



May 1999

FOREWORD

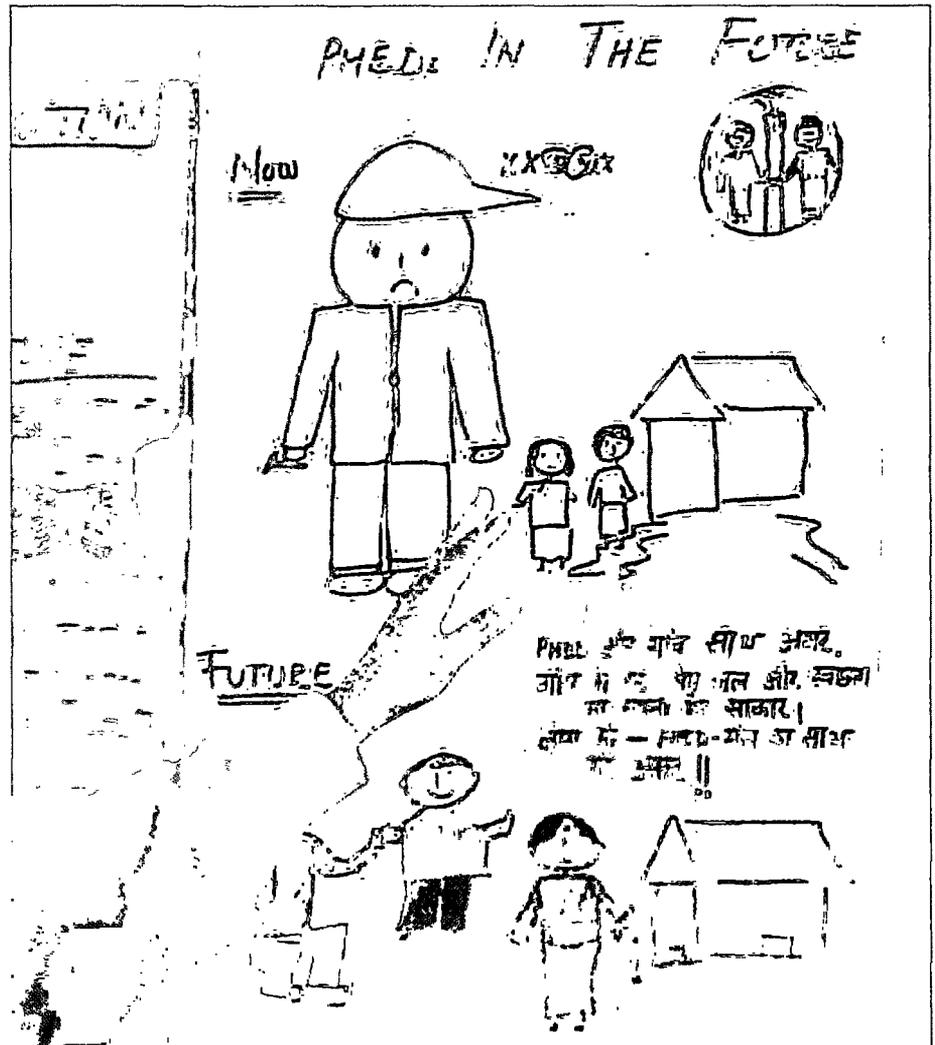
I am happy to note that Jal Manthan, a Rural Think Tank involving the lead actors in the sector, has been set up. For the first discussion, this forum has chosen the very timely and relevant topic *Restructuring PHEDs/Water Boards: Why and How*. PHEDs/Water Boards in India are instruments of service delivery and should also be the vehicles of RWSS reforms, which the Government of India has recently formulated. The reforms emphasize three main themes: (i) adopting a demand-responsive approach (ii) capital cost sharing and full operation and maintenance responsibility by users and (iii) change in the role of government from provider to facilitator. If the reforms are to be effectively implemented, the instruments themselves have to undergo change. How this is to be done is the big question. There are no easy solutions to this question but the important thing is to think creatively and be open to different viewpoints and approaches.

Many significant topics will be debated in future Jal Manthans. I am glad that WSP-SA has taken this important initiative and look forward to participating in many more Jal Manthans.

