Sample Cases from Princeton University’s Innovations for Successful Societies

Content:

- Overview of ISS Cases – All Cases to-date by Country
- Sample Cases:
  - Calling Citizens, Improving the State: Pakistan’s Citizen Feedback Monitoring Program, 2008-2014
  - Reclaiming the City: Police Reform in Mexico City, 2002-2008
  - Restructuring Service Delivery: Johannesburg, South Africa, 1996-2001
  - Keeping up with a Fast-Moving City: Service Delivery in Bangalore, India, 1999-2004
## Overview of ISS Cases

<table>
<thead>
<tr>
<th>Country</th>
<th>Title</th>
<th>Author(s)</th>
<th>Focus Area(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Building Trust in Government: Afghanistan’s National Solidarity Program, 2002-2013</td>
<td>Rushda Majeed</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Albania</td>
<td>A New Face for a Tired City: Edi Rama &amp; Tirana, Albania, 2000–2010</td>
<td>Tumi Makgetla</td>
<td>City Management, News</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Energizing the Civil Service: Managing At The Top 2, Bangladesh, 2006–2011</td>
<td>Rushda Majeed</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>Brazil</td>
<td>Asserting the Presence of the State, One Step at a Time: Rio de Janeiro, Brazil, 2008–2010</td>
<td>Richard Bennet</td>
<td>City Management, Accountable Policing</td>
</tr>
<tr>
<td>Brazil</td>
<td>Strengthening Public Administration: Brazil, 1995–1998</td>
<td>Rushda Majeed</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Brazil</td>
<td>Inducing Honesty, Changing Norms: Government Ethics in Brazil, 1995–2004</td>
<td>Deepa Iyer</td>
<td>Anti-Corruption, Civil Service</td>
</tr>
<tr>
<td>Brazil</td>
<td>A Higher Standard of Service in Brazil: Bahia’s One Stop Shops, 1994-2003</td>
<td>Michael Scharff</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Brazil</td>
<td>A Second Life For One-Stop Shops: Citizen Services In Minas Gerais, 2003-2013</td>
<td>Rushda Majeed</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>Brazil</td>
<td>Controlling Deforestation in the Brazilian Amazon: Alta Floresta Works Towards Sustainability, 2008-2013</td>
<td>Rachel Jackson</td>
<td>City Management</td>
</tr>
<tr>
<td>Brazil</td>
<td>Defending the Environment at the Local Level: Dom Eliseu, Brazil, 2008-2014</td>
<td>Maya Gainer</td>
<td>Natural Resource Management</td>
</tr>
<tr>
<td>Brazil</td>
<td>A Credible Commitment: Reducing Deforestation in the Brazilian Amazon, 2003-2012</td>
<td>Rachel Jackson</td>
<td>Natural Resource Management</td>
</tr>
<tr>
<td>Chile</td>
<td>Transferring Power in a Crisis: Presidential Transition in Chile, 2010</td>
<td>Robert Joyce</td>
<td>Centers of Government, Civil Service</td>
</tr>
<tr>
<td>Chile</td>
<td>Civilians at the Helm: Chile Transforms its Ministry of National Defense, 2010-2014</td>
<td>Tristan Dreisbach</td>
<td>Civil-Military</td>
</tr>
<tr>
<td>Colombia</td>
<td>Organizing the Return of Government to Conflict Zones: Colombia, 2004–2009</td>
<td>Matthew Devlin, Sebastian Chaskel</td>
<td>Accountable policing, Civil Service</td>
</tr>
<tr>
<td>Colombia</td>
<td>From Fear to Hope in Colombia: Sergio Fajardo and Medellín, 2004–2007</td>
<td>Matthew Devlin, Sebastian Chaskel</td>
<td>City Management, Civil Service</td>
</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Author(s)</td>
<td>Focus Area(s)</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Croatia</td>
<td>Cleaning House: Croatia Mops Up High-Level Corruption, 2005–2012</td>
<td>Gabriel Kuris</td>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Egypt</td>
<td>Building the Capacity to Regulate: Central Bank Reform in Egypt, 2003–2009</td>
<td>Deepa Iyer</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>Egypt</td>
<td>Building Civic Participation and Enforcing the Law: Qena, Egypt, 1999–2006</td>
<td>Richard Bennet</td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>Reclaiming an Egyptian Treasure: Restoring Infrastructure and Services, Alexandria, 1997–2006</td>
<td>Rushda Majeed</td>
<td>City Management</td>
</tr>
<tr>
<td>Estonia</td>
<td>Improving Consultation and Cooperation to Create a National Strategy: Drafting Estonia 2020</td>
<td>Elena Lesley</td>
<td>Strategy</td>
</tr>
<tr>
<td>Georgia</td>
<td>Rejuvenating the Public Registry: Republic of Georgia, 2006–2008</td>
<td>Andrew Schalkwyk</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Georgia</td>
<td>Delivering on the Hope of the Rose Revolution: Public Sector Reform in Georgia, 2004–2009</td>
<td>Richard Bennet</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>Ghana</td>
<td>Professionalization, Decentralization, and a One-Stop Shop: Tax Collection Reform in Ghana, 1986–2008</td>
<td>David Hausman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>India</td>
<td>Coalition Building in a Divided Society: Bihar State, India, 2005–2009</td>
<td>Rohan Mukherjee</td>
<td>Decentralization, Civil Service, Patronage</td>
</tr>
<tr>
<td>India</td>
<td>Promoting Peace Through Development: Assam State, India, 2001–2009</td>
<td>Rohan Mukherjee</td>
<td>Expectations, Reform, Patronage</td>
</tr>
<tr>
<td>India</td>
<td>Reviving the Administration, Bihar State, India, 2005–2009</td>
<td>Rohan Mukherjee</td>
<td>News, Civil Service</td>
</tr>
<tr>
<td>India</td>
<td>Clearing the Jungle Raj, Bihar State, India, 2005–2009</td>
<td>Rohan Mukherjee</td>
<td>Accountable Policing</td>
</tr>
<tr>
<td>India</td>
<td>Keeping Up With a Fast-Moving City: Service Delivery in Bangalore, India, 1999–2004</td>
<td>Michael Woldemariam</td>
<td>City Management, Civil Service</td>
</tr>
<tr>
<td>India</td>
<td>Reducing Discretion, Improving Service: Computerizing Land Records in Karnataka, India, 1998–2003</td>
<td>David Hausman</td>
<td>Patronage, Civil service</td>
</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Author(s)</td>
<td>Focus Area(s)</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>India</td>
<td>Modernizing the State, Connecting to the People: Bihar, India, 2005-2012</td>
<td>Juliette John, Rushda Majeed, Pallavi Nuka</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Against the Odds: Attempting Reform in Suharto's Indonesia, 1967–1998</td>
<td>Matthew Delvin</td>
<td>Reform Team, Civil Service, Patronage</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Decentralizing Authority in Post-Suharto Indonesia: The Big Bang Theory, 1998–2010</td>
<td>Richard Bennet</td>
<td>Decentralization, Civil Service</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Instilling Order and Accountability: Standard Operating Procedures at Indonesia’s Ministry of Finance, 2006–2007</td>
<td>Rushda Majeed</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Defusing a Volatile City, Igniting Reforms: Joko Widodo and Surakarta, Indonesia, 2005–2011</td>
<td>Rushda Majeed</td>
<td>City Management</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Holding the High Ground with Public Support: Indonesia’s Anti-Corruption Commission Digs In, 2007–2011</td>
<td>Gabriel Kuris</td>
<td>Anti-Corruption, Divisiveness</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Inviting a Tiger into Your Home: Indonesia’s Anti-Corruption Commission Cuts its Teeth, 1999–2007</td>
<td>Gabriel Kuris</td>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Translating Vision into Action: Indonesia’s Delivery Unit, 2009-2012</td>
<td>Michael Scharff</td>
<td>Centers of Government</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Expanding and Diversifying Indonesia’s Program for Community Empowerment, 2007-2012</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Services for the People, by the People: Indonesia’s Program for Community Empowerment, 1998-2006</td>
<td>Rushda Majeed</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Back to the Barracks: Getting the Indonesian Military Out of Politics, 1998-2000</td>
<td>Tristan Driesbach</td>
<td>Anti-Corruption, Civil Service</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Cooperation and Conflict in Indonesia: Civilians March into Military Reform, 1999-2004</td>
<td>Tristan Driesbach</td>
<td>Civil Service, Strategy</td>
</tr>
<tr>
<td>Italy</td>
<td>Palermo Renaissance (Part 1): Rebuilding Civic Identity and Reclaiming a City from the Mafia in Italy, 1993–2000</td>
<td>Laura Bacon, Rushda Majeed</td>
<td>Reform Team, City Management, Patronage</td>
</tr>
<tr>
<td>Italy</td>
<td>Palermo Renaissance (Part 2): Reforming City Hall, 1993–2000</td>
<td>Rushda Majeed, Laura Bacon</td>
<td>Reform Team, City Management, Patronage</td>
</tr>
<tr>
<td>Italy</td>
<td>Palermo Renaissance (Part 3): Strengthening Municipal Services, Italy, 1993–2000</td>
<td>Rushda Majeed, Laura Bacon</td>
<td>Reform Team, City Management, Patronage</td>
</tr>
<tr>
<td>Kenya</td>
<td>Building a Culture of Results: Rapid Results Initiatives in Kenya, 2005-2012</td>
<td>Rushda Majeed</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Kenya</td>
<td>Transforming the Courts: Judicial Sector Reforms in Kenya, 2011-2015</td>
<td>Maya Gainer</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Kosovo</td>
<td>An Eye on Justice: Monitoring Kosovo’s Courts, 2008-2014</td>
<td>Tristan Driesbach</td>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Author(s)</td>
<td>Focus Area(s)</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Latvia</td>
<td>Surmounting State Capture: Latvia’s Anti-Corruption Agency Spurs Reforms, 2002-2011</td>
<td>Gabriel Kuris</td>
<td>Anti-Corruption, Reform Team</td>
</tr>
<tr>
<td>Liberia</td>
<td>Cleaning the Civil Service Payroll, Liberia, 2008–2011</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Liberia</td>
<td>Getting Reforms Off the Ground: Roberts International Airport, Liberia, 2006–2009</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Liberia</td>
<td>Saving a Sinking Agency: The National Port Authority of Liberia, 2006–2011</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Civil Service, Patronage</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Tying Performance Management to Service Delivery: Public Sector Reform in Malaysia, 2009–2011</td>
<td>Deepa Iyer</td>
<td>Centers of Government, Civil Service</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Empowering Operational Staff: Land Registration in Sarawak, Malaysia, 2006–2009</td>
<td>Deepa Iyer</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Mauritius</td>
<td>From a Rocky Start to Regional Leadership: Mauritius’s Anti-Corruption Agency, 2006-2012</td>
<td>Gabriel Kuris</td>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Mexico</td>
<td>Reclaiming the City: Police Reform in Mexico City, 2002-2008</td>
<td>Rachel Jackson</td>
<td>Accountable Policing</td>
</tr>
<tr>
<td>Mexico</td>
<td>Restoring Credibility to Mexico’s Electoral Process, 2006-2012</td>
<td>Rachel Jackson</td>
<td>Elections</td>
</tr>
<tr>
<td>Mexico</td>
<td>Retooling a Workforce to Match Industry Needs: Mexico Revamps Skills-Based Vocational Training, 2008-2012</td>
<td>Gabriel Kuris</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Author(s)</td>
<td>Focus Area(s)</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>Mexico</td>
<td>Weathering the Storm: Felipe Calderón's Office of the Presidency, Mexico, 2006-2012</td>
<td>Robert Joyce</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>Fostering an Innovative Economy: Launching a Technology Park, Mexico, 2004-2010</td>
<td>Anna Levy, Ariana Markowitz</td>
<td>Centers of Government, Civil Service</td>
</tr>
<tr>
<td>Mexico</td>
<td>Forests, Farms, and the Future of the Lacandon Jungle: Payments for Environmental Services in Mexico, 2007-2014</td>
<td>Blair Cameron</td>
<td>Forestry</td>
</tr>
<tr>
<td>Mexico</td>
<td>Mexico's Moment: The 2012 Presidential Transition</td>
<td>Robert Joyce</td>
<td>Center of Government</td>
</tr>
<tr>
<td>Mexico</td>
<td>Protecting Xalapa’s Water: Sustainable Management of the Pixquiac River Watershed in Veracruz, Mexico, 2005-2015</td>
<td>Blair Cameron</td>
<td>Natural Resources</td>
</tr>
<tr>
<td>Mongolia</td>
<td>From Central Planning to Performance Contracts: New Public Management in Mongolia, 1996–2009</td>
<td>David Hausman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Morocco</td>
<td>Redesigning a Public Agency: Social Security in Morocco, 2001-2010</td>
<td>Romain Ferrali</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Morocco</td>
<td>Quenching Their Thirst: Morocco Brings Water to Rural Citizens, 2004–2014</td>
<td>Tristan Driesbach</td>
<td>Decentralization, Natural Resources</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Compromise and Trust-Building After Civil War: Elections Administration in Mozambique, 1994</td>
<td>Amy Mawson</td>
<td>Divisive Effects, Elections</td>
</tr>
<tr>
<td>Nigeria</td>
<td>A Change Agent in the Tax Office: Nigeria’s Federal Inland Revenue Service</td>
<td>Richard Bennet</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Remaking a Neglected Megacity: A Civic Transformation in Lagos State, 1999-2012</td>
<td>Gabriel Kuris</td>
<td>City Management</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>Breaking the Cycle of Violence: Elections in Northern Ireland, 2005</td>
<td>Michael Scharff</td>
<td>Elections, Accountable Policing</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Calling the Public to Empower the State: Pakistan’s Citizen Feedback Monitoring Program, 2008-2014</td>
<td>Omar Masud</td>
<td>Short route accountability</td>
</tr>
<tr>
<td>Peru</td>
<td>Battling a Cancer: Tackling Corruption in Peru, 2011-2014</td>
<td>Blair Cameron</td>
<td>Countering Criminal Economies, Anti-Corruption</td>
</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Author(s)</td>
<td>Focus Area(s)</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Philippines</td>
<td>Listening to the Public: A Citizen Scorecard in the Philippines, 2010-2014</td>
<td>Maya Gainer</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Government Through Mobilization: Restoring Order After Rwanda's 1994 Genocide</td>
<td>David Hausman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Rwanda</td>
<td>The Promise of Imihigo: Decentralized Service Delivery in Rwanda, 2006–2010</td>
<td>Daniel Scher</td>
<td>Decentralization, Civil Service</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Rebuilding the Civil Service After War: Rwanda After the Genocide, 1998–2009.</td>
<td>David Hausman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Enhancing Capacity, Changing Behaviors: Rapid Results in Gashaki, Rwanda, 2008</td>
<td>Rushda Majeed</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Shifting the Cabinet into High Gear: Agile Policymaking in Rwanda, 2008–2012</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Centers of Government</td>
</tr>
<tr>
<td>Serbia</td>
<td>Forging a National Strategy through EU Accession: Serbia, 2007-2011</td>
<td>George Gavrilis</td>
<td>Strategy</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Turning the Lights on in Freetown, Sierra Leone: Completing of the Bumbuna Hydroelectric Power Plant, 2007–2009</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Building Strategic Capacity in the Police: Sierra Leone, 1998–2008</td>
<td>Jonathan (Yoni) Friedman</td>
<td>Accountable Policing</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>A Promise Kept: How Sierra Leone’s President Introduced Free Health Care in One of the Poorest Nations on Earth, 2009–2010</td>
<td>Michael Scharff</td>
<td>Centers of Government, Reform Team</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Delivering on a Presidential Agenda: Sierra Leone’s Strategy and Policy Unit, 2010–2011</td>
<td>Michael Scharff</td>
<td>Centers of Government, Reform Team</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Mediating Election Conflict in a Bruised Society: Code of Conduct Monitoring Committees in Post-War Sierra Leone, 2006-2012</td>
<td>Rachel Jackson</td>
<td>Divisive Effects, Elections</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Bringing Government Data Into the Light: Slovakia’s Open Data Initiative, 2011-2015</td>
<td>Jordan Schneider</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Toothless but Forceful: Slovenia’s Anti-Corruption Watchdog Exposes Systemic Graft, 2004-2013</td>
<td>Gabriel Kuris</td>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Multiple</td>
<td>From Underdogs to Watchdogs: How Anti-Corruption Agencies Can Hold Off Potent Adversaries</td>
<td>Gabriel Kuris, Jonathan (Yoni) Friedman</td>
<td>Anti-Corruption</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>Starting From Scratch in Recruitment and Training: Solomon Islands, 2004–2009</td>
<td>David Hausman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>South Africa</td>
<td>Managing Spoilers at the Bargaining Table: Inkatha and the Talks to End Apartheid, 1990–1994</td>
<td>Daniel Scher</td>
<td>Decentralization</td>
</tr>
<tr>
<td>South Africa</td>
<td>Organizing the First Post-Apartheid Election: South Africa, 1994</td>
<td>Amy Mawson</td>
<td>Divisive Effects, Elections</td>
</tr>
<tr>
<td>Country</td>
<td>Title</td>
<td>Author(s)</td>
<td>Focus Area(s)</td>
</tr>
<tr>
<td>-------------</td>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>South Africa</td>
<td>Negotiating Divisions in a Divided Land: Creating Provinces for a New South Africa, 1993</td>
<td>Rachel Jackson and Tumi Makgetla</td>
<td>Decentralization</td>
</tr>
<tr>
<td>South Africa</td>
<td>Reforming Without Hiring or Firing: Identity Document Production, South Africa 2007–2009</td>
<td>David Hausman</td>
<td>Reform Team, Civil Service</td>
</tr>
<tr>
<td>South Africa</td>
<td>Reworking the Revenue Service: Tax Collection in South Africa, 1999–2009</td>
<td>David Hausman</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Restoring Police Service with a Community Vision: Tanzania, 2006–2009</td>
<td>Daniel Scher, Jonathan (Yoni) Friedman</td>
<td>Reform team, accountable policing</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Creating an Affordable Public Service: Tanzania, 1995–1998</td>
<td>Jennifer Widner and Andrew Schalkwyk</td>
<td>Civil Service</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Preparing to Draft a New Social Contract: Tunisia’s National Constituent Assembly Election, 2011</td>
<td>Daniel Tavana</td>
<td>Elections</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Where Credit is Due: Microfinance Regulatory Reform, Tunisia, 2011–2014</td>
<td>Robert Joyce</td>
<td>Centers of Government, Civil Service, Economic Services, Strategy</td>
</tr>
<tr>
<td>United States</td>
<td>Blowing the Whistle on the Pay-to-Play Game: Campaign Financing Reform in New Jersey, 1998 – 2012</td>
<td>Rachel Jackson</td>
<td>Anti-Corruption, Patronage pressure</td>
</tr>
<tr>
<td>United States</td>
<td>Rethinking the Role of the Cabinet: Maryland’s Center of Government Reforms, 2007–2012</td>
<td>Michael Scharff</td>
<td>Centers of Government</td>
</tr>
</tbody>
</table>
CALLING CITIZENS, IMPROVING THE STATE:
PAKISTAN'S CITIZEN FEEDBACK MONITORING PROGRAM, 2008 – 2014

SYNOPSIS

In early 2008, Zubair Bhatti, administrative head of the Jhang district in Pakistan’s Punjab province, recognized the need to reduce petty corruption in the local civil service—a problem that plagued not only Punjab but also all of Pakistan. He began to contact citizens on their cell phones to learn about the quality of the service they had received. Those spot checks became the basis for a social audit system that spanned all 36 districts in Punjab by 2014. The provincial government outsourced much of the work to a call center, which surveyed citizens about their experiences with 16 different public services. The data from that call center helped district coordination officers identify poorly performing employees and branches, thereby enhancing the capability of the government to improve service delivery. By early 2014, the province was sending about 12,000 text messages daily to check on service quality. More than 400,000 citizens provided information between the beginning of the initiative and 2014. Known as the Citizen Feedback Monitoring Program, the Punjab’s social audit system became the template for similar innovations in other provinces and federal agencies in Pakistan.

Mohammad Omar Masud drafted this case study based on interviews conducted in Punjab, Pakistan, in January and March 2014. Case published February 2015.

INTRODUCTION

In March 2008, an irate government official walked into the office of Zubair Bhatti, district coordination officer (DCO) of Jhang district, in Pakistan’s Punjab province. The official complained that one of the land registry employees—someone working only a few steps away—had asked him for a bribe. “I have been trying to tell him that I am a government officer, but he is still asking for money to register my property transfer document,” the official explained.

Bhatti, whose job put him in charge of the district administration, conducted a surprise inspection and initiated a formal corruption investigation into the behavior of the accused district official. But he worried that most of Jhang’s 3.3 million residents had no similar opportunity for redress.

District offices handled services such as property registrations and driver’s licenses, as well as health, education, and income assistance programs. Bhatti suspected that solicitation of bribes by district officials for delivery of public services was not unusual, yet he lacked the time to effectively spot-check a district administration that comprised almost 20,000 employees.

One option was to let citizens themselves raise the alarm. Jhang district already had a complaint system that enabled the district
coordination officer to initiate investigations. However, the process was slow, and few citizens had the time and motivation to endure the cumbersome process that required personal appearances in front of inquiry officers—especially if the citizens had no idea whether senior officials were involved in the kickbacks and might retaliate against them. The angered official in his doorway had courage, Bhatti said: “He probably knew that I wasn’t getting a cut.”

Bhatti wondered whether there was a way that new technologies could be applied to help monitor the day-to-day conduct of government service workers. He decided to experiment by ordering officials of the property registration office to collect the cell phone numbers of citizens who used the service each day and then send a daily list to his office. Bhatti called random numbers from the list and asked the people who answered about their experiences during their visits to the registry.

The experiment paid off. Bhatti discovered, for example, that many visitors to the property registration office did not understand the fees and taxes they were required to pay. That lack of understanding, coupled with low literacy, made many citizens dependent on the services of deed writers, who approached them in the office and offered to help prepare their documents. The deed writers typically overstated the actual fees the registry required, pocketed the difference, and paid kickbacks to property registration clerks to get priority and special preference in the registration process.

Bhatti introduced a receipt system to limit the practice. The clerks in the registry had to provide each citizen with a receipt indicating the taxes the citizen paid to the registration office, the fee the deed writer charged, and the name of the clerk processing the transaction. Bhatti checked the receipts for anomalies in the reported payments to deed writers and the taxes paid in the registration office. He followed up by calling citizens to verify the payments made.

Bhatti expanded the initiative to other district offices. He created paper forms for government workers to record the cell phone numbers of citizens visiting the registration branch and other service facilities. He directed mobile service providers such as livestock extension workers, who visited farmers to provide animal husbandry services, to record farmers’ cell phone numbers so he could call farmers.

Bhatti believed that making personal calls to citizens sent a powerful message that he and other high-level officials were honest, trustworthy, and seeking to help. In the beginning, the calls took only about 15 minutes a day, and Bhatti jotted down any negative feedback from citizens for necessary action. He realized he could build credibility for the government by reaching out to citizens rather than waiting for disgruntled citizens to come to him. “I would see the word-of-mouth effect,” Bhatti said. “Anybody who had received a call was telling people that the DCO had called” and was interpreting the gesture from the country’s elite cadre of civil servants as a promise of change. Bhatti could sense the excitement in citizens’ voices when he called. It reassured him. “Goodwill is a very powerful force when you apply it. You can take more action against bad people,” he said.

National press coverage of Bhatti’s initiative caught the attention of Shahbaz Sharif, Chief Minister of Punjab, who was eager to expand the model to other districts across the province. Sharif saw the program as a step toward addressing the petty corruption that infected service provision in Punjab—then home to almost 95 million people, or roughly half of Pakistan’s population—as well as the rest of the country. In a nationwide survey by Transparency International’s Global Corruption Barometer in 2010, two years after Bhatti began to innovate, half of all respondents
reported paying bribes for delivery of public services during the previous year. 2

Despite its broad impact on individual Pakistanis, petty corruption had received little attention from provincial and national anticorruption agencies, which instead concentrated on high-profile cases. The National Accountability Bureau, established in 2000 to investigate and prosecute cases of corruption, focused on public office holders and sophisticated white-collar crime. Although Pakistan’s four federal provinces had their own directorates of anticorruption to conduct criminal investigations, those provincial directorates also targeted major abuses of public office.

Expanding Bhatti’s citizen feedback model to other parts of the province enabled the government to identify corruption and poor performance at the point of service delivery to citizens.

THE CHALLENGE

Scaling up Bhatti’s model beyond Jhang presented multiple challenges. The first was to find someone to manage the process. Few district-level officials in Pakistan remained in their positions for more than a year, and the constant rotation within the civil service raised hurdles to long-term planning and implementation.

Bhatti was out of the picture, at least for the time being. Even as he experimented with his calling program, he had decided to leave government. He was a career officer who had joined the Pakistan Administrative Service 15 years earlier. A former journalist, he had earned a degree in public policy at Princeton University’s Woodrow Wilson School. He told the chief minister he planned to move to the private sector in July 2008. Although the chief minister asked him to stay on, he declined, though he did not lose interest in his experiment in Jhang.

Whoever assumed responsibility for the expansion had to persuade 36 potentially skeptical district coordination officers across Punjab province that making personal telephone calls to citizens was a worthwhile investment in terms of time and expense. Expanding the citizen feedback model from one man sitting at his desk with a telephone to a provincial program covering far more services and a far larger population presented serious logistical and technical challenges, few of which Bhatti and Sharif anticipated at the time.

Higher-ranking officials in the district administration generally viewed public complaints as unreliable and often incorrect. The extremely competitive market for civil service jobs in district facilities such as the property registration office had turned the complaints system into a tool for knocking out potential competitors.

Local politicians and other influential people—prominent landowners and businesspeople, for instance—lobbied district coordination officers to appoint their friends and supporters to local positions. Sometimes one side would file false complaints to damage the reputations of rivals. Gulzar Shah, who was director of anticorruption in Punjab in 2007 before being district coordination officer in three different districts, described the difficult situation upper management faced. “Even if a DCO thinks of appointing to any of these offices a person who he believes enjoys a good reputation, he will soon receive a malicious public complaint from the opposite camp accusing the DCO of being biased and politically motivated,” Shah said. Such unfounded and malicious public complaints had shaken the faith of district officials in the public complaint system.

The organizational and technical requirements for provincewide expansion of Bhatti’s cell phone spot checks also demanded careful thought. Phoning or texting thousands of citizens each day required staff, facilities, and a budget to cover service charges. Further, the call agents had to have special training to develop the
trust required to collect accurate and useful citizen feedback.

Taking appropriate action was a final challenge that in some ways was more difficult than collecting and analyzing citizen feedback. In order to create credibility with the public, the provincial government had to break with past practice and remove corrupt officials quickly.

“If you look at anticorruption files, you will be surprised to come across names of many district land registry officials who are facing anticorruption inquiries that have still not been finalized,” said Gulzar Shah. “The process is just too slow.”

Moreover, accused officials sometimes interfered with the process by contacting complainants directly or by asking local intermediaries and elders to resolve the matter. Some also turned to local political patrons to influence the course of the corruption investigation.

Expanding the Jhang experiment would require new ways of working that sometimes conflicted with existing practices and expectations. And introduction of the expansion demanded careful attention to design as well as a lot of persuasion and political skill.

FRAMING A RESPONSE

After Bhatti left the district government in 2008, the chief minister’s office put the idea of expanding the Jhang experiment on the back burner. Public interest in the citizen feedback model remained, however. During the following two years, Ansar Abassi, a widely read national correspondent for Pakistan’s leading newspaper, The News, published a series of articles that questioned why the government had not moved forward with the idea. (Abassi’s initial coverage of Jhang’s citizen outreach model had piqued the chief minister’s interest earlier.)

Bhatti also continued to ponder the challenges of expanding the Jhang experiment throughout Punjab province even after he left the civil service. In August 2008, he entered his citizen feedback project in an international competition on innovation sponsored by The Economist magazine. “I did not win but was surprised to receive an e-mail from the magazine requesting my permission to use the story in an upcoming report on mobile telecommunication in developing countries,” he said.3

The article appeared in September 2009, and the international recognition boosted Bhatti’s hopes for scaling up the Jhang model. Less than 18 months after leaving government, Bhatti was back at work on the Citizen Feedback Monitoring Program, or CFMP. He had left the private sector for the Asia Foundation, a nongovernmental organization that works across the Asia-Pacific region on governance, economic reform, and sustainable development. Based in the Asia Foundation’s Islamabad office, he was in a position to revive the idea of a provincewide citizen feedback program.

Bhatti met again with Chief Minister Sharif and his staff, some of whom were supportive colleagues from the Pakistan Administrative Service. The chief minister agreed to scale up the CFMP in Punjab with Bhatti’s assistance.

In March 2010, the provincial government asked The Asia Foundation to give Bhatti two months’ leave to help with the project. Within a month, Bhatti found himself working from a sofa in Nabeel Awan’s office in the chief minister’s secretariat. Nabeel, a Pakistan Administrative Service officer, was an early proponent of the CFMP and would later pioneer the program in Punjab’s Gujranwala district as a DCO.

