Community participation in

urban water services

A report demonstrating the benefits of private sector
engagement with local communities when providing urban
water services in developing countries

Acknowledgments

In this document we build the case for community participation in the operations of the international private water sector by considering the value of participatory approaches throughout the project cycle. This has been done largely by way of illustration, using case studies from this, and related, industries. We acknowledge the valuable contributions of information volunteered by companies in the water industry:

- Severn Trent Water International (STWI)
- Thames Water
- Anglian Water Group plc (AWG)
- United Utilities
- SAUR International
- Durban Metro
- Northumbrian Water

We also acknowledge the background information and experience offered by additional water companies and engineering consultancies. We would like to thank Ken Caplan of the Business Partners for Development Water and Sanitation Cluster and Ashley Roe of STWI for reviewing the draft report. Thanks also to Peter Herbertson, water resources engineer and former head of the Environment Agency's National Water Demand Management Centre, for commenting on the final recommendations.

Thomas Jefferson, President
of the United States, 1820
(Letter to William Charles Jarvis).

"I know of no safe depository of the ultimate powers of society, but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion."

Tearfund is an evangelical Christian relief and development agency working with local partners to bring help and hope to communities around the world. Last year Tearfund supported over 500 projects in 90 countries. Tearfund is a member of the Disasters Emergency Committee of leading aid agencies.

Contents

Executive summary

Tearfund is an evangelical Christian relief and development agency working with local partners to bring help and hope to communities around the world. Tearfund was founded over 30 years ago and last year supported more than 500 projects in 90 countries. Tearfund works with local organisations and churches (partners), many of whom work on water and water related projects. Through our advocacy work we hope to raise awareness of the growing world water crisis with our supporters and the general public, work with governments, international institutions and companies on policy issues and build the capacity of our partners to advocate on behalf of the poor on water issues.

This document shows how community participation is in the commercial interest of private companies involved in urban water systems in developing and transition economies. It also shows how evolving policy and commercial contexts will require the private sector to actively engage with low-income communities. It is intended for those involved in the water industry. While all potential stakeholders (e.g. governments, multilateral and bilateral donors, civil society, the general public) may find the report helpful in giving an overview of the challenges and trends in this sector, the report is primarily written with the international private sector in mind.

It is hoped that this document will make a contribution towards establishing pro-poor best practice in the international water business by raising awareness of the opportunities that exist in private sector participation, by promoting poor- inclusive business practice, and by helping companies establish procedures for field operations.

Community participation will play an important role in future private sector opportunities in urban water supplies in developing and transition economies. This report is intended to support the industry in responding to this. It is intended to summarise the issues that must be faced, and to help water companies position the right skills and policies so that all stakeholders benefit. This win-win situation will enable water companies to reduce risk and costs, governments to get effective and sustainable management of water supplies, and the urban poor to influence change and access water services.

The document describes some of the trends the water industry faces. Extension of services to the urban poor will increasingly be a part of future business in this area, so companies will need to be able to "do poor". As more profitable municipal contracts are snapped up, expansion in the business will be into peri-urban and unserved areas, serving lower income populations. Also, as the private sector gains the confidence of donors, there is likely to be an increase in private sector involvement in direct-funded water and sanitation development projects. At the same time, urban-focused non-governmental organisations (NGOs) are turning their attention to water issues, so the traditional demarcation between NGOs dealing with rural water, and utilities providing urban water, is beginning to break down. The private sector will, therefore, find itself working alongside NGOs and community organisations, so both the private sector and NGOs will need to prepare themselves for entering into working partnerships.

All water companies engage with communities – through customer relations and community investment programmes. However this is not quite the same as including poor communities in the design, building and operating of urban water supplies. This document shows how it makes **commercial sense** to incorporate community participation into field operations. This "commercial sense" includes alleviation of risk, quality control, and cost effectiveness. Community participation undertaken in an effective way will increase profits. Secondly, this "commercial sense" includes corporate social responsibility. Corporate social responsibility is important when taking a long term view of a company's business and is becoming of importance not only to investors and employees, but to a wider range of stakeholders. These are themes which crop up throughout the project cycle:

- **winning contracts** – companies will increasingly need to be able to serve low income communities
- **reduction of risk** – operating risk in developing countries tends to be high, and is exaggerated by limited understanding of local culture, people, markets and business practice; working with communities provides access to information and promotes collaboration
- **reduction of costs** – innovative solutions devised in consultation can offer low cost solutions; delegation of tasks to communities can reduce both development and operating costs
- **corporate social responsibility** – companies are becoming increasingly aware of the value of this, and are developing methods for measuring their performance.

Participation needs to be commensurate with the skills and abilities of the community. There is, therefore, greater scope for meaningful participation within certain types of private sector involvement, and in certain stages of the project cycle. There is greatest scope when installing new systems in low-income communities and informal settlements. Participatory processes should ideally span the entire project cycle as part of long term involvements with communities. Potential benefits at each stage include:

- **planning** – gathering accurate information on target communities, e.g. type of service required, willingness to pay, options for community involvement in building and operation and maintenance stages
- **build / rehabilitation** – the use of community based labour provides access to local knowledge, offers the potential for reduced costs, and promotes community "buy in" to projects
- **operation and maintenance** – communities can help devise appropriate service delivery and management solutions (e.g. maintenance and revenue collection). Not only can it be cost effective to place contracts for routine tasks within communities, but community involvement can also bring about a positive change in attitude towards utilities.

A strategic approach to incorporating community participation into company operating practice should include:

- entering into partnerships and dialogue with NGOs and civil society organisations (CSOs) which have an understanding of low-income communities and participatory approaches
- establishing a top down policy trail requiring participatory procedures as appropriate
- incorporating human development in developing countries into indicators for measuring performance against sustainable development targets
- training senior management to give them an understanding of participatory approaches, and of NGO water and sanitation work in urban areas
- working with regulators and governments to promote community participation as part of a more flexible approach to water service provision which facilitates innovative solutions and small entrepreneurs.

It has to be said that it is early days yet, and it is too early to come to conclusions on what will constitute best practice in this industry. Although community participation in utility operations can offer a win-win scenario, that is not to say it is easy to achieve, so practical problems and hurdles are referred to throughout the main document. Additional issues are also raised that need to be considered if community participation is to be implemented in practice. Partnerships with NGOs and community groups offer a way of accessing experience and expertise in participatory approaches.

1 Introduction

Tearfund is an evangelical Christian relief and development agency working with local partners to bring help and hope to communities around the world. Tearfund was founded over 30 years ago and last year supported more than 500 projects in 90 countries. Tearfund works with local organisations and churches (partners), many of whom work on water and water related projects. Through our advocacy work we hope to raise awareness of the growing world water crisis with our supporters and the general public, work with governments, international institutions and companies on policy issues and build the capacity of our partners to advocate on behalf of the poor on water issues.

This document shows how community participation is in the commercial interest of private companies involved in urban water systems in developing and transition economies. It also shows how evolving policy and commercial contexts will require the private sector to actively engage with low-income communities. It is intended for those involved in the water industry. While all potential stakeholders (e.g. governments, multilateral and bilateral donors, civil society, the general public) may find the report helpful in giving an overview of the challenges and trends in this sector, the report is primarily written with the international private sector in mind.

We build the commercial case for community participation by considering the value of participatory approaches within principal stages throughout the project cycle, and within an overall business strategy which addresses social responsibility. We consider how community participation can be of value to companies throughout the tendering process, from initial response to operation in the field. The document also describes trends emerging in the international water industry, again focusing on the importance of participatory approaches, suggesting how companies can respond in order to meet new challenges. The document then concludes with suggestions on how stakeholders can work together to achieve the benefits of community participation in the industry.

Although participatory approaches offer widespread benefits, we are primarily concerned with the participation of the urban poor in private sector participation in water systems. The wealthy are generally able to articulate their concerns, but it is to the poor, who constitute a non-standard group of consumers, that participatory approaches offer greatest benefit.

Throughout the document, references to water supplies, services and systems include both water and wastewater, i.e. the supply of water to, and the removal of waste water from premises. Water supply should be considered in the wider context of urban infrastructure development, which includes sanitation, housing, transport, energy etc.

1.1 The importance of the private sector in development

We take for granted the ability to turn on a tap at any time of day or night to get safe, clean water. However, in developing countries water itself is a scarce commodity, giving it a high profile in development.

> **"Access to a safe and affordable supply of drinking water is universally recognised as a basic human need for the present generation and a pre-condition for the development and care of the next. Water is also a fundamental economic resource on which people's livelihoods depend."**

Guidance Manual on Water Supply and Sanitation Programmes. WELL. Department for International Development. 1998.

In recent years, there has been recognition of the contribution that 'non-state' actors (e.g. private sector, NGOs etc.) make towards human development. There have also been challenges to the role of governments as implementers of human development projects. These two factors mean that the private sector is increasingly faced with opportunities to play an important part in development.

"The adoption of the theme of public-private sector partnership in human development rests on one main assumption, namely that the combination of the efforts of public and private agencies promises a synergy that needs to be nurtured; this would greatly facilitate the achievement of human development goals."

Private sector participation (PSP) has been identified as an effective means of sourcing the capital, technology and expertise needed to develop urban infrastructure in developing and transition economies. However, governments tend to be poorly equipped to deal with what is, for many, a new way of working, and the institutional framework needed to facilitate the promised synergy is often lacking.

1.2 The value of participation

Private sector investment in water and sewerage projects in developing countries has risen from virtually nothing in 1990 to a total of $25 billion at the end of 1997 [Silva et al, 1998]. As this trend in infrastructure development continues, there are opportunities for extending benefits to the poor. However, it is usually the case that the poor have no voice when it comes to negotiating PSP at government level.

A whole discipline of poor-inclusive methods of working has been developed primarily by the NGO and 'development' community. Many people, including major players in the water industry, realise the value of these methods. For instance, part of WaterAid's strategy for development is that communities should participate in the design and implementation of rural water supplies, so those water companies represented on the board of WaterAid are aware of the benefits of participation. Participation encourages ownership and responsibility. Increasing participation in development activities by communities has led to more sustainable development and more effective projects.

So on the one hand we have the proven principle that participation of poor communities in their own human development enhances and increases the sustainability of that development. Yet on the other hand we have the idea that the poor have no voice (or a very limited one in some exceptional circumstances) in negotiating private sector urban water supplies. How can the private water industry respond to this dichotomy?

All water companies engage with communities – through customer relations and community investment programmes. However, this is often in parallel to their core business activities. As we have said above, this document seeks to demonstrate that integrating participatory approaches into overseas operations can yield long term commercial benefits. It suggests that there is demonstrable value to participation, as regularly shown by NGOs working predominantly in rural situations.

1.3 The commercial case

This document shows how it makes *commercial sense* to incorporate community participation into field operations, and follows the principal stages of the project cycle - planning, build, and operation and maintenance. It goes on to show how participation can play a role within socially responsible business strategies, which are increasingly recognised as contributing to the value of brand identity as consumers become more aware of equity and social justice issues.

The evidence is based on a mixture of examples of innovative practice provided by water companies, material made available by development agencies, and academic research. The bulk of this is drawn from the private water sector, but this is a relatively new business, and there are lessons to be drawn from other sectors. Although some information from companies has been drawn from published material, much is of an anecdotal nature, gathered from interviews. Current practice and opinion was sought primarily from water companies in the UK, with additional input from companies in France and Africa.

The commercial case is based on a number of themes which crop up throughout the project cycle:
* *winning contracts* – companies will increasingly need to be able to show that they can "do poor"
* *reduction of risk* – operating risk in developing countries tends to be high, and is exaggerated by limited understanding of local culture, people, markets and business practice; working with communities provides access to information and promotes collaboration
* *reduction of costs* – innovative solutions devised in consultation can offer low cost solutions; delegation of tasks to communities can reduce operating costs
* *corporate social responsibility* – companies are becoming increasingly aware of the value of good public relations and company image, and are developing methods for measuring their performance with regard to sustainable development issues.

1.4 What can be achieved?

Community participation will play an important role in future private sector opportunities in urban water supplies in developing and transition economies. This report is intended to support the industry in responding to this. It is intended to summarise the issues that must be faced, and to help water companies position the right skills and policies so that all stakeholders benefit. This win-win situation will enable water companies to reduce risk and costs, governments to get effective and sustainable management of water supplies, and the urban poor to influence change and access water services.

It has to be said that it is early days yet, and it is too early to come to conclusions on what will constitute best practice in this industry. Although community participation in utility operations can offer a win-win scenario, that is not to say it is easy to achieve, so practical problems and hurdles are referred to throughout. Additional issues are also raised that need to be considered if community participation is to be implemented in practice. Partnerships with NGOs and community groups offer a way of accessing experience and expertise in participatory approaches.

It is hoped that this document will make a contribution towards establishing pro-poor best practice in the international water business by raising awareness of the opportunities that exist in PSP, by promoting poor-inclusive business practice, and by helping companies establish procedures for field operations.

2 Setting the scene

In this section we consider why participation of the urban poor is important to all the stakeholders of a public private partnership.

2.1 Why the private sector has become important in developing country and transitional economies water provision

Many public sector industries in developing countries have suffered from years of neglect, under-investment and mismanagement - water and sewerage are no exception. Within some circles, the private sector has recently been hailed as the most effective means of improving these services. The emphasis of the World Bank and other donors on PSP means that governments are now presented with an opportunity to delegate responsibility to the private sector. Nevertheless, no matter how much operational responsibility is shifted onto the private sector (see PSP options in Table 2 and Table 3), overall responsibility for ensuring that water and sanitation services are provided remains with governments. Therefore, as private sector involvement increases, a government's role (at both national and local levels) needs to shift more from implementer to regulator.

Handing over public services to the private sector is a political act, and carries weighty political baggage. On the one hand, governments want to provide improved services, and to gain credit for successful private sector involvement. On the other hand, there are ideological constraints associated with handing over control of essential domestic assets to foreign powers, not to mention the fears and mistrust of private companies. This is the environment in which international water companies are trying to operate.

Utility operations are fundamentally different from those of other multinationals. Multinationals' involvement in developing countries tends to either be exploitative, making gain from natural or labour resources, or a general involvement in the market. For the former, community involvement tends to be restricted to benefit sharing activities which are unrelated to core business activities. For multinationals selling products into a market, consumers make their voice heard through purchasing choices. In contrast, utilities need to sell to local communities, and those communities want to buy services provided by the utilities. We will see that even though utilities seemingly have a "captive audience" there are considerable commercial advantages to participation, including reduction of costs, reduction of risk and long term ownership. (This is explored further in sections 4, 5 & 6.)

Added to this commercial imperative, international companies generally respond to tender requests posted by governments. Governments, in turn, generally respond to conditions imposed by donor institutions. PSP has been identified by these institutions as a means of improving the provision of safe water supplies, and to this end the private sector is expected to:

• implement effective management
• improve quality of supply
• provide investment in refurbishment of networks and plant
• provide sustainable water supplies
• bring investment to extend services.

