

Regulating Public and Private Partnerships for the Poor



Consumers and the media, Yorkshire, England



Consumers Forum, Jakarta, Indonesia



Water Watch Group, Lusaka, Zambia

The goals for economic regulation of monopoly service providers from a customer perspective are to ensure:

Effective, resilient service delivery at a fair price, taking into account well targeted subsidies when necessary, to ensure service which is equitable and sustainable with adequate incentives for efficiency.

Protection of consumers against monopoly abuse through transparency in price setting, complaints adjudication and fair compensation for service failure where appropriate as incentives for effectiveness.

Both of these goals require some level of customer involvement in decision-making if they are to be successful over the long-term.

'I intend that the Customer Service Committees will play a major role in ensuring that the interests of customers get high priority'

Ian Byatt, 1989, first E&W water regulator in *'the first public statement I made as water regulator'*

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REGULATORY TOOLS: CUSTOMER INVOLVEMENT

Why Customer Involvement ?

What is Customer Involvement?

To what extent should Customers be involved?

To what extent do Customers want to be involved?

Which Customers should be involved?

What should Customers be involved in?

How to involve Customers?

What style of Customer Involvement is best?

How effective is Customer Involvement?

Focus on LMICs: Involving low-income Customers in the regulatory process - A practical guide to focus group discussions

Research Summary

Research Partners



Urmila Brighu, Malaviya National Institute of Technology, Jaipur, India



JAKARTA WATER SUPPLY REGULATORY BODY

Alizar Anwar, Technical Manager,



Ziad Al-Ghazawi, Jordan University of Science and Technology, Jordan



Philippine Center for Water and Sanitation
The ITN Foundation

Lyn Capistrano
PCWS-ITNF
Philippines



Sam Kayaga; Kevin Sansom, WEDC
Loughborough University, UK



Kwabena Nyarko, WSESP,
Kwame Nkrumah University of Science and Technology, Ghana

Incentive based, economic regulation of monopoly water and sanitation providers is a powerful tool for improving services. Regulators determine the maximum water price ('price cap') to finance a desired level of outputs. Prices in high-income countries have tended to increase faster than inflation as society demands higher standards. The total revenue requirement (from which the price cap is derived) is determined by adding anticipated operating expenditure to planned capital expenditure (for capital maintenance as well as for improvements in quality, security of supply, service standards and service extensions), plus an acceptable cost of capital. Both opex and capex plans include efficiency targets derived from comparisons between a number of providers. Water companies are allowed to retain any further efficiency savings achieved within the price cap for a period (five years for example), an incentive to achieve even higher efficiency, before the benefits are shared with customers in reduced prices for the future.

This model has been adapted around the world with varying degrees of success, usually in the context of a Public Private Partnership, but until recently it has tended to be reactive rather than proactive regarding early service to the poor. There is now a recognised need for adequate economic regulation of public providers, as well as private companies, in lower-income countries, to deliver similar mechanisms for financeability and efficiency and as a prerequisite for developing effective pro-poor urban services.

The purpose of this DFID research project is to give water regulators the necessary technical, social, financial, economic and legal tools to require the direct providers to work under a *Universal Service Obligation*, to ensure service to the poorest, even in informal, unplanned and illegal areas, acknowledging the techniques of service and pricing differentiation to meet demand.

Looking to achieve early universal service, the research also considers how the role of small scale, *alternative providers* can be recognised in the regulatory process. *Customer involvement*, at an appropriate level, is seen as the third key aspect. The research investigates mechanisms for poor customers, and most importantly potential poor customers, to achieve a valid input to regulatory decision-making to achieve better watsan services within the

Authors: Richard Franceys & Esther Gerlach

Research Co-ordinator & photo credits:

Dr Richard Franceys

Centre for Water Science

Cranfield University,

Bedfordshire MK43 0AL, UK

Telephone: +44 (0) 1234 750111

email r.w.a.franceys@cranfield.ac.uk

Research Summaries

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Customer Involvement in Economic Regulation

Why Customer Involvement ?

