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COMMUNITY CONTRACTS

IN URBAN INFRASTRUCTURE WORKS
Practical lessons from experience

Jane Tournée and Wilma van Esch

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This publication was developed by

Advisory Support, Information Services and Training for
Employment-intensive Infrastructure Development (ASIST-Africa)

Jane Tournée and Wilma van Esch
International Labour Office

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Preface

The ILO has promoted the concept of “people’s participation” since the mid-seventies. Participation of local communities in development decisions affecting their lives was seen as a precondition to economic, social and political changes required to achieve better working and living conditions for the low income groups in society. It was seen as a prerequisite to break the vicious cycle of un- and underemployment, poverty, marginalisation and social exclusion.

The policy objectives pursued by the ILO in this field have been to extend its fundamental principles of **organisation** and **negotiation** beyond the “formal” wage sector, to the informal and weakly organised rural and urban sectors. In the ILO’s view, organisation and negotiation are the key elements underlying “empowerment” of local communities, enabling them to join forces to make their voice heard, to defend their interests and to take their full place in society.

The ILO’s Employment-Intensive Investment Programme aims at improving the access of poor communities and low income groups to productive resources, basic social services and remunerative employment. The Programme’s experiences with participatory approaches in the field have revealed the practical constraints facing Community-based Organisations in jump-starting development. Too often, the ability to set the development agenda was compromised.

This Guide is based on experience aimed at developing the **operational tool** required to both respond to such constraints, as well as enhance a culture of organisation and negotiation within the communities. In essence, this tool is -and should be- a very simple one: a **contract** defining **rights and obligations of all parties concerned**.

However, while this contractual approach may appear to be simple in its principle, it covers two types of issues which may be very complex both in the understanding and actual practice of local communities: the first is concerned with the *process* of organisation and often innovative forms of collective bargaining; the second with the *concrete action* in a given context, e.g. investments in basic economic and social infrastructure to respond to priority needs of a given community. In a genuinely participatory development situation, organisation and negotiation would precede the actual implementation of concrete programmes of action.¹

“Community contracting”, the subject of this guide, is therefore a challenge which many communities are not prepared for; neither for that matter, are many of those administrative institutions such as district councils, municipalities and communes which should prepare, negotiate and supervise contracts entered into with community-based organisations.

It is hoped that this practical Guide will contribute to enhancing the capacities of all the actors involved to enter into a contractual framework that will capture the twin pillars of organisation and negotiation, as well as ensure that rights and obligations are ensured.

¹ Egger, Philippe: *Rural Organisations and Infrastructure Projects: Social Investment comes before material investment*, in: *International Labour Review*, vol.131 n°1, pp.45-61.

The challenge ahead is progress that is socially and economically sustained through a strengthening of democratic processes at the local level.

I thank Jane Tournée and Wilma van Esch, both from the ILO's Regional Support Programme "Advisory Support, Information Services and Training for Labour-based Infrastructure Programmes" (ASIST-Africa), for writing this useful and pioneering Guide.

I also acknowledge with thanks the financial contribution from DANIDA.

Jean Majeres
Chief,
Employment-intensive Investment Branch

Foreword

This working paper addresses the development and use of community contracts for infrastructure provision and up-grading in unplanned urban settlements in developing countries. Many of the concepts presented in this paper may be applicable to rural programmes; however the object is to address the set of special conditions related to the use of community contracts for urban infrastructure works. The paper is based primarily on the experiences gained and lessons learnt from implementing community contracts in two pilot projects: the Hanna Nassif project in Dar-es-Salaam, Tanzania and the Kalerwe project in Kampala, Uganda. Both areas suffered from severe flooding during the rainy season, and the first priority of the residents was improved drainage. Both projects were initiated and monitored by the ILO². These experiences have been further studied against a background of work carried out by various organisations and individuals in many different parts of the world.

The purpose of this paper is to provide interested parties, in particular field workers, project managers, technicians and community animators with information on the practical application of community contracts for the execution of infrastructure works in urban low-income and/or unplanned settlements³. The paper addresses issues such as the institutional set-up in community contracting, the community as contracting authority and contractor, type of contracts, advance payments, profit, the role of the municipality and the role of technical assistance, and presents step-by-step guidelines on the setting up of a community contracting system. Due to the complexity of the working and social environment in urban areas, contract guidelines cannot be presented in isolation and therefore relevant contextual information has been included in this paper where appropriate.

The authors wish to acknowledge the tremendous efforts of the Project Teams, and Community Committees in both Kalerwe and Hanna Nassif in working with and developing a community contracting system. They would also like to make special mention of the CTA for the UNDP-funded project INT/89/021, Eric Lyby, who developed the individual project proposals based on a wider strategy of promoting the use of local resources in urban infrastructure programmes, including labour-intensive approaches and community participation to achieve employment creation and poverty alleviation. ILO's work in the urban sector is carried out in partnership with UNCHS (HABITAT) and UNV, and in collaboration with NGOs, Municipal Authorities, and the UNDP.

The authors are very grateful for the various comments received on the first draft issued in 1998. Especially the comments and support from the Employment Intensive Investment Branch Jean Majeres and Jan de Veen, has been very valuable for the finalisation of this document. Last but not least, the authors want to express their sincere thanks to Maria Kuiper for the valuable comments and excellent editing of this document.

² *Responsibility for opinions expressed in this paper rest solely with the authors, and production of this paper does not constitute an endorsement by the International Labour Office of the opinions expressed in it.. These expe*

³ *Both the terms "low-income settlements" and "unplanned settlements" are used in this text. Whereas a low-income settlement is not necessarily unplanned, an unplanned settlement (or squatter/informal settlement) is usually characterised by a low-income population facing the most severe problems in terms of infrastructures and services.*

ABBREVIATIONS

CBO	Community Based Organisation
CBPWP	Community Based Public Works Programme
CCC	Community Construction Committee
CDC	Community Development Committee
CEP	Community Employment Programme
CIP	Community Infrastructure Project
CMG	Community Management Group
CRC	Community Representative Committee
CTA	Chief Technical Adviser
DDPEW	Department of Development Planning, Environment and Works
EDF	European Development Fund
IDT	Independent Development Trust
LIWU	Labour Intensive Works Unit
ILO	International Labour Organisation
LPC	Local Project Committee
NGO	Non-Governmental Organisation
NHDA	National Housing Development Authority
NPWP	National Public Works Programme
NWFP	North West Frontier Province
ODA	Overseas Development Agency
OPP	Orangi Pilot Project
PMT	Project Management Team
PW	Public Works Programme
RC	Residential Committee
SA	Support Agency
UNCHS	United Nations Centre for Human Settlements
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNV	United Nations Volunteers

DEFINITIONS

Community

A community is a group of people who work together towards a common goal such as the upliftment of their living and working environment. Community in this sense does not necessarily have to be defined by geographical boundaries, although this is often the case especially when dealing with infrastructure improvements.

Community-based organisation

Community-based organisations (CBO) can be defined as any type of organisation, formal or informal, which is based on a group of people living and working together and who associate to pursue a common interest. They generally have a focus with regard to their activities and are often directly accountable to their constituents. CBOs are established for a community-wide purpose, not for individual gain or to promote the commercial interests of a small group of people. They can however represent a special interest group supported by the wider community.

Community contract

A community contract is an agreement between a community and a contracting authority, whereby the community (or a section of the community) is responsible for the implementation of the works and therefore functions as contractor.

Contracting authority

The contracting authority is an agency that issues contracts to the community group. As such, it can be a City Council, a line ministry, an NGO or a project technical team, or a combination of these. Communities can also be represented in the contracting authority.

Contractor

A contractor is responsible for the execution of the construction works. In community contracting, the contractor is from within the community such as construction committees, youth groups, women groups etc.(however, subcontracting to skilled people outside the community is possible).

Funder

The funder provides the funds for the works to be undertaken. It can be an international, bilateral or local development agency, an NGO, a government or municipal department, or a combination of these. Communities themselves can also contribute labour and materials to the works.

TABLE OF CONTENTS

1.	Background	1
1.1	Urban Up-grading - the need for a new approach	1
1.1.1	High rates of urbanisation	1
1.1.2	Options for the future	2
1.2	Labour-based technology	3
1.3	Community-based approach to urban up-grading	4
1.4	Examples of types of infrastructure in an upgrading programme	6
1.5	Community contracting	6
1.6	The contract approach.	8
1.7	Critical issues in implementing the contract approach.	10
1.8	Critical issues in the negotiation process.	11
1.9	Structure of this paper.	12
2.	Community Contract Approaches	13
2.1	Introduction.	13
2.2	Main actors in community contracting	13
2.2.1	The beneficiaries representative group.	13
2.2.2	The contracting authority	14
2.2.3	The contractor	14
2.2.4	The funder	16
2.2.5	Technical service providers.	16
2.3	The Hanna Nassif experience - Tanzania.	18
2.4	The Kalerwe experience - Uganda	23
2.5	The Community Employment Programme - South Africa	26
2.6	Conclusion.	27

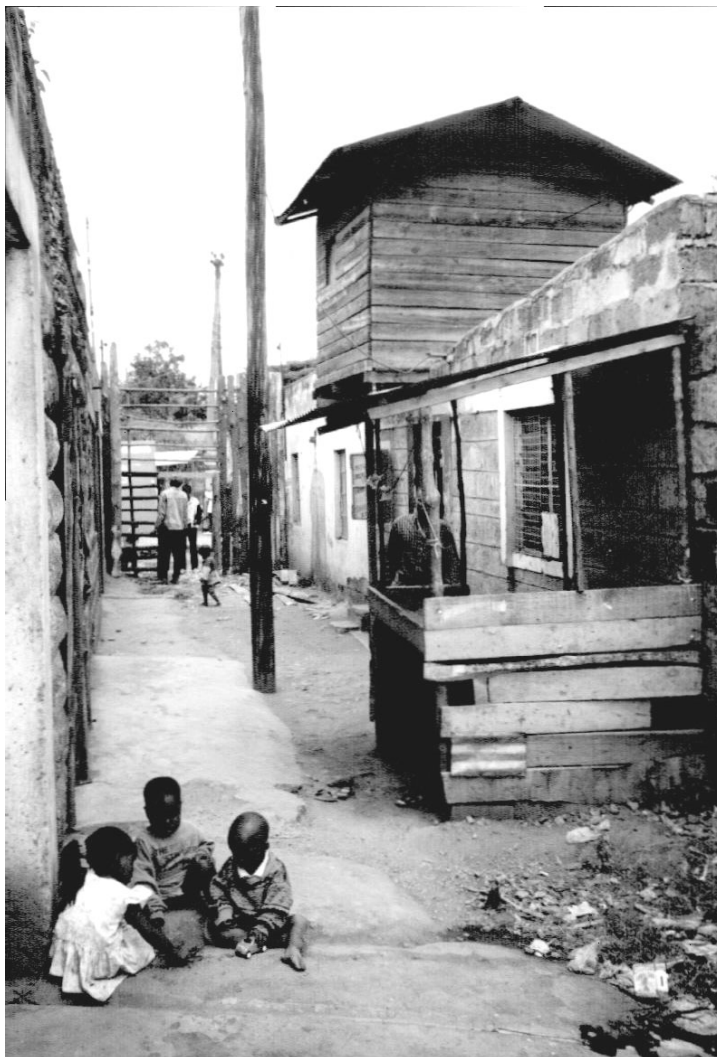
3.	Contract Documentation	28
3.1	Introduction.	28
3.2	Types of community contracts	29
3.3	Bill of quantities and unit prices (schedule of rates)	29
3.4	Advance payment.	30
3.5	Profit on community contracts	31
3.6	Overview.	33
4.	Roles and Responsibilities of Key Actors	34
4.1	Introduction.	34
4.2	Roles of the community	34
4.2.1	The Community as Beneficiaries and Contractors.	34
4.2.2	Community-Based Organisations (CBOs)	35
4.2.3	Achieving legal recognition.	36
4.2.4	Financial capacity	36
4.3	Role of the Municipal Authority and Central Government	37
4.3.1	Background	37
4.3.2	Municipal authorities: creation of an enabling environment	38
4.3.3	Government policy and the need for formal agreement on planning issues.	40
4.4	Role of technical support services providers	41
4.4.1	Type of technical support organisations	41
4.4.2	Planning, survey and engineering design	42
4.4.3	Mechanisms for inclusion of the private sector	44
4.4.4	Capacity-building and training for communities	44
4.4.5	Training for government and municipal authorities.	47
4.4.6	Monitoring	49

5.	Step-by-Step Approach to Community Contracting based on an adaptation of the methods used in Hanna Nassif, Tanzania.	50
5.1	Setting up a system for community contracting	50
5.2	Step-by-step guidelines for operating a community contract	51
6.	Strengths and Weaknesses of Community Contracting	64
6.1	Strengths	64
6.2	Weaknesses.	66
6.3	Cost comparison.	67
6.4	Sustainability.	69
6.5	Future perspectives of community contracting	70
7.	Labour Standards and Community Contracts	72
REFERENCES	74
ANNEXES		
Annex 1a:	Labour-only contract	77
Annex 1b:	Labour and material contract	91
Annex 2:	The Constitution of Hanna Nassif Community Development Association	95
Annex 3:	Contract with technical support	105
Annex 4:	Information services ASIST	111

1. Background

1.1 Urban Up-grading - the need for a new approach

1.1.1 High rates of urbanisation



Unprecedented rates of urbanisation have been witnessed in many developing regions during the second half of the twentieth century. Half the people of the developing world are expected to live in urban areas by the year 2015. These demographic trends have important implications for urban employment and poverty, and also for strategies to provide basic infrastructure and services to the largest number.

High rates of urbanisation imply a rapid growth of the urban labour force in developing countries. The need for new employment opportunities is enormous if these human resources are to make a positive contribution to social and economic development.

In a context of rapid urban growth, the management of cities is increasingly a crucial factor in national development strategies. Cities and their authorities are facing tremendous problems to provide a decent living and working environment due to financial

weaknesses and their lack of capacity for appropriate policy formulation and implementation. Non-provision of infrastructure or non-functioning infrastructure threaten the environment, health, and safe living and working conditions⁴, especially of the growing numbers living in unplanned and/or low-income settlements.

One problem is that existing government rules and regulations often specify standards of buildings, building materials, and infrastructure that are unaffordable by the urban poor. Many opportunities for much needed employment creation are lost because of a conservative approach to working methods, technology choices and contracting in infrastructure works, leading to machines being used instead of labour. It has been recognised by many governments, as reflected in policy statements, that the use of labour-based methods is desirable in the pursuit of increasing employment opportunities.

1.1.2 Options for the future

There are many options open to municipal councils and many initiatives being undertaken to try and find suitable solutions to the problems facing them. From the UNDP Urban Agenda for the 1990s the following critical issues were identified:

- ❑ Alleviate urban poverty by promoting income generating activities and transforming the role of the informal sector;
- ❑ Promote enabling and participatory strategies for the provision of urban infrastructure and affordable shelter;
- ❑ Promote the protection and regeneration of the urban physical environment, especially in low-income settlements;
- ❑ Improve urban management, including expansion of local governments' revenue-raising capacity and decentralise authority and responsibility for urban development from central government agencies and ministries to local government and NGOs;
- ❑ To achieve the above, draw on the full complement of human energy in cities. This means wider recognition of the role of women and full government collaboration with the private and voluntary organisations.

Each of these issues is important in its own right, and all are closely related in allowing developing countries to cope effectively with the transformation from rural to urban societies.⁵

The Habitat II Conference (Istanbul, June 1996) adopted a Global Plan of Action proposing two basic strategies: a) enablement and participation; and b) capacity-building and institutional development. To improve the urban living and working conditions in a sustainable manner, it is not only important what is being done, but also how this is being done. Infrastructure investments, in particular, can play a catalyzer role for related objectives such as job creation, community capacity-building, small enterprise development, and local government institutional development.

In promoting "enabling and participatory strategies", one of the recommendations to municipal authorities and their partners is the involvement of communities in the improvement of their own areas. This is particularly relevant for unplanned settlements,

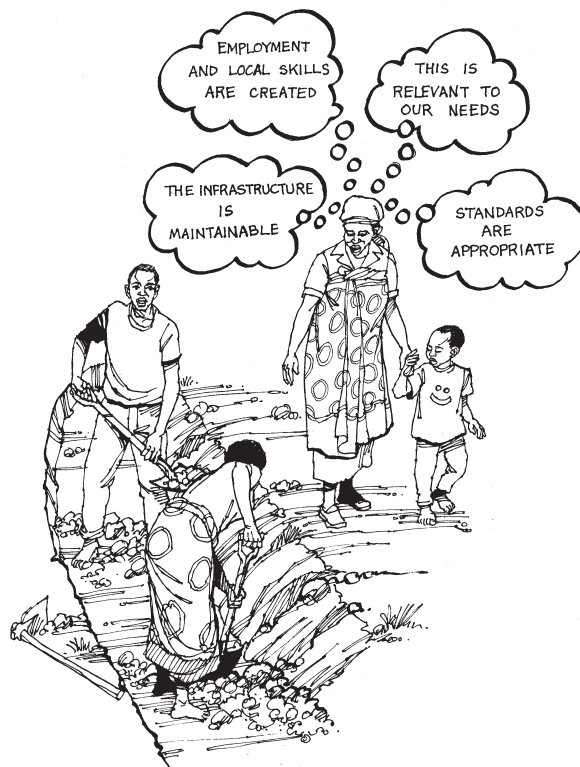
⁴ Source: *Urban Poverty Partnership Draft Document, 1994*

⁵ UNDP and *From Want to Work, job creation for the urban poor* - ILO

as these have been completely developed by the people, and are often characterised by a high density of residential stands. Where infrastructure improvements require alterations to the physical set-up (demolition of houses, relocation of services etc.), and/or a local contribution to the construction, operation and maintenance of the new or improved facilities, consultation with the residents and their associations would be a minimum requirement. Better still would be to involve the communities - through their legitimate representatives - in every aspect of improvement to the environment. Improvements should normally be made to a standard affordable and acceptable to the community, but what is acceptable to the community may not always comply with the planning standards of the municipal authority, which are often "copied" from industrialised countries.