2.2 Water, donors and development

As we have said above, governments generally respond to conditions imposed by donor institutions. The private sector is in business for profit. However, there is also a growing global civil society that is seeking to systematically reduce poverty and is influencing donors to that end. A set of targets related to reduction of poverty has been set by the international community and agreed to by every member of the United Nations. These are known as the international

development targets and achievement of these will require a multi-sectoral approach. The British Government's Department for International Development (DFID), for instance, summarises these targets in the 1997 White Paper. Although the elimination of poverty is the overarching goal of the UK DFID, the targets are inter-dependent and water is of great importance to the achievement of many of the goals.

Reducing Extreme Poverty	a reduction by one-half in the proportion of people living in extreme poverty by 2015
Universal Primary Education	universal primary education in all countries by 2015
Gender Equality	demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005
Infant and Child Mortality	a reduction by two-thirds in the mortality rates for infants and children under age 5 by 2015
Maternity Mortality	a reduction by three-fourths in maternal mortality by 2015
Reproductive Health	access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015
Environment	the implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015

Table 1 International
Development Targets
Eliminating World Poverty:
A Challenge for the 21st Century.
White Paper on International
Development. 1997.

In support of these targets, DFID has also identified the need to establish realistic indicators and targets for the water sector in particular. They propose the following specific targets:

- to have comprehensive policies and strategies for integrated water resource management in process of implementation in 75% of countries by 2005, and in all countries by 2015
- to reduce the proportion of people not having sustainable access to adequate quantities of affordable and safe water by half by 2015
- to reduce the proportion of people not having access to hygienic sanitation facilities by half by 2015.

Addressing the Water Crisis –
Healthier and More Productive
Lives for Poor People.
(Consultation document.)
Department for International
Development. 2000.

It should be recognised that water services are an integral part of wider urban development programmes. Urbanisation is itself a well defined development sector in which steps have been taken to include the poor in upgrading other aspects of urban infrastructure. The implications of this are that private companies may be able to make use of resources and community structures pertaining to non-water sectors, and multi-utility companies may be well placed to take an integrated approach to infrastructure development.

In Section 4 we consider the growing role of the private sector in development-funded urban water programmes. Companies need to be familiar with the targets that donors are working towards, as these will guide PSP arrangements arising from development funding. Companies should also be aware of key policy fora and high level conferences where water is high on the agenda, as they will need to respond to developments within the international donor community.

Good governance is another theme that is currently being promoted as a means of encouraging social and economic development. Governance in the interests of the people is only possible through the active participation of the people. So democracy, or more importantly, transparency of democracy, is one of the central themes of good governance. Transparency can only be achieved if political processes engage the electorate at all levels of government, and democracy can only be effective if civil society is strong enough:

"[a] strong and diverse civil society, organised in various ways and sectors, including individuals, the private sector, labour, political parties, academics, and other non-governmental actors and organisations, gives depth and durability to democracy [and] a vigorous democracy requires broad participation in public issues."

It is, therefore, becoming increasingly recognised that the poor, as beneficiaries, have the right to shape and influence the development processes which affect them. Participation, and what it means to different people, is discussed in Section 3. As companies become involved with poor communities, they will be expected by donors to contribute to good development practice by promoting participatory approaches, and by playing an active role in strengthening various stakeholders that make up a strong and diverse civil society. (This is discussed further in Section 8.)

2.3 Stakeholder analysis

We have already mentioned governments and the private sector companies, but there are many other stakeholders. These and other stakeholders are presented in Figure 1, along with an indication of the nature of relationships between them. The strongest links are those where one stakeholder is directly accountable to another, although less formal relationships can also be used to exert influence, and to gain access to other stakeholders.

Governments often appoint consultants to assist them with the preparation of PSP arrangements. They will not only advise on appropriate models for private sector engagement and prepare information for the tendering process, but can also advise on changes that need to be made to regulatory and legal frameworks in order to facilitate PSP.

Local government and municipal water authorities are closely linked, and tend to be involved in any PSP option. As the provider of services they have links to customers, although these may be weak where service provision is poor. The diagram reflects the subcontracting of local companies by international water companies, and also the engagement of local companies with low-income communities. These may, however, be quite different types of company, so this does not necessarily represent a direct link through to low-income communities.

There may be little to distinguish between community groups and civil society organisations, although the latter tend to be more formal organisations. Many local interest and self-help groups are made up of women, and women are often heavily involved in the informal private sector (e.g. market stalls, agriculture etc.), so these may indeed be considered as an integral part of low-income communities. It should also be borne in mind that responsibility for domestic water generally falls to women, so it is important to recognise that links to low-income communities should focus on women.

Note that direct links are lacking between national level stakeholders and target communities, but that indirect links can be made through the largely informal relationships that exist at a local level.
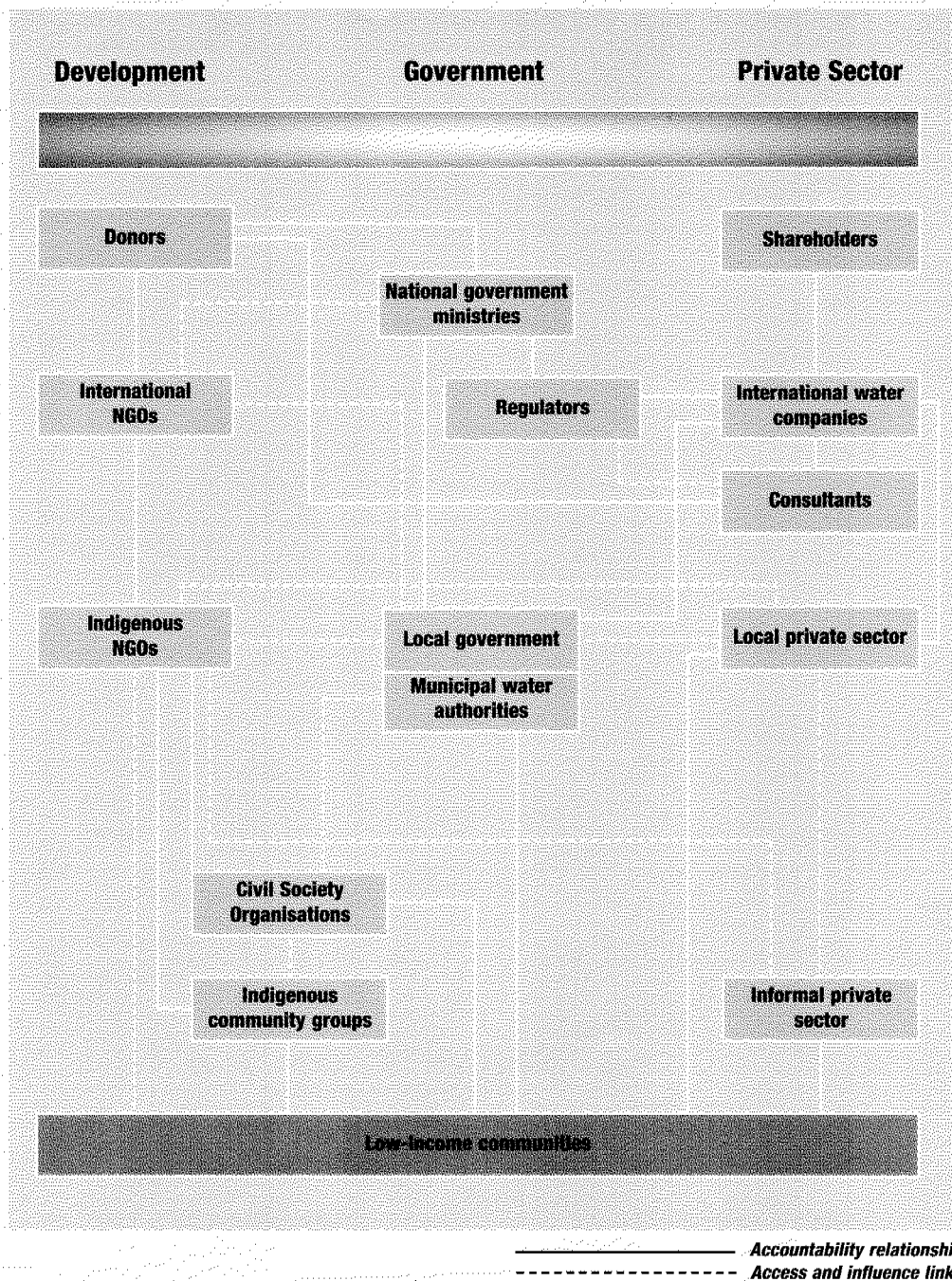
Development	Government	Private Sector

Donors

National government ministries

Shareholders

International NGOs

Regulators

International water companies

Consultants

Indigenous NGOs

Local government

Municipal water authorities

Local private sector

Civil Society Organisations

Indigenous community groups

Informal private sector

Low-income communities

—————————— *Accountability relationship*
- - - - - - - - - - - - - - - - - *Access and influence links*

2.4 Models for private sector engagement

The broad categories of contract through which international companies are engaged are presented in Table 2. Most international contracts are either specific consultancies, or of the concession type where companies are expected not only to manage operations, but also to invest in systems, and to recover their costs over an extended time period. There are relatively few examples of privatisation, or divestiture, along the lines of the UK industry, as it is generally regarded as politically unacceptable to transfer assets into foreign ownership. Chile is one

example where this has been done, but ownership is usually joint between national and international companies. In practice, the distinctions between these categories are blurred, and each contract uniquely reflects the needs and context of each individual situation.

Option	Asset ownership	Operations & maintenance	Capital investment	Commercial risk	Duration
Service contract	Public	Public & private	Public	Public	1-2 years
Management contract	Public	Private	Public	Public	3-5 years
Lease	Public	Private	Public	Shared	8-15 years
Concession	Public	Private	Private	Private	25-30 years
SOT/BOO	Private and public	Private	Private	Private	20-30 years
Divestiture	Private or private & public	Private	Private	Private	Indefinite (may be limited by license)

In order to overcome issues of mistrust (electorate of company, company of profitability, regulation of PSP), a management contract can be awarded under which the company simply manages an existing business – network, plant, resources and customer base. It should be borne in mind that most governments also have little, if any, experience of PSP, and a short term (e.g. 5 years) management contract offers them an opportunity to gain experience and to prepare regulatory frameworks for longer term arrangements. The involvement of Severn Trent Water International in Trinidad and Tobago illustrates how this theory can run into complications (see Box 1). Management contracts can also be awarded as a means of securing donor funding, where donors want assurance that projects will not run into mismanagement problems.

Box 1

Short term contract as a run-up to long term concession - Trinidad & Tobago.

In order to secure World Bank funding to improve water supply and sewerage services in the islands of Trinidad and Tobago, the government invited tenders for a 3 year management contract. The objective was to improve operational and financial performance within the Water & Sewerage Authority (WASA) to a point such that a long term concession contract to a private sector operator could be considered. the Interim Operating Agreement (IOA) was awarded to a joint venture company formed by STWI and Carillion Caribbean Ltd.

By completion of the IOA, they achieved improvements in operational efficiency a 30% increase in the volume of water supply, and had managed to turn annual losses of $40m into a small profit without significant tariff increases. However, between the award and start of the IOA there was a change in government. Whilst the incoming government had been happy to award the IOA, they had doubts that a concession was the best long term alternative to WASA. Subsequent negotiations failed to identify a form of concession that would be attractive to both the government and concessionaire, and so responsibility for the provision of services returned to the public administration.

2.5 Opportunities for community participation

So against this backdrop of privatisation with its potentially political atmosphere, conditions from donors and multitude of stakeholders, how can a private company be expected to include the community in the process? We will construct our presentation around the following model.

Water utility activities can broadly be categorised according to the principal stages of the project cycle, as illustrated in Figure 2:

- *planning* – for extending service provision to new areas, or developing new plant installations (e.g. sewage treatment works)
- *build / rehabilitation* – undertaking engineering works on the ground; ranges from highly technical work (e.g. refurbishing treatment works) to unskilled, labour intensive tasks (e.g. laying small diameter local network pipes, meters, tanks etc)
- *operation and maintenance* – system and customer management (e.g. meter reading, revenue collection, leak detection and repair)
- *monitoring and evaluation* – checking water quality, security of supply, checking against targets and standards.
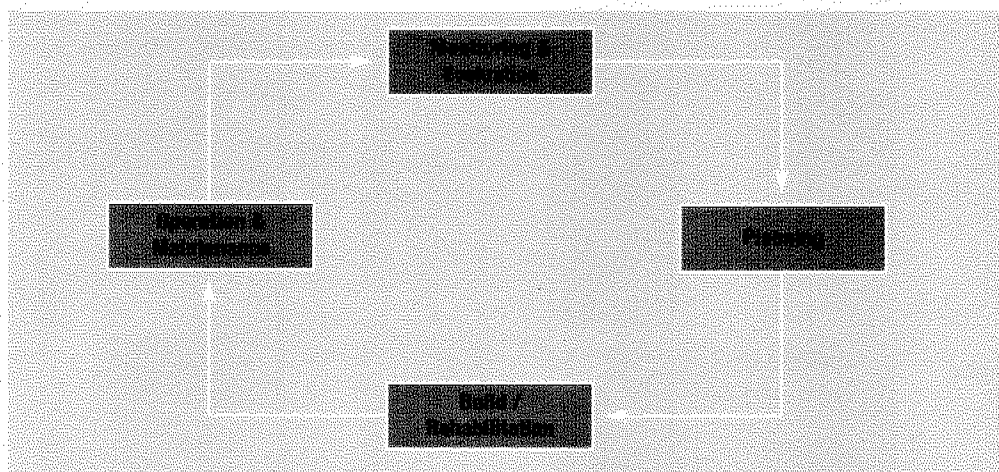
Figure 2
Principal stages in the project cycle

Table 3 represents in general terms where responsibility for each stage rests under a range of PSP options. Where it is indicated that responsibility lies with the public sector, specific tasks and services may well be delegated to the private sector, but overall responsibility remains with public administrations. It shows that operation and maintenance is the stage in which the private sector is most likely to engage.

Table 3
Primary responsibility within PSP options

	Consultancy	Management	Lease	Concession	Divestiture
Planning					
Build					
O & M					
M & E					

Public   Private

Participatory approaches offer benefits within each stage, although the potential is greater in certain stages. When adopting participatory approaches, the following three key features need to be considered (see Section 3.1):

- information exchange – which way does information flow?
- decision making – who makes decisions?
- capacity building – how can the target community be built up?