Bhatti had a tough assignment. The chief minister had a reputation for being a taskmaster who set challenging targets for the provincial administration. Nabeel had told Bhatti that Sharif would wholeheartedly back the project only if it covered the entire province and reached thousands of citizens daily.
Sharif’s political will provided important support for Bhatti in rolling out the CFMP across Punjab’s districts. The secretary to the chief minister, Tauqir Shah (no relationship to Gulzar Shah), made it clear to the upper echelons of the provincial administration that the chief minister considered the project a priority initiative.

To expand the program across Punjab’s 36 districts, Bhatti had to find a way to contact large numbers of citizens and collect their feedback. Jhang’s system, which relied on the district coordination officer and a few staffers to make calls and log information, could not handle large amounts of information from hundreds of thousands of citizens. Bhatti quickly realized he needed a replicable model that relied heavily on automation. He also knew he had to pilot the expansion in a few districts before he could roll it out across the province. He needed districts that would embrace the program enthusiastically rather than just comply with requirements set by a provincial administrative mandate. To find districts willing to test the initiative as well as to build buy-in across the province as a whole, Bhatti presented his ideas to groups of district coordination officers and provincial commissioners, most of whom were Pakistan Administrative Service officers he knew. (Provinces in Pakistan are subdivided into divisions comprising three or four districts each and headed by a commissioner.)

In his presentations, which began in April 2010, Bhatti was careful to distinguish the citizen feedback program from existing electronic complaint systems or hotlines. The goal was not to create an electronic channel for citizens to file complaints but, rather, to approach citizens who used public services and get both positive and negative feedback. “If a restaurant can ask its patrons for feedback, why can’t the government ask its citizens?” he asked.

In those presentations, Bhatti also made it clear that the goal of the program was to provide the foundation for administrative action rather than to help build criminal cases against those suspected of corruption. If the program could identify a pattern of poor performance or persistent negative feedback, district coordination officers would be able to change management practices or transfer, suspend, or reprimand officials.

“We have what we call efficiency and discipline rules in the bureaucracy, [but] unfortunately, there is more emphasis on discipline and very little on efficiency,” Bhatti said. With the data from direct citizen contacts, district coordination officers could take action in the name of efficiency. Rather than aiming to eliminate corruption, the objective was to use citizen feedback to reduce the frequency of petty corruption and poor delivery in public service transactions.

Following the presentations, several district coordination officers within the Gujranwala and Bahawalpur divisions volunteered to implement the citizen feedback program. Tauqir Shah persuaded the Gujranwala and Bahawalpur commissioners to bring the other districts in their divisions on board. As a result, Bhatti had a pilot group of six districts: Gujranwala, Sialkot, and Narowal from the Gujranwala division, and Bahawalpur, Bahawalnagar, and Rahim Yar Khan from the Bahawalpur division.

GETTING DOWN TO WORK

Development of the citizen feedback model was a process of trial and error that went through many changes of personnel and processes.

Learning from the pilot

The pilot program took off quickly. The six districts that had signed on to the citizen feedback model in April 2010 started to collect the cell phone numbers of citizens who used selected district services. Initially, the pilot districts sent lists of numbers to Bhatti, who, from his seat in
the chief minister’s secretariat, made random calls and collected actionable feedback for the DCOs, including any patterns of reported corruption and invalid numbers.

After hearing recordings of Bhatti’s calls, the pilot district coordination officers and some of their staff members soon took responsibility for placing the calls. Their experiences left a positive impression on both ends of the communication. “Citizens were so surprised on receiving a call that it took some time to explain to them why I called,” said Waqas Ali Mahmood, one of the first district coordination officers to volunteer for the CFMP.

Nabeel, who had just become district coordination officer of Gujranwala district, was the first to use the feedback system to take action. When his citizen contacts reported problems in the Gujranwala property registration branch, he initiated anticorruption investigations that resulted in the arrest of some of the staff at the office. Wide media coverage of the incident helped spread word of the new program and explain to the public how the system worked. As the pilot program gained traction, the volume of calls increased, and four more districts joined.

In June 2010, the chief minister transferred operation of the CFMP to Rashid Mehmood, the provincial secretary for implementation and coordination. Harvard-educated Mehmood had recently set up a provincial information-analysis unit based on his experience in monitoring primary schools in the province while working with a World Bank project. A committee that included Bhatti oversaw implementation of the CFMP.

With technical assistance from the Punjab Information Technology Board, the provincial organization charged with deploying information technology in government operations, Mehmood introduced Web-based data entry of citizen cell phone data from pilot districts. System network administrators in the districts regularly posted the information online—sometimes with help from other data-entry operators in other district agencies. The provincial information analysis unit also developed a detailed Web-based form to capture citizen feedback obtained through calls from district officials.

As expected, early problems surfaced in the pilot program, and managers had to learn and adapt. Although the provincial information-analysis unit had developed a detailed online feedback form to capture citizen feedback, DCOs still placed manual calls to citizens and often failed to record feedback online. In addition to their regular duties, DCOs were expected to call about 5% of the telephone numbers collected daily—in absolute terms much more than a few random calls. They struggled with the growing work burden. Further, not all officials were comfortable with the idea of making personal phone calls to citizens.

It was evident that the CFMP had design problems, and Bhatti, who had left The Asia Foundation in July 2010 for the World Bank’s Islamabad office, found a way to help. Each year, the World Bank hosted a competition for support from its innovation fund. In partnership with the Punjab provincial administration, Bhatti developed a proposal entitled Proactive Governance: The Punjab Model.

The innovation fund, which supported pilot projects that increased transparency and access to information, accepted the proposal and granted the project US$100,000 for technical assistance. Although the province never used the full amount, the grant would help overcome some of the technical design challenges the pilot project had revealed.

Adapting and preparing to scale up

When Mehmood transferred to a different provincial government post in October 2010, the citizen feedback program quickly lost traction. To maintain momentum, the chief minister’s
secretariat moved the CFMP back to its office. Noor Mengal, additional secretary in the chief minister’s secretariat, took over logistics, including liaison with the pilot districts. Mengal pushed districts for prompt reporting of citizen cell phone numbers, calls made by DCOs, and progress made to the secretariat.

Mengal needed people to help him fulfill his aim to strengthen and expand the CFMP, and his need was answered quickly by two young computer experts. The first was Fasieh Mehta, an information technology professional who had worked in the CFMP in the provincial information-analysis unit under Mehmood. Mehta had moved to the Punjab Information Technology Board, where he had become the focal person for CFMP.

Bhatti knew the chief minister’s secretariat and the technology board still needed some help to get the program up and running because both had many other responsibilities. He had met Asim Fayaz, a computer science graduate from Lahore University of Management Sciences, while giving a talk on the idea of the citizen feedback model in Lahore. In January 2011, Bhatti used the World Bank’s innovation funds to engage Fayaz and a few other young computer science graduates in Lahore to work with the chief minister’s office and the technology board.

Mehta and the team of World Bank–paid consultants led by Fayaz had the job of managing the interface of the citizen feedback program inside and outside the provincial government. Mehta provided the much-needed focus and coordination between the technology board, districts, and outside vendors with respect to the CFMP. He led the implementation from the technology board side, and the World Bank consultants supported him by acting as the liaison between the districts and the chief minister’s secretariat.

In January 2011, the technology board engaged Pakistan Telecommunication Company, a former public sector utility that had been privatized, to operate a call center that would effectively handle the growing scale and scope of the CFMP in the province. The technology board provided the funding, and Mehta and the consultants coordinated operational issues with respect to the call center.

Almost immediately, the team had to handle a potentially crippling problem. The government had no experience in procuring call center services. It did not have the exact technical specification for what it wanted other than the broad contours of a call center and an online dashboard to collect, collate, and view citizen feedback. The Pakistan Telecommunication Company got the contract because it had been the lowest bidder on the project, but the company had no experience in running a call center that could make outbound calls or in designing and building online dashboards. The company had to recruit and train a staff, develop scripts for call agents to use, build an online system for entering information acquired from the citizen phone conversations, and provide a dashboard for capturing and displaying citizen feedback.

Challenges began to mount as poorly specified technical requirements in the contract created troubles for Pakistan Telecommunication Company’s Chinese partner firm that was responsible for designing the online dashboard. The Chinese firm found it difficult to understand the local context and the requirements, and progress slowed on the dashboard development. “We lost a lot of momentum,” Bhatti said.

Some creative adaptation enabled the call center to continue to function despite the absence of the dashboard. Mehta and the team of consultants stepped in to develop a workaround. By April 2011, Fayaz had come up with an alternative to the struggling call center operation. He developed an automated text messaging service (short message service, or SMS) that could send text messages to citizens’ cell phones, asking
for feedback. Citizens could reply by texting. In parallel, the team developed a basic dashboard that could store, categorize, and display citizens’ cell phone numbers and their text replies.

The team developed a new website for district-based offices to enter citizens’ cell phone numbers and information about the services they used. For service providers in remote areas that had no access to the Internet or computers, the site facilitated data input directly to the website via cell phone texting.

Then, via a simple Excel spreadsheet, the team would transmit the numbers to the call center. The call center employees made calls, entered the feedback on the spreadsheet, and sent it to the team for analysis. The team took charge of analyzing the dashboard data and providing reports on actionable feedback for the chief minister’s secretariat and district coordinating officers.

Although the call center made it possible to contact many more people than the district coordination officers could reach, it had drawbacks. The people hired to place calls (call agents) lacked the skills and knowledge needed to converse with citizens on specific aspects of many kinds of service transactions. Mehta and the consultants developed scripts to improve the quality of the dialogue, but the scripts did not give agents the flexibility and time to probe specific issues.

The burgeoning operational cost of the call center was a looming problem. No one had a clear idea of the expected call volumes as the scope of the CFMP expanded. An average three-minute agent call cost 5 rupees (about 5 US cents). Rising call volumes were bound to put financial pressure on a project that was still being run on ad hoc funds. The team searched for alternatives to direct calling.

SMS texting provided comparable reach at lower cost. A 160-character text message cost 80 paisa (less than 1 US cent). Texting had other advantages. Unlike a live call, SMS did not require an immediate response, thereby allowing citizens time to share and discuss the questions with others. Text replies could be stored more easily and accurately for analysis than audio recordings could. Texting also had political value for the government because every outbound message included a greeting from the chief minister.

Initial trials with SMS messaging in 2011 gave citizens a simple choice for reporting their service experience: “Press 1 for ‘corruption’ or Press 2 for ‘no corruption.’” Coding facilitated automatic and easy data analysis. However, the choice of 1 or 2 was susceptible to erroneous replies and did not let citizens explain the contexts of their service transactions. “Top officials were really not interested in seeing a lot of 1s and 2s,” said Bhatti. The team decided to leave citizen responses open-ended to allow for a full understanding of the quality of the service experience.

By July 2011, the relationship with the Pakistan Telecommunication Company had deteriorated to the point that the call center stopped making calls, and the operation relied entirely on the SMS system to keep the CFMP alive. By that time, 15 districts had joined the project, and the call center had made about 9,000 calls. The SMS feedback system had recorded an additional 5,000 text message responses and was growing fast.

The numbers indicated citizens were responding to the program.

Expanding the program

Despite continuing problems, by June 2011 the team members felt they had collected enough citizen feedback to pitch a full province-wide rollout to the chief minister and his Cabinet. “Being able to operationalize CFM [the citizen feedback model] in 15 of the 36 districts in the pilot phase was an achievement, and we had
enough material for a presentation to the Cabinet," said Bhatti, who was invited to the meeting. In their pitch, the team members highlighted the positive feedback they had received from many citizens in the 15 participating districts. In the calls played at the meeting, respondents thanked the chief minister and said they were grateful for the respect they felt the government was showing the citizenry by asking for feedback. The team also showed how the information could improve governance, describing an instance in which calls had led to disciplinary action against the staff of one district’s property registration branch.

The Cabinet approved a full rollout.

As the project expanded, the team debated whether to target specific public services. “Public services that involved a high number of service transactions, involved little discretion, followed a laid-out procedure, and delivered a clear output were considered most suitable,” said Nabeel, the district coordination officer of Gujranwala. Certain other services were difficult to monitor. Questions involving police emergency response, for instance, asked only whether the police had responded in a timely manner. Team members decided to avoid asking about citizen satisfaction because of the highly discretionary and context-dependent nature of police emergency response.

In February 2012, the contract with the Pakistan Telecommunication Company expired and the Punjab Information Technology Board negotiated a new contract with TRG, the country’s largest call-center firm. The TRG deal provided dedicated voice and text message services for the government. The company agreed to staff the center with 20 call agents and to refine and operate the online dashboard system. Mehta and Fayaz’s team would focus on creating call scripts, training call agents, and monitoring compliance at the TRG call center.

Umar Saif, formerly a professor of computer science at Lahore University of Management Sciences, was appointed chairman of the technology board. With an ambitious agenda to introduce e-governance reforms in the province, Saif was enthusiastic about the citizen feedback program and ensured full support of the technology board in its implementation.

Saif took several actions that cleared the way for the expansion of the CFMP. Importantly, he ensured that TRG’s contract had none of the shortcomings of its failed predecessor that had created so much extra work. And recognizing the potential for communication gaps between the technically oriented technology board and leaders of the monitoring program, he cultivated a partnership with Bhatti, Nabeel, and other DCOs.

To streamline the calling process, the new call center used prerecorded so-called robo calls in the chief minister’s voice, a tactic that offered several advantages. The robo calls were effective in conveying the impression that the chief minister was personally talking to each citizen. Robo calls could be quickly made to all numbers. The computerized calls also gave advance notice to citizens about incoming text messages that would request their feedback and helped in filtering phone numbers that were repeated or were invalid.

The work of the call center was divided between monitoring the integrity of the cell phone data provided by districts (filtering invalid or spurious numbers), collecting and classifying SMS replies, and making agent calls when SMS replies indicated the possibility of corruption or when citizens texted requests to speak with a live person.

The team developed an easily recognizable four-digit code from which it sent the SMS messages, and the provincial government mounted an information campaign around the four-digit code to inform citizens about the importance of CFMP and the value of their responses.
Analyzing and acting

In 2012, Nabeel, who had been one of the first district coordination officers to pilot the citizen feedback model, returned to provincial government and became the chief minister’s special secretary for implementation. In that role, he assumed responsibility for coordination and implementation of the CFMP in the chief minister’s office. Nabeel took a strong interest in analyzing the provincewide data. “Once or twice a week, [the team of consultants] would come to my office with CFM reports on all districts,” Nabeel said. “We would sit down for an hour and go over them and identify unusual trends or patterns.”

From that informal reporting, the team developed a formal-reporting template that logged the volume of data (the number of cell numbers reported), the integrity of the data (the percentage of invalid or repeated cell phone numbers among the reported numbers), and the content of the feedback. The online dashboard allowed the data to be viewed at the district and service facility levels.

The team used the information to assess whether districts were meeting their obligations under the citizen feedback program. Scant or no data from a particular facility or service center indicated implementation shortcomings. Unusual spikes in repeat numbers or invalid numbers from a service facility or a district likely suggested an attempt to avoid detection.

“To my mind, if a service provider at a particular facility is consistently providing invalid or repeat numbers or underreporting compared with the rest, that provides enough grounds to initiate administrative action against the officer for inefficiency,” said Waqas Ali Mahmood, former district coordination officer of Narowal district. When the team identified such anomalies, Nabeel would report them to the chief secretary—the provincial official in charge of the civil service in the province—and the relevant division commissioner. The chief secretary and commissioners would press the district coordination officer to respond to the problem. “It was a mix of persuasion and administrative fiat,” Nabeel said.

By the end of 2012, the program had sent almost 1.5 million text messages to citizens across the province. The citizen feedback program not only had become a monitoring and accountability tool but also was earning public goodwill for the chief minister through his “personalized” robo calls.

In January 2013, the chief minister directed the chief secretary to make the review of citizen feedback data a permanent agenda item at his monthly meeting with district coordination officers. Nabeel and Bhatti made the initial presentations at the meetings, emphasizing to the district coordination officers how the citizen feedback program was different from a public complaint system. They used quantity, integrity, and quality (content) indicators to prod lagging districts to improve implementation of the CFMP. “I remember when I first saw the bar graph PowerPoint of citizen-reported corruption across districts in Punjab at the DCO meeting,” Gulzar Shah said. “Once having seen that visual, all DCOs knew that they had to take CFM seriously.”

Saif, chairman of the technology board, echoed the importance of the presentations: “Although implementation of CFM is not formally part of the evaluation of a DCO’s performance, it does convey an impression about a DCO to the chief secretary in the meeting.”

Because the provincial government was interested in knowing whether the district coordination officers took any administrative action in response to citizen feedback, TRG upgraded the online dashboard to include an “action-taken” screen. District coordination officers could choose from an automated list of actions and input scans of any relevant paperwork as evidence.
The scale of the project and the growing number of SMS messages and agent calls created unanticipated financial demands. Until 2013, the project had drawn funds from other technology board projects and occasional government grants. Indecision about where to house the project contributed to uncertainty in funding.

In March 2013 the chief minister’s secretariat decided to turn the citizen feedback model into an independent development project with its own budget and placed it once again under the provincial Department for Implementation and Coordination. Under the new arrangement, the provincial implementation and coordination department became the administrative department, with the Punjab Information Technology Board retaining oversight over technical operations through Mehta. The team of consultants led by Ali Inam, who succeeded Fayaz, continued to assist in implementation through coordination with Nadeem Mehboob, who took over as secretary of the implementation and coordination department, the Punjab Information Technology Board, and the TRG call center.

Recognizing the program’s political benefits and mindful of the approaching May 2013 elections, the chief minister’s office continued its strong support for implementation of the citizen feedback model. However, the team had to stop using the chief minister’s voice in robo calls because election rules prevented public office holders from using public resources for advertising their names during election campaigns.

OVERCOMING OBSTACLES

The citizen feedback program hit a number of hurdles during its implementation, including leadership transitions, local political opposition, a legal challenge, and additional contracting problems.

Withstanding patronage pressures

Throughout the implementation process, the citizen feedback program brought district coordination officers head to head with local political interests as they worked to respond to citizens and make services more efficient.

In Punjab, as well as across Pakistan, members of national and provincial legislatures commonly rewarded their local political supporters by lobbying the district offices to place them in jobs. “The pressure builds up from the influential constituents of local politicians and is transmitted to the DCO and even to the chief minister to comply with their demands,” said Gulzar Shah.

Gulzar Shah, who was district coordination officer in three different districts in the Punjab provincial administration said he thought that if the CFMP had stayed in the pilot phase for a longer period of time in one or a few districts, local interests might have joined forces to undermine it. Rapid scale-up to the provincial level did not allow time for local patronage networks to mount any type of concerted resistance against the CFMP.

The data from citizens’ feedback empowered both the district coordination officers and the chief minister’s office to withstand many of those pressures. The notion of a distant call center’s instantly conveying actual citizen perceptions about district service facilities and service providers to the district coordination officers and the chief minister sent a powerful message to local politicians. Many were hesitant to challenge the new system and confront the chief minister. “I would show them a three-page-long list of negative citizen feedback coming out of CFMP about a public servant, telling them that the chief minister has the same information, and they would not pursue the issue anymore,” said Gulzar Shah.
Waqas Ali Mahmood, for example, invited public representatives of the Narowal district to his office to explain why he was taking action against district employees based on citizen feedback. He explained the entire citizen feedback monitoring process. “Once they saw how it operated, their reaction was not adversarial,” Mahmood said. “Local politicians only agitate if they perceive that the standard being applied to them is unfair.”

Nabeel recounted a similar situation in the chief minister’s office that involved opposition to the transfer of a well-connected public servant in a district by his local patrons. When shown the consistently negative citizen feedback against the individual, the powerful local patrons gave up their demand.

The CFMP also faced local resistance from another quarter. In 2010, the deed writers in Gujranwala, who acted as middlemen in facilitating property registrations and who profited from citizens’ lack of understanding of the registration process, approached the provincial high court claiming that Nabeel, the district coordination officer at the time, had no legal authority to ask for citizens’ cell phone numbers during registration. “These guys were hurting,” Bhatti said. “That’s good evidence of impact.”

It was true that there was no legal provision explicitly authorizing the policy. An adverse ruling by the court on the case would have applied to the entire province. Nabeel told the court it was his executive prerogative to ask citizens whether they were satisfied with the service provided. He argued that the district was only asking for citizens’ cell phone numbers and not denying public services if citizens declined to provide the information.

The provincial high court agreed with Nabeel, and the decision stifled any further efforts to challenge the program on legal grounds.

Handling a leadership transition

The Pakistan Muslim League, which governed Punjab, won national elections in May 2013 and set an ambitious countrywide agenda. As a result, the provincial government had new priorities that sidelined the citizen feedback program. A severe energy crisis and concerns about terrorism by religious militant groups in the country required immediate attention and stronger coordination with the federal government.

Nabeel’s departure for a post in the prime minister’s office deprived the CFMP of a high-placed champion in provincial government as well as sustained operational support from the chief minister’s secretariat. The provincial planning board, the body responsible for approving the CFMP as a formally funded development project, raised uncertainty about finances by taking longer than expected to give approval.

Those factors slowed implementation of CFMP and resulted in a downturn in reporting volumes from the districts. The number of citizen cell phone numbers reported every month by service providers, a proxy of implementation on the ground, fell to 260,000 in November 2013 compared with the average monthly reporting volume of 280,000.

As chairman of the technology board, Saif provided leadership for the project during this period. Saif had become a powerful champion of the program, and he kept the focus on design issues while troubleshooting funding and contracting issues with the TRG call center. The World Bank helped secure additional financing from the UK Department for International Development (DFID) so the team of consultants could continue working through 2014 with the technology board and the provincial government. In return, the CFMP provided citizen feedback data on public services in districts of the province.
where DFID was running a subnational government service delivery program.

**Turning reports into action**

By the end of 2013, many district coordination officers had lost enthusiasm for the citizen feedback model, according to Inam, the lead World Bank consultant to the project that year. Some officers said their requests to customize the program to serve their districts’ needs were not adequately addressed by the Lahore team. And others still viewed the program as a public complaint mechanism. “It had a lot to do with dashboard design,” Inam said. “The dashboard appeared like a roster of citizen complaints to the DCO when he logged on. It did not reflect broader trends or patterns in feedback that would allow for a more systematic response.”

The addition of more public services and the creation of new classification categories for SMS responses cluttered the dashboard. Furthermore, the push by the chief minister’s office for implementation meant some district coordination officers saw the program as a tool for monitoring their performance rather than an instrument for improving public service delivery.

Nadeem Mehboob described the situation. “DCOs are told that it is not a complaint mechanism, and they should not follow conventional procedures. But there is turnover of DCOs and some ‘best-practice’ manual should be created to guide new DCOs about using CFM,” he said. The critical task was to reengage with the DCOs to improve design and halt the decline in the reporting numbers.

In December 2013, the technology board, with support from World Bank consultants, began creating monthly summary reports of citizen feedback for each district. The reports showed the percentage of citizens reporting corruption during the month (including their text messages), a comparative analysis of previous months’ reporting volumes, the percentage of repeated or invalid numbers, and the percentage of negative feedback. The reports also identified service facilities in the district that had reported the highest percentage of such incidents.

Mehboob also began sending weekly letters to individual district coordination officers, pointing out unusual patterns in the volume, integrity, and quality indicators for specific services and requesting necessary action. Less tech-savvy DCOs no longer had to go through scattered data on the online dashboard to glean actionable information. The technology board also created a helpline for the district coordination officers that linked them directly to the project managers for any relevant questions.

In April 2014, team members added new features to the system. They began sending weekly SMS alerts to the cell phones of district coordination officers and executive district officers, who are in charge of essential public services in the district and who report to the DCOs. The SMS alert indicated which service facilities in a district were reporting the lowest levels of data entry or the highest levels of negative feedback.

The team also brought citizens into the monitoring loop. They began sending SMS messages to citizens in districts where at least five administrative actions were taken during a month based on citizen feedback, thanking citizens for helping improve public services.

The team was hesitant, however, to publicize the citizen feedback itself. Many citizens expected privacy when they responded to questions. The feedback data required more analysis and screening before any part of it could be made public. “I think in the first few years, we had been so involved in the logistical challenges of CFMP that we never got around to the question of making CFMP data public,” Nabeel said.

The changes had an immediate impact. In May 2014, the program recorded the highest entry of cell phone numbers across all services in
the province: 333,000 cell phone numbers were reported compared with 260,000 in November 2013.

To share information across the districts, in April 2014 the technology board began development of a monthly bulletin on the citizen feedback model. The board plans to circulate the bulletin among the district coordination officers to create senses of both competition and shared purpose by identifying top-performing districts in the province and best practices in improving service delivery.

**Contracting limitations and expanding costs**

As the program expanded, the technology board’s contract with TRG turned out to be inadequate. The contract required TRG to develop 25 different reporting templates for the dashboard as part of software development. But TRG considered any changes in those templates or requests for new templates (beyond the 25) as an additional request not covered by the contract and therefore subject to additional costs.

The CFMP’s growth and evolution required new data templates, and some district coordination officers were frustrated that the online dashboard could not provide them with easy access to specific information about the quality of service delivery in their districts. DCOs also complained that the dashboard did not show clearly any patterns or comparative trends, nor did it allow quick scoping down to the service facility level.

“We had requests from some DCOs to add particular features to the dashboard to suit their needs, and we wanted the reporting features to be more versatile, but the contract constrained us,” Inam said. The technology board and the consultants decided to redesign the dashboard themselves. A mock-up version of a new dashboard was shown to some DCOs, who gave their input on how to improve it. The project team planned to pilot the new version of the dashboard in a few districts that volunteer to pilot it and eventually roll it out across the province after buy-in from the pilot districts. Given the challenges in dealing with external vendors, the technology board’s thinking started to move toward developing in-house software development capacity for CFMP to handle such demands in the future.

**ASSESSING RESULTS**

By 2014, what had started in 2008 as an initiative by one district coordination officer to directly connect with citizens via cell phones had spread to all 36 districts in Punjab, serving a population of more than 100 million and covering 16 different public services. The Citizen Feedback Monitoring Program operated through an outsourced call center that made calls and sent text messages to the cell phones of citizens who had used any of the 16 services, inquiring about their experience during the service transaction.

The CFMP enabled district coordination officers, provincial officials, and the chief minister of the province to gather feedback and understand citizens’ perceptions about service delivery by viewing an online dashboard. Monthly district reports highlighted trends in citizens’ perceptions of public services and identified for administrative action any extreme cases of poor service or corruption.

As of February 2014, 3.5 million SMS requests for feedback had been sent to citizens, with 12,000 more being sent every day. More than 400,000 citizens had responded.

In April 2014, the World Bank commissioned the first evaluation designed to measure the performance and impact of the CFMP. “Because the CFM developed very organically, we never thought of establishing baselines and benchmarks,” said Nabeel Awan, a Pakistan Administrative Service official and former DCO. The phone-based survey covered more than 20,000 citizens who had used CFMP.
services since 2011. In August, preliminary results showed that more than half (55%) of citizens surveyed said overall service delivery had improved; 71% said staff attitude had improved; and 63% said timeliness of service delivery had improved. Only 30% of those surveyed said the program had reduced corruption, but 76% of the respondents said they still believed it would help reduce the problem in the future.

Although it was too early to know whether the program had brought deeper and long-lasting changes in service delivery, Gulzar Shah said the initiative had broad public support and that it would be hard for future governments to roll back the program. In the evaluation survey, almost 90% of the respondents said the CFMP helped build trust between citizens and the state and improved the image of the government.

Indeed, as of late 2014, the program had withstood significant resistance from influential interests that had investments in the status quo. “When the CFMP started operating in the district, no one saw it as a threat. It seemed very innocuous . . . the DCO making just a few calls to citizens to cultivate goodwill created very few ripples” Gulzar Shah said. “I personally never thought there would be a call center somewhere where citizen feedback would be recorded and analyzed with a constant data stream coming to the DCO and the chief minister,” he added, surprised at the speed at which the CFMP had expanded and developed.

Successful implementation in Punjab encouraged other provinces to consider implementing their own versions of the CFMP. “Because the model was not excessively politicized, other provinces feel comfortable in adopting it,” said Fayaz. The province of Khyber Pakhtunkhwa adopted the model in 2013 after learning from the Punjab experience.

In October 2014, as part of a phased program, the federal government replicated the CFMP platform for federal services such as passport and national identity card registration. The federal government was able to negotiate a price of 8 paisa (less than one-tenth of a US cent) per SMS, opening the prospect of price reductions that would make the CFMP financially more feasible for provinces.

**REFLECTIONS**

The underlying principle of the Citizen Feedback Monitoring Program—that the province should actively seek out citizens to ask them about their experiences with service delivery—was revolutionary in Punjab.

