

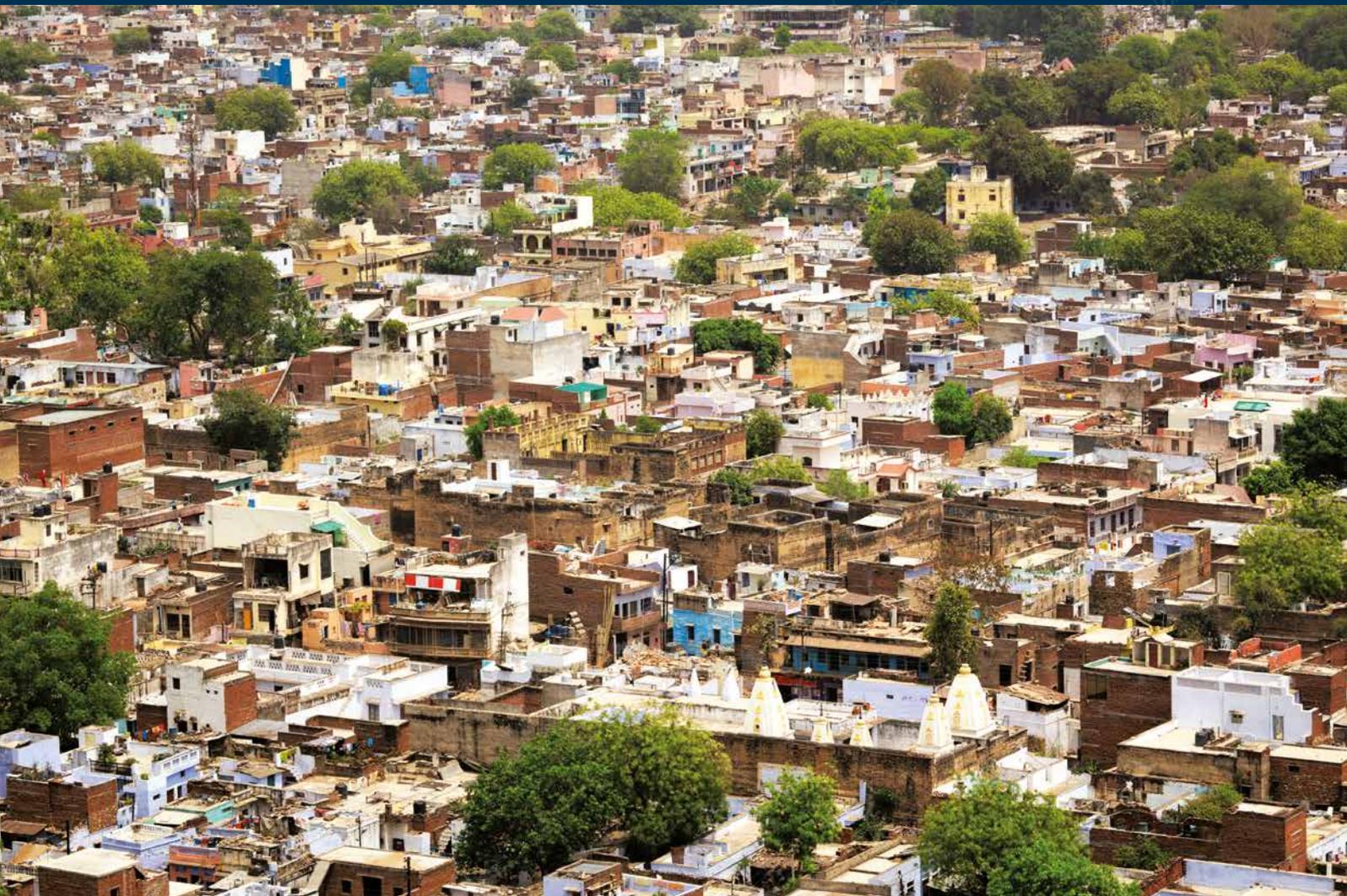
# IMPROVING PUBLIC SECTOR PERFORMANCE

THROUGH INNOVATION AND  
INTER-AGENCY COORDINATION



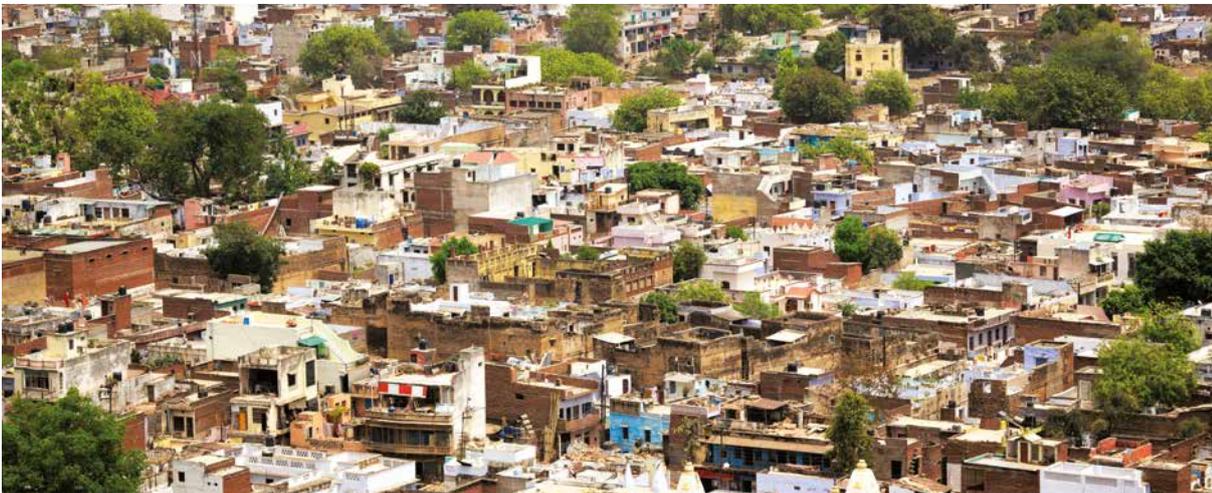
**CASE STUDY FROM THE GLOBAL REPORT**

## A New Law Leads to Service Delivery Reforms: The Public Services Guarantee Act in Madhya Pradesh



## CASE STUDY 10

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### Overview

In Madhya Pradesh state, India, citizens have long struggled to access government-provided services. Low access to information and long bureaucratic processes created opportunities for public officials to demand bribes and intermediaries to take advantage of citizens, particularly the poor and less educated. In 2010, the state government attempted to shift the balance of power by passing a new law: the Public Services Guarantee Act. The act gave citizens the legal right to public services, and provided for sanctions against officials who did not comply with the required procedures and deadlines. To implement the act, the government set up a new agency to oversee public services and took steps to simplify service delivery, including by setting up “one-stop shops,” where citizens could apply for multiple administrative services in one location. By 2018, more than 20 other Indian states had passed similar acts. Access to 428 services covered by the act improved, but access to many public services remained a difficult and costly process for some citizens.



### MADHYA PRADESH, INDIA

POPULATION (March 2018 est.)<sup>1</sup>

**1.316 billion** (India)

**79.936 million** (Madhya Pradesh)

GDP PER CAPITA (current US\$, 2018 est.)<sup>2</sup>

