

Monitoring for Effective Service Delivery

-The Case of USO Funded Schemes

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Introduction:

As is obvious from the Budget 2009-10, the Government has put mainstreaming rural India and achievement of inclusive growth as its number one priority. Thus, this year's budget included announcements such as an allocation of Rs 39,100 crores for the National Rural Employment Guarantee Scheme (NREGS), an increase in allocation for Bharat Nirman with its six developmental streams by 45%, a pilot run of the *Pradhan Mantri Adarsh Gram Yojna* aimed at integrated development of 1,000 villages with more than 50% Scheduled Caste population etc. These are laudable initiatives indeed.

We have all heard about late Shri Rajiv Gandhi's famous quote about only Rs 0.15 out of every Rs one of investment in developmental schemes reaching the target beneficiary. With its previous implementation experience of the NREGS, *Sarv Shiksha Abhiyan*, Public Distribution System (PDS) etc the Government is well aware of the importance of avoiding such a pit falls and is thus experimenting with direct cash transfers and ICT based solutions e.g. biometric identification/smart cards to avoid leakage of subsidies and misappropriation of funds/benefits by intermediaries and corrupt functionaries. The creation of a National User Identification Authority headed by Shri Nandan Nilekani is also aimed at making this easier to achieve. As regards infrastructure creation, Public Private Partnership (PPP) has been widely recognised as the mantra for solving the issue of poor implementation by Government agencies.

In a well argued article, titled, 'The business of public services', Shri Arun Maira has pointed out that neither direct cash transfers nor private sector execution are the answer to the public service problem. His analysis suggests that that the Government must be ultimately responsible and so must regulate effectively. We may involve the private sector in implementation but will also need to involve, educate and empower the public i.e. the community at large and target beneficiaries in particular. Infrastructure, either publicly or privately provided must be available and affordable, people must be able to access it i.e. they must have the means. Service provision public or private must be well regulated by the Government and finally the target community must be involved and empowered. In the author's view too, the essence of effective implementation of developmental schemes, whether the implementing agency is public or private, is delivery of desired end results and benefits to the target populations. This requires a three pronged approach whereby the public is made aware about the scheme and implementation details and a feedback mechanism is available to beneficiaries as illustrated by the diagram below:

Figure 1: Three Pillars of Effective Implementation



Effective Monitoring Begins with Clarity of Purpose

To implement a scheme properly and to monitor it effectively, the primary aim of the scheme must be clear. For e.g. in the case of NREGS the primary aim is guaranteeing 100 days of employment by way of unskilled labour to at least one adult member of every poor household that registers for the same in rural areas. An incidental aim is to use this programme to channel this labour towards useful work and assets such as those aimed at water conservation, and irrigation. To this end, the Government is working on ensuring better identification of projects apart from direct transfer of payments through bank /post office accounts, enhancing transparency of muster rolls and improving grievance redress mechanisms at district level. It is often argued that the labour in NREGS could be put to better use by dove-tailing NREGS with other developmental schemes and by upgrading the skills of labour involved. However, many of the original proponents of the scheme have warned against losing sight of the primary aim by concentrating too much on assets created or trying to address too many issues through the NREGS. The scheme has shown excellent results in states like Tamil Nadu where implementation is better monitored. However as pointed out by Jean Dreze, many important aspects of the scheme embodied in the NREG Act such as unemployment allowance (if work is not provided within 15 days of applying for employment), fines for failure of government functionaries to perform their duties, compensation to workers in case of delayed payments, formulation of grievance redressal mechanisms, have not been properly implemented¹. It is these issues that must be addressed (before we begin to see NREGs as a panacea for all rural

¹Jean Dreze, 'Act fair, give the workers their due,' Times of India dated 12.7.09

development issues-a viewpoint which itself is highly debatable), if we are to achieve the key aim of NREGS i.e. employment guarantee.

Trained Dedicated Administrative Machinery

In the context of NREGs and other rural development programme several writers have pointed out the importance of putting in place the basic institutions and good governance without which tackling both supply side issues of service provision or demand side issues of paying capacities is impossible. For example, Shri S. Narayan, former finance secretary and economic advisor to the P.M points out that given that the nature of the administrative machinery being used for NREGs has not changed in any way since the 1980's, we cannot really expect service delivery to improve in comparison to our earlier schemes in spite of current efforts at improving monitoring, reporting, evaluation and policing.² In this context, it is interesting to study the implementation and monitoring of another ongoing subsidy programme-the Universal Service Obligation Fund (USOF).