Feedback: Customers normally give service providers feedback through their purchasing choices, positive and negative, which is used to adjust service levels and options to match user needs and preferences. For a monopoly provider of a product which everybody has to have every day this 'natural' feedback is missing. Customer involvement acts as a substitute for the missing feedback link between consumers and direct service providers. Regulators similarly need this feedback to inform their pricing and

Customers: To ensure better services
Providers: To ensure demand-responsiveness
Regulators: To inform decision-making

Failure to meet customers' expectations leads to loss of legitimacy and ultimately to service failure.

service standards decisions.

Empowerment: Formalised customer involvement enables and promotes the central principles for effective and sustainable social development as identified by major development institutions (World Bank Social Development Department, 2004):

The *inclusion* principle, by promoting equal access to opportunities and participation in development activities for all citizens, secures public support and increases the chance of sustainable outcomes.

Building *cohesive societies*, in which formal and informal groups are encouraged to join hands to address common needs and resolve differences, use dialogue and information to open new channels of conflict prevention and resolution.

Customer involvement makes institutions directly accountable to the public. *Accountability* is the obligation of all of those who can exercise political, economic, or other forms of power. Accountable institutions carry out their assigned functions in a transparent and responsible manner, and respond effectively, efficiently and fairly to people's needs.

Which Customers should be involved?

•All customers - which in the urban context includes domestic, institutional, commercial and industrial users, as well as urban agriculturalists;

•Disadvantaged and vulnerable groups, critically including *potential* customers;

•Key consumers - women.

In lower and lower-middle income countries, where a

significant proportion (if not the majority) of the population is currently unserved or underserved by formal water service providers, there is a need to engage with these marginalised groups. In the context of this research programme, ensuring that the views of the peri-urban poor, the slum and shanty dwellers, are recognised and acted upon is a priority concern. Giving a voice to the customers of the variety of informal/independent/alternative service providers (see Summary Paper No.16 in this series) – to the extent to which they might wish to become customers of the formal provider – helps regulators and utilities to design appropriate formal services and in the meantime provides a mechanism for monitoring prices and quality of this semi-competitive vendor market.

What should Customers be involved in?

•'Everything' - Water experts need to recognise that whilst customers will not always be 'correct' their opinions deserve to be heard.

Present customers:

•*Can anything be 'off-limits'?*

No, not even 'commercial confidence' for a monopoly supplier of a 'merit good'.

•*What are customers' particular areas of interest?*

Failure of service in customers' home/street, levels of service; tariffs; utility's technical competence, financial performance and efficiency.

Potential/future customers:

•Service planning, demand and needs assessment, service monitoring, awareness raising (e.g. on the necessity of user contributions, links between water services, health and hygiene).

How to involve Customers? Theory and practice

There is a whole spectrum of public participation with varying degrees of involvement on the part of the "participants". Likewise, a range of methods has been experimented with. The remainder of this Summary Paper is dedicated to the findings of the Regulating Public and Private Partnerships for the (Urban) Poor research programme, which are discussed in light of the theory and international best practice on public participation. It aims to answer questions such as

•*How formal, sophisticated or expensive does customer representation have to be?*

•*What are appropriate ways of engaging the 'hard-to-*

Worldwide Experience with Customer Involvement

reach' present and potential customers?

Although customer involvement is generally supported – at least at the policy level – in the case study countries, even the most established 'Customer Committee' systems have difficulty reaching the poorest members of society. Quite often the various regulatory agencies still have a long way to go in communicating their functions to the general public, let alone poor communities whose daily lives so far have been little affected by the activities of regulators.

Customer involvement around the world – research findings

In the majority of case study countries the existing level of active customer involvement is low, and UK-style formal customer representation remains the exception. Where regulators are attempting to replicate the **England and Wales (E&W)** 'customer committee' model (now formally renamed Consumer Council for Water), there is a tendency to start by establishing links with existing residents', neighbourhood or consumer associations [6,7,9 (see Note below)] or local customer committees are formed to act as grassroots NGO-type organisations [12]. In **Ghana**, the regulator's plans to set up formal customer committees have reportedly stalled due to funding shortages and the fear of undue politicisation [7]. The **Bolivian** regulator meets with representatives of the Federation of Neighbourhood Associations on a weekly basis [9]. ETOSS, the regulator of the **Buenos Aires** concession, formed a commission from local consumer organisations, who were given full access to all information [6].

