Emilio Salomón Álvarez, Engineer

Geneva, June 2015

Guide N° 3: Community Contracting to execute public works and provide services.
PRESENTATION

The ILO Employment Intensive Investment Programme (EIIP) has been using Integrated Rural Access Planning (IRAP) and Community Contracting (CC) tools for some years in order to plan and build public infrastructure works in several sectors and levels of government. After having conveniently adapted and updated these tools by including an inter-cultural and gender-based approach, they have proven to be valid and effective for the Water & Sanitation Sector (W&S) as concerns their application among dispersed rural and indigenous populations and therefore the ILO considers that they are fit to be applied in different national and local contexts.

One characteristic of how both tools have been adapted to the W&S sector has been the formulation and inclusion of a consultation process with indigenous populations under the framework of Convention 169. This process has been carried out in Paraguay\(^1\) through participatory workshops with the attendance of traditional and elected and appointed local authorities. The exercise enabled us to identify basic concepts and procedures, such as different consultation modalities within the communities and how the time this process takes is being managed. This has enabled an appraisal of indigenous knowledge with regard to the location and management of water resources appropriate for their eco-system. Understanding these processes under the framework of an inter-cultural and social dialogue has been useful in determining basic procedures with the aim of including them in future W&S Sector planning and execution processes.

This Guide is the third of the series Integrated Rural Access Planning and Community Contracting in water and sanitation. It aims at guiding community contracting processes that are being developed and linking them to integrated rural access planning both in the W&S sector and others. In this context, the purpose of community contracting is to formally define the agreements reached between the Responsible Authority and the Community during the planning process in order to execute public works and manage services.

\(^1\) From 2009 to 2012 and within the scope of the Millennium Development Goals, Paraguay developed a “Strengthening capacities for the definition and implementation of Water and Sanitation policies” Programme. Despite the fact that it has only been implemented at a pilot level, its scope was sufficient to cover the communities and ethnic groups that have participated and fully validated the model applied.
This Guide has been developed based on the experience of Paraguay in which the planning process resulted in contracting beneficiary communities to execute public works and adopt service management agreements. The achievements of other Community Contracting processes encouraged by the ILO in countries such as Ghana, Guatemala, Haiti, Madagascar, Mali, Nias, Pakistan, Peru, Somalia and South Africa have also been taken into account.

The ILO hopes that this Guide will effectively contribute to developing the Water and Sanitation sector in dispersed indigenous rural populations in different local and national contexts as well as serving as an example to apply it in other sectors. Consequently, it is expected that the Community Contracting methodology be adapted and updated according to the national and local context in which it will be used and that it be integrated and increasingly applied in sectoral and local government programmes and projects in the context of a Rural Economy.

The Guidelines series for the comprehensive planning of rural access and community contracting in the water and sanitation sector has been developed in a critically important area for the Rural Economy and had the technical backstopping of ILO’s Country Office for Latin America’s Southern Cone as well as support from the EMP/INVEST and Rural Economy units at Headquarters.

Terje Tessem  
Chief Development and Investment (DEVINVEST)

Geneva, June 2015
ACRONYMS

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1. INTRODUCTION

What is a Community Contracting?

A Community Contracting is a modality that is used to implement small-scale infrastructure and service projects that promote the integrated participation of user communities in all the stages of the process, from the identification, planning and execution of public works up to the operation and maintenance of the work or service. Thus the aim is to ensure that the communities can play an executive role that prompts them to identify themselves with the assets they receive and to improve their capacity to manage them. The objective is to achieve the sustainable operation and maintenance of the assets and services.

In the context of the fight against poverty, the Community Contracting constitutes a valuable tool to empower communities if adequate employment generation strategies and training processes are applied.

Does a community contracting involve signing a contract?

When mentioning Community Contracting, we are essentially speaking about signing a Community Contract which is a legal agreement between a Contracting Entity and a Contracted Community. The Contracting Entity may be a programme of the national, local government or a private entity and is represented by its highest ranking executives or by an official who has the power to legally represent it; and the contracted community is represented by a freely and democratically elected Community Board of Directors. The Community Contract defines the obligations and rights of both parties bearing in mind their capabilities and constraints.
Can a community contracting process be easily implemented?

Although the approach of signing a community contract is apparently simple, it involves three aspects that may be complex, depending upon the context in which they are applied:

i. The first is related to the capacity or preparedness of a community to face the challenge of executing public works in a more or less independent manner, despite the fact that these are not technically complex works;

ii. The second is related to the capacity of the Responsible Entity to draw up, negotiate and supervise a community contract;

iii. The third is related to the legal framework since not all countries have laws that encourage community contracting in order to execute public works or manage services (See ANNEX 2). Whereas the opposite can happen elsewhere, and restrictive laws ruling against the private use (or community use) of public resources are more common.

In countries that have enforced these types of laws State agencies can make advance payments to communities in order to execute public works, and they must be accountable for the funds received. In countries that do not have the legal framework to proceed in this manner, projects that encourage a community-based execution of public works have included in their by-laws or regulations the possibility of contracting beneficiary communities to carry out specific responsibilities concerning the execution of public works and the provision of related services.

This approach has been successfully applied in several countries and this is evident in the quality of the goods produced and because, as a result of the empowerment process, the communities have acquired a sense of ownership. Both elements, quality and the ownership of the goods, have created a solid basis upon which agreements concerning service management and operations can be construed.

We must bear in mind, however, that this is not a universal recipe that can be applied without any exception and in all cases. The ILO considers that starting from the basic elements mentioned, the community contracting proposal must be adjusted to the institutional and legal context of each country and that this proposal would be greatly enhanced if it were also adjusted to the social and cultural reality of the site where the public works or services are implemented.
What is the purpose of a Community Contracting?

Community Contracting aims at improving the standard of living of people by solving practical problems of their daily lives, such as providing them with basic individual and family services as well as social and economic infrastructures. Due to their nature, CCs can be applied in urban and rural environments.

The most important aspect of a CC is the empowerment of user communities once they have been legally recognized as counterparts before the Responsible Authority and have the power to participate in the planning, negotiation, contracting, and implementation processes of public works. The purpose is to hold the communities accountable for the sustainable maintenance of the public works they receive as their property and for the management of their related services.

When this involves goods of a public use such as roads fit for motorized vehicles, the Responsible Authority must assume the maintenance cost as specified by the law prevailing in each country. The most successful model at a global level is the maintenance of roads by business-like member-based organizations promoted by the communities that benefit from it. These organizations are contracted by the Responsible Authority to execute the routine preventive maintenance of the roads. This strategy has proven to be an excellent instrument to avoid payments of future expenses, because of the lower demand for corrective maintenance or repairs required for roads not included in this strategy.

As concerns the community use of goods that the State must provide to rural communities, that is, these are the goods or services which actually become the property of the community or at least are independently managed by it. This involves designing an appropriate management system that is usually linked to the concept of community self-management.

The goods that the State provides to the communities, in property or independently managed, involves the design of management systems based on the principles of community self-management.

The management model adopted must be appropriate as concerns the community’s cultural characteristics and its social customs and habits and, more so, if indigenous communities are involved. In countries that have ratified ILO Convention N° 169, indigenous communities must be consulted regarding the

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3 Such as dams, irrigation Canals, channeling water-ways; embankments and steps terraces; foot paths and trails for non-motorised vehicles; or economic infrastructure such as silos, mills, and storage areas, etc.


Guide N° 3: Community Contracting to execute public works and provide services.
management models as specified in it or in the Laws related to Prior Consultation if the country has adopted them.

Is service self-management feasible?

Despite the fact that for dispersed rural or indigenous communities service self-management is practically a universal wish, it is not always guaranteed, since in order to be successful many factors related to the roots of the beneficiary populations’ cultural customs and habits must be taken into account as well as their economic possibilities. The economic possibilities are linked to the rural producers’ degree of capitalization, including the ownership of the land and the integration of its produce to the local markets and to the regional and supra-regional value chains.

Self-management must be deeply linked to the community’s management potential. The operational costs of the services and the community’s capacity to be organized and capable of making the system function well and be sustainably maintained are determinant factors that come into play.

Whenever feasible an authentic self-management must be based on regular community work such as the maintenance of irrigation canals and waterways used for agriculture or livestock, as well as additional basic agriculture infrastructure, and community goods used in production, such as silos, mills or foot paths and trails.

As concerns the Water and Sanitation Systems based on technologies that use energy and chemical additives to make water potable, etc. the payment of the service costs will depend on whether the community is familiar with the fact that service provision involves a cost that consumers must pay for. Moreover, the organization created to manage the service must have the capacity to not only provide the service that meets national or international standards to be established, but must also manage the fees collection for the service and apply sanctions whenever there is default in payment.

As regards services that cannot be handled through community self-management, the responsible authority can organize if they should be managed either by direct management or through a contract with the municipalities and decentralized municipal companies. These companies will take charge of the service management and maintenance as a business however they should strive to include community management in a consistent and functional manner in order to guarantee that the service will not be interrupted.
Mixed management formulae have been generated with good results, such as in the case of the Gobernación of the Department of Boquerón with the Ayorea Indigenous Communities of the El Chaco Region in Paraguay. Guide 2 contains a description of this series as an example.

Is employment generated through community contracting remunerated?

The essence of a Community Contracting proposal is the notion that the labour involved in the execution of the public works must benefit the community. From the perspective of the fight against poverty a Community Contracting enables the communities to have a **two-fold benefit that on the one hand represents the execution of public works to satisfy their Unmet Basic Needs (UBN) and, on the other, the payment of daily wages to satisfy the immediate needs of consumption and allow for certain levels of savings.**

Paid employment is a central issue in the proposal as contributing to the fight against poverty, since apart from the benefit that the works provide itself, the injection of monetary resources allows to improve consumption and savings levels of the target populations.

If these savings are linked to an adequate training and to incentives for loans, they can be used as a productive investment and thus contribute to reducing the levels of poverty and abject destitution of the locality and country.

How does Community Contracting work?

The mechanism used to formalize a community contracting process is the **signing of the Community Contract** that specifies the rights and duties of the contracting parties. The contracting parties are, on the one hand, the Responsible Entity for the execution of the public work or for the provision of services and, on the other hand, the entity that represents the beneficiary community. Both parties must comply with certain requirements or undergo a conditioning process prior to signing the contract.

The **contracting entity** must adjust its contracting policies, standards and procedures, such as: devise a participatory planning model according to the social and cultural reality of the intervention area; prepare and draft standard and specific contracts; promote and train the community in order to ensure its adequate participation in planning processes and therefore enable it to sign the...
contract fully aware and informed of its content; furthermore, the contracting entity must adjust its organization in order to adequately execute this new contracting model, with a special focus on supervising the contracted community.

The contracting entity should adjust its policies, organization, standards and procedures:

(i) Generate a participatory planning model
(ii) Prepare standard and specific community contracts
(iii) Organize itself to promote and train the community
(iv) Organize itself to implement the new contracting model paying special attention to the accountability of the contracted community

At the same time the **Contracted Community** must be legally incorporated with the power to be contracted by the State. The Responsible Authority must ensure that the Community Board of Directors has been democratically elected and that it truly represents the interests of the Community. This Board and the Community members must be trained to adequately manage the Community Contract with the foresight of being sustainable.

The contracted community needs to:

(i) Be legally incorporated and have the power to contract with the State
(ii) Have a Community Board of Directors that is democratically elected and represents the interests of the Community
(iii) Adequately train the community to appropriately manage the Community Contract
How is the relationship between contracting parties?