Figure 3 illustrates the potential for each of these within the principal components of the project cycle.

	information exchange		decision making		capacity building
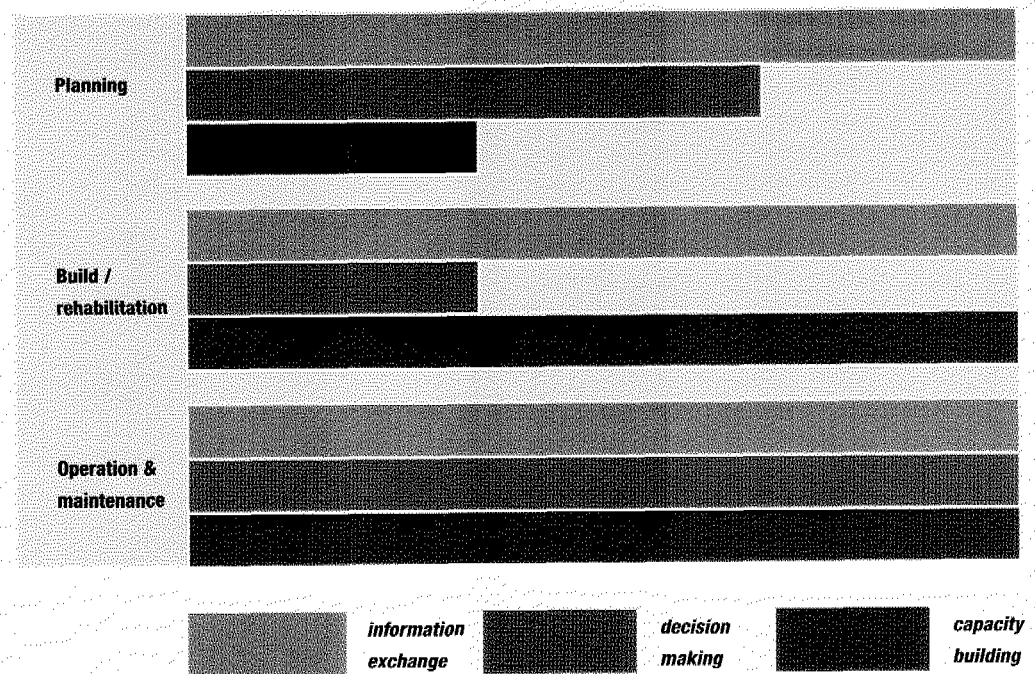
The design of participatory processes will, therefore, depend on the nature of the private sector involvement. For example, this diagram illustrates that engaging with communities to exchange information is of universal benefit, whilst the contribution of communities to decision making in the installation of piped systems may be restricted to, say, the location of standpipes.

Sections 4, 5 & 6 discuss in more detail the opportunities for community participation at each stage in the cycle. Before we consider these details it is important to consider what is meant by the term participation.

3 What do we mean by participation?

In the recent past, it was realised that technological solutions needed to be "appropriate" in order to contribute to development. However, technology alone was evidently not the answer. Sustainable improvements to living conditions depended on socio-economic factors. Getting people involved and owning the changes proved key to the improvements being long lasting. Participatory Rural Appraisal (PRA) methods were developed to find out more about the priorities of the poor themselves. PRA methods are designed to tap in to the wealth of technical and social knowledge available within communities, and to stimulate ownership. Techniques are largely visual, using locally available materials, to help non-literate people express themselves.
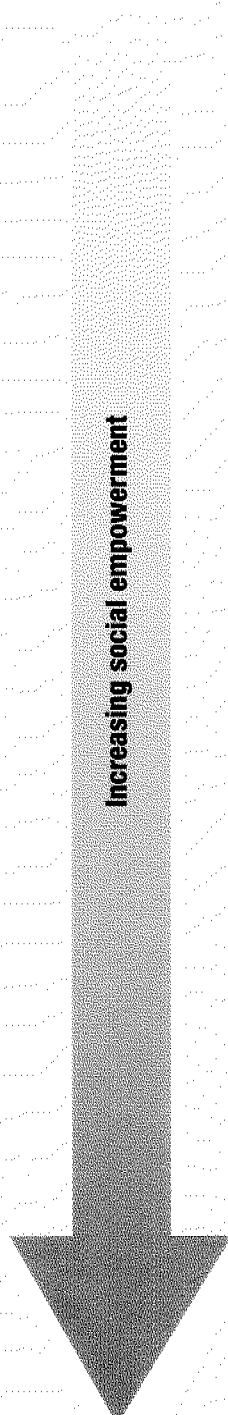
But what happens with information gathered through participatory methods? If information is merely "extracted" by an external agency and thrown into a design process, the end product may well be quite different to what the community envisaged. Over the last few years there has been an increasing awareness among development practitioners that the participatory processes of development should lead to communities taking action for themselves. Action is the important point – it is the ability of people to make decisions independently of external agencies that makes a real contribution towards sustainable development.

"Participation is a process through which stakeholders influence and share control over development initiatives and the decisions and resources which affect them."

Definition given by the UNDP Participation Thematic Group.

So what do we mean when we advocate participation of the poor? Participation means different things to different people – Table 4 presents a range of levels of participation.

Table 4

Levels of participation

Typology	Characteristics
Passive participation	People participate by being told what is going to happen or has already happened. It is a unilateral announcement by an administration or project management without listening to people's responses. The information being shared belongs only to external professionals.
Participation in information giving	People participate by answering questions posed by extractive researchers using questionnaire surveys or similar approaches. People do not have the opportunity to influence proceedings, as the findings of the research are neither shared nor checked for accuracy.
Participation by consultation	People participate by being consulted, and external people listen to views. These external professionals define both problems and solutions, and may modify these in the light of people's responses. Such a consultative process does not concede any share in decision making, and professionals are under no obligation to take on board people's views.
Participation for material incentives	People participate by providing resources, for example labour, in return for food, cash, or other material incentives. For instance, much on-farm research falls in this category, as farmers provide the fields but are not involved in the experimentation or the process of learning. It is very common to see this called participation, yet people have no stake in prolonging activities when the incentives end.
Functional participation	People participate by forming groups to meet predetermined objectives related to the project, which can involve the development or promotion of externally initiated social organisation. Such involvement does not tend to be at early stages of project cycles or planning, but rather after major decisions have been made. These institutions tend to be dependent on external initiators and facilitators, but may become self-dependent.
Interactive participation	People participate in joint analysis, which leads to action plans and the formation of new local institutions or the strengthening of existing ones. It tends to involve interdisciplinary methodologies that seek multiple perspectives and make use of systematic and structured learning processes. These groups take control over local decisions, and so people have a stake in maintaining structures or practices.
Self mobilisation	People participate by taking initiatives independent of external institutions to change systems. They develop contacts with external institutions for resources and technical advice they need, but retain control over how resources are used. Such self-initiated mobilisation and collective action may or may not challenge existing inequitable distributions of wealth and power.

Source: Pretty (1994), adapted from Adnan et al (1992)

Increasing social empowerment

3.1 Characteristics of participation

The level at which participation is pitched (see Table 4) depends on both objectives and constraints. There are three key features of participatory processes which need to be considered when designing processes, and which determine both the impact of community involvement, and the long term benefit to communities:

information exchange – direction of information flow can be from agent to community (e.g. explaining a project), from community to agent (e.g. assessing willingness to pay), or both ways. Processes can structure locally available information, and provide access to external sources.

decision making – ranging from all decisions taken by external agent, through information from the community used as an input to the decision making process, to delegation of decision making to community based organisations. Processes can facilitate community decision making by stimulating awareness of issues, providing access to information, and structuring decision making processes.

capacity building – processes themselves can help build organisational capacity (e.g. social organisations and structuring of information), and help people identify problems and solutions. In addition, processes can include a participatory approach to education and training in specific skills (e.g. finance, plumbing.)

Some practical issues to be considered when designing participatory processes are presented in Section 8; additional information on general rules, how to get things going in the field, and useful participatory tools are given in Appendices.

3.2 Section summary – What do we mean by participation?

We have seen that the word participation can have a range of interpretations. The process of participation could involve only information exchange from the company to the consumers, or it could mean the consumers are involved in decision making. There are a number of levels at which a water company might engage with a community. We have considered that for engagement to be meaningful, guidelines proposed by experienced practitioners need to be taken into account. The following sections now look at the opportunities within the planning – build and rehabilitation – operation and maintenance cycle for water companies to enhance their operations by strategic participation of the poor.

4 The implications of participation of the poor in planning

Irrespective of the PSP arrangement, it is national governments who are responsible for strategic planning regarding the management and expansion of reticulated urban water systems. In this section we consider how community participation can be incorporated into the planning phase of the project cycle. For this we need to understand how the rules governing private sector involvement are drawn up. We will look at how companies have valued community participation in drawing up their plans to engage operationally. Although options for construction, operation and maintenance are discussed in the following sections, they are so inextricably linked to the planning stage that we must mention them in this section. For example, we consider how issues of tariff policy, community labour and management will all affect not only how a company responds to a tender, but also how authorities design the tender.

4.1 Planning for private sector participation – rules of engagement?

Who sets up the rules for planning a water and sewerage system? We have seen in the context section above that developing countries lack the finance to invest in infrastructure improvements and that private sector participation is often regarded as a key to unlocking this finance. However, private companies are generally unwilling to commit their own capital to ventures in highly risky situations, which leaves the multilateral development and finance organisations, notably the World Bank, to put up the bulk of the finance. Bearing in mind that privatisation tends to be a highly charged political issue, this can leave governments trying to please two masters:

* donors, whose conditions for granting of finance must be satisfied
* the electorate, to whom they are ultimately responsible.

In addition, the private sector itself can contribute to the design of PSP options by lobbying for certain conditions to be part of the contract.

Box 2

Meeting the standards of international donors

After entering into discussions with a single company which promised to bring investment, the authorities in one capital city realised that the process of awarding a contract for the operation of water services had to be seen to be transparent, otherwise there could be dire political consequences if things went wrong. The government then went through a tendering process, but was unable to compare the proposals received, as the tender documentation had been poorly prepared. They also realised that they had to run the process properly if they were to access multilateral funding, so they sought assistance. International consultants were subsequently appointed to draw up the PSP framework and develop the documentation.

4.1.1 The donors

We have seen above in Section 2.2 that donors are becoming increasingly aware of the role of participation in sustainability. Where investment is channelled through governments, the involvement of the private sector provides comfort to donors. Where direct funding is provided, private companies can act as local partners, but will only win contracts where they can prove they have the ability to respond to the needs of low-income target groups, and can fit in with the participation agenda. As an example of donors making use of the private sector, a donor paid the capital costs for a municipal system in Bangladesh, but a private sector operator was contracted to operate the system.

4.1.2 The electorate

One can argue that the most effective means of community involvement in the strategic decision on private sector involvement is through the ballot box – see Box 1 and Box 2. However, in reality people vote relatively infrequently and their vote is based on a complex mix of politics, policies, public relations and personalities. So while a government has to be wary of political consequences from a badly planned privatisation or an opaque process, once a government has embarked on the path of PSP, design of the most appropriate mechanism for engaging the private sector tends to be a national level government activity. We could, therefore, conclude that after the relatively blunt instrument of the ballot box, there is very little control by the electorate of the details of the planning process. However there is also civil society, which is growing in its influence.

4.1.3 Civil society – NGOs

Standing between the electorate and the government are the various expressions of civil society. Urban water supplies have traditionally been the preserve of municipal authorities, while NGOs have tended to restrict their operations to rural water supplies. However, there is an increasing awareness of poverty in urban areas which means that NGOs and development agencies are increasingly turning their attention to addressing public health issues in urban low-income communities. As donors wish to combine institutional capacity building with a poverty-focused approach, the traditional boundaries between utility and NGO spheres of operation are breaking down.

NGOs can play two roles – as advocates or as implementers. Internationally funded NGOs may be advocates and a voice for the poor, lobbying governments and donors to include unserved areas in their plans. Local NGOs or community groups may lobby municipal authorities, thereby effectively increasing accountability to the electorate. Civil society tends to take a broader view of needs, placing water in the context of overall urban development. Box 3 illustrates not only how local NGOs can successfully lobby municipal authorities, but also how water services are only one part of an overall urban development strategy.

Where organisations (civil society, NGO, or government) work with slum residents to improve settlements, the process will inevitably include the forming of several groups and committees. Where the private sector is involved, it should make maximum use of these existing community based structures in participatory approaches, rather than working in isolation by appointing their own dedicated extension workers, printing water-only information, running separate surveys etc.

Box 3

So planning for PSP will be subject to increasing pressure for community participation from donors, the public, and civil society. How, then, will this affect private water companies?

4.2 The tender is the key

The tender design process has to strike a balance. On the one hand are the interests of governments, who stand to make political capital out of extending services into low-income areas, and on the other are private companies, who are most interested in serving the more secure markets (i.e. the rich). Each tender is different, reflecting the priorities of governments. Both price and the extent to which companies can extend into unserved and underserved areas (within whatever cross-subsidies regulations are given in the tender) are important factors in the bidding process. This is why innovative service provision and revenue generation models are becoming important (see Section 6).

We should be aware that each government has very little (if any) experience of private sector participation. Almost by definition, PSP in any particular location is a single process. It is not done year after year, rather it is taken up and run for many years. So local civil servants rarely build up expertise on PSP. It is therefore natural to buy in the expertise, and consultants are contracted to draw up the tender arrangements. Consultants cost money, and initial funding is often provided by the donors who are underwriting the risk. Therefore it is natural that in designing tenders, consultants generally respond to donors, who in turn are trying to understand how participation can be integrated into the overall approach.

There is great flexibility in preparing a tender – you can put in anything you want, e.g. restrictions on redundancies, areas to serve, tariff limits etc. For example, a contract in South Africa required companies to use "previously disadvantaged groups" for contracting, even though these might have had no track record or experience.

We can say, therefore, that new tenders for privatisation will include clauses on participation and that private companies will need to respond to these demands. Will this be a problem? Will it reduce profits? We believe not, and the next section demonstrates why.

4.3 Community participation is an asset in planning urban water systems

It has already been said that options for the build and operation project stages, considered in Sections 5 and 6, need to be considered during the planning stage. Within these, there are many opportunities for community participation to improve the quality and profitability of private sector operations. This section summarises the benefits to the planning process.

4.3.1 Community participation helps get things right

There is increasing recognition of the benefits of using local participation to take into account socio-cultural factors affecting project design, planning, and implementation. For example, Inter-American Development Bank (IDB) studies show that programmes designed to be compatible with local socio-economic conditions average a rate of return of 18.3% compared to only 8% for other projects [Sustainable Development Department, 2000].

4.3.2 Community participation reduces risk

Good planning can help minimise risk. Open and transparent processes can defuse hostility and allay fears and prejudice. As the emphasis within infrastructure planning shifts from supply side to demand side, an understanding of consumer behaviour is becoming more important. In particular, an accurate assessment of willingness to pay can be important in guaranteeing security of investment.

From a simple, practical point of view, there are occasions when only local entities can operate effectively. An extreme example is areas of insecurity and civil unrest where expatriate staff are at significantly greater risk than locals, e.g. it was the killing of European telecommunications workers in Chechnya that achieved the political objective of bringing international coverage to the dispute.

4.3.3 Community participation facilitates understanding, ownership and innovative design

Within the planning stage, participation may be restricted to information exchange - helping planners to understand consumers and access local knowledge, and consumers to understand plans and options and benefits. This facilitates understanding between all parties. However, the potential is much greater.

At the periphery of a piped network, the skills needed to design, install and maintain systems are commensurate with artisanal skills available in low-income areas. In this case meaningful community "ownership" of systems becomes feasible. Communities can also become involved in design of systems (decision making), capacity building (gaining skills to install and maintain systems), and providing labour.

Box 4

4.4 The private sector and community participation in the PSP tendering process

When a company is considering bidding for a PSP contract, their planning will cover all stages of the project cycle, so issues of design, contracting and management raised in Sections 5 and 6 will need to be considered in their planning processes. As far as the private sector is concerned, the process formally starts with receipt of a tender invitation (in practice things may vary from this ideal). Thereafter, there will be a number of decision making stages. Companies rely on market testing to gather information for making decisions – understanding consumers is the key to getting accurate information. The process may, typically, comprise the following decision making stages:

* *response* to tender invitation – companies need to assess local conditions and public opinion in assessing the viability of a project (e.g. see Box 5)

Box 5

* *preparation* of bid – companies can rapidly assess consumer needs and opinion through collaboration with NGOs and community groups (e.g. see Box 6)

Box 6

- *design* of in-country systems and operational procedures - in order to meet the terms of tenders, private companies will need to involve users; this may best be done through groups which have expertise in working with target communities.