1.2 Labour-Based Technology

The improvement (upgrading) of unplanned settlement areas offers an ideal opportunity for using local resources and creating employment for the urban poor. By making an informed choice on the type of technology and the methods of construction to be used, maximum benefits can be retained within the community in terms of jobs, incomes and provision of services and materials. Given widespread poverty and un(der)employment, the general recommendation is to use labour-based technologies, or local resource-based strategies (including local building materials, local contractors, local institutions etc.), whenever these are technically feasible and competitive in economic terms.



Labour-based technologies are not about simply substituting machines with workers at any cost. They rather aim at optimising employment and local resource mobilisation in any given infrastructure investment, using - preferably light - equipment only when necessary. The technician responsible for planning the works would therefore first ask "which operations can be done using labour and other local resources?" and only then "what equipment is needed in support of the labour?". The satisfactory use of labour-based methods relies on suitable designs and working methods and they are to be accompanied by training and capacity building.

Labour-based methods are very suitable for infrastructure works in unplanned settlements, because of constraints on access, high population densities and a natural reluctance to carry out non-essential demolitions. Indeed, they may prove to be the only practical method of carrying out improvements to infrastructure and services. The use of large machines would be totally inappropriate in such a setting.

1.3 Community-Based Approach to Urban Up-grading

An important question that arises is: "why a community-based approach to urban up-grading?". While popular participation and community-based approaches are well recognised in rural development programmes, the case for participatory strategies in urban development is less clear. Leading agencies in the sector, such as UNCHS, World Bank and the ILO all call for enabling and participatory strategies in urban development. There are several reasons. First, the overall trend is towards public/private partnership in the provision of infrastructure, simply because the government, or in this case the city authorities, do not have the financial means to provide and maintain them. Second, the community acceptance of certain maintenance responsibilities will largely depend on their involvement in all phases of project execution, from the identification and planning phase onwards, thus creating a sense of ownership. Third, the creation of new partnerships builds capacities for further development at (at least) three levels: the municipal administration and technical services, the community organisations, and the private sector enterprises.

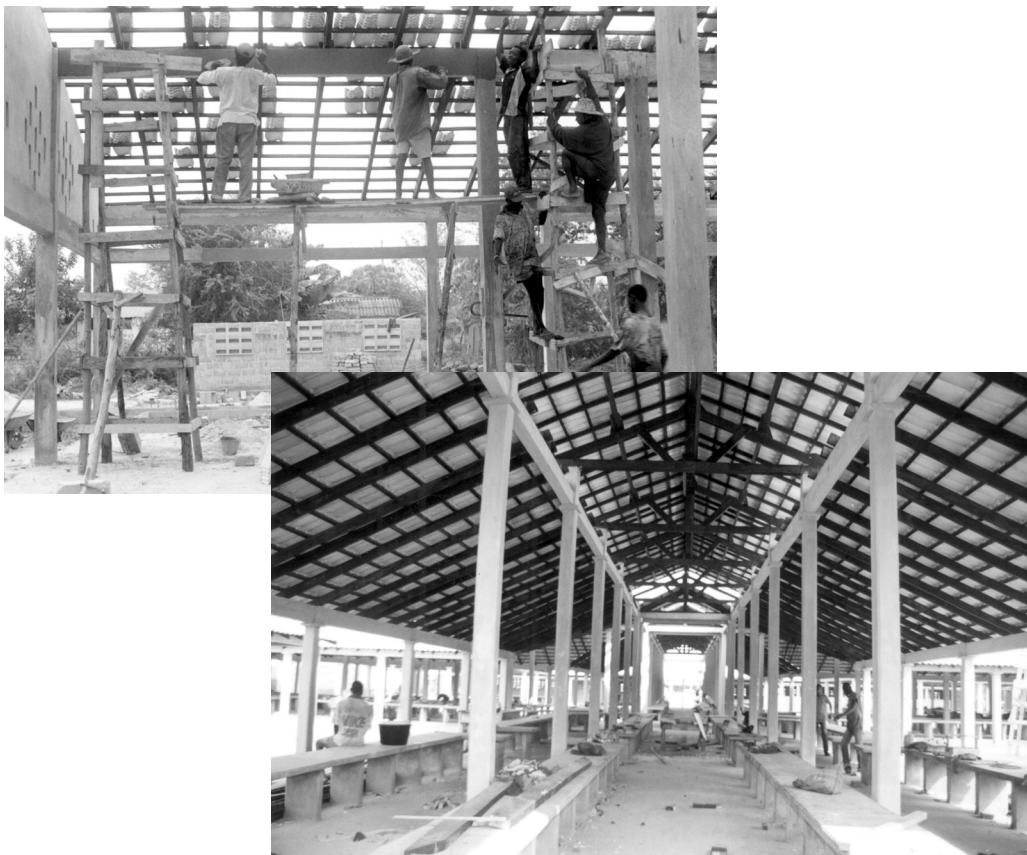
If government policy allows, and if the infrastructure created is in the direct and exclusive interest of the community, the latter can take ownership of the improvement and development of their own facilities and services. The community is then in a position to control the assets that they create; i.e. buildings, water supply, sanitation, recreational areas, etc.

In the urban context, the concept of "community" is usually based on a geographical area. However urban communities may not be as cohesive as rural communities for various reasons, such as: the influx of people from different parts of the country into the towns and cities, the high turnover of residents, varying economic status within the community, and in some cases a mixture of residential and small enterprise properties, tenants and owners. While this situation cannot be altered, it must be recognised when dealing with urban areas.

Community-based approaches to urban up-grading imply that the community is in a position to identify and initiate activities and participates in every aspect of the improvements to their area. In general, communities are well able to identify the most pressing problems they face, but in most cases they need some assistance in organising themselves to overcome them.

After the identification of the most pressing problem, discussions will have to start on how to tackle the problem. Well-organised communities may wish to control a wide range of responsibilities such as: financing of the works, the organisation of community contributions where applicable, and the disbursement of funds. For construction projects they may wish to have inputs into how the asset is designed, how it is constructed, who should work on the construction, levels of pay, and what type and amount of assistance they need, to meet their targets and to satisfy the community members.

In developing a settlement area, various actors play a role such as the community and its organisation(s), governmental and municipal organisations, non-governmental organisations (NGOs) and the private sector. The use of one or more contract agreements between these partners facilitates the process towards a clear goal oriented division of tasks and therefore assists in developing constructive partnerships⁶. In community contracts this is specifically helpful as it can assist in achieving active involvement of the community in the planning and implementation of construction activities and will clarify the role they could play.



⁶ Snoer W., ISS, 1995.

1.4 Examples of Types of Infrastructure in an Upgrading Programme

Table 1 below outlines the types of service needs that can be addressed through community participation and community contracts. The services are assumed to be located within an unplanned settlement and the community members are the direct beneficiaries.

 Table 1: Examples of works suitable for execution with community participation

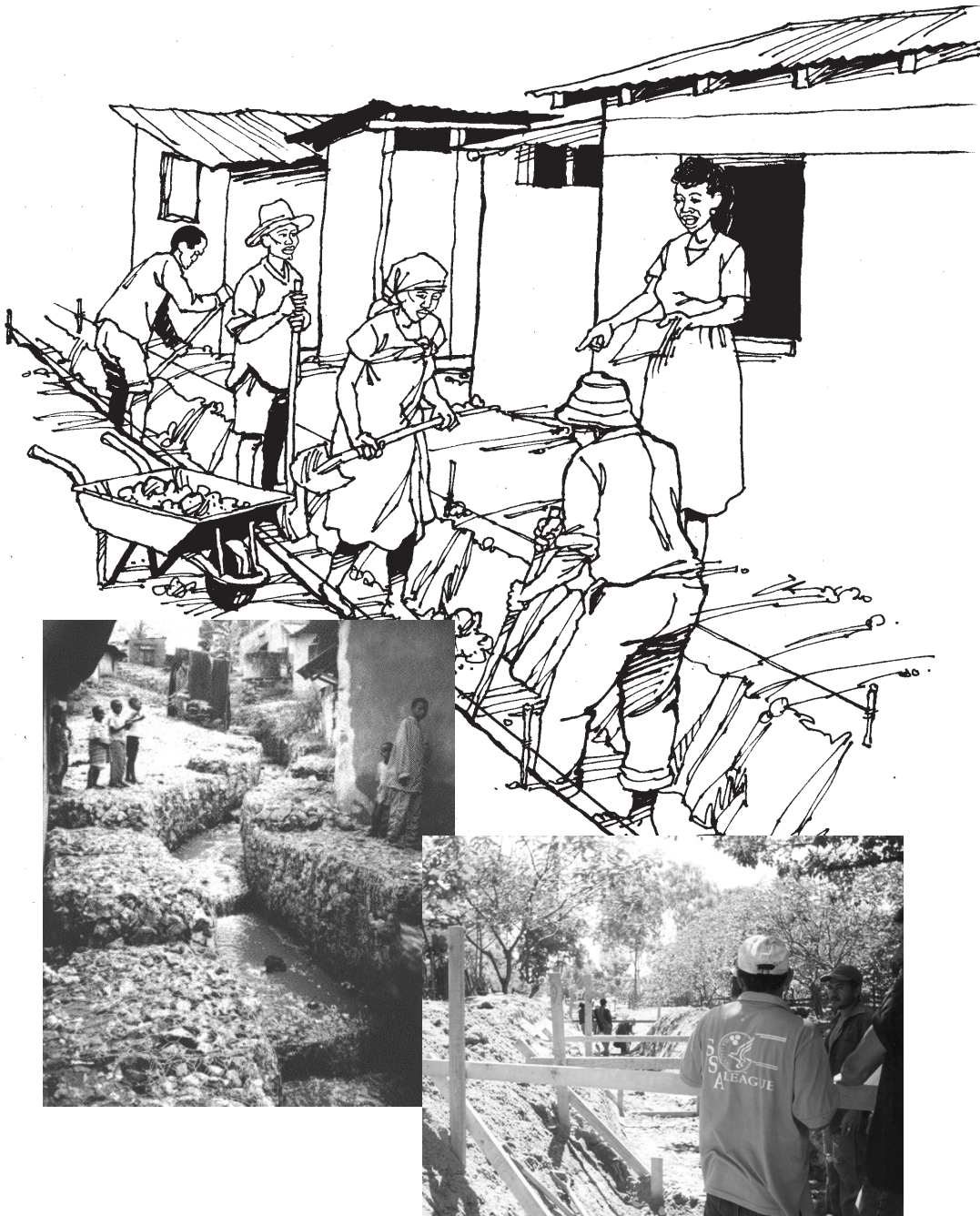
Type of Infrastructure/Service	Description
Provision and improvement of access for motorised and non-motorised transport	access roads, improved footpaths and cycle/ handcart paths, small bridges, concrete block or stone paving, gravelling
Storm water drainage	lined open drainage channels, culvert crossings, small bridges
Community water facilities	water distribution schemes, water storage tanks, water kiosks, wells, public washing facilities
Community sanitation facilities	public toilets, appropriate sewerage schemes, emptying pit latrines, sedimentation ponds
Buildings	class rooms, pre-school buildings, multi-purpose community halls (all buildings should be single storey), health centres, markets
Environmental protection / improvement	erosion protection, fencing of public areas, improvement of market areas, forestry, orchards, recreation areas
Solid waste management	cleaning of public areas, household garbage collection, separation and recycling/composting of solid waste

1.5 Community Contracting

The combination of labour-based methods with community participation presents many advantages in terms of community empowerment, job creation and income generation, as well as capacity-building and partnership development. This paper deals with community contracts as an important instrument of a participatory process in urban up-grading, and focuses in particular on the practical aspects of interest to development workers.

Various community contracting systems are in operation throughout the world. This paper largely draws on the experiences gained during implementation of the

Community-based Urban Settlement Upgrading - Hanna Nassif Pilot Project in Dar-es-Salaam, Tanzania, and the Kalerwe Community-based Drainage Upgrading Pilot Project in Kampala, Uganda. Both projects were based on the community contract system developed by the National Development Housing Authority in Colombo, Sri Lanka as part of their Community Action Planning approach. The basic idea was further developed and adapted to suit the conditions in Hanna Nassif and Kalerwe.



Additional information has been gathered from many sources to assist in interpreting the experiences gained from the projects mentioned above, and to help identify means of progressing with community contracting.

1.6 The Contract Approach⁷

The Contract Approach may best be described as a participatory process whereby a community group negotiates with local government or a development programme and enters into a contractual agreement in order to undertake an activity which leads to an improvement in their livelihoods. This overall process consists of the following stages:

- ❑ Initial Contact and Identification of Target Group: preferably as a result of a socio-economic analysis at the local level. Such an analysis might use the Participatory Rapid Appraisal (PRA) techniques to differentiate the local population in terms of the differing levels of income, access to resources, interests and priorities, and to identify the target group.
- ❑ Mobilisation: the organisation of the target group by a locally based field worker around some form of common interest, which constitutes the basis of the project activity to be undertaken under the contract.
- ❑ Negotiation and Bargaining: critical stages when the informal group/organisation enters into direct contact with the Contracting Authority (see para 2.2.2) to negotiate the basis and conditions under which the parties to the project make available the resources needed to implement the project.
- ❑ The Preparation of a Formal Contract: which involves issues relating to the form of contract, legal status, the sharing of costs and responsibilities, the risks involved, the penalties of non-fulfillment and the monitoring of the contract's performance.
- ❑ Implementing the Contract: this involves the contract partners assuming responsibility for a range of activities and inputs under the contract and their management to fulfill the contract's requirements.
- ❑ Monitoring the Contract: ensuring that responsibilities and obligations are being met and evaluating the outcomes of the activities undertaken in the contract. A mechanism needs to be in place for the review of contract performance including quality control.

The main difference with "conventional" community-level project activities is that the contract approach is based more on partnership relations than on "provider-recipient" relations. A process of negotiation and bargaining is essential to arrive at an agreement, or contract, that is satisfactory and feasible for all parties. These negotiations between public administrations on the one hand, and community groups on the other, strengthen the social position of target groups in the unorganised sectors, and thus provide the basis for a more democratic and equal form of partnership. If well designed, the contract approach is likely to strengthen the collective capacities of the poor to act as partners in development, and to enhance accountability of public administrations. The approach is thus particularly relevant in the context of decentralisation efforts going on in many developing countries. Negotiations also address the issue of cost-sharing, including for the labour working on the project. As such, the approach counters the abuse of self-help

⁷ Sections 1.6 to 1.8 draw heavily on Peter Oakley's *Synthesis study on "Community Contracting, Negotiation and Organization in Development Projects and Programmes"*, Draft of May 2000

as sometimes seen on public works and state-initiated community works, and is more likely to create gainful employment for both skilled and unskilled labour.

We should bear in mind that the contract approach is still at an experimental stage. However, judging from a number of pilot projects where this approach has been applied, early indications suggest that a participatory contract approach has the potential to:

- ❑ increase the access of the communities to projects benefits;
- ❑ build up local confidence in the management of resources and in the planning of development initiatives;
- ❑ enhance the motivation and solidarity of communities;
- ❑ strengthen a sense of ownership of the development activity;
- ❑ encourage self-reliance by the development of organisational, technical and contract managerial skills;
- ❑ build local institutional, organisation and negotiation capacities;
- ❑ improve the social position (empowerment) of disadvantaged communities;
- ❑ enhance the accountability of public administrations;
- ❑ stimulate new relations of partnership between public administrations and community organisations.



1.7 Critical Issues in Implementing the Contract Approach

Community contracts involve a number of stages and will inevitably be subject to a whole range of political, cultural and economic factors operating at the community level. A review of some literature on the community contract approach to date suggests that the following are some of the key issues which influence its effectiveness and performance:

- i) Essential pre-conditions include: a target group organisation, favourable local or national government policies towards community development, a minimum degree of efficiency of the community organisation, the legal situation of the target group organisation and a general enabling environment for development activities at the community level.
- ii) The nature, purpose and content of the contract. Contracts vary in type and complexity and will include such issues as: allocation of responsibilities, determining contributions and inputs, rights and legal obligations, work to be undertaken, disbursement arrangements. Different types of contract will each make different demands on possibly inexperienced communities.
- iii) Written “contracts” and “negotiations” may be alien to the local culture. Furthermore, local power relations and organisational culture in development agencies used to more authoritarian or paternalistic approaches may make it difficult to think meaningfully of “negotiations” between equal partners.
- iv) The strength and the potential of the community organisation that will take the lead in representing the interest of the target group and negotiating on their behalf the terms of the contract. It will be important to verify the “common interest” which binds the members together and the extent to which the organisation has been able to undertake activities and build links with similar organisations. The strength of the community organisation will be fundamental in determining how far it is able to promote the development of the community and subsequently the nature and type of contract (e.g. labour only, labour and material, or full contract, see also para 3.2).
- v) Few formal community organisations of urban or rural poor people will have the experience or the skills initially to enter into some form of formal contractual arrangement with an external development agency or government department. In this context community capacity building will be critical.

In the previous section we mentioned some of the potential advantages of the contract approach. However, it may also encounter problems and difficulties, which may be summarized as follows.

- Lack of understanding of contract. There is always a potential danger for a community to get involved in a formal contractual agreement without either fully understanding the legal basis of their involvement or having access to support should any problems arise. The contracts should at any times include a mechanism for resolving disputes and difficulties.

- ❑ Lack of mutual understanding between partners, which may occur if negotiations between various actors are mostly on a one-to-one basis, and/or if many actors are conducting separate negotiations.
- ❑ Wrong assessment of community capacities. An overestimation of community capacities may lead to contracts that prove too difficult to handle for the community. On the other hand, an underestimation of community capacities will not fully develop the potential of the contract approach in terms of community capacity building.
- ❑ Sudden changes in leadership and power politics within the community organisation may damage an otherwise well-designed contract and activity.
- ❑ Sanctions in case of non-fulfilment of the contract, on either side (Contract Authority and community organisation). Even though it may be difficult in some cases, after all has been tried to make (one of the) partners comply with the contract, sanctions or penalties need to be imposed on the defaulting partner(s) if the latter is clearly unwilling⁸ to fulfil its obligations. The contracts are to be taken seriously and bad precedents should be avoided.