**1,976.26** (India)

**1,371.49** (Madhya Pradesh)

INCOME GROUP<sup>3</sup>

**Lower middle income**

GOVERNMENT EFFECTIVENESS<sup>4</sup>

**57.2%**

<sup>1</sup>Central Statistics Office, India, <sup>2</sup>World Bank (2016),  
<sup>3</sup>World Bank (2016), <sup>4</sup>World Bank (2016)

## Introduction

**M**adhya Pradesh (MP) is a low-income state in India where castes and tribes – historically the most disadvantaged groups in India – are highly prevalent. Before 2010, many of its 72 million citizens had low trust in government agencies and tried to minimize interactions with government officials, who potentially deprived them of helpful government programs or valuable public services.

Following a trend in India to legislate citizens' rights (India had passed a Right to Information Act in 2005, and also declared rights to food, education, and housing, among others), the MP government in 2010 passed a Public Services Guarantee Act (PSGA). The PSGA, which was the first act of its kind in the world, guaranteed that citizens would receive specified public services within certain timeframes. It initially covered 26 services, and allowed further services to be added over time. The PSGA set a maximum number of days within which a government official had to either provide a service or reject an application for that service and provide a written reason for doing so. If the deadline was not met, or the application wrongly rejected, the PSGA gave citizens the right to appeal. Through the appeals process, the official responsible could be fined for not providing the service in a timely manner or for wrongly rejecting an application.