"However, the government [of Bolivia] has specified that international companies interested in bidding for the water company must have plans to connect at least 90% of the population within 5 years. It is expected that this could only be achieved with substantial finance and the involvement of users in the construction and management of the networks, but it is not clear if international water companies have this expertise as they operate higher engineering standards and do not have much experience of working closely with users.

- day to day *operations* – where engagement is to be restricted to a consultancy type of role, and companies have no direct contact with consumers, there may be little scope for consulting communities. If, on the other hand, companies are to be dealing with consumers (e.g. managing systems, installing new systems), a whole range of community related issues become important, such as public relations, cost of service, local knowledge and culture etc.

Box 7

Day-to-day contact with communities

Territory Representatives (TR) are key figures in the day-to-day operations of Tubig Para sa Barangay (Water of the Barangays), a Manila Water Company programme aimed at depressed areas with high population densities, poor water supplies and virtually no sewage facilities. TRs are the people who know the customers and deal with their problems and expectations. They work with barangay "captains", elected by the communities, to identify the best people to speak to, and they can call community meetings as necessary. Once completed, the programme will have connected over 16,000 households.

4.5 Section summary

So we have seen examples of how collaboration with community groups and NGOs can enable companies to overcome recognised obstacles facing international companies operating overseas.

"Foreign firms can offer much but must first evaluate how to tailor their investment as it corresponds to the intrinsic difficulties of the local market. In summary, foreign contractors have several competitive advantages including the most advanced technology, specialized services, superior quality, and better financing options. Their disadvantages, however, include fewer local ties and connections; a limited understanding of the language, culture, people, and marketplace; and higher operating costs".

We have suggested that there will be increasing pressure from the electorate and from donors for community participation in private sector planning. This will result in tender documents including clauses that insist on companies covering unserved areas in order to reduce poverty. We have argued that the best response to this is to involve the community, thereby increasing ownership, reducing costs and reducing risks. Community participation is actually an asset in planning urban water systems. The section ended with examples of how companies can include community participation in their tender response. Note how this section draws out the recurring themes of the commercial case for community participation in field operations:

- winning contracts
- reduction of risk
- reduction of costs.

5 The implications of participation of the poor in build and rehabilitation stages

Many PSP arrangements specify that the private sector partner is responsible for engineering works (either new build or rehabilitation). The conventional model for getting work done is through a contract, awarded on the basis of competitive tender.

Community participation can offer commercial advantages over this conventional process, but only where the skills available are appropriate. This tends to be at the small-diameter local distribution end of network systems – large-diameter pipelines and central plant generally require highly skilled labour and expensive plant.

5.1 Community participation in contracting

Contracts are usually based on a triangle of actors:

Promoter – plans, specifies, and pays for the work

Engineer – ensures that the work is done satisfactorily, mediates conflicting interests of Promoter and Contractor

Contractor – does the work.
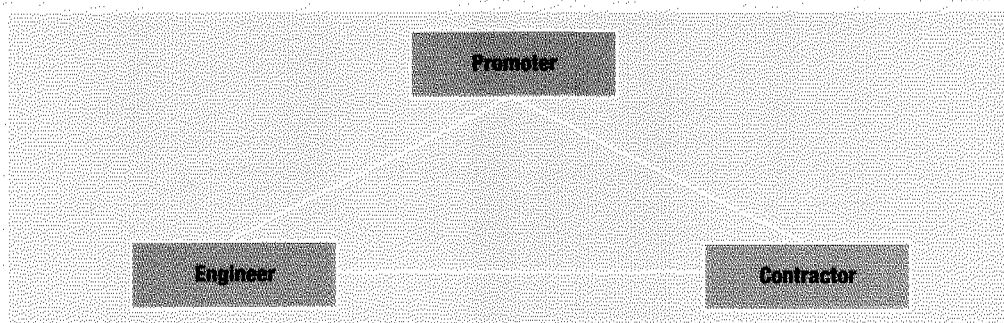
Where a service is retained in the public sector, all these functions may be held within ministry or local government structures. In the case of a PSP arrangement, the promoter will be the private sector partner, and engineering and contracting services are most likely to be drawn from the private sector. The process of contracting is regarded as the best means of achieving the project objectives:

cost – getting the work done at best value cost

time – getting work done within a planned schedule

quality – getting work done to a satisfactory standard.

5.1.1 The intended benefits of a contractual process

Awarding contracts through competitive tender enables promoters to procure works at a realistic cost – the competitive process is intended to eliminate excessive profits. The competition process provides a means of "showing" that costs are realistic, and that contracts are awarded "fairly" on the basis of value for money. These issues of transparency and accountability are most important where it is public money that is being spent.

Where the operation of systems is contracted out to the private sector, it can be argued that it is still essentially the public's money they are spending – albeit raised through tariffs rather than taxes. In some respects, private companies may be subject to greater scrutiny than public bodies (e.g. financial records), but in others they may not be subject to the same procedural constraints (e.g. competitive tendering) – it depends on legal and regulatory requirements. Nevertheless, bearing in mind the political sensitivities associated with water supplies, it is good public relations practice to ensure that contracting processes are transparent.

However, in the recent past there have been two major flaws in the application of this approach in developing countries:

- It is only effective where contractors compete against each other. Risk minimization is often a higher ranking priority than profit maximization in developing countries, with the result that contractors may work together to ensure that all survive. Work may effectively be "shared" between contractors, so lowest cost is not achieved in practice.

- In the absence of realistic and enforceable standards, none of the actors in the contracting process has a vested interest in the quality of work. It is the consumers who later pay the penalty for poor workmanship in terms of leaks, contamination etc.

5.1.2 Involving the community in the contract

Community partnerships offer an alternative mechanism through which the Promoter can procure services. Community organisations may assume any or all of the functions in the triangle:

- promoter – communities may be invited to design and install their own local distribution system (see Box 6)
- engineer – communities are best placed to monitor progress and quality of work, and could take responsibility for management of community based contractors
- contractor – low-income communities could provide labour.

As the community might be any part of the triangle, the triangle of actors no longer represents the relationships in community partnerships and a more flexible model is required.

There are considerable benefits in getting involved with community partnerships. Benefits may include:

- community members have a vested interest in ensuring that work is carried out properly – possibly leading to good quality control
- payments contribute directly to the economic development of low-income neighbourhoods
- enterprise development opportunities
- access to local knowledge
- less risk of disputes with beneficiary community.

However, there are also problems associated with these partnerships. They may include:

- it can be difficult to legally define responsibility and accountability
- an unskilled workforce will need training
- community based contractors need close monitoring to meet national standards
- payment mechanisms may not be straightforward
- resistance from trades unions
- workforce might be unreliable if contracted on a casual basis
- time delays.

We will now consider the benefits and problems in more detail.

5.2 Customers have a priority interest in quality control.

The reliability and quality of a water supply depends on the quality of work done by the installation contractor. It is, therefore, in the interests of consumers to ensure that works are carried out to a satisfactory standard. Quality control ultimately lies in the hands of the contractor, although the promoter is responsible for specifying standards, and the engineer is responsible for enforcing these standards. Technical standards need to be realistic and appropriate – unnecessarily high standards (e.g. European standards) may be unachievable, and can stifle innovation if too prescriptive. If recognised standards are not available, then the issue of quality becomes subjective and is consequently difficult to enforce within the legal framework of a contract. However, it can be argued that it is also in the interests of the following primary players to promote quality:

- **Promoter** – it may be that private operators embarking on long term relationships will uphold quality standards, recognising the positive contribution this makes to public relations, which is of commercial value to a long term strategy. However, within the cash-strapped public sector, price tends to take priority over quality.
- **Contractor** – although contractors would normally rely on a reputation for good work to secure further contracts, this is not the case in a non-competitive environment (see Section 5.1). In an environment of poor business practice, cutting costs is also likely to take priority over quality.

This leaves the *customers* as the only stakeholders with a priority interest in quality. Putting right a poorly installed system is more costly and time consuming than installing it correctly in the first place. Involving low-income communities in installing systems can, therefore, provide a cost-effective means of ensuring well installed systems.

This does not mean that there is no role for the engineer. The engineer's role requires an understanding of engineering practice, and experience of contractors' tricks. The community are not professionals, but there may be a case for involving communities in monitoring activities. They are "on-site" all the time and a strategic and informed commission to key community stakeholders to monitor the contractor may be appropriate and effective.

5.3 Community involvement can reduce costs

There are a number of cost implications associated with the use of private sector contractors:

- profit – promoters will pay a profit component over and above the costs of service provision
- transport – contractors will not be based at the works site, so promoters will be expected to pay the cost of transporting personnel and equipment to the installation site
- low efficiency / excess profit - as a result of non-competitive practices, the tendering process may not be effective in achieving low costs, as discussed in Section 5.1.

By comparison, community labour is available at lower cost, and on site. For example, Durban Metro estimate that sourcing labour from local communities, which tend to have high unemployment rates, results in project costs of 60% of conventional construction methods; a spin-off of this approach is community support for projects, which is especially important in areas which are subject to violence.

This approach requires some cost allowances for:

- training – adequate quality of installation can only be achieved if labourers are given training in the skills required
- management – community labour may require closer supervision and management than experienced contractors.

As the above example shows, however, even with these extra costs it is possible to make considerable savings over a more conventional approach

5.4 Economic development of low-income neighbourhoods

The most obvious role for community involvement is through the provision of labour. As we have said above, community labour is generally unskilled and will have little experience of installing water systems. Without adequate training factored into the overall costs, use of local labour can be disappointing. For example, Senegalese des Eaux (SDE) in Senegal (part of SAUR group) will no longer use community labour – in their experience in Africa, communities could not provide adequate quality or get work done in time. This is not the experience of other companies in other countries (e.g. South Africa) and can be overcome by providing adequate training to community based labour forces, along with careful supervision of installation works as mentioned above. This training then provides capacity building within the community as labourers gain valuable generic knowledge e.g. the value of quality and safety.

Using community based labour could also provide enterprise development opportunities within low-income areas. Project funding will directly benefit these areas, making a contribution to overall economic development. In this way, project funding (often sourced from a development agency) can achieve a double impact – providing water supplies, and stimulating economic development in deprived areas.

5.5 Local employment – not always a smooth road

We must acknowledge that employing the local community does not guarantee that there will not be problems, but then often the relationship between promoter, engineer and contractor also has its complications. Let us consider some of the more common problems that need to be factored into the contract.

5.5.1 Trade unions

Local unemployment is one of the major issues that international companies have to face. While the expectations of the private sector involvement in the water sector include improved efficiency and reduced costs, much opposition to PSP is based on fears associated with redundancies.

"Where there have been large scale privatisations of whole water facilities through contracting out, notably the two largest in the region, in South Australia and the Philippines, or of electricity plants or facilities, as in Pakistan or the State of Orissa, they have been vigorously opposed by trade unions and employees, in some cases as part of wider community based campaigns. This opposition derives from the perceptions or expectations of a number of general features of privatisations. In the case of the impact of utility privatisation on labour and the potential impact on consumers, this report shows that some of these concerns appear to have substance."

ILO Interdepartmental Action Programme on privatisation, restructuring and economic democracy.

Labour and social dimensions of privatisation and restructuring - Public utilities water, gas, electricity. Part 1: Africa/Asia-Pacific-Pacific Region. Edited by L. de Luca

The most effective weapon companies have to resolve this conflict is public relations. Only by explaining the link between employment and costs, and by justifying redundancies, can operators dispel public antipathy (assuming redundancies are indeed justified). Although likely to meet opposition from trades unions, the use of local labour from low-income areas will bring positive public relations benefits.

5.5.2 Mutual benefit

Communities could well regard employment agreements with international companies as an opportunity to exploit a bottomless pit of money. The mutually beneficial nature of the relationship needs to be understood clearly, and the contracting process needs to be transparent. Engaging community labour will provide opportunities for communication and information exchange, yielding wider public relations benefits – the importance of this is discussed in Section 6.1.

5.5.3 Legal implications

A contract serves as a legal document for enforcing agreements. Local labour is generally unfamiliar with legal procedures, and is ill prepared for engaging on a legal basis. There is scope for investigating innovative structures for enforcing agreements, but until proven, these will carry a degree of risk.

If disputes are to be avoided, it requires clarity in the responsibilities of all players, including a clear chain of responsibility and accountability.

5.5.4 Day to day management

By its very nature, local labour agreements are temporary. People's long term priorities will, therefore, remain with their established income generating activities, with the result that local labour may be unreliable. Account needs to be taken of associated priorities, e.g. harvesting and planting times, festivals, local meetings etc.

There can be difficulties associated with making small payments to a large number of labourers, especially if they are not accustomed to dealing with cash. Care is needed in the design of accounting systems for the distribution of payments, to prevent opportunities for embezzlement and claims of non-payment.

Care must be taken when designing local labour agreements that methods for recruiting labour and for making payments are not subject to abuse by local leaders.

5.6 Section summary

We have proposed that a community can play a role in being either part of the promoter, engineer, or contractor within the build and rehabilitation project stage. We need to adapt the conventional model slightly to be able to place the role of the community in it.

We have seen that there are considerable advantages to including the community in the build and rehabilitation stage, especially at the small-diameter local distribution end of network systems. These can include quality control, cost reduction, public relations and long term community ownership. From a broader perspective we have seen that community involvement can result in economic development for the community, capacity and skills building within the community, and added value to project funding.

Community involvement in the build and rehabilitation stage requires a slightly different approach. Contracts must make provision for adequate training of the community, but even with these seemingly extra costs, the total project costs can be reduced when compared to a conventional approach.

In investigating community partnerships in a wide range of low risk and routine urban infrastructure projects, Cotton et al [1998] commented that there is a "lack of published material and guidance on the many different approaches which have been adopted in infrastructure procurement". A best practice guide has yet to be developed, but this is merely an opportunity waiting for those who undertake community partnerships in build and rehabilitation contracts.

6 The implications of participation of the poor in operation and maintenance

This section considers the day to day operation of water distribution systems - delivering an adequate service to customers and collecting revenue in return. We have already covered aspects of community involvement that effectively affect operation and maintenance issues. Ownership of systems is determined by the nature of the PSP arrangement (see Table 2). Ownership is possibly the most important factor in the success or otherwise of community participation. We will mainly look in this section at some of the innovative ways a community can work with a private water supplier to ensure low income areas are serviced effectively.

6.1 Ownership

Sustainability is the watchword when planning infrastructure improvements. Short term consultancy type contracts in particular carry the risk that technology and knowledge are not effectively transferred, leaving little long term benefit. Professionals in international companies express frustration that clients (water and sanitation authorities) do not "buy in" to the techniques and practices provided by the private sector. Involvement of stakeholders at various levels can help water authorities respond to consumer needs, and embed a user-centric approach into operating practice.