Palat Mohandas

Former Joint Secretary & Mission Director,
Rajiv Gandhi National Drinking Water Mission
Presently Additional Secretary,
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1 Restructuring PHEDs/Water Boards: Why and How



The graphic depiction of Public Health Engineering Departments (PHEDs) by the participants uniformly advocated reforms (session 1). Many illustrations also emphasized the need for a participatory and gender sensitive approach in a transformed PHED.

The Jal Manthan meaning 'churning of water' is a Rural Think Tank. It is intended to be a travelling quarterly meeting. This aims to be an open network encouraging frank and informal policy-level dialogue between sector practitioners and professionals. The focus of every meeting will be determined by the demand from stakeholders such as State Governments, NGOs, Panchayati Raj Institutions etc. It also seeks to promote exchange of ideas on best/new practices in the Rural Water Supply and Sanitation Sector.

Hosted by: Rajiv Gandhi National Drinking Water Mission, United Nations Inter Agency Working Group for Water and Environmental Sanitation, UNDP-World Bank Water and Sanitation Program, South Asia.

MANTHAN ON PHEDs: The Process

Meaningful exchanges set the tone for the participatory nature of the think tank



Welcome, Plenary and Concept: Piers Cross (Regional Team Leader, Water and Sanitation Program - South Asia) acted as facilitator and steered the group through various exercises during the workshop. After welcoming the group, he asked Parameswaran Iyer, Team Leader of the WSP-SA's India Team to introduce the Jal-Manthan concept.

Introduction and Group Work: This was followed by an ice-breaking session, where the participants introduced themselves in five groups and talked about their professional as well as personal achievements. This informal and meaningful small group exchange set the participatory tone of the think tank.

Session 1: Group Work - Do PHEDs need to be restructured? Each of the five teams addressed the issue whether PHEDs needed to be restructured and also depicted their vision of a 'reformed' organization on a chart. It was interesting that, despite the PHED presence, all the groups unanimously agreed that there was need for restructuring. Some of the artistic depictions of reform are presented on the cover.

Session 2: Group Work - Constraints in Restructuring: In this group exercise, the participants worked in the five groups to list the major constraints in restructuring PHEDs.

Session 3A: Plenary - GOI Reform Agenda: G.V. Abhyankar, from the World Bank made a presentation on the reform agenda of the Government of India.

Session 3B: Plenary - The SWAJAL Model: S. Raju, from UP made a presentation to the group on the institutional structure of Swajal and the basic principles on which their success in rural water supply and sanitation service delivery was based. Mr. Palat Mohandas, Mission Director, Rajiv Gandhi National Drinking Water Mission joined the group during the presentation

on Swajal and subsequently addressed the participants. He spoke of the need for institutional changes in the PHED structure and of the need for financial allocation to the states to be tied to reforms. He also stressed that more states should pilot changes, initially at the district level, and also learn from similar reform experiments in other states.

Session 4A: Group Work - Critical Constraints and PHEDs: During the coffee break four WSP-SA co-facilitators compiled the constraints listed by the groups and categorized these into broad thematic areas. These were subsequently presented in the large group after the coffee break and they were asked to select what they believed to be the four major constraints. These finally were: (i) Political Will, (ii) Human Resource Management, (iii) Future-Partnerships and (iv) Change Management. These topics then became subjects for further group work.

Session 4B: Group Work - Planning to Overcome Constraints: The participants then had the option of being a member of any one of the above groups which met for a brain storming session on how to overcome these constraints. These groups worked till lunch and then presented their findings to all the participants. Important points were picked up from the group presentations for further discussion in plenary.

Session 5: Plenary - Developing a Comprehensive Action Plan: In this session, the entire group participated in drawing up a Comprehensive Action Plan based on the key issues that emerged from the group discussions.

Concluding Session: M.R. Sreenivasa Murthy, Secretary Rural Development, Karnataka, delivered the concluding remarks where he acknowledged the important role PHEDs had played so far, but stressed the need for changes in the light of new requirements and expectations. The group also discussed topics for deliberations at future Jal Manthans.

INDIA'S REFORM AGENDA

Building on Existing Foundation

Mr. G.V. Abhyankar, Senior Sanitary Engineer, World Bank, briefed the group about the joint Government of India (GOI) - World Bank Sector Review for Rural Water Supply, which had identified three key elements in the sector reform strategy:

- Ensure an enabling environment for reform (policy framework).
- Establish institutional sustainability (clarifying and redefining roles of institutions and stakeholders).
- Establish financial viability and sustainability (by capital cost sharing, full O&M cost recovery and reductions in operating costs).