Passing the act was an important first step toward improving service delivery, but the government faced many challenges in ensuring that the new legislation would be enacted in an effective way. The government had to simplify unwieldy bureaucratic processes that resulted in delays and repeat visits to government offices and created opportunities for rent seeking. It also had to spread the reach of the state geographically; at the time, some people in rural areas had to travel several days to reach government offices. Finally, it had to incentivize civil servants to provide high-quality, timely service, and hold those accountable who did not.

## Response

**F**irst, the MP government had to decide who would be in charge of making the PSGA work. Then, with an oversight body in place, public officials could set up new mechanisms to

deliver public services that would make processes easier and more efficient for both citizens and the government. Finally, citizens and the government would be able to utilize the legislation to hold public officials accountable.

### Setting up an oversight system

Shortly after passing the act, the MP government created the Department of Public Service Management to coordinate between government agencies and implement the new legislation. Importantly, the government also decided to create a separate office affiliated to the new department that would allow it to work in a more innovative way. The new agency – called the State Agency for Public Services – was established as a “society,” a special structure that gave it more flexibility in how it used its resources.

The first services covered by the act came from a range of government departments, including the state's General Administration Department (income and domicile certificates), the Social Justice Department (pensions), the Food, Civil Supplies and Consumer Protection Department (ration cards), and the Home Department (drivers' licenses). The deadline to approve or reject applications ranged from three days for issuing an income certificate to 60 days for approval of a pension service (Public Affairs Centre 2016).

To create awareness about the PSGA, the new department took out newspaper advertisements, erected hoardings, visited schools, and made radio and TV announcements. All government offices where citizens applied for services displayed information regarding the PSGA and the timeframes within which services had to be provided (Murilidharan 2015).

Public officials received training on the PSGA and were informed of the new time limits to provide services. However, services continued to be provided through existing manual processes, and few efforts were made to make the process faster or easier to navigate. As a result, meeting the specified time deadlines proved to be a challenge.

After a survey revealed that about half of the applicants were still not receiving receipts and, in

many cases, there was not sufficient data to verify if services were being delivered on time or not, the government decided to replace the manual verification system with a computerized one. Public officials were trained on the new system, which allowed them to electronically register applications and issue computer generated receipts. The state agency of public services hired a full-time district manager in each district to oversee the roll-out and train officials to use the new system. The electronic system was a significant improvement, but still did not solve old problems: many citizens still did not receive receipts, and most still had to hire middlemen to help them fill in forms and obtain documentation to access services (World Bank 2014c).

### Creating one-stop shops

To make the application process easier, the Department of Public Service Management decided to set up “people service centers” (known as Lok Sewa Kendras, or LSKs) where citizens could apply for a range of services in one location. Staff at the LSKs would accept applications for a range of government services, submit documents electronically to the appropriate offices, and collect a small fee for doing so. The government wanted to open an LSK in each of the more than 300 blocks throughout the state (administratively, MP is divided into 51 districts, which are in turn divided into blocks).

The LSKs were established as public-private partnerships, and the government held open tender processes to select private operators for each of the more than 300 LSKs. The private partner was usually a local entrepreneur, and the government provided the space, furniture, and software for the operator to run the LSK. The operators paid for the computers and the day-to-day expenses to run the facility, such as electricity (Murilidharan 2015).

At the LSK, the operator collected the citizen’s documentation, scanned it, and uploaded it using the government-provided software. Using checklists, the operator could immediately confirm if all the necessary documentation required for that particular service had been received or not. If the application was complete, the operator issued a computer-generated receipt indicating the deadline by which the assigned official had to accept or reject

the application. The system automatically forwarded the application to the appropriate government department for action, where an official would assess the case and either accept or reject the application. The applicant could choose to receive an SMS notification of the decision or follow up in person at the LSK (Murilidharan 2015).

The creation of the LSKs eliminated the need to visit multiple government offices to apply for government services. Instead, citizens could visit their local LSK and the operator could submit the required documentation to the various offices electronically. The LSKs also reduced paperwork because, for the first time, all the documentation could be submitted electronically.

To ensure the sustainability of the privately-operated LSKs, the government created a “viability gap fund” to help LSKs in less profitable districts stay in business. The LSK operator collected a small fee for every application (in addition to the fee charged by the department providing the service), and about 15% of that fee went to the viability gap fund. If an LSK received fewer than 2,000 applications in a month, equating to 50,000 rupees in revenue (about US\$785), the state topped up their income to that amount using the viability gap fund.