On the government side, the model allowed for both positive and negative feedback and a way to systematically measure the quality of service delivery across Punjab. The daily data collection provided a near-real-time picture of civil service performance, thereby enabling the provincial government to react quickly and effectively to favorable or adverse trends in remote districts. Though the program did not eliminate principal-agent problems between the provincial government and the district coordination officers or between the district coordination officers and their subordinates, the data enabled informed responses to identifiable performance problems.

For citizens, the program affirmed their importance as customers of state service providers and gave them a voice in how things got done. One citizen wrote in response to the SMS questionnaire, “Respected Sir, your message transported [me] to an imaginary land and filled me with delight and jubilation on the check and balance introduced by the government. Nothing like [it] has happened with me before.” And because the program’s robo calls used the voice of the chief minister, many citizens felt as if they had access to the highest echelons of provincial government.

In late 2014, Zubair Bhatti, who developed the citizen outreach model while head of Jhang district in Pakistan’s Punjab province, hoped the
program would continue to expand and adapt.
“You can say this is just about petty corruption, but you can do it in many, many different ways,” he said. “I think, if one big benefit comes out of it, it could be the simple idea that officers learn that they can just pick up the phone and call people up and get feedback about things. It could be anything. It could be a road, it could be a school, it could be a hospital, it could be provision of electricity . . . They have this architecture available where they can get in touch with people.”

Building the political momentum to support expansion of the CFMP required a tailored approach on the parts of Bhatti and, later, the Punjab Information Technology Board. At the highest levels, they let the citizens do the talking. “It was important to show the overlap of politics, citizens, and service delivery to the Chief Minister and the Cabinet,” Bhatti said. By telling the CFMP story through the many positive SMS messages received from citizens thanking the government and the chief minister for contacting them, proponents of the program created highly persuasive arguments in favor of continuing the program. “We did not want to go into corruption numbers or percentages in front of the chief minister and his cabinet,” said World Bank consultant Asim Fayaz. “It would have been immediately challenged and become controversial. Instead, we focused on what was happening on the ground after CFM was implemented.”

For the districts, the CFMP team portrayed the program as a tool for communication, deterrence, and taking action. “The citizens are happy that the DCO of the district is calling them and that front-end-service officials are deterred, knowing that DCO is in touch with citizens. Plus, the DCO feels empowered because he has access to unadulterated feedback on public services,” Nabeel Awan, a Pakistan Administrative Service official, said.

Media perceptions of the project helped align with the good-governance narrative of the provincial government and the anticorruption narrative in the national press. More important, according to technology board chairman Umar Saif, media publicity was critical in attracting volunteer DCOs and local champions from within the government to support implementation on the ground and to run pilots.

Bhatti deliberately chose to rely on a small implementation team rather than create administrative bloat within the provincial government if the project failed. “What is the value of adding another 500 or 200 people to the payroll? The saddest things for me as a civil servant are the carcasses of hundreds of ideas strewn across the government and creating liabilities,” Bhatti said. “We said not one single extra person other than the outsourced consultants, which we can cancel today, finished, gone home.”

The CFMP was designed to be financially viable for the districts. The provincial government paid for all call center expenses. Any financial burden might have discouraged districts from adopting the program. “An abiding principle in the CFM project has been to operate under a hard budget constraint,” Bhatti said.

Service providers could have resisted by not entering data or by entering incorrect data to undermine CFMP. Contrary to conventional wisdom, the CFMP did not engage a third party to enter citizen data; it relied on the same officials who were being monitored. It made them responsible for integrity of the data because the technology could easily identify invalid numbers and point to the official responsible.

Looking back at how CFM evolved in Punjab, Bhatti said, it was important to show results very quickly. “The DCOs have short tenures in the districts and would show interest only if results are quickly visible,” he said. “Second, I think that in government we do not stick with an idea long enough and develop it iteratively. That is why we fail.”
Commenting on the unconventional way CFM was implemented, Saif said: “I would not have done it any differently. It was a hack-based approach; get it on the road without a lot of theorizing. People want to see demonstrative results. Only then would they take it seriously.”

When the team members began implementation, they did not understand the technical requirements for provincewide expansion, and progress came largely through trial and error. “It was not a very glamorous process,” Saif said. The team had to experiment with new technologies without halting implementation and expansion. That approach required civil servants who were willing to volunteer their offices and districts as test cases for repeated trials and modifications.

Others, like Fayaz and his successor, Ali Inam, held a different view. “The flexibility allowed us to experiment and improve, but we should not keep it too open-ended,” Fayaz said. “All the threads need to converge at some point; otherwise, we would leave loose ends, like the dashboard design.” Ali said, “We need to distinguish between scaling up an idea and scaling up execution; both represent different challenges.”

It was a marriage of technology and public administration, which, according to Saif, required building bridges with public servants in the field and carrying on a careful dialogue with them. Fayaz said institutionalization of the CFMP would gain strength if the program were integrated with the reform agendas of provincial government departments.

Throughout the implementation process, Bhatti relied on personal connections and goodwill within the Punjab civil service. “A key part of this whole story is how a small network of friends and colleagues can drive reform by being friends as well as being colleagues,” he said. “You have your personal connections, and your friendships move a public service agenda forward. That is very important. It can’t be done impersonally.”

It took courage for Bhatti to bring the largely untested citizen feedback model out of Jhang district and to Punjab province as a whole, Fayaz said. “He took it to the chief minister, and the model wasn’t perfect. Perhaps it would have been perfect as a district model, but then it would never have become the provincial model,” he said. “He would have been transferred six months later, and nobody would have known the peacock danced in the jungle.”

References

1 District coordination officer was the top civil servant in the district. The DCO is responsible for delivery of basic public services and development programs in the district.
2 http://www.transparency.org/country#PAK_PublicOpinion.
4 Domicile certificates, property registrations, digital land record services, hospital emergency services, rural health center services, police emergency responses, police issuance of character certificates, driver’s licenses, approval of building plans in the city of Lahore, building-completion certificates, emergency ambulance services, and recruitment of teachers (periodic).
Innovations for Successful Societies makes its case studies and other publications available to all at no cost, under the guidelines of the Terms of Use listed below. The ISS Web repository is intended to serve as an idea bank, enabling practitioners and scholars to evaluate the pros and cons of different reform strategies and weigh the effects of context. ISS welcomes readers' feedback, including suggestions of additional topics and questions to be considered, corrections, and how case studies are being used: iss@princeton.edu.

Terms of Use

Before using any materials downloaded from the Innovations for Successful Societies website, users must read and accept the terms on which we make these items available. The terms constitute a legal agreement between any person who seeks to use information available at successfulsocieties.princeton.edu and Princeton University.

In downloading or otherwise employing this information, users indicate that:

a. They understand that the materials downloaded from the website are protected under United States Copyright Law (Title 17, United States Code).

b. They will use the material only for educational, scholarly, and other noncommercial purposes.

c. They will not sell, transfer, assign, license, lease, or otherwise convey any portion of this information to any third party. Republication or display on a third party's website requires the express written permission of the Princeton University Innovations for Successful Societies program or the Princeton University Library.

d. They understand that the quotes used in the case study reflect the interviewees' personal points of view. Although all efforts have been made to ensure the accuracy of the information collected, Princeton University does not warrant the accuracy, completeness, timeliness, or other characteristics of any material available online.

e. They acknowledge that the content and/or format of the archive and the site may be revised, updated or otherwise modified from time to time.

f. They accept that access to and use of the archive are at their own risk. They shall not hold Princeton University liable for any loss or damages resulting from the use of information in the archive. Princeton University assumes no liability for any errors or omissions with respect to the functioning of the archive.

g. In all publications, presentations or other communications that incorporate or otherwise rely on information from this archive, they will acknowledge that such information was obtained through the Innovations for Successful Societies website. Our status (and that of any identified contributors) as the authors of material must always be acknowledged and a full credit given as follows:

Author(s) or Editor(s) if listed, Year of publication, Full title, Innovations for Successful Societies, Princeton University, http://successfulsocieties.princeton.edu/

Innovations for Successful Societies (ISS) is a joint program of Princeton University's Woodrow Wilson School of Public & International Affairs and the Bobst Center for Peace & Justice. The Woodrow Wilson School prepares students for careers in public service and supports scholarly research on policy and governance. The mission of the Bobst Center for Peace & Justice is to advance the cause of peace and justice through mutual understanding and respect for all ethnic traditions and religious faiths, both within countries and across national borders.
STREAMLINED TAX ADMINISTRATION IN RIO DE JANEIRO: IMPLEMENTING NOTA CARIOCA, 2009–2014

SYNOPSIS

A complex paper-based city tax collection system made Rio de Janeiro a difficult environment for business and a source of lost revenue when Eduardo Paes became mayor in 2009. Elected on a promise to set the city's fiscal house in order, Paes planned to implement an electronic invoicing system based on similar programs piloted in other Brazilian cities. A recent constitutional amendment required all levels of Brazil's federal system of government to ease the burdens of the country's tax system. Paes reasoned that the potential efficiency gain from a new system was among the few routes available for increasing revenue. His team had to overcome significant challenges to implement the new system and ensure participation by consumers in monitoring tax payments. Strong political and technical leadership, collaboration, and good design helped to successfully implement the new system, called Nota Carioca. This case study offers other governments at the national or subnational levels useful lessons in improving revenue administration and implementing reforms that feature information technology, stakeholder communication, and partnerships.

Neil Fowler drafted this case study based on interviews conducted in Rio de Janeiro, Brazil, in March 2014. The case was prepared by ISS in partnership with the World Bank as part of the Bank's Science of Delivery initiative. Case published July 2014.

INTRODUCTION

Marcio Luiz Oliveira’s tenure as Rio de Janeiro’s service tax coordinator began in 2007 with an eye-opening experience. He later recalled his surprise when he arrived for the first time at the city’s tax registry, the cadastre, and found piles of unprocessed envelopes with information so out of-date that he had to mobilize a team of 20 staff and 40 interns to call companies and request updates.

A year afterward, in 2008, mayoral candidate Eduardo Paes made a campaign promise to reform service tax administration in Rio de Janeiro as part of an ambitious change agenda. The reform, called Nota Carioca, was designed to address fiscal challenges and increase the efficiency of the city administration. It also responded to a national-level push to improve and streamline revenue policy and administration.

Rio de Janeiro’s revenue administration challenges mirrored those of Brazil as a whole. In 2008 alone, to comply with their tax obligations, businesses in Brazil spent an average of 2,600 hours per year—more than any other country in the world. The huge administrative burden, along with high tax rates, created a challenging business
environment. Marcio Beck, economics correspondent at the *O Globo* newspaper, commiserated with private firms. “Many businessmen, especially the small and medium-sized businessmen, view tax evasion not as a detour. It’s a matter of survival sometimes,” he said. “They believe that they can’t pay all their taxes and have a viable business.”

Furthermore, Brazilians were skeptical of their government’s ability to spend tax money effectively. “For the general population, the destination of our taxes here in Brazil is basically a black box,” Beck said. The lack of public faith in the government’s revenue and expenditure capabilities had troublesome implications for the broader social contract: the willingness of citizens to trade their liberty for the benefits of governance.

Earlier, in 2003, the federal government had passed Constitutional Amendment 42, which challenged subnational tax authorities to improve tax administration coordination and efficiency. But five years later, as Paes campaigned, Rio de Janeiro had seen only limited improvements.

**THE CHALLENGE**

Paes won election in 2008, took office as mayor in January 2009, and immediately began to grapple with Rio de Janeiro’s stern economic and fiscal challenges. From 1985 to 2003, the city’s economy had shrunk by an average of 1.1% per year. Although the city had experienced moderate growth from 2003 to 2008, it had long suffered from high levels of poverty, and its vast slums had scant infrastructure and poor security. Economic growth was a priority, and to achieve it, the municipal government had to invest more than the 3.5% of GDP invested in 2009. However, the administration was held back by debt of 8.5 billion reals (US$4.9 billion at the time) and by interest payments that absorbed 9% of annual revenues.

With the total tax burden already high, the city’s options for raising revenue were restricted. The city relied on both a sales tax on services and a property tax to raise revenue; the federal government taxed income; and the state taxed sales of products. Rio’s only realistic option was to improve tax collection and broaden the revenue base.

The city administered the sales tax on services by using a paper-based system that placed a heavy burden on staff of the municipal Finance Secretariat. In addition, as described by Oliveira, the system wasted businesses’ time. Marcia Tavares, president of Rio’s accountancy firms union during the implementation period, said inefficiency imposed many different types of costs, including hours spent navigating heavy downtown traffic to reach city hall to get required signatures and stamps.

However, implementing any changes to administration of tax collection would be tough. A new approach would inevitably involve information technology (IT), and public sector IT implementation projects were notorious the world over for failing to deliver promised results. The challenge was even greater in Brazil, where the public was openly skeptical about the government’s ability to do its job.

Oliveira recognized that any new system would have to overcome skepticism related to new technology. “The greatest challenge was finding a product good enough to replace the previous system, which was bureaucratic but trustworthy. We didn’t want to have a system that would be fast but insecure or unreliable,” he said. The new system would also have to serve the wide variety of businesses operating in a major city. That meant the system would have to be workable for small, one-person companies as well as the local offices of national and multinational firms with established internal accounting practices and systems.

Although the technical-design aspect of a new approach to service-tax collection was crucial, it represented only half the implementation challenge. The other half was explaining how the system functioned to thousands of businesses across Brazil’s second-largest city.

The pressure on Paes was even more acute because Brazil’s largest city, São Paulo, had implemented an electronic invoicing system two years earlier, in 2007. Tavares said, “Rio had
wanted to have something similar [to São Paulo’s] for years.” Rio de Janeiro had fallen behind and needed to catch up.

FRAMING A RESPONSE

Recognizing the breadth and complexity of the challenge he faced when he took office, Paes initially moved to gather together the kinds of people he needed to succeed. Drawing on the experiences of other Brazilian cities and a national model, Paes and his team prepared the groundwork for implementation of a radical improvement in service sales tax administration.

Building a reform team

To deliver on his campaign promises, Paes assembled a talented reform team to help him tackle Rio’s debt problem and oversee delivery of the development and rollout of electronic invoicing.

Setting a higher value on career competence than political background, Paes recruited Eduarda La Rocque to be finance secretary, the person who would provide the high-level leadership for the project. Although she had had no experience in government, La Rocque held a doctorate in economics, had spent 11 years as an investment banker, and at one time had also owned an IT company. In addition to presiding over the development of the new Nota Carioca electronic invoicing system, La Rocque was also responsible for restructuring the city’s debt into a single World Bank loan of US$1.045 billion (1.88 billion reals at the time). This was the largest such loan the World Bank had ever made to a municipality, and it would end up saving the city about 25% of the value of its debt at that time.

La Rocque needed someone to take charge of the details of implementation, and she placed her faith in Oliveira, who delayed retirement from his job as service-tax coordinator to become subsecretary of taxation. La Rocque was impressed by Oliveira’s deep knowledge of revenue administration and the electronic invoicing solution. “Marcio had everything ready,” she said.

Oliveira came from a self-declared humble background. After leaving school, he worked in the construction industry, sacrificing a university education in order to contribute to his family financially. He served in the armed forces for 16 years, eventually completing an engineering degree, and then took a competitive public examination to join the Finance Secretariat. Oliveira was passionate about improving the tax system. He said he quit his positions in the Finance Secretariat four separate times out of frustration over not being able to get things done, but he always stayed on in another capacity.

As subsecretary of taxation, Oliveira led the day-to-day operations of the electronic invoicing system.

Textbox 1: Behavior, Incentives, and Program Design

Designing a tax system required an understanding of the two main reasons for tax compliance. First, taxpayers might take a rational approach by weighing the pros and cons of payment. If they believed they’d receive benefits from paying, such as education or good roads, then they were more likely to pay. If they believed there was a credible threat of being inspected by the tax authorities, they were also more likely to pay. In Brazil, there was widespread skepticism about service delivery by the government, with one commentator describing the state as an “anemic leviathan.” The huge backlog of unresolved and outdated tax cases noted by Oliveira suggested that there were also no credible threats of inspection and audit in Rio de Janeiro.

Second, taxpayers might pay tax obligations because of a desire to be accepted by wider society. If taxpayers felt they would be judged positively for paying taxes (or would avoid being judged negatively), they were more likely to pay. The positive judgment needn’t involve explicit feedback from community members; it might simply have to do with the positive emotions that resulted from payment—or feelings of guilt for tax evasion. O Globo journalist Beck suggested that social pressure to pay taxes was weak both in Rio and in the country as a whole in the early 2000s. Most customers in Brazil did not even ask for receipts when they bought services, so there was little pressure on vendors to record transactions accurately.
implementation team. He also filled a major role as intermediary between the city administration and politicians. He recognized that a tax change of this magnitude required strong and effective communication. “If you don’t have both sides speaking the same language, you cannot implement anything,” he declared. “The whole process represents a change in the culture of taxation. My job was to convince everybody that the new system was good and reliable.”

Oliveira recognized that La Rocque had placed a great deal of faith in him. “For the first time, a subsecretary had access to the mayor,” he said. As Rio’s service-tax coordinator, Oliveira had already engaged with counterparts in other state capitals on the issue of electronic invoicing, so he had in effect been preparing for this moment for years.

The electronic-invoicing innovation

Rio de Janeiro did not need to look far for a technical solution. By the time Paes was elected, electronic invoicing had existed in Brazil for six years and was the logical solution to Rio’s service-tax administration challenges.

Angra dos Reis, a small city two hours’ drive from Rio, pioneered a system of electronic invoicing in Brazil in 2002. Pedro Arroyo, a consultant for Rio’s Finance Secretariat, had implemented the system when he worked for an IT company called TIPLAN. In 2007, São Paulo had adopted a similar system as the basis for an ambitious implementation. Although the systems were not identical, they followed the same basic approach to overcoming challenges to tax enforcement.

Arroyo explained that electronic invoicing “was not an evolution; it was an innovation.” Instead of writing paper receipts, electronic invoicing required vendors to enter service invoices into an online system operated by the government. Customers could log in to the system to check whether their receipts and their service-tax payments had been filed and that the numbers were accurate.

The main challenge was to ensure that customers actually did take time to use the system, because such use was the primary check that vendors were doing what they were supposed to do: charge the required tax and report it in the system. To encourage customers to do so, the system in Angra dos Reis rewarded customers for collecting electronic receipts by giving them a discount on their property taxes. Although other cities that implemented electronic invoicing modified the approach to fit their own needs, incentivizing consumers to act as a control on vendors remained a central principle.

An additional and important incentive in the electronic invoicing model was adopted in São Paulo and other cities: by collecting receipts, customers were also entered into a lottery to win a cash prize. Prizes from lotteries served as a type of incentive different from rewards linked directly to expenditure, and their power rested on a concept called availability bias. There would be a great deal of fanfare about the relatively few lottery winners, whereas the many people who did not win would receive less attention. Thus there would be more information available about winners. A lottery system would therefore lead customers to overestimate their chances of winning and would be an additional incentive for them to collect electronic receipts. And excitement about lottery winners would help publicize electronic invoicing more generally.

Creating a national model

Oliveira had worked on developing electronic invoicing since 2007, along with Adriano Cereja, IT manager at the Finance Secretariat. The two represented Rio de Janeiro’s Finance Secretariat in the national Association of Finance Secretaries of Capitals (Associação Brasileira das Secretarias de Finanças das Capitais, or ABRASF), which brought together representatives from across the country to create a standard national model for electronic invoicing. Cereja explained: “Each [member city] represented sent two people: one person who was a specialist in business, like Marcio Luiz, and one person who was a specialist in IT.”

Eugenio Eustaquio Veloso Fernandes, who represented the city of Belo Horizonte at
ABRASF, said a standard national model would reduce costs for the many businesses that operated across jurisdictions and make it easier for different tax authorities to exchange information, thereby paving the way for improved enforcement.

The ABRASF group had the advantage of being able to study the successes and shortcomings of São Paulo’s implementation. The members used São Paulo both as a starting point for the national model and “to choose the best things about the system and use it to construct the national model,” Cereja said.

Antonio Arantes da Cruz, system manager of Rio’s Nota Carioca system, said the ABRASF standards were extremely useful in his system. Universal file formats (.txt and .xml files) facilitated easy communication of data, which meant the system could tackle “the two extremes of the bell curve.” Large companies with high volumes of transactions could easily integrate their systems with Nota Carioca so that data flowed to it automatically. Small businesses that lacked Internet connections could upload their files to the system on an occasional basis, issuing temporary paper receipts in the meantime.

By the end of 2008, the group had established the national model, including the concept, the layout of data, manuals for system integration, and the information required for building a data archive. The collaboration laid the foundation, but for Rio de Janeiro the hard work lay ahead. Oliveira and his team had to build their own system that would accommodate the city’s particular tax regulations and processes and fit well with its IT infrastructure and other systems.

GETTING DOWN TO WORK

The national model was completed before the end of 2008, but the national electronic-invoicing initiative ran afoul of a municipal government transition. “The main issue was that it was the end of the previous administration, so there was not so much interest in implementing the electronic invoicing system, because only the next mayor would take advantage of the results,” said Oliveira.

The Finance Secretariat under La Rocque, with Oliveira as subsecretary of taxation, focused on Nota Carioca from the start. Oliveira led an implementation process in which his team purchased new software, secured data-storage capacity, customized the software to Rio’s needs, and, finally, switched on the system. After implementation, the team continued to use Nota Carioca as the basis for ongoing reform.

Selecting and buying the software

As a municipal government agency, the Finance Secretariat had to follow government procurement procedures, but it sought to bolster them by investigating options carefully in advance. The office researched potential software providers online, consulted contacts in other tax jurisdictions, and invited 15 companies to a presentation on the national model and Rio de Janeiro’s particular needs. Oliveira and Cereja invited shortlisted companies to present their software solutions and interviewed each by using a standard set of questions. The business-process members and IT members of the team then jointly evaluated the software providers.

When the Finance Secretariat opened formal bidding, two companies offered proposals. One of them was TIPLAN, which had designed the software for the first system in Angra dos Reis and in São Paulo.

As the process moved forward, the implementers began to worry. A number of those involved in Nota Carioca grew concerned that cumbersome public procurement processes would pose key hurdles, a challenge often faced by government agencies around the world. They appreciated the importance of a transparent and competitive process to ensure impartiality and low cost, but they had concerns about the ability of the process to deliver the best solution for Rio’s specific needs. In addition, the city’s procurement process in the past had sometimes become bogged down in litigation, which risked delaying implementation and provoking more public skepticism about the city’s ability to get things done.
Given the uncertainty about the normal procurement process, the team turned to an alternative approach offered through the private sector. Antenor Leal, president of Rio’s Commercial Association (an organization of businesses that operated in the city), was a strong supporter of the service-tax reform effort. Leal said Nota Carioca was an opportunity to contribute to his mission of “working with the government to reduce government” by helping streamline the bureaucracy and ease the burdens that government too often placed on businesses. In addition, he viewed Nota Carioca as another way to further the Commercial Association’s aim of formalizing Rio’s business community, which was heavily populated by small, low-key enterprises that operated outside legal and regulatory frameworks.

That private sector support was important to Nota Carioca’s implementation because it circumvented the cumbersome government procurement process and ensured the choice of the favored supplier for the best solution. The Commercial Association borrowed funds from Santander Bank to purchase electronic-invoicing software from TIPLAN and then donated the software to the government. However, to ensure that TIPLAN’s work would fit the city’s needs, the Financial Secretariat remained deeply involved in defining that work. La Rocque was able to bring her private sector experience to bear. “I had my own IT company,” she said. “I could say that my experience as an IT provider helped us in defining the contract with the company.”

Securing data storage and processing capacity

During the software procurement process, the Nota Carioca team came across another challenge. The team had originally hoped that the software provider would also be able to provide a packaged solution that included data storage, but team members soon became aware that software providers could not offer that kind of hardware capacity.

Nota Carioca needed to “offer society a service seven days a week, 24 hours a day,” which made data processing and storage capacity crucial elements of the system, said Cereja. The system required powerful and secure servers to handle the processing and storage of sensitive data and a vault room to ensure that data would be safe from fire, water, and theft. The importance went beyond technical concerns to government credibility. Cereja recognized that “people would evaluate our services based on the availability of the system.”

The team decided that the best available option was to increase the capacity of the municipal government’s own IT service provider, called IPLANRIO, at a cost of 14 million reals (US$8 million). IPLANRIO managed the IT needs of many municipal processes, including property tax, budgeting, and internal accounting. Working with IPLANRIO had the advantage of ensuring that confidential data would be stored in city hall, which had legal responsibility for the information. Fernando Braga, technical director of TIPLAN, said that splitting responsibility for software design and data storage had an additional security benefit: TIPLAN would develop the system but would have no access to data, and IPLANRIO would have access to data but incomplete knowledge of the development of the system. The split made it more difficult for any one individual in either organization to tamper with sensitive data.

Customizing the software

In early 2010, the team began customizing the electronic-invoicing software to fit Rio’s needs. Alexandre Calvert, a Finance Secretariat tax inspector deeply involved in the process, said customization was important because ABRASF’s national model had established some “general norms, but each city has its own particular norms, and customization changes from city to city.”

The following describes several ways in which Nota Carioca differed from other systems such as São Paulo’s:

- **Size of rewards**: São Paulo offered 30% of the service tax as a credit towards property taxes for individual customers, whereas Rio de Janeiro offered only 10%. La Rocque reported that Rio’s lower incentive enabled
the city to avoid the fiscal difficulties that had befallen São Paulo, but Braga of TIPLAN said that Rio’s fiscal conservatism represented a lower incentive for customers to collect receipts.

*Payments into bank accounts:* Both Rio de Janeiro and São Paulo offered customers payments directly into their accounts, which was an evolution of the original model, in which customers had to take their rewards in the form of discounts on their property taxes. Payments into bank accounts let rewards be distributed to a wider population, not just property owners.

*The lottery:* Both Rio de Janeiro and São Paulo offered lotteries as additional incentives for customers, but with an important difference: São Paulo offered customers one lottery entry for every 50 reals (US$21) spent on collected electronic invoices. Oliveira decided that Nota Carioca would offer a lottery entry for every purchase made—regardless of value. The Rio decision was important because it incentivized the collection of electronic invoices from small purchases that otherwise might avoid issuing invoices and paying taxes. The aim was to bring public pressure to bear on such businesses and broaden the city’s tax base.

*Incentives for vendors:* Rio de Janeiro did not offer rewards to service vendors that complied with electronic-invoicing requirements. São Paulo, on the other hand, offered a 10% rebate to all companies enrolled in a national-level program for small companies.

*Combined product-tax and service-tax incentives:* São Paulo and other cities in the state made a deal for a combination system that would handle both the city tax on services and the state tax on products. The system greatly broadened the spectrum of purchases for which consumers could receive rewards, which increased incentives and raised levels of awareness. The administrations of Rio de Janeiro city and Rio de Janeiro state were unable to reach a similar agreement.

Rio’s development team comprised (1) members of the Finance Secretariat, who had overall responsibility for the reform and brought knowledge of tax policy and process; (2) representatives of IPLANRIO, who would oversee data processing and storage and the incorporation of Nota Carioca into the existing IT infrastructure; and (3) people from TIPLAN, who would provide software and tailor it to the city’s needs.

Although such a diverse working group might be expected to struggle with dissension and disagreement, members said the group functioned smoothly for three main reasons. First, all three groups worked in the same room every day. When the members of the Finance Secretariat team or the IPLANRIO team identified a change that was required in the software, the need could be communicated and explained to the IT specialists immediately. In turn, changes the group made could be tested right away.

Second, members of the Finance Secretariat had specific responsibilities that took advantage of their particular backgrounds and talents. Calvert said the tax inspectors were each “responsible for one issue within the ratification of the system. So, one would be responsible for who was consulting the system, one other would be responsible for registration in the system, another one for the information flow . . . each one would have one responsibility.” He explained that the clear division of responsibility empowered each employee. It was efficient and it drove the system forward.

Third, TIPLAN took an iterative and flexible approach to software development. Technical director Braga said his company worked according to the Manifesto for Agile Software Development. The approach prioritized individuals and interactions, working software, customer collaboration, and responding to change. Braga credited this flexible and solution-centered approach for TIPLAN’s success. Both the Finance Secretariat staff and the IPLANRIO staff praised TIPLAN’s software engineers for anticipating and implementing changes to the system.
Switching the system on

In May 2010, the team opened Nota Carioca for companies to register voluntarily. Then began a period of mandatory registration starting with the largest companies as defined by 2009 revenues. On August 1, the Finance Secretariat made registration compulsory for all companies with revenues equal to or greater than 240,000 reals (US$136,000). On November 1, companies with lower revenues and no tax exemptions were required to register. On December 1, all remaining companies had to register.

The phased approach enabled the team to fine-tune the software design in the early stages. The software engineers tackled issues as they arose, again working closely with team members from the Finance Secretariat and IPLANRIO, as they had during the system’s development. Those involved in the implementation of Nota Carioca reported no major problems, citing the design process that benefited from ABRASF’s national model, lessons learned from previous implementations of TIPLAN’s software, and Rio’s effectiveness in customizing the process.

