>• Democratization and desegregation</li> <li>• Priority to extend infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturing crisis and need to develop service sector</li> <li>• Need to undo 1960s redevelopment</li> </ul>
Initiatives	<ul style="list-style-type: none"> <li>• Mobilize poor</li> <li>• Improve finances</li> <li>• Reform administration</li> <li>• PB: a 'top-down' initiative</li> </ul>	<ul style="list-style-type: none"> <li>• IGoli – Analysis leads solution: service delivery and management reform.</li> <li>• Stakeholder participation</li> </ul>	<ul style="list-style-type: none"> <li>• City centre strategy partnership with business, etc.</li> <li>• Extend opportunities to poorer groups</li> <li>• Participation</li> </ul>
Successes	<ul style="list-style-type: none"> <li>• Spread of PB model</li> <li>• Gains to poor</li> <li>• Re-election of PT</li> <li>• Gains in power and redistribution to poor</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Improvements in capital investment, &amp; finance management</li> <li>• Clearer roles, political leadership, and participation</li> </ul>	<ul style="list-style-type: none"> <li>• Regeneration of centre</li> <li>• Private investment</li> <li>• Employment opportunities for poor</li> </ul>
Lessons	<ul style="list-style-type: none"> <li>• Leadership of local government</li> <li>• Challenge to representative role</li> <li>• Participation from local to city-scale</li> </ul>	<ul style="list-style-type: none"> <li>• Political-admin leadership</li> <li>• Sound information and diagnosis</li> <li>• Organization of civil society on city-scale</li> <li>• Relate functions to finance</li> </ul>	<ul style="list-style-type: none"> <li>• Combining growth and redistribution</li> <li>• Extending redevelopment, jobs and opportunities</li> <li>• Education and training</li> <li>• Working with market.</li> <li>• Partnership with private sector, government, EU</li> </ul>
Future directions	<ul style="list-style-type: none"> <li>• Link PB to planning</li> <li>• Allow evolution</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen corporate management</li> <li>• Long-term strategy</li> <li>• Secure service finance</li> </ul>	
Replication	<ul style="list-style-type: none"> <li>• Supportive constitution</li> <li>• Sustained vision</li> <li>• LG commitment</li> <li>• PT commitment</li> <li>• Local social capital</li> <li>• Problem of reform in extreme inequality</li> </ul>	<ul style="list-style-type: none"> <li>• Supportive constitution</li> <li>• Opportunity of metropolitan reorganization</li> <li>• Growth/redistribution tension</li> <li>• Cost of services v. poverty of citizens</li> </ul>	<ul style="list-style-type: none"> <li>• Sustained vision</li> <li>• Cooperation with private sector</li> <li>• Cross-sector teams</li> <li>• Communication with residents</li> </ul>

## SUMMARY OF THE SYNTHESIS PAPER ON UNCDF CASE STUDIES

### I. THE UNDERLYING ASSUMPTIONS

This report – like the case studies it synthesises – is founded on three assumptions: firstly, that poverty in Asia is still – and despite rapid urbanisation – primarily rural (in numbers and in incidence); secondly, that rural local governments (LGs), despite their many weaknesses, have a potentially key role to play in the basic infrastructure and service delivery (ISD) which effective poverty reduction requires; but, thirdly, that the challenges for improving ISD through rural LGs are qualitatively much greater than through urban LGs, and that both these challenges – and also the opportunities - for making rural LGs more effective are poorly understood and documented.

The case studies themselves focus on experiences of innovation in improving ISD through rural LGs, and their outcomes, in three Asian countries (Nepal, Bangladesh, and Cambodia) and also in Uganda (given the considerable interest, even outside Africa, that the Ugandan experience is eliciting).

These four sets of innovation all share a common framework. They were all introduced within the framework of UNCDF-supported Local Development Programmes (LDPs). The LDP is a generic approach to promoting more effective ISD through rural LGs, by twinning innovations in the funding of ISD with other capacity development innovations to support improved planning, budgeting, implementation, and overall accountability of LGs. These aim is to use these innovations as a basis for policy influence and hence for wider replication. Although the LDP model is generic, it is tailored to context.