Zambia has developed a unique system, where Water Watch Groups (WWGs) serve as a formal link between the regulator and customers and provide valuable feedback on services delivered by the regulated companies. The WWGs have similar complaints handling functions to the E&W Consumer Council for Water Regional Committees but their powers and responsibilities extend beyond a mediator/facilitator role, as the rationale for establishing the WWGs was to directly involve communities in service quality monitoring. Members of the WWGs also play an active role in customer sensitisation and education, particularly in peri-urban and low-income areas [11]. In recognition of the WWGs' effectiveness the Zambian energy and telecommunication regulators are seeking an alliance with the water regulator to expand the scope of WWGs to encompass the three infrastructure areas by adding representatives from the energy and

telecommunication regulators. The water regulator, Oswald Chanda, welcomes this as a positive step: 'It is first in terms of regulators working together in this manner and we hope further cooperations could be



These members of the community in Lusaka have volunteered their services to ensure water consumer rights are protected.

developed' (Chanda, personal communication, 2005).

Following the successful launch of a quarterly Customer and Community Communication Forum by the **Jakarta** Water Supply Regulatory Body as a formal communication platform between water sector stakeholders, Water Customer Committees (WCCs) were introduced to facilitate more effective two-way communication between communities and service providers. Besides complaints handling and lobbying for service improvements on behalf of underserved communities, the regulator values the WCCs' role in facilitating acceptance of tariff increases and promoting understanding amongst customers [12].



Consumer Forum, Jakarta, Indonesia

Research from **Chile**, which features one of the stronger regulatory systems in the developing world, reports the view of the official consumer bodies that consumer protection is rather weak. It is said that 'SSIS [the economic regulator for water services in the country] is not in the middle between the company and the consumers' [5]. Presumably the intended

Note: Numbers like this one refer to the relevant summary paper, so 12 here stands for the Jakarta case study.

Risks and Constraints to Customer Involvement

As indicated, the majority of regulatory systems support some measure of customer information and consultation, though more often than not information verges on consumer education, which is considered a more limited stage of participation. As long as information and/or education are treated as ‘necessary but not sufficient’ stages for higher level involvement, this could be justified by the relative youth of many systems. So far very few allow involvement beyond consultation, and the leap into the top ranges of empowerment or partnership appears to elude all but an enlightened minority and may even represent a ‘step too far’.

It is interesting to note that the ratings for customer involvement seem to bear little relationship with the countries’ ‘voice and accountability’ score awarded to the national governance system by the World Bank governance indicator survey (Kaufmann et al. 2005). The regulatory system in Zambia clearly has transcended the barrier that reportedly exists for citizen participation in government matters according to this data. Progress observed in Indonesia, a country which scores equally poorly on ‘voice’, is remarkable. [The voice and accountability indicator measures political, civil and human rights.]

Risks and constraints of customer involvement

The combined experience from the case studies shows that customer groups or committees face a number of constraints, which can severely limit the effectiveness of customer involvement. Questions that need to be addressed include membership, resources and remit, capacity and organisation, objectives for involvement and how to maintain focus and avoid politicisation. The following analysis is biased towards formal customer representation arrangements, but lessons can be learnt for other consumer involvement mechanisms, which are discussed subsequently.

Independence and interdependence of customer involvement

The level of independence of (formal) customer representatives from the ‘parent’ regulator seems to be regarded as a prerequisite for effective customer involvement, as implied by the recent changes in the E&W regulatory system. After 16 years of successful cooperation the close relationship between Ofwat and the customer committees was deemed by a new national government to be no longer appropriate and

discontinued. The Consumer Council for Water now operates as an independent statutory body [4]. An analysis of the case studies can give no definite answer as to which arrangements are most effective and hence would be preferable. If anything, the findings suggest that the non-independent groups and committees enjoy high levels of support from the respective regulators, which contribute to their successful operation rather than diminish their value in the public eye.