Community Contracting is based on a “public private” partnership between the parties of the contract, and in this case, the private party is a social entity, such as a community, so there is a “private-social” stakeholder, or a social stakeholder that has a different relationship as compared to that between a private entity typically recognized as such, because it is a company.

The community contract does not aim at establishing a conventional loaner-receiver relationship but rather a contract between parties (or counterparts) to accomplish the goal of achieving a realistic objective under the consistent perspective of making the service sustainable.

In this measure community contracting is an element that strengthens local governance by giving the community the right to have a say and a way of participating in initiatives that have an impact on its own development and well-being.
What is the purpose of publishing this document?

This document describes the generic proposal of the ILO for community contracting of public works and services and provides examples of how these were adapted to the reality of the Water and Sanitation sector in Paraguay which linked the intervention modality to the integrated rural access planning process. In this case, Integrated Rural Access Planning (IRAP) must be understood as a process that integrates community contracting so that decisions adopted in the planning stage become the input of the clauses to be specified in the community contract.

The purpose of integrating both methodologies is to ensure a continuity of actions by the responsible organization and therefore the empowerment of the communities will go beyond the decision-making process and include the execution of the public works and operation of the systems.

Therefore, this document has been integrated as Guide N° 3 of this series: “Guides for integrated rural access planning and community contracting in water and sanitation”. However, in addition to this purpose this Guide must also guide community contracting processes in other sectors and, if need be, the execution of public work or service maintenance and operation.

Through this series of Guides, the ILO hopes to assist in finding ways of solving access and social inclusion problems in all sectors, particularly in two highly vulnerable social sectors such as dispersed rural communities and indigenous communities and also the extremely urgent subject of the sustainable management of rural water and sanitation.
THE COMMUNITY CONTRACTING PROCESS

Participation, a key element of community contracting.

Community contracting should be understood as a process by which community members or institutions are given power to mobilize their capabilities and become stakeholders and not passive bystanders of their own development; to manage their resources, make decisions and control activities that affect their lives.

The objective of the participation is to involve the community not only as concerns the installation of the service but its operation in particular. The goal is to guarantee the sustainability of community–operated systems.

Participation involves **taking joint decisions that are fundamental in order to guarantee the sustainability of the systems created**; executing the public works and other necessary actions, as well as following-up and evaluating the actions undertaken.

Participation in decision-making during the planning process

The most important decisions to implement a public service in a specific area of intervention are taken during the participatory planning process as described in Guide N° 2 of this series.

The list of decisions adopted during the planning process is presented below:

- Definition of the municipalities or intervention areas
- Definition of the order of priority to serve the communities that belong to one same municipality or area plan
- Decision concerning the technology to be applied
• Decision regarding the type of community participation in the public works execution process

This last bullet refers to the peak moment of the planning process and is also the starting point of the community contracting process.

Definition of the municipalities or intervention areas

As has been pointed out in Guide 2 of this series, the Responsible Authority is in charge of choosing the municipalities or areas of intervention. In general, this choice depends upon a critical lack of public works or services in a community and the decisions are based on strategies to fight against poverty.

There may be other policies to choose target areas of intervention or populations, such as displaced people or refugees due to catastrophes’ or internal or external war, or other problems of an anthropic origin such as an economic crisis or the stoppage of production sectors, etc.

Definition of the order of priority to attend communities that belong to one same municipality or area plan

Once the municipalities or intervention areas have been determined, a choice is made concerning which communities will execute the public works or implement services. Consequently, a prioritization process will be carried out to clearly establish the top priority communities who urgently need to have the services installed.

As has been explained in Guide 2 of this series, the order of priority contained in the Prioritization Matrix is based on indicators. This matrix must be designed by the Planning Team and approved by the competent authority and the community.

A prioritization process must establish the top priority communities that urgently need to have the services and work installed

Depending upon the available resources and allocation policies of the Programme, Plan or Project, a decision will be made regarding the number of communities to be attended in the current year and the implementation of less urgent public works or services for communities in the following years.
In this manner, the Integrated Rural Access Planning Process (IRAP) will ensure a gradual and orderly response to the demands, respecting the order of intervention decided during the planning process.

Communities will be attended according to the available budgetary resources for the current year. Communities with less urgency will be attended in the following years, according to the available budgetary resources.

**Decision of the technology to be applied in order to implement a public works or system**

This action will be headed by the Planning Team and the Community Board of Directors; however, we must not forget that all decisions must be adopted by the entire community. Moreover, it would be convenient to also count on the participation of local or regional authorities since they can pledge their commitment based on the fact of the internal weakness of community institutions as will be explained further.

The decision-making process must enable an appropriate combination of the interests and expectations of the community members with the technological limitations and financial restraints of the Responsible Authority. The community must decide among several technological options proposed by the Authority, particularly if the solutions will be of an individual or collective nature. This is a crucial point to establish the way in which the Project will be implemented in the field as well as the management model and especially the operational and maintenance costs.

The planning process should allow the Community to decide on the technology to be used, considering that it has a high incidence on the operational and maintenance costs.

The Responsible Authority must have technological and cost information as needed in order to facilitate the decision-making process. To this regard, a catalogue of the available technologies linked to the service in the country or region and the corresponding cost analysis of the installation and operation at standard values for decision-making purposes should be prepared.
Definition of the operational and maintenance costs of the service, the payment of rates and the restrictions and sanctions regime

Prior to deciding which technology will be used, an analysis of the operational and maintenance costs must be made at standard values.

These costs will be distributed among the service users, in addition to a margin to replace assets, that is, the users must pay the rates for the service.

The difference between their condition as beneficiaries and the implementation of the service and the service users must be distinguished. As concerns this point there is a need to highlight that default of payment results in the restriction of the use of the service or a sanction to be agreed and enforced.

Since these decisions must be taken prior to signing the Community Contract, the Programme or Project must include this subject in the promotion and participatory planning in order to ensure that the objectives mentioned will be accomplished.

The participatory process must also include decisions concerning the mechanisms to elect new leaders in charge of managing the service, as well as the intervention levels of the municipal or departmental authorities regarding their role as supervisors and support providers, and even the maintenance of the systems. In brief, the basic criteria for the collective and sustainable management of the service must be defined.

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5. In most cases in Latin America the Water and Sanitation Boards of organized communities are in charge of the management.

Guide N° 3: Community Contracting to execute public works and provide services.
Community participation in the implementation of public works

The Planning Team and the corresponding community make this decision in meetings where the local or regional authorities are present, since their intervention will be frequently needed in order to satisfy the unmet basic needs (UBN) of the communities.

The Community Contracting proposal has two community participation models to implement the public works:

(i) A contracting community;

(ii) A contracted community.

As regards the former (i), the community is contracted as a contractor to implement the public works and contract an engineer as the technical director of the public works; while as concerns the latter (ii), the Competent Authority contracts an engineer and he/she in turn contracts the Community, as a collective entity, to implement the public works. The difference between both modalities is who is the legal entity or person vis-à-vis the Responsible Authority.

As can easily be deducted, Community Contracting depends upon how well the community is organized, and not all of them are. Bearing this in mind, as concerns the communities that have a low level of development, the following modalities have been included:

(iii) Contracting Company – a wage-earning Community.


In the first case (iii) the contracting company is a private enterprise that has the legal responsibility or the community contracts members and pays for their wages to do low-skilled jobs and even more highly skilled work depending upon if the community has skilled workers or not. The second case (iv) refers to when a company is not familiar with dealing with communities and has the responsibility of contracting them before the Responsible Authority. In this case, the private company can sub-contract an entity to provide support as concerns managing the community, such as an NGO or a similar organization.
These four choices are described as follows:

**The Community Contract Modality**

As regards this first modality the Responsible Authority legally contracts the community as the contractor to execute the public works. In order to guarantee the quality of these works, the community contract specifies that the community must contract an engineer as supervisor who will be in charge of implementing the public works.

The community will provide un-skilled, semi-skilled and skilled labour, if available. If the community does not have skilled or semi-skilled labour to offer then the supervising engineer will provide the labour that the community will contract although, if so specified by contract, the engineer may provide the labour.

**Chart 2: Community participation in the implementation of public works:**

Contracting Community Modality

Under this modality the community accepts full responsibility to manage the contract and designates the community members who will implement the public works as well as administrates the funds to pay the payroll and purchase material. As can be seen, this management modality requires a relatively high level of community development and organization. In many cases communities may not have organizations to implement public works and therefore local NGOs who know how to manage contracts may participate.

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This is the case of the Executing Nuclei used in Peru by FONCODES - the Compensation and Development Fund - to execute the public works and implement services in rural areas. Guide N° 3: Community Contracting to execute public works and provide services.
The greatest virtue of this modality is that it guarantees that the community will acquire experience in management; it validates the authority of the representatives elected and strengthens democratic governance within and outside of the community and lays solid foundations for the sustainable operation of the service.

The biggest risk is the possibility that the funds may be mismanaged. In order to counterbalance this, the control modality most often adopted in Latin American countries is this management modality because the funds are co-managed through a joint bank account in the name of the community leaders and the supervising engineer of the contracting entity. The engineer is also in charge of guaranteeing compliance of the requirements as concerns the delivery deadline, quality and costs of the public works. Should any distortion be detected, the supervisor recommends the appropriate corrective actions to be taken and executed under his/her responsibility.

Money management is controlled by the opening of a joint bank account between the community leaders and the supervising engineer of the contracting entity.

Engineer/ to Contractor – Contracted Community Modality

Under this second modality, the Responsible Authority contracts a contracting engineer to be in charge of implementing the public works and who is obliged to contract the Community.

The engineer pays the community as a group and the community members who have effectively done their job in the public works depending upon the time effectively worked. The idea in this case is to enable the community to acquire experience as concerns how to manage a bank account and conduct business activities such as, preparing an invoice, managing accounting books, keeping records of each transaction, etc.

The engineer is responsible for the organization and direction of the public works. The community provides the un-skilled, semi-skilled and skilled labour if available. If the community does not have semi-skilled or skilled workers, the engineer must provide them.
The **supervising engineer** has the same role as in the former case:

He/she supervises the adequate operation of the system, the action of the community leaders as concerns paying wages and jointly signs the payroll with these leaders through a joint bank account. The community leaders must be adequately trained to fulfil their duties.

As in the former case, the agreements reached are specified in the Community Contract.

**Chart 3: Community participation in the execution of the public works: Contracted Community Modality**

As compared to the former model, this one is for communities that have a lower level of organization and development. The main purpose of this model is to train and gradually hand over responsibilities to the community as a whole and to the community leaders in particular with the aim of laying the foundations for a sustainable management of the services implemented.

**The biggest risk** in this case is that the engineer adopts a traditional behaviour and neglects fostering a spirit of responsibility and learning which this model’s outstanding management objectives are.
The Community Contract modality is aimed at communities with lower development level and organization. Its purpose is that this phase of the contract helps to train and gradually give responsibilities to the community in the system management, with the aim to achieving its sustainability

Contracting Company – wage-earning Community Modality

As in the former case, the Contracting Company is in charge of the direction and execution. The contract with the company specifies that community members must be hired as un-skilled, semi-skilled and skilled labour if feasible.

The main difference as compared to the former models is that in this case the community is not contracted as a legal entity but rather its members are hired and only as wage-earners. In a strict sense, this is not a Community Contracting, since the community as a whole does not assume any legal responsibility nor does it manage the funds.

Chart 4: Community participation in the execution of the public works: Contracting Company – wage-earning Community Modality

Under this operational modality the basic virtues of community contracting and the practical learning to manage funds are not taken into account and this may be an obstacle for the sustainable management of the services to be implemented.