In spite of major achievements in the Rural Water Supply & Sanitation (RWSS) sector in India, sustainability and water quality are still major concerns. The sanitation coverage throughout rural India is also very low.

GOI's recommendations

To ensure institutional sustainability, GOI recommends the following five actions in its recent reform package:

- Enable Panchayat institutions and user community groups to assume lead roles in decision making for RWSS.
- Promote and facilitate participation of the NGOs and the private sector; define appropriate roles of the NGOs/private sector as well as external support agencies.
- Strengthen existing institutional capabilities to undertake consumer orientation, policy development, planning, implementation, O&M, monitoring and evaluation, and promotion of health and sanitation.
- Restructure public sector institutions.
- Streamline operational guidelines and procedures for RWSS agencies.

Objectives of PHED Restructuring

- Accommodate adoption of a demand-driven approach and participatory processes based on empowerment of villagers.
- Focus on long-term sustainability of investments including good quality of construction.
- Ensure integrated service delivery for water, sanitation and hygiene education.
- Ensure stable and reliable back-up support to communities in O&M management.

Overcoming constraints

1. POLITICAL WILL

The group felt that to implement reforms, there should be pressure from both above and below. From above, the pressure could come from funding conditionalities from the central government and donors. Similarly, the people and Panchayati Raj Institutions (PRIs) have a key role to play in building pressure from below to catalyze political will to reform the PHEDs. During the group exercise, some felt that there was a need to adopt shock therapy (like abruptly stopping financial allocations from the Center to the states until reforms actually took place), while others suggested a milder

2. HUMAN RESOURCE DEVELOPMENT

The group accepted that the communities/users should take over the O&M of RWSS projects and, wherever necessary, use the private sector for maintenance of tube-wells, etc. A debate ensued at this point when some maintained that communities would not have the skills to manage large multi-village schemes. Others in the group felt that it was the PHED which often struggled to get the major repairs done on time and that there was indeed a role for multi-village groups to form guilds and run the O&M of bigger projects. Local capacity development was of course a key issue here. On the issue of the exit policy for surplus staff, it was agreed that appropriate

3. FUTURE PARTNERSHIPS

Three key issues were discussed here: (i) building the capacity of NGOs, PRIs and the private sector, (ii) incentive structure for the private agencies to come into the sector, and (iii) the possibility of breaking down some parts of the current organization into smaller efficient units that work as partners. These could be experimented through the Rajiv Gandhi National Drinking Water Mission's proposal

4. CHANGE MANAGEMENT

In a reformed PHED, as the group visualised it, the top management should preferably be professional managers. The group discussed the need for an overall sectoral vision. Field-level demonstrations could be used to facilitate transformation. There was a perceived need to first identify areas needing change and then look for skills necessary to bring about the shift. This could be linked to incentives and disincentives in the PHEDs. The group emphasized the need to develop a flexible program that would concentrate on building

approach (e.g. tapering off the financial allocation from the Center). All participants however agreed that there was need for the PHEDs to have a long-term vision. There was also a lack of available information on implementation of reforms in other states and instances of successful restructuring of PHEDs. Equally important was felt to be the need to have champions of reforms within the political and administrative structure, who would facilitate the restructuring of PHEDs and would implement the 73rd Constitutional Amendment in letter and spirit. For general advocacy and public action, NGOs, the civil society and the media had important roles to play.

labor legislation was necessary, and an attractive voluntary retirement package would induce existing staff to explore opportunities in the private sector.

There was also a need to reorient and redefine jobs through a process of training and familiarization visits. The management should be made more accountable to the communities and responsive to their needs, through institutional reforms.

It also felt that there was an urgent need to familiarize the elected representatives with new management norms and to inform them of successful reforms in the state and in other parts of the country.

of starting 57 rural water supply and sanitation pilots nationwide. Donor funds could also play a key role in building capacity and helping in restructuring the PHEDs. The participants felt that there was a need to encourage specialized private agencies to handle the O&M, while the PHED takes on the role of a regulator.

The group also felt that a range of O&M options should be available to the beneficiaries.