With regard to consumers themselves, participation and ownership are closely linked - communities will only get involved if they feel some "ownership" of a project, yet at the same time participatory approaches can help communities to "buy-in" to a project. For example, one of the major problems that Suez Lyonnaise des Eaux have to deal with in Senegal is vandalism and theft of network components. They have identified one of the principal benefits of community involvement is in changing attitudes within communities to realise that utilities provide a public service which is of benefit to everybody within communities. Participatory approaches can facilitate this buy-in by prioritising water within a mix of local needs, and exploring ways in which utility services can benefit the community.

We have considered the benefits of community "ownership" in terms of management and social issues. In practice, more fundamental issues include investment and profit. In the example given in Box 8, communities participated in planning, build, and management, but were given an incentive of reinvesting profits into their community. When working with communities, companies need to consider carefully whatever investments are made by communities – in terms of cash, time, and effort – and to recognise that they will seek a return on this.

The example in Box 10 draws the distinction between community participation motivated by communal self interest, and sourcing of services from within communities. Companies can benefit from both, but the former requires the community to feel a sense of ownership of the system, and will only work if the community itself profits. In practice, ownership may be determined by the type of contract awarded and the legal framework.

6.2 Policy framework

The active involvement of the community in what has traditionally been a public sector responsibility requires a more flexible approach, and legal and regulatory frameworks need to change to reflect this. For example, the Regional Engineer's Office in Arusha had to lobby for five months to be allowed to use unregistered contractors for road maintenance (see Box 10). Examples from the water sector include the banning of private sector operators from collecting revenue, and restrictions on the time period over which services can be contracted out to the private sector.

Local village by-laws can be important in mobilising community participation. For example, some villages have by-laws requiring all able-bodied adults to donate a fixed number of days each year for community service. Many of these by-laws still apply in low-income areas on the edge of cities and towns. However, we must also realise that many urban areas are populated by people from diverse ethnic origins and with multiple traditional laws. So to rely on local by-laws may not be feasible.

Having reminded ourselves of the importance of ownership let us consider innovative ways in which community involvement might help with service delivery.

6.3 Opportunities for innovative service delivery

The conventional arrangement for service delivery is the metered customer, but this is only appropriate where people can afford the connection charge, and their premises are suited to a supply of running water (e.g. adequate sewage disposal facilities). Alternative arrangements are, therefore, needed in low-income communities. For examples, in a recent bid in South Africa, STWI worked with community groups, many of which were largely made up of women, to identify a range of workable levels of service:

- semi-public standpipes – metered and lockable, under the control of a water bailiff who is responsible for all consumption but makes a profit on sales
- storage tanks through network distribution points – tanks are located next to homes, with 50 – 90 households connected to a central manifold. A water bailiff from the community opens the manifold valves each day to fill the tanks. Supply is limited to a tank full per day (see Box 9)
- roof tank systems – a 175 litre water tank is installed in the roof space of the house, and is supplied directly from the water main in the street through a flow restrictor. Tanks reduce peak demand on the network, but the consumer also has an unlimited water supply, available 24 hr/day; supply is metered
- full pressure system – unlimited supply at mains pressure (conventional supply).

Sometimes working with piped systems (e.g. standpipe operators), and sometimes working in parallel (e.g. water truck operators), the informal water sector has proved effective in meeting needs in low-income areas, and utilities stand to gain from working with these entrepreneurs (see Box 21). Bringing them into the formal sector will also help to squeeze out those rogue operators charging extortionate prices. How this is achieved in practice (e.g. licensing) will depend on the policy framework, discussed above in Section 6.2; the political implications of such a move are also considered in Section 8.1.

Box 9

Durban water tank system

Durban Metro have traditionally supplied low income families through standpipes, but found that they only work well in stable communities. Communities within informal settlements in particular tend to be mobile and contain political tensions, so standpipes tend to suffer high wastage and low levels of payment. Discussion led to the development of a tank system to address these problems.

Water is distributed throughout the neighbourhood in small-diameter polypropolyene piping, into which connections are made to manifolds (with valve and meter), each of which then connects to about 20 houses. A 200 litre tank is installed on a plinth (made of concrete or old tyres) next to each house. Householders themselves lay pipes from the manifolds to their homes, which helps keep costs down. The community appoints water bailiffs to control around 10 sets of manifolds, i.e. about 200 customers. At a fixed time each day, the bailiff opens the supply valve to each manifold, allowing all connected tanks to fill. This usually only takes an hour or so, after which the valve is closed again.

The system was developed in response to a particular need, and has gained acceptance because of its flexibility and ability to provide reliable, affordable water at people's houses.

6.4 Maintenance

Maintenance labour can be sourced through communities rather than conventional contracting companies. The example in Box 10 is taken from experience of road maintenance in Tanzania, where the government could not afford adequate maintenance, and illustrates how innovative approaches can be effective in mobilising community based services on a commercial basis. Community based services can be cost effective, and Box 11 gives details of savings made through a community management scheme.

Box 10

"Petty Contractors" prove cost-effective in road maintenance

The Integrated Roads Project (IRP) in Tanzania was geared towards rehabilitating the country's trunk and rural roads and the provision of a sustainable road maintenance system. GTZ is one of the donors working within the IRP framework. They have been working in Arusha to establish a sustainable road maintenance system and to increase the involvement of the private sector.

One approach to mobilising the private sector was to use registered contractors, but there were too few. Contractors also tended to be based in the main centres of the region, which imposed unnecessary transport costs on the maintenance work. Another approach was to use villagers by setting up community groups, but this also had to be abandoned:

- community groups were difficult to identify and took a long time to mobilise and recruit
- internal disputes, break-ups and arguments between groups made working with them quite unpredictable
- labour was unskilled and required technical supervision in order to control the quality of work
- limited capital and poor quality tools led to delays and inefficient working practices.

The project finally opted for "petty contractors" – in registered individuals who live along the road. In most cases they are retired works staff or business-people living on the road. The system works on a large number off small contracts, which can be awarded without the need for approval from regional authorities. This small scale approach with contracts covering up to 10km of road means that many contractors benefit, and a sense of "ownership" is fostered in villages. Labourers have no formal training and use their own agricultural tools to carry out routine maintenance activities, including vegetation control and clearance of side drains.

The programme is not without problems:
- contractors are relatively unskilled and need considerable training and supervision
- the selection of contractors by village representatives is not transparent and the process is open to abuse
- contractors have limited capital and many operations are handicapped by the lack of good tools

Petty contractors and labourers see road maintenance purely as a way to earn money. This is quite distinct from the maintenance of village roads, where the key issue is ownership – villages have a sense of ownership of these roads, and they take communal responsibility for repairs.

The use of petty contractors has been relatively successful for the routine maintenance of both paved and unpaved roads. They help minimise costs, being much more cost-effective than the old system which involved the Ministry of Works, and more accountable for the standard of work carried out. They are less costly than the use of private registered contractors, and roadside communities have benefited financially from road maintenance activities.

Community Participation in Road Maintenance. Case Study No.1 The Arusha Community Contractors Programme. DFID R6476. IT Transport Ltd. March 1999

Box 11

Financial performance of community management

Inadequate operation and maintenance was identified as partly responsible for sustainability of rural water services in Uttar Pradesh, despite large capital investment. In a pilot project, the operation and maintenance of the recently constructed Ramraj multi-village water supply was leased by UPJN (the state owned utility) to the user community for a period of 15 years. The table shows how financial performance of the community managed scheme is superior to the state utility, primarily due to the reduction in staffing costs.

Monthly O&M Income and Expenditure of UPJN and Ramraj
A Comparison of 350 Household Connections

		(in Rs)
Estimated expenditure	Ramraj Society	UPJN Norms
Electricity	6000	6000
Bleaching powder	560	560
Staff	4000	17600
Pipeline repair	2000	400\
Pumping plant repair	500	800
Miscellaneous expenditure	300	0
Total:	13360	25360
Revenue (the monthly water charge per household is fixed at Rs40 and Rs18 for the society and UPJN respectively)	14000	6030
Net Revenue	640	-19330

Community Participation in Road Maintenance. Public Sector Water Corporation Leases out O&M to Users (Meerut, India). Field Note. Water and Sanitation Programme. 1999

6.5 Revenue streams

As with service provision and operation and maintenance, extending into low income areas requires alternative approaches to revenue generation. There are many possibilities; the following are given as examples to illustrate the point that innovative solutions can provide mutually beneficial results.

6.5.1 Franchising

Utilities have traditionally engaged directly with customers. Administration costs are incurred in transacting with remote customers, and this imposes a minimum cost threshold. Setting up a community based franchise (e.g. semi-public standpipes in Section 6.3) enables the utility to serve more people through a single transaction point. Franchising can offer benefits to both utilities and consumers in terms of increased sales and reduced prices respectively – see Box 12. The water bailiffs referred to are usually small stall traders, who can supplement their income from water sales.

Box 12

Franchising of telephone services

The cost of phone connections is a major obstacle to improve access throughout the developing world. Sonatel, the privatised telecommunications provider in Senegal, has tackled the problem by franchising services to small scale private entrepreneurs, and offering premium rate tariffs. These have been so successful that franchisees now account for 10% of telephone lines, but these lines account for 40% of traffic. The result is that everybody wins – Sonatel increases sales, entrepreneurs make a profit, and low income communities gain access to low cost phones.

6.5.2 Service standards

The standards of service provided can be pitched to meet different needs – see Box 9. In low-income communities, people do not necessarily need water on tap 24 hours a day at a given pressure – a sufficient quantity of cheap water is more important.

6.5.3 Tariff structures

The concept of flexible tariffs to suit consumers with different needs is well established, e.g. electricity companies offer a wide range of tariffs such as off-peak, industrial and seasonal-time-of-day tariffs. Tariff structures generally correspond to standards of service, but rates also depend on subsidies, institutional set-up (e.g. geographical extent of utility), and type of management (e.g. community management rates can be higher – see Box 11). Putting together packages to attract the private sector can inadvertently penalise the poor:

Private Sector Participation in the Water and Sanitation Sector. Private Waters? – a bias toward the poor. Richard Franceys. WEDC, IHE. DFID Occasional Paper No. 3 1997.

"There is a recent example in Metro Manila where, for the sake of competition, the supply area was divided into two. The winning contractor in the wealthier part of the city was able to offer much larger tariff reductions than the contractor who was successful in bidding to serve the poorer side, such that the higher-income group will now pay less than half as much per cubic metre."

Low cost tariffs and subsidies are the subject of much debate. The costs of administering these tariffs can exceed the revenue generated, and subsidies tend to give rise to unforeseen anomalies. Box 13 gives an example of an innovative approach to low cost tariffs.

It was pointed out in Section 4.3 that an accurate assessment of willingness to pay goes a long way to reducing risk, and indeed the whole issue of tariff policy needs to be addressed at an early stage in PSP. As companies gain an understanding of the needs of consumers in low-income communities, they will become better able to identify appropriate tariff options.

Box 13

Water stamps in Chile

In Santiago, Chile, the government realized that it was inherently contradictory to require that an urban water utility function as a commercial entity and provide subsidized services to the poor, since each subsidized person served would represent a loss of revenue to the utility. Accordingly, the government decided to institute a targeted, means-tested, government-administered "water stamps" programme, whereby poor people get "stamps" to cover part of their water bill. The utility then not only strengthened its focus (getting out of the welfare business and focusing on becoming the most efficient utility it could), but now had a clear incentive to serve the poor, who became revenue-generating customers like all others. The system appears so far to have worked effectively.

A Water Secure World. Vision for Water, Life, and the Environment. World Water Vision Commission Report. World Water Council. 2000

6.5.4 Meter reading

In all utility industries, meter reading is a major cost issue associated with domestic supplies, where revenue is relatively small. There are opportunities for mobilising communities to devise systems for reading meters, through existing community organisations for example. In the UK, for example, customers can read their own gas and electricity bills and phone through the readings on toll-free numbers.

Some innovative technical solutions have done away with the need for metering altogether. For example, load limited electricity supplies give customers unrestricted access to the electricity supply, but the current they can draw is limited. The limit is within the modest needs of low-income households, e.g. a light and a radio. With minimal variation in electrical needs, energy consumption becomes standardised, obviating the need for meters, and an affordable standing charge alone is enough to cover the costs of energy supplied.

6.5.5 Payment mechanisms

Problems tend to arise when money changes hands, e.g. collecting revenue, or disbursing payments. Communities may lack financial management skills, there may be a lack of accountability within large communities (see Section 8.6), and utilities are often regarded as legitimate targets for ripping off. Problems are compounded in environments where corruption is widespread. Attention needs to be paid to minimising cash transactions when designing community based systems; for example – see Box 14.

Box 14

Financial arrangements for Durban water tank systems

At the end of each month, customers make payments to the water authority in return for a card. At the beginning of the month, customers hand these cards to the water bailiffs to remain connected to the supply; houses unable to provide a card are disconnected. The bailiff then returns the cards to the water authority and receives a royalty. The water bailiff may also install a standpipe on their property, from which they may sell water to local residents not connected to the tank system. The price at which bailiffs can sell is set to encourage use of the tank system.

6.6 Customer services

The involvement of the private sector tends to be part of restructuring water utilities from supply-led to demand-driven organisations. Providing good customer services is an integral part of a user-centric approach. Customer services and public relations are all part of getting communities to "buy-in" to programmes, referred to in Section 6.1. There is no substitute for personal contact with customers, especially in low-income communities where communication is difficult (due to low literacy, no access to telephones, poor postal services etc.). This may be achieved by the company itself, or through community groups or individuals – see Box 15. This example also illustrates the importance of ongoing contact with communities to sustainable service provision.

Box 15

The value of community contact

Relationships between customers and Durban Water are both direct and indirect, through committees and water bailiffs (referred to in Box 9)
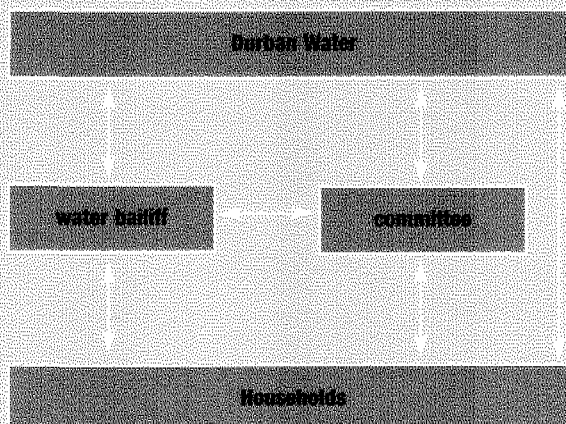
"*With the shift to free water, the role of the water bailiff has become redundant... This, in effect, means that one of the key interfaces between Durban Water and residents has been lost. This, together with the related increasing neglect of the technical aspect of supply that were the responsibility of the bailiff, has resulted in some of the problems mentioned.*"

An example of the problems raised by participants: "*Since the water has become free, Durban Water does not care anymore. They can just cut our supplies as they wish without any notice or explanation. We don't know where to report since water is free now. there is no more communication with Durban Water now.*"

Public Private Partnerships and the poor in water and sanitation (interim findings).
Case study: Durban, South Africa. Palmer Development Group. WEDC. 2000

6.7 Section summary

This section has presented a number of innovative options for operation and maintenance. If private companies are going to undertake provision of water supplies and sewerage in developing countries, there needs to be an effective way to manage those supplies. We have seen that various pressures from donors, from the electorate and from civil society will impose conditions on tenders. Tenders will include provision of services for low-income urban areas. And to get revenue from these areas, water companies will have to find innovative ways of operating and maintaining these systems.