Under this perspective, this operational modality can only be justified in cases in which the level of the community’s organization and development are evidently insufficient to manage the execution of the public works or administrate the funds. The question is, if this is the reality of the community how can it take charge of the service operation and maintenance in the near future? The answer seems to be evident: If the community has a very low level of development and organization the greater the reason to promote a community contracting that matches the reality of the community in order to
generate conditions for the sustainability of the service’s operation and maintenance.

In view of these circumstances, it is acceptable to reason that the contracting company can sub-contract an NGO or a small local contracting company to organize and direct the work of the community and mention, within the scope of its obligations, the consolidation of the independent community management model. This model is described in the next paragraph.

Contracting Company – Sub-contracting Company or NGO – Employed or Contracted Community Modality

Under this modality, the entity in charge contracts the contracting company to execute several public works. This company in turn sub-contracts a small local company or an NGO to take charge of contracting the community under the Contracted Community Modality or as wage-earners. In both cases the objective is to transfer skills so that the community can be prepared to independently manage itself and will ultimately be in charge of the service operation and maintenance. In both cases the community provides the un-skilled, semi-skilled or skilled labour if feasible.

Chart 5: Community Participation in the execution of the public works: Modality Contracting Company, Sub-Contracting Company, Subcontracted or Wage-earning Community

The contracting company accepts the responsibility of contract compliance, that is, the overall direction of the public works and the supervision of the execution.
The participation of sub-contractors is justified because they will only assume a part of the master contract with the contracting entity. In this case, the master contract may be divided into smaller parts (a larger public works split into several smaller contracts), or in the case of the splitting of public works of a contracted group, the project execution is divided into several smaller, independent public works.

This operational modality helps to resolve the problem of the community’s level of organization that a large contractor has to deal with for the orderly supply of the labour required. A good example is the case of highway pavements in which a contracting company sub-divides the labour required for the entire job into 1 km. spans that are handed over to the sub-contractors. These sub-contractors, skilled foremen builders, organize and sub-contract the community as a legal entity or as a provider of wage-earning labour to execute the construction, as stated in the aforementioned guidelines.

In the Water and Sanitation sector, this intervention modality can be applied when the Responsible Authority gives a contractor a package of public works that have different systems and are located in many places of a department or province. If such is the case, a contractor can award a specific portion of the master contract to different sub-contractors. Each sub-contractor would be in charge of contracting the community pursuant to the previously mentioned terms.

Subcontracting is justified as a mechanism for the fragmentation of major works or for the decumulation of diverse works that have been awarded to a single major contractor.

As concerns the case of Paraguay, the Water Utility Entities that operate in rural sectors\(^7\), gradually gather several public works and award each package to a large enterprise or to several medium-sized companies, either because this facilitates a smoother operation or because in this way they can avoid having to deal with several contracts. In this case, the public works must be split and the contracting company must sub-contract small, local contractors (including NGOs) to individually manage the execution of each public works or system, guaranteeing that the community will be contracted.

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\(^7\) This refers to the National Environmental Sanitation Service (SENASA) that as specified by the law attends populations of less than 10,000 inhabitants.

Guide N° 3: Community Contracting to execute public works and provide services.
In this context, aside from the objective of managing and executing the public works, we must add training and transferring the skills and capabilities to the community thereby enabling it to independently manage the system or service.

Payment of remunerations and responsibility as concerns service management

As can be seen, in any of the options studied, one of the main elements is contracting the community with the purpose of providing its members with a paid job.

This is devised as a mechanism that allows community members to become more involved in service management aiming at the systems’ long term sustainability.

As concerns the payment of daily wages, the ILO considers that the work may NOT be remunerated when the public work directly benefits the worker or his family, for instance, household connections or the infrastructure which is exclusively for family use such as wells that extract groundwater or latrines and septic wells.

However, the ILO considers that as regards the public aspect of public works\(^8\), for instance as concerns water, the mains and secondary piping, or as regards sanitary sewage systems that have mains and secondary piping collection networks, daily wage payments should be mandatory.

The chart presented below provides a visual expression of the concepts proposed:

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\(^8\) In this context a public work is the infrastructure that may serve other users who have not specifically participated in the planning and execution process of the public works.

Guide N° 3: Community Contracting to execute public works and provide services.
Specific State policies must be approved regarding the decision of establishing different types of contracts since they may often clash against local customs and habits.

This statement suggests that the Responsible Authority must carry out studies on the social and cultural characteristics of the populations to be intervened, particularly if these are indigenous populations (See Annex 1).

Finally, this strategy should be understood as a building block of the national strategies to Fight Against Poverty, since aside from overcoming the specific UBN hat the service covers, it contributes to alleviate poverty derived from a lack of
income because it **generates direct income for the wage-earning community members and indirect or induced income for the community as a whole**\(^9\).

**Community contracting should be seen as a constituent element of the national strategies to Fight Against Poverty, since aside from overcoming the specific UBN hat the service covers, it contributes to alleviate poverty derived from a lack of income through payment for daily wages and the impact they generate in the community.**

Next steps to sign and execute a community contract\(^10\)

Certain steps must be taken with the participation of the community before signing and executing a community contract. These steps are as follows:

1. **Identify how the community that will be party to the contract is organized.** A verification should be carried out to see if the community has legally incorporated representational organizations or not, or if these need to be promoted; if it is eligible to receive funds or not and, if it can comply with the demand for accountability. The organizations must be legally incorporated and be recognized with their own legal status.

2. **Discuss the types of jobs needed to be done, their technical specifications, the technology to be applied.** As concerns this discussion, the scope of the public works or services as set forth in the community contract must be thoroughly explained; a decision must be made concerning the possibility of dividing the master project into smaller parts, if the community is in charge of all the public works needed or if a company participates in the implementation of some of the public works. Furthermore, an explanation must be given concerning the financial resources needed to finance the contract and the eventual community contributions.

3. **Define the contracting modality or scheme based on the criteria proposed.** This involves describing the roles of each stakeholder; if the mechanism will

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\(^9\) The evaluation of a community micro-businesses programme to maintain roads in Peru carried out by the Institute for the Promotion of Sustainable Development (IPES) revealed that 70% of the wages paid to micro-business community members were spent in the community itself through purchases from neighbours or nearby towns and villages.

be de-centralised or not; who will be in charge of managing the funds; what kind of institutional agreements must be in place to start implementing the public works, amongst other issues that need to be defined in each case whenever this contracting model is applied.

4. **Discuss the specific clauses of the contract**, particularly the work plan and calendar; sanctions due to a delivery delay; any advance payments or bonuses; the oversight of the contract and its procedure; the labour payment mechanisms, and in general, the commitments of each party involved.

5. **Legal formalities to obtain a legal contract** must start once the contracting mechanisms and the contract modalities have been decided and they fully comply with the laws in each country.

**Community Contract Clauses**

The final clauses of the **community contract** will depend upon each country’s contractual scheme and the roles of each party to the contract as specified in domestic law. In effect, a contract by which a community only assumes the contribution and organization of the labour is different from a contract in which the community plays a much more leading role as concerns fund management.

With regard to an **operation and maintenance contract** this also depends upon the role of the community\(^{11}\) as well as the applicable regime in keeping with the domestic laws of each country.

However, there are certain basic clauses that must be included, as follows:

**Concerning Public Works Contracts.**

- **The intervening parties to the contract** indicate their legal place of residence.
- **Representatives who act on behalf of the parties** indicate their legal domicile and must have identity documents.
- **Object of the contract**, which defines what the community will do as concerns implementing the public works
- **Commitments and obligations that each party will fulfil:**

\(^{11}\) In Paraguay, the Sanitation Boards in charge of administrating and managing W&S services are linked to the authority under the conditions of “permisionarias” and comply with Law 1614 and its regulations.

Guide N° 3: Community Contracting to execute public works and provide services.
Community contributions: in local material, or un-skilled or semi-skilled labour that it provides in order to implement the public works\textsuperscript{12}.

Contributions of the community contracting entity as regards the technical direction of the public works, skilled labour, payment of remunerations or allowances of community workers who have been hired, material, etc.

Technical clauses of the contract. Conditions, technical specifications, scope of the public works, terms and deadlines to complete and deliver, requirements to receive the public works

Financial clauses of the contract. Calendar and requirements to execute payments. Eventual advanced payments or bonuses.

Contract Supervision

Contract sanctions. Fines. Other measures that the contractor may apply.

Grounds for the termination of the contract

Dispute settlement mechanisms and applicable legislation

Concerning operation and maintenance contracts

The initial clauses to identify the parties and representatives follow the same sequence and are defined as follows:

Contract objectives which refer to service provision, that is, service operation and maintenance

Commitments and obligations of each party.

Technical clauses of the contract. Scope of the services. Operation conditions and technical specifications.

Financial clauses of the contract. Calendar and requirements for any payments. Any advanced payments or bonuses. General conditions of the contract.

Regime of the rates. How is the service supply valued and how much will the users be charged.

Contract supervision. The contract will indicate who will oversee the contract compliance will be specified and how this function will be performed.

Contract sanctions. Fines and other means that the contracting entity can impose.

\textsuperscript{12} These non-remunerated contributions must be appraised in monetary terms in the contract with the purpose of quantifying the real support of the communities as compared to the contribution of the responsible authority. The contribution of traditional knowledge to identify water sources should be valued.

Guide N° 3: Community Contracting to execute public works and provide services.
Early termination of the contract.

Grounds for the termination of the contract.

Dispute settlement mechanisms and applicable legislation

Contract operation

The public works contract of Paraguay mentions the fact that payments will be disbursed after having received the Progress Reports which must be certified by the supervising engineer.

An advanced payment of 30% will be delivered at the beginning of the public works, the balance will be paid in two instalments once the duly certified Progress Reports have been received. These payments should be done through a bank account as a mechanism to prompt the communities to use bank services.

As concerns controlling the execution of the public works, aside from the control of the director of public works and the prosecutor, a community control should also be implemented by appointing a social accountability committee. This control does not have a technical nature and therefore its purpose is neither to certify the quality of the public works nor the level of progress in its implementation. Its main purpose is to monitor the progress of the project and facilitate communication and information with the community.

In order to achieve this effect, the community must appoint an accountability committee and the contract with the contractor must specify the obligation of delivering progress reports to this accountability committee so that it can in turn submit its observations and recommendations.

An inter-institutional accountability committee could be established with the participation of community representatives and delegates of municipal, provincial or departmental authorities.

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THE COMMUNITY CONTRACTING PROCESS

STEP 1:  The choice of the public work

As concerns this series of Guides that includes the IRAP methodology and Community Contracting, the choice of the public works is the outcome of a planning process, that is fully described in Guide N° 2 of this series, and therefore the process is not mentioned herein.

ANNEX 3: Projects executed by programmes that promote are presented as examples in two tables with the types of public works developed in rural and urban areas and by programmes that take into account the use of intensive labour (UIL) as well as Community Contracting (CC) as part of their operational tactics which must be included in the broader strategies to fight against poverty.

STEP 2:  Incorporation of the Community Management Committee and opening of a bank account

Despite the fact that it is recommendable to strengthen community organizations and current representational structures, it is more important to ensure that the community members who will act on their behalf be democratically elected and have the support of most of the community.

In certain cases, new structures will have to be created and therefore it is very important to make certain that they include transparent and participatory elections processes. We must remember that the Community Management Committee will represent the community throughout the public works implementation process and will also be in charge of signing the Community Contract on behalf of the community.