### II. COUNTRY CONTEXTS

#### A. *Patterns of similarity & difference*

The four countries are of course each very different in very many ways. But one common feature is the fact that in each country poverty is primarily a rural problem: both the relative incidence of poverty is twice as high (or higher), and the absolute number of poor is far greater in rural areas.

The policy and institutional contexts for rural local government and for ISD in rural areas exhibit patterns of similarity, but also also important differences. The latter can be viewed along several dimensions:

#### 1. *Institutional & Functional factors*

- ◆ Size, population & population density of LG jurisdictions;
- ◆ Existence of formal institutional interface between communities and elected LGs;

- ◆ Degrees to which LGs exercise control over technical services and extent to which LGs are "organically" linked to sector line departments;
- ◆ Relationship between LGs and central government, and degree of supervision and support by the latter.

2. *Fiscal factors*

- ◆ Local fiscal revenue raising powers
- ◆ Relative significance and clarity of expenditure assignments;
- ◆ Importance and types of inter-governmental fiscal transfer system.

3. *Representational factors*

- ◆ Modes of representation and election;
- ◆ Statutory representation of disadvantaged and/or minority groups.

4. *Political drive*

- ◆ The degree of political willingness and drive to empower elected LGs, entrust them with responsibilities and resources and support them.

In brief, the four country contexts can be characterised as follows:

- In Uganda the institutional framework for sub-national government is a fully devolved one, with two main levels of elected local government: the sub-County (a relatively small unit) and the District (a large unit, with a full complement of line department staff under full council control). There is a strong political drive for decentralisation, and these LGs have been fully mandated to undertake all ISD functions; the allocation of financial resources to LGs is being gradually adjusted to match.
- In Cambodia and Bangladesh there is a relatively small elected lower level local government unit (at Commune and Union level, respectively), with one or two general-purpose employees, and with a limited range of ISD functions. The next higher levels (the District and the Province in Cambodia, and the sub-District and the District in Bangladesh), where line department staff are deployed, are deconcentrated. While in Cambodia there is a political drive to move ahead with a decentralisation agenda within this framework, in Bangladesh there is little movement and substantial opposition to reviving the role of LGs.
- In Nepal there are legal provisions for elected LGs at both the lower Village and the higher District levels (but these are currently suspended due to the insurgency problems); both levels are entrusted with substantial ISD functions, although at District level these are "shared" with the deconcentrated line departments. The policy is to move towards integrating these departments and their funding within the elected LGs, but implementation is subject to reinstatement of the elected bodies.

### **B. Opportunities & Constraints**

*Common opportunities* to promote more effective ISD through rural LGs are largely encapsulated in a general formal commitment to democratic decentralisation, such that LGs are expected to provide public goods and services in an accountable, transparent and participatory way, with their own and other resources. They are also reflected in the very considerable organisational resource that LGs represent in rural areas for more effective ISD, albeit a largely underused one.

*Common constraints* to this include – among others - a typically very weak local fiscal base (exacerbated by low levels of rural development), inadequate or even perverse centre-local fiscal transfer arrangements, ambiguities in expenditure assignments (both between different LG tiers and between LGs and central government), varying degrees of confusion over sectoral devolution and responsibilities, and sometimes inadequate provision for transparency (exacerbated by the general weakness of the media in rural areas).

## **III. LDP INNOVATIONS**

The four LDPs have piloted a range of innovations aimed at improving the provision of public goods and services by rural local government. These have aimed to take into account the overall and specific policy contexts discussed above.

### **A. Financing**

Financing innovations have included the following:

- the allocation of *block grants* aimed at providing LGs directly with the funds to finance development expenditure, and which are allocated according to a clear and known *formula*, calibrated to reflect relative poverty and fiscal need;
- synchronisation of these block grants with the LG *budgeting timetable* to provide the discipline of the "hard budget constraint" when local priorities are set;
- a "*cascading*" approach whereby higher level LGs, in multi-tier systems, must pass down the larger share of their grants to lower level LGs;
- providing LGs with considerable *discretion* over the use of such block grants so as to foster accountability and achieve allocative efficiencies, and also to encourage local participation;
- the establishment of *performance-based funding mechanisms* that (a) determine whether LGs access their block grants and (b) increase or decrease allocations depending on previous performance;
- *earmarking* proportions of block grants for specific purposes, such as investments which benefit the poor or scheduled caste groups;
- support for *local revenue collection* efforts.