The USOF Programme

The USOF is a statutory, non-lapsable fund from which subsidy may be paid to telecom service providers for providing telecommunication services to people in rural and remote areas at affordable and reasonable prices. Since its inception with effect from 1.4.02, this fund has been used to subsidise schemes towards provision of public and individual access to fixed telephones in rural and remote areas across the country. Also after an amendment to the Rules that govern this fund in 2006, schemes have been implemented for setting up of rural shared mobile infrastructure sites and for rural wire line broadband connectivity, again on a pan India level. The latest initiative of USOF is the scheme for augmentation and creation of a shared optical fibre backbone at sub district level beginning with the state of Assam. Here the capacity created is to be made available to all service providers on a non discriminatory basis at a prescribed discounted leasing rate in relation to the Telecom Regulatory Authority's of India's (TRAI) ceiling rates. USOF has also initiated a pilot project scheme to demonstrate the use of new technologies which would be useful in rural telecommunications and another for encouraging the use of renewable energy in rural telecommunications. Till date 5.58 lakh Village Public Telephones (VPTs) and 40,690 Rural Community Phones (RCPs) which are public access phones in villages and 66.76 lakh new individual access phones by way of Rural Household Direct Exchange Limes (RDEls) installed after 1.4.05 and about 108 lakh RDEls installed before 1.4.05 have been supported from the Fund. There is also a scheme to replace old technology MARR VPTs with reliable technology. So far 1.83 lakh MARR VPTs have been replaced. Under the shared mobile infrastructure scheme where mobile towers are installed in villages hitherto deprived of mobile coverage and shared by three mobile service

²S.Narayan, 'A Better Rural programme', Mint dated 31.8.09

providers with USOF support, a total of 6,566 towers have come up³. USOF's t Wire Line Broadband scheme has a target of subsidising about 9 lakh rural broadband connections and setting up 28,000 rural broadband kiosks for public access to broadband. Up to 30.10.09, there has been a total USOF subsidy outflow of about Rs 9600 crores towards these schemes.

USOF is a Unique Programme

This programme is unique in the sense that there is an all India set up of departmental offices by way of Controller of Communication Accounts Offices (CCA Offices are field offices of the Department of Telecommunications(DOT)) that receive and settle USOF subsidy claims from service providers, supervise and facilitate scheme implementation where required and also perform the vital function of post payment verification of subsidy claims by way of a combination of documentary checks and field inspections. In this manner USOF ensures that leakages are avoided and scheme objectives are actually achieved on ground. In USOF schemes subsidy payments are made only after the actual infrastructure/services are commissioned. Payments are distributed over the Agreement period to ensure effective service delivery. The subsidy claims from TSPs against various activities are based on self certification by service providers as to adherence to terms and conditions of the concerned USOF Agreements. In addition, subsidy claims for end-user oriented services are required to be based on billing records. For e.g. claims submitted for public access facilities i.e. VPTs and RCPs, private access facilities i.e. Rural Household Direct Exchange Lines(RDELs) and rural broadband connections require documentary proof by way of customers having actually been billed for services. Subsidy is deducted for non-performance based on certified lists of disconnected and zero meter reading connections and faulty periods that accompany claims. Claims are subject to this verification by CCA Offices before they send requisitions to USOF Administration for net payable amounts. The latter checks requisition for accuracy and then sanctions payments. Post payment, sample based verification of claims is carried out by CCA Offices for their respective service area and any ineligible subsidy amount thus detected is adjusted against subsequent claims. Thus, the infamous gap between releases of funds and their actual utilisation which plagues many a government scheme, does not even *exist* in USOF schemes To further appreciate the monitoring mechanism in USOF one needs to first understand the monitoring requirements of USOF

A. The Underlying Principle

It is understood that given various supply side (remoteness, lack of power, roads and other supporting infrastructure) and demand side constraints (low paying capacity, illiteracy and hence lack of perceived demand for ICT services) the provision of rural telecommunications services cannot be left to market forces alone

³ The target is 74440 towers which is likely to be achieved this financial year.