Community contracting’s potential is only realized if it contributes to the sustainable strengthening of representative organizations of the community, solid and motivated

Once the Committee and its members have been elected, the Committee should be legally incorporated thereby securing its own legal status. This is an obligatory requirement in order to sign the contract and to be eligible to have access to public funds. However, it also gives the Committee a more prominent position in the negotiations. The legal recognition of the Committee opens the
door to having a bank account and the right to officially operate with public funds.

Once the Committee has been legally incorporated it must **open a bank account in order to be eligible to receive project-related funds.** Three signatures are usually required, i.e., the President and the Treasurer of the Committee and a representative of the local authority must sign, in this case, the Supervising Engineer. Committee members will be trained in how to manage a bank account and their finances. (See **Step 3 Initial Training** next).

Results:

- A Community Management Community has been created
- A bank account has been opened
- The Committee has been trained in how to manage and use a bank account
- Administrative arrangements and reporting information have been agreed.

**STEP 3: Initial training**

The members of the Management Committee in charge of managing the funds and recording accounts are the main targets of the initial training.

The initial training must include the Plan of Contents and training of Committee members which covers two stages:

The purpose of the **ANNEX 4: Basic Training of the Management Committee** is to integrate the recently elected group under the assumption that not all its members know how to work as part of a team and need to be trained to acquire this skill. Another purpose of this first stage is to define the functions of the Committee as a whole and of each of its members. Finally, the members must pledge to act amongst each other, to strengthen their skills as concerns the sustainability of their management. We wish to highlight that this process is based on developing integration dynamics that will be delivered by a well-trained Monitor who must interact with the members of the Management Committee.

The **First part: Group Integration, Functions of the Committee, Commitment to Act** aims at making sure that the members of the Management Committee acquire knowledge and develop skills as needed in order to adequately manage the financial resources under their charge. For this purpose, the committee members will be given the criteria to manage a bank account for large purchases from providers and to manage cash for small purchases or to pay the workers payroll. They will also receive a description concerning how to manage purchase...
processes and keep records of the bank, cash and purchase operations, to link their work with the work of the project’s accountant and the supervisory and control bodies. Finally, it will be explained to the community which are the criteria to make the accounts transparent.

Results:

The Community Management Committee has developed its skills to correctly manage the Public Works Budget and to carry out purchase and payment processes as well as to keep records of the accounts in order to control the process and make it transparent.

STEP 4: Contract award and transfer of funds

In order to award a contract to a community, the contract terms must allow the award to be given to one bidder. This is why the Responsible Authority must evaluate which is the most appropriate contracting modality. In order to have a targeted contracting, certain requirements and limitations may have to be taken into account such as the amount of the contract. A simple contract is used, bearing in mind the Project design agreed to and the Budget which is signed by the President of the Management Committee and by the local authorities and the community. The details of the contract, including the work to be done and the cost, are presented in a public place inside the community, such as the community meeting hall, the school, etc.

The funds are then transferred to the bank account opened in the name of the Management Committee, generally in instalments that depend upon the delivery of Progress Reports. To establish instalments, it is important to take into account that the community must have the necessary funds to purchase material and tools from the beginning of the Project. This means that advance payments must be disbursed and that the workers should be given uniforms and safety equipment.

Results:

The contract in the name of the Community or the Community Management Committee has been awarded

The funds in the name of the Community Management Committee have been transferred

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13 Most public works laws accept smaller contracts without a mandatory public tender. Thus a Community can be directly contracted as a legal entity. Guide N° 3: Community Contracting to execute public works and provide services.
The community has been empowered to be accountable for the funds transferred to the bank account
The transparency and responsibility have improved

STEP 5: Project implementation

The Management Committee starts the project’s implementation process, first of all, by contracting an Engineer responsible for the execution of the public works. Then the community members to participate in the public works will be chosen and the previously agreed procedures will be activated. However, they must be able to implement a process to include workers in a transparent and reliable manner.

The projects and programmes to be implemented through Community Contracting must bear in mind the need to promote a minimum gender quota guaranteeing that at least 30% of the workers are women.

Relevant authorities must be contacted to discuss the possibility of including breast-feeding and child care facilities in these programmes and projects. Special attention must be paid to include disabled persons, both as a member of the Committee as well as part of the service delivering team.

The tools and material needed will be bought by the Committee according to the purchasing procedures that have been agreed. Moreover, certain activities may require the services of certain specialists (engineers in other fields, companies that provide special services, consultants, etc.); and other special equipment. The Committee can also contract technical assistance to support the administrative, accounting and legal management of the project.

At any time of the process the Committee can sub-contract a part of the master contract as required with local companies or experts as well as with an NGO or other specialized suppliers.

Results:

The engineer in charge of the technical direction of the public works has been contracted
The community members who will partake in the implementation of the public works have been selected and included
Equal employment opportunities for men and women have been created
A policy to facilitate child care for children of working mothers has been defined
The necessary professionals in other fields have been defined and contracted, including the administrator or accountant.

Skills have been obtained to recruit and determine salaries.

Companies and local service providers have been contracted.

**STEP 6: Supervision, reports, inspection and payments**

The engineer contracted by the community is the Resident Engineer of the Public Works. He/she must be specialised in the same field as required for the public works.

As concerns the case of W&S he/she may be a civil or a sanitation engineer in charge of planning and directing the implementation of the public works according to the building plans or technical specifications indicated in the Project. He/she will also be in charge of organizing and controlling the staff, keeping the minutes, conducting the measurements and valuations, controlling the quality of the public works and performing administrative acts on behalf of the Contracting Community. This engineer is also in charge of watching over the best use of the equipment, tools and human resources in compliance with the Industrial Hygiene and Safety Standards as specified by the Contracting Entity.

A Resident Engineer to lead any public works is mandatory from a legal and professional standpoint (aside from the fact that this is reasonable and common sense), as stated in Professional Practice Standards both in Engineering and in Architecture, as well as in the General Conditions of National and Regional Contracting, the Civil Code and the Law of Urban Planning and Use for Public and Private Works.

The Contracting Entity is in charge of the oversight (inspection) of the public works and delegates this task to a Professional or an adequately qualified Engineer. He/she performs the functions of a technical assistant for the contracting entity and provides additional support for the Resident Engineer to comply with the criteria and original notion of the public works. This engineer is also in charge of channelling the needs that arise from any project modification or new specifications, providing advisory services as regards the information requirements. This Engineer is also the liaison with the contracting entity and occasionally with financial entities. He/she supervises the labour costs and programs to see if they are adjusted as much as possible to the original budget.

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Guide N° 3: Community Contracting to execute public works and provide services.
and have the necessary certifications so that the resources used are indeed present in the project stages.

There is an entity among Public organizations in charge of supervising that the resources invested comply with the budgetary provisions and the technical and administrative framework. This function will be carried out by a **Comptroller Entity** which is usually at a higher administrative level than the Inspector or Contractor. This entity also makes sure that the valuations processed were effectively executed and correspond to the public work under contract. This control may be done after or during the implementation of the public works depending upon how this entity operates in each country.

Depending upon its attributes, the Contracting Entity may send inspectors to the public works; they will be in charge of verifying the number of valuations already processed. The Resident Engineer must strive to maintain the best of relations with these Supervisors, placing at their disposal information as required by their functions, and thus avoid delaying payment or affecting the public works due to unmet requirements when being supervised or controlled.

**If local authorities** continue to be involved in this stage of the process or if the Responsible Authority persists in directly managing the construction process, they will do the overall monitoring of the project. Monitoring and evaluation meetings are organized with the Community and these foster the active participation of the social accountability committee. The purpose of these meetings is to identify restrictions and bottle neck situations caused by the Contracting Entity or by third parties.

**Results:**

- The planning, execution and control of the public works has been duly carried out by the Resident Engineer contracted by the community.
- The public works have been executed according to the building plans or technical specifications.
- The equipment and tools have been correctly used and the human resources have operated in keeping with the industrial safety and hygiene standards.
- The public works criteria and standards have been complied with through the assistance of the Inspector of the contracting entity that supports the resident engineer.
- The labour costs and programs are on target with the original budget as closely as possible.
The adequate flow of resources guarantees a good governance of the construction process thanks to the adequate use of the administrative procedures.

The work accomplished matches the valuations processed.

The resident engineer and the supervising engineer keep their relations in good terms.

Monitoring meetings with the Local Authorities involved have been adequately organized and carried out.

**STEP 7: Completion and delivery of public works and project closure**

The Deed of Construction Completion Certificate and the Minutes of the Reception and Delivery must be reviewed and authorised by the Supervising Engineer of the Contracting entity **before declaring that the project has been fully implemented** and before this Engineer has declared that the investment has been done to the full satisfaction of the Contracting Entity. Before issuing an authorisation the Supervising Engineer verifies that all the details of the construction and administration of the public works have been completed.

The **Supervising Engineer will only issue the Deed of Construction Completion Certificate** if the Contracting Entity has complied with all or part of the following:

A. Certify that the Contracting Community has fulfilled the clauses of the contract.

Verify that the Public Works logbook recorded by the Resident Engineer is closed and that there are no activities pending.

Have updated data regarding appraisals and supplies to verify that there are no deduction-related debits.

Have a well-known laboratory run specific resistance tests.

Have updated insurance policies to guarantee the services, equipment and special facilities.

Have readily available the Instructions or corresponding Operation and Maintenance Manuals.

Once the Deed of Construction Completion Certificate has been signed, the Competent Authority can transfer the public works to the Community. For this purpose, a **Closure Meeting** is held to officially hand over the works delivery and point out the lessons learned by the Community. In this manner recommendations can be made and evaluated which will enable the responsible authority to improve the process. This meeting highlights the fact that although
the construction process is considered to the completed and the Project is being
delivered to the Community, it has not ended yet, since immediately afterwards,
work to implement and operate the service must be undertaken.

We must remember that in the planning stage the management and funding
modalities of service-related activities have already been discussed, including the
possible role of the local authorities, as mentioned in Guide N° 2 of this series.

This is the moment when the level of empowerment reached by the community
during the implementation of the public works becomes apparent, bearing in
mind that the purpose has been to enable the Community to attain the required
levels of organization and administrative management to properly manage and
maintain the public works or services.

This space can also be used to discuss with the Community the need for new
public works or services that resolve other needs.

Results:

A community good or service has been created, rehabilitated or improved
By paying wages and purchasing local goods and services money has been
injected into the community
The community has been empowered and its internal bonds have been
strengthened
The Community Management Committee and local authorities, as well as
other community members involved in the project have built their skills
and strengthened their technical and organizational capabilities
Social trustworthiness of the Project and of the Competent Authority has
been achieved
The institutional role of the communities and local authorities has improved
The foundations have been laid for the installation of the Management
Committee in charge of the operation and maintenance of the public
works or services.

STEP 8: Installation of the Management Committee as a Service
Provider Entity

If during the Project Closure Meeting there have been favourable opinions
concerning the Community Management Committee, the election of its
members can be ratified. As a Service Provider Entity (SPE) this committee will
direct the service according to domestic laws. If the opinions concerning the
committee’s qualifications are unfavourable new representatives must be
elected. This second election may take place on a new date as agreed to during the Project Closure Meeting.

After the Management Committee has been installed as a Service Provider Entity the representative of the Responsible Authority delivers an explanation before the plenary of the Community concerning the **scope involved in the operation of the public works or service under its charge** as well as the maintenance duties they must immediately take charge of, and the relevant operational manuals are distributed.

In the case of a service the Responsible Authority must present an operational scheme for the Community in its role as a Provider Entity, its organizational structure and how the workers of the service will be paid, regardless if these different tasks are provided through an external service, (as mechanical technicians, plumbers, electricians, etc.).