Membership, representativeness and sustainability

In three of the four countries where formal customer representation exists, membership is open to all interested individuals. While customer committees in the UK and water watch groups in Zambia are formed following an open recruitment process [4,11], Jakarta’s customer committees comprise mostly local politicians from the lowest administrative level [12]. The intended benefit for this arrangement is to exploit existing links between administration, customers and providers. In contrast, vacancies are advertised and posts awarded competitively on the basis of experience and motivation in the case of Zambian WWGs [11]. The E&W system stresses the importance to bring lay and particularly local knowledge to the discussions and seeks to appoint a range of members to represent a balance of interests, gender and ethnic background [4].

The voluntary nature of customer representation, which is presently the norm, is affecting membership. The average committee member in England and Wales could be described as ‘middle-class professional early retiree looking to make a public service contribution’. Small payments have been introduced under the recent reform, and are envisaged to encourage a wider membership in order to achieve a more accurate reflection of society and the various customer groups but initial indications show little change [4]. The absence of allowances for members of WWGs has led to a number of vacancies in Lusaka [11]. The findings seem to suggest that incentives are required to ensure true representativeness and sustain customer involvement at the partnership level, though the nature of incentives (financial, social status, etc.) may depend on the economic conditions and cultural attitudes. Daily wage earners, for instance, cannot afford to commit time to non-essential activities, so that a lack of financial recompense may automatically exclude some of the poorest.

Involving Low-income Customers

The considerably large proportion of the regulatory budget (14%) allocated to customer involvement reflects the Jakarta Water Supply Regulatory Body's commitment to engaging with consumers [12]. Reports from Zambia suggest that the current level of funding for WWGs is inadequate compared with the workload, and the scope of activities is limited by time and financial resources [11]. Recent reforms in E&W have made the customer committees, previously part of and funded by the regulator Ofwat, financially independent by imposing a separate levy on water companies [4]. Worldwide experience to date does not suggest that either mechanism is preferable in terms of allowing customers to inform and influence the regulatory process.

Capacity, focus and the dangers of politicisation

As the selection process in Zambia partly indicated, capacity of representatives both in terms of technical

'[Water companies in England and Wales] treat the opinions of committee members as comic illustrations of their lack of understanding of the realities of running a business.'

Page (2003) , [4]

'The commission has ample access to all the documentation, but it has been proved the commissioners are not sufficiently trained to deal with such amount of technical information. In some cases their misinterpretations require clarifications from regulator's staff.'

Interviewee, ETOSS, Argentina, [15]

and social understanding is essential for successful inputs into the regulatory process. High turnover of members or short tenures can be a significant factor, as new members often require training to perform their assigned tasks. Without strong support, capacity constraints can undermine confidence in the value of customers' contributions, as the following comments illustrate:

These observations illustrate the need to develop 'strong knowledge' (see table 2, next page) for customer representatives to become competent and respected partners in the regulatory process. Care must be taken not to create an 'enlightened elite', however: In order to be effective, customer representatives need to retain to the capacity to access 'weak knowledge' of the average customer, who will not have a detailed understanding of the water industry and the policy

making process.

The England & Wales experience demonstrates how customer pressure can stimulate the evolution of the regulatory and policy framework, which has led to significant improvements for disadvantaged households (e.g. ban on domestic disconnections and the new primary duty for the regulator to 'further the consumer objective', giving regard to low-income and vulnerable customers; Water Act 2003). However, it is most likely that these changes resulted from political and civil society involvement separate from the 'official' customer representatives [4]. Civil society pressure in Bolivia has proven similarly powerful, though the eventual retraction of the La Paz-El Alto contract from the private company and the high turnover of water regulators in times of political turmoil arguably will not have the desired effect of enhancing service delivery for the unconnected poor [9]. Both, in different ways, highlight the political nature of economic water regulation. There is a danger of politicisation of customer committees, whose close affiliation with local, or indeed national, politics may prevent them from acting as (or being perceived as) independent representatives of consumer interests (e.g. Indonesia [12]). Research findings suggest a tendency of consumer organisations to adopt either a political profile or alternatively being used as political pawns. There is a risk that in doing so, customer representatives veer from their original objectives or prioritise areas of their own interest. In a low-trust society this may pre-empt the successful introduction of customer representation as the public views its 'representatives' with some suspicion [10]. On the other hand, politicians may prefer to suppress customer involvement to protect their own interest from the 'threats' of community empowerment [13].