**B. Planning & budgeting**

Here, LDP-piloted innovations have included:

- *linking planning to LG budgeting*, thus making both exercises more meaningful;
- testing out cost effective *participatory and inclusive* planning methodologies;
- devising *institutional arrangements* to help bridge the LG-community gap, and the LG-line department gap;
- improving the local planning process by ensuring that it goes beyond participatory needs assessment and takes into account more *“technical” aspects*, such as appraisal, design and costing, etc.

**C. Implementation (“production”)**

These have included:

- working within the regulatory framework but *adapting procurement procedures* to the LG context – with *flexibility* to take into account rural realities;
- where private procurement is required, devising *simplified procedures and formats* for competitive tendering, etc.
- setting up *community-based and other local committees* to provide day-to-day oversight of micro-project implementation;
- where necessary, *upgrading contractor and engineering skills* in the private sector;
- providing a *small funding window* in the block grant to facilitate LG access to technical support;
- distinguishing realistic *operations & maintenance roles* of communities and LGs for different types of investment, and integrating operations and maintenance considerations into *planning* procedures.

**D. Capacity-building**

Several innovations have been introduced in these areas which underpin all the others outlined above. To help LGs and other stakeholders take full advantage of innovations and correctly use planning and other procedures, LDPs have:

- developed & provided *basic training packages* to a range of actors;
- developed *demand-driven mechanisms* for capacity-building, thus placing LGs firmly in the *“driving seat”*;
- instituted *local support teams*, comprising local residents, local arrangements to extend and support participatory planning & monitoring of ISD;
- more generally and most importantly, fostered *real-time capacity-building* by *“doing”*, by providing local stakeholders with the opportunity to plan, finance and deliver public goods and services.

**E. Accountability**

Innovations to foster greater accountability have included:

- providing local citizens with *access to information* about LG resources and decisions through comprehensive communications strategies;
- introducing *annual self-assessments* of LG performance;
- encouraging greater *public involvement in planning, budgeting and monitoring* of ISD through participatory planning methods and related institutional arrangements.

**IV. OUTCOMES ACHIEVED**

Parts 4 and 5 trace the outcomes documented under each of the categories of innovation highlighted above. These can be consolidated under three broad headings:

**A. Pro-poor outcomes**

It is beyond the scope of the case studies to undertake in-depth assessments of poverty impact of the ISD innovations under review. The best that can be done therefore is to examine some "proxy measures" which indicate the probable poverty impact.

The outcomes of the *local planning process* - which in turn was enabled by the *financing innovations* - introduced by LDPs have included the following:

- A much *wider consultation* of significant numbers of local citizens, thus providing significant opportunities for the poor to voice themselves, express their needs and influence budget allocations (a very practical form of "empowerment");
- The great preponderance of expenditure outcomes has been on those sorts of ISD-related investments which are inherently *more likely to benefit the poor than the non-poor*: basic primary access, health, education, and water supply facilities. Furthermore, these are facilities which it is inherently *difficult – and unappealing – for "elites" to capture*.

*Implementation outcomes* have been of benefit to the poor in a number of ways:

- an apparently *greater cost effectiveness*, better quality and greater timeliness in ISD implementation by LGs;
- improved access to *appropriately located infrastructure*, largely due to local oversight of implementation and implication in the planning process;
- *sustainable benefits* through adequate O&M arrangements in most (but not all) cases.

**B. Institutional outcomes**

The incentives embedded in the *performance-linked funding innovations* – allied with more direct capacity support – have led to the following sorts of outcomes:

- *Greater compliance* by LGs with legal and regulatory provisions regarding the conduct of LG affairs and financial management and accountability;
- Greater effort by LGs to adopt institutional arrangements and procedures for *consultation, communication and transparency* to the public;
- Overall, more effective accountability to the public, and to central government.