At this meeting an explanation is given concerning the fact that the Community Assembly (all the community members) is the topmost participatory body and must therefore approve the most important decisions; the Management Committee will make the decisions and the service will have a manager or a technical administration supervised by the Committee.

**The case of the Sanitation Boards in Paraguay**

In Paraguay, SENASA, acting as the Competent Authority, promotes the formation of Sanitation Boards as a step prior to presenting an application for a water and sanitation supply service. The model of the Board is the same for all the communities who have requested it. Below is a brief step-by-step description of the Manual provided by the institution for this purpose:

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**FIRST STEP: INCORPORATION OF AN ORGANIZING COMMITTEE**

The community must meet to set up an organizing committee of the Sanitation Board. This committee must be comprised of people from one same community with plenty of time available as well as dedication. The members of this committee can be volunteers or elected by vote of the community. This organizing committee is created as a provisional Independent Elections Tribunal for all purposes of the Founding Assembly.

**SECOND STEP: OBTAINING SENASA INFORMATION**

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Guide N° 3: Community Contracting to execute public works and provide services.
The organizing committee of the Sanitation Board must approach the closest SENASA office to obtain more information about the Sanitation Boards.

THIRD STEP: INVITING THE COMMUNITY TO THE FIRST ASSEMBLY

The organizing committee previously invites the neighbours of the community to participate in the first ASSEMBLY, clearly indicating the exact day, hour and place. This must be a conveniently located place inside the community on a date and hour after work activities.

FOURTH STEP: REQUEST FOR THE PRESENCE OF A SENASA OFFICIAL

The organizing committee prepares a note addressed to the SENASA Director to report that the community would like to hold a General Assembly to set up the Board and request the presence of a SENASA official. This document must be submitted 20 days in advance. A similar letter must be addressed to the local Municipality requesting the appointment of a delegate from the local government to be present at the Assembly and become a member of the Sanitation Board.

FIFTH STEP: A FOUNDING ASSEMBLY OF THE SANITATION BOARD

The day of the First Assembly to set up the Sanitation Board, the Agenda must be ready and the following activities must be completed:

- **REGISTRATION OF PARTICIPANTS.** In the Book of Minutes all the participants will be registered, collecting the data of each person, names, surnames, marital status, age, profession, ID number, signature, address and nationality.
- **PRESENTATION OF THE SENASA OFFICIAL.** The ASSEMBLY must be directed by a representative of the community. This person must introduce the SENASA official.
- **At the beginning of the ASSEMBLY** the President and the Secretary of the Organizing Committee will be democratically elected. Once the President has been elected he/she will run the ASSEMBLY. The committee members must have certain characteristics: reside in the community, be literate, know how to interpret the articles of the law regarding drinking water and sanitation, must not have a criminal or judicial record and should be legally of age.
- **READING OF THE WATER LAWS.** The articles of Law 369 and of Decree 8.910/74 are read.
- **ELECTION OF THE EXECUTIVE COMMITTEE AND REPRESENTATIVES.** The community must elect the Executive Committee comprised of 5 people: President; ii) Vice President; iii) Secretary; and iv) Treasurer; v) one Committee Member. The community must elect the regular and alternate committee members. Committee members must have certain characteristics: Reside in the community, be literate, know how to interpret the article of the laws on drinking water and sanitation, must not have criminal or judicial record and be legally of age.
• READING ARTICLES AND ELECTING REPRESENTATIVES. Articles 40, 41, 42 and 43 of Decree 8.910/74 to elect the two Representatives: A Regular and an Alternate.

• OTHER ISSUES. In the Agenda, under OTHER ISSUES the next SPECIAL ASSEMBLY must be proposed to approve the Social Bylaws of the Sanitation Board, which is a standard form of SENASA (ANNEX 2 contains a form). The day, hour and place of the next ASSEMBLY must be clearly indicated. The next Assembly must be held approximately one month later.

SIXTH STEP: FIRST SPECIAL ASSEMBLY TO STUDY AND APPROVE ITS SOCIAL BYLAWS

The FIRST SPECIAL ASSEMBLY directed by the President and Secretary will be held. A SENASA official must be present. The articles of the SOCIAL BYLAWS are read and approved by the future users.

SEVENTH STEP: REQUEST FOR LEGAL STATUS

A request for legal status is prepared and addressed to the SENASA director pursuant to the approval of the Bylaws and the establishment of the Executive Committee. The following documents must be attached: Foundation Minutes, List of members of the Executive Committee (neighbouring founders); List of Members of the Executive Committee and Representatives; Four (4) copies of the Bylaws; List of the Independent Elections Tribunal; Recognition of the Assembly by the SENASA official.

EIGHTH STEP: APPROVAL OF THE LEGAL STATUS

The LEGAL STATUS is approved by the Executive Branch through a decree that recognises the Executive Committee as a Sanitation Board. SENASA sends a letter of approval mentioning the number of members of the Sanitation Board. This letter is obtained in a period of four to twelve months.

NINTH STEP: SEARCH OF THE WATER SUPPLY SYSTEM

Once the Sanitation Board has been set up it has the legal status to obtain a drinking water supply system. From this moment the Boards of LET’S ORGANIZE OUR SANITATION BOARDS can channel their demands before the district, departmental or national public institutions and receive from these the technical solution that satisfies this need. The material and documentation needed to advance the process are: Book of Participants for the Assemblies; Book of Minutes; Law 369/72; Decree 8.910/74.
An ILO proposal

In view of the difficulties that the Sanitation Boards in Paraguay face in order to achieve adequate management levels, as a member of the inter-agency team for the fulfilment of the MDGs in W&S, the ILO presented a proposal to overcome the restrictions encountered. Below is the proposal:

In Paraguay, the ILO proposed a management model aiming at modernizing the Sanitation Board actions and giving them an entrepreneurial nature. With this model the community acts as an Assembly, and is the one that gives strategic guidelines and adopts transcendental managerial decisions such as the appointment of the Management Committee, the annual operative budget, or the rates to be paid for the service, or the sanctions regime for those who are in default with the corresponding payments.

The W&S Management Committee acts as a Board of Directors and leads the destiny of the Board making operational decisions and overseeing the Manager’s activities. The Manager will be responsible of the technical performance of the service (operation and maintenance), payment to their suppliers, collecting users’ rates and reporting default payments to the board so that it may apply the sanctions. The operation scheme proposed is reflected in the following diagram:

The proposal is part of a broader strategy that aims at boosting the actions of SMEs that provide services to the Management, so one manager can manage several Sanitation Boards, in a similar way to what happens in urban areas with small real estate companies that manage buildings or condominiums. This would save costs and increase their efficiency.

The strategy proposes that water system maintenance also be outsourced to local SMEs duly trained to carry out that work. The same approach would include the administrative level, where the Board can contract accountants or business managers from temporary job agencies. This strategy intends to promote a market for local SMEs while solving managerial problems in more than three thousand W&S Boards.
Series of Guides for integrated rural access planning and community contracting in water and sanitation

Guide N° 3: Community Contracting to execute public works and provide services.
STEP 9: Service Management Training

Once the public works have been transferred to the community organizations and they have assumed the commitment to manage the service, the Responsible Entity trains the Management Committee which will be in charge of the operations and maintenance of the public works.

In the case of Paraguay this is the responsibility of the Sanitation Boards which are trained by SENASA concerning the various subjects listed below, with the support of several Manuals published by PAHO-WHO, a member agency of the Joint Programme to achieve the Millennium Development Goals in W&S:

1. Let’s Organize Our Sanitation Board
   - Business Administration
   - Sanitation Board Manual of Procedures
   - Drinking Water Operation and Maintenance Systems
   - Technological Alternatives in Water and Sanitation in Rural Areas

Of the entire set of Manuals published the most important ones, after the incorporation of the Sanitation Board (N°1) are the Business Management (N° 2) and the Drinking Water Operation and Maintenance Systems (N°4). In view of their importance, below is a list of their thematic content:

**MANUAL N° 2: BUSINESS MANAGEMENT FOR SANITATION BOARDS**

**PRESENTATION**

1. GENERAL CONCEPTS
   1.1. Organizational Management
   1.2. Administrative Management
   1.3. Commercial Management
   1.4. Accounting and Financial Management
   1.5. Strategic Planning
2. ADMINISTRATIVE MANAGEMENT
   2.1. Human Resources Management
      2.1.1. Organization Chart
      2.1.2. Planta Staff and Functions Manual
   2.2. Management of Material
      2.2.1. Purchases and Supplies
      2.2.2. Storage and Inventories
3. COMMERCIAL MANAGEMENT
   3.1. User’s Registry
   3.2. Admittance of New Users
   3.3. Measurement of Consumption
   3.4. Costs and Rates

(Continued...)

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Guide N°3: Community Contracting to execute public works and provide services.

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MANUAL N° 4: OPERATION AND MAINTENANCE OF WATER SUPPLY SYSTEMS

1. BASIC PLUMBING
   1. Components of a System
   2. Construction of the Distribution Network
   3. Household Connections
   4. Hydrometers
   5. Operation and Maintenance
2. OPERATION OF THE DISTRIBUTION NETWORK
   2.1. Hydraulic Concepts
3. GROUND WATER
   3.1. Basic Concepts
   3.2. Deep Tubular Wells
   3.3. How does our well work?
4. SWITCHBOARD
   4.1. Switchboard description
   4.2. Routine maintenance work to be performed by the Operator
5. SYSTEM FOR WATER DISINFECTION
   5.1. Objective
   5.2. Description of the Water Chlorination System
6. INDUSTRIAL SAFETY IN SANITATION BOARDS
4. SERVICE MANAGEMENT RESPONSIBILITY

Everything that has been mentioned up to this point aims at explaining that the main issue within the overall problem of service supply is not the implementation of the public works but rather making the community responsible for the sustainable operation and maintenance of these, especially in dispersed rural populations and indigenous communities.

Can there be a self-sustainable service management?

As concerns this point we should ask ourselves if the dispersed and indigenous rural communities are able to sustainably operate the service. As regards community contracting there have been several successful experiences and some failures as well which have left us lessons concerning the key points to be discussed in order to ensure a sustainable operation of the public works and services in these types of communities:

- A solid management structure must be established from the very beginning of the intervention. That is, in order to ensure a sustainable operation of the system, the organization, functions and procedures that the community must develop should be defined from the planning stage, bearing in mind the communities’ organizational structure.

  Community participation in decision-making and the execution of engineering activities related to the implementation and operation of the system are components of a larger objective, that is, the sustainable operation of the systems.

  The execution of the public works must be considered as a school to learn the details of the system’s technical operation and the elements that must be taken into account for its sustainable operation and maintenance.
The community, organized as a Service Provider Entity (SPE), must have an organic structure that takes into account the personnel that will be in charge of the activities in a safe and professional manner.

How much they will be paid in exchange for their labour.
The accountability, oversight and control mechanisms.
The direction and control bodies, the rotation and election of representatives’ mechanisms, etc.

Those in charge of the SPE must be adequately trained and must be included as part of the process in order to enable them to technically operate the system.
Those in charge of the SPE must also know the components of the administration system, such as:

- Purchasing material,
- Contracting different services,
- Paying several contractors and the staff,
- Marketing the service, etc.

In order to ensure the sustainable operation of the systems delivered for scattered rural or indigenous community management the following is required:

The Competent Authorities must have a clear understanding of their legal responsibilities regarding the delivery or supply of services to these communities;

i. Local (or subnational) authorities must have a clear understanding of their regional and municipal scope competencies, functions and powers;

ii. A sound operative structure that allows community participation from the very beginning of the project: in planning, execution and control of the activities related with the system implementation;

iii. Based on the legal agreement reached with the communities, responsibilities should be transferred in an adequate process. The Community Contract must clearly define the scope of the responsibilities acquired by the parties involved in the different phases of the whole process.
If community self-management is not possible, what can we do?