This section has made some suggestions based on experience both in the water sector and from other utilities. Again, there is no best practice guide yet, and companies will need to investigate each opportunity with the principles of community participation and an open mind.

7 Corporate social responsibility

The previous sections argue that the involvement of communities in each of the principal project stages offers financial benefits to companies.

As Western consumers and investors become more aware of equity and social justice issues, companies are responding by developing more socially responsible business strategies. There is, therefore, a further argument that community participation among the poor can add value to company performance. The value of public image and branding is increasingly evident, and community responsibility is now much more than just funding the Chairman's favourite charity. Corporate social responsibility is providing its own impetus for community participation among the urban poor.

7.1 Corporate social responsibility – themes

Part of current business practice is to make some form of statement of values, principles and/or ethics which guide the way in which business is conducted. Appendix 1 presents a summary of the types of statements made by a range of water companies. Core values tend to be rather lofty ideals, from which operating principles may be developed, so it is not surprising that there seems currently little overlap between various value statements and operating procedures; however, the most common themes were:

- customers
- company people
- innovation
- ethics.

The value of communities is recognised by many companies – Appendix 2 gives a summary of statements relating to this topic. Most companies also publish social or human development reports, which are often combined with environmental reports. By the nature of community interaction in a European setting, the social side of these reports tends to concentrate on educational and conservation activities; community participation in operational activities is not considered a public reporting issue.

7.2 The value of corporate social responsibility

Care and protection of the environment is a priority issue for all water utilities. As water resources and pollution are prominent environmental topics, the links with utilities are obvious, with companies keen to promote themselves as guardians of the environment. However, when operating in a strictly controlled and highly regulated context such as the EU, companies are required by law to carry out costly activities intended to preserve the environment. It makes good sense to make maximum capital in terms of public relations from activities you are obliged to carry out. The litmus test for international companies is whether or not they maintain standards when operating in a less stringent regulatory framework.

> **"Mr. Tim Melville-Ross, the director-general of the UK's Institute of Directors, has admitted that most companies apply different standards to their operations in the developing world from those in their home country, but claims there is now a convergence."**

Big Business Poor Peoples. The impact of transnational corporations on the world's poor. John Madeley. Zed Books. 1999.

It could be argued that some people equate "corporate social responsibility" with "public relations". Some companies pay great attention to public relations; for example, Box 16 describes how AWG

use sampling techniques to guide public relations activities. But what is the value of good public relations? We might say that good PR:

- gives confidence to *investors* – in particular, the ethical investment movement is gaining influence and importance
- attracts *employees* – people may refuse to work for companies with poor ethical track records
- satisfies *customers* – holders of ultimate power in a market economy
- gets the job done – inadequate or poor public relations can delay or halt projects.

Box 16

The value to Anglian Water of market research

Anglian Water plc contract a market research company to do tracking surveys on what the public (in their UK service area) thinks about a range of indicators. This tracking exercise is based on a key informant group of a dozen people, and fortnightly surveys of 1000 people. This reflects the value they attribute to public relations. If it is evident that customers misunderstand something (e.g. hosepipe bans) they can mail out appropriate flyers with bills. It also enables them to gauge opinion on contentious issues; for example, results show that there has been a complete reversal of opinion over metering of supplies, with most people now in favour.

7.2.1 The impact of ethics

Companies are accountable to their shareholders (Figure 1), who are mainly from the North and may, therefore, have little understanding of poverty issues in developing countries. However, general awareness of poverty issues is increasing, leading to a growth in ethical issues demonstrated by, among other things, the growth in ethical investment.

At the moment, competition is restricted to the awarding of contracts to run systems rather than giving customers a choice of supplier. If the current trend towards increasing commercialisation within the sector continues, this may be possible in the future - in the same way that electricity deregulation in the UK first divided the supply industry into regional electricity companies, and later enabled customers to choose which company to purchase power from. With this in mind, public relations assume even greater commercial significance, as customer loyalty will be a key objective.

Corporate social responsibility is an important part of branding - creating the correct image of the company. It is difficult to quantify the value of branding, but the financial value is recognised. The importance of branding and image is evident in the increasing globalisation of trade. Incidents in even the most remote parts of the planet can be brought to the attention of a wide audience not only through TV and radio, but now via the internet – which is instantaneous and unregulated. The negative impact of poor image (with real cost implications) was seen in the destruction of McDonald's restaurants during the recent WTO meeting in Seattle.

7.3 Operational policy

But good public relations will only take the company so far. Public declarations of corporate social responsibility and ethics need to be enshrined in operational procedures.

None of the water companies contacted for this report had a written policy relating to community involvement that was passed through to their international operating companies. With regard to policy in overseas operations, some rely on a top-down approach whereby policy is transferred to top management of international operations, who are then responsible for implementing it throughout the company (for example, Suez Lyonnaise des Eaux has a well defined procedure for preparing

Codes of Conduct – see Box 17). Others rely on a form of osmosis whereby operational procedures are transferred through contact with expatriate staff.

Box 17

Translating an ethics statement into operational policy – a case study

At Suez Lyonnaise des Eaux, the policy trail starts at the top with the Group Ethics Charter, which gives core values, and develops a set of ethically based operating principles. Each branch within the group is then given responsibility for drawing up their own Business Ethics Statement, which must be consistent with the Group Charter, and for preparing Codes of Conduct for each company within the branch. The Business Ethics Statement provides a joint ethical approach for companies within a branch, while Codes of Conduct provide a guide for daily conduct. The group intends to review its ethics documents every three to four years.

The Business Ethics Statement is targeted at management level personnel. Codes of Conduct are for the benefit of all employees. Ethical management can only be achieved if Codes of Conduct are implemented in daily business. The group suggests ways of distributing Codes of Conduct:

- from the top down, through reporting channels – emphasises top management commitment
- standard transparency / video presentations – to ensure consistency throughout organisation
- post copies of the Code to employees' homes
- employees sign receipt of Code of Conduct
- awareness campaigns, mobilising company executives and changing behaviour throughout the workforce.
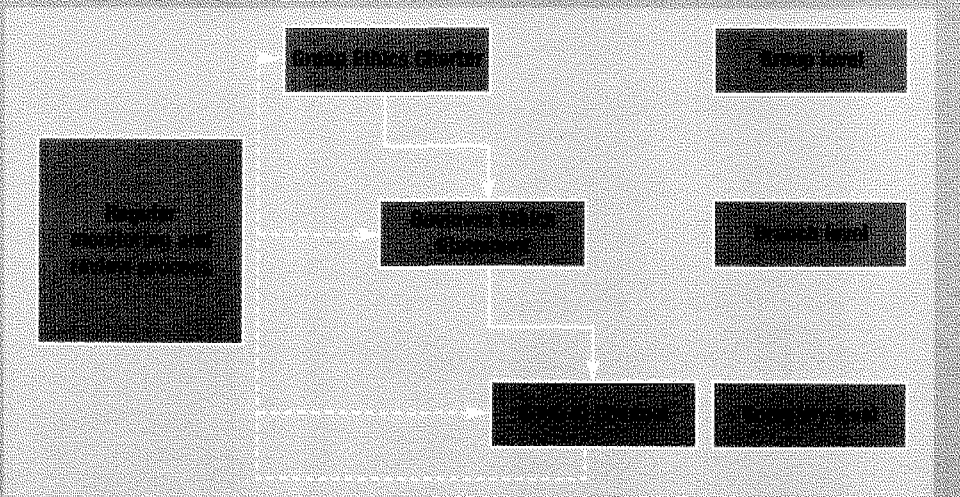
They recognise that there are limitations to how strictly this procedure can be followed in international water operations, where the group may hold only a minority shareholding in the operating entity. Responsibility is the given to the business branch to assess how far to go.

The consensus is that it is early days, and water companies are as yet unable to form well defined policy trails. The nature of their involvement in developing countries is still ill-defined – what type of contracts they should enter into, what types of representation are most appropriate, what form of community involvement is realistic or desirable, and so on. This is in stark contrast to other trans-national corporations with a long track record of operating in developing countries, e.g. Shell – see Box 18. Nevertheless, companies recognise the value of policy guidance in strategic planning, and some are currently engaged in preparing policy for their international operations. While this is likely to cover community investment, it should be extended to cover community participation.

Box 18

From policy to practice – corruption in the oil industry

The Shell General Business Principles have been around for over 25 years, and the company is still developing procedures for putting them into practice in the field. Reports from country chairmen have identified bribery and corruption (specifically addressed in the principles) as a particular problem, so they have written a Management Primer on the subject to provide practical guidance for filed staff.

The primer describes the many forms of bribery and corruption which can affect Shell companies, and argues the case for standing against what can be common practice. Throughout, it gives practical examples, and useful tips on how to think through "grey" areas, such as "when does a gift become a bribe"? It describes the policies, procedures and structures in place throughout the Group to deal with the issue. Although each company needs to develop its own strategies, it gives overall policies and procedures along with pointers for developing good practice.

An interesting feature is that the document refers to international anti-corruption initiatives, and includes a view of issues facing the industry from Transparency International, and anti-corruption NGO. Shell have used Transparency International to endorse their approach to the problem, quoting them in publications such as the Shell Report 2000.

7.4 Trends for the future

7.4.1 There will be more transparency

International operations of multinational companies will become more transparent, and stakeholders are likely to demand a consistency of operating principles across international operations especially as the ethical investment market grows. For example, in the AWG environment and community report 2000, the independent environmental assessors stated that in their opinion, "the scope of the report should continue to be extended to cover the operations of international and non-regulated businesses in the group".

Developing corporate social responsibility requires a long term view of a company's business – it takes time to implement policies, and it can take even longer for policies to yield benefits in terms of stakeholder perceptions. Companies, therefore, have to balance a long term view of their interests against the predatory pressures they experience (risk of being bought up) in a commercial system where short term profit is paramount.

Corporate social responsibility is one of the areas currently being addressed by the World Business Council for Sustainable Development (WBCSD), of which several international water companies are members:

http://www.wbcsd.org/corp1.htm

"Corporate Social Responsibility (CSR) has been identified as a growing issue for many companies. The WBCSD views CSR as the third pillar of sustainable development - along with economic growth and ecological balance - and therefore a key component for a sustainable future."

7.4.2 Corporate social responsibility is of increasing interest

Corporate social responsibility is becoming of importance beyond investors and employees, to a wider range of stakeholders including government development organisations, labour unions, human rights groups, religious groups and education and aid foundations. WBCSD has identified the following issues as of increasing importance:

- human rights
- worker rights
- environmental impact
- community involvement
- supplier relations
- monitoring

The problem with implementing general policy statements lies in the objective monitoring and assessment of performance. With respect to the environment, procedures have been developed over the years, and companies can now comply with internationally recognised standards (e.g. ISO 14000). Some companies are embarking on a similar process of devising indicators to monitor progress towards sustainable development – see Box 19. As community participation is an established feature of community development in developing countries, this should be incorporated into sustainable development indicators for international operations.

Box 19

Measuring Sustainable Development

Thames Water have developed a list of indicators, and assigned verifiable targets for each, against which the company measures its progress towards sustainable development. Although most of the targets relate to their UK work they have started integrating their international work into the programme and plan to improve coverage. They have also started a project to measure social and economic indicators.

Sustainability Issue	Indicator	Target
Climate change	Global warming potential	Thames Water plc – aim to quantify emissions to air from all aspects of our business and the contribution the total makes to the UK's.
	Renewable energy generation	Thames Water Utilities – seek to maximise renewable energy generation opportunities in the next five years
		International - Calculate emissions to air from international operations
Water resources	Leakage	Thames Water Utilities – reduce total leakage to an average of 665 Ml/d
	Impact of water abstraction on rivers and wetlands	Thames Water Utilities – promote Mission 2050 water efficient home of the future design competition to all schools within water supply area
Wastewater quality	Chemical river quality	Thames Water Utilities – improve 102 overflows from combined sewer systems and sewage treatment works to acceptable standards
Biodiversity	River biodiversity	Thames Water Utilities – continue development of the biodiversity database and aim to undertake 400 site audits
	Progress with biodiversity action plan	Thames Water Utilities – Implement Part 1 of the Biodiversity Action Plan and by the end of 2000 aim to carry out a further 390 site surveys
	Extent and management of SSSIs	International – Conduct bird survey of Bolivar Wastewater Treatment Plant (Adelaide)
Waste Management	Beneficial use of sewage sludge	Thames Water Utilities – Reduce 1998 usage of landfill for waste disposal by 15%

Thames Water Environmental Review 2000

7.5 Section summary

Corporate social responsibility has become an issue for serious consideration by private companies. It can affect shareholding, customer purchases and employee relations. At the moment, most water companies publish some statements indicating a willingness to be corporately socially responsible. However these statements have yet to find their way down into operational policy guidelines. This is particularly true for international operations outside the European Union (EU). The EU regulatory framework helps companies work towards their corporate social responsibility aspirations. However, there is some way to go before the international operations implement the noble aims of the company group.

This section shows how aspirations to corporate social responsibility will add to the long term need to include community participation in future operations. We suggest, however, that the compelling commercial reasons in earlier sections 4, 5 and 6 will have the greater short term impact on operational guidelines.

8 Participation issues

In the light of previous sections which show how community involvement in operations in developing and transition economies can offer both direct and indirect commercial benefits, we now move on to consider broader implications. Community participation may only prove effective if the context and environment are suitable. This section is more of a general discussion of issues that arise from community involvement. It discusses the implications for water utilities implementing some or all of the ideas proposed in the previous sections.

8.1 Political implications

Empowering people is a political act. From a development point of view, participatory activities are actively promoted as a means of mobilising people and helping them to solve their own problems. This is an empowering process, which gives communities the capability to work together to go on to tackle further problems. However, this can give rise to conflict with the status quo, both formal (e.g. government) and informal (e.g. racketeers). Caution always needs to be exercised where one social group is empowered, as an inevitable consequence is that another party loses control. Local politicians may not fully support participatory activities, as this may lead to further demands from communities. Opposition to community involvement in infrastructure development may come from a variety of informal actors, e.g. slum landlords, water vendors. Box 20 gives an example of how NGOs, for example, can be experienced in operating in this environment.

Box 20

Working with slumlords

ASHA, a case already mentioned in Section 4.1.3, had to negotiate with slumlords to achieve urban transformation. They chose a careful mix of working with a slumlord, and standing against him, at different times through the process. The slumlords are self styled leaders who work in alliance with the local police and politicians in the interests of themselves and their political affiliates. Any "service" to the poor is not done free of charge, and a "service fee" for each good deed is extracted from every slum dweller. ASHA chose to recognise that in one sense the slumlords were indeed providing a service. At public rallies, ASHA staff encouraged the slumlords in their good deeds and challenged these men to live up to a reputation for fairness. This co-operating with the powers, and reinforcing in them a social conscience, significantly contributed to ASHA's success in upgrading the slum and providing piped water.

from: Transforming the Slums by Relationships – Tearfund Case Studies. 1996

Changing political landscapes provide interesting opportunities. The current trend towards political decentralisation in many countries needs to be balanced with capacity – community groups can only assume responsibility if they have the skills required. Some departments are all too ready to shed responsibility but without providing adequate capacity building. There is growing interest in developing participatory techniques aimed at policy development, enabling individuals to make their own decisions. At the local level, therefore, government bodies may feel threatened by what they see as erosion of their power and authority. At a national level, however, governments may positively support this type of approach if they see it as contributing towards a national policy of decentralisation and cutting costs. The important point is that companies need to understand and work around local sensitivities, as national and local government support is essential for any participatory initiative to succeed.