The key role of information in fostering greater accountability has been clearly shown. Informed citizens have a greater chance of calling their elected representatives to account and of demanding better or more appropriate services.

In terms of finance modalities, whilst outcomes from LG funding pilots have been largely positive – demonstrating the advantages of formula-driven, discretionary block grants and performance-based assessments/incentives – LDP activities aimed at improving LG own-source revenues have yielded meager results so far.

**C. Policy outcomes & replicability**

Ultimately, the replicability of the innovations in policy and practice discussed above depends on their being adopted as national policy. Of the four cases studied, all have had some impact on policy, although this has been greatest in Uganda and Cambodia. Two sorts of policy impact are distinguished according to two types of policy environment:

- Where there is *no clear policy or political drive* to decentralise ISD functions and resources to LGs (as in Bangladesh now, and indeed as in Cambodia in the mid 1990s) the role of a pilot experiment such as an LDP can be to simply show what can be done, to demystify the usual “weak local capacity” allegations, and generally to better arm the advocates for change and to inform national debate.
- In countries where *there is a policy drive* to decentralisation (such as Uganda, in Cambodia now, or in Nepal until the troubles) the role of a piloting experiment can be more to test “how to ...” policy options and procedures in direct partnership with national policy-making bodies.

A positive policy outcome appears to be depend on the quality of the innovations themselves and especially how well they are *dove-tailed into the statutory institutional framework*. It also requires close consultation with national and LG partners and a willingness to allow them to manage the process themselves. Finally, however good results and M&E systems may be, positive outcomes do not speak for themselves, and there is need for more *pro-active communication and advocacy* with policy-makers.

## V. LESSONS LEARNED AND FUTURE CHALLENGES

A first lesson is that the *challenges* in promoting more effective ISD through rural LGs are indeed much greater than in the urban LG context:

- Promoting more effective and inclusive *demand* through participatory planning & budgeting is harder because of much higher transaction costs (typically sparse populations, poor communications, etc), lower education levels, weaker “horizontal” associational activity, greater social stratification and dominance of patronage relations, etc.
- Promoting more effective and responsive ISD *supply* is harder because of typically weaker human resources, much lower fiscal resources, the typical institutional divide between elected LGs and the sector departments and their staff and budgets, and a much weaker private and NGO sector.

But a second and much more encouraging general lesson to be learned from the case studies is that – despite these inherent contextual problems - given the right circumstances and appropriate support, *rural local governments can deliver useful public goods and services*, contributing to poverty reduction.

Their performance in this should not be measured against *ideal standards* of effectiveness, inclusiveness or probity, but against the performance of alternative institutional *options* for ISD (central government agencies, NGOs, project teams). The evidence of the case studies is that rural LGs perform quite as well as these other arrangements – indeed considerably better in some cases – given a conducive framework of policies and procedures, and some minimum level of funding.

All that said, improving ISD through LGs can only be *one component* of a much broader strategy for rural poverty reduction: poverty reduction requires many other things than improved ISD, important as that is (appropriate macro-economic, private sector & environmental policies, microfinance, etc); and many key pro-poor ISD functions themselves must be retained by central or higher levels of government (public health, vaccination, crop protection, agricultural research, etc.).

## HOLDING THE STATE TO ACCOUNT: CITIZENS VOICE THROUGH REPORT CARDS IN BANGALORE

Governments invest huge resources to produce and deliver public services to citizens. But citizens depending on these services enjoy no guarantee of quality and responsiveness. The poor for whom services are promised to be "free" often incur heavy hidden costs to access services. Holding the state to account for its actions seems an impossible task for citizens in many parts of the world. Bangalore is no exception. Will it make a difference if civil society became proactive and demanded greater accountability and performance? This case presents the experience in Bangalore from an initiative, now popularly known as the Citizen Report Card (CRC).

Rapid growth of Bangalore since the 1970s led to immense demand on essential services that service agencies were unable to cope with, by the early 90's. Government listened to criticisms, without significant corrective actions. The resignation and apathy of residents reinforced the situation. *Section I* gives an overview of the situation in Bangalore in the early 1990s.