Although it seems to be obvious, there is a need to underscore the manner, size and organization of the organized community as an EPS that must depend upon the size and nature of the System to be attended, as well as the social-economic and cultural characteristics of the service beneficiary populations.

The experience developed indicates that it is not always possible to immediately achieve the sustainability of a system and that in many cases the Responsible Authority must take into account the social support and supervision of the system’s operation for extended periods of time, depending upon the community’s response during the project’s implementation process.

In this proposal, we must surmise that sometimes it may be difficult for the Responsible Authority to develop extended supervisory and social support processes. Therefore, some of these functions may be delegated to the municipal or departmental authorities depending upon the level of legal responsibility they may have concerning the specific subjects. Consequently these authorities should participate from the very beginning of the promotion and planning process.17

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Guide 2 contains an example of a participatory planning process regarding W&S supply executed by the ILO in the Department of El Boquerón in Paraguay where the departmental authority requested that it be included in the implementation process of the Integrated Water and Sanitation Systems and the inhabitants requested the intervention of the Gobernación particularly to give them support during the operation and maintenance of the service.

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COMMUNITY CONTRACTING BENEFITS AND IMPACT

Below is a description of the main benefits and impacts of a community contracting approach regarding the execution and management of public works and services.

Goods and earnings for the community

Aside from the goods created with the funds of the Project, community contracting provides an efficient way of injecting income directly among the poor people of the community by offering them jobs as well as in the local companies by awarding locally contracted public works.

This has a huge impact that boosts the local economy and improves access to social services, such as education and health.

Building skills

The community contracting process builds the skills of all the stakeholders involved from the communities who gain working experience and technical and organizational skills, as well as the trust of local authorities and other external partners including local authorities who improve their management, supervisory and monitoring skills. This even covers the possibility of building the skills of the private sector since it provides technical and well-being services to the community (local professionals, companies and consultants).
Aside from the initial training of the different stakeholders of the process, the community contracting mentions contracting technical assistance services in order to support the responsible Committee and the community itself regarding the technical and administrative management of the service. This technical assistance can be contracted by the community, in which case it must include these costs in the Budget, or, it may act as the contracting entity that contracts these services.

**Governance and transparency**

From the perspective of governance, the approach strengthens local governance structures. The participatory nature and consulting process of the methodology promotes social control, dialogue and responsibility of the community, as well as between the community and its leaders and local authorities.

At the beginning of the process mobilization workshops are used to explain and discuss the process and the procedures with the community including different ways of participating, consulting, recruiting, establishing wages, awarding and setting costs. Social aspects with equity regarding recruitment, health and safety are also discussed. During the implementation, frequent meetings are held in the community to keep it informed about the progress made.

**Empowerment**

Community contracting projects give the communities, often for the first time, the opportunity to manage external funds to develop the project. The approach has had a deep impact everywhere that it has been applied.

Giving communities resources for them to take control of their own development, and act as a legal counterpart with the capacity to manage, negotiate, contract, execute local public works and services has huge psychological and empowerment effects. The approach becomes an important catalyst to transform a passive community that only functions as a receiver of development and which encouraged by external actors becomes an assertive and empowered community with its priorities and development plans. It is a behavioural growth process both as concerns satisfying needs and realizing tangible demands (linked to the community).
ANNEX 1: Brief cultural description of the indigenous communities of Paraguay\textsuperscript{18}

A brief description of history brings us back to the Guarani people who have lived for centuries in the territory of today’s Paraguay. According to the social, economic and political structure of the Guaraní people they are hunters, fishermen and cultivate different crops such as yams and mandioc. They live in community villages, each of them has a political chief called a mburuvichá and a religious chief called a payeeé. Their social organization is headed by a cacique (tuvichá) or chieftain whose leadership is hereditary. The division of labour by gender assigns making pottery, sowing and knitting fabric to the women, while the men are basically fishermen and hunter-collectors.

It is known that in their zeal to preach the gospel the Jesuits formed reducciones called missions that around the year 1767 became the Gobernación of the Guaraní Missions under the Spanish crown. As a local government, each reducción functioned as a Town Council headed by a corregidor who represented the Spanish Crown and was also the main authority of the town, known among the Guaraníes as parokaitara, "he who decides what must be done". The chieftains (Mbyá) as the indigenous authority were fully recognised by the Spanish authority and fulfilled a very important function as liaisons and were the direct spokespersons between the Jesuit priests and the native people.

In the field work undertaken\textsuperscript{19} the leadership and representational role of the chieftains Mbyá has been proven however, the function of liaison with the national authority has been lost because their hierarchical position is only recognised within each chieftain’s group aside from the fact that they are not included in the national political system. The State of Paraguay recognizes these chieftains as mere leaders and are registered as such in the INDI.

As a working hypothesis Gutierrez considers that the figure of parokaitara, the superior being who commands, is present in the popular imagery of the peasants of Paraguay, as the owner of the land and a general or military official (during the times of the military dictatorship) and later, in the figure of the gobernador and intendente, as a person who people try to please and from whom they expect to receive favours. It is a relationship of dependency that has repercussions to date in building citizenship and exercise citizen’s rights.


\textsuperscript{19} The ILO study, aside from its documentary research, developed a field work in the populations to be intervened by the roads programmes in the departments of Caazapá, Caaguazú and San Pedro. Gutiérrez, OP. Cit.

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These chieftains had a representation that made them legitimate before the eyes of their people and within the scope of the study we have identified communities and leaders who are interested in participating and being part of a roads planning and maintenance process as well as water and sanitation services implementation processes.

As in other ancestral cultures, in Guaraní society there is no concept of the private ownership of a good. Land is considered as a good that can be used but nobody in particular can claim to have exclusive ownership rights over it. There are groups that cultivate crops on the land, handle water supply sources and exploit all the mountain and jungle resources. This social and economic pattern still prevails among the indigenous groups of Paraguay and therefore, the struggle to assign and give land ownership titles is a current demand that the State must satisfy.

In the eyes of these indigenous people, there is a close relationship between Nature and the Human Being and therefore their physical territory, customs and ways of living are indivisible. The land, more than being a means of living, makes sense and acquires meaning because of its relationship with Nature and the social and economic processes. There is an indivisible relationship between indigenous people and their territory; the territory and natural human resources are the source of living of indigenous people. Traditionally indigenous people had a vast territory that guaranteed the harvesting of natural resources in order to ensure food the year around. The freedom to roam through large territories was of the essence in order to have access to food sources.

The possession of abundant land with an adequate environment is one of the indispensable conditions for the well-being of a community that in turn contributes to the autonomy in an economic, social, religious and political scope. The way in which the

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20 This conclusion of the ILO study (Gutiérrez) is also validated for the case of Water and Sanitation through IRAP planning processes fostered by the ILO as part of the Joint Programme. Guide N° 3: Community Contracting to execute public works and provide services.
community uses natural resources, not only guarantees the reproduction of an individual or family but also the continuity of society. The wealth of Nature was always at the disposal of everyone and from this viewpoint people have the right to use it, despite the fact that they do not own these resources.

In the words of Arturo Escobar, territory\textsuperscript{21} is a “fundamental and multi-dimensional space to create and recreate the ecological, economic, and cultural practices of the communities. From a historic perspective territory is understood as uniting past and present. In the past, these communities maintained a certain independence, knowledge and ways of living that were appropriate for the sustainable use of natural resources. The aggressive attack of development policies is transforming the relationship between meanings, customs and social relationships in which they are imbued” (Escobar 1998:69 our translation).

In Paraguay, with the sprawl of modern agriculture indigenous people gradually lost their territories, contravening the national and international laws that protect these populations. Many communities were deprived of their ancestral territories and no longer have enough land or a bountiful environment that enables them to continue to live by their traditional means of livelihood. It is in this context that we must analyse specific water and sanitation programmes that are being implemented in the indigenous communities of Paraguay.

\textbf{Conclusions of the study: “Percepción y demandas....” (Renfeldt. Op Cit.)}

The study done both in El Chaco and in the Eastern Region of Paraguay, reveals that water and water quality are major concerns for the indigenous population. Water is their main source of survival and at present, mainly due to the environmental degradation that harms the communities, access to drinking water becomes increasingly difficult. The social and environmental changes that occur in national society have a negative impact on the health and well-being of indigenous populations due to the severely destructive consequences such as long droughts, environmental pollution and the indiscriminate use of agro-toxic chemicals.

During the study it also became evident that women are the “owners” and are traditionally in charge of water according to the mythical culture of the Guarani in El Chaco and the Mbya Guarani such as the Nivakle. Moreover, as concerns the division of labour by gender, the indigenous woman is in charge of fetching, using and managing the use of drinking water for the entire family. However, she is persistently excluded from water and sanitation programmes and projects in her communities.


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In the third place the deep knowledge of indigenous people concerning the cycles of Nature and how they have an impact on humanity a fact which is disregarded by development programmes implemented in their communities. The ignorance about and exclusion of local knowledge by development programmes was highlighted during the field work.

The people interviewed by this study, both in El Chaco as in Caazapá, have emphasized the following aspects:

1) The lack of participation of the indigenous population in the planning and construction of infrastructure works,
2) The scarce or null value acknowledged to the wisdom of the native population about their local reality, geography, physical components of the soil, etc. and
3) Indigenous professionals are poorly considered and are not deemed fit enough to participate in building the works, so they are forced to participate only as cheap labour and are never assigned executive or middle ranking positions.

Those interviewed shared the concern that there is lack of consultation and indigenous participation in water and sanitation programmes or in other development programmes carried out in their communities, and they demanded to have such consultations appropriately done.

Based in the interviews performed, some types of support projects were identified that could be included in a water and sanitation programme for indigenous peoples:

Contracts and working conditions were highlighted because there continues to be discrimination both in salary and treatment based on the indigenous origin of the workers, particularly against those who work in the hinterlands of the country (Chaco)

1) Training programmes on the construction, repairs, and maintenance of water sources (wells, dykes, cisterns), as well as on the maintenance of equipment and machinery 2) technical assistance for community capacity building and strengthen community organization (Water Committees or others) and by so doing, train the communities to participate in the programmes of works execution and maintenance of works that mean employment opportunities; 3) Creating training centres for the indigenous communities to study issues related with Water Sources and Sanitation and other related activities linked to community development programmes, like road building, for instance.
ANNEX 2: Analysis of the legal framework for a Community Contract to build, manage and maintain drinking water and sanitation works in Paraguay\textsuperscript{22}

The founding law of SENASA

As specified in Law 369, SENASA must promote community participation to fund the construction and management of the sanitation works. For this purpose, it must promote and set up Sanitation Boards in rural areas and urban localities (that have less than 10,000 inhabitants).

Law N° 908 that amends Law N° 369 specifies that SENASA must promote the Sanitation Boards in each district or community of the nation, jointly with the Departmental and Municipal Governments. The Sanitation Boards are governed by a special legal regime concerning how they are incorporated and function.

The same law specifies that SENASA will support rural communities and urban populations who decide to participate out of their own free will in the intensification or implementation of environmental sanitation programmes and will define the terms and financial conditions to implement water and sanitation supply and public works projects either using SENASA budget funds or funds from technical and financial cooperation organizations.

The funding of water systems to be built with SENASA own funds in projects not included in the Project and funded by international credit organizations must have the same conditions as specified in the international credit contracts approved by Congress.