There is a strong case for incorporating informal operators in the provision of services to low-income areas, yet this may not be politically acceptable. The monopoly utility model assumes that service should be extended through formal networks. Informal provision is seen as inferior, and may be regarded as a stop-gap until formal networks are extended into a neighbourhood. It may even be regarded as dangerous – by providing unsafe water, unsafe electrical installations, illegally tapping into power supplies etc. They tend to operate illegally. It requires a 180° change in thinking to confer legitimacy on these players and work with them.

8.2 Regulatory and legal frameworks

The informal sector offers an effective way of providing supplies to low-income areas. They command essential market information such as willingness to pay, demand requirements, availability of credit etc. There are plenty of examples of partnerships (both formal and informal) between utilities and the informal sector – see Box 21.

Box 21

The informal sector – useful and effective

In Guatemala City some 200 independent operators – ranging from truck vendors to private aqueducts – provide services to more than half the population. In Lima more than 40% of the population depends on private providers – mainly truckers and standpipe operators – for full complementary water services... Through a World Bank supported project, Lima's water utility is expanding its services and plans to reach all neighbourhoods within five years. But Lima will still rely on informal providers to distribute water to between a quarter and a third of its neighbourhoods, without the benefit of any long-term financing.

Small-scale suppliers are basically independent of public water suppliers, although many work in partnership with state companies, purchasing water from them for distribution. And the public sector sector may depend on private distributors to reach some neighbourhoods. In Port-au-Prince, Haiti, small scale entrepreneurs produce about 10% of the urban water supplied, distribute about 20% of the city's water, and reach some 70% of the households.

Competition in Water and Sanitation. The Role of Small-Scale Entrepreneurs. Tova Maria Solo. Public Policy for the Private sector. Note No. 165. 1998.

However, when a monopoly utility operation is let out to the private sector, the regulatory framework assumes crucial importance. Developing countries tend to rely on consultants to assist them with setting up regulators, drawing on experience of privatisation within Europe. Regulators tend, therefore, to be designed to address uniform service provision through large utilities, and are not geared towards innovative solutions and small entrepreneurs. As the informal sector tends to operate outside the law, there is little information available with which to plan ways of engaging these entrepreneurs. The communities that they serve can, therefore, be the best source of this information.

Regulatory frameworks are not static – they require constant revision in order to improve and to reflect changing market behaviour. Where regulators regulate a small number of utility companies, this can be achieved through direct negotiations. However, if a flexible approach is taken to service provision in order to meet the needs of low-income communities, this uniformity is absent, and the review process will only be effective if there is a link between communities and the regulator, e.g. through local meetings or complaints bureaux.

By decoupling water services from the public sector, there is a danger that accountability may be lost. When in the public sector, operators are held accountable through local political processes, but when handed over to the private sector, they become one step removed from these processes. In the case of a 30-year concession, for example, the electorate cannot vote out an operator, so it is important that the regulatory system includes accountability processes – otherwise consumers may take matters into their own hands through non-payment, strikes, vandalism, protests (see Box 5) etc.

With respect to regulatory environments, it is the private sector that tends to take the lead in terms of exploring innovative solutions, so there is an opportunity for utility companies to play a leading role in promoting community participation as part of a more flexible approach to water service provision. Utilities are ideally placed to make this link, as they are contracted by authorities, yet have day to day experience of working with consumers.

8.3 Resource frameworks.

Dublin Principle No.2 *Water development and management should be based on a participatory approach, involving users, planners, and policy makers at all levels.*

The participatory approach involves raising awareness of the importance of water among policy makers and the general public. It means that decisions are taken at the lowest appropriate level, with full public consultation and involvement of the users in the planning and implementation of projects.

The four Dublin principles were drawn up in 1992 as part of preparations for the Earth Summit in Rio de Janeiro, and have been used as a basis for water resource policy making since then. Subsequent meetings of the UN Commission on Sustainable Development (CSD) have concentrated on translating charters into practice.

"The CSD6 final text re-emphasises the need for urgent government actions to enable the unserved poor to gain access to basic water and sanitation services. The recommendations reinforce the need for participatory approaches, gender sensitivity, and the integration of water projects into national water strategies."

This highlights emerging trends which utility companies need to be prepared for:

- participatory approaches will increasingly be incorporated into privatisation agreements
- the traditional demarcation will break down between utilities, concerned with reticulated (urban) water supplies, and NGOs, concerned with poor (largely rural) water supplies.

Resource frameworks provide a useful way of looking at poverty and how to help people improve their quality of life. They recognise that people live within their local context. Context includes a variety of aspects such as natural environment (e.g. threats from flooding, droughts, hurricanes etc.), political systems – local and national, and economic, legal and policy environments. The key feature of contextual factors is that they remain largely beyond the control of poor people. What people do have control over are their assets:

- *human* – amount and quality of labour, e.g. skills, education, fitness
- *social* – social resources upon which people draw, e.g. networks and relationships that enable people to work together
- *natural* – natural resources, e.g. lakes, biodiversity, land, trees
- *physical* – tools and infrastructure, e.g. public transport, water, energy
- *financial* – financial resources, cash or equivalent.

A key aspect of development is sustainability. Expanding choice and value promotes self-determination and gives people the flexibility to adapt over time. People can only make choices if they have access to appropriate assets, as defined above. It is important not to pre-judge people's priorities, but rather to respond to actual needs. An understanding of context and assets helps identify where deficiencies lie, from which practical priorities for action can be drawn up.

So why should resource frameworks be of interest to water companies? Where services are to be provided in low-income areas, companies will need to engage with communities, in one way or another. This approach can help with designing the most cost-effective means of engagement:

- understand the resources available in communities
- understand the constraints to effective partnerships with communities
- ascertain where companies can best concentrate efforts in order to make partnerships work.

By improving assets available to communities (e.g. providing training – human assets, setting up user groups – social assets, making credit available – financial assets), companies can make a positive contribution to strengthening civil society and to reducing the vulnerability of the poor.

8.4 Multilateral lead

The World Bank, with the support of other multi lateral and bilateral donors, has done a lot to promote the use of PSP to improve water services in developing countries. For example, it has prepared a series of "Toolkits for Private Participation in Water and Sanitation" (IBRD 1997). This document follows a developed economy model, identifying consumer organisations as stakeholders, and recognising the need for information exchange (public relations) and negotiations with labour organisations. However, multilateral donors are becoming increasingly aware of the benefits of participatory approaches, and are now incorporating them into their own planning and implementation processes. Bearing in mind the influence that these organisations exert in this business area, both in terms of policy and finance, it is likely that these approaches will soon be expected of utility operators. The following initiatives illustrate the growing awareness of the potential benefits of community participation.

- The World Bank Participation Thematic Team "promotes methods and approaches that encourage the involvement of various stakeholders, especially the poor, in development initiatives that affect them."

The World Bank Water and Sanitation Programme includes participation and gender as one of its focus areas – "Stakeholder participation in designing, implementing and managing projects is key to sustaining coverage in rural and urban areas. The programme promotes the active participation of community members, particularly women."

- The Business Partners for Development (BPD) programme is a World Bank sponsored initiative specifically set up to investigate tripartite partnerships between the public sector, the private sector, and civil society. The premise is that such partnerships benefit the long term interests of all parties by helping create stable social and financial environments. The Water and Sanitation Cluster is one of four clusters, and many of the European utilities are partners. Projects are self-standing, receiving no funding from the programme, and were conceived independently of the programme. The primary purpose of the BPD programme is to gather, assemble and disseminate evidence on the positive impact of tri-sector partnerships.

Within the water and sanitation cluster, it has taken time to build a partnership around a shared interest between competing stakeholders at the international level, just as with the focus projects on the ground. Focus projects are under way, but results and conclusions have not been released at the time of writing. Several UK companies are awaiting the results of the programme.

- The World Bank's International Financial Corporation (IFC) Environment Division has published a "Good Practice Manual" designed to promote awareness of the social and environmental impacts of projects. The manual describes IFC requirements regarding public consultation and disclosing project information, and gives guidance on how to manage this process. Although their emphasis is on the consultation aspects of participation, they recognise the wider potential:

"As part of its mission to reduce poverty and improve people's lives, IFC recognises **that nongovernmental organisations (NGOs) and civil society are important actors in the development process by:**

- **promoting community consultation, participation and environmental protection**
- **extending project reach and benefits to the poorest and most vulnerable, and**
- **introducing flexible and innovative approaches to difficult environmental and social concerns".**

- Public Private Infrastructure Advisory Facility (PPIAF) is a multi-donor programme managed by the World Bank whose aim is "helping to eliminate poverty and achieve sustainable development by facilitating private involvement in infrastructure." PPIAF pursues its objectives through technical assistance to governments, and identifying and promoting best practice in this area. One of the key action areas to be addressed by the programme is consensus building, in which the general public is identified as a stakeholder that needs to be engaged in order to achieve sustainable progress.

- As part of the United Nations Development Programme's (UNDP) Bureau for Development Policy (BDP), the Social Development and Poverty Elimination Division (SEPED) is responsible for providing guidance and programme support in the following areas:

  - poverty eradication
  - employment and sustainable livelihoods
  - civil society and participation
  - gender
  - HIV/AIDS and health

The purpose of the Sustainable Livelihoods Unit is to introduce development professionals and non-professionals alike to the principles and philosophies of the Sustainable Livelihoods Approach; participation is one of the central themes.

The Civil Society Organisations and Participatory Programme works to support programmes run through country offices, and to provide information for "promoting and fostering enabling environments for civil society organisations (CSOs) to contribute effectively towards Sustainable Human Development by encouraging policy dialogues between governments, civil society organisations and donors."

8.5 Implementing participation – being practical

Various appendices to this report offer some guidelines on how to implement participation and the practical details of interaction with a community. The appendices also point to further reading for field personnel, and like any discipline there is a wealth of experience captured in the literature. However, to support the case for participation being a commercially sound idea, both in terms of operating profit and corporate social responsibility, we need a few basic ground rules. These rules or guidelines underpin the arguments presented in Sections 4, 5 & 6.

- **Being realistic.** We do believe that the objectives of participation must be achievable, given both the nature of the target community, and the context within which a water company is operating, e.g. legal constraints. The participation process needs to be explained to ensure that people's expectations match these objectives.

- **Institutional support.** Especially in the water supply industry, where local authorities are key stakeholders, it is essential to win their support for participatory approaches, otherwise the process will be vulnerable and short lived.

- **Authority and responsibility.** The value of contracts is in clearly allocating responsibilities between different parties involved in a project. If participation is to move beyond simple information exchange, communities need to be given responsibility for decision making such that they can argue with and even override the opinion of utilities. However, contracts can only be enforced if there is accountability, all of which requires establishing formal channels and links. This presents challenges in communities which are based on informal structures and relationships.

- **Duration of engagement.** Participatory activities intended simply to extract information or impress donors can be done in a matter of weeks; a more constructive approach should regard participation as a long term process of joint analysis, capacity strengthening, and resource mobilisation. This is the difference between a one-off consultation and an ongoing dialogue.

The practical challenges that must be met in order to ensure effective participation include:

- identifying socio-culturally appropriate approaches at the local level
- avoiding manipulation of participatory processes by entrenched elites
- defining pragmatic minimal standards and realistic goals for participatory practices
- establishing enabling legal and institutional frameworks for civil society participation at the national and local levels
- facilitating horizontal co-operation through government-civil society partnerships at the central and local levels
- building capacity through education and technical assistance to enable citizens and organisations to play their roles in the process
- working with CSOs to establish consultative mechanisms that are both manageable and accountable
- finding an appropriate balance between the costs and benefits of consultation and participation and their effects on the project approval cycle
- involving marginalised groups in the development process
- overcoming negative attitudes among engineers towards the value of participatory approaches
- allowing sufficient time for civil society actors to organise and engage.

8.6 Challenges for community participation in practice

Participatory techniques have been developed from their origins in rural and agricultural development. In this context, there are a number of factors that promote a coherent "community":

- there are strong social relationships between members
- many members may be linked through family ties
- people tend to share common goals and priorities, e.g. most people are farmers
- traditional social structures may still exist, e.g. village chief and elders
- everybody knows what's going on
- a high degree of accountability can be enforced.

However, social conditions in urban contexts tend to be quite different, leading to a diverse population, making it much more difficult to identify a "community" with which to engage; for example:

- certain towns and cities have high transient populations
- low-income neighbourhoods often have a high proportion of migrants
- communities are too big for effective accountability.

Although the case study in Box 22 is an example of how these factors can lead to difficulties in designing community management schemes, it also illustrates the value of working closely with communities to gain an accurate understanding of local capacity, needed for good design of participatory approaches – community groups can only assume responsibility if they have the skills required.

Box 22

Community versus private sector management

The Rural Towns Water and Sanitation Programme originally intended to set up a series of community based water user groups, water and sanitation committees and water user associations to operate systems by hiring qualified personnel. However, problems with the community based approach became evident, and a change in policy resulted in a "mini-utility" arrangement whereby private operators bid to operate and maintain systems under the supervision of a water board. the decision was prompted by (among others) the following:

- the complexity of sytems that beneficiaries can be expected to manage needs to be matched to their skills and abilities; for example, three days of training in construction, maintenance and record keeping was sufficient for systems comprising springs, shallow wells and hand pumps, but communities could not cope with more in-depth legal, administrative and financial training required for the management of larger, piped systems
- it was realised that beneficiaries were not capable of providing the professional management required of larger schemes
- it was difficult to reach a consensus on management issues in communities with a high transient population
- the legal framework in which community based organisations were expected to operate was not clear, so they were reluctant to take a leading role in managing systems; the success of projects depends on the involvement of town authorities.

Mott McDonald draft report 2000

9 The way forward

As the involvement of the private sector in water infrastructure development matures, a number of emerging trends will strengthen the case for working in partnership with low-income communities. In order to facilitate this means of working, not only do the main actors need to be prepared to engage with each other, but institutions need to make changes to the political, economic and legal context in order to create a suitable enabling environment in which participation can be fruitful. In this section we consider each of the main stakeholders, and make suggestions as to the key issues that each needs to address.

9.1 Emerging trends

As water management and development moves away from being the full responsibility of a government department towards various forms of private sector involvement, new mechanisms are needed to achieve social objectives for poverty alleviation through water services. The new priorities will be to expand water services into peri-urban and other unserviced areas with lower income populations. As the private sector gains experience of working in these areas and gains the confidence of donors, there is likely to be an increase in private sector involvement in direct-funded water and sanitation development projects. Working in these areas will require a flexible approach based more on the small-scale organisations (e.g. local private sector, NGOs, CBOs.)