and the Government must step in through programmes like USOF to address the initial viability gap. The emphasis of USOF activities is on incentivizing the public and private telecom operators to provide services in rural areas on an efficient, cost effective and viable business case basis. Thus USOF Administration designs scheme parameters and floats tenders to select the implementing Telecom Service Providers(TSPs). The successful bidders(s) implement the scheme as per the terms and conditions of agreements they enter into with USOF Administration. The infrastructure thus created is owned by the TSPs. Subsidy support is provided for a finite period after which it is expected that the endeavour would attain commercial sustainability and would continue to generate revenues for the owner- service providers. It is logical to expect that this being the case, the recipient of subsidy would in his own interest utilize the same to create robust infrastructure, which would be the bedrock of its commercial operations in the post-subsidy phase. Apart from that, USOF subsidized telecom services are subject to TRAI's Quality of Service (QoS) parameters and associated checks and this is highlighted in USOF Agreements. At times even within the DOT there is a tendency to lose sight of the principle aim of service delivery and instead focus too much on the technical aspects of schemes and the assets created. Though these are definitely constituents of effective and sustained service delivery they are not the central objective of the USOF schemes. In the author's opinion this attitude also runs the danger of introducing rigidities in scheme design whereby there is a lack of flexibility in appreciating alternative and often simpler technologies and routes to achieving the principle aim of rural service delivery. This mindset also overemphasizes verification of the technical aspects of implementation rather than desired end results by way of effective service delivery.

Even in USOF's most infrastructure centric schemes such as those for shared OFC Connectivity and shared Mobile Infrastructure, though infrastructure is to be created with the support of USOF, the assets thus created have a long term value for TSPs which inevitably extends far beyond the subsidy payment period of 3-5 years. With the progressive saturation of urban markets and steady development of the country and therefore the inevitable development of rural and remote areas, these infrastructural assets are likely to generate significant revenues in the long run and hence TSPs would not compromise on their quality. Sub standard quality of infrastructure is in any case brought to the notice of USOF by sharing service providers, acting an additional check. Further if the TSP were to create or maintain poor quality of basic infrastructure, the long term business case of the TSP would be badly affected.

USOF's monitoring effort accordingly requires to be focused not so much on the technical aspects of mobile towers or OFC networks etc, as on the fair sharing of the same with other service providers and proper customer service provision as prescribed by USOF agreements. This would ensure the USOF's target beneficiaries are able to reap the advantages of good quality affordable telecom services, which in turn would be expected to emanate from healthy competition amongst multiple service providers,

be it in the area of mobile telephony or broadband. The focus of USOF monitoring for infrastructural support schemes is thus on the following lines:

(i) At the completion of roll out, to conduct a one time inspection of physical infrastructure. Thus, in the Mobile Infrastructure scheme cent percent physical authentication is being carried out by CCA Office inspection teams who verify the information furnished in the self certificate submitted by the TSPs along with the first subsidy claim. In the OFC scheme this work is outsourced to a technical consultant.

(ii) In the subsequent period and throughout the validity of the Agreement, monitoring is to focus on tariffs being charged to other telecom operators/customers as the case may be, customer satisfaction, quality of service and proper grievance redress. In the broadband scheme for example, where a major target segment is rural government institutes, the CCA Offices are liaising with state/local governments to spread awareness and this channel can also be used to assess end user satisfaction. Rural Broadband Kiosks form an important part of the scheme and these are to be physically monitored through CCA inspections. All these activities require familiarity with telecom tariff and customer management systems for efficient monitoring, besides the ability to coordinate with State/Local authorities. Having a good administrative set up of trained officers is a huge plus point in USOF's favour.

Prescribed Safeguards

All USOF Agreements with TSPs contain the following provisions by way of monitoring and control of activities:

- ◆ All subsidy claims by the service providers are to be self-certified by way of an Affidavit to ensure that claims are being submitted in accordance with terms and conditions of the Agreements.
- ◆ Checking of subsidy claims to ensure compliance with instructions contained in the respective USF Agreements is done by the 22 CCA Offices to whom this work has been delegated. Post payment monitoring by way of cent percent/sample physical verification is also carried out by the CCA Offices.
- ◆ To safeguard the interest of the Government further provisions exist in the Agreements for submission of a statutory auditors' report by the TSPs annually, Any amount found to have been claimed and paid in excess of 10% of the amount due is to be recovered from the service providers along with penal interest.
- ◆ The amount of subsidy found to be inadmissible/wrongly claimed at the time of preliminary checking of the claims as also post-facto verification/inspection is disallowed & adjusted against subsequent quarter claims
- ◆ The Agreements provide for deductions in subsidies if the facility is non-functional on account of closure, faults, or disconnection for non-payment.
- ◆ The Agreements for new installations provide for imposition of liquidated damages in case of failure to meet the roll-out obligation
- ◆ To ensure adherence to the quality of service as prescribed by TRAI and specially envisaged in the schemes, suitable clauses are included in the Agreements entered into with the TSPs. They are also required to maintain and submit various records and returns in this regard.