The rollout involved an extensive communication program. Oliveira recalled roughly a hundred meetings with different business groups, at which he and his colleagues explained how to access the system and how to issue invoices.

To support the Finance Secretariat in communicating the change to businesses, Oliveira found an important ally in Tavares, who was first vice president and then president of the Rio de Janeiro Accountants Union at the time of implementation. Tavares was enthusiastic for change but also recognized that some small businesses that issued a lot of invoices, like beauty parlors and car parks, might oppose Nota Carioca or face difficulties in implementation.

Tavares expressed those doubts to Oliveira, who responded by asking the Accountants Union to help spread the word among her members’ employers. As Calvert of the Finance Secretariat said, “If you reach one accountant, you reach many companies.”

Because accountants worked with businesses across the city on a daily basis, they were in an ideal position to explain the benefits and workings of the new system. Tavares also accompanied Oliveira and Finance Secretariat staff to many of their meetings with businesses. Those meetings were well attended: Tavares recalled that she addressed 700 attendees at a single meeting in August 2010.

Not all companies were easy to bring on
board, especially smaller businesses that dealt mainly with individual consumers, such as those that managed for-pay parking lots, Calvert said. Business-to-business companies, he said, tended to be larger and more sophisticated and immediately saw the benefits of an electronic system.

It was also important for the government to inform private citizens about the new system. Although many companies performed work for other businesses, many other companies delivered services directly to individual consumers. Citizens needed to know how to get into the new system, how to request invoices when buying services, and what rewards they would receive for doing so. Citizen education was based on “a media plan: through TV, billboards, newspapers,” Calvert said.

The present day: Continuous improvement
Following the initial implementation, the Finance Secretariat continued to use Nota Carioca as a foundation for further improvements to revenue administration. As Calvert explained it: “We realized that Nota Carioca is not just an issuing system; it’s a system of tax administration. We’re trying to add value to the system by inserting more services . . . it has been our mindset to reduce paperwork to zero.”

The tax service self-assessment book was included in the Nota Carioca system, as were the civil construction material registry and information concerning incorporation in the state of Rio de Janeiro.

Additions and changes to Nota Carioca were communicated through messages within the system itself, making it easier to raise awareness among users. Plans for future improvements included adding the tax inspectors’ fiscal logbook and the financial institutions tax assessment logbook.

OVERCOMING OBSTACLES
Domestic tax havens and difficult state-city coordination raised hurdles for the Nota Carioca reform team.

Fiscal paradises
Brazil’s decentralized approach to revenue policy and administration led to the emergence of domestic tax havens. Cruz, Nota Carioca’s system manager, described the havens as “fiscal paradises”—small cities located outside Rio de Janeiro that attracted businesses by offering very low tax rates. Companies that registered in those havens often avoided paying service taxes to Rio by claiming that sales made in Rio actually took place in the lower-tax jurisdiction. Oliveira described the situation as a “tax war.” Fiscal paradises threatened Rio’s municipal revenues by depriving the city of legitimate tax payments. However, the Finance Secretariat was able to use Nota Carioca as a powerful tool in overcoming the challenge.

In 2007, Rio de Janeiro had implemented a system called CEPOM, which required companies based outside Rio but active within it to register in the city. Once it had implemented electronic invoicing, the Finance Secretariat was able to cross-reference the information in CEPOM with the information gathered in Nota Carioca. When companies were based outside Rio de Janeiro but refused to register in CEPOM, Rio’s municipal government required those companies’ customers to withhold the service tax.

No matter where they were based, companies were now unable to escape their tax obligations in Rio. Cruz said that taxes collected from companies in this category tripled as a result. Many companies abandoned the tax dodge and relocated back to Rio de Janeiro.

State-city coordination and public awareness
Rio’s Finance Secretariat had less success resolving misunderstandings over taxes paid on services versus taxes on product sales. The city collected service taxes, for which customers could claim credits. The state collected sales tax on products for which there was no credit. But the definition of a service was not always clear. For example, one might expect to receive credit for purchase of a restaurant meal, typically considered a service, but in Brazil, for tax purposes a restaurant meal was defined as a product.
Confusion over what counted as a service made it difficult to communicate to consumers—especially individual citizens—when they should expect Nota Carioca credits and when they should not, because the credits were available only for some purchases.

Additionally, the city’s service tax rate was set at around 5%, whereas the state’s sales tax on products was much higher. Rewards based on service taxes were therefore much lower than they would be on sales taxes. Lower rewards reduced the incentive for consumers to request invoices when they purchased services. Rio’s government could have chosen to raise rewards to a much higher level, but only at the risk of eroding revenues from the tax.

São Paulo did not face this problem, because the city and state administrations had joined forces to implement an integrated invoicing system for both sales and service taxes. By mid 2014, Rio de Janeiro had not been able to achieve the same level of coordination.

**ASSESSING RESULTS**

Rio de Janeiro moved to an electronic service tax collection system within two years of Paes’s becoming mayor. The Finance Secretariat transferred the city’s entire service tax management into the Nota Carioca system in 2010.

By mid 2014, the Nota Carioca system had 143,637 registered vendors and 499,235 registered customers. From the rollout in 2010 to April 2014, the system issued more than 400 million electronic invoices. Following the implementation of Nota Carioca’s core features, the system became a model for digitization of additional tax processes and other financial services.

Rio de Janeiro was able to capitalize on São Paulo’s experience and learn from the latter’s mistakes. For example, Rio’s lower rewards enabled it to avoid fiscal difficulties that La Rocque said had beset São Paulo because of its generous reward payments.

A number of Finance Secretariat staff noted that some small businesses, such as beauty parlors and parking lots, were reluctant to use Nota Carioca. Finance Secretary La Rocque said the challenge stemmed from the fact that those small businesses were informal by nature. Those sectors may have represented only a small portion of service business activity in Rio, but they revealed the limits of Nota Carioca’s effectiveness in expanding the tax base. Nota Carioca changed the behavior of a vast portion of the service sector, but some businesses continued to resist the new incentive structure.

Both government and the private sector praised the system. Within the Finance Secretariat, there was some initial opposition from the lower ranks of employees. “But it was in the beginning; nowadays they like the system very much; they use it because it makes their job much easier,” said Cruz. “It reduced paperwork; it reduced stress,” said Tavares, president of the accountancy firm union. Rio’s Commercial Association president Leal was enthusiastic about the initiative’s achievements in reducing the size of government and helping formalize the business community.

Tavares spoke very positively of Nota Carioca’s impact on business efficiency, but data showing time saved was not available. Across Brazil, the amount of time it took for firms to prepare and pay taxes did not change from 2008 to 2014, remaining at an average of 2,600 hours annually.11 Although one system in one city could not be expected to affect that figure, it does suggest that further improvements are needed across the country.

Nota Carioca alone could not solve Rio de Janeiro’s fiscal challenges, but it made an important contribution. Analysis by the Finance Secretariat in August 2013 showed that the gains from Nota Carioca were 686 million reals (US$393 million) from July 2010 to June 2013. The report judged this to be “a permanent change in the level of revenue.”12 However, it is difficult to disaggregate increases in revenue that stem from the implementation of Nota Carioca from increases that stem from economic growth.

There were also significant costs that served to offset some of the efficiency and revenue gains. Although the Commercial Association paid for
the software, the municipal government had to pay for operating costs and ongoing development. In addition, the data storage requirements were significant and continue to grow, with 10 million reals (US$5 million) investment in IPLANRIO budgeted in 2014.

REFLECTIONS

Fast implementation, few problems, and positive feedback from the private sector indicated that Nota Carioca’s implementation was a success. The several significant aspects of Rio de Janeiro’s reform—described next—help explain why the city managed to avoid many of the difficulties administrations face when they attempt reforms of this kind.

• **Leadership commitment** by Mayor Eduardo Paes and Finance Secretary Eduarda La Rocque was essential in getting started on the Nota Carioca project and on its continuing despite such challenges as IT infrastructure investment and software procurement. Their commitment gave Marcio Luiz Oliveira, subsecretary of taxation, the political clout and personal credibility to focus his team, his partners, and his allies on the task at hand. Oliveira’s own commitment and leadership were important in keeping Nota Carioca on track.

• **Effective collaboration** played a major role in Nota Carioca’s success and reached beyond contractual agreements and token support: The finance secretariats of cities across Brazil worked together through ABRASF to develop a national model. The Commercial Association of Rio de Janeiro provided vital financial support to procure the software. The Accountants Union lent its support to the system’s rollout. And the tripartite team developing the software worked seamlessly together. Those involved spoke of a genuine shared sense of purpose.

• **Second-mover advantage** enabled Rio de Janeiro and other cities to build their successes on the lessons learned by Angra dos Reis and São Paulo. That those systems were viewed as successful also created an appetite for reform throughout the business community.

• **Focus on system design** meant that the Finance Secretariat was able to roll out a robust system that met Rio de Janeiro’s specific policy and process requirements. And it was one that used standards designed to facilitate integration with other systems in the future.

• **Building on its success** in implementing Nota Carioca, the Finance Secretariat began using the system as a foundation for further improvements to revenue administration, with the long-term aim of creating a paperless tax system.

Paes’s administration set out to raise revenue and increase efficiency rather than tackle the broader and more challenging issues of public confidence in government and the social contract between state and society. However, Nota Carioca offered a level of engagement between the city government and citizens that may, in the long run, increase trust and understanding.

References

6 For the original text of Sao Paolo’s law see: http://nfpaulistana.prefeitura.sp.gov.br/arquivos/legislacao/Lei-14097-2005.pdf
8 For the rules see: http://nfpaulistana.prefeitura.sp.gov.br/sorteio.asp
9 See the original text of Nota Carioca (endnote 1 above) and also:
Innovations for Successful Societies makes its case studies and other publications available to all at no cost, under the guidelines of the Terms of Use listed below. The ISS Web repository is intended to serve as an idea bank, enabling practitioners and scholars to evaluate the pros and cons of different reform strategies and weigh the effects of context. ISS welcomes readers’ feedback, including suggestions of additional topics and questions to be considered, corrections, and how case studies are being used: iss@princeton.edu.

Terms of Use

Before using any materials downloaded from the Innovations for Successful Societies website, users must read and accept the terms on which we make these items available. The terms constitute a legal agreement between any person who seeks to use information available at www.princeton.edu/successfulsocieties and from Princeton University.

In downloading or otherwise employing this information, users indicate that

a. They understand that the materials downloaded from the website are protected under United States Copyright Law (Title 17, United States Code).

b. They will use the material only for educational, scholarly, and other noncommercial purposes.

c. They will not sell, transfer, assign, license, lease, or otherwise convey any portion of this information to any third party. (Republication or display on a third party’s website requires the express written permission of the Princeton University Innovations for Successful Societies program or the Princeton University Library.)

d. In all publications, presentations or other communications that incorporate or otherwise rely on information from this archive, they will acknowledge that such information was obtained through the Innovations for Successful Societies website. A suggested citation format is as follows:

   [Document author if listed], [Document title], Innovations for Successful Societies, Princeton University, accessed at http://www.princeton.edu/successfulsocieties on [date accessed on Web]

e. They understand that the quotes used in the case study reflect the interviewees’ personal points of view. Although all efforts have been made to ensure the accuracy of the information collected, Princeton University does not warrant the accuracy, completeness, timeliness, or other characteristics of any material available online.

f. They acknowledge that the content and/or format of the archive and the site may be revised, updated or otherwise modified from time to time.

g. They accept that access to and use of the archive are at their own risk. They shall not hold Princeton University liable for any loss or damages resulting from the use of information in the archive. Princeton University assumes no liability for any errors or omissions with respect to the functioning of the archive.

Innovations for Successful Societies (ISS) is a joint program of Princeton University’s Woodrow Wilson School of Public & International Affairs and the Bobst Center for Peace & Justice. The Woodrow Wilson School prepares students for careers in public service and supports scholarly research on policy and governance. The mission of the Bobst Center for Peace & Justice is to advance the cause of peace and justice through mutual understanding and respect for all ethnic traditions and religious faiths, both within countries and across national borders.

ISS is a joint program of the Woodrow Wilson School of Public and International Affairs and the Bobst Center for Peace and Justice: www.princeton.edu/successfulsocieties
RECLAIMING THE CITY: 
POLICE REFORM IN MEXICO CITY, 2002–2008

SYNOPSIS

When Andrés Manuel López Obrador became mayor of Mexico City at the end of 2000, a massive crime wave was sweeping the national capital. From 1995 to 1998, the city's overall crime rate had nearly tripled. Aware that taking back the streets from criminals would require a new approach, López Obrador brought in an experienced political leader, Marcelo Ebrard Casaubón, to head the Secretariat of Public Security of the Federal District. Together they introduced new systems that could document, map, and analyze crime and lead to more-efficient allocation of police resources and better preventive policing strategies. Ebrard also engaged a team to create Community Protection Units, improve police-citizen relationships, professionalize the police, and build a neighborhood police program. Despite abrupt leadership transitions at the public security secretariat, a decade later Mexico City had greater capacity to combat crime and greater political control over high-crime areas of the city, thereby laying the foundation for additional public security reforms.

Rachel Jackson drafted this case study based on interviews conducted by Ben Naimark-Rose in Mexico City, Mexico, in February 2013 and by Jackson in November 2013. This ISS case study was made possible by support and collaboration from the Monterrey Institute of Technology and Higher Education. Case published June 2014.

INTRODUCTION

Even in a country that ranked first among members of the Organisation for Economic Co-operation and Development for violent robberies, in the late 1990s Mexico City stood out. Daily life in Mexico’s capital city carried the ever-increasing threats of kidnappings, assaults, armed robberies, and murders.

Although insecurity had plagued Mexico City for decades, the 1990s brought rising crime rates across the board. From 1990 to 1996, reported rates of robbery, property damage, fraud, and extortion in Mexico City more than doubled from 1,059.0 incidents per 100,000 inhabitants to 2,434.3, and the percentage of robberies involving violence jumped.1 And the trend worsened in the latter half of the decade: from 1995 to 1998, Mexico City's overall crime rate nearly tripled. By the late 1990s and early 2000s, Mexico City's residents were expressing higher levels of perceived insecurity than in any other city in the country.2
In December 2000, the city’s voters elected Andrés Manuel López Obrador as mayor. A member of the left-wing Party of the Democratic Revolution (Partido de la Revolución Democrática, or PRD), López Obrador made taking control of the Mexico City Police and tackling crime priorities for his administration. He publicly acknowledged that the city’s deteriorating public security could undermine the government’s control of the city itself and that dealing with the situation was crucial to the future of his minority political party.3

“López Obrador caught on to the idea that in order to have greater political control of the city as well as to have a political future for the left, he needed to really engage on security issues,” Colegio de México professor and policing expert Arturo Alvarado said.

Initial progress on security reforms stagnated, however, when the head of the Secretariat for Public Security of the Federal District (Secretaría de Seguridad Pública del Distrito Federal, or SSPDF), Leonel Godoy Rangel, resigned from the administration to join the state government of Michoacán.

In February 2002, López Obrador put his reform agenda back on track when he picked Marcelo Ebrard Casaubón, a respected former political rival, to head the public security secretariat for the district. At the time, Ebrard was a member of Mexico’s lower house of Congress, where he had led investigations into government corruption. Because he was affiliated at the time with a newly formed smaller political party rather than one of the three large parties that jockeyed for control of Mexico’s government—the PRD, the president’s National Action Party (Partido Acción Nacional, or PAN), and the former ruling Institutional Revolutionary Party (Partido Revolucionario Institucional, or PRI)—some observers viewed his appointment as a compromise between the Mexico City administration and the federal government.4

Ebrard had gained experience in managing public security issues in the city. In the early 1980s, he joined the secretariat of planning and budget and by 1992 had risen to secretary of government. Five years later, he won a seat in the national legislature. In 2000, Ebrard formed a new political party and ran for head of government (mayor) of Mexico City, but he later withdrew and endorsed the leading candidate, López Obrador.

“[López Obrador] needed someone with political leadership [skills],” Ebrard said of his later appointment as secretary of public security. Those skills would prove indispensable in the task that lay ahead.

Reforming the police and dealing with Mexico City’s rising crime rates would present Ebrard with immense challenges that had defeated other would-be reformers. In 1998, Mexico City chief of police Rodolfo Debernardi had resigned after only a year in office, stating that the person capable of dealing with the city’s crime problem had yet to be born.5

THE CHALLENGE

López Obrador’s law enforcement views played a major part in his administration manifesto, titled “General Plan for Development of Mexico City 2001–2006.” The report identified a lack of effective preventive policing and low levels of citizen participation in crime prevention as major challenges. It also highlighted the low technical capacity of the police and the need for advanced monitoring methods to combat crime.

The responsibility for dealing with Mexico City’s burgeoning crime problem fell largely to the local police. Even with nearly 90,000 members—34,000 preventive police; 40,000 auxiliary police who guarded official buildings, the airport, and other specific locations; and 15,000 banking police—this was no small task. In 2000, the city—politically and administratively constituted as the Federal District and separated from the country’s
31 federal states—was the home of more than 8.6 million inhabitants within 1,470 square kilometers (571 square miles), with an additional 10 million living in its greater metropolitan area. The ratio of preventive police per 100,000 population was lower than it was in the city of New York, and the preventive police service covered a geographic area nearly twice as large.  

Under the aegis of the public security secretariat, Mexico City’s preventive police patrolled neighborhoods, responded to emergencies, and dealt with crimes in progress. However, different parts of the city government handled other policing functions. Under the separate administration of the attorney general of the Federal District, the judicial police—roughly 3,500 officers—had the power to conduct investigations and build legal cases against individuals and organizations. Cases of drug trafficking and public corruption were in the hands of the country’s federal police services. The preventive police were ill equipped to address the growing insecurity effectively. Disorganization, poor training, lack of performance-based advancement, and minimal accountability mechanisms meant there were few incentives for police officers to perform effectively and honestly. Although recruits earned around 4,000 pesos (US$415 in 2000) a month (above Mexico’s moderate urban poverty line of 827 pesos (US$90) per month in 2002), officers frequently worked second jobs or supplemented their incomes through bribes to support their families.  

“[The low salary] makes the police susceptible to crime because people are beholden to who pays them the best,” said Joel Ortega, who advised López Obrador on public security and later became secretary of public security. A scholarly analysis of the Mexico City police published in 2000 found that recruits most commonly entered the police “for the money” despite low official salaries.  

Widespread perceptions of police corruption contributed to a tense and often antagonistic relationship between Mexico City residents and the police, particularly in poorer neighborhoods. A 1999 survey by the Mexico chapter of Transparency International found that 90% of Mexico City respondents had “little to no trust” in the Mexico City police. The high level of distrust discouraged high-quality candidates from joining the preventive police and sharply reduced the level of public cooperation required for effective community policing.  

Furthermore, the police had neither the systems for collecting basic data about crimes, such as the sociodemographic characteristics of victims and alleged criminals, nor the capacity to analyze the information. The deficiency was partially a technological shortfall, because many police stations had little or no computer capacity. But the broader problem was administrative: the police lacked a central point for collecting and analyzing the city’s daily crime data. Ebrard also faced likely resistance to reforms in the public security secretariat itself. In the late 1990s, when Mexico City’s leaders attempted to implement mandatory lie detector tests and restructuring deployments that would create accountability and would curb corruption, the police went on strike and crime rates immediately jumped.  

A final challenge involved possible opposition from those Ebrard was trying to help; past efforts to increase policing in some of Mexico City’s most dangerous neighborhoods had met resistance from the communities themselves.  

FRAMING A RESPONSE  

To implement effective police reform in Mexico City, Ebrard needed a comprehensive security strategy that had strong backing both within the López Obrador administration and from Mexico City’s powerful business interests. Ebrard also had to recruit a high-performing and...
reliable team that could help him mold the preventive police into a more effective law enforcement organization.

In early 2002, when Ebrard arrived at the Secretariat of Public Security and took stock of his challenges, he decided that Mexico needed an entirely different way of thinking about policing and public security. “I noticed that for 20 years, everyone had repeated the same idea,” he said, recalling early conversations with the police leadership. “I said, Well, something is not working very well because in the past 20 years, you are saying to me that we are working this way, and we don’t have the results that we are looking for.”

Ebrard initially looked within Mexico for a new strategy but was unable to find what he was looking for. “The people who wrote or proposed things about security, they are lawyers,” he said. “The police never wrote books about policing, management of the police, or problems of the police. There was not even one text about the experience of the police in Mexico City.”

Ebrard and his staff looked abroad, hoping to learn from the experiences of cities facing similar policing and security challenges—Palermo, Italy; Bogotá; and New York. Those consultations and the secretariat’s internal evaluation produced a strategy that focused on information gathering, accountability, cooperative relationships between police and citizens, and more-efficient and smaller police units.

López Obrador’s fierce dedication to public security paved the way for many changes Ebrard had in mind. Immediately after he took office, López Obrador started daily, early-morning cabinet meetings on public security with Ebrard, the secretary of government, Mexico City’s attorney general, the mayor’s top legal adviser, and the director of prisons. The public security cabinet was the only cabinet with which López Obrador met daily.

According to Ortega, who organized the cabinet meetings during 2003–04, the meetings frequently focused on the daily progress of public security and a rundown of the previous day’s crimes. “We discussed the events of the night before,” he said. “We sorted through them to find relevant events. If we identified something relevant, we separated it out in order to follow up on it. That’s very important.” He emphasized that the mayor always chaired the security cabinet meetings, which gave López Obrador an opportunity to personally monitor the daily progression of reform.

“He was always here, and it was characteristic of him to give instructions directly,” Ortega said of López Obrador’s active role in the meetings. “He always assigned work.”

According to Ebrard, the meetings also represented an opportunity to enlist other government agencies in the effort to deal with Mexico City’s security problem. “If you have a cabinet meeting, if you want to talk about safety issues, 22 agencies are thinking, ‘Well, this meeting is not really about us,’” he said. “We tried to involve other agencies to think about safety. We said, ‘You can do something to help safety, because safety is not a police issue; it’s a government issue.’”

That strong and consistent political commitment from the highest level of city government was crucial to the evaluation and monitoring of progress and to ensuring that the entire administration mobilized for the reform effort, according to Ortega. The meetings were intended to send a signal—from top police officials to cops patrolling the streets—that public security reform was López Obrador’s top priority. Manuel Camacho Solís, a previous head of government of Mexico City, noted that the López Obrador administration hoped that members of the police force would begin to feel that their bosses were watching them.

Ebrard realized early on that reorganizing the preventive police would require dealing with fundamentals like accountability. “We didn’t have
computers, so we could not verify every day who is where, who is responsible for what, what’s your mission, which mission do you have every day, are you successful or not?” he said.

Ebrard stressed that more complex and delicate issues—public trust and credibility—were equally important. “It’s not possible to win a battle against organized crime in the city if you have your force isolated in front of society,” Ebrard said, referring to Mexico City’s history of distrust and animosity between citizens and the preventive police. “The first thing to do was to put the police force on the public scene, define their mission, and try to build a bridge between the community and the police. Otherwise, there is no possible solution. This was the starting point of the strategy by 2002.”

To begin chipping away at that distrust, López Obrador and Ebrard reached out to the business community, an unlikely ally for the left-wing PRD administration. Before Ebrard’s appointment, López Obrador had begun building alliances with powerful members of Mexican society so as to secure and redevelop the city’s downtown central historic district, creating the Consultative Council for the Rescue of the Historic Center of Mexico City.

Ebrard expanded that effort to bring the business community into the administration’s public security reform strategy by inviting prominent members of the business community to sit on a high-level citizen committee. The key, he said, was to recruit “people who really want to do something,” including “people in charge of hotels in the city, the people who had suffered some kind of important crime against their family or their integrity.”

Ebrard also stressed that the citizen committee had to be an integral part of the anticrime reform rather than “a decorative citizen council” that existed in name only. “You cannot invite the people to be a part of something if they cannot express freely the ideas they have. It’s a risk, because they can say, ‘Your strategy is not working.’ But the worse risk is to lie to the city if the strategy is not working. You should change the strategy, not look for excuses.”

After recruiting the business community, Ebrard moved to build public confidence that the government was serious in its pledge to control crime, to fix the preventive police, and to underscore the administration’s commitment to substantive, potentially radical change.

“I started in 2002 to look for endorsement because the people hear each year, ‘We are going to provide better security forces and strategies, and don’t worry; we are working for you.’ Really?” Ebrard said. “So there was a lack of trust between society and the authorities responsible for safety at the time. We invited foreign advisers . . . in order to say, ‘This is a very serious strategy,’ in order to build a new bridge of trust.”

In 2002, a group of Mexico City businesspeople that included Mexican business magnate and billionaire Carlos Slim Helú agreed to pay former New York mayor Rudy Giuliani’s consulting firm approximately US$4 million to design a plan for preventive policing reform in Mexico City. The group hoped that Giuliani, a conservative former prosecutor who had earned a reputation as a tough crime fighter while serving as mayor from 1994 through 2001, could help the security secretariat develop ways to quell Mexico City’s crime wave.

Giuliani’s involvement cultivated support across the political spectrum. “Someone like Giuliani was quite accepted by entrepreneurial groups and classes, so for a government that looked to the left, having the advice of somebody accepted by the right, when all the attacks against the lack of security in the city were coming from the right, helped politically,” said Camacho, who headed Mexico City’s government from 1988 to 1993.

The Giuliani consultancy’s 2003 report recommended (1) focusing on improving
“conflictive zones” such as Tepito—a low-income neighborhood a mile from the city’s historic downtown and notorious for the trafficking of counterfeit goods, robbery, resistance to police control—and (2) taking a zero tolerance approach to informal businesses such as street vendors and windshield cleaners. The report recommended an information management system and a philosophy similar to the CompStat (computer statistics or comparative statistics) system that Giuliani had implemented in New York to map crimes, increase the accountability of individual policing units, and improve the allocation of resources. CompStat focused not just on the collection of statistics but also on the continuous improvement and development of the data.

With the release of the report, Ebrard began to set forth aggressive goals for the city’s public security secretariat. “We think we can reduce the rates of serious crimes such as murder, rape, robbery, and kidnapping by 10% a year,” he declared in August 2003.  

As he sought to learn from outside examples, Ebrard also looked within Mexico for ideas. In mid 2002, he asked a retired army general, Enrique Pérez Casas, to join the team that would reorganize the police. Pérez Casas was not new to the challenges of police reform in Mexico City. He and Ebrard had first worked together in the 1990s under Camacho’s mayoral administration. In 1990, Pérez Casas had tried and failed to implement a program inspired by Chile’s Carabineros national police service. Pérez Casas said he believed that education and training—especially in values such as simple courtesy—was a fundamental reason for the success of the Carabineros. He reasoned that without such values, civil servants with close public contact, such as the police, could never be effective.

Pérez Casas designed his 1990 plan as an incremental approach. He planned to create new police units whose members would enjoy improved working conditions, receive better and more training, and earn higher salaries. But he managed to get only two new police units up and running before the program collapsed in the face of powerful and unexpected opposition. “I made a mistake,” he said. “I demonstrated that with 400 officers, it was more efficient than 80,000. And that raised the ire of the 80,000, and they started to tell me, ‘This is your problem.’ So I left.”

Camacho’s successor dismantled the program. “The old guard of the police allied themselves with the old guard of the PRI and again gave all the resources to the old guys in the police,” Camacho said. “So this effort was completely lost.”

As part of Ebrard’s team, Pérez Casas had a second chance. Bolstered by stronger internal support, he proposed a solution that was nearly identical to his earlier approach. He would create Citizen Protection Units (Unidades de Protección Ciudadana, or UPCs), which would replace the preventive police in specific areas of the city. Ebrard and Pérez Casas planned that the UPC model would eventually operate in all areas of the city, thereby replacing the existing preventive police force.

GETTING DOWN TO WORK

Just before Ebrard became head of the public security secretariat in 2002, López Obrador had negotiated between the SSPDF and the attorney general’s office an agreement whereby the preventive police and the judicial police would divide Mexico City’s 16 boroughs into 70 sectors—akin to police precincts. In each sector, Ebrard started to replicate López Obrador’s cabinet meetings. He brought together coordination committees consisting of representatives of the police, local prosecutors, and the mayor’s office that held daily meetings to share information and coordinate activities. The system enabled public security officials to deploy officers more precisely, assign responsibilities for supervision, and track changes in the nature and
prevalence of crime. The coordinated area system also assigned to units certain outreach responsibilities for specific communities and mechanisms whereby members of the public could register complaints.

López Obrador and Ebrard also copied at the sector level the citizen-council model they had used to enlist high-level outside support. Interested citizens could meet weekly with the police’s sector chief, a representative of the attorney general’s office, the local borough government, and the mayor’s office. “In these meetings, citizens could present their grievances,” said Ortega, who ran the security cabinet. “People could complain if, for example, they had caught a police officer in an act of corruption, or if services weren’t on par.”