Guide N° 3: Community Contracting to execute public works and provide services.
However, the Law specifies that in the case of settlements of indigenous people, peasants or other human groups SENASA must build water systems and basic sanitation services with the budgetary resources of the Institution and the investment will not generate liabilities for the beneficiaries except as concerns the operation, maintenance and administration of the systems.

The ILO considers that this is the main reason to propose a Community Contracting in Paraguay. The ILO proposal considers community engagement as the cornerstone of each stage of a Water and Sanitation project’s implementation process together with paying the daily wages of the workmen in charge of executing the public works, and that these are the foundations upon which a Community Contracting, applicable in Paraguay, can be implemented. The main idea is that community workers are paid in exchange for their work in implementing the public works and can assume the responsibility for the maintenance and operation as specified by the Law.

The premise is that community engagement as the cornerstone of each stage of the process and the payment of wages for their work, should create a greater commitment of the community members to assume the responsibilities for the maintenance and operation specified by law, ensuring a greater system sustainability.

The Sanitation Boards

The Sanitation Boards are users’ and beneficiaries’ associations that have a legal status and are promoted by SENASA. All the men and women inhabitants of the action area of the Programme are the beneficiaries and have the choice of implementing a sanitation service. The users are men and women inhabitants of a specific action area who make direct use of the service and pay a certain amount of money for that purpose.

Beneficiaries are all the men and women inhabitants that use a service.
Users are inhabitants that use a service and pay for it.
According to Law N° 369/74 the purpose and functions of the Sanitation Boards are as follows:

a) Collaborate with SENASA regarding community orientation and organization concerning sanitation problems;
b) Represent the users and beneficiaries of the sanitation services;
c) Participate in preparing local sanitation programmes and their execution;
d) Contract SENASA and the local users or beneficiaries for the supply of sanitation services;
e) Administerate the drinking water and sewage and waste systems built by SENASA and to supervise the correct use and functioning of the water wells and sanitary latrines also built by SENASA.
f) Jointly with SENASA to contract and direct the local staff under their responsibility and the services and public sanitation works carried out by SENASA; and
g) Undertake other acts under their charge due to their nature.

Sanitation Boards are responsible for administrating and supervising the correct use and operation of wells and drinking water systems, as well as sanitary latrines and works for the excretal disposal built by SENASA.

Through the Ministry of Public Health and Social Well-being (MSPBS) SENASA must grant legal status to the Boards and approve its Social Bylaws. For these purposes those interested must present the following to SENASA:

(i) A copy of the Articles of Incorporation signed by the neighbours present, both men and women, and by the official designated by SENASA, accompanied by three copies of the bylaws signed by two members of the Board;
(ii) The list of the founding neighbours;
(iii) The list of the members of the Executive Committee and Representatives.

The formality to acquire legal status is completed when an Executive Decree grants legal status and approves the corresponding bylaws.

Each Sanitation Board must have an Executive Committee whose members will be elected in the assembly of neighbours with the exception of one person who will be designated by the local Municipality. The Executive Committee of the Board will be comprised of 5 to 9 ad honorem members. The organization, attributes, obligations and
oversight of the Executive Committee are specified in the corresponding bylaws of the Boards.

Each Board has an Executive Committee composed of five to nine members, one of which is designated by the local Municipality.

Under the framework of the provisions of Law N° 1614, the Sanitation Boards acquire the role of “permisionarias” and they require a permit given by the service owner as per the Decree of the Executive Branch (Art.28 clause d.) Nevertheless, in practice, Sanitation boards only have the decree that acknowledges its legal status and a registration certificate issued by the Regulatory Agency (ERSSAN). There is no Decree of the Executive Branch that explicitly provides a permit and defines the conditions of such permit.

As of Law N° 1614, the authorized area assigned to each Sanitation Board is limited to a given served area where this service is effectively being provided and where the drinking water and/or sanitary sewage collection distribution networks are being extended. Decree N°18.880/02 specifies that only in these cases will it exercise the right to issue a permit. The decree also declares that from this moment, no authorization will be granted to incorporate Sanitation Boards in areas served by other providers.

Aside from coordinating with SENASA, Law N° 369 specifies that the Sanitation Boards must coordinate their activities, as deemed relevant, with local Municipalities. The law furthermore specifies that the public works carried out by the Sanitation Boards cannot be seized.

The Sanitation Boards can only act in the area assigned to them, so as to provide W&S services, being unable to intervene in other areas. Their activities must be coordinated with local municipalities.

We wish to add that although Law N° 369 does not mention them, in practice Sanitation Board Associations are also incorporated. In order to obtain legal status, these Associations may be established as public utility Associations or associations with a restricted capacity, both of which are regulated by the Civil Code. However, given the lack of regulation of these types of Association in the special environmental sanitation laws there is no mention of how these mechanisms are linked to SENASA.
Despite the relative precarious existence of the Water and Sanitation Board Associations, ERSSAN\textsuperscript{23} expects that these entities cover the scope of a department (an Association that includes all the Boards of a Department) or of an area (a broader region of the Department) and that they be capable of supervising the activities of the Boards as well as fostering their development and consolidation.

**Legal Links of SENASA to the Sanitation Boards**

The relationship of SENASA with the Sanitation Boards is regulated by Decree N°18.880/02 that specifies that SENASA will have the functions granted by Law Nº 369/72 in addition to its legal provisions as concerns promoting, executing public works and providing organizational, administrative and technical assistance basically to the Sanitation Boards:

- Establish the model bylaws and other documentation of the institution related to the Sanitation Boards;
- Promote the incorporation of Sanitation Boards in places where there is none through the support of the corresponding local community organization\textsuperscript{24};
- Carry out the necessary formalities (paper work) in order to acquire the legal status of the Sanitation Board;
- Provide technical support regarding project design for the Sanitation Boards;
- Establish the administrative easements as deemed necessary to develop the project as specified in Law N° 1614/2000 and the Regulatory Decree;
- **Grant, in the name of the State of Paraguay, reimbursable or non-reimbursable funds for the Sanitation Boards** as a function of projects that have the predetermined technical, environmental, legal, institutional and economic and financial conditions;
- Enter into contracts for public works and/or services with the Sanitation Boards executing the relevant financial development;
- Supervise the administrative and operational functioning of the Sanitation Boards as specified in Article 47\textsuperscript{9} of Decree N° 8910/74;

\textsuperscript{23} Interview of the expert with Architect Osmar Ludovico Sarubbi President of ERSSAN, Asunción, December, 2010.

\textsuperscript{24} We have inserted the bold letters.
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- Adopt irrevocable decisions as concerns all matters related to the administrative operation of the Sanitation Boards;
- Intervene the administrative bodies of the Sanitation Boards in keeping with the powers specified in Law N° 369/72 and its amendment through Law N° 908/96 as well as Decree N° 8910/74;
- Supervise the quality of surface water and groundwater provided by the service and report this to ERSSAN;
- Manage resources and enter into resource-related contracts that SENASA is legally competent to handle.
- Adopt decisions that are related to or derived from the functions indicated in this Article.

In keeping with the aforementioned, SENASA can enter into contracts for public works and/or services with the Sanitation Boards. These contracts are signed through direct agreements that specify the responsibilities of each party as concerns the construction of public works for drinking water and sanitation services and the corresponding financial commitments.

CONCLUSION:

The prevailing legal framework in Paraguay may be used without any changes, to execute a Community Contract to be signed with the Sanitation Boards in order to carry out the public works and provide the service as proposed by the ILO and this contract may specify the responsibilities of each party.
### ANNEX 3: Projects executed by programmes that promote an intensive use of labour and Community Contracting

#### Rural Public Works

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Irrigation Systems by Gravity or Pressure</td>
<td>It is the infrastructure that facilitates the supply of water needed to irrigate crops. Water can be distributed on the ground by gravity or another method or appropriate technology that allows an easy operation and maintenance. This involves: diversion structure, channel and regulate water distribution networks for farmland. Preferably the intervention will be done at the level of diversion structure, main channels and regulation (reservoir) of irrigation water, basic or public collective infrastructure (water intake, reservoir and main channels). It is oriented to farmers who usually work on plots no larger than 5 hectares. The irrigation project may be comprehensive up to the level of plots, however, in this case public funds must be used up to the level of a public benefit while the beneficiaries must fund the private good. Projects may be construction, improvement and/or extended, the interventions may be carried out simultaneously.</td>
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</tbody>
</table>
| Drinking Water Systems | This infrastructure provides the supply of drinking water by gravity or another appropriate technology that facilitates an easy operation and maintenance at a minimum cost. The technical options for water supply systems are:  
- Untreated Water Systems by Gravity.  
- Treated Water Systems by Gravity.  
- Untreated Pumped Water Systems.  
- Treated Pumped Water Systems.  
- Unconventional Water Systems.  
Preference of funding will be given to systems by gravity, that have a diversion or intake structure, conduction system, reservoir, adduction line, distribution network, and, if necessary, a treatment plant. This plant is composed by a sand settling tank, a decanting tank, a pre-filter and slow filter. The connection will be at household level in rural localities. Projects may include installation, improvement, extension, recovery or rehabilitation of the drinking water services. |
| Sanitation Systems | For instance:  
- Individual: referred to as a Basic Sanitation Unit (BSU) with appropriate hygienic solutions for families such as, sanitary human waste disposal in order to avoid polluting the environment and to protect the health of the population. The options may be:  
  - An Air Bubble Entrainment BSU.  
  - An ecological or Composting BSU.  
  - A continuous Composting BSU.  
  - A ventilated Dry Hole BSU.  
FONCODES will preferably implement an Air Bubble Entrainment BSU in all cases in which the water system of the locality is sufficient considering one Unit per each family. The BSU will be |

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25 Cooperation Fund for Social Development (FONCODES). Ministry of Development and Social Inclusion of Peru. MIDIS.

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funded and will include the toilet, shower and washbasin. Whenever this technology cannot be implemented other choices must be evaluated such as a Composting BSU or a Dry Hole BSU. Collective: Such as a Conventional or Condominial Sewage System. FONCODES will only fund the extensions of piping or collector networks in localities that have a sewage treatment system and can handle the load.