Other difficulties relate to excessive bureaucracy, the potential for local political influence on decision-making in terms of which groups are to be awarded contracts, lack of understanding of the legal status of contracts, and different demands of quality control. These potential difficulties can all frustrate the implementation of the approach.

1.8 Critical Issues in the Negotiation Process

Negotiation with the target communities is part and parcel of the contract approach and precedes the signing of the contract. It is an important opportunity for all parties concerned to discuss and examine all the aspects of micro-projects - choice of project, technical options, contributions, cost-sharing arrangements, timing, maintenance and responsibilities - with the aim of reaching a mutual and beneficial agreement. The introduction of a negotiation process in formerly unorganised and disadvantaged communities provides them with an opportunity to engage in negotiations related not only to their economic and social interests, but also to their individual and collective rights. This process of negotiation could prove to be one of the most effective means of alleviating poverty and empowering unorganised communities, changing the status of the poor people from being traditional "beneficiaries" into "actors" as a result of a process of negotiation.

If the contract approach is merely seen as a mechanism to facilitate infrastructure works and to mobilize local resources for development, then its potential will be limited and indeed it might exacerbate an already unequal situation. If, on the other hand, the contract approach stresses processes of community organisation, dialogue and negotiation and also the social, as opposed to the purely physical, development of

⁸ Which is different than not being able to fulfil contractual obligations (for instance because of wrong assessment of community capacities), in which case the contract should allow a certain flexibility (e.g. longer time span to allow for more capacity building, assistance with organizing inputs etc.)

communities, then its potential will be more positive. Similarly a broader contract approach offers the possibility of developing important skills at the community level and of using those skills to strengthen the position of informal community organisations.

The essence of the contract approach is in the establishment of a negotiated relationship between excluded groups and those who are able to provide resources for development. The approach is not merely to do with outputs or targets, but with developing relationships, skills and abilities. Community level organisation and negotiation lie at the heart of the approach and these are fundamental for any excluded group which wishes to gain access to resources.

However, the negotiation process has to be well conducted and well adapted to the prevailing situation to contribute to the objective of community capacity building. The community groups are generally not in a strong position in a negotiation process with contractors or with public authorities. The complexity of some of the contracts may worsen the situation. It is therefore essential to provide sufficient support to the community in the negotiation process, and to make the contract and negotiating process community group-friendly.

Related to the negotiation process is the expectation that involvement in the contract approach will help to strengthen organisations of local community groups and help them to build representative structures which could serve them in future development initiatives. In this respect the contract approach may encounter the same dilemmas and difficulties as other community-level initiatives, such as conflicts between different power structures within the community or the exclusion of particular groups (women, youths, ethnic groups) from the community organisation or its decision-making body. Project management may also be faced with a dilemma of contradictory demands, notably the demand of efficiency in project implementation on the one hand, and the need for capacity building and empowerment on the other.

1.9 Structure of this Paper

The remainder of this paper is organised in 6 sections. Section 2 provides a look at the specific experiences of community contract approaches and the partners involved in these contracts, including three case studies. Section 3 deals with various forms of contract documents for use in construction works, and section 4 develops the theme of the roles and responsibilities of the various actors. Section 5 lays out the step by step approach for reaching a general agreement with a community and the subsequent contracts for the actual works. The steps give clear guidance as to the actors involved at each stage and the expected results. Section 6 summarises the strengths and weaknesses of the community contract approach, including a cost comparison and sustainability considerations. Section 7 briefly addresses the issue of labour standards in community contracts.

2. Community Contract Approaches

2.1 Introduction

Unlike conventional contracting, in a community contract situation the contractor is from within the community and is therefore at the same time beneficiary of the created assets. Representatives of the community may act as representatives of the beneficiaries and also of the contracting authority. As this overlapping of roles and responsibilities may lead to conflicts of interests, a community contract is a very important instrument to define the relationship between the different actors involved in urban upgrading works, and to clarify their respective roles, rights and obligations. The main actors involved are the beneficiaries organised in a community-based organisation (CBO), the contractor, the contracting authority, the technical support providers, and the funding body. There are no clear-cut guidelines on how community contracts should be set up. The answer will usually be found in consideration of the capacity of the community, the levels of support available to the community, the alternative sources of service provision, the technical complexity of the infrastructure to be provided, and the responsibility of the municipal authority.

In utilising community contracting, funds can be channelled through a support agency, or funds can be given directly to the community. The funding mechanism will influence the roles and responsibilities of each contract partner. Community contracts can also be used where an infrastructure facility has been designed by an agency, and that agency chooses to award the construction contract to the community rather than a private contractor. This is particularly applicable to small-scale infrastructure and maintenance works.

This chapter describes the key actors involved in community contracting (2.2) and specific experiences with community contracting in Tanzania (2.3), Uganda (2.4) and South Africa (2.5) respectively.

2.2 Main Actors in Community Contracting

2.2.1 The Beneficiaries Representative Group

The beneficiaries are the people living in the area where the works are undertaken. They can benefit on at least two accounts: first, from the infrastructure to be constructed and second, from the employment opportunities offered during construction and maintenance. Basic questions that need to be discussed within the community are⁹:

- Which people will benefit from the infrastructure to be built? (geographical boundaries)

⁹ The Framework Agreement, guide to workers and communities, S. Africa

- Which people will benefit from the employment opportunities offered?
- What are the views of the community organisations?

The beneficiaries have to elect representatives who will emphasise the priorities of the community, and as such are the Beneficiaries Representative Group. Their main responsibilities are to initiate ideas, prioritise and develop activities, feed into the planning and design of the selected activities, collect and manage community contribution, check that works are carried out as envisaged by the beneficiaries, safeguard labour standards, and ensure proper operation and maintenance arrangements.

These beneficiaries representative groups have different names in different countries, i.e. Community Development Committee in Tanzania and Residents Development Committee in Zambia.

2.2.2 *The Contracting Authority*

As is the case in conventional contracting, in community contracting there is also a Contracting Authority. This contracting authority directs the contracting process and is responsible for the preparation of the contract documentation, issuing of contracts, monitoring of contractor performance, approval of works and authorising payments.

The contracting authority can be a municipality, local government, non-government organisation, a technical department, a development agency, private consultancy firm, or indeed community representatives (e.g. community development committee). In many cases the funder will have a major say in which agency takes on the responsibilities as contracting authority. In the two cases examined in this paper, a special institutional arrangement was made for community representatives to become part of the contracting authority (see sections 2.3 and 2.4). While international donor agencies and technical assistance teams may also be involved in assisting the contracting process, these are external and temporary actors and should preferably not take formal part in any community contracting system. Their contractual involvement will endanger sustainability in the longer term.

In all cases the contracting authority has to monitor progress and be aware of the kind of problems which are encountered at all stages of the work.

2.2.3 *The Contractor*

In all community contracts, members of the community are the “contractor” and are therefore responsible for the implementation of the works in accordance with the signed contract. However, it is important to define who in the community will take on the role of contractor. There are various possibilities:

- The Community Development Committee (CDC). The Community Development Committee consists of (elected) representatives of the community and their main

function is to represent the interests of the beneficiaries, as we have seen above. In this sense there could be a conflict of interest between the CDC as the contractor for the works, the CDC as the contracting authority for letting the contracts for the works and the CDC as the beneficiaries representative group, responsible to the community for the created assets. For this reason it is advisable to separate the contractor and non-contractor functions and to create a separate construction committee to act solely as the contractor.

- The Community Construction Committee (CCC). A separate community construction committee may be formed with the authorisation of the CDC. The CCC will be the contractor and will sign the construction contract, and will be responsible for the proper implementation of the works. In the case given below in section 2.3, the CCC is in fact a sub-committee of the CDC. The members of the CCC should not be on the Community Development Committee if the latter is the contracting authority or forms part of the contracting authority, controlling the payment of works.

If a profit is included in the contract this will go to the community bank account under the control of the CDC. The community construction committee will normally not have a legal status and for that reason the CDC will retain the final responsibility. This arrangement must be formalised within any agreement signed with the authorities.

- Economic interest groups. Within the community, groups can exist which are established enough to carry on economic activities, assume small investments and defend the interest of their members. This can be a labour gang emerging from the community, user groups trained for the routine maintenance of completed infrastructure or an unlicensed contractor who could be a local artisan or entrepreneur. The contracting authority can contract these groups as community contractors. All groups should belong to the community, which makes them direct or indirect beneficiaries with an interest in the end result of the works.

- Individual Community Members. For small quantifiable pieces of work (manufacture and supply of bricks'), for routine maintenance activities (drain cleaning), or for individual skilled items (small areas of masonry work), it is often convenient to source a skilled or semi-skilled individual in the community who has a proven record in a specific area of work.

- Private contractor(s). Technically more complicated works can be sub-contracted to a private contractor. In this case the community contractor acts as the main contractor (or in special circumstances the contracting authority may contract the private sector contractor directly for a small section of specialised work. This decision can only be reached with the agreement of the beneficiaries representative group).



2.2.4 The Funder

A funder provides the funds for the works and initiates the contracting process including agreeing on the contracting authority. In the case of community contracts it is strongly recommended that the funder provide additional funds to ensure that the contract process can be supported through external technical inputs and training. The (co-)funder(s) can be a municipal authority, a local government, a non-government organisation, a national or international development agency, and in some cases the beneficiaries themselves provide co-funding.

2.2.5 Technical Service Providers

The technical services providers will assist the community in formally organising themselves and facilitate the priority setting by the community. The technical service providers will also facilitate the development of partnerships and contacts with possible community contract partners and funders. Further technical assistance will often be provided in the planning and design preparation in close co-operation with the community and their representatives. Especially in a situation where the contract authority and other partners to the contract have insufficient capacity or lack the necessary experience to negotiate, prepare, monitor and implement community contracts, technical services providers have a vital role to play. It is therefore important to assess the capacity and experience of the contract partners before entering into a contract.

The technical assistance and/or training which the contractor and contract authority will receive as part of the support to the execution of the community contract, has to be made explicit in the contract. Last but not least, advice and assistance in setting up sustainable operation and maintenance procedures is a valuable contribution that can be made by technical services providers.

The technical service providers can be NGOs, international or national development agencies, technical departments, and private sector consultancy firms.

Table 2 below presents an overview of the 5 main functions in community contracting, the main responsibilities and possible agencies to carry out these responsibilities.

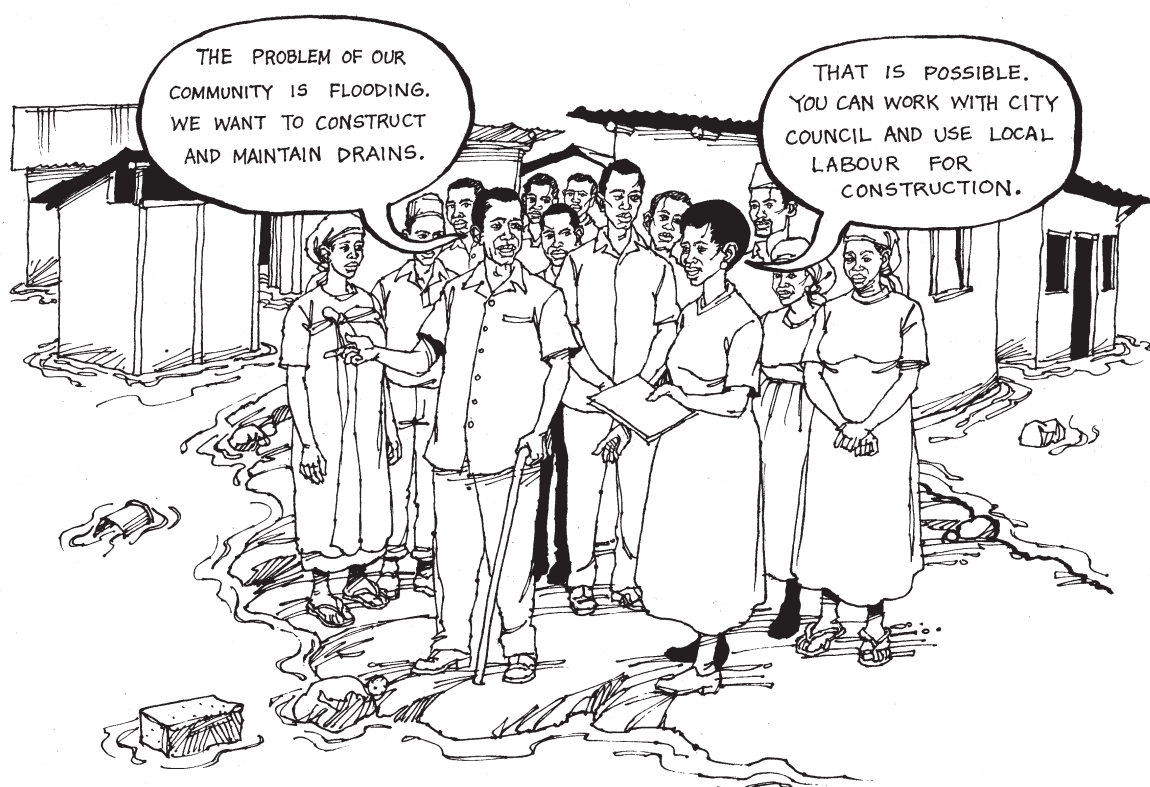


Table 2: The five main functions in community contracting and suggested agencies to carry out the related responsibilities.

Functions	Responsibilities	Possible agencies
Beneficiaries' representative group	<ul style="list-style-type: none"> ✓ Prioritise and develop activities ✓ Feed into planning and design ✓ Collect community contribution ✓ Check that works are carried out as envisaged ✓ Safeguard labour standards ✓ Ensure proper operation and maintenance arrangements 	<ul style="list-style-type: none"> ■ Community Based Organisation, such as a: ● Community Development Committee ● Residents Development Committee
Contracting Authority	<ul style="list-style-type: none"> ✓ Prepare contract documentation ✓ Issue contracts ✓ Monitor contractor performance ✓ Approve works and authorise payment 	<ul style="list-style-type: none"> ● Municipality ● Local authorities ● Consultancy firm ● NGO ● Community representatives (e.g. Community Development Committee) ● Project technical team (not preferred)
Contractor	<ul style="list-style-type: none"> ✓ Implement the works according to the contract 	<ul style="list-style-type: none"> ● Community Development Committee (CDC) ● Community Construction Committee (CCC) ● Economic interest groups within community ● Individual community members ● Private sector contractor as subcontractor
Funder	<ul style="list-style-type: none"> ✓ Provide funds to contracting authority or pay contractors directly ✓ Could provide funds for Technical Service Provider 	<ul style="list-style-type: none"> ● Municipal authority ● Central or Local Government ● Development agency ● NGO ● Beneficiaries
Technical Services Provider	<ul style="list-style-type: none"> ✓ Assist community in priority setting and community organisation ✓ Planning and design in co-operation with community ✓ Support to contract preparation and management ✓ Training ✓ Operation and maintenance procedures 	<ul style="list-style-type: none"> ● Line Ministries, technical departments (central and local government) ● Municipality ● NGO ● Development agency ● Consultants and consultancy firms

2.3 The Hanna Nassif experience - Tanzania¹⁰

Hanna Nassif unplanned settlement is located in Kinondoni District approximately 4 km from Dar es Salaam city centre. In 1994 the settlement had a population of approximately 19,000 people. The Hanna Nassif community tried for several years to interest the government in upgrading the settlement. The first priority was to reduce the flooding of the area by constructing storm water drainage. Several plans were developed but all of them failed due to lack of funds and the need to demolish many houses. In the early nineties a pilot project was formulated by the ILO based on high community involvement in all stages of the construction process and the use of labour based methods. In 1993 a Community Development Committee (CDC) was formed. The Hanna Nassif Community-Based Upgrading Project started works in March 1994 and finished in August 1996. A total of 600 metres of main storm water channel, 1500 metres of side drain and 1000 metres of murram road have been constructed, plus two protected drainage outlets, improved footpaths, and 10 vehicular culverts. All works were implemented through community contracts. The following actors were involved:



¹⁰ This description is based on experiences in Hanna Nassif project phase I. A second phase started in 1997 and includes extension of drainage and roads, drinking water supply, solid waste management and provision of credit for enterprise development. Most construction work and the delivery of services (like waste collection) are still carried out by community contracts. Phase II is implemented by UCLAS/NIGP/UNDP/ Ford Foundation with ILO providing technical Support Services.

Funding agencies	UNDP/Ford Foundation/EDF
Contracting Authority	City Council and Community Development Committee
Contractor	Construction Committee (sub-committee of CDC)
Beneficiaries	Hanna Nassif Community, represented by CDC
Technical service providers	ILO, UNCHS, UNV, City Council, Ardhi Institute, ¹¹ independent consultants on legal and accounting issues.

See figure 1 for the institutional set-up of the Hanna Nassif project.

Ford Foundation and EDF prepared separate agreements with the CDC and City Council for the implementation of the project. Based on this agreement funds were transferred to a joint bank account of the CDC and the City Council. The Community Construction Committee participated in the preparation of the contract by the City Council Engineer, so that a full understanding of the contract by the community was assured prior to negotiation of the contract sum. The CDC and the City Council subsequently signed the contract, and thereafter funds were transferred to the CDC bank account.

The CDC, with technical assistance, identified sub-projects, priorities and approved engineering designs, and awarded contracts to the Community Construction Committee for execution. The Construction Committee, with technical assistance, took full responsibility for the implementation of the contracts: supervision of procurement, organisation of paid and unpaid labour, construction activities and quality control. Technical assistance was also provided to the CDC in managing the contracts, on legal and bookkeeping issues and in community participation.