It was in this context of urban growth and poor service delivery, that a small group of citizens initiated the process of preparing CRCs in 1993. The group gathered systematic feedback on service delivery from a cross section of citizens through a stratified random sample survey. They presented it as the "voice" of residents to service agencies and the city government. The findings reflected abysmal service standards; proportions of users, who were clearly satisfied with many services, were in single digit percentages. The report was sent to concerned agencies, which had different responses to the feedback. Three agencies sought inputs to improve services.

But development agencies across India took notice of this process and its potential for impact. The interest generated by the first CRC led to the creation of Public Affairs Centre (PAC) in 1994. PAC went on to replicate this process in other cities while strengthening the civil society network in Bangalore. By the second CRC in 1999, the CRC process evolved from information gathering and dissemination, to one that actively engaged service providers. The second CRC indicated improvements in services and an increase in the incidence of corruption. The findings were shared in separate presentations with the heads of four public agencies. PAC also used the findings to facilitate a series of public discussions involving city agencies about measures to improve service delivery. This was followed with several initiatives by city agencies to engage civil society to improve service delivery. The third CRC indicates that satisfaction with services has improved from the single digits of 1994 to over 70% for most agencies in 2003.

The experience with this decade-long process, described in [Section II](#), has contributed to significant changes in civil society's engagement with public agencies in Bangalore, and in the manner in which citizens' participate to improve public service delivery. The learning from this experience has been replicated and adapted in other sectors in India and in several countries across the world.

In an independent assessment of the impact of CRCs for the World Bank, Dr. A. Ravindra, former Chief Secretary of the Government of Karnataka, described the evolving role of PAC and CRCs in Bangalore: "the progression in the influence of the report card can be

seen to move from limited impact (with dissemination of feedback) to more impact (with dialogue and public pressure for change) to greater impact (with advice on reform) corresponding to the reactive, proactive and reformist roles of PAC over a period of time." His assessment also highlighted the difference between actions by agencies that change the content of service delivery and the "useful role [of providing] feedback which can act as stimulus to reform."

The CRC was built on a foundation of "voice" as articulated by citizens through feedback surveys. While "voice" alone is inadequate to improve services, CRCs provided something that was hitherto absent – the basis for systematic civic engagement by city governments and civil society, as well as benchmarks for monitoring performance. The public character of this process moved the focus of dialogue to specific issues and improvements, along with an acceptance of public accountability. It must therefore be noted that improvements that have taken place in the city are the result of reactive and proactive initiatives of city government and service agencies. Over these years, other reform initiatives in Bangalore have built on this premise, and radically altered the relationship between the city and its residents. *Section III* details achievements from the decade long CRC initiative.

PAC's experience provides important lessons for civil society and public service providers who wish to use "voice" as the starting point for improving service delivery. *Section IV* presents the key learning from PAC's experience with CRCs and related work. While some lessons are based on specific strengths and limitations of PAC, they provide a framework for other groups to consider. It is essential for civil society to realize that information generated through CRCs needs to be articulated, directed and followed up for it to become an effective means by which citizens engage with government. Findings are not to be seen as research that ends in a report. Sufficient time needs to be allocated for the entire process. As for local governments, these lessons suggest how agencies can respond to citizen initiatives, as well as the need to self-initiate reform even when public demand has not gathered strength.

The experience in Bangalore highlights a variety of enabling conditions for 'voice' to make a substantive impact. The space provided by the state for engagement, the identity it provides for civil society institutions, the extent to which prevailing political agendas allow particular groups to operate and the power of the client lobby have an important role to play.

It would also be useful for readers to bear in mind that CRCs did not occur in isolation. PAC took up a range of activities with voters, civil society and government that strengthened the impetus for change. City government and service agencies embarked on initiatives to make Bangalore a better city. Resident groups and the private sector also participated in reform. In the current setting of multiple stakeholders working to improve services, *Section V* looks at the future role of PAC and of CRCs.

This case offers insights on how civil society articulated "voice" and engaged local government, and on how the state proactively responded to make best use of such initiatives. The case is not meant to be a prescriptive statement of actions, but seeks to inspire civil society and local government to work together and to adapt the learning from Bangalore to facilitate innovative improvements in service delivery.