Each day, a police representative from one of the 70 councils would attend López Obrador’s daily security cabinet meeting to update the mayor’s office on the situation in the particular sector. “The mayor’s office heard every complaint,” said Ortega, who helped each sector prepare its presentation. “Without a doubt, this was the period in which corruption decreased the most, because corruption is generated by a lack of supervision at the intermediary levels—indeed, whether there are cultural issues. This demotivated people who could have been subject to corruption because they knew the people would be appearing in front of the mayor every so often and would be able to present evidence of corruption.”

Creating Citizen Protection Units

In November 2002, Pérez Casas began implementing the Citizen Protection Unit program under the subsecretariat for institutional development. He first recruited a staff from both the public and private sectors to help manage the program. Lorenzo Fernández Nieto, a retired army officer, was one of several ex-military colleagues he hired. A former member of the presidential guard, Fernández had been in the private sector for three years when he received Pérez Casas’s recruitment call. By 2003, Fernández was one of six regional chiefs, overseeing 16 preventive policing units with the task of both reducing crime in his coordinated areas and converting the police to UPCs.

The UPCs were designed to operate in specific sectors of the city, developing relationships with the local communities. In exchange for better pay, training, and working conditions, UPC police worked under a more rigorous accountability system, which held them to higher standards of behavior. To measure performance, administrators created a point system that determined bonuses and promotions based on statistics the unit commanders collected each day. The indicators ranged from simple tardiness to changes in crime statistics in specific patrol areas and how much training the police officers completed. Those who achieved point goals earned financial rewards and promotions. Underperformance could result in the loss of their jobs.

“Now there are clearer, institutionalized career advancement pathways accompanied by financial incentives,” said Norberto Nava, who oversaw community policing. “New police officers know that a good performance record can get them promoted; this encourages them to take their jobs more seriously and to better protect the community.” Fernández agreed: “When you have a future and you’re earning money, you behave properly.”

The units were meant not only to promote effective law enforcement in crime-prone areas but also to address weaknesses in preventive policing in terms of workloads, pay, and training. At the time, Mexico City’s police worked full-day shifts, with two days off between shifts. “The police in Mexico work 24 hours continuously,” Pérez Casas said, referring to his observations of
the system at the time. “No one can work like that.”

The work schedule for UPC police called for rotating, eight-hour shifts, with a day off every four days. Each unit comprised 400 police officers, with 100 on duty at any given time.

Higher salaries also served as a cornerstone of the UPC program. “The police come from social classes that are very poor,” Pérez Casas said in describing the problem. “They’re police because they want to eat, not because they have any desire to reinvigorate society. They’re not treated well, and they don’t have money for food—basic things everyone needs—and it obliges a person to become corrupt.”

UPC recruits who passed entrance exams and completed their training would receive a monthly salary of 8,500 pesos (US$787 in 2003)—more than double the roughly 4,000 pesos (US$370) paid monthly to the preventative police.

Changes in recruiting and training were fundamental elements of the plan. To develop a new curriculum for the UPCs, Pérez Casas and his team began working with the Technical Institute of Police Training, which handled instruction for all incoming police recruits. They tried to attract younger recruits, who the team believed would be more idealistic and have less exposure to the kinds of corruption that infected Mexico’s police. They raised the minimum education requirement to completion of secondary school. They developed a mandatory exam for new recruits. And they updated the training program for those who passed.

“Training was no longer that simple,” said José Alfredo Carrillo García, who was director of preventive-policing actions at the public security secretariat. “Before, they had been told only how to hold and shoot a rifle and to march and they talked to recruits about what the police force was, and that was it. . . . We tried to teach new things like human, constitutional, penal rights as well as criminology.” In 2003, Ebrard persuaded the Legislative Assembly to fund the new training system by pointing out that 90% of the police had not received official training from either the Technical Institute or Mexico City’s National Autonomous University.

Attracting qualified recruits initially proved challenging, as the UPC program had the same entrance requirements as the country’s Federal Police but offered a lower salary. Eventually, Pérez Casas and his team lowered entrance requirements from requiring secondary school completion to a commitment to complete secondary education while in the UPC system. (In Mexico, only completion of the first half of secondary school, referred to as secundaria, is mandatory; the second half, or preparatoria, is optional.)

Pérez Casas said he felt strongly that the training process should not mix new recruits with police veterans who might be tainted by corruption. “The police officers who had experience—those were my problem,” he said. He decided to graduate entire units of 400 recruits together from the Technical Institute.

Pérez Casas and his team added other bonuses that enlisted families in encouraging strong job performance by their main breadwinners. High achievers in the UPC became eligible for housing assistance and educational aid for their children. “I didn’t have to take care of them,” Pérez Casas said. “Their families took care of them because they knew: ‘Dad, I don’t have a scholarship, and it’s because you’re not doing well.’ The wife would say, ‘We’re going to lose our house.’”

As time went on, Pérez Casas and his team recognized that they needed not only to encourage good behavior but also to reduce corruptive influences. For example, a police officer could make nearly a month’s salary by seizing guns and selling them on the black market. So, to police who seized illegal guns, the UPCs began to give bonuses that were higher than the guns’ black-
market values. Fernández said official gun seizures jumped from around 300 firearms a year to 3,800. “Before, police officers would keep the gun and sell the gun on the black market, and the thief would not say anything because it was also in his best interest,” because the thief would avoid a weapons charge, he said. “Now thieves caught with guns are getting five or six years in jail.”

Rather than try to retrain and reorganize the existing preventive police force, Ebrard and Pérez Casas adopted a system of gradual replacement. “The goal was to have the entire police force be assimilated by the UPCs in about 10 or 12 years,” Carrillo said. They focused first on implementing the units in areas of higher crime rates. Because the renewal of Mexico City’s historic downtown was a political priority for the López Obrador administration, Pérez Casas and his team began implementing the first UPCs in that area.

At first, there were concerns that the local borough governments would resist the new model, but Pérez Casas found the opposite to be true. “People [in the borough governments] were complaining: ‘I want one here, I want one here,’” he said. “Ultimately, I had to comply with what the leaders of the boroughs wanted.” Although Pérez Casas said demand for UPC units was high, the replacement of existing preventive police was gradual. By the end of 2004, there were only six fully functioning UPCs.

Working with the rest of the preventive police

Not surprisingly, many of the old-guard police resented the higher pay, better benefits, and improved working conditions enjoyed by incoming UPC recruits. “There were frictions between the old police and the new ones because of the higher salaries,” Fernández said.

To speed up replacement of existing preventive police units with UPCs and to eliminate underperforming or corrupt members of the security service, Ebrard adopted a two-pronged strategy. “The first was to offer to the oldest officers in the force a good idea of retirement, because in Mexico traditionally you didn’t have a decent retirement plan, so you tried to stay on the force as long as possible to avoid lack of money or support,” Ebrard said. He instituted a system of voluntary retirement, particularly for higher-level and older members of the police. Rather than dismiss officers and risk a repeat of the 1998 police strike, the public security secretariat retired them with honors and increased pensions. “This eliminated 70% of the people who could not adapt to the new structures,” Fernández said.

Those who refused voluntary retirement and could not meet higher efficiency standards were discharged. From March 2003 to February 2004, for example, the SSPDF fired 1,270 officers and internally suspended an additional 1,154. Those who could meet efficiency and new training standards were given opportunities to enter administrative positions or, on rare occasions, one of the UPCs.

“When we started, it was risky but finally worked, because you can win a battle by time,” Ebrard said. “The message is, if you do the job, you have the right to be on the force and you have the support of the force.”

For police who remained on the force, Ebrard and his team designed a system to encourage higher performance and to weed out those who lacked the desire to raise their personal and professional standards. “The other [strategy] was to increase the standard average of requirements for the police and their performance,” Ebrard said. “We started to measure each officer and, naturally, a lot of them preferred not to be on the force with those kinds of efficiency requirements.” In an interview with a scholar, a member of Ebrard’s team said Ebrard "worked on the assumption that 20% of the police were highly corrupt, 20% were very honest, and the remaining 60% could be improved or better managed with organizational reforms."
Among other measurements, officers were tracked for absenteeism, completion of new training, and arrests that resulted in convictions. In an effort to promote more-active policing, those who made successful arrests of thieves were eligible for financial bonuses. “If the person who was arrested went to jail, we paid the officer,” Carrillo said. The bonus for arresting someone who stole a car, for example, was 3,000 to 5,000 pesos (US$265 to US$442 in 2004)—the equivalent of about a month’s salary.

Although the financial incentives were effective in boosting the number of arrests, critics pointed out that the plan also led to some abuses. “The police were offered benefits for detentions, and they made illegal arrests,” said Mario Patrón, chief investigator of the Mexico City police for the Federal District Human Rights Commission.

Carrillo said police leaders tried to combat the problem: “If in the process the person proved that he was falsely arrested, we sanctioned the police officer to prevent the idea that the police officers could take anyone and put them in jail.” In these cases, Carrillo said, a committee of higher-ranking officers, members of internal affairs, and lawyers from the public security secretariat would review the arrests and potential punishments. No data were available regarding the committee’s level of success in deterring officers from making wrongful arrests. The public security secretariat eventually abandoned the bonus program on the recommendation of the Federal District Human Rights Commission, Patrón said.

Building better police–community relations

In the sectors of the city where they worked, UPC police patrolled with the explicit mission of interacting with residents of their assigned neighborhoods both to improve relations with the general public and to establish personal relationships that might become lines of communication and intelligence. “We sent them out to knock on every door to say, ‘I’m Lorenzo Fernández Nieto. Here’s my contact information. I’m patrolling your area, and I’m here to protect you,’” Fernández said.

However, many of the strategies met with initial resistance. “Sometimes it was very difficult because we got to the door and knocked, and many of the citizens wouldn’t answer,” Carrillo recalled. “Sometimes they would call the police and say, ‘Hey, there’s a police officer knocking on my door. What’s going on?’”

Pérez Casas said at least part of the problem stemmed from the fact that the UPC police refused to go along with the law bending that had become common in the past. “When I entered [a neighborhood] with the UPC, the citizens gave me a hard time,” he said. “They would say, ‘The other ones were better. With 10 pesos, they’d help me move my car. And with your guys, all they do is give me tickets. We want the other ones back.’”

In 2004, Ebrard deepened his emphasis on community relations by creating the Neighborhood Police (Policia de Barrio). Under the original design, the UPC police were intended to stress citizen relations, but the short-term emphasis on lowering their sector’s crime statistics left them with little time to build rapport with residents. “The UPCs and the Neighborhood Police started as one unit,” Carrillo said. “But we didn’t have the reaction we expected from the citizens. It was difficult to get citizens to open their doors to the police. We realized this wasn’t working, so we had to make a lot of changes.”

With the goals of improving citizens’ access to police and bolstering community credibility, the Neighborhood Police drew from the non-UPC members of the preventive police force. The changes were sometimes subtle. Although patrol beats and training remained largely unchanged, their evaluation criteria became stricter. For example, officers had to obtain citizens’ signatures...
to verify they had completed their assigned patrols. Neighborhood Police officers participated in the meetings of local citizen committees, which served as intermediaries between the public and the security secretariat.

“The objective was to bring the police force closer to the average person,” Carrillo said. “The UPC would patrol all around the sector, and the Neighborhood Police would go to the different houses to knock on their doors and ask people about the problems, about the environment, about the information. We tried to increase contact between the police and the citizens. The principal difference was that the UPCs were only patrolling, and the Neighborhood Police were directed to face the citizens.”

By 2006, the Neighborhood Police numbered 1,836 members, all of them drawn from the preventive police but without specialized training. “It just meant that the police assigned to a specific area had the responsibility to get to know the local community leaders,” Carrillo said. “The Neighborhood Police was only an idea. It was only meant to make the police force more approachable.”

**Using technology to fight crime**

When Ebrard joined the public security secretariat, the organization had been relying heavily on a decentralized, paper-based information system that made it difficult—if not impossible—to compare and analyze crime information from across the city. While working on the longer-term problem of reorganizing the preventive police and integrating the use of technology into public security, Ebrard implemented several ad hoc measures aimed at improving police responsiveness in particular situations. In August 2003, for example, in response to the problem of bus muggings, Ebrard began installing panic buttons throughout the city bus system with the promise of a four-minute police response time.15

In November 2003, the security secretariat began developing the Police Information System to aggregate, compile, and analyze crime information from across the city. A private contractor developed a system along the lines of New York’s CompStat program. The secretariat rolled out the system to each of the 70 coordinated areas, prioritizing those with higher crime rates. Each coordinated area would submit its statistics and reports to secretariat headquarters daily, enabling Ebrard and his team to track progress in real time.

“I estimate that every day, we had 500 to 600 registries being uploaded about the people who were detained, the calls made to report crimes, among other things,” Carrillo said. At the same time, the secretariat created programs to track media reports of crimes and officer conduct.

The data enabled the secretariat to deploy resources more efficiently and to change patrolling patterns to fit areas and times of high crime. The Police Information System “made it possible for us to know which were the areas with the highest crime rates and gave us the capacity to act and prevent those crimes,” Carrillo said. But early efforts to use the new system encountered predictable snags: input errors diminished the initial effectiveness of the program because many police had only limited experience with information technology. “It was difficult because not many people were comfortable using computers,” Carrillo said. “I think that initially, we lost a lot of information because not everyone could enter the information to the database. It was a hard learning curve, and a lot of mistakes were made.”

As those initial problems faded, the data-driven approach enabled Ebrard to hold the chiefs of individual sectors to account for their units’ performance. “You knew from the statistics what was out of place, so you could know or check what was happening there,” said Leticia Bonifaz, who joined the SSPDF in 2004 as coordinator of...
special projects. “The sector chiefs in sectors that improved received prizes, and the sector chiefs in areas that got worse were called before the secretary of public safety each Monday to explain. And when it was clear that someone was no longer effective [on the job], they dismissed that officer, unless the officer who was the cause of the irregularities was found. There was shared responsibility with the sector chief, who had to be able to control the officers. You could make changes or adjustments, but the statistics from the report told you that something was happening.”

Focusing on the Central Historic District and Tepito

Ebrard was inspired by the experiences of Leoluca Orlando in Palermo, Italy, with whom he consulted early in his term as secretary of public security. Ebrard knew that securing Palermo’s historic city center had been essential to Orlando’s success in reenergizing downtown economic growth and fostering a broader sense of security in the city as a whole. Ebrard and his team knew they would need to focus on high-visibility areas of Mexico City to demonstrate the viability of the policing reforms and to build public confidence in the rule of law.

In 2000, the downtown historic district had one of the highest crime rates in Mexico City: 24.5% of total crimes that year. It was also a center for informal and often illegal businesses such as prostitution and the sale of counterfeit and other illicit goods. Focusing on visible steps to clean up the historic district, Ebrard and his team took aim at the informal street vendors who clogged the streets.

“In the central historical district, you couldn’t even walk because there were 30,000 people selling things in the streets,” Fernández said. In 2000, there were an estimated 120 street vending organizations in the downtown area, comprising 30,000 members.

Another problem area was nearby Tepito.

The low-income neighborhood was a staging ground for organized criminal activity throughout the city, particularly drug trafficking.

Reasserting a security presence downtown also meant installing surveillance cameras throughout the area, a move that Ebrard said had been inspired by such a system in London. The López Obrador administration credited the installation of security cameras with a 30.8% decrease in crime in the area from 2003 to 2004.

Ebrard drew inspiration from former New York City Police Department commissioner William Bratton, who subscribed to the broken-windows theory of policing. That strategy held that restoring order to crime-ridden areas required aggressive policing of minor offenses such as illegal street vending, disorderly conduct, public drunkenness, and loitering. The thinking ran parallel to the zero-tolerance response former New York mayor Giuliani’s team had advocated in its report.

To establish the authority to use that kind of approach, Ebrard and Bonifaz pushed for the Law of Civic Culture, which the Federal District legislature passed in mid 2004. Inspired by Giuliani’s earlier zero-tolerance recommendations, the law criminalized many types of informal street businesses and increased the penalties for public intoxication and drug possession. “Among Giuliani’s recommendations were to reinforce preventive measures,” Bonifaz said. “This meant paying a lot of attention to minor civil offenses—for example, graffiti.”

The strategy prompted pushback, particularly from judges whose dockets might become clogged with petty cases. “Certainly, it was difficult to convince the legislature, but the judiciary was more resistant because [the change meant] more work for them,” Bonifaz said. To assuage judges’ workload concerns, a companion proposal removed minor cases like vehicle accidents from their dockets, she said.
Handling an abrupt transition

Ebrard and his team were two years into their implementation of police reform when disaster struck. In November 2004, a mob in the Mexico City borough of Tláhuac mistook three undercover federal agents for child kidnappers. Two of the three were beaten and burned alive in front of television reporters. Media outrage following the incident focused on the failure of the Mexico City’s preventive police to stop the violence or mount a rescue attempt during the two hours the federal officers were held. In response, Mexican president Vicente Fox fired both Ebrard and the commissioner of the Federal Preventive Police. López Obrador initially defended Ebrard but later accepted Fox’s decision.

López Obrador appointed his adviser, Ortega, to succeed Ebrard as head of the security secretariat. Ortega, an engineer and former minister of transport for the city in the late 1990s, had a technical rather than a security background. However, Ortega had provided important technical support for the security cabinet meetings and advised López Obrador on security issues.

For the most part, Ortega kept Ebrard’s team and reform plan in place through increased focus on technological improvements—a policy that smoothed what could have been a difficult transition. “With [Ebrard], we started solving some things, and when Ortega came, we were able to use all the information we collected before to make the programs successful,” Carrillo said. “Continuity was important.”

In addition to technological skills, Ortega brought with him a strong appreciation for the informal underpinnings of Mexico City’s society. “Ortega had the advantage of not only being a very competent engineer . . . but also knowing the social network of the city,” Camacho said. “He had the capacity to deal with those social groups in highly conflicted sectors and the capacity to look to new ideas and new technologies as a very competent engineer and organizer.”

Broadening the strategy

The loss of his post as secretary of public security was not the end of Ebrard’s political career. In 2006, after López Obrador left his position to run (unsuccessfully) for president, Ebrard was elected mayor of Mexico City, helped by strong public support for his security reforms. He took office in November 2006 and immediately reappointed Ortega and Pérez Casas, a clear sign that the security strategy remained a priority.

Ebrard continued López Obrador’s tradition of daily security meetings. “There really were no changes in the strategy that I took over from Ebrard, and later, he became the mayor, so there was a lot of continuity,” Ortega said.

Even though he remained committed to the same basic security reform strategy, Ebrard began to focus on an approach that extended beyond the police. “We have a lot of things that it is impossible to do just in the police force,” he said. Concerned about the roles of teenagers and young adults in violence and criminal gangs, for example, Ebrard began offering scholarships and other incentives for students who remained in school and improved their grades. He also began in earnest removing street vendors from the downtown historic center of the city, a process he had planned while secretary of public security.

Although Fernández said he and his fellow officers were able to move street vendors out of the downtown areas “without throwing a punch, by talking,” other reports indicated a prolonged effort. The crackdown, which began in 2007 and increased in intensity through 2008, detained thousands of vendors—often on charges of interfering with traffic, because the selling of many types of goods in the streets was not otherwise against the law.

Because legitimate street vendors were not given any alternative places to sell their wares, many moved to less-safe areas of the city, and
even those who sold legitimate goods began to operate furtively, fleeing when police arrived, Rodrigo Meneses Reyes, a scholar of law and sociology at Mexico’s Center for Research and Teaching in Economics, said. However, he added, “for the majority of citizens, the removal of the street vendors was viewed positively, because the space looked cleaner and was easier to deal with.”

Inspired by his earlier research into the experiences of Bogotá and Palermo, Ebrard expanded the strategy used in the central historic district, and along with Ortega and Bonifaz, now his top legal adviser, began to “retake” parts of the city that were known as hotbeds of certain crimes. “[Ebrard] said we have to seize property in Tepito, the worst part of the city, in order to have a presence there,” Bonifaz recalled.

In February 2007, police surrounded a city block notorious for drug trafficking and the sale of stolen property. “The area was seized and demolished, and now there are a school, a swimming pool, a child care facility, and a space for children, all in the center of Tepito,” Bonifaz said. “Now this area, in which there used to be only crime, is an educational space that people can go to.”

Following up quickly on their success in Tepito, Ebrard, Ortega, and Bonifaz planned a second raid. On a quiet public holiday in March 2007, they loaded police into buses and took them to an area known as La Ford in the borough of Iztapalapa, full of small shops known to sell stolen car parts. The police seized two hectares (five acres) of property and closed down the illegal operations. “Everything was demolished, and in its place a health center, a child care center, and a disabled persons center were built, as well as a park in the back,” Bonifaz said.

This was an expensive strategy because laws required the city to compensate the documented owners of the land and other legally obtained property. In response, Bonifaz began working on the Ley de Extinción de Domino, or Law of Asset Seizures. Modeled on a statute enacted in Colombia, the proposal would allow the Federal District government to seize property involved in the perpetration of a crime—without having to compensate the owners.

The proposed law required changing Mexico’s constitution, which guaranteed the right to compensation in cases of government seizure. Bonifaz lobbied Mexico’s federal government with the argument that the law would be useful nationwide. “The fact that this law could also be used in other states was what convinced them,” she said. “We thought about the law in terms of local crimes, but many federal crimes—especially organized crime and narcotrafficking—could also apply.”

Following passage of the constitutional amendment, Mexico City’s government enacted its version of the law in June 2008, and the federal government followed suit the next year. “During [Ebrard’s] administration, there were more than 130 cases of forfeiture of assets after the law was enacted, the majority of which were due to kidnapping, vehicle robbery, and human trafficking,” Bonifaz said. “If the property is sold, a percentage [of the money from the sale] goes to support the Secretariat of Public Safety, the attorney general, and the victim.”

Continued progress

Under Ortega, the public security secretariat moved forward in a number of areas. Ortega set a high priority on digital monitoring and accountability to improve police effectiveness. Working to speed response times, Ortega established a 24-hour centralized emergency police telephone line and equipped patrol cars with GPSs that enabled the secretariat headquarters to track locations.

By 2008, the public security secretariat had completed installation of the Evaluation and Performance Center, which had adopted a version of New York’s CompStat system. Policy staff,
police commanders, and midlevel officers in each of the sectors used the system in their daily meetings to review and analyze crime data. “Every day, one of the 70 ‘coordinated areas’ was evaluated with the chiefs of every sector in that coordination, as well as with the prosecutor in charge of that area,” Ortega said.

Inspired by the success of cameras in the central historic district, Ortega’s administration accelerated the installation of cameras in high-risk areas. In 2004, 150 cameras were monitoring roadways. In 2005, the public security secretariat spent 6 million pesos (US$550,200 at the time) to install a network of cameras throughout all 16 boroughs. And by 2007, more than 4,000 cameras were operation.

Ortega also oversaw a rapid expansion of the UPC program. Under Ebrard, Pérez Casas’s team had established five UPCs. Under Ortega, they created 27 more, hiring thousands of new police officers. “He’s a real mover, a creator,” Fernández said of Ortega. “He really believed in the project.”

Ortega also set a priority on phasing out senior commanders in order to bring in younger officers who would help change the institutional culture of the police. He ramped up the voluntary retirement program and increased dismissals of underperforming commanders. “When I entered [as secretary in 2004], the average age of commanders was 72 years,” Ortega said. “When I left office, it was 35.” As it had under Ebrard, the public security secretariat held events to retire officers and give them awards, medals, and severance checks.

Ebrard and Ortega took aim at crimes that affected citizens’ daily lives. One team focused on car thefts and worked with insurance companies to identify stolen vehicles and gain access to the companies’ registries of stolen cars. The two also assembled a team focused specifically on thieves who targeted buses and truck drivers in areas of high crime. A third initiative took aim at bank robberies.

Ortega continued to tackle sources of corruption. Tow truck operators had become major sources of extortion, Ortega said, because they would confiscate cars and then demand bribes for their return, circumventing the official system of impoundment fees. Ortega installed cameras on official tow trucks and required payment of fees by credit card. “We turned complicated things into very simple processes,” he said.

Ortega also focused on internal corruption. “The police here had a program where they were selling their bullets to people who were selling the bullets to criminals,” Ortega said. His administration began tracking the registration numbers of police weapons and stamped each bullet with identifying markings.

**OVERCOMING OBSTACLES**

López Obrador, Ebrard, and Ortega’s implementation of security reforms in Mexico City demonstrated their ability to deal with obstacles that had foiled earlier reform attempts: To handle a resistant old guard within the police, Ebrard and his team worked to make retirement a more attractive option. To weather an abrupt transition when Fox dismissed Ebrard, López Obrador appointed Ortega, the head of his security cabinet, to ensure strategic continuity. And when Ebrard became head of Mexico City’s government, he kept Ortega on and retained the security secretariat.

During Ebrard’s mayoral administration, however, systematic problems within the preventive police continued to pose challenges. Most prominently, many arrests failed to lead to formal investigations by the judicial police or to prosecutions. “The impunity was a problem because every year, the police in the Federal District arrest 9,000 people and only 10% get sentenced to jail,” Carrillo said.

In 2006, Bonifaz began studying failed cases to see whether she could spot a common thread.
She soon realized that judges were dismissing cases based on problems with the application for criminal complaint, which was a form completed by arresting officers in order to begin an investigation by the judicial police.

Bonifaz said she concentrated on cases involving drug dealing. “I reviewed 100 cases to find the mistakes, and the surprise was that all of them were the same,” Bonifaz said. “I told Joel Ortega, who was the chief of police, that he doesn’t have a single drug dealer who is left-handed because all the reports were the same. All of them started with, ‘While doing the patrol rounds, we saw some people who looked suspicious. Upon approaching them, we discovered that in the right pocket of their pants they were carrying’—here was the change—‘a green herb that looked like marijuana,’ or it could be ‘something white that appeared to be cocaine.’ All of them were the same. No one carried anything in a shoe or a hat—always ‘in the right pocket of their pants a green herb that looked like marijuana or a white powder.’”

Bonifaz also found that judges were throwing out cases because suspects had been mistreated and confessions coerced. “The issue involved preventing torture, which was the most delicate problem,” she said. “It was a very common practice for the police to have already extracted a confession before arriving at the Ministry of Public Safety.” Sometimes, she added, police officers had videotaped the confessions, and the recordings showed clear evidence of abuse.

Bonifaz said the problems revealed police ignorance of required procedures and lack of appropriate training. The public security secretariat began working to train officers better in arrest and evidence procedures and, with the Federal District Human Rights Commission, to explain the rights of suspects. “The training sessions that the human rights commission held for the police were trying to teach how to do the job, how to make arrests, how to send cases to the authorities, to the judge,” Carrillo said.

The human rights collaboration made slow progress because many police veterans viewed procedures designed to protect human rights as favoring criminals. “They see human rights as the enemy,” Carrillo said. “It got a little better; there was something good about the training sessions,” he added. “Still, now, it is hard to make the police officers pay attention to the human rights programs. But they know they have to go; they have to take the course.” He expressed confidence that generational change would make the ultimate difference. “The new generation that are getting into the police, they have a new idea” about human rights, he said.

Despite those efforts, alleged human rights violations remained a serious problem for the Federal District police. Patrón, chief investigator of the police for the Federal District Human Rights Commission, attributed the ongoing problems to weak internal and external controls. “One of the things we’ve identified that’s missing is a body within the police to conduct investigations, because right now they have internal affairs, but it doesn’t have investigative capacity,” he said. “They need an independent organ to investigate the police.”

Meneses echoed that assessment: “If you do not have external checks and balances, it is impossible to improve a situation that is produced by the same police.”

**ASSESSING RESULTS**

Decreased crime in Mexico City could not be attributed solely to the preventive police reforms, but under López Obrador and Ebrard, the city showed clear improvement. When López Obrador came into office in 2000, crime rates in Mexico City had risen dramatically during the 1990s, and the government was struggling to control the police.

Following a significant drop from their peak in 1999, overall crime rates declined steadily
during the years of the police reforms until 2006, when they began increasing. While the overall crime rate did not show sustained improvement, the López Obrador and Ebrard administrations did achieve success in specific target areas: Robberies, particularly violent robberies, declined during both administrations. Vehicle thefts dropped from an average of 119.25 per day in 2000 (already down from a high of 160.22 in 1997) to 72.82 per day in 2006. According to the administration, López Obrador and Ebrard had achieved a 30.8% reduction in crime in the central historic district. And police efficiency levels had risen by 10% from Ebrard’s initial measurement in 2002, according to public secretariat records. Much of that data, however, was not readily available to the public.

It is worth noting, when analyzing these statistics, that both Ebrard and Ortega attempted to improve the percentage of citizens reporting crimes. In 1999, in a survey by Transparencia Mexicana, 90% of Mexico City residents reported having little or no confidence in the Federal District police, indicating that no more than 10% had any significant confidence in the police. A separate study from 2006–11 found that 28% and 42% of the population reported confidence in the police.

Still, with more than half the populace skeptical of the police, reformers clearly had more work to do. “The perception of insecurity continues to be very high in Mexico City, and that’s something that systematically runs against all of the leaders’ speeches,” Colegio de México professor and policing expert Arturo Alvarado said. “That’s the stain on all these programs.” Mexico City, Alvarado added, has managed to avoid much of the drug cartel and other criminal gang warfare that plagued cities like Monterrey and Juárez. “In the early ’80s in Mexico City, the most important mafia was the Mexico City police,” he said. “So, that shift meant a lot of changes inside the police organization.”