Involving poor consumers

Whatever the format of customer involvement, where in operation, surveys found that low-income customers and unserved households rarely have any grasp of the existence or functions of regulatory bodies and their customer representatives [7,8,11,12]. Low-income focus group respondents in Manila pointed out that even if they were aware of customer forums or water associations operating in their area, the time, cost and social connections required prevent them from accessing their services [8]. Outreach activities of regulators often fail to target the poor effectively. Internet-based information services are inaccessible to

Customer Involvement in Practice

the poor, who also do not appear to be the target audience for newsletters and other published information. The local media is successfully used to reach wide audiences, with radio programmes proving popular even with the poor. Furthermore, it appears that without dedicated staff for pro-poor service development and a clear pro-poor mandate, regulators and customer organisations alike rarely tend to make the poor a priority. The customer commission established by ETOSS in Buenos Aires, for example, was reported to concentrate on quality of service in areas already served by the utility, rather than trying to improve access for poor households in unserved areas [15].

There are a number of reasons why involvement of poor households would be beneficial, and why involvement should not be seen as an 'add-on activity'. Early engagement helps to match user preferences with available service options, or perhaps to innovate such that services offered match consumers' ability and willingness to pay. Involvement thereafter can be of a very practical nature, as the Latin American cases have shown (and indeed the many self-help schemes that can be found in most countries), with communities making in-kind contributions – mostly labour – towards formal services [6,9]. From a regulatory perspective this is highly beneficial as it reduces the frequently cited 'barrier to access', connection charges. Consumer involvement should, however, not end at the project implementation stage.

Continuous involvement should be the aim as customers may have valuable inputs with respect to further service improvements and need to be informed and consulted in the tariff adjustment process. It may also assist in the process of supporting equitable revenue collection which ultimately benefits all customers as bad debts are necessarily transferred to paying customers, rich or poor alike, through increased tariffs and/or reduced quality of service.

Regulators and service providers may have some reservations regarding involving the urban poor, who end up being labelled as 'hard to reach' (e.g. Jordan [10]). Often, however, these are simply due to a lack of capacity to deal with consumers who do not fit standard (imported?) models and a lack of training in participative consultation. Household interviews and focus group discussions undertaken for the research project have indicated considerable interest amongst poor consumers in regular involvement, provided regulators (and/or service providers) are proactive, giving adequate briefings and feedback on results of any consumer engagement activities. The availability of specifically trained staff would be advantageous for soliciting the views of the urban poor who describe themselves as 'often uneducated, afraid of authorities, lacking time and money to "voice" our opinions' [8].

Types of consumer involvement

There are varying degrees of formality and sophistication – and cost – for different models of

Table 2: Customer involvement mechanisms appropriate for different scenarios, highlighting some positive and negative aspects of each major example (Franceys, 2006)

	Appropriate Customer Involvement Mechanisms			
	Involving large numbers of customers (‘non-deliberative’)		Involving small samples of customers (‘deliberative’)	
	Questionnaire surveys Quantitative tool		Focus Groups Qualitative tool	
‘Weak’ knowledge issues relating to everyday experience	standardised information; time series and targeting (location, income groups) possible	sampling may conceal issues pertaining to certain groups only	facilitates detailed understanding of customer perceptions with immediate feedback/moderation	Costly & time- consuming; limited reliability (‘snapshot’ overview)
	Consumer Forum Large, open meetings to air major issues		Customer Committees Direct challengers to providers?	
‘Strong’ knowledge requires exposure to regulatory process, detailed understanding of water issues	can be (moderately) interactive; good publicity?	agenda likely to be determined by influential/ confident speakers; can be superficial?	direct involvement in complaints adjudication/ auditing; educator role	members need adequate resources & training; representativeness difficult to ensure; danger of capture

Involving the Poor: Focus Group Discussions

customer involvement. The appropriate degree of participation in terms of influence and decision-making power awarded to customer representatives (c.f. figure 1, p.5) depends on the complexity of information and the consequences of decisions to be made (as discussed in the contemporary public participation literature, e.g. Robinson, 2003). Table 2 (below left, p8) summarises some customer involvement techniques that, based on the findings of this research, could be recommended as appropriate for the regulatory context. Techniques should be selected according to the target group (in terms of their understanding of the issues at hand and the number of customers to be involved) and the aims of the involvement exercise.