## ROLE OF CIVIL SOCIETY ORGANIZATIONS IN PROMOTING RESPONSIVE AND ACCOUNTABLE LOCAL GOVERNMENT FOR IMPROVED SERVICE DELIVERY IN COLOMBO

Half the population in the City of Colombo are living in low-income settlements which are familiarly known as slums and shanties. Most of the settlements, according to municipal legislations, are considered illegal, but the Colombo Municipal Council (CMC) has improved these settlements by introducing several pro-poor programmes in the past two decades. Such have included the provision of basic amenities and improved access to secure land tenure.

The CMC used community-based participatory approaches which saw the organization of families in poor settlements into community-based organizations called Community Development Councils (CDCs). By the late 1980s, there were over 600 CDCs registered with the Colombo Municipality. However, non-governmental organizations (NGOs) have not played a significant role in the provision of basic amenities and in the improvement of urban livelihoods. Several welfare-oriented NGOs have been working with selected low-income communities in the city but their contribution has been inadequate to address the complex issues related to poverty and urban governance.

The Sevanatha Urban Resource Centre, a local NGO, has been working closely with the CMC and CDCs over the past 10 years. Sevanatha is an organization engaged in strengthening CDCs and promoting participatory approaches for sustainable urban livelihood development. The CMC, in collaboration with Sevanatha, carried out a city-wide survey in 2002 to assess the poverty situation in low-income settlements in Colombo and the delivery of municipal services to these communities. The survey recognized that urban poverty is a multi-dimensional phenomenon that covers all aspects of livelihood including capital assets, legal processes and institutions.

Sevanatha successfully adapted the Report Card Method to conduct the survey. It defined levels of poverty by using 20 variables and 80 indicators. Members of CDCs participated in the consultation process of the development of the poverty report card, the actual implementation of the survey at settlement-level, and in the interpretation of data. The outcome of this survey is the 'Poverty Profile – City of Colombo' (February 2002). It is a document which highlights the poverty situation of low-income settlements in Colombo based on carefully defined determinants of poverty. It was found to be an effective method to highlight the problems as well as the positive experiences of people—enabling the measurement of levels of community satisfaction with services provided by the Municipality. The survey has created a useful database for the Colombo Municipality and influenced CMC staff to work in partnership with civil society organizations and be responsive to the needs identified through a participatory process.

This report looks at changes taking place in local government that are enabling civil society organizations to collaborate in efforts to reduce urban poverty. It discusses, in particular, the ongoing partnership-building experience between the Colombo Municipal Council and the local NGO Sevanatha.

## PEOPLE'S PARTICIPATION IN GOVERNANCE

The case study presents the beginnings and gains of the Naga City People's Council (NCPC), the network of accredited non-government and people's organizations, in partnering with the City Government of Naga towards a transparent, participatory, and efficient governance and service delivery. The study also introduces the avenues made available for people participation, including those instituted for direct sectoral engagement, where the representatives of the marginalized sectors were able to influence the City Government's policy-formulation, project implementation, and monitoring.

## INNOVATIONS UNDER CONSTRAINT: LOCAL GOVERNMENTS AND SERVICE DELIVERY IN PAKISTAN

Devolution in Pakistan has assigned major service delivery responsibilities to 6,482 newly created local governments. The structural changes introduced by these reforms have four striking features: separation of powers, functional realignment, citizen access to the state, and reorienting centre-local relations. The logic of Pakistan's devolution is that these structural changes will change the incentives for policy makers and service providers and that this will result in improved service delivery. A pre-requisite for such changes to work is that decision makers see these incentives working for them. However, in Pakistan contextual factors of politics and history exert a far more persuasive influence than the incentives created through process changes in the local state.

Emerging trends do suggest that the changes in relationships between citizen and policy maker, policy maker and service provider and between citizen and service provider have created incentives for local action. Innovations in the form of citizen community boards for participation of poor directly in local development, 33% reserved seats in local councils for women, and mechanisms to support the political resolution of inter-jurisdictional issues all could potentially impact the critical three way relationships between citizens, policy makers and service providers in positive ways. However, vertical relations between local governments and the four provincial governments will largely determine the fate of these innovations. The paper highlights the potential role of inter-governmental fiscal transfers and the use of grant systems to leverage pro-poor political action, including through these innovations. Grant systems can help address the issue of replication and upscaling by defraying the costs of experimentation through financial incentives for articulating successful implementation beyond a few isolated locations.