¹¹ Ardhi Institute is currently known as University College of Lands and Architectural Studies (UCLAS)

The Hanna Nassif case: Institutional set-up

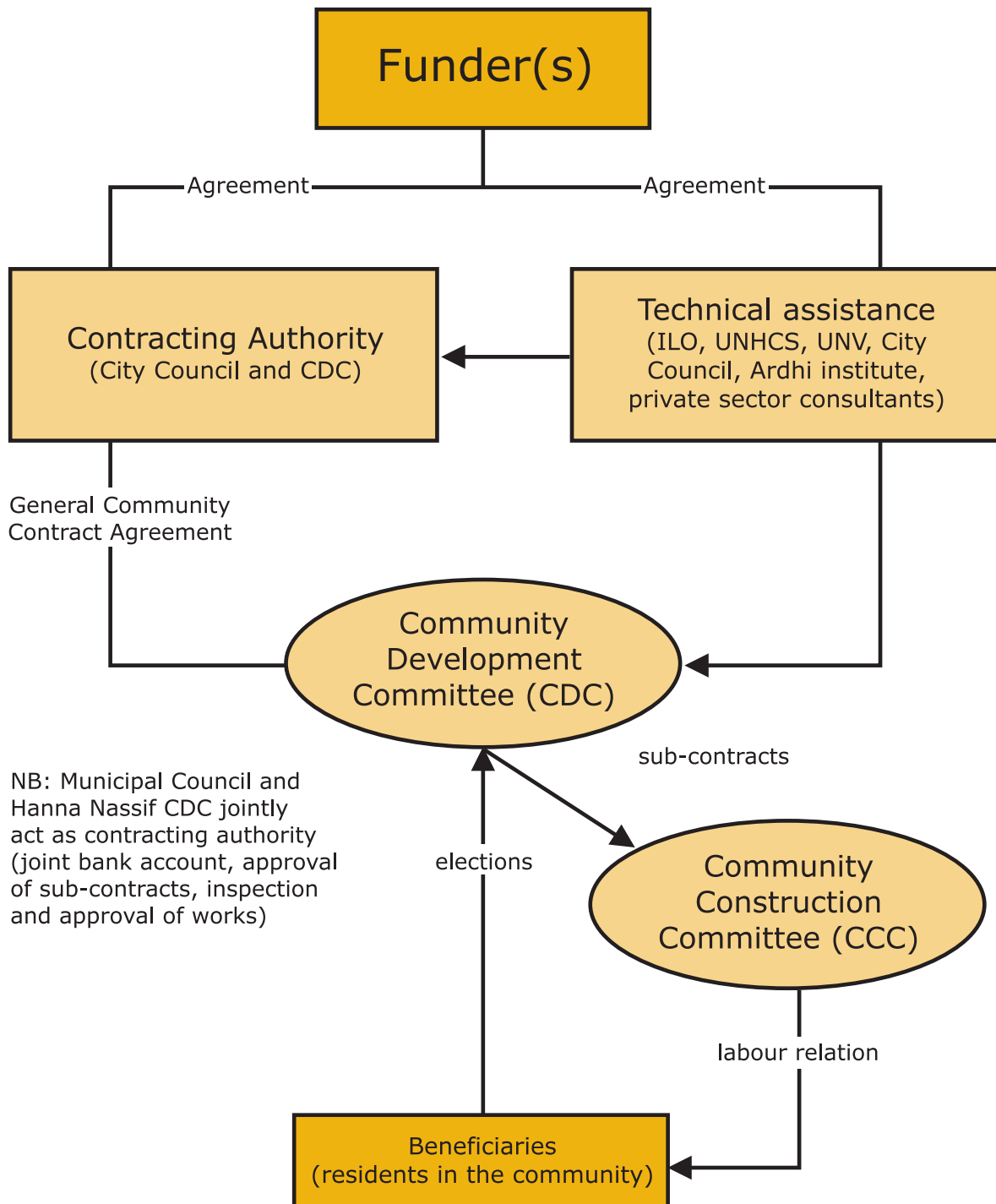
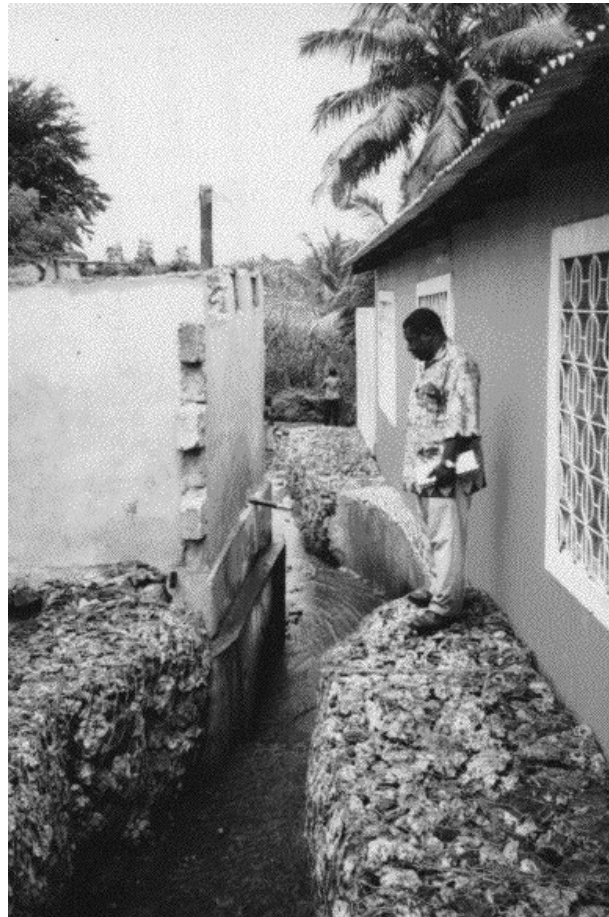


Figure 1

The technical assistance was provided under separate agreements: UNDP entered into an agreement with the City Council and ILO, UNCHS and UNV to provide technical backstopping (planning, design and implementation of construction works and on community participation). Besides the technical assistance under the UNDP arrangement, the CDC contracted an independent auditing consultant and a legal advisor.

The notable issues in this contract situation were:

□ The CDC, as representatives of the community, played a key role in the design and organisation of the works. They were accountable towards both the funding body and the community for the correct management of all aspects of the works. Although under an agreement with the funding body the overall construction works were agreed, the CDC could still make decisions on the exact location of the roads and drains, the modality of implementation (community contracts and/or private contractors), selection and payment of labourers, purchase of material and so on. Of course this was a large responsibility for an only recently established community organisation and therefore the technical assistance to the CDC, to advise and train them on the various tasks, also had to be large.



□ The City Council was an integral part of the process as they acted as the contracting authority jointly with the CDC and in that capacity also had to approve the community contracts. In addition, the City Council seconded staff to the technical assistance team.

□ The role of the technical assistance team was different from normal construction works as they could only act as advisors and had little control over the investment funds (material and labour). It was essential that the CDC had confidence in the advice of the technical team and that the latter could and was willing to explain the various technical options and consequences to the community. For example in establishing the payment rate to labourers the technical team had to show that a high payment rate would decrease the amount of work which could be carried out within the budget. The technical team had to advise both the CDC (contracting authority) and the CCC (contractor).

- ❑ The CDC had a dual role, inasmuch as it represented the beneficiaries and was also part of the contracting authority (with the City Council), subcontracting the actual works to the CCC. While this is certainly not an ideal situation, it functioned well in Hanna Nassif.
- ❑ The Community Construction Committee, which acted as contractor, was a subcommittee from the CDC. This implied that when the CDC, acting both as representative of the beneficiaries and as contracting authority, had to refuse the construction work of the contractor (e.g. bad quality), it was refusing the work of their colleagues (which has happened!). On the other hand the contractor had an extra interest to perform well as they were themselves also the beneficiaries of the work. A member of the community expressed this as follows: "We have to make proper constructions otherwise our children will blame us"
- ❑ The construction works took longer than originally envisaged (2,5 years instead of 1,5 years) but were carried out within the original budget. The quality of the works, especially the finishing touch, is sometimes less than would be acceptable from private contractors. But the stormwater drainage is working properly and there has been no flooding up till now. Maintenance is taking place, although not yet on a regular basis, with road toll funds collected by the CDC. A community maintenance manual¹² is in place and the CDC is still active and taking various initiatives as for example the formation of solid waste management groups.
- ❑ Equipment was under control of the community but at the same time the project limited the purchase of equipment as much as possible as communities have difficulties in operating and maintaining equipment. In the case of Hanna Nassif, only a concrete mixer was purchased, and the CDC hired equipment from the private sector when needed (trucks for bringing material to the site, water pump).

See Annex 1b for an example of a labour and materials community contract, used in the Hanna Nassif project.

¹² Maintenance manual Hanna Nassif, ILO ASIST, Pal Saetrum et.al., 1997

2.4 The Kalerwe experience - Uganda

Kalerwe is a low-lying unplanned settlement in Kampala, Uganda, where the inadequate drainage network resulted in severe flooding in the rainy seasons. In addition to the damage to property, the living conditions became very unhygienic due to the overflow of latrines and the mix of water with uncollected rubbish. The existing primary drain and the four secondary drains did not function, and as such provided a breeding ground for mosquitoes and were used as dumping ground for all kinds of waste, thus leading to increased incidence of water-born diseases.

Resident Committees (RC) and the Kampala City Council (KCC) were well aware that the solution to the problem of flooding would be the construction of a main drain. As there was high unemployment and the drain had to be constructed through a densely populated area it was decided that labour-based methods and community contracts would be the most appropriate way to implement the works. The Kalerwe Community-Based Drainage Upgrading Project was carried out from April 1993 to March 1994, after which project management was left to the community.

The main actors were:

Funding agencies	UNDP, Government of Uganda, Kampala City Council (staff, office facilities), Kalerwe residents (labour)
Contracting Authority	Project Management Team (PMT), including elected community representatives from the ten zones affected by the works, project staff from Labour Intensive Works Unit (LIWU) in the Ministry of Economic Planning, and seconded technical staff of government departments and Kampala City Council
Contractor	Local Project Committees (LPC)
Beneficiaries	Kalerwe residents, represented by Resident Committees
Technical service provider	ILO



The Kalerwe case: Institutional set-up

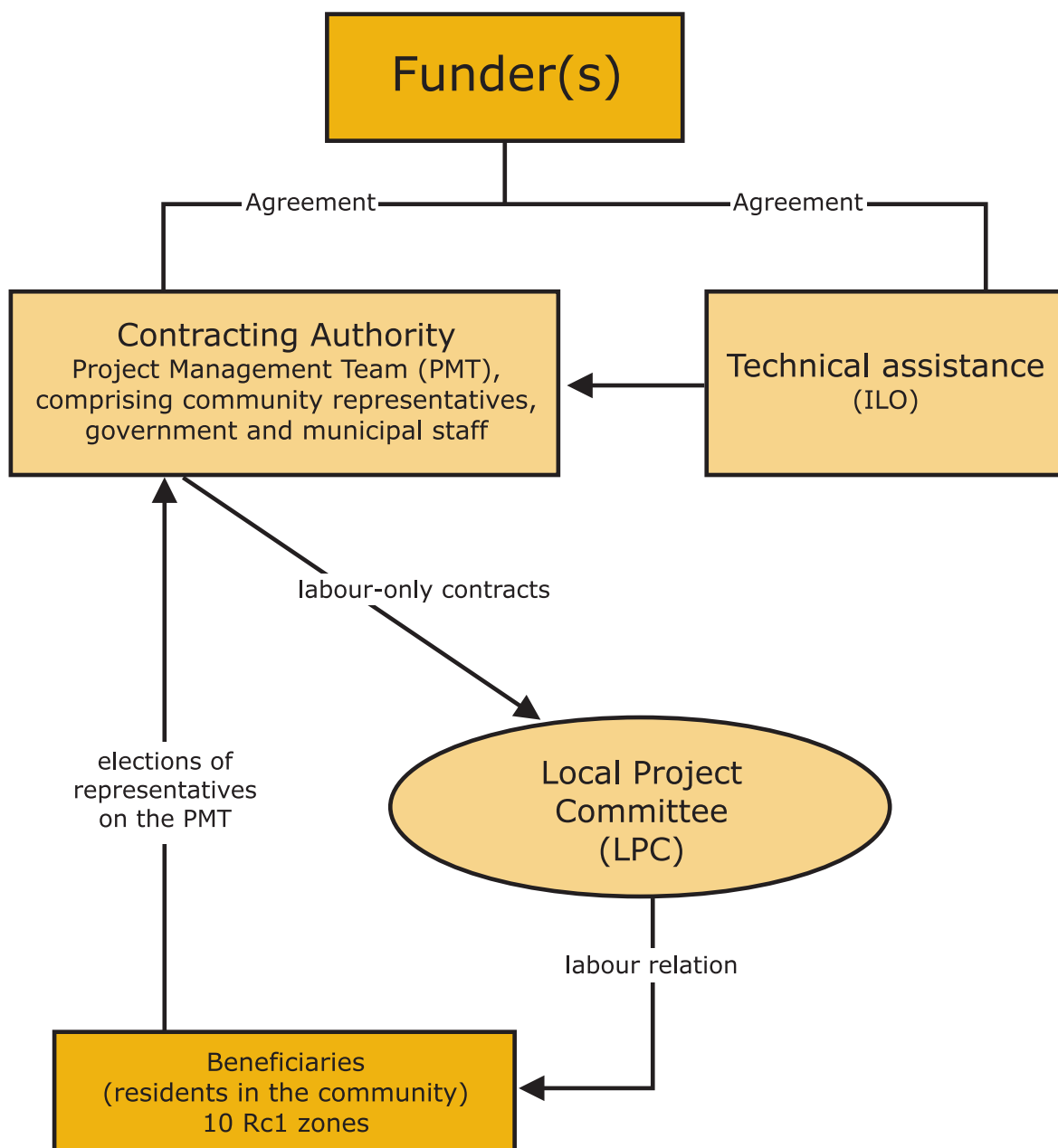


Figure 2

Figure 2 presents the institutional set-up of the Kalerwe project.

The major difference with the Hanna Nassif experience is that the funds are now channelled through a Project Management Team and although community members are represented in this team they do not have full control as in the case of Hanna Nassif. The PMT signs community contracts with Local Project Committees (LPCs), which consist of community members living in a certain area of Kalerwe settlement. The community contract is assigned to that LPC which represents the area where the drain is crossing at that moment. The community contracts are labour-only contracts and the procurement of material and equipment is carried out by the PMT. The primary drainage channel (2.4 km) was treated as major works and therefore involved no community contribution towards construction costs. The secondary channels (1.4 km), as minor works, involved a direct community contribution of 33 percent of the total labour costs.

The notable issues in this contract situation were:

- ❑ Although the community is involved in the planning and design it does not have full control. The capacity building of the community in initiating and planning these types of works was a minor aspect of the project. No registered CBO is established and the community is represented through the government administrative structure (the residential committees, RCs).
- ❑ The community as contractor (the local project committees) is only responsible for the labour input. There is a clear task division between the Project Management Team (contracting authority) and the contractor (the local project committees).
- ❑ The works were carried out effectively and efficiently (within one year and cheap compared to government estimates). However, maintenance has been a problem. During project implementation it was envisaged that maintenance on the main storm water drainage would be carried out with decentralised government funds and implemented under community contracts. However, the decentralised government funds were not available directly after completion of the infrastructure and maintenance has only taken place in an ad hoc manner. The community in Kalerwe has not (yet) taken other initiatives.

2.5 The Community Employment Programme (CEP) - South Africa

Funding agency	Government of South Africa through the National Public Works Programme
Contracting authority	Independent Development Trust (IDT)
Contractor	Community Committees
Beneficiaries	Communities
Technical service providers	Private sector Consultants, Department of Public Works Officials, Training Providers

The NGO Independent Development Trust (IDT), through its facilitators in the field, assisted communities to prepare project proposals for consideration by IDT. The Community Committee and IDT signed an agreement for implementation of the project, on which basis funds were advanced to the community committee. Included in the agreement were budget items for training and technical services. Contracts with the training providers and the private sector technical services (consulting engineers, architects, etc) were made directly with the community committee. Empowerment of the community was a major aim of the programme.

The Community Committee received technical assistance to prepare and implement the contracts. Technical assistance was also provided to the Community Committee in managing the contracts, on legal and bookkeeping issues and in committee procedures. In cases where particular skills were required for construction which could not be provided from within the community and for which short-term training would be inadequate, some of the works were sub-contracted out to private contractors by the community committee.

The notable issues in this contract situation were:

- ❑ the Community Committee, as representatives of the community, played a key role in representing the beneficiaries at all stages in the project process. However the committee had a second role as the contractors for the works. They were accountable towards both the contracting authority (IDT) and the community for the implementation of the works. Although under an agreement with the IDT the overall construction works were agreed as the basis for employment and sub-contracts, the Community Committee could still make the decisions on the modality of implementation (community contracts and/or private contractors), selection and payment of labourers, purchase of material etc.
- ❑ The IDT facilitators were an integral part of the process, as they represented the contracting authority, and provided general support to the community.

- ❑ Technical assistance was hired by the Community Committee from private sources or accessed through Government Departments. In some cases the consultant/department had excellent relations with the communities, in other cases difficulties were experienced with the quality of the technical advice or with the reluctance of the communities to pay consulting fees once they were submitted.

There can be no doubt that the technical quality of assets produced under the CEP generally far exceeds that of most other community-based works programmes in Sub-Saharan Africa.¹³ Maintenance and sustainability have not been tested as most projects were only recently completed.

2.6 Conclusions

The three different examples above show that community contracting can take various forms of responsibility sharing, depending on the funding arrangements, the main goals (only implementation or also capacity building and empowerment of communities) and the capacity of the community and government. It has become clear that a large involvement of the community will (in the first instance) slow down the implementation process and requires considerable technical assistance. This is likely to result in higher implementation costs. On the other hand, the ownership of the constructed assets will be more in the hands of the community and communities will have been strengthened in undertaking these kinds of initiatives. It is therefore important to consider the main objective of the project and the responsibilities of the main actors (see Chapter 4). This has to be clearly spelled out in the contract documents to ensure that all parties agree on the objectives and responsibilities. The next chapter will discuss the various aspects of contract documents.