Regulators have successfully used non-deliberative methods to gather information on the entire customer base and/or specific segments [4], and have also been able to use large public forums for education and stakeholder interaction purposes [12]. Advantages and risks of deliberative methods, which actively engage the lay public in discussion, have been discussed above (in the case of formal customer representation).

In the context of involving poor and disadvantaged customers, there are arguments for and against representation by interested individuals or some form of associations. Proponents view NGOs as facilitators of constructive dialogue and participatory performance monitoring, who can also play a strategic role in identifying communities in need of assistance and educating consumers [15]. However, NGOs are not immune to political influence and may represent a regulatory risk if too influential with regulators. [Regulators may succumb to NGO pressure for fear of negative publicity, which is only another form of regulatory capture.]

If 'intermediaries' – whatever their background and affiliation – are chosen to represent customer interests on behalf of poor households or entire communities, they must be chosen carefully, taking into account experience in working with the urban poor and technical competence. More direct interactions between regulators and poor consumers, which were only occasionally observed in the case studies (as for example when one regulator travelled with some participants of a consumer forum directly to a slum area for discussions [12]), could be an opportunity for regulators to gain first-hand information on their most disadvantaged protégés. It was one objective of this research

programme to find out if and how such exchanges could be facilitated.

Focus group discussions (FGDs)

Focus group discussions and FGD methodologies were piloted in selected low-income areas in Uganda, Zambia and the Philippines. [Pilot countries were chosen primarily on the basis of available qualified field staff.] The discussions were found to be a useful method for exchanging ideas and crystallising of key concerns of poor consumers, which could form the basis of on-going two-way communication between regulators and the urban poor. (Details in the tools section on page 10/11.)

Participants responded positively, expressing an interest in regular FGDs provided they would prove to be mutually beneficial [8]. The fairly informal atmosphere in the small groups and the presence of a skilled facilitator allowed all participants to express their views, and were preferred to the public meetings which double as 'customer involvement' in some places (e.g. Zambia [11]). From a research perspective the FGDs were a useful tool to gather facts and opinions and prioritise the key problems affecting a household's level of service, information which would be equally useful for feeding into the regulatory process. The relative simplicity of FGDs was noted as positive [14]. Respondents would welcome the direct participation of regulators and service providers [8,11], such that the FGD methodology could also serve to increase the 'visibility of regulation' within low-income communities. All three pilot studies stressed the importance of making information available in good time to allow participants to prepare for the meeting and make informed contributions, and subsequently to

Below: Focus group trials, Lusaka



Regulatory Tools: Focus Group Discussions in Low-

disseminate information about outcomes of the discussions and next steps to the community [8,11,14]. Where the target group includes daily wage earners, a small allowance may need to be paid to compensate for loss of income as an encouragement for the poorest to participate [8,11].

Rationale

There are a number of participatory methodologies and approaches that have been developed for interacting with low income groups when new service improvements are proposed, such as willingness to pay surveys and *Participation, Ranking, Experience, Perceptions & Partnership* (developed by WEDC, 2004). These methods include demand assessment exercises with a view to implementation.

The proposed regulatory focus groups, however, are primarily intended to be used as a monitoring tool once services have been provided, rather than being a tool for planning new services. Rather than simply monitoring opinions on key issues, the proposed 'low-income consultation focus groups' are intended to reinforce or mimic the regulatory customer forums, where key issues or problems are explored in more depth. The outputs from such focus groups when triangulated with other research methods (customer forum, consumer surveys etc.) should enable the regulator and any existing customer forum to have adequately consulted the low income people in a particular city. FGDs are intended as part of the ongoing customer involvement process, such that repeat FGDs should be planned (yearly intervals).

FGD methodology

Phase 1: Planning focus groups

- Facilitators (it is advisable to have a trained facilitator and a co-facilitator) familiarise themselves with the proposed methodology, the topic guides and jointly with regulator/consumer representative/service provider participants explore possible 'probes' (i.e. potential regulatory issues of concern) to use for each of the topic areas.