<table>
<thead>
<tr>
<th>Drinking Water and Sanitation Systems</th>
<th>These systems include the supply of drinking water and a solution for the sanitation.</th>
</tr>
</thead>
</table>

### Project Type | Road, Transportation and Communications Infrastructure

| Rural Roads (Dirt roads) | This infrastructure facilitates communication among close by localities. These roads have one lane with small squares at each crossroads built at a basic level (subgrade clearing and compacting) that involves cut and fill as required to prepare a surface for vehicle transportation compacted by using heavy duty equipment. This includes drainage structures such as stream crosses, culverts, small bridges, ditches, etc. The projects involve the construction, improvement or repair of neighbourhood roads. |

| Bridle Paths | These footpaths are used by walkers, beasts of burden (mules and llamas), cattle, etc. and are not fit for vehicle transportation. These projects involve building, improving or repairing bridle paths. |

| Pedestrian sidewalks | These concrete sidewalks have been constructed on a layer of sand or an improved and compacted surface for travellers on foot. These projects involve building, improving or repairing sidewalks. |

| Stairs | These are concrete stairs built on the ground to facilitate the overcoming unevenness of the terrain. These projects involve building, repairing or improving the stairs. |

| Bridges for vehicle transportation | This infrastructure allows local residents to communicate with each other and can be used for vehicle transportation across varied landscapes such as: rivers, ravines, etc. The Project must include pedestrian sidewalks, ramps and protection works to avoid undermining the abutments. Only projects to install bridges for vehicle transport will be funded. |

| Footbridges | This infrastructure allows local residents to communicate with each other and is used by people and mules that travel across jagged terrain such as rivers, ravines, etc. These bridges are built with reinforced concrete and hanging metal or wooden beams or underpinned by wooden piles. These projects involve installing or repairing footbridges. |

| Electricity networks. | These cover the layout of power grids that supply electricity to consumers. This involves primary distribution sub-systems (the distribution transformer, equipment to manoeuvre, protect and control), secondary distribution, public lighting and household connections. Primary and/or secondary distribution sub-systems with bundles of cables or conductors with fitting for their installation and accessories (wooden or concrete posts, electricity hardware and others). Household connections include the electricity meter. These projects involve the installation, upgrade or repair of electricity distribution networks. |

| Un-conventional energy. | This refers to un-conventional renewable energy, for instance, solar energy. These projects involve the installation of photo-voltaic systems at the level of the loading centre and household. |

| Information and Communication Technologies (ICTs) in Smaller Villages. | Information and Communication Technology (ICTs) that comprise several equipment, software, networks and services of a system linked to inter-connected and supplementary information systems and tele-communication, informatics and audio-visual technology. These projects can include: Implementing an existing community locale with structured cabling and furniture especially designed to enable the population to have access to ICTs. Developing the informatics content as part of the technological outfitting Project. Developing a Digital Literacy programme. Developing a production, social and business training programme. Developing informatics training programme for ICT end users. |
## Urban public works including rural villages

<table>
<thead>
<tr>
<th>Project Classification</th>
<th>Project Types</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban infrastructure</strong></td>
<td>Stairways or Stairs.</td>
<td>Building, Extending or Repairing the stairways, access stairs with stone blocks paved and concrete or another equally resistant material of the locality; supplementary activities for the stairways or stairs with an intense use of unskilled labour.</td>
</tr>
<tr>
<td></td>
<td>Sports facilities</td>
<td>Building, expanding and/or repairing the sports grounds, bleachers, metal fences and other similar structures.</td>
</tr>
<tr>
<td></td>
<td>Practices of soil conservation. Retaining walls</td>
<td>Building, expanding retaining walls for stone or concrete and/or concrete cyclopean masonry as protection against landslides or to stabilize slopes; control gullies, step-terraces and leakage ditches.</td>
</tr>
<tr>
<td></td>
<td>Construction (perimeter fences and smaller works)</td>
<td>Building, expanding or repairing classrooms. Building, expanding or repairing health clinic. Building, expanding or repairing community locales. Building, expanding or repairing community or school kitchens. Building, expanding or repairing cemeteries. Small works: Supplementary works for the schools, health posts, municipal markets, etc.</td>
</tr>
<tr>
<td></td>
<td>Pedestrian sidewalks and accesses</td>
<td>Building, expanding or repairing sidewalks (cobblestones, concrete or another local material); supplementary activities of entries that supplement the stairways or stairs with a high intensity of un-skilled labour. Parks, Central and Lateral Berms and Boulevards.</td>
</tr>
<tr>
<td><strong>Roads infrastructure</strong></td>
<td>Paved roads</td>
<td>Paving roads with cobblestones and concrete, concrete paving stones, concrete or with CSE asphalt emulsion, asphalt for entries that supplement the pavement and generate un-skilled labour.</td>
</tr>
<tr>
<td></td>
<td>Other roads infrastructure</td>
<td>Rainwater Sewage Pontoons Hanging Bridges for people on foot</td>
</tr>
</tbody>
</table>

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26 Projects and activities executed by the programme *Trabaja Perú*. Ministry of Labour and the Promotion of Employment of Peru.

27 According to the National Institute of Statistics and Census (INEI) in Peru villages that have less than 100 adjacent houses (500 inhabitants) are considered as rural, with the exception of all the district capitals considered as urban.

While for the OECD, an area is considered to be rural if there are less than 150 people per square kilometer who live more than one hour away from the main urban areas.

In order to enable Peru to become a full member of the OECD it must redefine rural villages. The expected result from the viewpoint of statistics is that there will be more rural villages.

Guide N° 3: Community Contracting to execute public works and provide services.
## Project Classification

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tourism infrastructure</strong></td>
<td></td>
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<tr>
<td>Restoring archaeological sites</td>
<td>Activity that involves restoring the buried archaeological sites (contexts).</td>
</tr>
<tr>
<td>Additional tourism infrastructure</td>
<td>Lookout points, access for tourists and appraisal of tourism and archaeological areas.</td>
</tr>
<tr>
<td><strong>Sanitation infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Collector networks and sewage</td>
<td>Building, Expanding and Repairing the PVC Sewage Networks, installation of household sewage connections.</td>
</tr>
<tr>
<td>Networks and connections to supply and distribute drinking water</td>
<td>Building, expanding and repairing drinking water distribution networks, adduction lines, impulsion lines and household connections.</td>
</tr>
<tr>
<td><strong>River shore Defence Irrigation</strong></td>
<td></td>
</tr>
<tr>
<td>Channels and irrigation</td>
<td>Building new channels (made out of soil, concrete, depending upon specific hydraulic conditions), lining and expanding existing channels. Storage areas and irrigation systems.</td>
</tr>
<tr>
<td>River shore Defence and river channelling</td>
<td>Building or repairing riprap, gabions, or artisanal riverside defences (trestle).</td>
</tr>
<tr>
<td><strong>Soil conservation</strong></td>
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<tr>
<td>Soil conservation</td>
<td>Afforestation, reforestation and platforms.</td>
</tr>
</tbody>
</table>
## ANNEX 4: Basic Training of the Management Committee

**First part: Group Integration, Functions of the Committee, Commitment to Act**

<table>
<thead>
<tr>
<th>CONTENT OF THE FIRST PART</th>
<th>DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome and introduction of the workday’s objectives</td>
<td>Words of the Monitor in charge presenting a summary of the process followed and indicating the meeting’s objectives.</td>
</tr>
<tr>
<td>Dynamics: are they happy?</td>
<td>The Monitor will ask the elected members of the Management Committee to express their feelings for having been elected.</td>
</tr>
<tr>
<td>Dynamics 2 x 2: Presentation of a colleague and expectations</td>
<td>Couples are formed. They interview each other and present the results, indicating their expectations with regard the role of the Management Committee and their own as its members.</td>
</tr>
</tbody>
</table>
| Group and Team: Building the concepts of the Group and Work Team | What is a Group? What is a team?  
Group: a uniform group of people. 
Team: organized group of people who share one same objective.  
Example: a Football Team |
| Work Team, Strengths and Weaknesses | Analysis of the group’s strengths and weaknesses to act as such taking as an example football without rules for children or football with rules for the sports team clubs. |
| Self-Study of the Business and Leadership Skills | Each party will be given a self-study guide form. Each participant will conscientiously fill in this form. The Monitor indicates that nobody will know the contents and therefore must answer truthfully. |
| Considerations regarding the Skills Test | With the help of the Monitor the participants will ponder the outcome of the skills test with the aim of determining their leadership skills (and those they lack). |
| Considerations regarding the Team and the Company. | Following the example of the football team the Monitor determines the existence of an organized team: The team has a captain (the President of the Management Committee) and players with different roles (the other committee members). Irrigation systems have a trainer (the supervising engineer) and an umpire who supervises the match and ensures fair play (the responsible supervising entity) and a Federation that supervises that all the system is adequately operating (the control system) |
| What does the Management Committee do? | The Monitor explains what the Management Committee acts as the responsible entity for the execution of the public works and the management of money and resources. He/she mentions the activities developed by each member. |
| Expectation dynamics: What do I expect from my colleagues? | The Monitor asks each participant what they expect from their colleagues as members of the Management Committee (for example: That they be punctual and collaborative). They write these notes on a flipchart. Then on another flipchart they write the |

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Guide N° 3: Community Contracting to execute public works and provide services.
### Basis to establish Work Commitments

Following heading: I AM COMMITTED TO: and then he/she adds the sentences or phrases in the affirmative (Example: Being punctual and collaborative) and mentions that this will be the commitment to act. Each member will sign the Agreement.

### Second Part: Basic Training in Administration

<table>
<thead>
<tr>
<th>CONTENT OF THE SECOND PART</th>
<th>DEVELOPMENT</th>
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</table>
| Planning and executing the expenses | The Monitor explains the scope of the Budget for Labour and the entries to be managed by the Management Committee.  
Explains that the public work has an implementation calendar with scheduled deadlines that must be respected and that therefore there must be a continuous and orderly flow of money.  
Explains that the Competent Authority will deliver an advanced payment via a bank deposit and that all the subsequent income will be handled in the same manner.  
He/she also explains that all payments will be delivered through a bank deposit and that cash management will only be applied to petty cash to be explained further below.  
He/she will also read the Budget making sure that everyone understands its concepts. |
| Managing a bank account | The Monitor explains the basic function and why the companies adopt the operation through other entities; that is, that this management provides for more security since money will not be transported in cash and that in this manner the management of income and expenditure will be more orderly thus enabling the accountant and control entities to fulfil their duty.  
Explains that the entity in charge will make the deposits from its place of operation, the capital of the country or capital city of the department or province, and that the money will be deposited in a current account and checks will be used to pay the funds.  
Points out that the current account will have registered the signatures of the people who will be the sole persons in charge of making payments. Generally, the President of the Committee and the Treasurer aside from the control signature of an official or competent authority.  
He/she explains that the Treasurer will keep the records of all income and expenditure in the Bank Book. Will practice with the Treasurer and the President and teach them how to handle the process. |
| Managing cash | The Monitor explains how petty cash or revolving fund is managed, that is, the Treasurer receives a certain amount of money sufficient to purchase small items and this guarantees that the construction process will not be interrupted due to a lack of money.  
He indicates the amount to be used for this purpose (for example one thousand monetary units) and how to estimate the amount for expenditures (for example, 600 monetary units). He/she asks that a check be signed to cover the amount spent (that is, 600 monetary units).  
Thus he can continue to operate with the balance of 400 monetary units while he cashes in 600 monetary units to replace the amount spent.  
Consequently he will always be accountable for 1000 monetary units. |
Paying the workers payroll

In this case there are two options: payment in cash and payment through a bank account.

The second choice is recommended because of the same security reasons to handle money as explained, aside from encouraging the workers to use Banks conceived as a mechanism of modern economy. An alternative of the bank procedure is payment by check on behalf of the beneficiaries so that the treasurer assumes the risks involved in managing money.

Payment in cash must be heavily restricted due to the risk involved when handling large sums of money in cash. One option is payment through agencies that transport cash, although the operational costs are usually high and are not considered in the budget of the responsible public entity.

In any case this is the important decision which as concerns Community Contracting must be discussed with the interested parties.

Purchasing Process

The Monitor explains the purchasing process as follows:

1. The committee requests three budgets

These budgets are then presented at the meeting and the plenary of the committee choses the provider, bearing in mind the following criteria: (i) Good quality, (ii) Good and updated price, (iii) timely delivery, (iv) Discounts.

The committee purchases through a bank check

The committee verifies the material and invoice and, if everything is correct, the treasurer pays. We must remember that all purchases must be backed by an invoice.

The documents are filed. We wish to underscore that all transactions must be recorded in a timely manner for the correct management of the funds and the transparency of the process. This form will be filled in jointly by the treasurer and the president and will be monitored by the supervisor and the accountant

Regular accountability sessions must be held on a regular basis (each month or as deemed necessary).

The following is the form used to record the accounts:

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAIL</th>
<th>N° INVOICE</th>
<th>INCOME</th>
<th>EXPENDITURE</th>
<th>BALANCE</th>
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