¹³ *Infrastructure, empowerment and jobs - ILO/UNDP 1996*

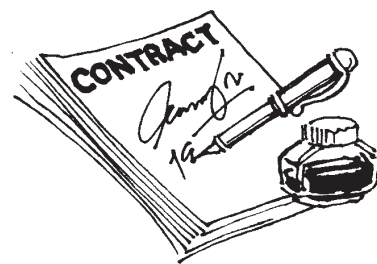
3. Contract Documentation

3.1 Introduction

A contract is a binding agreement between two partners. As such, it can serve as a mutual reference with regard to the implementation of a specific action. In a conventional contract situation, the contracting authority (or client), which can be a municipal authority, a line ministry, a private business or individual, decides what it wants, prepares a contract that elaborates on these goals and negotiates with the contractor to achieve these goals at the lowest possible cost. The contractor is legally bound to implement the signed contract according to the specifications and time frame stipulated in the contract document. In a community contract situation, the community has the double function of first identifying and prioritising their needs, within the limits and parameters set by the funding agency, and subsequently the implementation of the works. The community usually contributes significantly to the whole process, not only in terms of intellectual and organisational inputs, but also in terms of material and labour inputs. It may therefore be more correct to talk of “associative” contracts, whereby the community as beneficiary, as contractor, and sometimes also as contracting authority, learns to negotiate and to fulfil accepted responsibilities and obligations in the execution of the contract, getting funding, technical assistance and training in return.

Although different contracts all require their own specific contract documents, there are some considerations which are all the more valid for community contracts. In all cases community contracts should:

- ❑ be well discussed between the contract partners with a full agreement on the final outputs;
- ❑ be simple and transparent;
- ❑ have a very specific and measurable description of the final output;
- ❑ have clearly defined incentives and sanctions;
- ❑ have clearly defined responsibilities for quality control and approval of the finished asset;
- ❑ have a reasonable time frame to allow for training, community mobilisation and participation.



This chapter will explore the various aspects of contract documents, such as different community contract documents, bills of quantities and unit prices, advance payments and profits on community contracts. The last section gives an overview of the options discussed.

3.2 Types of Community Contracts

In much of the literature, methods for implementing community contracts are given but little has been written about the actual terms of the construction contracts. In this section some of the alternatives available will be presented.

Depending on the skills and organisational capacities of the community, the availability of outside assistance, and the type of construction work envisaged, the following contracts can be prepared:

1. **Labour-only contracts.** The community is only responsible for the provision and organisation of the labour input. The contracting authority or external assistance group is responsible for the timely provision of materials and equipment in sufficient quantity and quality (e.g. Kalerwe experience in section 2.4).
2. **Labour and material contracts.** The community is responsible for both the labour and material input for a certain construction activity. To keep the contracts simple it is important to divide the work into well-defined tasks and issue contracts for each task.
3. **Full contract.** Under a full contract the community provides the labour, material and the necessary equipment, and is also responsible for overall management, sub-contracts etc. (e.g. Hanna Nassif experience in section 2.3). Although the use of equipment will be limited under labour-based works, equipment can be a major bottleneck for proper implementation of the works. Examples of equipment needed in labour-based works are: hand tools and protective clothing such as gloves, rubber boots etc., a concrete mixer and pedestrian roller for compaction. Some of the equipment can be hired from private enterprises. However, in the case of a full contract the community must be fully aware of this extra responsibility and provisions have to be made for operation, maintenance and safe keeping. In the Hanna Nassif project in Dar es Salaam, the community purchased the equipment under a separate donor grant and appointed (and paid) a community member as storekeeper.

3.3 Bill of Quantities and Unit Prices (schedule of rates)

Based on a study and a detailed engineering design, a contract document will be prepared indicating the outputs and the necessary inputs (Bill of Quantities). In the case of private contracting, the optimal contract (best quality and lowest price) is determined in a bidding procedure. The client is interested in achieving the outputs at the lowest possible cost.

In the case of community contracting, the procedure has to be simplified and normally there is no conventional bidding procedure because: (1) the contract will be awarded to the community or a community group, who are also the beneficiaries of the created assets; and (2) most community groups do not have the capacity to prepare contract

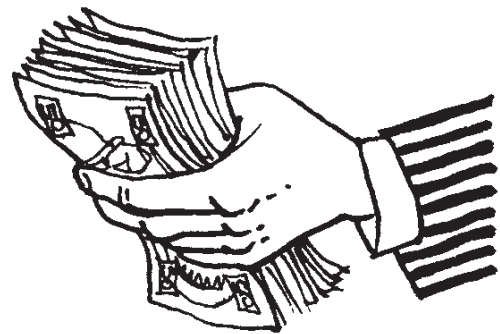
offers and enter into a bidding procedure. However, for very simple maintenance works that could be taken up by for instance youth groups, e.g. the removal of waste and grasses from drains, a simplified bidding procedure could be envisaged using shortlists and unit prices. Such works could be contracted out by a CBO or by local government, whoever is in charge of maintaining the facility.¹⁴

Experiences can be used from training projects and programmes for labour-based small-scale (or petty) contractors. Small-scale contractors often do not have much experience in preparing precise cost estimates for the proposed works. To assist the contractors, contract documents are prepared indicating the quantity of work (bill of quantities) and the unit prices (schedule of rates) for the various activities. The contracts are only evaluated on the technical quality of the proposal, not on the price. This will lead to simple contract documents and a reduced role of the contractor in the preparation of the contract bid. Community contracts for urban works could build on this example.

3.4 Advance Payment

One of the problems encountered by communities that enter into a contract with local authorities, is the availability of funds to start the construction work. In some cases the community will only be paid on completion of an agreed section of work, but before this payment is due the community needs to buy materials and pay wages.

Registered contractors, able to provide a bond, are given an advance payment in order to allow them to establish themselves on site and start work. The willingness of municipal authorities to grant advance payments to community contractors will depend on the legal standing of the CBO, the attitude of municipal officers and financial regulations. Even in cases where CBOs are legally registered there have been difficulties in securing advance payments where this is not a normal procedure for the municipal council.



It could be argued that a community contribution should be used for funding the initial works, but depending on the experiences of the community (i.e. previously un-kept promises by government or donor agencies), people may be reluctant to contribute until they see that work is actually progressing. Also, major works may be entirely funded by the municipal authority and/or donor, and therefore a community contribution is not required. One option is for a donor or NGO to provide interim funding; this is however not a long term solution.

¹⁴ For the procurement of materials (cement, timber etc.) and hiring of transport for construction material, normally three quotations are asked from local suppliers.

The following text box number 1 presents two examples of advance payments to communities.

Box 1: Advance payments in community contracts

Cohin, India: The municipality awarded a contract to a Community Management Group (CMG) for the construction of a septic tank. However, a problem arose because government procedures operate on a cost reimbursement basis and therefore no advance payment could be made. Nor could the CMG obtain credit for material purchases. One official advancing a government loan taken out in his personal name finally resolved the problem. A commendable gesture but clearly a risky and unsustainable approach. Although not stated explicitly, the CMG must have had problems raising credit from the private sector. (Source: Community Initiatives in Urban Infrastructure - Interim Report Project R6264, ODA, 1996)

South Africa: extract from the information manual of the Gauteng Community-based Public Works Programme on Receiving money from the Gauteng Department of Development Planning, Environment and Works (DDPEW):

"Money will be transferred into the (community) account by the National Public Works Programme once Form 6, the request for payment form, has been sent to the Community-based Public Works Programme (CBPWP) in Gauteng. Each community will be supplied with enough of these forms after the project has been approved. First Payment: Once the project has been approved and the community's Project Officer has received a signed contract, the first payment is ready to be made. The first payment to the community bank account is to get the project started and the amount will be as indicated in the contract. As a general rule the first payment will be between 25% and 40% of the total budget. The second payment is made on the basis of the correct expenditure of the first payment in accordance with the programme's accounting procedures."

3.5 Profit on Community Contracts

Why provide for profit on community contracts? Profit is related to the risks contractors take in implementing works and provides an incentive for efficiency in the execution of the works and for further investment. If construction becomes more expensive due to inefficient work organisation, over-priced material purchases, or sub-standard work that must be replaced without extra payment, then the profit will be reduced. The maximum profit on community contracts may be set at 10% to 15%. However the payment of profit depends on the work being completed to the satisfaction of the contracting authority. The profit should only be calculated on the part of the works for which the contractor (or community) has responsibility, i.e. only on the labour content if the contractor/community has a labour-only contract.

In the case of Hanna Nassif community contracts, the 10% profit was made by the Community Construction Committee (CCC) but was paid into the CDC maintenance bank account, and is meant specifically for maintenance activities. The CDC is the legally registered organisation; as such it has the ultimate responsibility and must be fully aware about the risks involved in contracting. It has happened that contracting authorities have failed to hold the community organisation and/or the construction

committee responsible for errors in the work. This is not a correct use of contracts. Even in community contracts the game has to be played seriously and according to the rules. Not doing so would set bad precedents.

Errors can occur as a result of the technical assistance provided by the municipal authority or other support agency. It must be clearly stated in the contract who bears responsibility for technical mistakes such as the setting of incorrect levels for drain inverts. Communities cannot be held responsible for mistakes of the technical assistance team that was appointed to them, and only errors due to inaccurate workmanship should be under their responsibility. The responsibilities must be clearly specified in the general agreement (main contract document).

In the case of full contracts where the community also hires technical assistance from the private sector, they must be fully responsible for all risks and mistakes, because they have control over the technical assistance. However, communities may need help in the preparation of sub-contracts for technical assistance and in judging the validity of this assistance.

The negative effects of reduced profit can create difficulties in funding initial maintenance and lack of funds to tackle the next priority of the community. The community residents will be quick to realise that the community committee and construction committee are not achieving the correct level of profit, and this may lead to criticism of the committees and social pressure to improve their performance. This also underscores the importance of financial transparency and regular audits (see the Hanna Nassif constitution, article 17.3, in Annex 2).

3.6 Overview

A summary of the various contracts and other alternatives is given in table 3.



Table 3: Overview of different contract forms

Contract type	Advantages	Disadvantages
Labour-only (example in annex 1.a)	Relatively simple for the community to organise.	Responsibility for funds, materials, technical direction has to be carried by either the municipal authority or some other support agency. It could limit the development of the community and their ability to organise other works.
Labour and material (example in annex 1.b)	Less responsibility is placed on the municipal authorities. Communities gain more experience in management. Tendency to use local suppliers, boosting the economy in the area.	Materials have to be carefully checked to ensure that the quality is adequate. Technical assistance needed from Municipal authority or support agency for engineering and organisational aspects.
Full contract	All responsibility passes to the community including the technical execution of the works. This limits the burden of the municipal authority to contract supervision.	Can only be done with technical assistance (private sector, government, NGO). The community needs to develop a good understanding of planning and organising the management and construction of the works. The community may not appreciate the need for good technical advice, and the cost of that advice if provided by the private sector. This could lead to heavy dependence on the support agency, which may or may not be a signatory to the contract.
Schedule of rates	Makes tendering for the work much easier and the awarding of contracts will be dependent on good quality work and satisfactory completion times. Additional work can be carried out at the already agreed rates.	The schedule of rates must be accurately compiled with a mechanism for regular updating.
Sub-contract or petty contract	Special works can be priced as single items and paid on completion. This is a useful type of contract for employing artisans such as carpenters and masons.	Sub-contracts must be accurately priced and properly negotiated.
Maintenance contract ¹⁵	If awarded to the community, and partly supervised by the community, there will be more pressure from residents to ensure that it is properly carried out.	If awarded to a contractor from outside the community, they may not carry out the work satisfactorily, or be able to respond quickly in the case of emergency repairs.

¹⁵ This can be a labour-only contract or any of the other contract types.

4. *Roles and Responsibilities of Key Actors*

4.1 Introduction

Community contracts facilitate the development of constructive partnerships, but only if there is a clear goal-oriented division of tasks between the key partners.

In this chapter the roles and responsibilities of the three key actors will be described. Section 4.2 outlines the roles and responsibilities of the beneficiaries, section 4.3 focuses on the local and central government and section 4.4 indicates the role of technical support organisations.

4.2 The roles of communities

4.2.1 The Community as Beneficiaries, as Contracting Agency and as Contractors

The main aim of community contracts is to actively involve communities in the planning and implementation of construction activities. In a community contract the community or community groups are always the implementor or contractor. However in some cases the community also plays the role of contracting authority (e.g. Hanna Nassif). If these responsibilities of contracting authority and contractor are not well divided within the community, conflicting interests could occur as the community has to give incentives and sanctions to itself. In the Hanna Nassif project, the CDC in its function of contracting authority had to refuse payment for task work implemented by a labour gang of the same community. In this case two committees were formed, one representing the contracting authority (CDC), and another the contractor (CCC). The fact that a community has an interest in the created assets (reduced flooding) does not automatically induce an individual from the community to contribute fully, given that all people have their own personal interests. The main personal interest for any community individual is paid labour, but also other social incentives such as prestige can play a role.

There are however also advantages if a number of members of the community are both beneficiary and contractor. For example the shirking of contract agreements might remain within limits because the social control is high and the community as beneficiary is interested to achieve their goals within the budget limits.

Community representatives may also be confronted to incompatible tasks as intermediaries between the government and the community, as illustrated by text box number 2.

Box 2: Sri Lanka – CDCs working for government and the community

CDCs were supposed to perform different - and sometimes incompatible - tasks at the same time. On the one hand they were supposed to act as channels for the distribution of goods and services and made responsible for the collection of fees for the government, thus serving as agents of the government. On the other hand they were supposed to function as a representative body of a community, capable of putting pressure on the government and negotiating access to new and better services. This type of situation is unlikely to foster strong and efficient CDCs.

Source: Snoer W., Community Contracts: some considerations for a framework of community based activities, Institute of Social Studies, 1995

4.2.2 Community-based Organisations (CBOs)



Community-based organisations can be defined as any type of organisation, formal or informal, which is based on a group of people living and working together and who associate to pursue a common interest. They generally have a focus with regard to their activities and are often directly accountable to their constituents¹⁶. CBOs are established

¹⁶ Davidson and Peltenburg, 1993

for a community-wide purpose, not for individual gain or to promote the commercial interests of a small group of people. They can however represent a special interest group supported by the wider community. Community in this sense does not necessarily have to be defined by geographical boundaries, although this is often the case especially when dealing with infrastructure improvements. In South Africa one of the community projects being supported by the Community Employment Programme was irrigation for the fields of the families of the blind. The wider community supported the application by the CBO for assistance to this specific group.

All CBOs are “non-profit” organisations which means that their funds must be used to achieve their goals, and no funds may be paid or distributed to members other than in the form of reasonable payment for work done. CBOs can take the form of voluntary organisations, trusts, or a special type of registered company depending on the country in which they are operating.

CBOs are different from NGOs. NGOs facilitate and support initiatives of target groups, whereas CBOs are voluntary groups formed to achieve common goals for the benefit of the members of that group.

For the community to enter into a community contract they have to be organised and representatives have to be elected. Furthermore, in a contract situation it is better if both parties are legally recognised bodies, i.e. the community organisation should acquire some form of legal recognition.

4.2.3 Achieving legal recognition

Community-based organisations (CBOs) can take many forms, but if they are to enter into a contract with an external agency it is important that they have a proper legal standing which conforms to the laws of the country. The CBO also needs to have a legal status in order to be able to open a bank account, to receive and distribute funds, to mobilise community resources in a systematic manner and to carry out responsibilities associated with the contract. In some cases a CBO will need assistance to become registered as a legally recognised body. The necessary support can be supplied by an experienced NGO, or the community can hire legal advice from the private sector to become properly registered. An example of a legal registration document from Hanna Nassif in Tanzania is given in annex 2.

4.2.4 Financial capacity

In general, local resource-based technologies and reasonable technical standards of a level acceptable and affordable to low-income communities reduce the costs of construction and maintenance in urban upgrading works. With the use of labour-based technologies, the options for community contribution as either money and/or labour are widened. A basic question is whether there should be community contributions or not. This generally depends on whether the works are major or minor, of direct or only indirect interest to the community, capital investment or maintenance, productive or social. If the community should contribute, the questions arise as to what level of

contribution, for which type of services, and in what way the contribution should be paid (i.e. labour, community levy, payment by individuals or groups of beneficiaries, materials)¹⁷.

The CBO also needs a transparent accounting system, including regular external audits the results of which should be made available to the community. A transparent accounting system is not only important for the financier but also for the wider community in order to understand the decisions taken by their representatives and to make community contributions more acceptable.

4.3 Role of the Municipal Authority and Central Government

4.3.1 Background

Despite the fundamental importance of urban development to the national economies, municipalities generally lack co-ordination powers required for effective political and economic decision making. While the situation is expected to improve with decentralisation in many countries, municipalities still derive their authority to a large degree from central government, which limits their powers and denies them adequate resources to strengthen their autonomy.

Within the municipal authorities, municipal departments are organised to provide services and to control developments within their area of jurisdiction and sectoral operations. Often no internal (horizontal) co-ordination exists, which would ensure complementarity and mutual reinforcement in the implementation of various sectoral programmes. In addition, municipalities often do not have the capacities and information systems needed to monitor and understand the impact of various (municipal) programmes on the urban poor¹⁸.

There are different levels of government, e.g. central government (various line ministries) and local government (municipality, city or district council), with each level having its own legal position and responsibilities and resources. In the context of community contracts, it is important to have a clear view of existing relations between the various levels of government in order to assess which stakeholders are of importance for a given activity at community level.

¹⁷ See *Remuneration systems for labour-intensive investments: Lessons for equity and growth*, Steven K. Miller, *International Labour Review*, volume 131, number 1, ILO, 1992.