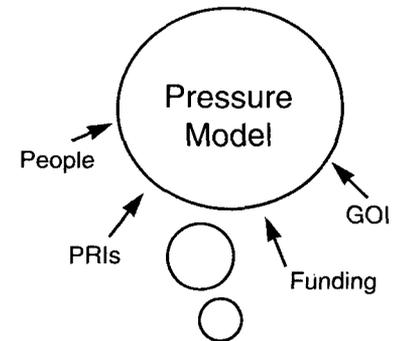
capacity and would view the state as a facilitator. Important lessons could also be learned from within the public sector and also from the private sector (e.g. how TISCO organizes the water supply for Jamshedpur). Strategies for transition should come from internal as well as external experiences. It would be worthwhile to look at other government agencies outside the sector that have modified themselves and learn from their revamping exercises.

It was agreed that the partners would go back to their constituencies and further discuss the above issues.

Comprehensive Action Plan

1. POLITICAL WILL

Unwillingness to Change



2. HUMAN RESOURCE DEVELOPMENT

Resistance to Change

The recommendations on this subject were:

- Amending labor legislation for easier exit
- Reengineering mindset of PHED staff
- Building capacity of community and service providers
- Strengthening PRIs

3. FUTURE PARTNERSHIPS

Mainstream, Private Sector & NGOs

- Pilot projects, partnerships
- Reorganize PHEDs into smaller units
- Unbundling service delivery i.e.,

Planning & design Implementation O&M by different agencies

4. CHANGE MANAGEMENT

- To be 'triggered from outside' and 'inside'
- Change in one state to have a multiplier effect on other states.



SWAJAL Leading the way

SERVICE delivery in the Uttar Pradesh (UP) rural water supply sector is undertaken through a public sector organization, the UP Jal Nigam (UPJN). As in other states, this is a highly centralized water board. Funded by government grant financing, the UPJN constructs and maintains water supply schemes in the state. Often there is no capital cost recovery, and the utility finds it difficult to collect operation and maintenance (O&M) costs.

Owing to poor O&M, nearly one-third of the schemes are out-of-order at any point of time. In an attempt to improve the situation, the UP Government piloted an alternative service delivery mechanism model through the \$ 71 million World Bank-assisted SWAJAL Project in 1994. By 2002, the project aims at benefiting 1.2 million people in 1000 villages in the UP hills and Bundelkhand. The major objectives of the project are:

- Sustainability of investments through adopting a demand-responsive approach for village selection, advocating the use of water as an economic good and introducing partial capital cost recovery and full cost recovery for O&M.
- To develop a coherent community participation approach that provides for a major decision-making role for the communities in the identification, planning design, construction and O&M of their water supply and sanitation schemes.
- To create viable institutional structures to facilitate decentralized decision-making and, in so doing, test an alternative to the current supply-driven service delivery mechanism in the sector.

Institutional sustainability is perhaps the most important aspect of overall sustainability. This can be achieved through an appropriate institutional structure as well as suitable management arrangements and project strategies. The Swajal institutional framework operationalizes the decentralized decision-making and demand-responsive model envisaged in the project. It consists of a network of

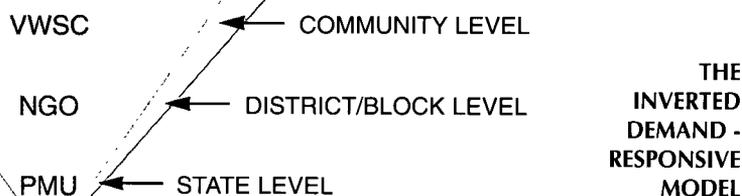


Community mapping exercise

Community contributing labour



PHOTOGRAPHS: GUY STUBBS



three organizations: the Village Water and Sanitation Committees (VWSCs) at the community level, the Support Organizations (usually NGOs) at the district level and the Project Management Unit (PMU) at the center. There is a close inter-relationship between these three partners, which goes beyond a mere contractual obligation. In its organizational set up, the project likes to depict the VWSCs at the top and the PMU at the bottom, as the project's philosophy is that the communities play the most important role.

Based on the Swajal experience, the Government of India's reform package includes (i) increased funding for capacity building activities, and (ii) a degree of cost recovery from users. Faced by competition from Swajal, the UPJN is also beginning to adopt a more participatory style of functioning. The true test of sustainability for water and sanitation service delivery, however, lies in the replication of the key elements of the Swajal pilot approach across the state.

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