- Team decides and agrees criteria for selecting participants. Existing geographical/administrative unit should form a first level sampling frame. The key is to ensure that most of the groups in the target area(s) are represented in the focus groups. (e.g. utility customers

- water vendors, those with yard connections, house connections – and indirect customers, i.e. those people who buy from on-sellers or vendors etc.). Determine number of focus groups required: It is advisable to avoid mixed groups of connected and unconnected consumers. Separate groups for men and women should be considered.

- Each focus group should not exceed 10 people and not be less than 6 people (especially where recorded), though it sends a positive signal to welcome the uninvited and listen to their opinions.

- Optional:* Prepare invitation letters prior to recruiting participants (depending on culture).

- Using the participant profile developed, design a short recruitment questionnaire (15 mins maximum). Visit target area for recruitment of suitable participants close to proposed date of FGD, and distribute invitations, where applicable (possibly use intermediators, who may act as contact person for regular FGDs). Arrangements regarding timing, venue, transport and incentives (e.g. refreshments on the day, complimentary water vouchers) need to be discussed with participants and firmly agreed. Compensation for loss of income may need to be negotiated to allow the poorest of the poor to participate.

- Inform participants of the FGD agenda, allowing enough time for them to make the necessary preparations for the discussions. Provide background information, in an appropriate format.

- Prepare materials required for the focus group (co-facilitator, at least a day before): tape recorder, tapes, batteries (where used), refreshments, incentives, flip charts, pens and papers, tables, chairs, name tags (if used, first names only), etc.

- Venue: ideally seats 6-10 people in a u-shaped or circular position around tables, with as little distraction as possible so that the participants can concentrate fully on the discussion. If it is not possible to get a convenient venue inside the target area, transport fares should be provided to a nearby alternative.

Phase 2: Facilitating focus group discussions

Depending on context, and subject to skilled facilitation, FGDs of about 1.5 hours in length can give useful results. In some contexts, a less prescriptive schedule and longer (open-ended) FGDs may be preferable. It may help to conduct the FGD in local languages, where these differ from the official language.

Income Areas as Customer Involvement Mechanism

- Arrive at the venue well in advance of the agreed time to set up the seating arrangements, test the recording equipment and welcome the participants as they arrive.

- Introduce the FGD team and ask participants to introduce themselves, hand out name tags (neither of the latter two may be necessary where people know each other). Outline the purpose of the discussion.

- Formal FGD*: Ask the participants' permission to use tape recording and mention that they should feel free to stop the tape if they do not want a particular discussion to be recorded.

- Informal FGD*: Begin with an 'energiser' (prayer, song, etc.) or story-telling.

- Start with more general questions and then get down to the specific questions by introducing typical key topics areas for probing (use pictures if appropriate):

Examples: Current levels of water service (including adequacy of: water quantity, quality, taste, timing, reliability, pressure etc), water leakage, water security (e.g. water storage for improving reliability of supply), obtaining a water connection, buying water from neighbours, on-selling of water, buying water from standposts/kiosks, utility responses to complaints and requests, water bill payment arrangements, fairness of tariffs, etc.

- Ask if there are any *other* areas of concern and discuss. Then proceed with participatory ranking of the key issues or areas of concern in order of the most concern.

- Explore the most important priority issues (e.g. top 3, depending on time available), probing each priority topic area considering questions such as 'why', 'how', 'who' and 'what if'-type questions. Continue listening, transcribing and further probing until a clear picture emerges of the groups' concerns. Consider with the group how best to overcome the problem, consider the next priority area. Consider the groups' views on any new utility initiatives (e.g. new bill payment arrangements). Ask how the utility performs relative to other utility service providers such as electricity and telecoms.

- Ask if there are any other burning issues and discuss.

- The facilitator should concentrate solely on moderating and probing while the co-facilitator should focus on taking notes. At the end of the focus, the facilitator may invite his/her assistant to summarise the key points from the discussion. This creates an

opportunity for the participants to make comments on the notes and clarify various issues. Where the more formal tape-recording and note-taking is not used, co-facilitators may note down important points on flip chart paper on the wall for everybody to see.

Participants thus work out the important issues as a group (FGD as a consensus-building exercise).