¹⁸ *Policy options for Urban poverty reduction: A framework for action at municipal government level*, UNDP/UNCHS/World Bank 1995

4.3.2 *Municipal authorities: creation of an enabling environment*

Although urban upgrading works are normally implemented for the benefit of a given community, it is often the municipal authority who acts as contracting authority and issues private sector contracts for the construction works. The involvement of the community (if any) will often be restricted to the planning stage. The tendering and awarding of contracts, the control of implementation and of the quality of the works are considered as government tasks. However, as mentioned before, the government does not have the organisational and financial capacity to do all the upgrading works. Often the government limits itself to the planned central part of the city, leaving the unplanned settlements without any or with limited services.

In community contracting, the municipal authority and communities work together in a partnership to determine the goals of the upgrading programme. The community plays a leading role in establishing the priority needs of the settlement and requests assistance from government in meeting these needs. Often the government is involved in the financing of the works, since outside donors often prefer to channel the funds through the government's system¹⁹.

A possible barrier to the upgrading of unplanned settlements can be the attitude and prevailing regulations of the municipal authority (or planning ministry). The creation of an 'enabling environment' is important to allow local authorities to support requests from communities for assistance in improving their living conditions. It may also lead to bottom-up initiatives in infrastructure improvement if procedures are regularised and publicised.

The main issues in the creation of an "enabling environment" for community participation and community contracts comprise:

Regulations:

- ☐ The acceptance and the setting of realistic and affordable levels and standards of service for the informal and formal areas;
- ☐ the granting of planning/construction permits in line with the adopted levels of service;
- ☐ the registration of CBOs as legal entities, and as community contractors, with a clear legal framework in which they can operate;
- ☐ the development of a road toll or property tax system whereby part of the property tax can be collected and managed by CBOs to finance maintenance activities and new initiatives;

¹⁹ *In the Million Houses Programme in Sri Lanka the government is funding the upgrading programme and the contract is between the community construction committee and the National Housing Development Authority (NHDA)(UNCHS 1994). In Hanna Nassif (Tanzania), the funds were released by Ford Foundation upon an agreement between the community (as beneficiaries) and the City Council.*

Participation:

- ☐ the development of public/private partnership;
- ☐ the institutionalising of participatory approaches for the planning and provision of urban infrastructure and services;
- ☐ re-assessment of the ways in which contracts are put out to tender and awarded (consider a special category for community contracts);
- ☐ the provision of support services for communities acting as contractors;
- ☐ the creation of bye-laws for community administration of assets;
- ☐ the promotion of private sector involvement in studies, and monitoring of community contracting development;

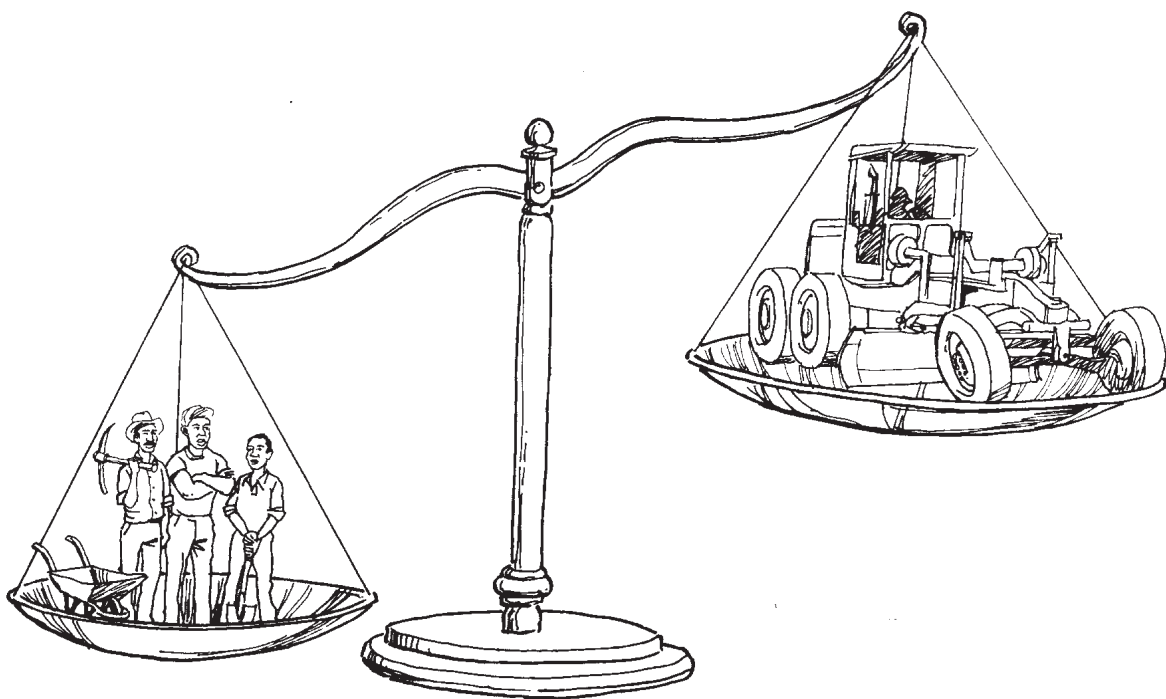
Infrastructure:

- ☐ adoption of local resource-based technologies whenever feasible
- ☐ the connection of services in unplanned settlement to main system (e.g. solid waste collected from transfer sites on border of settlement);
- ☐ willingness on the part of all actors to be flexible and responsive to new solutions and methods of financing of infrastructure.

Development workers and project implementors in urban upgrading must be aware of the above issues facing municipal authorities as they form the background against which a project is implemented. The complexity of community-based infrastructure projects also highlights the need for constant dialogue and agreement with the municipal council. Successful pilot projects can influence municipal policies and regulations to facilitate participatory approaches in the provision of urban infrastructure.

4.3.3 Government policy and the need for formal agreements on planning issues

Although with time more governments are emphasising the positive advantages of using labour-based methods, they often consider these methods an option for rural infrastructure works only. There is a need for the expansion of the use of appropriate technology and local resources, from the rural to the urban context. If standards and specifications remain based on advanced technology solutions, then there will be little scope for communities to participate and isolated 'pilot projects' will not become part of the routine working methods of the authorities.



It should be possible to undertake community-based infrastructure upgrading to a standard acceptable to the municipal authorities and affordable by the authorities and communities.

Agreements between the community and the municipal authority on the type and level of services to be provided may have to be informal until the planning regulations are changed to accommodate alternative solutions. Without a formal amendment to these regulations, municipal officers may be placed in the uncomfortable position of being asked to approve works that are not in agreement with the existing regulations. Where a service constructed by the community joins into a service provided by the municipality there may also be problems of allowing the connection to be made from a non-regulated community system into a regulated standard municipal system. See text box 3 for an example.

Box 3: Integration of a community-built infrastructure into the city trunk system - Karachi, Pakistan

The Orangi Pilot Project (OPP) has supported the community in Orangi, one of Karachi's largest irregular areas, in building their own shallow lane sewers since the mid 1970s. It took more than a decade for the project and the Karachi Metropolitan Corporation to reach an agreement on mutual responsibilities for the integration of the community built lane sewers in Orangi into the municipal system.

(Source: Asian Development Bank, 1993).

4.4 Role of Technical Support Services Providers

Often the community does not have enough experience to implement the community contracts on their own; therefore assistance is needed from an external organisation or agency that can offer technical support. Similarly, the government and/or other contract partners do not always have the capacity to deal with community contracts, and they too need assistance. The level and type of technical support depends on the experience of the different partners and the complexity of the works. It is therefore important to assess the capacity and experience of the various contract partners in carrying out the works before entering into a contract. The technical support and/or training, which a community and/or other partners will receive, have to be made explicit in the contract. In the contract document care should be taken to formulate the goals and activities as specific as possible, since that will provide essential information on the choice of organisations for technical support services.

The following sections provide an overview of possible support organisations and an outline for the type of technical support which could be needed to support the community contracting process. These tasks include:

- ☐ assistance with planning, survey and engineering design
- ☐ capacity building and training for communities
- ☐ capacity-building and training for government and municipal authorities
- ☐ monitoring

4.4.1 Type of technical support organisations

Organisations providing technical support include government departments, NGOs, private sector consultants, international agencies and national institutes. Different support organisations can be simultaneously involved. For example, an NGO could be assisting the community with their contracting responsibilities, while at the same time a private sector firm could be assisting the funding body to monitor the contract.

NGOs are associations established to pursue development activities on a non-profit basis. NGOs vary in size and composition, technical capacity in specialised area, management styles, professional competence, social networks and training capacity. NGOs are often focussed on community organisation and community capacity building.

The private sector consists of privately owned enterprises, which undertake business for the creation of profit. Private consultancy firms can bring a wide range of resources into a contract arrangement, including management skills and technical knowledge, legal advice, as well as financial and technical audits.

Government may want to concentrate on issues such as security of tenure, appropriate building codes, access to finance and access to low-cost building materials. However where they have the capacity, they too can provide technical assistance.

International development agencies (UNDP, ILO, HABITAT, UNV, UNICEF, Development Banks, EU and bilateral donors) could play an important role in assisting in policy development, advocacy, research, training, evaluations and audits, and setting up of pilot project and demonstrations sites. The international agencies, however, should mainly focus on creating national capacity for implementation.

4.4.2 Planning, survey and engineering design

In a participatory process the community plays a major role in defining not only what type of infrastructure is needed, but also how it should be designed. The planner and designer have to work with the community in a participatory way, explaining the advantages and disadvantages of the proposed works and the technology choices. In every situation there are different design choices and a balance has to be made between the most optimal construction and the available funds²⁰. General building standards are often inappropriate and unaffordable for low-income communities and the expected quality of goods produced under a community contract should be measured against an adapted set of guidelines and not necessarily against conventional building codes.

The need for a thorough survey of the area to be up-graded, including accurate ground levels, especially for drainage and water supply schemes, is invaluable to make the correct design choices for infrastructure improvements. It is also necessary to establish the layout of the settlement, position of community facilities, access routes, and to identify open spaces so that they can be preserved if at all possible. Where maps of the area exist, the survey can be used to check and up-date the map.

²⁰ For example, the engineer designing a drainage system could base the dimensions of the canals on average rainfall and not on the occasional peak rainfalls, thus allowing occasional overflowing. Different design standards can be used for different parts of a drainage system, allowing flooding every five years, or only every 40 years. In making the design, the engineer will therefore have to strike a balance between what the community is able and willing to do on the one hand and what it can afford on the other hand.

For most types of service provision, be it water distribution, drainage, access roads, footpaths, sewerage, etc., a clear route through the settlement for the service must be found. The distance between existing buildings, the position of existing facilities, and the minimising of demolitions²¹ will play an important part in forming the design brief.

It is often assumed that the use of intermediate technology and in particular labour-based methods of construction will reduce the need for precise design work. In fact, this is not at all the case. The techniques used during construction may be kept as simple as possible, but the accuracy and appropriateness of the design demands close attention to detail (e.g. laying of water pipes to an accurate gradient to make sure that there are no high and no low points in the wrong parts of the distribution network, or the accurate placing of the inverts of drains to ensure that the water flows properly to the outlet point and that the land adjacent to the drain is drained).



²¹ Demolitions lead to problems of compensation and relocation. Investment made in the buildings to be demolished, even quite modest levels of investment, are an asset and as such should be preserved if possible. In many unplanned settlements people wish to remain in the area and would prefer an adapted standard of service to the option of demolitions.

Once the community and the assisting engineer have agreed on the location and possible designs for the infrastructure, cost estimates have to be made and this also requires technical knowledge and experience.

To achieve a satisfactorily functioning service, communities will need assistance in setting out the works, work organisation, and quality control. This assistance will need to come from a support organisation or can be hired from the private sector.

4.4.3 Mechanisms for the inclusion of the private sector

Once it is clear to the community that engineering assistance is needed, they can get the assistance from several sources, i.e. NGOs, support agencies, development agencies, and municipal authorities, or from the private sector.

In the South Africa Community Employment Programme, beneficiary communities either used plans for facilities made by the local authority or they hired an engineering or architectural consultant to prepare plans and supervise construction. The hiring of the consultants was facilitated through a supporting NGO, but the contracts were signed between the Community Committee and the consultant. Disputes over payments or performance were usually resolved through discussions held with the parties to the contract and the local NGO representative.

Engineering consultants may be hired for three purposes: (1) to prepare technical designs of the works to be undertaken; (2) to prepare Bill of Quantities and cost estimates and (3) to supervise the implementation of the works (quality control). The first type of contract to prepare technical designs is more likely to be used by the community, and the third by the funder/contracting authority to ensure that the quality of the works is satisfactory. In managing small contracts - J.M. Lantran - World Bank, there are suggested outlines for simple contracts. It should be noted that the contracts would need some adaptations before they could be applied generally. The Gauteng Community-based Public Works programme manual has simple contracts for use by the community in hiring technical support. A copy of the contract is given in annex 3.

4.4.4 Capacity building and training for communities

First of all, it should be noted that a participatory process is essentially a learning process by itself. At every step of the way, community participation in all aspects of the works leads to improved capacities, in the field of organisational and technical skills, and also in terms of bargaining skills.

However, there are limitations to the organisational and technical capabilities of community-based organisations. Their capacities should not be over-estimated or over-stretched to avoid disappointments with both the community and local authorities. Therefore, technical support needs to be well-dosed, leaving room for initiatives while strengthening communities in the fields of management and organisational skills, information sharing within the wider community, etc..



In the case of community managed works using labour-based methods, communities should understand the basics of contractual relations. In general, urban poor have little or no experience in setting up and working according to written agreements. The entire concept of contracts needs to be explained and discussed before an agreement is signed.

It is important that the community-based organisations recognise their own limitations and know where to get assistance. In most countries NGOs play a prominent role in the strengthening of organisational capacities at community level, however they may not have the capacity to assist the communities in dealing with labour-based construction, hiring technical consultants or working with different technical departments within local government.

Training of communities may be required in the following fields:

1. Training in the construction of the planned infrastructure improvements;
2. Training for operation and maintenance of the created asset;
3. Training of committees in organisational and bargaining skills, management and book keeping.

A community organisation should be able to set objectives, prepare community action plans, run meetings, do bookkeeping, and prepare budgets and contracts. Most CBOs are not yet used to these tasks and need guidance and training in acquiring these skills. As communities may have only limited educational background, conventional classroom training should be avoided and the training should focus on “on the job training”, workshops and exchange visits to settlements already working with contracts.



To facilitate a participatory planning and design process, the community needs to have some basic understanding of technical issues regarding the construction works. Regular meetings to discuss design issues and exchange visits to other settlements with similar construction works can enhance this understanding.

Management training is often successful in terms of raising the ability of the community to manage their own affairs and to enable them to interact with outside organisations and authorities. Other basic skills needed in a participatory approach are bookkeeping and storekeeping. The community has to set up a system to record the labourers on the site, prepare a payroll, record the progress on the work site, carry out accounting activities, control the equipment and materials under the communities control etc.

In the case of community-based works using labour-based methods, most labourers are recruited from within the community. Normally all unskilled labourers can be recruited from within the community but skilled labourers are not always available. It is important to find out what skills are available in the community (number and type of skilled labourers such as masons, carpenters and other artisans, small contractors etc.). It may be necessary and useful to provide on the job training to unskilled labourers to upgrade their skills. For example in the Kalerwe project in Uganda, unskilled labourers were trained as masons and later on found work in other settlement upgrading programmes. In general, communities consider the upgrading of community members' skills as one of

the most important aspects of community contracting. Whereas private contractors would bring their own skilled labourers to implement the work, with community contracts the skilled labourers from within the community are used to the extent possible and unskilled labourers get a chance to upgrade their skills.

For the implementation of labour-based works it is important that the works are well organised, especially the labour force. Each group of workers needs a foreman (gang leader) to supervise the work. These foremen need to be trained in labour-based methods and should have an understanding of the basic technical issues. In community contracting this supervision task is particularly important as the workforce often consists of community members with no prior experience in construction works. If a balloting system is used, the workforce will rotate regularly to employ the largest number of individuals during the construction works. Foremen can receive on the job training from the responsible site engineer or senior technician, but their participation in a training programme on labour-based construction could considerably facilitate the learning process. Training courses for community supervisors have been conducted within the context of certain projects and programmes, such as WFP Urban Food for Work Programme Zambia, the Kisii training school in Kenya, the local resource-based schools and health centres rehabilitation programme in Madagascar and in the South African Public Works Programme²².

Although permanent employment for the majority of the participants, as a result of the project, will be difficult to achieve, training can improve skills and therefore increase employment opportunities. There is evidence to suggest that a certain proportion will gain enough skills to begin or expand small enterprises, and that individuals will gain employment beyond the community works.

In summary it can be said that training of community members is crucial for a smooth implementation of community contracts and should mostly be done through on the job training. Consultants (NGO or private sector) can be contracted to provide the necessary training to the community in the various issues discussed above.

4.4.5 *Training for government and municipal authorities*

Training may be necessary for several of the contract partners; not only the communities involved. In particular there will be the need to re-orientate Municipal Council staff towards the creation of an enabling environment through training in: appropriate technologies and their application, suitable planning standards, preparation of standard approved plans, community participation, providing assistance in the development of community action plans, and financial management suitable for community contracts. Although design and planning functions may be hired by the community from the private sector, the municipal authorities require guiding standards against which proposals can be judged. Training, or more correctly re-orientation of municipal authority staff, is vital to the institutionalisation of community contracts.

²² See for example the Memorandum of technical assistance agreement for capacity building for the Valley Trust in labour intensive approaches funded by the Development Bank of southern Africa (draft, no date).

In a community contract situation government officials have to deal with inexperienced communities; this requires simple and appropriate contracts. Construction works have to be quantified, priced and grouped into single activities. Labour-based methods have to be developed to make the work cost effective, to ensure a high quality and to create an efficient work organisation. Labour based works, especially in unplanned settlements, require detailed planning, design, supervision and monitoring skills.

Due to the fact that labour-based technologies have mostly been applied in construction works in rural areas, training has also been targeted very much at staff responsible for rural works. City council staff normally did not attend these courses and most of them have hardly any experience in labour-based methods. Appropriate training materials and courses should be developed to make these techniques available to municipal technical staff. Study tours to demonstration projects could also increase the understanding of labour-based methods.