Some observers, however, argued that corruption remained a significant hurdle for the

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Federal District Annual Crime Reports, 1999-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robberies</td>
<td>147,330</td>
</tr>
<tr>
<td>Violent robberies</td>
<td>88,691</td>
</tr>
<tr>
<td>Non-violent robberies</td>
<td>58,639</td>
</tr>
<tr>
<td>Financial crimes</td>
<td>N/A</td>
</tr>
<tr>
<td>Injuries</td>
<td>34,032</td>
</tr>
<tr>
<td>Homicides</td>
<td>1,781</td>
</tr>
<tr>
<td>Sexual assaults</td>
<td>2,906</td>
</tr>
<tr>
<td>Other crimes</td>
<td>33,460</td>
</tr>
<tr>
<td>Total</td>
<td>227,212</td>
</tr>
</tbody>
</table>

police. “I think that Joel Ortega and Marcelo Ebrard had good intentions with that, and it would be a nice and effective policy in another part of the world, but here in Mexico City, the problem is that the high levels of the police are those who are in charge to sanction the misconduct of the same police officers,” Rodrigo Meneses Reyes, a scholar of law and sociology at Mexico’s Center for Research and Teaching in Economics, said. “The mechanisms of institutional control never got better.”

Before their abandonment under Manuel Mondragón y Kalb, who succeeded Ortega in 2008 as head of the public security secretariat, the UPCs existed in 32 of the 70 coordinated areas. According to one study in January 2008, 37% of interviewees said the UPC officers were less corrupt than the preventive police. Twenty-four percent said they were just as corrupt. Although the public had a better image of UPC officers, 73% of interviewees did not know the difference between UPC and non-UPC police. The same reports raised serious questions about the effectiveness of the Neighborhood Police program, finding that 97% of survey respondents did not know the police patrolling their neighborhood.

In 2008, Fundar, a Mexican nongovernmental organization, and Juan Salgado, scholar of police reform at Mexico’s Center for Research and Teaching in Economics, released an independent evaluation that praised the UPC program. At that time, the UPCs operated in 22 sectors in Mexico City. “The UPCs were the most far-reaching police reform project in Mexico,” Salgado said in an interview. “The SSPDF turned 36 [sectors] into UPCs despite formal and informal resistance within the police. That success had to do with the continuity of General Enrique Pérez Casas. Also, that reform matched civil society groups’ and human rights groups’ demands for clearer structure in the police, checks and balances, and better salaries. The UPCs achieved many of their goals—at least structurally.”

“The report establishes and maintains Citizen Protection Units in SSPDF are one of the few examples that meet the agendas of civil society organizations, the [Federal District] government, and police matters,” Fundar concluded. “In the capital and other parts of the country, the UPCs represent one of the most outstanding models of modernization of local police operation, especially in terms of police approach to citizens.”

Fundar also found that the UPC officers appeared to be more dedicated to their work, which had been one of Pérez Casas’s priorities. “Fundar’s team identified a team spirit and a special motivation on the part of most of the officers of the UPC that is hard to find in other police agencies,” the report stated. “Although receiving higher wages should have an influence on the motivation of these officers, we should also recognize that there are elements of leadership and shared mission that create cohesion and make them feel proud of their work.”

The average response time of a UPC was two to eight minutes—far faster than that of the rest of the preventive police. The UPCs also were more effective at prioritizing higher-impact crimes. When the program began in 2002, 39.2% of the incidents that the preventive police referred for investigation were automobile accidents. By 2007, that figure was down to 18.2%, as the focus shifted toward robbery and other crimes. Fundar also found that in the years the UPCs were in operation, thefts decreased from 95,617 in 2003 to 78,264 in 2006.

From 2002 through 2007, the UPC program cost the public security secretariat a total of 2.064 billion pesos (US$188.7 million). Each UPC installation cost the Federal District government 76 million pesos (US$6.9 million) and the local borough government 18 million pesos (US$1.6 million). During that period, Fundar found that the UPC budget caused no change in the
secretariat’s roughly 9-billion-pesos (US$822.6-million) annual budget, which remained stable.

That said, Fundar identified serious flaws in the program. The report said many UPCs were underfunded and lacked promised equipment. The researchers noted that no UPC had a formal system to receive citizen complaints and that UPC officers frequently did not participate in the weekly citizen meetings (they were not required to do so). Furthermore, Fundar found human rights violations remained a serious problem.

The effort to clean up the central historic district and Tepito was a high-profile success for López Obrador and Ebrard. Although reestablishment of security in the downtown led to a revitalization of the area, the policing efforts may have simply driven illicit activity elsewhere in the city—or just over the Federal District’s borders into the greater metropolitan area. Criminal organizations “preferred to go to the neighborhoods in the state of Mexico, rather than here,” Ebrard said.

Many sectors were able to improve their performance, as measured by the crime statistics system and other secretariat indicators, but outside observers raised questions about incentives the system created, particularly the targets set for arrests of thieves. “The SSPDF’s adoption of the recommendations made in the Giuliani report have led to domestic policies of police performance appraisal based on meeting quantitative rather than qualitative criteria. This represents a perverse incentive for agents to fulfill their work at the expense of respect for the rights of citizenship,” Fundar concluded in 2008.

In 2011, the public security secretariat ended its use of financial incentives for arrests, a move that, according to Patrón, was based largely on a recommendation by the Federal District Human Rights Commission. However, he added, “In practice, these types of things still exist. It’s become a perversion of justice.”

Mexico City received international attention for its handling of crime. In 2012, the US State Department rescinded the critical-criminal-level warning about Mexico City that it had issued in 1998, thereby signaling significant progress in the city’s law enforcement situation. Mexico City also received attention from the international press, which dubbed the city’s handling of crime a “miracle.”

REFLECTIONS

From 2001 to 2008, Mexico City’s public security secretariat, led by Marcelo Ebrard Casaubón and Joel Ortega, focused on implementing a new model for preventive policing in the city by using technology to increase police force efficiency and combat the city’s crime wave. Ebrard and his team built their strategy with an eye toward Mexico City’s earlier failed attempts at police reform and inspired by the successes of reformers in New York, Bogotá, and Palermo, Italy.

Whereas the long-term impact of the preventive police reform under the administrations of Andrés Manuel López Obrador and Ebrard remains to be seen, their creation of specialized Citizen Protection Units and Neighborhood Police, their implementation of technological advancements, and their coordinated efforts to ensure lawfulness in the city’s historic center and other high-profile areas of the city represented a sustained effort to combat rising crime rates and strengthen the rule of law. The reform benefited from high-level and consistent political support, a shared commitment to the importance of the reform, and continuity between administrations.

Accountability was a hallmark of the reform. The daily security cabinet meetings that López Obrador started were instrumental in tracking progress and holding reform participants to account for what they did and didn’t do. “Your number one priority was to be there [at the
meeting],” former Legal Advisor Leticia Bonifaz said. “There was the commitment to making sure that everything that was planned actually happened, because we Mexicans are good at planning but not very good at following through. How do you know whether people are actually doing things or not? Because every day, they’re asking you, ‘What have you done?’ or ‘How is it going?’ or ‘Are you in the same place?’”

Cultivating strong support was another linchpin of the effort. Ebrard pointed to the importance of data and the citizen councils in holding police management accountable. “It’s a matter of choosing the correct people but always having a very important supervision system, an independent system. And if you can invite citizens, all the better.”

The continuity of policy between López Obrador and Ebrard as heads of government and between Ebrard and Ortega as secretaries of public security played a key role in effective implementation of the police reforms. Unusual in Mexico, that degree of sustained focus on one set of reforms led to greater institutionalization of the changes and steeled the public security secretariat to weather an abrupt leadership change in 2004.

Ebrard and Ortega, however, were less successful in institutionalizing that commitment throughout the public security secretariat. Under Ebrard and Ortega, “levels of corruption went down, but this was the result of the attitude of the secretary of police and his high-ranking officers; it’s not institutionalized,” Mario Patrón, chief investigator of the Mexico City police for the Federal District Human Rights Commission, said. “They haven’t revised the institutional engineering of the police.”

Patrón and other observers—including Meneses—also raised serious concerns about the lack of strong internal and external controls on police misconduct. “I think there are a lot of good intentions in the police officers of the city, but they are probably also scared of what they’ll find in the institution,” Meneses said, arguing that police leadership had not gone after internal corruption strongly enough.

Mexico City’s drop in crime rates had causes other than the police reforms under López Obrador and Ebrard, but by the end of Ebrard’s term in 2012, Mexico City had transformed from one of the least-secure cities in the country to one of the country’s safer metropolises. “If you compare what is happening in Mexico in the past 8 or 10 years both in Mexico City and at the federal level, Mexico City seems like a paradise,” Alvarado said. He questioned, however, whether it was due to real improvement within the city or increasing instability elsewhere. “If you analyze the trends in crime in the capital, this paradise fades,” he said.

EPILOGUE

In mid 2008, the public security secretariat was again rocked by a tragedy that destabilized its leadership. This time, it weathered the transition less strongly. In June, Mexico City police raided a nightclub on suspicion of illegal alcohol and drug sales. In a stampede caused by the raid, 12 clubgoers died. Several of the people detained in the raid filed complaints of police brutality and sexual assault. Of the 120 police who conducted the raid, 30 were UPC police who had received community policing and human rights training. All had clean records prior to the raid.

The aftermath of the raid raised questions in the media as to the effectiveness of the UPC program. The ensuing backlash also led then president Felipe Calderón to remove Ortega as head of the public security secretariat. Ebrard chose Manuel Mondragón y Kalb as Ortega’s replacement. Mondragón had worked in both the secretariat and the attorney general’s office before becoming the new secretary—experience that appealed to Ebrard. “We needed someone like this man because he can organize three very difficult things to have in the same person,”
Ebrard said. “First of all, management capability; second, capacity for communication with the people, . . . and third, military formation in order to have the force organized.”

With Mondragón, Ebrard continued much of the work he had begun with Ortega. In 2008, Ebrard and Mondragón created Centers of Attention, which were specialized agencies aimed at improving police engagement with citizens in general and marginalized groups in particular. The centers also had the task of tracking reports in their areas and allegations of police abuse, which they forwarded to internal affairs.

In March 2009, Ebrard expanded the security camera program throughout the city by ordering a $460-million Safe City surveillance system. “It’s costly, but it makes sense,” Ebrard said of the system. “If you compare 2006–12, you have a reduction in the city by about 40% in the most important crime index for the people. Part of this was because we had the video cameras.”

As head of the public security secretariat, however, Mondragón distanced himself from the UPC model in the wake of the nightclub raid scandal. He brought in a new team, which replaced many of retired army general Enrique Pérez Casas’s staff. Pérez Casas left in 2009, saying he had been pushed out. “The work of 38,000 well-trained people was erased by Mondragón,” he said.

In 2009, Mondragón began working on a new strategy to replace the UPCs, though it relied on the same system of coordinated areas, which Mondragón implemented two years later.

Called the Quadrants Plan, the system assigned responsibility for city blocks to individual police units in each coordinated area and used the police statistics system to track quadrant performance. Because UPCs had not existed in all 70 areas, levels of intensity of the use of monitoring statistics varied under Ebrard and Ortega. Under Mondragón, every coordinated area used the mapping information regularly.

“Mondragón made use of CompStat information that already existed,” Juan Salgado, scholar of police reform at the Center for Research and Teaching in Economics, said. “He invested in systems to make information available to the public and to more officers, but he didn’t have to spend money on creating the data.”

According to Ebrard, the shift was necessary because the UPC program had achieved its goals. “When we started [in 2003], UPC meant the new kind of police that we wanted in the force, but by 2011, it didn’t make sense to maintain two kinds of organizations within the police,” Ebrard said. “We had replaced more than 35,000 people in this period, so that’s why we finished in 2011: so we could have only one force with the same organization in the city.”

According to Ebrard, he had considered using the Quadrants Plan earlier, but the system was unfeasible before the advent of the citywide surveillance camera network. “Why this change in 2009?” he said. “Because we expanded the video camera system so you can combine one system with another. If we didn’t have the cameras, it would be impossible to have this system in the city, because you need a lot of police—140,000—on the force. It’s impossible, very expensive. But if you use your presence with the cameras, you can do it.”

Ortega, however, said the system did not deviate significantly from the UPC program. “They changed the model into quadrants, but it’s the same,” he said. “It’s the foundation of the UPCs.”

“The UPCs remain, structurally,” Salgado said. “Check out the payroll of the SSPDF, and you’ll see that the UPCs still exist—at least theoretically. However, the idea of creating them as the bulwark of police reform—including advancing the rights of officers and closer citizen-police relations—faded under Mondragón.”
References

2 Mascott Sánchez and María de los Ángeles, Seguridad Pública: Incidencia delictiva y sensación de seguridad, Centro de Estudios Sociales y Opinión Pública, 2002.
6 For comparison, Mexico City had approximately 395 police per 100,000 population, and the New York City Police Department had approximately 499 sworn police officers per 100,000 residents, an all-time high for the department.
7 The country defined its moderate poverty line as the line below which people may be able to afford food but not education or health care. The extreme poverty line, below which people cannot afford sufficient food, was 672.27 pesos (US$70 in 2002) monthly in urban areas. Araceli Oretga Díaz, “Microstimulations for Poverty and Inequality in Mexico Using Parameters from a CGE Model”; http://s3.amazonaws.com/zanran_storage/www.colmex.mx/ContentPages/43641186.pdf
10 Mario Arroyo Juárez, “Evaluating the Zero Tolerance Strategy and Its Application in Mexico City,” in Reforming the Administration of Justice in Mexico, p. 422.
11 Ibid., p. 430.
15 Smith, “Mexico City’s Battle to Beat Crime.”
17 Davis, “The Giuliani Factor.”
19 For a detailed account of the incident, see Uildriks, Mexico’s Unrule of Law.

25 Ibid.


27 Ibid., p. 67.

28 Ibid., p. 60.

Innovations for Successful Societies makes its case studies and other publications available to all at no cost, under the guidelines of the Terms of Use listed below. The ISS Web repository is intended to serve as an idea bank, enabling practitioners and scholars to evaluate the pros and cons of different reform strategies and weigh the effects of context. ISS welcomes readers’ feedback, including suggestions of additional topics and questions to be considered, corrections, and how case studies are being used: iss@princeton.edu.

**Terms of Use**

Before using any materials downloaded from the Innovations for Successful Societies website, users must read and accept the terms on which we make these items available. The terms constitute a legal agreement between any person who seeks to use information available at www.princeton.edu/successfulsocieties and from Princeton University.

In downloading or otherwise employing this information, users indicate that

a. They understand that the materials downloaded from the website are protected under United States Copyright Law (Title 17, United States Code).

b. They will use the material only for educational, scholarly, and other noncommercial purposes.

c. They will not sell, transfer, assign, license, lease, or otherwise convey any portion of this information to any third party. (Republication or display on a third party’s website requires the express written permission of the Princeton University Innovations for Successful Societies program or the Princeton University Library.)

d. In all publications, presentations or other communications that incorporate or otherwise rely on information from this archive, they will acknowledge that such information was obtained through the Innovations for Successful Societies website. A suggested citation format is as follows:

   [Document author if listed], [Document title], Innovations for Successful Societies, Princeton University, accessed at http://www.princeton.edu/successfulsocieties on [date accessed on Web]

e. They understand that the quotes used in the case study reflect the interviewees’ personal points of view. Although all efforts have been made to ensure the accuracy of the information collected, Princeton University does not warrant the accuracy, completeness, timeliness, or other characteristics of any material available online.

f. They acknowledge that the content and/or format of the archive and the site may be revised, updated or otherwise modified from time to time.

g. They accept that access to and use of the archive are at their own risk. They shall not hold Princeton University liable for any loss or damages resulting from the use of information in the archive. Princeton University assumes no liability for any errors or omissions with respect to the functioning of the archive.

Innovations for Successful Societies (ISS) is a joint program of Princeton University’s Woodrow Wilson School of Public & International Affairs and the Bobst Center for Peace & Justice. The Woodrow Wilson School prepares students for careers in public service and supports scholarly research on policy and governance. The mission of the Bobst Center for Peace & Justice is to advance the cause of peace and justice through mutual understanding and respect for all ethnic traditions and religious faiths, both within countries and across national borders.

ISS is a joint program of the Woodrow Wilson School of Public and International Affairs and the Bobst Center for Peace and Justice: www.princeton.edu/successfulsocieties
RESTRUCTURING SERVICE DELIVERY:
JOHANNESBURG, SOUTH AFRICA, 1996 – 2001

SYNOPSIS

In mid-1997, Johannesburg faced a fiscal meltdown. Management problems, low tax compliance and a fragmented system of municipal budgeting and expenditure put the city’s budget in deficit. As Johannesburg’s core services deteriorated, a series of moves by the provincial government paved the way for robust reforms designed to ease the city’s financial problems. Under the leadership of newly appointed City Manager Ketso Gordhan, transformation manager Pascal Moloi, and a team of reformers, the city embarked on “Igoli 2002,” an effort to make municipal service provision more cost-effective by corporatizing its service providers. Although the new structure greatly improved the financial position of the city, the need to redistribute resources, coupled with a narrow tax base, led to recentralization of decision making in some areas and caused the experiment to depart from other “New Public Management” initiatives in other parts of the world. Setting up a workable regulatory structure also proved difficult. This case study describes the work of Gordhan and his team, demonstrating how the long-term success of municipal reforms depends not only on design but also on implementation.

Michael Woldemariam, Jennifer Widner, and Laura Bacon compiled this case study based on interviews conducted Johannesburg, South Africa, in March 2011 and August 2012. Samuel Scott provided research assistance. Case published September 2012.

INTRODUCTION

In 1997, top officials on the Greater Johannesburg Municipal Council realized that their city faced an impending fiscal crisis. Management problems, a narrow tax base, and a shifting and fragmented system of municipal government had undermined the city’s ability to deliver services. South Africa’s auditor general had repeatedly attached disclaimers to its audits, a sign that all was not well. Banks were unwilling to extend loans to cover infrastructure investments. Mike Moriarty, a long-time leader of Johannesburg’s main opposition party, the Democratic Alliance (DA), recalled, “The city’s finances were so bad that they [the city government] couldn’t pay the bulk electricity supply… and they were three months away from not being able to pay salaries.” When South Africa’s national electricity supplier, Eskom, asked the city to pay its US$60 million electricity bill in
mid-1997, leaders conceded that the city would be unable to meet its financial obligations.

Other cities faced similar problems, but Johannesburg—or “Joburg”—was an especially important economic center. It had over 2.8 million residents at the time.¹

In 1998, the national government enacted new legislation to consolidate municipal councils into “unicities,” on the theory that fragmentation was part of the problem. Gauteng, the province to which Johannesburg belonged, took steps to implement the new law and help overcome other challenges the city faced. The provincial minister for local government negotiated with the area’s Metropolitan Local Councils, creating a powerful citywide committee to oversee financial reform and transform the way Johannesburg was governed.

Johannesburg’s city manager, Ketso Gordhan, was in charge of developing a plan to restructure the city’s administration in order to deliver services on a more cost-effective basis. The core of this three-year plan, which came to be known as “Igoli 2002,” sought to corporatize Johannesburg’s municipal service providers, turning them into quasi-independent units that would have clear delivery targets and significant flexibility in organization and operations, much like private companies. Igoli was the informal name of Johannesburg and a Zulu term meaning “place of gold,” referring to the gold mines that had long formed the basis of the city’s economy.

This case study discusses the effort to transform Johannesburg’s municipal service providers, focusing on how Gordhan’s team organized these reforms, made critical decisions about institutional design and structure, and sought to heighten accountability.

THE CHALLENGE

Like other South African cities, Johannesburg underwent a series of transformations after the introduction of majority rule in 1994. During the apartheid era, when racial discrimination was enshrined in national law, the Johannesburg metropolitan area was segregated into 16 separate municipalities. Wealthier white municipalities had better revenue bases and could afford high-quality services. Black and “colored” residents (people of mixed race) lived in poorer municipalities and received few services.

In an effort to establish a fair system, the ruling African National Congress created a system of municipal governance based on the principle of “one city, one tax base,” which meant that the city was to be administered by one local government whose unified revenue base could better address problems of inequality across Johannesburg’s municipalities. Negotiations in the mid-1990s produced the first steps toward this objective and merged Johannesburg’s 16 municipalities into four Metropolitan Local Councils, governed by a citywide body, the Greater Johannesburg Municipal Council. The Municipal Council was weaker than the Metropolitan Local Councils it purportedly oversaw. Spending authority and revenue generation remained loosely coupled.

The pressure to rectify urban inequalities was enormous. The new local government that came to power in 1995 was eager to transform the lives of its poorer black constituents. At the same time, there were fiscal constraints. Pascal Moloi, chief executive officer of Johannesburg’s Northern Metropolitan Local Council at the time, explained: “The entire revenue of the city was raised in four central business districts and was spent there and benefited a few people who were official residents” of those districts. “All of a sudden we were faced with huge expenditure requirements in order to expand infrastructure to Soweto and Alexandra [poorer black areas of Johannesburg], without changing the revenue base much.” Within 18 months of the 1995 elections, the city’s leaders realized they faced a looming financial crisis.
Moriarty, the opposition Democratic Alliance leader, had a front-row seat for these events as a member of the Greater Johannesburg Municipal Council, and he largely agreed with Moloi’s assessment. Moriarty said the ANC “expanded the staff complement enormously” and “started spending an awful lot of money.” But the high cost of rectifying inequality was just one reason for the financial crisis. Under the two-tiered system of municipal administration, the four Metropolitan Local Councils had no incentive to limit expenditures. The Greater Johannesburg Municipal Council had sole responsibility for producing an overall balanced budget, supposedly by offsetting deficits in some areas with surpluses in others. According to Moloi, this lack of coordination led to runaway spending because CEOs of the four Metropolitan Local Councils “had to meet objectives, and they would do it at the expense of the others; there was no center for integration.”

While spending lacked control, revenues also lagged. Although the Municipal Council was responsible for providing water and electricity, Local Councils were responsible for collecting payments from users. Because they had no incentive to balance their budgets—and because they were on the front lines in a delicate political moment—the Local Councils often declined to take action against those who didn’t pay their bills; they also failed to budget for bad debts. The resulting revenue shortfalls were passed to the Greater Johannesburg Municipal Council, which then was unable to pay suppliers and creditors.

The country’s transition to majority rule raised expectations for better service delivery to residents who were less well-off. However, not only did the capacity of these households to pay for those services lag, but the inclination to do so sometimes also fell short. During the struggle against apartheid, many residents had declined to pay taxes and fees to protest their disenfranchisement. After constitutional changes brought majority rule, people did not automatically adjust their behavior. In 1995, the transitional government announced a program called “Let Us Build Together” to help rekindle civic engagement, including a sense of obligation to contribute financially for services received, but tax compliance in some of the formerly black townships remained low, ranging from 3% to 25%.²

In 1996, tax rates rose. For some, the rate change was modest, but many wealthier residents saw their bills double or triple, while the services they received deteriorated. The increase triggered a property tax revolt based in the well-off community of Sandton, where a homeowners association encouraged residents to withhold payments for two years in protest. The city stood to lose about US$4.5 million per month if the boycott won support.³ Although most citizens pursued remedies through legal channels instead—requesting review of home valuations, for example—the backlash further limited the ability of Metropolitan Local Councils to collect revenues that the Municipal Council needed. It also heightened racial tension.

Within the ranks of local governments, there was a dawning realization that the difficulties were serious, according to Rashid Seedat, who then headed community development in the Western Municipal Local Council and later became head of strategy for the reform team. “We were spending on the assumption the money was there, but the loans weren’t coming in….People began to think, ‘Maybe there’s a cash flow problem, there’s a little squeeze, people are spending too quickly.’”

A main culprit was the structure of municipal government. “It was clear the two-tier system was not working,” Moloi explained. “It had failed completely.”
FRAMING A RESPONSE

As Johannesburg’s fiscal morass deepened, local pressures and national-level concerns came together to force action. The ANC’s national leaders could not afford the collapse of Johannesburg. The city was the largest local economy in South Africa and accounted for 16% of South Africa’s total gross domestic product. More than 10% of national employment centered in Johannesburg. With a deficit totaling over US$90 million in fiscal year 1996-7, fear grew that the city would have to raid its capital budget to pay operating expenses and that by 2002, nothing would be left for infrastructure investment. Finance Minister Trevor Manuel privately pushed the Gauteng provincial government act before the fiscal crisis worsened.

The ANC-led provincial government followed through. In October 1997, Gauteng helped organize a task team to trim the city’s roughly US$1.6 billion operating budget and its US$560 million capital budget. The executive council of the province also negotiated a memorandum of understanding among all the Metropolitan Local Councils and the Greater Johannesburg Municipal Council to form a “Committee of 10” to complete the process of institutional transformation mandated by national law. The Committee of 10 included the heads of the executive committees for each of the four Metropolitan Local Councils and the Greater Johannesburg Municipal Council, as well as their finance chiefs. Kenny Fihla, the deputy chairman of the Municipal Council, was selected to lead the Committee of 10. Although many had ANC affiliations, some members came from other parties.

Working with technical experts from the auditing firm Deloitte, the committee was able to make the cuts in the allotted time. The reductions came mainly from operations as the auditors eliminated wasteful expenditure. Additional savings came from a hiring freeze. The Development Bank of South Africa also approved a loan to help pay arrears to the power company and improve cash flow. These cuts were followed by further restraints on spending and some aggressive (and unpopular) efforts to recover unpaid fees from residents. The city’s capital budget, which was used to fund infrastructure projects and improvements, fell from about US$560 million in fiscal year 1996-7 to roughly US$60 million in 1997-8. Spending on new infrastructure projects shrank to zero.

Although the 10-member Committee managed to stabilize the city’s immediate fiscal situation, more action was needed. Moloi said, “It soon became clear to us that the financial problems are just a symptom of much bigger systemic and institutional problems.” Moloi believed that “if we don’t intervene now, and do certain things in a drastic way, we would have a capital budget of zero by 2002.”

In meetings with the Committee of 10 throughout late 1997, Moloi and other senior city officials proposed a radical overhaul of Johannesburg’s governmental structure. They argued that Johannesburg needed a single-tier, fully integrated system of governance. This would require a single metropolitan council, later dubbed the “unicity” council, led by a mayor who would serve as the political executive and a single city manager who would be responsible for day-to-day operations. Institutional and financial reorganization demanded a complete merger of the various service providers across the four Metropolitan Local Councils.

Fihla and the Committee of 10 largely supported the proposal. The Committee’s work in slashing expenditures and freezing hiring demonstrated what a citywide body could accomplish if it had greater authority than the two-tier system permitted. Yet the Committee’s legal mandate was limited to financial matters. It would take another intervention by the province...
to grant the Committee the power to restructure the city. Moloi said, “We couldn’t do anything because we were prohibited by law. Legislation had created these five silos [Greater Johannesburg Municipal Council and the four Local Councils], and to force people to cooperate and coordinate, we thought that the best way would be to invite a proclamation from the province.”

The provincial government was happy to cooperate, especially because national legislators were already discussing a proposal that would unify metropolitan areas countrywide. Johannesburg was to be a trailblazer. As Moloi remembered, “We chose to ignore what was going on at the national level, and put our flag in the ground.”

Although dominated by the ANC, the newly empowered Committee of 10 tried to bolster relationships with senior opposition figures. Moriarty of the DA acknowledged the effort. “For the first time, we were getting good, quality information,” he said. “Even though we weren’t party to the decisions, we were at least informed of what was going on. … We got the sense that some of our opinions on matters were being entertained.”

The Committee’s size expanded as its mandate grew to include municipal restructuring. In late 1998, the Committee of 10 held an *indaba*, a conference retreat at the Shangri-la Hotel, with about 50 people present. As a result of the retreat, the Committee expanded its membership, creating a body that could coordinate activity across executive committees for each of the four Metropolitan Local Councils and the Greater Johannesburg Municipal Council. The expanded committee would take a hard look at the key governance and financial issues facing the city. The new 15-member committee became known as the “transformation *lekgota*”—the Tswana term for “meeting place.” Although representation of opposition parties expanded, the majority of members belonged to the ANC, many did.

In late 1998, the transformation *lekgota* chose Ketso Gordhan to become Johannesburg’s new city manager, a post that had no real statutory basis but would support the transition to the unicity. The transformation *lekgota* offered Gordhan a two-year independent services contract, beginning in January 1999, and assigned him the task of consolidating the four separate Metropolitan Local Councils into a unitary municipal structure. As a former organizational secretary of the ANC, Gordhan had the confidence of ANC stalwarts in the city and around the province. Furthermore, during his tenure as director general of the Department of Transport, Gordhan had overseen the creation of the South African National Roads Agency Ltd. (SANRAL) as a public corporation and had acquired a reputation as an expert in institutional transformation. Gordhan had just returned from the United States, where he had earned a business degree from the Wharton School. According to Anthony Still, whom Gordhan later appointed executive director of Johannesburg Water, “If you want a job done, you put Ketso in there. He just needs the freedom to operate.”