B. Physical and Documentary Verification

As mentioned earlier, subsidy payment, and claim authentication functions of USOF are carried out by 22 CCA Offices located at the HQs of the respective telecom service areas. Detailed instructions, schedules and formats have been prescribed for the same by USOF Administration. For facilities such as RDELs and individual broadband connections whose numbers run into several lakhs and which are located in private premises; sample physical verification is supplemented by measures such as tele-calling and inspection of records from the billing/Customer Relations Management (CRM) systems of service providers as well as other documents such as Customer Application Forms (CAFs). Inspection reports are compiled and submitted to the USOF Administration at New Delhi, every quarter. Here they are carefully analyzed for necessary remedial action, instructions etc. USOF Administration's instructions prescribe that in case of detection of significant irregularities as a result of inspection the prescribed sample size is to be increased. At any stage where claims are doubtful, subsidy is withheld and based on further verification it may be disallowed.

C. Special Verification Drives & Corrective Measures

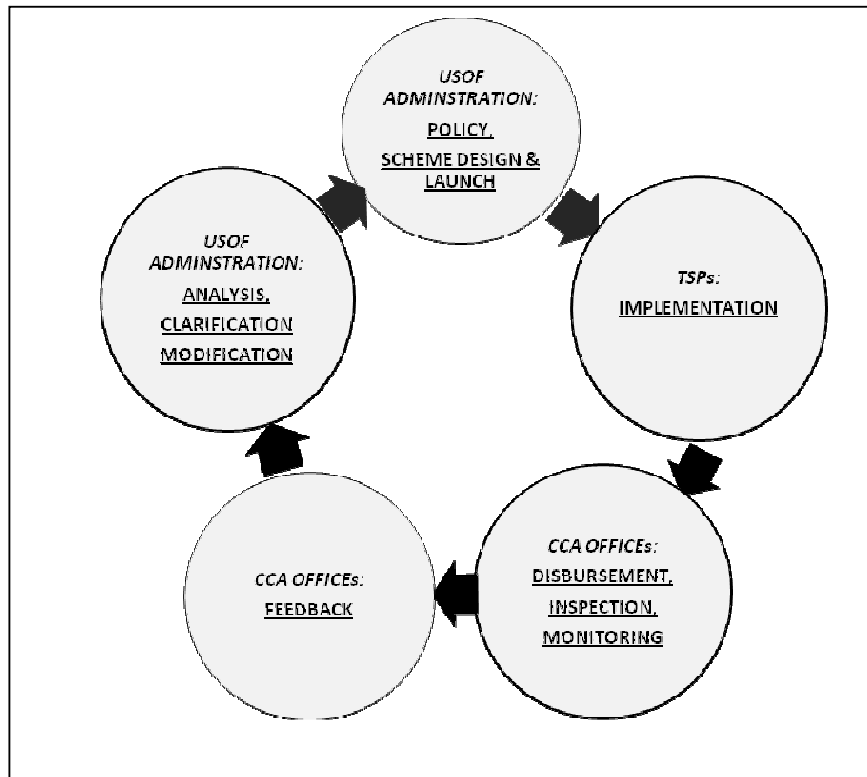
Based upon analysis of physical inspection reports from CCA Offices, wherever a persistent and widespread irregularity is suspected, special verification drives are launched whereby detailed and exhaustive authentication is carried out. Thus in 2004-05 a special drive was launched to verify every VPT claimed, against billing records, so as to establish the authenticity of VPT claims. Similarly in 2007-08, around 10 lakh RDELs installed in the last quarter of 2007-08 were verified by adopting a multistage scientifically designed statistical sampling methodology. Further, the claim submission formats themselves are modified to respond to field realities. For e.g. when reports flowed in from CCA offices about RDELs claims being erroneous on account of location of DELs in urban areas, it was decided that claims be submitted against the village wise census codes.