The MP government quickly implemented LSKs across the state. By 2016, 336 LSKs had been established, including at least one in each of the state’s 313 blocks (World Bank 2015c).

### Improving procedures and expanding impact

In 2015, the World Bank launched a project with the MP government to simplify procedures, make access to public services more inclusive, and increase accountability. The project aimed to increase the number of services on offer through the LSKs and also to increase the availability of services in the hardest to reach regions. Through the project, the MP government wanted to give citizens the option to apply for government services through the method of their choice: by phone, online, or through LSKs. The MP government also wanted to simplify application processes by removing the need for unnecessary certificates it required to access certain services.

Supported by the project, the government expanded the LSK network by incorporating other “kiosks” through which citizens could interact with the state and national governments. As of 2016, there were 6,500 “Citizen Service Centres” in MP (which provided access to national government and some private sector services) and around 3,200 “MP Online” kiosks. Incorporating those kiosks into the LSK system created an opportunity to provide services covered by the PSGA at many more individual locations throughout the state (World Bank 2015c).

By 2017, the MP government had made over 80 services available online, allowing citizens to apply for those services at 36,000 MP Online kiosks spread across the state, according to Vikram Menon, senior public specialist at the World Bank. Next, the government made those services available at the Citizen Service Centres, further increasing the number of kiosks at the village level, and covering more than 30,000 additional locations in total. The government also developed a mobile phone application as an additional channel for service delivery.

The MP government began creating a digital database of citizen data that would reduce the need to collect multiple documents every single time they applied for a service. Once implemented, if a citizen had applied for a service in the past, when he/she made a new application or applied to renew a certificate, the database could provide officials with the documents the citizen had previously submitted to the government. The reform had the potential to generate time and cost savings for citizens, as well as reduce waste and corruption.

Making the digital repository effective, however, will require the government to make procedural changes. It could also result in reduced income for LSKs and government departments. For example, as of 2018, the government still requires citizens to submit original caste certificates every year, and original residence certificates every three to five years. Fees to obtain those certificates make up a large proportion of revenue from government services (Murilidharan 2015).

## **Holding public officials accountable**

As stipulated by the PSGA, a designated public servant was required to either provide the service or deny it with a written explanation within the designated time period (ranging from 3 to 60 days depending on the service). If they failed to do so, the applicant could lodge an appeal, usually with a mid-level official who had to decide on the appeal within a stipulated time period. The decision of that official could be further appealed to a higher-level official such as a district collector or a divisional commissioner. The second appeal officer could fine the designated public official between 500 and 5,000 Rupees (about US\$8 to US\$80) if they felt the official had failed to provide the service without “sufficient or reasonable cause” (Robinson 2012).

In practice, however, penalization was rare. The government reported that as of November 2012, two years after the act had been passed, 137 officials had been forced to pay fines for delays in service delivery (Department of Public Relations of Madhya Pradesh 2012). However, researchers reported that details on those fines proved difficult to obtain (Robinson 2012).

In a 2016 World Bank-commissioned survey, only about 2% of those surveyed reported filing an appeal, even though about three-quarters of users reported not receiving services within the stipulated timeframe. The authors of the survey report surmised that citizens lacked awareness of their right to appeal, or that they perceived the appeals process itself as being too cumbersome or costly (Public Affairs Centre 2016). Ana Bellver, senior public sector specialist at the World Bank, said that even if citizens did not file appeals in practice, the possibility of a citizen filing an appeal was enough to drive improvements in performance. “The fact that public officials know they are being monitored provides incentives for compliance,” Bellver said.

## Reflections

After first being introduced in MP in 2010, the PSGA was rapidly scaled up within MP as well as being replicated by other states around the country. Twenty-six services were covered by the PSGA when the MP government first passed the act, all of which had to be applied for at specific government departments. By 2018, the PSGA covered over 428 services, most of which could be applied for at LSKs. The government had also introduced online applications for 200 of those services. In addition, more than 20 other Indian states had followed MP's lead in implementing PSGAs.

After passing the PSGA, the MP government initiated several interventions to improve the accessibility of public services, for example by introducing LSKs and later by allowing online applications for a range of services. One view was that the “shock value and high-profile nature” of the PSGA might have stimulated the government to take more of an interest in shifting the status quo of service delivery.