## MANAGEMENT INNOVATION QUALITY HEALTH CARE: THE MAKATI CITY EXPERIENCE

The Makati Health Program (MHP) is the centerpiece of the local administration's service thrust. The program stands out today as the best testament of the private sector and the government to faithfully honor their commitment to serve the people. Its mission is to provide medical services and encourage health awareness through subsidized quality hospitalization services. The target beneficiaries of the program are Makati residents earning P 10,000 (\$178.57) and below, senior citizens and city government employees including public teachers, policemen and firemen.

The Makati Health Program, popularly known as "Yellow Card" was conceived through the initiative of Mayor Jejomar Binay way back in 1986. The gist of the program is based on the local chief executive's commitment to alleviate the condition of medically indigent constituents by delivering quality health services such as Surgery, Pediatrics, Obstetrics, Medicine, Ear, Nose and Throat (ENT) Treatment and Ophthalmology. With the city government's pledge to serve coupled with Makati Medical Center's goodwill, an agreement was formalized, with the promise of providing quality and subsidized medical/hospital services thereby increasing the accessibility of low-income residents to quality health care.

Based on the 1986 survey conducted by then Ministry of Health, Makati was confronted with this scenario: people are quite skeptical to seek medical aid since their meager income barely meets their expenses for basic needs such as food, clothing, shelter, etc. This problem led the local government to an Analysis: the residents' rationale led to poor health and parallel to this is the increase in mortality rate.

The results of the survey was an effective tool that led to the review of the existing hospitalization service program for indigent residents implemented by the previous local administration of Makati. The previous contract with Makati Medical Center allows the local government to rent one floor of the hospital where residents with income of P1,000 can receive subsidized medical treatment.

After a series of consultations with Makati Medical Center, it was expanded to raise the monthly income bracket of beneficiaries to P5,000. The program has also included all senior citizens, local government employees and national government employees assigned in Makati, regardless of their income status. The beneficiaries were made to participate of the program by paying service fees based on their income. The amounts involved actually are just token amount. The scheme was adopted to first, discourage overdependence on the local government; second, make the beneficiary aware of his obligations and the importance of sharing in the sustainability of the program, and third, remove the stigma of being a mendicant and instead be considered both as a beneficiary and program partner.

The program has also encouraged the participation and cooperation of non-government organizations such as Bagong Ina ng Bayan and Ospital ng Makati Foundation. Both are vital partners as the former provides assistance in the processing of Yellow Cards while the latter offers logistic support by providing free medicines to the most indigent patients.

The increasing number of beneficiaries from 8,782 cardholders in 1986 to 231,504 in 2002 led to the establishment of a new six-storey Ospital ng Makati with 206 bed capacity and state of the art medical equipment located at Sampaguita St., Pembo, and the renovation and

conversion of the old Ospital ng Makati into an Ambulatory/Acute Care Center which is scheduled to open this year to accommodate more Yellow Cardholders. The income leverage was also raised from P5,000.00 to P10,000.00, thus broadening the latitude of beneficiaries.

The local government also decided to augment the services by providing medical insurance to indigent residents through the Philippine Health Insurance Corporation. Yellow Cardholders who can not be accommodated by the private sector can be admitted in any PhilHealth accredited hospital nationwide. The city government pays PHilHealth P10 million a year for the premium of the beneficiaries.

The Makati Health Program was recognized in 1994 as the Most Outstanding Kabisig Project in the National Capital Region for its endeavor to promote active participation among people's organization, non-government organizations and the private sector. And because of its integrated and holistic approach to socialized health care, Makati City was adjudged by the Department of Health as the First Healthy City in the country in 1995. The prestigious Dubai International "Best Practices" Award, a project of the United Nations Habitat followed suit in 2002 in recognition of the program's contribution to improve the living environment. The MHP was selected from more than 500 entries worldwide.