Moloi, who had significant expertise as the former CEO of Johannesburg’s Northern Local Council, was brought in as the city’s “transformation manager,” effectively functioning as Gordhan’s deputy on matters related to the city’s institutional restructuring. Reporting directly to the transformation *lekgota*, the two men were given 16 months to complete the process. Like Gordhan, Moloi had a two-year contract, timed to expire with the election in 2000, when further changes in municipal structure would occur. Gordhan and Moloi were expected to make sufficient progress in restructuring and building new institutions that a management team a newly elected government would appoint could finish the process. The acting CEO of the Johannesburg Metro, Mavela Dlamini, would work closely with the transformation team and
sign off on commitments, since Gordhan had no statutory power as city manager to do so. Three other team members came from the existing city administration: Leila McKenna (Development Planning), Phindile Nzimande (Legal), and Rashid Seedat (Strategy).

The Financial Mail, one of the country’s major newspapers, described the challenge incisively. “This week the restructuring—some might call it the rescue—of Johannesburg has begun, involving probably the most radical change in style of government since the ANC came to power in 1994,” wrote reporter Peter Honey. “Gordhan and his new transformation manager Pascal Moloi…have been contracted for the next two years to systematically break down the firewalls between the existing council administrations and redeploy resources and staff to make municipal service provision more efficient, equitable and—crucially—self-sustainable.”

Gordhan’s plan, “Igoli 2002,” called for restructuring some of the city’s service providers into quasi-independent agencies that would formally register as companies under South African law. Under this “corporatization” policy, these agencies would have their own balance sheets, with their own revenue streams and budgeted expenditures. By increasing financial responsibility, corporatization aimed to reduce the chance for mismanagement and bolster the city’s fiscal position. The new municipal service providers would have their own boards, but the city would be the sole shareholder—a crucial difference from public companies. Gordhan’s plan built on popular New Public Management theories of public sector governance, which emphasized the merits of decentralization and managerial autonomy for inducing better performance within government institutions.

The change in structure also promised economies of scale. Seedat observed, “Keto was basically seeing a couple of things that we couldn’t see because he was coming from outside. He said: ‘Take a service like water—it’s four councils plus one—and it’s also vertically segmented. Bring it all together, you create economies of scale and you have a balance sheet that makes it possible to raise capital.”

After a series of meetings with the transformation lekgotla and meetings brokered by Moriarty with local, provincial and national leaders of the opposition, members of the transformation lekgotla accepted Gordhan’s corporatization proposal.

Gordhan now turned to the task of implementation. He vowed that within 16 months, he would create independently functioning municipal service providers that could “write their own checks.”

GETTING DOWN TO WORK

Gordhan knew he first had to build a strong team. He appointed three others to join Moloi, turning to the provincial government and organized labor to round out his team. He appointed Gauteng’s head of finance and economic affairs, Roland Hunter, to handle financial matters and Pindian Zamane to handle regulatory issues. Recognizing that corporatization was often unfairly viewed as synonymous with privatization and could generate substantial opposition from unions, Gordhan enlisted Makgane Thobejane, the organizing secretary of the public sector union NEHAWU, as his point person for labor relations.

Gordhan and Moloi quickly recognized that the creation of quasi-independent municipal service providers could not be a top-down process. Senior management lacked the necessary knowledge and expertise, and a lack of consultation with middle and lower level managers could lead to resistance. To head off this problem, Gordhan and Moloi decided to reassign talented people from the four Metropolitan Local Councils into eight Joint
Operating Centers. Each center was responsible for designing the structures and business processes of one or more new corporatized units. One of the Centers was responsible for designing the regular line departments of Johannesburg’s central administration, which included emergency services, for example. The eight Centers had broad discretion over design within the parameters of Gordhan’s general corporatization model.

Each Joint Operating Center consisted of about 60 people and was headed by a “transformation champion” who was drawn from the senior ranks of the various Metropolitan Local Councils. Some of these individuals were former members of a South African non-governmental organization called Planact, which was created by progressives in the mid-1980s and had served as the de facto urban policy arm of anti-apartheid groups like the United Democratic Movement and the ANC. An incubator of talent, Planact had attracted people who had the technical skills to work in government but had earlier refused to do so because of their opposition to apartheid. By 1999, former Planact members were spread across Johannesburg’s four Metropolitan Local Councils; Gordhan recruited many for his cause. This strategy ensured a certain familiarity and esprit de corps within the senior and middle ranks of Gordhan’s transformation team, as well as a common set of political beliefs. According to Moloi, “Most of the people you talk to that were involved in the transformation of Johannesburg, a sizeable number were from Planact…. Planact was a huge, huge, learning institution.”

Gordhan and his team also recruited talented people based on demonstrated expertise—and in order to ensure broad representation of city workers, each Joint Operating Center also included employees from the lower ranks of the Metropolitan Local Council bureaucracies.

According to Moloi, the decision to create the Joint Operating Centers was crucial. “This is where we won the trust of most senior managers,” he said. “Most of them were saying, ‘You know what? We’ve had these ideas about how we can run our functions, but no one ever asked us.’ … So we brought them into the process.”

Many within the Joint Operating Centers later became managers of the corporatized municipal units that Gordhan and his team would eventually create. This continuity meant that those who initially ran these corporatized units actually understood their design and functions. The Joint Operating Centers were also responsible for selecting transitional boards, which provided expert advice during the design and transition phases and gave managers a chance to learn how to interact with a board. Many transitional board members became board members of the new corporatized municipal units, ensuring further continuity between those who helped create the units and those who later managed them. According to Igoli 2002, the incoming citywide mayor would select board members on the basis of applications, and elected officials could not serve.

Holding the Joint Operating Centers accountable was a key preoccupation of the city’s senior management team. With 16 months to complete the transformation process, the Joint Operating Centers had to work quickly. Gordhan and his team established what they called a “transformation college,” or regular opportunities for the people leading the reforms to say what they had accomplished and win help in addressing tough problems.” At quarterly meetings, managers of the Joint Operating Centers reported on their progress in designing new structures and business processes. Senior managers of city services and a team of 20 consultants evaluated the progress and helped set new targets. The consultants supported the Joint Operating Centers in achieving these targets. Because the consultants had the skills to evaluate the pace and quality of design progress, Gordhan was able to ensure all
eight Joint Operating Centers were on time and on target.

Gordhan’s team operated in parallel with the city’s normal day-to-day operations. The delegation of responsibility for reform to the transformation lekgotla and the Igoli 2002 team was unprecedented, but the arrangement provided continuity and allowed the reform leaders to focus their work. The German Organization for Technical Cooperation (GTZ) and other donors defrayed most of the expense of the team for a two-year period, at a cost of about US$4 million.

Structure and design

One finding of the institutional design process was that not all of the newly corporatized municipal units could be truly self-sufficient. In fact, Gordhan and Moloi envisioned three types of organizations, each with a different type of revenue stream and a business process. The first type included utilities that provided for-fee services: Johannesburg Water, City Power and Pikitup, which dealt with waste collection. Earlier these “big three” organizations had consumed more than 70% of the city’s budget. However, they also generated revenue, and because they could use that revenue to run their own operations, the city could spin them off as self-sufficient semi-autonomous agencies. Under statute, the city council would set the fees these agencies could charge residents. Service delivery agreements negotiated between the heads of these agencies and regulatory boards gave the city a role in devising the agencies’ business plans, including revenue targets and expenditure limits. The second type of organization included agencies that provided critical services but generated insignificant revenue, such as the Johannesburg Roads Agency. The final type was so-called “corporatized entities,” which generated some revenue but not nearly enough to be self-sustaining—for instance, the Johannesburg Zoo. While all were designed to be quasi-independent companies, the latter two categories would receive some financial support from the central administration.

Although they had a clear vision of what was needed, Gordhan, Moloi and others had to be flexible. Major labor and business interests had significant reservations about aspects of Igoli 2002, and, by necessity, the new structures evolved through negotiation.

“I knew I would have to deal with labor,” Gordhan said. “It was unavoidable.” Trying to preempt labor opposition to the restructuring process, Gordhan declared that no jobs would be lost for three years. Initially he had planned that just as private companies had the ability to determine wage structure, each corporatized unit would separately negotiate wages with new employees. However, in order to win labor support, he agreed to allow wage negotiations to proceed centrally, through negotiations with the major unions. This adjustment increased labor’s bargaining power and meant a standardization of terms of service such as salaries.

Concessions were made to business as well. Large corporations in central Johannesburg worried that they would lack a champion within the newly integrated and broadened metropolitan government. Gordhan turned the Greater Johannesburg Municipal Council Inner City Office into the Johannesburg Development Agency. The development agency would handle planning and infrastructure projects in central Johannesburg exclusively for two years. It became the only corporatized municipal unit that had a minority shareholder, the Central Johannesburg Partnership, an alliance of business interests in central Johannesburg. The Partnership’s chairman, Neil Fraser, became a Johannesburg Development Agency board member.

Capacity issues also influenced the design and structure of the new corporatized organizations. For instance, Gordhan felt that Johannesburg Water lacked experienced managers.
with the skills to operate the company well. There were some young managers on the horizon, but they needed time to develop their skills. He toyed with the idea of hiring a private company to manage the utility under a long-term contract. “It was a capacity question,” Gordhan recalled thinking. Igoli leaders decided to vest policy responsibility in the utility’s executive director, Anthony Still, while contracting with a private firm to run day-to-day operations. A French company, Suez Lyonnaise des Eaux, won the contract, valued at US$40 million, in an open bidding process. The company had to meet key performance targets and Johannesburg Water staff, gradually phasing out its own staff during the five-year contract period.

Conversely, where Gordhan identified an overabundance of skilled workers who could operate an institution at a profit, he was willing to corporatize a noncore function he may have been inclined to privatize. For instance, while the management of city-owned properties was not a core function of the city government and could have been outsourced easily to a private company, there was enough talent across the four Metropolitan Local Councils to build an effective, corporatized organization called the Johannesburg Property Company. By re-organizing property operations in this way, without privatizing them, Gordhan helped to ensure that Igoli 2002 did not create major employee dislocations and retrenchments.

An adequate regulatory system was crucial to the success of the corporatized system of municipal service delivery. Because the city was the sole shareholder of most newly created municipal agencies and these units produced critical public goods and services, a strong oversight system was essential to ensure accountability. Gordhan created a mayoral committee posts—a cabinet-level position in the mayor’s office—to provide oversight and ensure that the agencies had a voice at the highest levels.

Gordhan’s strategy was to build an interlocking web of regulators. A few months after the corporatization plan went into effect, Gordhan established the Contracts Management Unit. This body, which reported directly to the city manager, developed key performance indicators in collaboration with each agency. These indicators then served as the basis for a performance management agreement between the city and the service provider, and as a rough guide for the agency’s strategy. The Contracts Management Unit was the chief monitoring and compliance agent of this agreement. In order to ensure flexibility and capitalize on employee and institutional learning, key performance indicators were revised annually to account for new problems. In 2001, the city further refined the Contracts Management Unit by splitting it in two. A new Shareholders Unit focused on legal and financial oversight, while the Contracts Management Unit focused solely on performance management and service delivery.

The public service companies had the authority to raise and manage their own revenue. However, the new system departed from the models of analogous “New Public Management” programs in other places in two ways, in addition to lack of control over wage-setting. First, the Johannesburg approach allowed for cross-subsidization. That is, after a company had paid its expenses and used its revenues to make necessary investments in its own operations, the surplus (the equivalent of profit, in a private firm) could be transferred to other functions that needed capital. The Fresh Produce Market and the water and power companies sometimes did so. If the Fresh Produce Market needed to invest in refrigeration units, it could still do so, but if it made profits over and above what it required for investment, it would pay a dividend to its shareholders, namely the city. Seedat, charged with Strategy for Gordhan’s team, noted that there were limits, however: “Of course, you don’t
kill the goose that lays the golden egg by squeezing it dry.” Second, although the companies deposited revenues in separate bank accounts and kept separate balance sheets, each evening the city finance department swept all the accounts, depositing funds in those that might go into temporary deficit overnight and drawing funds for those that covered their expenses and had extra. By taking this step, the city lowered the interest it paid to banks and saved millions of rand. The accounts were readjusted the next day, so no agency lost money as a result of the computerized nighttime sweeps, but the city’s overall financial position improved as a result of this cash flow management practice.

Laila Smith, the head regulator for Johannesburg Water at the Contracts Management Unit, noted that there were unresolved tensions in priority-setting. For example, because the new corporatized units, particularly the utilities, were supposed to be self-sustaining, management’s main interest was to generate revenue. Yet the goal of the Contracts Management Unit in developing key performance indicators was to ensure that the units also respected a “pro-poor service delivery philosophy.” Even if certain expenditures didn’t yield optimum returns, the Contracts Management Unit had to push managers to increase service delivery to underserved populations. Smith recalled that her drive for a more coherent strategy in dealing with indigent citizens was a source of debate with Johannesburg Water officials and a tension in her job.

Additional oversight came from the provincial and national levels. South Africa’s auditor general annually conducted audits of local governments and other government agencies, including the new units set up under Igoli 2002. It made its reviews public.

Fihla and the transformation lekgotla also closely monitored Gordhan’s work. Gordhan met monthly with the transformation lekgotla, and he and his team met with Fihla more often. According to Moloi, the meetings were rigorous, and “[t]he debates were always hard… The level of interrogation was very high.” Members of the senior management team had different responsibilities at the meetings. Gordhan would explain restructuring proposals for the municipal organizations, Moloi would do the same for the city’s line departments, Hunter would outline the financial implications of these proposals, and Thobejane would discuss the labor-relations implications.

After South Africa’s municipal elections on December 5, 2000, the newly created Johannesburg unicity council voted unanimously to endorse the new structures Ketso Gordhan and his team had put in place. Gordhan stepped down at the end of the year, when his contract concluded. While the country’s other five metropolitan areas struggled to develop a process that would allow them to migrate assets, liabilities and staff from many smaller municipal authorities to unicities, Johannesburg had a plan and municipal units ready to operate. It had a solid platform to continue its operations from January 2001 onward. The reorganization of the city had taken place in record time. However, making the new structure of municipal services work would still pose challenges.

OVERCOMING OBSTACLES

Despite Gordhan’s overtures to organized labor, unions feared that Igoli 2002’s corporatization plan was the first step towards the privatization of the city’s core service providers. Left-leaning members of the ANC in the old Metropolitan Local Councils and the Greater
Johannesburg Municipal Council also opposed the plan, as did local members of the ANC’s coalition partner, the South African Communist Party. The manner in which the Igoli 2002 plan was carried out also elicited objection in some quarters. Instead of openly debating pending fiscal and structural reforms within the city council, the province had created an unelected “Committee of 10.” The Committee, in turn, was not headed by the chairman of the Greater Johannesburg Municipal Council, as custom mandated, but by the chairman’s deputy, Fihla, whom ANC leaders at the provincial and national level perceived as more in tune with Igoli-type reforms. Once up and running, the Committee often made policy through fiat, without reference to the elected representatives on the city council.

In addition, many councilors were upset by the unilateral citywide budget cuts that initiated the process of reform. In 1995, the council had started a process of community budgeting, in which Local councilors held public forums in their wards designed to identify spending priorities. Final budgets required the approval of community forums and large civic organizations in a process that lasted months. The unilateral budget cuts had rendered this process moot and ignored local priorities. Local councilors appeared powerless to their communities.

In the end, fear generated by the looming financial crisis helped quell council opposition, while the support of provincial and national government helped keep in line recalcitrant members within the local ANC and South African Communist Party. This political strategy facilitated short-term progress on Igoli 2002, but it pushed dissenters into the streets, where the debate was more difficult to control, putting long-term sustainability of the reforms at risk. Several disaffected members of the ANC and the South African Communist Party left their organizations and joined with labor factions to form a group opposing privatization efforts. The Anti-Privatization Forum helped to coordinate public strikes and protests, and became the focal point for opposition to Igoli 2002.

Gordhan and Moloi had always intended to drive a hard transformation process and then step down at the conclusion of their terms. In December 2000, Amos Masondo, a member of the Gauteng legislature who had no part in the Igoli 2002 reforms, took over as mayor of the newly restructured Johannesburg “unicity.” However, several members of the Gordhan team stayed on. Moloi was persuaded to replace Gordhan as city manager, to ensure the new administration would retain a degree of continuity and familiarity with the newly created municipal structures. He respected the new mayor, who had been a cell mate during the apartheid era. Roland Hunter remained as the Chief Financial Officer. Kenny Fihla became a member of the mayoral committee, the committee for finance. The three men continued to drive the reform process.

ASSESSING RESULTS

Making Igoli 2002 a reality took enormous effort on the part of many people. Seedat recalled, “We were working incredibly hard. It was an invigorating process. There was a sense that in this post-apartheid period a malaise was setting in. We were moving to arrest it.”

The Igoli 2002 corporatization program achieved clear results. In 16 months, Gordhan and his team designed and implemented a new model of municipal service delivery. The effects on the city’s finances were dramatic. In 2002, Johannesburg ran a surplus of 23.8 million rand—about US$4.5 million.6 The city’s credit ratings also rose. Accounting practices improved, but the process of standardizing accounting policies across units remained incomplete, so that by 2002 there was still no consolidated balance sheet.

By 2002, the power utility had exceeded its billing and payment targets. It generated a large
dividend for the city (over US$30 million), although it still had an accumulated deficit that it worked to eliminate. It conducted a consumer satisfaction survey and at residents’ request created a call center to receive questions and complaints. Although the water utility did not control metering and billing at the end of the period, in 2002, it found ways to reduce the amount of unaccounted water use by 5 percentage points, from 42% to 37%. By 2005-2006, its annual revenue exceeded its operating budget. The waste collection program, Pikitup, created a call center, installed photometric monitoring, and built a hazardous waste facility. In the first years it continued to experience budget problems; like the water utility it did not control billing. However, its budget balanced by 2005-2006. The utilities and many of the other new units used attrition to make modest reductions in staff size.

Concurrent with these successes were many difficulties. The first few years highlighted how hard it was to transform the ideas behind the “New Public Management” into reality, within an already existing system. Gordhan had to back off of some important elements of the model, including autonomy in wage-setting. With a limited budget and high public expectations for improved services, Gordhan also prioritized the staffing of the providers over their regulation. Some of the regulatory units, designed to help oversee the corporatized public services, remained mere shells, as a result. For example, the Contracts Management Unit lacked enough skilled people to provide effective oversight and help guide policy. Johannesburg Water’s executive director, Anthony Still, contended that the Contracts Management Unit “had no idea how to develop key performance indicators,” and “was way behind.” In Still’s view, the sheer number of indicators—95 at one count—reflected a lack of focus and policy drift within the regulatory body that stemmed from low bureaucratic capacity and limited expertise. Burnout among the people staffing the unit became a problem. The end result was that the new municipal units were in position to dictate the criteria by which the city would hold them accountable.

The inability of the Contracts Management Unit and later the Shareholders Unit to regulate the newly corporatized municipal service providers effectively led to a series of financial problems in the initial years. Siva Pillay, who became managing director of Pikitup in 2004, recalled, “The short story is, I walked into the company … and found that the company was insolvent. It was the biggest shock of my life.” According to Pillay, Pikitup’s finance consultant informed him, “I have nothing but bad news for you.” The company was running a deficit of 62 million rand (about US$7.5 million) in that financial year. Moreover, the Shareholders Unit had no idea that Pikitup was in such a difficult situation. In Pillay’s words, “I could not understand how they [the former management of Pikitup] got through all those regulatory hoops.”

Further, the boards that provided oversight sometimes wrangled with managing directors over aspects of policy, including payment structures. Laila Smith of the Contracts Management Unit recalled, “There was always this tension of who determines policy. Does the Contracts Management Unit determine policy because it is closest to the data in terms of oversight of service delivery? But then who is driving policy if all the expertise in the city around particular sectors is moved out to the utilities? Utilities are supposed to be implementing. They shouldn’t be shaping policy. But then who will shape policy amongst those left in the city…you have to really know a sector to shape policy. So there was a big, big policy gap.”

Finally, Moloi noted the persistent troubles in improving billing collection. Gains in this area required three things: the right technology, the
right business practices, and the right people. However, Moloi said the city struggled to put all three in place at the same time.

Managing directors still had responsibilities to deliver services even if rate structures and billing practices did not allow them to expand revenues to cover operating costs. A national municipal-finance law implemented in 2004 restructured the finances of municipalities and municipal corporations, placing restrictions on their ability to incur short-term and long-term debt. From the perspective of the new municipal companies, it was an impossible situation. For example, when Pillay asked the city to help bail out Pikitup, “They said they didn’t have the money,” he recalled. “In fact, I asked, ‘Can I use the assets of this company to raise a loan?’ But there was a point-blank refusal. … They said, ‘This is not a private company.’”

Shifting political winds meant that by 2004, Johannesburg’s new agencies no longer possessed the degree of autonomy Gordhan had intended to create. Opponents raised doubts about whether the new corporatized structure had actually improved the quality and availability of public services. Indeed, Rashid Seedat, a former member of Gordhan’s team who later become the head of the Johannesburg Central Strategy Unit (a 15-member municipal “think tank” created in 2006 within the mayor’s office to advise on strategy and other matters), indicated he was “not convinced” the new corporatized units were preferable to regular line departments in terms of performance. As planned—and as political pressure demanded—the focus shifted to measuring and improving the quality of services people received.

REFLECTIONS

Ketsa Gordhan felt that an additional year to effect the transformation would have helped sustain the reforms. He had always intended to step down, but as the end of his contract neared, he suggested that a little more time would be a good idea: “I said, ‘I need one more year to bed down these changes.’ I knew other people could do it, but when you’ve built up momentum over two years, and you’ve built up an institutional knowledge base, it’s hard to replicate that, … But they said no.” Once Gordhan was gone, the corporatized structure was watered down and service provision partly recentralized, despite Pascal Moloi’s continued efforts to institutionalize the reforms.

Internal and external communication merited more attention than it received—one of the lessons learned. Tactically, Gordhan also felt that he should have pursued a different bargaining strategy with opponents, particularly labor interests: “Since labor leaders want to be seen to struggle, I should have said, ‘There would be X number of retrenchments.’” Rather than making broad initial concessions, Gordhan could have engaged in tough bargaining, later backing off of the proposed retrenchments to create the impression that labor had achieved something significant.

There were also tradeoffs between creating multiple oversight bodies and building a workable regulatory system with clear role definitions and adequate capacity. The latter might have been more vulnerable to political whim, yet also more effective than the approach the reform team initially tried.

Moloi felt that structural issues remained, many of them a legacy of apartheid, but economic development would gradually allow the city to work its way out of many of these challenges.

There were many positive lessons as well. Carrying out a change agenda while also conducting the day-to-day business of local government would have overburdened officials, who already had much to do. The city’s creation of a transformation team helped make real change possible. Second, the transition architects thought hard about incentives and how to build accountability into the system. Although some of
their changes did not stick, others did. The discussion persisted after Gordhan left. More people began to think in terms of specific, measureable results as a result of the Igoli campaign. Third, the reform team had reached out for expertise and assistance throughout its term. “If you can't do it yourself, ask for help!— that was a big change and it was one of the most important things we learned,” Gordhan concluded.

Endnotes
Terms of Use

Before using any materials downloaded from the Innovations for Successful Societies website, users must read and accept the terms on which we make these items available. The terms constitute a legal agreement between any person who seeks to use information available at www.princeton.edu/successfulsocieties and Princeton University.

In downloading or otherwise employing this information, users indicate that

a. They understand that the materials downloaded from the website are protected under United States Copyright Law (Title 17, United States Code).

b. They will use the material only for educational, scholarly and other noncommercial purposes.

c. They will not sell, transfer, assign, license, lease, or otherwise convey any portion of this information to any third party. (Re-publication or display on a third-party’s website requires the express written permission of the Princeton University Innovations for Successful Societies program or the Princeton University Library.)

d. In all publications, presentations or other communications that incorporate or otherwise rely upon information from this archive, they will acknowledge that such information was obtained through the Innovations for Successful Societies website. A suggested citation format is below.

   [Document author if listed], [Document title], Innovations for Successful Societies, Princeton University, accessed at http://www.princeton.edu/successfulsocieties on [date accessed on web]

e. They understand that the quotes used in the case study reflect the interviewees’ personal points of view. Although all efforts have been made to ensure the accuracy of the information collected, Princeton University does not warrant the accuracy, completeness, timeliness or other characteristics of any material available online.

f. They acknowledge that the content and/or format of the archive and the site may be revised, updated or otherwise modified from time to time.

g. They accept that access to and use of the archive is at their own risk. They shall not hold Princeton University liable for any loss or damages resulting from the use of information in the archive. Princeton University assumes no liability for any errors or omissions with respect to the functioning of the archive.

Innovations for Successful Societies (ISS) is a joint program of Princeton University's Woodrow Wilson School of Public & International Affairs and the Bobst Center for Peace & Justice. The Woodrow Wilson School prepares students for careers in public service and supports scholarly research on policy and governance. The mission of the Bobst Center for Peace & Justice is to advance the cause of peace and justice through mutual understanding and respect for all ethnic traditions and religious faiths, both within countries and across national borders.
KEEPS UP WITH A FAST-MOVING CITY:
SERVICE DELIVERY IN BANGALORE, INDIA, 1999 - 2004

SYNOPSIS

Although Bangalore had long been considered one of India’s premier metropolitan areas, government agencies largely failed to respond to the city’s rapid growth during the information technology boom of the 1990s. During that period, essential public services such as electricity, water and garbage collection fell into disarray, while property-tax revenue stagnated. Upset by collapsing public infrastructure, civil society groups began to demand broad reform of Bangalore’s public agencies, many of which had a monopoly on the goods and services they provided. In 1999, the new head of Karnataka state, S.M. Krishna, introduced a high-profile campaign to revamp and revitalize Bangalore’s underperforming service providers. By the end of Krishna’s term in 2004, makeovers of several public agencies had produced significant improvements in the quantity and quality of services as well as in the agencies’ public-approval ratings. However, Krishna’s focus on urban reform in Bangalore carried a high political price in an overwhelmingly rural state. This case examines the operational details of Krishna’s efforts to revamp service delivery in Bangalore and also highlights how political backlash can endanger reforms that are accomplished for one constituency at the perceived expense of another.

Michael Woldemariam drafted this policy note on the basis of interviews conducted in Bangalore, India, in June 2010.

INTRODUCTION

Indians long considered Bangalore to be the country’s most pleasant and hospitable urban locale. Nicknamed a “Pensioner’s Paradise” and India’s “Garden City,” Bangalore benefited from a temperate climate, well planned infrastructure and a middle-class vibe that contrasted with the chaos and urban squalor that typified Indian cities like Delhi, Mumbai and Kolkata.

Paradoxically, Bangalore’s luster began to fade in the 1990s as the city became a hub of India’s information-technology boom. Between the 1991 and 2001 censuses, the city’s population grew by 61%, mostly reflecting an influx of people from outside its state, Karnataka. Bangalore was India’s second fastest-growing metropolitan area during the decade, behind Delhi. By 2004, more than 1,300 software and outsourcing companies had set up operations in the city, employing over 170,000 workers and accounting for nearly 44% of India’s total IT exports.
The city’s rapid population growth and burgeoning business sector strained municipal services. Garbage went uncollected, roads became congested, and power and water shortages were commonplace. Instead of rising to meet the challenges, government institutions were largely stagnant, reflecting traditions of corruption, administrative negligence and bureaucratic bottlenecks. And because public agencies that provided core services like water and electricity were run as virtual monopolies, citizens and businesses had no credible alternatives.

In a 2002 book about his efforts to improve service delivery in Bangalore, Dr. Samuel Paul, founder of the Public Affairs Centre, a prominent non-governmental organization in the city, recalled that in the early 1990s “the city was marked by inadequate and low quality public services,” that public agencies “were unable to get their act together and reorient themselves to serve the people better,” and that “the City’s planners and administrators had clearly failed to anticipate and cope with the expansion of Bangalore.”1 Bangalore’s reputation as one of India’s most dynamic and well-run cities was clearly endangered.

S.M. Krishna became chief minister of Karnataka state in 1999, the culmination of a long and varied political career. Krishna had earned a law degree and went to the U.S. as a Fulbright scholar. While there, he had worked on the presidential campaign of John F. Kennedy. Having served as a minister in the national governments of Indira and Rajiv Gandhi, and as speaker of the Karnataka Legislative Assembly, the 67-year-old Krishna brought a wealth of experience to his new job. A long-time aide, K. Jairaj, remembered Krishna as a “visionary” rather than “a conventional dyed-in-the-wool politician,” and as “someone who genuinely believed in the public good and would like to see change in his own period in office.” Krishna’s intellectual depth and urbane disposition contrasted with many of his predecessors, including Chief Minister (and later Indian prime minister) H.D. Deve Gowda, who largely spurned intellectualism and cultivated a mass appeal.