Others noted that establishing a separate public services agency was an innovative way to approach the problem, considering the difficulties of changing the status quo in existing government departments. “It is difficult to change things from within,” said Menon. “Madhya Pradesh has shown that what you need is a focused administrative mechanism that supports implementation of the PSGA.”

The PSGA also introduced more transparency to the application process for public services. Transactions were recorded digitally, and service providers were required to issue receipts to applicants. Further, in cases where applications were rejected, the designated official had to provide a written reason. The extent of increased transparency in practice did not meet expectations, however. Only 35% of surveyed applicants in MP received a receipt, and officials rarely provided a reason for rejecting an application. In some cases, officials just wrote “not eligible” instead of providing a valid reason why the applicant was not eligible.

Awareness of the act was low, at least in the first five years after it was passed. A 2016 World Bank-commissioned survey found that less than one-third of users in MP were aware of the PSGA, and that

awareness was lower outside of the capital city. In Bhopal, the capital, 39% of users were aware of the act, while in Jabalpur, MP's third largest city, that figure was less than 10%. However, after that study was conducted, the government “launched a process to enhance public awareness through a focused information education and communication campaign,” according to Menon. No new data has become available to indicate whether the campaign has improved public awareness.

In theory, the PSGA should have reduced opportunities for corruption and the use of middlemen in the application process. Provided applicants submitted the correct documentation, and followed the appeal process if there was an undue delay or denial, there would be no need for a middleman or bribes to ensure applications were received and processed on time. However, there was no evidence available that suggested the PSGA had reduced corruption or the use of middlemen in MP. In fact, 92.5% of citizens surveyed in MP reported using a middleman in the application process. Data from the survey in MP and three other states that implemented PSGAs (Delhi, Karnataka, and Bihar) showed that for every 1,000 rupees (about US\$16) citizens paid to government officials, the chance of timely service delivery doubled. As a result, the poor were much less likely to receive public services in a timely manner than wealthier citizens.

Still, citizens that used the LSKs, other kiosks, and the online systems benefited from cost and time savings. The reforms made it easier to apply for government-provided services and reduced the need to make repeat visits to various government departments during the application process. Online applications and SMS alerts also saved citizens' time. While the government has taken important steps to simplify procedures for all 428 services covered by the act, further reforms of the complex bureaucratic process could potentially further enhance service access for citizens.

## Success Drivers

**Madhya Pradesh's** implementation of a public services guarantee act (PSGA) reflects all **five** of the five key dimensions for successful public sector innovation.

**Political leadership** from the Madhya Pradesh government to create India's first PSGA has led to many other states across the country also passing their own laws to guarantee citizens the right to public services. Being the first government to pass a PSGA meant that Madhya Pradesh (MP) had to experiment with different ways in order to deliver on what the law promised. Sustained political leadership over a number of years led to the government incrementally making the process of accessing public services easier and more efficient.

**Institutional capacity** was key to the successful delivery of the promised services. As the implementation began, it quickly became clear that the MP government did not have sufficient capacity to adequately provide the public services the PSGA promised. To address this capacity gap, the first institutional reform was to create the State Agency for Public Services, which coordinated between government agencies and oversaw the implementation of the PSGA. To better reach its citizens, the government created more than 300 one-stop shops, which were formed as public-private partnerships with local entrepreneurs. Over time, it also made public services available online and through a network of thousands of kiosks throughout the state.

Creating **incentives** for public servants to deliver services within an agreed-upon timeframe was essential to ensure adherence to the PSGA. Citizens could lodge appeals if public officials failed to deliver public services on time, and the law stipulated fines for officials for not meeting deadlines. While such appeals were rare, just knowing that there was a monitoring system in place drove public officials to improve the quality and timeliness of service delivery.

Greater **transparency** about public services fostered citizen access. Information on the act, the services it covered, the costs of each service, as well as the expected timeframes within which each service would be provided, was posted on the walls of government offices and the one-stop shops. However, despite such actions, public awareness of the PSGA remains fairly low and further efforts are required to broaden the public's use of the services available.

**New technology** made it easier for citizens to access public services and easier for government officials to deliver public services faster. The government developed new software for one-stop-shops to use to facilitate interactions between citizens and the state. This new system issued computer-generated receipts and automatically forwarded documentation to the relevant government department. Over time, the government adapted to new technology by increasing the number of services that could be applied for online, and launching a mobile application for smartphones.