- Discuss any feedback/follow-ups/updates on the outcomes of the FGD: Discuss how information and the results of FGDs will be used and by whom, and how they will be made available to the participants. Also discuss what actions can be expected from regulators/service providers, and how feedback on outcomes will be reported to the community.

Phase 3: Evaluating discussions

- Transcribe recordings – this is best done on the day of the FGD, but in any case before commencing another FGD: The facilitator and his/her assistant should go through the notes and try to prepare the transcript based on the topic guide used. Try to combine the notes and the tape records in order to fill in gaps. If possible, transcribe the tape in full, although this can be very time consuming.

- When transcripts for the various focus groups have been completed, exchange transcripts with the other teams if there is more than one facilitating team. Provide the team with some index cards or 'post-its' to enable them to write down each of the key quotes emerging from the FGD. Ensure that the index cards are clearly identified with the group for which the transcript is being analysed.

- Each facilitator and their respective co-facilitators should work on the transcripts that they have been allocated, to extract/highlight the quotes that express issues related to the different topic areas: Place 3 –5 flip charts together on a wall. Write each of the broad topic area on the flip charts, at the end you should have something that looks like a big table or spreadsheet. Go through each point on the index cards in detail and then write them down under the correct heading on the flip charts. Look for similarities or quotes that point to similar issues, even though they may not have been

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Customer Involvement and the Poor

recorded under the relevant topic area during the discussion. The aim is to carefully categorise each comment or quote, rather than just sticking 'post its' up on the wall.

•After compiling the key points on flip charts, go through the lists to identify the trends of 'key issues' and summarise in the FGD report including some of the quotes from the transcripts.

In conclusion the case studies demonstrate recent trends in water services delivery and regulation which necessitate more formalised customer involvement arrangements.

Where water service provision is a function of municipal departments, local councillors (as part of the same entity and democratically elected, direct customer representatives) might reasonably have been assumed to have adequate inputs into decision-making on behalf of customers. The shift towards commercial operation of water utilities has removed this 'involvement by default' as it separates operator and regulatory functions. In order to balance the institutional arrangements, where there may be no explicit role for customers except as service recipients, formal customer involvement mechanisms are required to give customers a voice in the regulatory process and hence a means to influence service delivery. To the extent that there is *customer power* over the formal provider and a *citizen voice* involvement in policy-making (World Bank, 2004) there has to be similar, with perhaps more immediate effect, citizen and customer involvement in the regulatory process.

Formal customer involvement as part of the regulatory process is a way of institutionalising this right to be heard (fig. 2), for conventional customers of the formal provider, for present customers of informal providers and for future customers of an effective service provider.

The research findings suggest that there is scope for developing this more inclusive framework for consumer involvement, which specifically targets disadvantaged households. The 'how-to' section (p.10&11) gives confirmation that poor, presently unserved, customers are very interested in and willing to be involved in improving their access to good enough water supply.

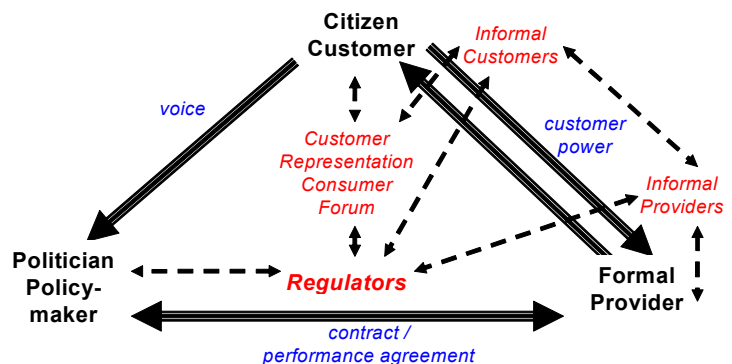


Figure 2: Customer involvement in water regulation

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"...if regulation is the impartial referee in the football match between the government/policy-makers and the utility direct providers (agreeing fair prices in return for societal desired standards), with the customers in the stands expecting a good performance, then the customer forum/customer committee is the biased linesman shouting off-side whenever the game seems to be going against customer interests . . ." (from *Regulating Summary Paper 1 p7*)

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