Preparing and monitoring contracts also requires special skills from government and/or municipal officials. Often municipal officials have little experience with contracting and they have limited knowledge on how to deal with community-based organisations and NGOs. They may also lack knowledge on the role private enterprises could play in a community contract setting. Entering into community contracts thus means that there is a need for government to upgrade its knowledge and understanding to stimulate and manage complex institutional co-operation processes between CBOs, NGOs, private enterprises and itself.

Although no formal training materials and courses exist in community contracting there are training courses for engineers and technicians to supervise small-scale contractors and for urban engineers, planners and site supervisors to plan and implement community-managed labour-based works. Annex 4 contains the contact details of the enquiry service of ILO ASIST where more information can be obtained about training materials and courses. In addition ILO ASIST recently produced an urban bibliography²³, which can be provided upon request.

²³ *The Urban Material Source Book, ILO ASIST, July 2000.*

4.4.6 Monitoring



Monitoring for the timeliness of completion, quality, quantity and costs involves direct work inspection, progress reports, investigations of complaints, as well as technical and financial audits. Due to the fact that most communities are inexperienced in implementing infrastructure works, much emphasis should be put on the proper monitoring of the process. Monitoring is not only important for the contracting authority, but also for community beneficiaries to be regularly informed on the progress and problems encountered. Lack of information can hamper community participation and contribution. Dissemination of information on the progress of a collective action will strengthen community involvement and facilitate community contributions.

Monitoring of community infrastructure contracts should be carried out by the contracting authority or by its representative contracted for this purpose. The contracting authority will normally be a local authority possibly in partnership with the community organisation if funds are channelled through the latter (e.g. Hanna Nassif), or if the community co-finances the works. A support agency may assist in setting up a monitoring system. Who is responsible for monitoring and supervision must be clearly indicated in the contract documents and agreed by all signatories. Also funds have to be secured for monitoring. If monitoring is to be carried out by a body other than the local authority, extra consideration must be given to the inspection of the works to ensure that they follow the standards negotiated with the local authority.

Pilot projects, set up to test and to demonstrate the feasibility of certain approaches and activities, should be closely monitored to draw lessons for replication elsewhere. This function could be taken up by a 'focal point institution'. A focal point institution is a national training and research institute with considerable technical expertise regarding technologies and procedures relevant to local infrastructure projects and local planning procedures (e.g. UCLAS in Tanzania and KTC in Kisii, Kenya).

5. *Step by Step Approach to Community Contracting based on an adaptation of the methods used in Hanna Nassif, Tanzania*

5.1 *Setting up a System for Community Contracting*

The starting point for any programme - NGO, local government or agency, technical department etc. - intending to support community initiatives would be to make information available as wide as possible on the objectives, activities, eligibility criteria etc. of the programme. This could be done through local radio, information sheets, posters, meetings etc. People have to be informed that this or that department or organisation is willing to assist local communities with improvements to living conditions, and that certain pre-conditions have to be met for support to their particular community-based up-grading programme. Any group coming forward for consideration must show that they represent the wider community and have been democratically elected, or are prepared to hold democratic elections to form their CBO committee. They must also have identified some of the most pressing problems the community faces.

In addition to the existence or creation of a representative and functioning CBO, another necessary condition for the operation of community contracts is the existence of an enabling environment within National and Local Government, in particular within Urban Councils or Urban Commissions.

Section 5.2 presents a step-by-step approach in developing a community contracting system, developed from the experiences gained in Hanna Nassif, Tanzania. The community representative committee was known as the Community Development Committee (CDC). Therefore, for simplicity, CDC is used to denote the community representative committee or CBO committee. It should be noted that the Hanna Nassif community contracting steps have evolved from the Community Action Planning (CAP) model developed in Sri Lanka. The step-by-step outline pre-supposes the existence of a programme supporting community-based initiatives in urban up-grading, i.e. funding should be available for genuine community works in infrastructure improvements. If there is no reasonable chance of the works being supported financially, there is no point in starting a process of community mobilisation as the disappointment and frustration would jeopardise any future initiative in community participation.

5.2 Step-by-step guidelines for operating a community contract

steps	outputs/results	activities	pre-conditions	action/support
step 1	Legally registered representative committee from the community with an operating bank account	<p>Where no relevant Community-based organisation (CBO), or formal representative of the community such as a community development committee (CDC), exists, the community should organise and:</p> <ul style="list-style-type: none"> ■ elect representatives from the community/CBO to act on the CDC; ■ make a constitution; ■ legally register the CDC; ■ open a bank account; ■ obtain a postal address; 	<p>The government has a process in place for the registration of CBOs /CDCs</p> <p>Where a CDC exists, a check should be made by the support agency to ensure that the CDC is truly representative of the community including traditionally marginalised groups.</p>	<p>CBO assisted by Support Agency (SA).</p> <p>A Support Agency can be an NGO, a department of the Municipal Council, private sector consultants or a local or international development agency</p>
step 1a	Community has agreed priorities for improvements to their living environment	Discussions on perceived priority problems faced by all groups within the community and agreement reached on the highest priority problem. Possible modalities discussed for assistance to create suitable infrastructure to solve the problem.		CDC alone, or together with SA, in discussion with prospective funder
step 1b	General Agreement signed for assistance with survey and design work	Sign General Agreement for co-operation in support for preparing designs, costing, and executing works (without the actual works being specified at this stage)	Funds and/or support available for this pre-implementation phase	CDC with funder, Govt. Dept., NGO, or SA representing the funder

steps	outputs/results	activities	pre-conditions	action/support
step 2	Community priorities confirmed or re-defined. Community action plan developed	Hold discussions with all community members (this can be done in the form of a series of Community Action Plan Workshops) to ascertain the priority problems facing the community. In many cases this will confirm the problems first identified by the community in their original approach to the authorities. This could however result in the emergence of new priorities for action ²⁴ . Discuss possible solutions to the problems. Also discuss longer-term goals of the community, so as to ensure that the proposed solutions which will be developed in steps 3 and 4 will not prejudice future developments.		CDC assisted by SA. Usually a facilitator would be employed to animate and guide the workshops, or an experienced member of the SA can be responsible.
step 3	Initial inspection carried out, and the types of assistance required agreed upon.	Inspect the physical area to ascertain the extent of the problem and to identify possible solutions in terms of infrastructure. Identify the types of assistance needed in survey, designing and planning of the infrastructure.	The problem identified by the community can be solved by appropriate interventions, and is not dependent on improvements to services beyond the community ²⁵	CDC supported by SA providing technical advice

²⁴ A community may decide that its most pressing need is a clinic to treat illnesses prevalent in the area. After discussion it may emerge that a scheme to drain mosquito breeding areas would be better. Such a scheme would be preventative rather than trying to cure the illnesses resulting from inadequate infrastructure.

²⁵ The community may decide that provision of an adequate water supply is the most pressing problem they face, but if there is insufficient water and water pressure in the main municipal supply, then improving the water pipe distribution within the community will not solve their problem.

steps	outputs/results	activities	pre conditions	action/support
step 4	Outline of appropriate levels and position of services agreed	<p>CDC and SA to seek meetings with the relevant officers of the municipal or central government to discuss the following issues:</p> <ul style="list-style-type: none"> ■ appropriate levels of service, ■ planning permission, ■ linkage to main services, ■ relevant bye-laws for the unplanned settlement (in particular for the scheme under consideration). 	Government within the context of an enabling environment is prepared to approve appropriate levels of service for unplanned settlement areas	CDC supported by SA providing technical advice
step 5	<p>Plans, designs, quantities, costing and workplan all prepared in an accessible format, including proposals for cost sharing between the funder and the community.</p> <p>The wider community informed of proposals.</p>	<p>Consider possible locations for the asset including questions of land and property ownership.</p> <p>Make a check on any planning issues that should be incorporated in the project²⁶;</p> <p>NB: considerable time should be allowed for a thorough survey and continuous consultation between the technicians and the community at all stages of the design process. The designs and cost estimate should be presented in a form that will be easily understood by the CDC so that they know exactly what is being proposed and can pass on details to the wider community.</p>		CDC supported by SA providing planning advice

²⁶ In unplanned settlements it will be necessary to look at the physical planning implications of the infrastructure proposed, and to be aware of the implications for future improvements and longer term plans which the community may have. Questions of ownership and access should also be settled, before construction of a community asset begins.

steps	outputs/results	activities	pre conditions	action/support
step 5a	Maintenance plan prepared, discussed and agreed	CDC and SA to prepare maintenance plan, to be discussed/negotiated with Municipal Council	Cost-sharing of maintenance agreed	CDC and SA, in collaboration with Municipal Council
step 5b	Plans thoroughly discussed and understood by the community	Discuss the proposals at an open meeting to receive outline approval from the community	Plans acceptable to the CDC	CDC alone or together with SA
step 6	Funding agreed upon and contract authority established	CDC and SA to discuss proposals with the funder to ensure adequate funds are available or to allow adjustments to be made to the scheme if it is too expensive. Negotiations on cost sharing and agree on contract authority.	Funder and community agree on cost-sharing arrangements	CDC together with SA, in discussion with funder In this case the contracting authority is the CDC jointly with the Municipal Council
step 7	Training needs assessment carried out	Assess skills available in the workforce, the CDC and municipal council and identify possible skills gaps		CDC supported by SA
step 8	Workplan prepared with areas for assistance clearly marked	Assess the capacity of the CDC and council to carry out the work; Ascertain the levels of support they may need and possible sources of that support.	Community, CDC and council aware of their strengths and weaknesses	CDC, council with SA providing technical advice

steps	outputs/results	activities	pre conditions	action/support
step 9	Community contracts understood.	The final design and costing proposal should be presented at a general meeting of the CBO, and consent given to both. Included in the presentation should be an indication of any running costs and division of responsibilities for maintenance. The workshop will include explanations and discussions on the Community Contract method to be employed for the construction phase. The cost of the contract will include a small percentage profit for the community.	Design and method of implementation agreed by all parties to the community contract	CDC and council supported by SA providing technical advice
step 9a	Approval for scheme given by relevant authority	CDC (and SA) to approach the relevant authorities for approval of the proposed design, and where applicable the costing. Ensure support from the concerned departments (i.e. if a clinic is built the community should obtain a written guarantee that it will be equipped and staffed by the health authority)	Community satisfied with proposals. Proposals have been agreed by relevant authorities, and operation and maintenance proposals are in place	CDC supported by SA with technical advice if appropriate

steps	outputs/results	activities	pre-conditions	action/support
step 10	Construction Committee (CC) formed.	<p>Establishment of a construction committee (CC) of minimum 4 members of the community. To ensure that there is no conflict of interest, the members of the CDC who are appointed to the CC should resign their places on the CDC, which should be filled by the election of new members. The members drawn from the community should have construction experience.</p> <p>The CDC informs the support agency/ funder/ municipal authority, of their willingness to undertake the Community Construction Contract as defined within the general agreement and on request may submit the names of the proposed CC members.</p>	The composition of the CC acceptable to all parties	CDC with support of SA

steps	outputs/results	activities	pre-conditions	action/support
step 11	A signed Community Agreement	<p>Signing of the community contract agreement between the CDC and the municipal council and/or funder, to undertake the work according to specified plans. The contract will also specify the source and type of support the CDC will receive either through a support agency, an NGO or from the private sector. - i.e. engineering, surveying, site organisation, measurement, management etc.</p> <p>Included must be details of any community contribution and provisions for maintenance and sustainability of the asset to be created.</p> <p>A copy of the contract is kept by each of the signatories.</p>	General agreement on all aspects of the contract between all signatories	CDC, CC and contract partner(s), with support of SA

steps	outputs/results	activities	pre-conditions	action/support
step 12	First sub-contracts prepared	<p>Split the work in the general contract into manageable portions to be issued as numbered contracts for execution by the CC. The CC signs a sub-contract under the framework of the general agreement signed in step 11 above.</p> <p>Any community contribution in terms of money or work which has formed part of the contract should be at least partly mobilised at this stage. e.g. voluntary clearing of garbage from the first contract site, or initial financial contribution collected.</p> <p>Where applicable, advance payment to be made by funder to the CDC enabling the CC to purchase materials and to pay initial wages and sub-contractor fees²⁷.</p>	General Agreement signed	<p>CDC with support of SA providing technical advice</p> <p>Contract authority/Funder to provide advance payment</p>

²⁷ If the works are being funded by a government department the issuing of funds to start the first CC contract may be difficult within their regulations and an alternative solution may need to be found.

steps	outputs/results	activities	pre-conditions	action/support
step 13	Workers fairly recruited	Agree on rates of pay and organize the recruitment of men and women from the community using a secret ballot system. The job opportunities must be well publicized in the community prior to balloting and recruitment. The publicity must be aimed at reaching all sections including women and young people. Where desired, experienced carpenters, masons, etc. can be specially recruited or identified as sub-contractors to the CC.	Sufficient numbers of workers available at the rates of pay offered	CDC & CC supported by SA providing technical advice if required
step 14	Storekeeper recruited and trained. Appropriate tools and materials purchased. Equipment hired or purchased as appropriate.	Purchase materials and tools, appoint a storekeeper, and ensure the safe storage of all materials and equipment. The CC will need assistance to prepare proper record keeping forms for the stores and the construction work.	Start up funds available	CC supported by SA with technical and managerial advice
step 15	Construction work started On the job training carried out	Make a start to the work, once all the systems are in place. The CC may need assistance with setting out, levelling, work organisation, etc. Skills training to be provided to the CDC, CC and workforce to assist in construction and management of the infrastructure and with a view to future employment opportunities	Suitable training providers available	CC with technical advice from SA, or private sector Training providers

steps	outputs/results	activities	pre-conditions	action/support
step 16	First sub-contract or measured section of work completed and paid for.	<p>Pay the CC on completion of agreed measured sections of the work or on completion of the first sub-contract.</p> <p>Payment can only be made after the completed works have passed inspection and upon the signature of the 'inspector'.</p> <p>No extra payments can be made unless the measured works have exceeded the contract estimate, or unforeseen difficulties have occurred on site²⁸.</p> <p>The CC is responsible for:</p> <ul style="list-style-type: none"> ■ - Work supervision and quality control ■ - Proper management of funds, materials, and tools ■ - Completion of the work to the satisfaction of the contract authority (CDC, council) ■ - Issuing of sub-contracts to artisans. 	Work carried out to a satisfactory standard	<p>CDC with SA providing advice</p> <p>The contracting authority or his representative is to inspect and endorse the works. In this case, the contracting authority is the CDC jointly with the Municipal Council.</p>

²⁸ In unplanned settlements the exact position of services is not always known, even after trial excavations for service location have been carried out. This may lead to alterations in alignment and level resulting in additional work in excess of the agreed contract.

steps	outputs/results	Activities	Pre-conditions	action/support
step 17	Payment of sub-contract sum including profit	Check regularly the progress of the construction and the performance of the CC. The CDC is eligible to receive payment of the profit that remains from the numbered contract, up to a maximum % as stipulated in the main contract. A % is also retained by the contract authority until 3 months after the completion of the relevant numbered contract. (NB: the profit goes to the CDC not the CC.)	CDC and the CC functioning properly	CDC supported by SA
step 18	Infrastructure completed	Issue the CC with further numbered contracts until the infrastructure is completed as agreed in the main contract agreement signed by the CDC, the support agency/funder/municipal authority (see step 11).	Work continues to be carried out to a satisfactory standard, and the contract procedures are being followed. Funds are sufficient	CDC, supported by SA
step 19		In the case of unsatisfactory performance, payment to the CC and the CDC may be withheld, or further funds may not be issued, or legal action may be taken against the CDC.		SA/municipal council/funder(s)
step 20	Profit funds used for agreed community purpose	The profit is usually put in the CDC bank account towards future maintenance or towards other development activities for the community. Profit is not for the use of individual members of the CC or CDC	A profit has been made, and was not used up to rectify poor quality or incorrect work	CDC

steps	outputs/results	Activities	Pre-conditions	action/support
step 21	Operation and maintenance implemented	Hold Community Maintenance Workshop to recall contract clauses on maintenance and re-discuss maintenance procedures, the implementation of cost recovery systems, and payments for maintenance work. Including training where required.	Plan developed at initial stages remains acceptable	CDC, CC, SA, and local authority (where part of the maintenance costs is to be borne by the local authority)
step 22	Community well informed about the infrastructure improvements	Throughout the whole process, the CBO and CC should make extensive use of public notice boards and their own offices to display progress and cost charts, and at the end a final statement of the accounts. They should also use public meetings and other forums to keep the wider community informed of the progress of the works.	focal meeting points within community where information can be displayed	CDC & CC supported by SA
step 22a	Monitoring and evaluation of the process and achievements carried out	At critical stages in the process and at the completion stage, an evaluation of the process, constraints and achievements should be carried out	Monitoring and evaluation system in place	Monitoring: CDC, municipal council with SA and focal point institution Self-evaluation: CDC with SA External evaluation: independent external evaluator consulting all actors involved, and non-participating community members

The community contracting procedures given in the steps above are for a community acting as full contractors, as they supply the labour, materials, and equipment, and organise for technical assistance. Some of the responsibilities for the steps will vary if for example a labour-only contract is signed (e.g. in step 14, the CC may only be responsible for storage of materials, and the support provider or contract authority be responsible for their purchase.)

Where problems occur, certain of the steps may need to be repeated until agreement can be reached or a solution found to allow the process to continue.

6. *Strengths and Weaknesses of Community Contracting*

Even when infrastructure improvements in an unplanned settlement clearly benefit the local community, the question of how to implement the works remains. Is it preferable to implement the works using the community as contractors, or using direct execution by government (force account), or using contracts with the private sector? With the trend towards the “out-sourcing” of government functions towards the private sector, and the reduction in the numbers and use of permanent government employees, the choice will more and more become one of the private sector versus community contractors. To assist in a decision on the mode of implementation it would be useful to consider the strengths and weaknesses and cost and sustainability implications of using community contracts.