Krishna committed his administration to revamping Bangalore’s public agencies and improving the quality of service delivery in the city. In a 2003 interview with the Indian magazine Business Today, Krishna recalled that when he took over as chief minister of Karnataka in 1999 he wanted “to send out a message that Bangalore would not remain the same; that it would regain its former glory.”2 Jairaj, a Princeton- and Harvard-educated civil servant who had served as the chairman of the state bureaucracy charged with public transportation, said that Krishna wanted to “upgrade” Bangalore “to make it world class.” Jairaj said it was primarily the chief minister’s vision that propelled the wave of reforms that followed.

Jairaj suggested that the administration should adopt Singapore as its model for urban development. Ashok Dalwai, who was BCC commissioner after Jairaj, noted with some irony, “When Singapore’s prime minister visited Bangalore in 1967, he was so impressed with beautiful Bangalore that he said, ‘I wish Singapore could be like Bangalore.’ But in 1999, we were saying, ‘I wish Bangalore could be like Singapore.’”

THE CHALLENGE

Karnataka law granted Bangalore’s own elected officials relatively little authority. The mayor served a one-year term and was elected by the City Council rather than by popular vote. Power within the council, which was an elected body, was diffuse because the council comprised 100 members. Executive power rested with a commissioner who, like all the heads of municipal departments, was appointed by the state chief minister. Bangalore’s failure to
conduct municipal elections (in the early 1990s and as late as 2007) meant that the state government had periodically administered Bangalore without reference to any elected council or mayor.

Revenue was a stumbling block. State government transfers were the single most important source of funds to the city, and the chief minister had virtual veto power over large expenditures. Bangalore’s property tax revenue had not measurably increased in a decade. The problem was not so much the refusal of citizens to pay property taxes as a system of collection that lent itself to corruption and the loss of revenue. Under existing law, tax assessors from the revenue department would visit households and, using criteria that were neither standardized nor transparent, decide what property owners owed. The result was that assessors had substantial opportunity to extract money from property owners, who would often acquiesce in return for lower tax bills.

Taxpayers generally detested this system, which often required protracted haggling with corrupt revenue officials. Those who declined to pay bribes were harassed and made to go through substantial difficulty in order to pay their taxes and maintain rights to their property. As a result, city coffers suffered, revenue officials privately prospered, and citizens grew disaffected.

For these reasons, any genuine reform effort in Bangalore hinged on Karnataka’s chief minister. Krishna’s ability to take a reformist line reflected three factors. First, unlike previous chief ministers, his longtime service and loyalty to the Congress Party had earned him the support of the Gandhi family and the party’s upper echelons in Delhi. As a result, he was the unquestioned leader of the state party. Second, Krishna’s party had clear majorities in the state legislature and in the Bangalore City Council, and could mobilize legislative support for his efforts. Third, while hailing from a rural constituency, Krishna managed to cultivate a base of support in Bangalore and strike what he considered to be a delicate balance.

Yet despite his deep background and broad powers, Krishna in 1999 faced daunting challenges.

The public had been demanding an overhaul of the city’s service providers for much of the past decade. The city’s rapid growth was only one of the catalysts. In describing the source of this “climate of change,” V. Ravichandar, chairman of the Indian firm Feedback Consulting and an urban activist, credited developments at the national level, arguing that India’s economic liberalization in 1991 and the associated rise in income levels and foreign exposure led “to a situation where a rising middle class started getting into a more demand-oriented, rights-oriented kind of framework, and saying, ‘We deserve better. We need to know more. There needs to be more transparency.’” Ravichandar said the elimination of the so-called License Raj (a term used to describe a broad array of Indian government regulations on private enterprise) and other “societal controls,” particularly in the communications and media sector, empowered citizens to challenge the way government delivered services.

Civil society groups began to articulate these sentiments as early as 1993. NGOs like the Public Affairs Centre began to conduct surveys, popularly known as citizen report cards, on citizens’ satisfaction with the municipal agencies that provided core services like water, electricity, infrastructure and garbage collection. The results were striking. Not only were the overwhelming majority of Bangalore’s residents unhappy with these public agencies but they also identified a laundry list of problem areas ranging from corruption to poor customer service to service stoppages.

In response, most heads of city agencies were either openly defensive or they simply
ignored the survey findings. Others, like A. Ravindra, who later became the top civil servant in the state of Karnataka, were more receptive. As commissioner of the Bangalore Development Authority (BDA), the municipal agency that dealt with distribution of land, urban planning and infrastructure, Ravindra said he “felt bad” about the “negative image portrayed in the report card,” and he became the first senior civil servant to reach out to the Public Affairs Centre and other NGOs that were lining up behind reform efforts. In 1995, he had served as commissioner of the Bangalore City Corporation, the municipal body that included the City Council and the commissioner and was charged with running the day-to-day affairs of the city. While he was in that position, Ravindra established Swabhimana, a public forum that included 10 NGOs, the Bangalore City Corporation and the Bangalore Development Authority. The goal was to create a working relationship between civil society and government agencies and a mechanism by which civil society could monitor government workings.

However, Ravindra’s story at the Bangalore City Corporation demonstrates an important reason for the difficulties of overhauling Bangalore’s public agencies. Despite undertaking a number of reforms that would improve the way the BCC functioned, including a new way to handle grievances, Ravindra was removed from his post in 1996 before many of the reforms could be fully implemented. According to Paul of the Public Affairs Centre, Ravindra ran afoul of powerful interests in his efforts to demolish illegal buildings, and political pressure forced the chief minister to transfer him to another position. Prior to his tenure at the BCC, Ravindra had served a year as commissioner of the BDA.

In describing these events, Paul in his 2002 book said, “We have here a classic case of the instability of tenure adversely affecting the ability of administrators to improve the quality of the city’s governance. Ultimately, it is the people who pay the heavy price for such unwarranted political interference.” Clearly, Ravindra encountered an obstacle that confronted enterprising civil servants in Bangalore: Agency heads who tried to lead significant reforms risked losing their jobs if their actions disturbed powerful political interests. The system discouraged proactive reforms in the city.

At the state level, chief ministers faced similar disincentives to change. First, their positions were politically weak. They could be dismissed at any time because they were appointed by parties rather than elected by voters. This insecurity forced chief ministers to place a high premium on cultivating relations with local and central party elites and to reject any actions that did not toe the party line or that alienated a significant electoral interest. As a consequence, chief ministers often balked at supporting civil servants who tried to make significant changes in government policy and operations. Ravindra argued that governments in which the chief minister was the “unquestioned leader of the party” were better positioned to protect their civil servants from political interference. Historically, few Karnataka chief ministers had survived intra-party challenges to serve full five-year terms. Krishna would be the first to do so since the 1970s.

Compounding Bangalore’s difficulties, the state government had a clear and long-standing bias in favor of rural voters. Because nearly 80% of Karnataka’s population lived in the countryside, the state’s leaders historically had been unwilling to cater to cities, where electoral gains would be marginal. Citizens who lived in rural areas often were openly hostile toward governments that were perceived as doing too
much for large cities. Not surprisingly, for much of the 1990s chief ministers had been strongly affiliated with the rural sector.

Despite the resistance to potential reforms, agency heads like Ravindra did make progress. A second round of citizen surveys in 1999 revealed that several agencies had improved their ratings. Yet few agencies about which data were collected received ratings above 50%, and problem areas like corruption had actually become slightly more acute.

In 1999 Krishna knew that the government had to improve municipal services in order to retain the information-technology companies that drove Bangalore’s economy and the tens of thousands of workers that the firms employed. Added pressure came from the neighboring state of Andhra Pradesh, where Chief Minister Chandrababu Naidu was transforming the city of Hyderabad into a tech hub.

Events had underlined fears that Hyderabad could replace Bangalore as “India’s Silicon Valley.” During a visit to India in 1998 U.S. President Bill Clinton visited Hyderabad rather than Bangalore. And the Indian School of Business, an institution promoted by the U.S.-based consulting firm McKinsey, decided to set its base in Hyderabad instead of Bangalore. Although, according to Ravichandar, Bangaloreans considered Hyderabad an “overgrown village,” the city appeared to be on track to overtake Bangalore. As a result, time was critical: The government had to move quickly to repair and improve Bangalore’s public agencies.

FRAMING A RESPONSE

While the particular content of reforms differed across public-service providers, Krishna’s broad reform strategy involved two core components. The first was to provide political cover to enterprising civil servants who Krishna said had the “bureaucratic guts” to shake up their respective agencies. The second was to enlist the private sector in a partnership that could offer expertise and resources in designing reforms while providing the political clout to overcome opposition.

Krishna took a series of concrete steps early in his administration. In selecting agency heads, he chose civil servants who had strong family ties to Bangalore and had held key positions in the city’s government. The goal was to elevate agency heads who understood the city and had a strong emotional commitment to its resurgence.

Importantly, Krishna publicly guaranteed the tenure of the senior officials who ran Bangalore’s public agencies—a pledge that he largely kept, with some notable exceptions. Many agency heads said that Krishna’s political support was a catalyst for action within their agencies, and that his effort to insulate bureaucrats from political pressure was crucial to their ability to implement reforms.

While empowering agency leaders and generally granting them broad discretion to establish agency-level priorities, Krishna also held them publicly accountable. In the early days of his administration, Krishna’s office called Jairaj and asked him to design a public body that would help to monitor and reinforce the reform efforts of government agencies. Jairaj’s response formed the basis of the Bangalore Agenda Task Force (BATF), a public–private partnership that held semiannual public meetings at which agency heads had to report on their performance in meeting targets. Jayakar Jerome, BDA commissioner in 2000–04 and a public servant whose family had been in Bangalore for over five generations, described the pressure of reporting at BATF forums: “We set very specific targets for ourselves. … You went before 1,200 people and did a PowerPoint presentation and said what you will do in the next six months. … I mean, you can’t go after six months and start giving all kinds of lame excuses. … As far as I
was concerned, it was question of my credibility and self-respect. I can't go and say, 'Sorry, we over-promised.'"

The BATF forums also helped ensure continuity of priorities and programs, because new agency heads were obliged to carry out the commitments made by their predecessors. Also, in a system of municipal governance known for overlapping agency responsibilities, the BATF forums imposed order on reform efforts and helped resolve differences. For instance, while the BDA had the responsibility and resources to rebuild Lal Bagh, the city's oldest and largest public park, the city department that administered the park wanted to control redesign efforts. The BATF forum brought this disagreement to the attention of Krishna, who settled the matter by siding with the BDA.

The BATF harnessed the technical expertise and substantial financial resources of the private IT sector in designing and implementing reforms. The strategy worked in many ways. The task force, which met as a group more frequently than in public forums, comprised 10 members in addition to the BCC commissioner, most of whom had made their careers in the IT sector. Jairaj said the selection of Nandan Nilekani as chairman of the BATF was partly due to his position as chief executive of Infosys Technologies Ltd., one of India's largest IT-services firms. Nilekani was responsible for bringing on board the remaining members who had an IT background.

The government partnership with the IT industry had other motives. Former BCC Commissioner Dalwai said that “IT had become the engine of growth in Bangalore,” and that according to some, the BATF served the goal of improving “the quality of life for IT workers.” Others suggested that the BATF was an effort by government to associate with the largely positive reputations of Bangalore's IT icons in a bid to neutralize opposition to their reform efforts.

GETTING DOWN TO WORK

At the BATF, Ravichandar and Jairaj recognized the need to expand and improve service provision in order to keep pace with population growth. Knowing that public surveys listed inadequate garbage collection as a key issue, Jairaj aimed to begin door-to-door garbage collection in municipal wards. That meant dealing with the Bangalore City Corporation, which was responsible for core services like garbage collection, infrastructure and the provision of basic documentation like birth certificates and drivers' licenses. The corporation was complex, and the 100-member City Council had, in the words of Jairaj, an “uneasy relationship” with the BCC commissioner and other civil servants. Most of the team’s energy initially focused on creating a base for improving services.

The revenue problem

BATF members realized that this type of service expansion would require an associated expansion in the BCC’s resources. Aiming to boost property-tax collection, the BATF and Jairaj adopted a self-assessment program to replace the corrupt system under which tax assessors had free rein to determine individual tax amounts. Citizens would be given a precise set of criteria—location, building material and other factors—to determine how much property tax was owed. Citizens would then calculate the taxes themselves and pay the tax directly to the BCC.

Property-tax rates rose, with maximum increases being capped at 2½ times what had been paid previously. The logic of the cap was to make the new system politically palatable, as newspaper articles about middle-class or elderly residents paying massive sums would be politically damaging.

The proposal met predictable opposition. Revenue officials condemned it because they would be cut out of the process. Dalwai
remembered that opponents “were working overtime to make sure that the new system did not work” and that “all kinds of questions were thrown into our face to show that this was not a workable proposition.” Others, Dalwai said, argued that Bangalore’s residents “may find the new system difficult to comprehend and too complex to work properly.”

Sidestepping the City Council, Jairaj signed an executive order that introduced the new system but made it optional. Revenue officials, who as civil servants were not in a position to attack Krishna’s efforts directly, allied themselves with a few former mayors and administration opponents, who then challenged the legality of the executive order in court. Jairaj recalled that after a magistrate of the Karnataka high court delayed implementation of the new system, he visited the magistrate at his home and told him, “If you give a stay all our collections will come to an end, garbage will pile up, there is no way we can look after the civic services in the city.” The magistrate removed the stay and eventually ruled that the new tax system was legal because it was optional.

While Krishna’s political support was crucial to efforts by Jairaj and the BCC to implement the new tax procedure, the members of the BATF helped to make it sustainable. In the first month and a half after the new system was introduced, the BCC collected only a small fraction of expected property tax revenues. The system did not seem to be working, and Jairaj feared that the political fallout would be severe. Yet in early 2000, task force members quickly recognized that the problem was less the content of the new plan than how it was presented to citizens. Dalwai said the effort required a comprehensive “public relations module” to introduce the system and how it worked.

Because the government’s normal tendering process was slow, supporters worried that the new tax system might be politically beyond repair by the time a contract for the advertising campaign was awarded. So BATF members offered to pay for the advertising campaign themselves, while actively participating in its design. To Dalwai, the intervention of the BATF showed how “the procedural bottlenecks of government can be overcome by an outside agency.”

The intervention worked. By the end of the year, property tax collection exceeded previous standards. As a consequence, the BCC was able to increase its budget by over 25% between 2000 and 2004.

**Fixing the accounting system**

Though property tax reform was the most significant involving the BCC, innovations took place across the institution throughout 1999-2000. One involved Bangalore’s opaque and often inaccurate accounting system. The core problem was that few people, including BCC employees themselves, understood the distribution of revenues and expenditures across the agency and its different programs. In fact, Dalwai noted, the system of accounting was so haphazard that the commissioner himself was unaware of several BCC bank accounts. The lack of transparency and precision in accounting procedures allowed corruption to fester and all but blocked efforts to identify priority areas and inefficiencies.

Ramesh Ramanathan, a BATF member who held a master’s degree in business administration from Yale University and was a former managing director of a large financial firm in Europe, worked to implement a new accounting system. Ramanathan borrowed from governmental accounting practices around the world as well as his own experience with a similar system in the southern Karnataka town of Tumkur. The new system would break down
revenues and expenditures to the smallest BCC program, and collate the data into a central database.

Dalwai noted concerns about the time and cost to install a new accounting system, sift through the BCC’s existing accounts and assign codes “to every piece of development work being carried out by the corporation.” Nilekani, the Infosys CEO and BATF chairman, stepped forward; he and his wife donated well over US$1 million to the BATF effort. With these funds, Ramanathan hired 22 business graduates. Using an office provided by the BCC, he spent 14 months getting the system up and running.4 When the work was finished, the BCC had a system of bookkeeping that deterred corruption and facilitated efficient decision making.

Anticipating opposition from elected councilors in the BCC who stood to gain from corruption, Krishna looked for other avenues of support. He encouraged the BCC to agree to a state government grant of $82 million that carried certain conditions, one of which was implementing the new accounting system. According to Dalwai, who replaced Jairaj shortly before the agreement was signed, the deal allowed the commissioner to tell recalcitrant BCC members, “I have to deliver, otherwise I will not get the money.”

Public contracting

A final difficult challenge at the BCC was corruption in the Engineering Department, most of which stemmed from the awarding of contracts. Existing procedures gave City Council members broad discretion to award contracts for public projects in their districts, a policy that opened the door for kick-backs and other forms of corruption. Contracts often went to underperforming contractors whose work was slow and of poor quality.

Jairaj largely put an end to this practice by administrative fiat, removing the discretion of City Council members and making the awarding of engineering contracts subject to the normal competitive tendering processes of government. While some councilors resisted the change, Krishna’s political clout in the City Council largely overrode opposition. However, another problem quickly arose. Jairaj realized that many engineering officials had been complicit in past abuses and would likely fight the new effort at transparency. Recognizing a personnel issue, Jairaj appealed to Krishna, who as chief minister had sole control over civil service appointments. With Krishna’s approval, Jairaj brought in 33 of his former employees from the Karnataka Transport Corp., the state body that oversaw public transportation. The infusion of new workers broke the back of the entrenched opposition at the Engineering Department.

The reforms had a cumulative effect. Between 2000 and 2004, public satisfaction with the BCC and its services increased by 50 percentage points, to an overall approval rating of over 80%. Without the political support that Krishna provided to BCC commissioners Jairaj and Dalwai, as well as the financial and technical support from the BATF, the reforms and the improved public satisfaction would have been impossible.

Establishing discipline

Developments at another important public agency, the Bangalore Development Authority, were consistent with what was occurring at the BCC. When Jerome took over in 2000, he found an organization in crisis. Responsible for the buying and selling of land, urban planning and building infrastructure, the BDA could perform none of these obligations efficiently. The problems were so bad that a government commission headed by former BDA Commissioner Ravindra suggested that BDA operations should be rolled up and its functions absorbed into Bangalore’s other public agencies. Jerome largely rejected these recommendations and resolved to improve the
performance of the BDA. In developing and implementing reforms, Jerome relied less on the financial and technical expertise of the BATF than his counterparts at the BCC did, as the BDA’s regulation of the real-estate sector provided ample room for revenue accumulation. When asked what strategy of reform he pursued, Jerome replied, “The only strategy was that you make the organization do what it is supposed to do. We were supposed to plan, to provide infrastructure to the city, and to allot sites, and that’s all that we did.”

OVERCOMING OBSTACLES

Jerome recognized that the BDA’s most significant problem was a lack of professionalism in conducting business. In Jerome’s view, agency offices were “a free-for-all” where “everybody was coming and going as they wished.” Jerome ordered that visitors could visit BDA offices only by appointment and only after 3:00 p.m. When a member of the State Legislative Assembly tried to visit BDA offices without an appointment, he was barred from entering. “This is what sent a message that I am serious about my work,” Jerome said. When the incident threatened to turn into a political firestorm, Krishna told the irate legislator, “Had you come with an appointment, he [the commissioner] would have seen you,” Jerome recalled. Council opposition dissipated in the face of Krishna’s overt support for Jerome’s initiative.

Jerome next turned his attention to the BDA Contractors Organization, an association of contractors that were the primary bidders on BDA-funded infrastructure projects. After discovering that the contractor’s association had offices in the BDA complex, he ordered the offices closed. In Jerome’s view, the close proximity between private contractors and BDA officials created a space for illicit dealings. When the contractors association produced a court order from the early 1980s that cleared the association’s presence at the BDA offices, Jerome took the matter to court and won.

Jerome also took on another problem: the BDA’s consistent failure to sell individual plots of land in reasonable time frames, one of its core functions. Part of the problem was that individual BDA officials would often hold up the processing of land transactions in order to extract payments from buyers. Transactions were handled quickly for those who were willing to pay bribes.

Jerome created a computerized “first in, first out” system that required officials to process land transactions in the order they were received. The work pace increased rapidly. During 2000-04, the organization allotted 50,000 sites, compared with only 3,400 from 1990 to 1999.

The BDA also faced problems in acquiring land, a situation involving two issues. First, the BDA’s cumbersome system often involved extensive litigation with landowners who wanted higher prices for their properties. With Krishna’s support, Jerome ensured that sellers were always offered market-based prices. Importantly, Jerome and his staff met with potential sellers in their communities to hear their complaints and, in a break with past practice in which payments were offered in installments, he offered payment to sellers on the spot.

The other major problem with acquiring land was the existence of illegally obtained plots. Here, there were two primary culprits: poor squatters and wealthy land developers commonly referred to as the “land mafia.” Jerome recognized that poor squatters had nowhere to else to go, and he decided that only illegal sites used for commercial purposes would be seized. He concentrated on the wealthy developers, seizing and razing their illegal properties. His
strategy worked. During Jerome’s tenure from 2000 to 2004, the BDA acquired more than 5,000 acres that could be prepared for resale.

Not surprisingly, Jerome became the primary target of powerful land interests that had benefited from the BDA’s prior inadequacies. In most instances, the attacks on Jerome were made in court, where, he said, “I was accused of everything except murder and rape.” Jerome also said he received threats on his life.

Meanwhile, Krishna made no bones about his support for the enterprising commissioner of the BDA. When Krishna became aware of the threats on Jerome’s life through local newspapers, Krishna placed a security detail at Jerome’s home and office. Even after Krishna’s departure as chief minister, the bond between the two men continued. When Krishna became governor of Maharashtra state, he appointed Jerome, a native Bangalorean, as his chief secretary, even though that position usually went to a native Maharashtran.

ASSESSING RESULTS

By 2003, surveys indicated that the transformation of Bangalore’s public service providers was nearly complete. Across agencies, overwhelming majorities of citizens were satisfied with service provision, and progress was apparent regarding problems of graft and corruption. Both the BDA and BCC had public ratings in excess of 80%. Public service providers worked more effectively, had improved balance sheets and produced higher quality public services at rates that could better accommodate a growing population. In 2003, Business Today delivered its verdict on the Krishna-era reforms, pronouncing, “The future of Indian cities is here. We have seen it. And it is Bangalore.”

The successes were a triumph of political will. Although they had the formal legal powers to reform Bangalore’s city government, Karnataka’s chief ministers had traditionally lacked the political muscle and incentive to tackle problems of urban governance. Enjoying a more hospitable political climate than his predecessors and facing an urban crisis, Krishna approached the challenge with determination. On issues of urban governance, former BDA Commissioner Jerome noted, “We didn’t have a very proactive government in the past. It just sort of lumbered along.” He said that it was “only when Mr. Krishna was elected in 1999 that there was a pointed focus.”

By providing crucial political support to civil servants who ran Bangalore’s public agencies and building a formidable coalition with the IT sector through institutions like the BATF, the Krishna administration encouraged innovations that altered the way government delivered services.

However, the gains were short lived. In the 2004 state legislative elections, Krishna’s governing coalition suffered significant losses, as opposition from rural parts of Karnataka outweighed strong support in Bangalore. As a result, Krishna was removed as chief minister. The new coalition government led by Dharam Singh was eager to placate a restive rural electorate and began to undermine many of the individuals and institutions that were closely associated with the Krishna-era reforms. The BATF lost its government mandate and eventually was disbanded, while a number of high-performing civil servants were removed or transferred to other posts.

Krishna’s lack of support in rural Karnataka can be interpreted in different ways. Although Jairaj attributed Krishna’s defeat to “the fickle behaviors of the electorate,” it was clear that Krishna’s high-profile focus on tackling problems of urban governance alienated rural interests—a political problem that many of Karnataka’s politicians had worked hard to avoid. In addition, several ill-timed developments perpetuated the notion that
Krishna did not care about rural districts, including the government’s responses to a severe drought in 2002, the associated suicide of over 1,000 farmers and a dispute with the neighboring Indian state of Tamil Nadu over rivers that were vital to agriculture in Karnataka.

Dissatisfaction arose from other quarters as well. Civil society organizations, or what detractors considered “extreme leftist elements,” argued that Krishna’s initiatives failed to target Bangalore’s poorest, most vulnerable communities. That perspective gained credence from the close relationship between the Krishna administration and the private sector, a partnership that created the impression that reforms had less to do with service provision for ordinary citizens and the urban poor than cozying up with well-heeled business interests. Institutions like the BATF, the clearest expression of the alliance between the state government and the private sector, were labeled as elitist ventures in which corporate millionaires and their lackeys in government conspired to dupe the population and subvert the normal processes of a democratic society. To make matters worse, the precise mandate of the BATF was ambiguous and seemed to shift over time: Was it an advisory body, a monitoring body, a representative institution, or just a collection of like-minded over-achievers? The questions were never answered to the satisfaction of detractors.

While the Krishna-era reforms led to significant gains in service delivery in the short term, it was unclear in 2010 whether the moves led to a sustainable improvement in the overall quality of Bangalore’s government. Although most structural reforms carried out at the agency level continued to produce dividends, rapid growth through the 2000s further strained service providers and increased the need for innovations. Traffic continued to be a significant problem, with an annual growth rate of 7%-10% percent, and power outages still required most credible businesses to rely on generators for emergency electricity. In the absence of political will, governmental innovation lagged behind the city’s changing needs. As a result, many of the Krishna-period reforms were overtaken by Bangalore’s continued growth and the political dispositions of the following administrations.

REFLECTIONS

While the stories of the Bangalore City Corporation and the Bangalore Development Authority shed light on the positive transformations that occurred across Bangalore’s public-service providers during S.M. Krishna’s tenure as head of Karnataka state, later events raise questions about the sustainability of the reform efforts. Yet what could have been done differently?

In some sense, the progress made during the administration might have lasted longer if Krishna had focused on decentralizing administration to city-level elected officials and Bangalore’s mayor rather than directly reforming Bangalore’s public agencies. Accountable to only an urban electorate, the mayor could initiate citywide reforms without worrying about blow-back from rural voters, which kept Krishna from winning a second term. In doing so, Krishna might have been able to break the cycle of rural bias that had choked off government initiatives in Bangalore and to ensure that the needs of Bangalore were built into the structure of Karnataka’s politics. Instead, Krishna pursued a reform strategy that depended on his individual willingness to take a political gamble with urban reform.

Second, Krishna may have been too aggressive in playing up the role of the Bangalore Agenda Task Force, the alliance between Bangalore’s government and private business, given the ambiguity about the group’s mandate and the negative perceptions of the task force among voters outside of the city limits. While the BATF was crucial to the reform
efforts, its high public visibility carried significant costs. A low-key presentation of the partnership between IT and government, and a clear delineation of its scope, might have preempted opposition.

Businessman and activist V. Ravichandar lamented that because “political capital always depreciates over time,” Krishna, his lieutenants and the BATF should have tried to accomplish significantly more in the first two or three years of his five-year administration. Ravichandar said that by the later years of the Krishna administration, the political fallout from a variety issues, including the drought in rural Karnataka, had diminished the chief minister’s ability to move ahead with further reforms in Bangalore. A. Ravindra, the BDA commissioner who later became Krishna’s chief secretary (Karnataka’s top civil servant), largely agreed with Ravichandar’s characterization, noting that by 2003 the majority of his daily agenda was occupied by issues other than urban renewal in Bangalore.

Still, such observations are open to disagreement. In the early years of the Krishna administration the pace of reform was frantic, with all of the innovations at the BCC and BDA occurring in Krishna’s first two years as chief minister. Indeed, even if the pace of reforms had accelerated, the overall quality of the reforms themselves may have suffered, compounding later problems of sustainability.

---

3 Ibid, Page 62
4 Ibid, Page 54
5 Ibid.
Terms of Use

Before using any materials downloaded from the Innovations for Successful Societies website, users must read and accept the terms on which we make these items available. The terms constitute a legal agreement between any person who seeks to use information available at www.princeton.edu/successfulsocieties and Princeton University.

In downloading or otherwise employing this information, users indicate that

a. They understand that the materials downloaded from the website are protected under United States Copyright Law (Title 17, United States Code).

b. They will use the material only for educational, scholarly and other noncommercial purposes.

c. They will not sell, transfer, assign, license, lease, or otherwise convey any portion of this information to any third party. (Re-publication or display on a third-party's website requires the express written permission of the Princeton University Innovations for Successful Societies program or the Princeton University Library.)

d. In all publications, presentations or other communications that incorporate or otherwise rely upon information from this archive, they will acknowledge that such information was obtained through the Innovations for Successful Societies website. A suggested citation format is below.

   [Document author if listed], [Document title], Innovations for Successful Societies, Princeton University, accessed at http://www.princeton.edu/successfulsocieties on [date accessed on web]

e. They understand that the quotes used in the case study reflect the interviewees’ personal points of view. Although all efforts have been made to ensure the accuracy of the information collected, Princeton University does not warrant the accuracy, completeness, timeliness or other characteristics of any material available online.

f. They acknowledge that the content and/or format of the archive and the site may be revised, updated or otherwise modified from time to time.

g. They accept that access to and use of the archive is at their own risk. They shall not hold Princeton University liable for any loss or damages resulting from the use of information in the archive. Princeton University assumes no liability for any errors or omissions with respect to the functioning of the archive.