D. Valuable Impact of Inspections

The physical checks conducted on sample basis by the CCA offices have lead to valuable insights into field level functioning of USOF scheme and necessary corrective measures. For example based on the inspection reports and feedback obtained from CCA Offices, it was realized that there were implementation problems in USOF's VPT schemes. These included inter alia lack of genuine public access, non provision of prescribed sign boards advertising the presence of a public access phone and detailing & tariff, timing and complaint mechanism related information, frequent faults, poor grievance redress, rural power shortages and consequent non functioning of battery based CDMA Fixed Wireless Telephone(FWT) VPTs. Based on these inputs, corrective action was initiated by USOF Administration. Today VPT directories are being printed by every telecom circle listing the phone number and address of every VPT, advertisements are being placed in newspapers to educate the public about VPT

schemes, sign boards and tariff charts etc are being increasingly displayed, toll free numbers for complaints are being provided etc. Also to tackle the issue of powering CDMA FWT VPTs, one lakh such VPTs are being provided solar charging devices under joint subsidization of USOF and Ministry of New and Renewable Energy. It is the customer and service delivery oriented inspections carried out by CCA offices which have sensitized the USOF Administration to such implementation issues, making USOF a unique subsidy programme where the targets are monitored at ground level by experts who regularly interact with rural population. Several issues such as tariffs being charges in excess of TRAI or broadband speeds being less than the prescribed 512 kbps ceiling have also been pointed out by inspections and necessary corrective action has been taken. This ground level feedback has also served as valuable input to USOF administration in improving scheme design for future schemes besides pointing out the direction for future policy. This valuable policy-implementation-feedback loop is depicted in the diagram below:

Figure 2: Effective Implementation: The Design, Implementation and Feedback Cycle



E. Monitoring & Facilitation during Construction Phase

CCA Offices are intensively involved in facilitation of USOF’s Mobile Infrastructure Scheme whereby they have been designated to:

- Liaise with State and Local Government authorities to resolve problems such as land acquisition , security and power being faced by service providers

- Coordinate between the infrastructure providers and three service providers implementing these schemes in their service and to highlight pertinent issues which require action by USOF Administration. They hold regular meetings in this regard and a report to USOF HQ in prescribed formats.
- Report in detail on the progress of the scheme by way of achievement of well defined milestones as per prescribed MIS formats

In this process they have been of considerable assistance in to service providers' in resolving problems of power and land acquisition with state/local government bodies and in settling local issues amongst TSPs themselves. They have also highlighted several important implementation issues such as problems of non availability of grid power supply and backhaul, delay in signing of service level agreements between service providers, mutual disagreement over site commissioning etc, which have led to necessary corrective action and will serve as inputs into the design for USOF's future schemes.

Scope for Improvement

There is still significant scope for strengthening public awareness and grievance redress aspects in USF schemes. Some CCA Offices have been able to effectively tap into the information dissemination mechanisms of state government and have made commendable efforts to spread awareness and institute a measure of grievance redress into the field level implementation of USOF schemes. Thus, CCA Office Haryana ensured that user friendly information on schemes and implementation details in Hindi was placed on its own and State/ District websites and feedback encouraged from target beneficiaries. Others such as Tamil Nadu CCA have held workshops with VPT custodians to ensure proper service delivery. Apart from that, all the CCA Offices regularly interact with local populations during field inspections carrying back valuable grass root level feedback. Yet much more needs to be done to formalise feedback and grievance redress mechanisms at the CCA level and at USOF Administration level. There is also scope for further improvement in the sampling and reporting techniques used for verification. An exercise to this effect is currently being carried out by the USOF Administration. Newer USOF Agreements have also made the requirement for awareness creation by the TSPs and mandatory display of Sign Boards containing details of scheme sponsorship, tariffs, and grievance redress related information much stricter.

Conclusion

USOF schemes are being effectively monitored in terms of ground level implementation. The arrangement of departmental offices conducting physical inspection and verification through a combination of tele-calling, documentary checks and physical inspections as a part of the claim settlement process is very effective. Based on their close monitoring CCA Offices are able to withhold and disallow subsidy as per verification. Due care is taken to ensure subsidy payout only against genuine claims and the same verification mechanism also generates valuable feedback which is used by USOF Administration effect vital mid course corrections to schemes or to better design future schemes for effective implementation . Thus though every developmental scheme may not have the USOF advantage of an all India

network of trained departmental officers to monitor and verify ground level results, the above discussion does highlight the importance of correctly identifying aims and systematically using verification as a means of effecting improvement in service delivery. For others schemes, similar results can be achieved with the help of NGOs and volunteers who could be ex service men and retired civilian officials. The fundamental aspect of efficient implementation is however correct identification of aims. For example, the NREGS is about guaranteed employment and asset creation is a added benefit. In USOF schemes, provision of affordable telecommunications services for rural India is the main aim and asset creation (especially where ownership rests not with government but with service providers) is an additional benefit. One must not miss the woods for the trees.

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