6.1 *Strengths*

The advantages in using community contracts include:

1. Community contracts allow for a constant dialogue between the contractor executing the works and the wider community as beneficiary. Disturbances caused by the construction work being carried out so close to houses will be more easily accepted by the community, when they are directly involved and consider it their own project. A private sector contractor could be faced with claims for compensation, for inconvenience, etc., whereas the community can arrange for a suitable compromise.
2. The community contract approach creates a more flexible attitude with regard to fitting the new infrastructure around the existing assets. Although most of the “fitting” should be done at the planning and design stage, the participatory process ensures constant negotiations with residents. It facilitates discussions on demolitions and accommodates compromises between what has been planned and what can be constructed when the unexpected arises. Decisions on unexpected alterations to alignment can be made with minimum alterations to contracts.
3. The community appreciates that its initiatives are recognised and supported, not thwarted. In situations where empowerment of disadvantaged sections of the population is a central issue, community contracting can do much to restore confidence and pride. Using community contracts can create an increase in self-esteem for the community and individuals within the community, and a feeling of ownership for the created assets. The internal cohesion and feelings of solidarity of the community will be strengthened.
4. Community-based approaches help to retain funds, tools and equipment in the hands of the community, which can then be used for maintenance or other activities. With the lack of resources within government to provide adequate maintenance, most communities will be dependent on their own resources for

routine and periodic maintenance. The setting up of a maintenance fund from the contract profits is an excellent start to undertake first maintenance of the created assets. Thereafter, other mechanisms need to be put in place to replenish the maintenance fund to ensure continued regular maintenance. Through their direct involvement in the construction of the asset the community will also retain the skills necessary to carry out the subsequent maintenance activities.

5. Community-based works generate employment for both skilled and un-skilled labour in the community. Of course, clauses could be added to contracts with the private sector to ensure employment of unskilled labour from the community, however the involvement of locally based artisans might be reduced. In the case of community contracts, there is the flexibility of either arranging small sub-contracts with artisans from the area, or employing them directly as part of the workforce. The choice may depend on the nature of the work being carried out.
6. Community works provide an opportunity for on-the-job training in technical, administrative, and management skills. If private contractors are used, the opportunity for acquiring skills within the community will be minimal. Once skills are gained, people who were previously unemployed may get jobs or set up their own small enterprise.
7. In some cases community contracts may ensure higher quality work, if compared to situations where supervision of contractors is lax and the quality of contractors is poor. There is however evidence to suggest that a community may be satisfied with a lower standard of construction, especially in regard to finishings, than a contractor or supervising consultant.
8. If for technical reasons a private sector contractor must be hired, the advantage of organising the contract through the community (through a sub-contract), is that there is a sort of "social control" of the contractor, over and above the normal controlling and monitoring carried out by the contracting authority.
9. Community contracts can reduce costs and wastage. The profit margin for the community in the case of Hanna Nassif is only 10% on the basic costs covered in the contract. For small contractors the profit margin range from 15% to as much as 30%. The community is more committed to finalise the work as they are also the beneficiaries. In the case of difficult work conditions on site, the community will not so easily give up and request additional payment.
10. Since contract procedures are simple, processing does not take time, and work can start without delays. There is no need to call for tenders, assess bids, and award external contracts.
11. The CBO/CDC is answerable to the people they represent and if they demonstrate openness in all their dealings, the community is less suspicious that money meant for the community is being diverted away from them.

6.2. Weaknesses


The challenges and disadvantages related to implementing community contracts include:

1. An atmosphere of trust between the contract partners might be difficult to achieve. For example, communities can be suspicious of having money channelled through municipal authorities because of negative experiences, or because of the negative image that some local authorities have.
2. The reliance on the adaptability and goodwill of the local authorities to deal with communities. Local authorities have more experience in dealing with direct labour or private contractors and may need to be made aware of the positive aspects of using community contracts.
3. The time and effort required to ensure full participation of the community, to discuss contract proposals and reach agreements. This can be not only time consuming but also costly in terms of support staff;
4. The level of support that may be required to assist the community in managing a contract, the technical aspects of the construction, and in the quality control of the work. Although private contractors may also need training, they can use their acquired skills in various construction works in various locations;
5. Customs and cultural practices may delay decisions and progress (i.e. the lapse of time required before a new CBO chairperson and signatory can be elected after the death of the incumbent chairperson).
6. Loss of trained workers to other jobs can reduce the construction progress and leave maintenance skills depleted within the community. A private contractor could more quickly replace lost trained workers by recruiting from a wider labour pool.
7. Despite democratic elections, the CBO committee might consist of a community elite and some disadvantaged groups of the community may not be adequately represented.
8. Timely mobilisation of community contributions may be a problem, especially if some are in the form of unpaid labour contributions (NB: care must always be taken to ensure that unpaid labour contributions are indeed voluntary and not forced labour).
9. The non-homogeneity of communities could lead to power struggles and conflicts, endangering the community contract and its execution. Conflicts may also be caused by ambiguities in the roles and responsibilities of the various partners (CDC, CC).

6.3 Cost Comparison

As many infrastructure works in unplanned settlements are using adapted standards for construction, it is not easy to find private sector and force account works with which they can be compared. There have however been some comparisons of the costs of contracts, using either local authority set schedule of rates or private contractor bids.

Where construction costs have been compared, it has often not been possible to assess the hidden costs in using community contracting, private contracting or force account. The following 'hidden' costs (table 4) have to be taken into consideration for each of these methods:

 Table 4: Hidden costs of different methods of executing infrastructure works

Implementation method	Hidden costs	Costs to whom	Is the cost justified?
Community Contracts	costs of a sometimes lengthy process of community mobilisation and participation leading up to the signing of the contract	funder of technical support services	yes, ownership within the community and it may reduce corruption
	costs of training the community	funder of technical support services	yes, as part of an overall development process
	costs of substantial technical support during preparation and implementation	funder of technical support services	yes, and where needed, training of support providers will improve their efficiency
Force Account	costs of having permanent employees with wages and overhead costs whether working or not	Government/ municipality	no, should be reduced where possible but a minimum core retained for emergency situations
	costs which may be incurred due to low motivation of staff and unwieldy government regulations	Government/municipality, community	no lack of effectiveness, low productivity and delays
	the possibility that the local authority could face claims for compensation (e.g. disruption of property entrances, disruption of private businesses, changes to property)	Government/ municipality	depends on agreement with local community (community or public infrastructure)
	the costs of maintenance which will likely have to be borne entirely by the local authority	Government/ municipality	depends on type of infrastructure and type of agreement (community or private infrastructure)

Implementation method	Hidden costs	Costs to whom	Is the cost justified?
Private Contractor	the costs associated with tendering	contractor/ municipality	yes, it will strengthen contractor development and increases accountability
	the cost of possible claims for on-site alterations and difficult working conditions	Government/ municipality	depends on nature of the works, but is more likely in crowded urban areas
	difficult working conditions could also lead to higher tender prices	Government/ municipality	yes, provided cost efficient and good quality outputs
	the possibility that the contractor and local authority could face claims for compensation	Government/ municipality and contractor	yes, provided the contract conditions are fair
	the costs of maintenance if the community is not trained in, and/or does not have the seed money for maintenance	Government/ municipality	no, should have been dealt with at the start and depends on nature of works
	if small or emerging contractors are employed then they may need training and technical guidance similar to the communities	funder of technical support services	yes, enhancement of local contracting industry

An additional cost related to private contracts which should be included is the VAT payment. If works are let out to private contractors, VAT (approximately 20%) need to be added on each invoice. This is normally not the case if works are carried out by a Community Based Organisation or unlicensed petty contractors.

Having indicated the 'hidden' costs, it is difficult to put a figure on them as the % overhead they would represent will vary with the size of the contract, the technical difficulty, site conditions, and the contract duration. Examples of some of the few available comparisons of contract figures are given below.

Under the Community Infrastructure Project CIP, North West Frontier Province (NWFP), Pakistan, two community-based infrastructure pilot projects have produced high quality construction at a cost saving of 23% as compared with the estimated cost of conventional contracting²⁹.

In the community contracts (93 contracts) administered through the National Housing Development Authority (NHDA) in Sri Lanka, the quality of the work was generally good and the cost was about 20% less than conventional contracting. Less than 10% of the contracts had an over-run of costs³⁰.

²⁹ Participation and Partnership in Urban Infrastructure Management - P. Schübler for UMP

³⁰ Community Initiatives in Urban Infrastructure - ODA

Under the Kalerwe project (see section 2.4), the costs of labour and materials for every meter of drain (main and secondary) was approximately U.Sh. 60,000. Figures were collected from the Engineering Department of Kampala City Council suggesting that the latter uses a cost estimate of U.Sh. 132,928 for desilting and protecting one meter length of channel with block slates. This would indicate that the community contracting approach has been very cost effective. But it is only fair to note that the quality of the construction work, especially the finishing touch, is somewhat lower than the standard one would have accepted from a good private contractor.

In Hanna Nassif phase II (1997-2000) (see section 2.3) community contracts and private contracts have been issued simultaneously on similar types of works. A comparison between the two types of contract showed that the quality of works is more or less alike but that the cost per unit of infrastructure constructed under community contracts is lower as infrastructure created under private contracts (Clifton, van Esch, ILO ASIST August 2000).

6.4 Sustainability

There are two main elements to the sustainability of assets created within the community, both of which should be discussed at least in outline at the planning stage as they have financial implications. These are (i) equipping and running the facility or service, and (ii) routine, periodic maintenance and emergency repairs to the created asset.

Whether the community contributes or not to the capital costs of providing infrastructure, the equipping and staffing costs must be included in the original project proposal. The costs can be catered for by a letter of agreement from a government department to staff a facility (e.g. a health centre) and to provide the necessary basic equipment. If this type of support cannot be provided then the community must decide if it can realistically afford to equip and run their proposed facility. In the case of a new or improved water supply, the mechanisms for payment and levels of contributions must be carefully calculated to ensure that the level of service is consistent with what the community members can afford and are willing to pay.

With every type of infrastructure, there is a need to carry out regular inspections and maintenance activities. Having had experience in constructing their asset, the community should be better placed to carry out routine maintenance tasks without external funding or the assistance of the local authority. Where the community is responsible for maintenance, its community committee should be authorised (by the community and the municipality) to collect contributions or user fees to replenish a maintenance fund. It is also expected that a sense of ownership has been created and that this will increase the community's interest in maintaining the asset. Where the authorities remain responsible for funding maintenance activities, they can contract the community to carry out the maintenance, i.e. for cleaning and maintaining main drainage channels, or maintaining larger feeder roads. The community can participate in inspecting the maintenance work and this will put pressure on the maintenance teams to perform properly.

6.5 Future Perspectives of Community Contracting³¹

The potential of the contract approach in any given country or situation depends on a number of factors.

First, certain pre-conditions are important for the success of the approach, including:

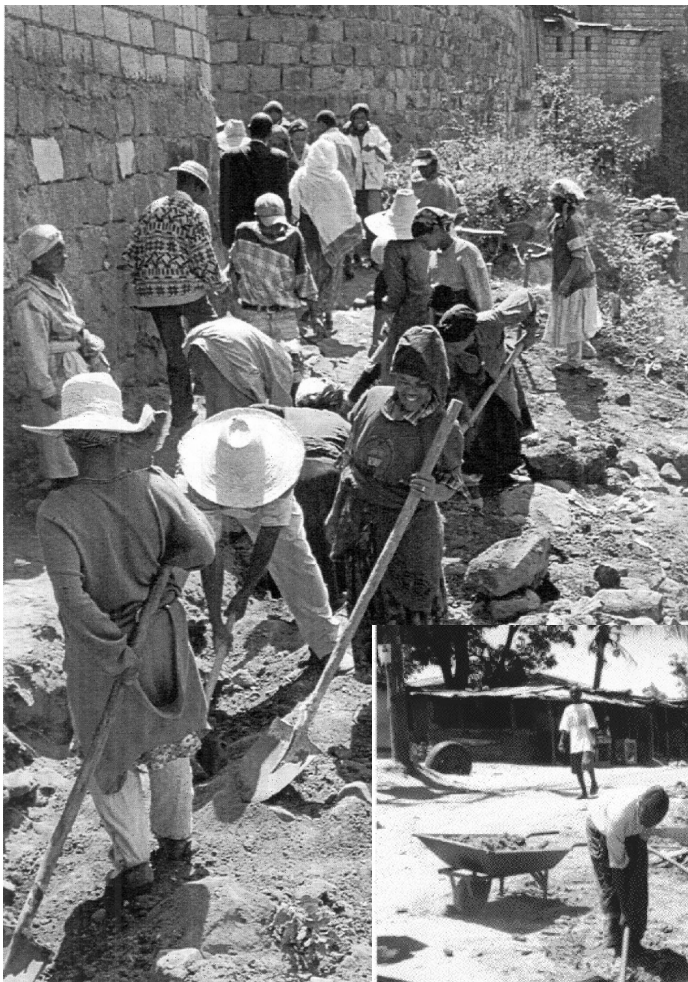
- ❑ an environment enabling participatory local development, including a degree of decentralised decision-making to regional, district and municipal authorities;
- ❑ the existence of legally registered target groups' organisations;
- ❑ the provision of community capacity building and technical support.



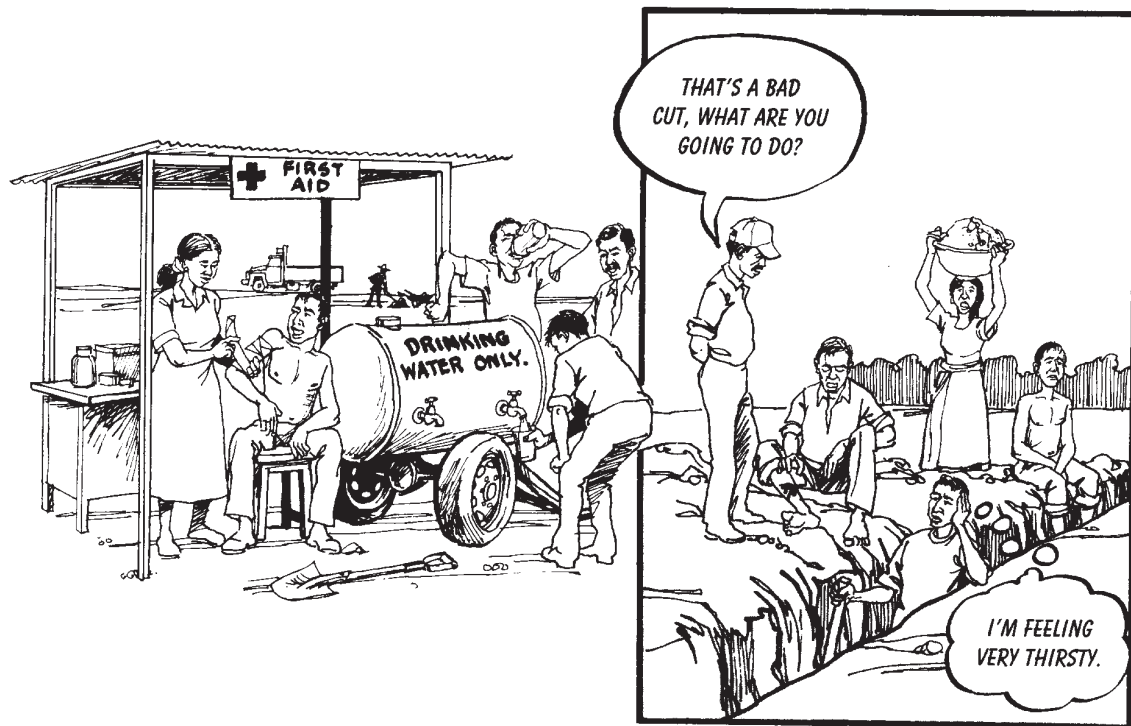
³¹ Section 6.5 draws heavily on Peter Oakley's Synthesis study on "Community Contracting, Negotiation and Organization in Development Projects and Programmes", Draft of May 2000.

Furthermore, there is a need for a set of general, legal and regulatory guidelines in support of the contract approach and of the participating community organisations, to avoid risks and pitfalls in the form of legalistic and complex contracts, unfair conditions and abuse of unequal power relations.

The full potential of the contract approach will only be realized if and when it contributes to the building of strong organisations of the poor and not only community organisations to fulfil the requirements of the contract. In other words, it is important to focus not just on the short-term gains, but also on the longer-term socio-political objectives in the interest of the poor. The contract approach, with its inherent activities of negotiation and organisation, could be a powerful strategy for promoting the greater inclusion of marginalised groups. In order to fulfil this potential, its organisational and negotiation objectives need to be actively promoted. Eventually, such groups may link up with wider movements in society and use their acquired bargaining and negotiation skills to gain access to resources complementing their own development efforts.



7. Labour standards and community contracts



There are a number of basic labour standards that should be respected in all cases, whether the works are executed directly by government, by private contractors or through community contracts. These comprise:

minimum wage, minimum age (prohibition of child labour), non-discrimination (of women, religious or ethnic groups etc.), prohibition of forced labour, workers' compensation for work accidents, safety and health, and conditions of work for casual labour³².

In standard contracts with the private sector, the contractor is expected to be insured against any accident, damage or loss resulting from the contractor's performance. The contractor is also expected to carry insurance against any accident or injury for all workers employed by the contractor.

³² See Tajgman, de Veen, *Labour Policies and Practices*, ILO, 1999.

Although in community contracts the community often feels a collective responsibility to anyone who is accidentally injured, by paying hospital or clinic bills, there is often no formal arrangement for paying for medical bills or for compensating lost wages. Likewise, there is often no formal arrangement for insuring against damage to property during construction or afterwards. This lack of insurance and reliance on technical guidance from support agencies or local authority staff could lead to serious problems if a claim against the community (as contractor) or an individual engineer was to emerge.

Therefore, whether the works are executed by private contractors or through community contracts, the contract should include clauses related to insurance and basic safety and health on the worksite (medical kit, protective clothing etc.), and the costs of these clauses should be covered by the contract.

It may be noted also that the community contract approach directly promotes the application of the basic human right to organise and to negotiate, among low-income groups in the informal and unorganised sectors of society.



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