Private Sector Participation in the Water and Sanitation Sector. Private Waters? – a bias toward the poor. Richard Franceys. WEDC, IHE. DFID Occasional Paper No. 3 1997.

"In the near future it is estimated that there will be eight cities averaging over 12 million population, 164 cities averaging over two million and 30,000 cities and towns averaging 32,000, the latter representing two thirds of the urban population (United Nations, 1994). ..... The institutional solutions of PSP which are appropriate in the 172 largest cities (currently the focus of most international attention) will not necessarily be suitable for the peri-urban areas of those cities or for the 30,000 average cities and towns and cannot assist the myriad rural communities."

There is increasing interest in the application of participatory approaches to non-rural development sectors. This is evident in the incorporation of participation into both projects, and the workings of donors themselves, e.g. World Bank.

Strategies for Achieving the International Development Targets: Meeting the Challenge of Urban Poverty. (Consultation Document). Department for International Development. 2000.

"Methodologies, such as participatory poverty assessments, are increasing understanding of the needs of the poor and strengthening the political will to do something about the urban poor in the context of urban development."

The demarcation between utilities and NGOs, concerned with profitable (urban) and poor (rural) water supplies respectively, will break down as the two areas are merged into national water and sanitation strategies. Partnerships will become the commercial norm as the complementary skills of the private and community sectors become evident. Some suggestions on how companies can include participatory approaches into their operations are presented in Appendices 3 and 4, with further detail of participatory techniques used by NGOs given in Appendix 5.

Companies are attaching increasing importance to corporate social responsibility, as the value of public image and branding becomes more evident. Environmental issues are well established – they are commonly enshrined in policy, and most companies publish dedicated environmental reports. Sustainable development is emerging as an important area within the context of corporate social responsibility, with some companies developing indicators to use in setting targets and measuring their performance. It is a small and logical step to include sustainable human development in these procedures.

The drivers for increased participation in urban water services will, and already, include:

- Regulation – government ensuring that social objectives are agreed and met through water service provision
- Business – effective participation and education improves business efficiency
- Branding – public participation is the key to developing a strong and valuable brand image
- Ethical – transparency and participation are at the heart of ethical business and environmental policies
- Capacity building – managing participation develops the capability of both utility managers and community groups.

9.2 Recommendations

9.2.1 National government

- develop the modalities of demand-driven water development – planning processes must engage with consumers to accurately assess demand patterns, e.g. service quality requirements, willingness to pay etc.
- pass poor-inclusive legislation – infrastructure related legislation is generally based on traditional supply side models; legislation needs to be amended to permit more flexible approaches, e.g. incorporation of the informal sector
- prepare legislation to constitute Water User Groups and/or Consumer Councils
- develop the capacity and institutional structures to implement effective regulation – many countries have no experience of the various private sector options and governments find themselves on a steep learning curve
- pro-poor regulation – regulators need to be geared towards innovative solutions and small entrepreneurs, and links from poor communities should be built into regulatory processes
- set up effective enforcement procedures – regulation is only effective if properly enforced, to protect municipalities, private companies, and consumers
- establish the right operating framework to attract private sector and civil society involvement in providing water services – governments can do a lot to encourage dialogue and partnerships between parties with traditionally separate, if not opposing, roles
- making the rules – be sensitive to poor-inclusive features when designing terms of agreement for private sector participation
- include clauses in terms of agreement to promote transparency, consultation and community participation in development and operational management
- as management responsibility is devolved away from government, ensure that new accountabilities are accompanied by adequate capacity building and training
- support training, gender sensitisation and capacity-building
- make cross-sectoral links between water and sanitation and other development policies
- provide training (to national and local government staff) on the mechanisms of private sector participation and regulatory processes
- national awareness campaigns – see Box 23.

- support training, gender sensitisation and capacity-building
- ensure regulatory processes are effective
- ensure equitable distribution of benefits from private sector participation
- awareness campaigns
- build capacity amongst staff to reflect change in role from implementer to overseer.

9.2.3 Utility companies

- engage with NGOs and community based organisations (CBOs) to build relationships and learn from their experience of participatory methods
- enter into partnerships with local NGOs / CBOs to build participatory approaches into operations in low-income areas
- promote flexible solutions based on community involvement
- assist low-income communities with representing themselves in the regulatory process
- support training, gender sensitisation and capacity-building – both within communities and their own staff
- provide specific training for staff in community participation and community based interventions
- continue research and development into innovative poor-inclusive solutions throughout all activities of water provision – planning, construction, revenue collection, metering etc
- incorporate community involvement – from an operational rather than a public relations point of view – into sustainable development indicators
- ensure that both the value and the "how to" of community involvement is included in international corporate policy documents and procedures
- work with NGOs in developing community involvement policy and sustainable development indicators, in order to benefit from their endorsement (also independent endorsement of on-going performance)
- ensure the policy is adequately supported – through top-down leadership, sufficient resources, and comprehensive management
- make maximum public relations capital from their investment in building up community based organisations that constitute an essential element of a strong society
- lobby relevant institutional bodies to make changes to legal and regulatory instruments needed to facilitate community participation
- participate in awareness campaigns.

9.2.4 NGOs

- technical support to community groups
- lobby private companies to take advantage of poor-inclusive solutions
- enter into partnerships with the private sector in order to take advantage of complementary skills
- lobby relevant institutional bodies to make changes to legal and regulatory instruments needed to facilitate community participation
- participate in research and development into innovative poor-inclusive solutions throughout all activities of water provision – planning, construction, revenue collection, metering etc
- support training, gender sensitisation and capacity-building for communities and the public and private sectors
- develop a water awareness strategy and promote campaigns that reach out to schools and all water users.

9.2.5 Community representatives

* advocates of community management to research and document their successes in order to inform the wider community of interested parties;
* community organisations to devote the time and energy to managing their own services;
* establish systems of accountability that can be used as the basis for contractual arrangements;
* training for communities in private sector participation and how communities might contribute to water supply services;
* awareness campaigns.

9.2.6 The international community – donors and development agencies

* continue research and development into effective means of community participation in infrastructure provision, particularly in the context of private sector operations
* exert influence to encourage the inclusion of community participation in private sector participation arrangements
* continue support for governments setting up effective regulators – promote mechanisms for active inclusion of the poor
* support moves to develop sustainable development indicators which take account of community participation and sustainable human development.

10 Endnote

In this document we have attempted to build the case for community participation in the operations of the international private water sector by considering the value of participatory approaches throughout the project cycle. This has been done largely by way of illustration, using case studies from this, and related, industries.

It has been intended for those involved in the water industry. While all potential stakeholders (e.g. governments, multilateral and bilateral donors, civil society, the general public) may have found the report helpful in giving an overview of the challenges and trends in this sector, the report was primarily written with the international private sector in mind. It is our hope that it will make the private sector aware of a nearly inevitable trend and that there will be a pre-positioning of policy documents and field practice that enshrine participatory approaches for the poor. We hope that this is especially the case in international contracts in developing and transitional economies.

We believe this makes good commercial sense, and that it contributes to statements made in the name of "corporate social responsibility". It will also make a significant contribution to development targets and ultimately reduce poverty.

References

Anglian Water.
An evolution towards sustainable development.
Summary Environment and Community Report. 2000.

Archer D. and Cottingham S.
The Reflect Mother Manual; a New Approach to Adult Literacy.
Actionaid. 1996.

Cotton A., Sohail M., and Tayler W.
Community Initiatives in Urban Infrastructure.
WEDC, Loughborough University. 1998.

de Luca L. (editor).
ILO Interdepartmental Action Programme on Privatization, Restructuring and Economic Democracy.
Labour and social dimensions of privatization and restructuring - Public utilities Water, gas, electricity.
Part I: Africa/Asia-Pacific Region.

Department for International Development.
Guidance manual on water supply and sanitation programmes. *1998.*

Department for International Development.
Strategies for Achieving the International Development Targets: Addressing the Water Crisis –
healthier and more productive lives for poor people.
(Consultation Document.) 2000.

Department for International Development.
Strategies for Achieving the International Development Targets: Meeting the Challenge of Urban Poverty.
(Consultation Document.) 2000.

Department for International Development.
Eliminating World Poverty: a Challenge for the 21st Century.
White paper on international development. 1997.

Franceys R.
Private sector participation in the water and sanitation sector. Private waters? – a bias toward the poor.
WEDC, IHE. DFID Occasional Paper No. 3. 1997.

Global Water Partnership.
Towards Water Security: A Framework for Action.
2000.

IT Transport Ltd.
Community Participation in Road Maintenance.
Case study No. 1 The Arusha Community Contractors Programme. DFID R6476. 1999.

Madeley J. Big Business Poor Peoples. The impact of transnational corporations on the world's poor.
Zed Books. 1999.

Marvin S. and Laurie N.
An Emerging Logic of Urban Water Management, Cochabamba, Bolivia.
Urban Studies Vol. 36 No. 2 1999.

Pretty J. et al.
A trainer's guide for participatory learning and action.
Sustainable Agriculture Programme, International Institute for Environment and Development, 1995.

Silva G., Tynan N., and Yilmaz Y.
Private Participation in the Water and Sewerage Sector—Recent Trends.
Public Policy for the Private Sector. Note No. 147. 1998.

Solo T. M.
Competition in Water and Sanitation. The Role of Small-Scale Entrepreneurs.
Public Policy for the Private Sector. Note No. 165. 1998.

Sustainable Development Department.
Building a Framework for Consultation and Public Participation:
Draft Discussion Paper. 2000.

UNDP.
Ghana Human Development Report 1998.
1999.

US Foreign Commercial Service and US Department of State,
1999.

Water and Sanitation Programme.
Community Partnership in Operation and Maintenance. Public Sector Water Corporation
Leases out O&M to Users (Meerut, India).
Field Note. 1999.

Wates N.
The Community Planning Handbook.
Earthscan Publications. 2000.

WELL.
Guidance Manual on Water Supply and Sanitation Programmes.
Department for International Development. 1998.

World Bank.
Toolkits for Private Participation in Water and Sanitation.
http://www.worldbank.org/html/fpd/wstoolkits/

World Water Council.
A Water Secure World. Vision for Water, Life, and the Environment.
World Water Vision Commission Report. 2000.

Appendix 1

Statements of Values, Principles or Ethics made by Water Utility Companies

Company	Core Values	Principles	Ethics	Other
Anglian Water	●			
Azurix	●	●		policies on education/ communication, and environment
Biwater International				
International Water				
Northumbrian Lyonnaise International	Part of the Suez Lyonnaise des Eaux group			
SAUR (Bouygues Group)	●			
Severn Trent PLC	●			code of conduct (being finalised)
Suez Lyonnaise des Eaux	●	●	●	codes of conduct
Thames Water	●	●		
United Utilities		●		policies on community and environment
Vivendi	●			

Note that within the UK, companies may simply endorse principles of good corporate governance given in the Combined Code on corporate governance, annexed to the Listing Rules of the Financial Services Authority under the Financial Services Act.

Appendix 2

Example Statements Relating to Communities / Customers

Company	Type of Statement	Statement
Anglian Water	values	"Contribute to the communities we serve and to sustainable development."
Azurix	environment policy	"We are committed to ... work with local communities and individuals who may be affected by our operations."
Biwater International		
International Water	values	"All our projects are based on sound business principles, with respect for the environment and societies in which we operate."
SAUR	values	"Customers' confidence and satisfaction are the raison d'être of any company."
Severn Trent PLC	community affairs programme	"Our community affairs policy is founded on successful partnerships between our companies and the communities they serve."
Suez Lyonnaise des Eaux	rules of conduct	"Group companies are accountable to the communities they serve. This means they must be concerned about their activities' consequences for people (customers, fellow employees, and the population in general) and for the environment."
Thames Water	values	"We seek to be responsive to all our stakeholders and balance the needs of customers, our employees, investors, the environment and local communities."
United Utilities	community policy	"We will work in partnership with the community for mutual benefit in a way which involves our employees, helps us achieve our business objectives and reflects the priorities of our stakeholders."
Vivendi	value statement	"Being attuned to and understanding our customers' needs, whether they are individuals, companies or communities..."

Appendix 3

Basic Rules of Community Participation

In "The Community Planning Handbook", Wates presents an A-Z of general principles which apply to most situations. They are reproduced here as they are extremely useful for people thinking of running participatory exercises, and should be considered as the foundation upon which specific initiatives (Appendix 4) using specific tools (Appendix 5) are based.

Accept different agendas	People will want to be involved for a variety of reasons, for instance: academic enquiry, altruism, curiosity, fear of change, financial gain, neighbourliness, professional duty, protection of interests, socialising. This need not be a problem but it helps to be aware of people's different agendas.
Accept limitations	No community planning activity can solve all the world's problems. But that is not a reason for holding back. Limited practical improvements will almost always result, and community planning activity can often act as a catalyst for more fundamental change.
Accept varied commitment	Far too much energy is wasted complaining that certain people do not participate when the opportunity is provided. All of us could spend our lives many times over working to improve the local environment. Everyone has their own priorities in life and these should be respected. If people do not participate it is likely to be because they are happy to let others get on with it, they are busy with things which are more important to them or the process has not been made sufficiently interesting.
Agree rules and boundaries	There should be a common understanding by all main interest groups of the approach adopted. Particularly in communities where there is fear - for instance that others may be trying to gain territorial advantage - it is vital that the rules and boundaries are clearly understood and agreed.
Avoid jargon	Use plain language. Jargon prevents people from engaging and is usually a smokescreen to hide incompetence, ignorance or arrogance.
Be honest	Be open and straightforward about the nature of any activity. People will generally participate more enthusiastically if they know that something can be achieved through their participation (eg if there is a budget for a capital project). But they may be quite prepared to participate 'at risk' providing they know the odds. If there is only a small chance of positive change as a result of people participating, say so. Avoid hidden agendas.
Be transparent	The objectives and people's roles should be clear and transparent at events. For instance, it may seem trivial but the importance of name badges to prevent events being the preserve of the 'in-crowd' can never be stressed enough.
Be visionary yet realistic	Nothing much is likely to be achieved without raising expectations. Yet dwelling entirely on the utopian can be frustrating. Strike a balance between setting visionary utopian goals and being realistic about the practical options available.
Build local capacity	Long-term community sustainability depends on developing human and social capital. Take every Opportunity to develop local skills and capacity. Involve local people in surveying their own situation, running their own programmes and managing local assets.
Communicate	Use all available media to let people know what you are doing and how they can get involved. Community newspapers or broadsheets in particular are invaluable.
Encourage collaboration	Create partnerships wherever possible between the various interest groups involved and with potential contributors such as financial institutions.
Flexibility	Be prepared to modify processes as circumstances dictate. Avoid inflexible methods and strategies.
Focus on attitudes	Behaviour and attitude are just as, if not more, important than methods. Encourage self-critical awareness, handing over control, personal responsibility and sharing.

Follow up	Lack of follow-up is the most common failing, usually due to a failure to plan and budget for it. Make sure you set aside time and resources for documenting, publicising and acting on the results of any community planning initiative.
Go at the right pace	Rushing can lead to problems. On the other hand, without deadlines things can drift. Using experienced external advisors may speed up the process but often at the expense of developing local capacity. Get the balance right.
Go for it	This is the phrase used most by people who have experienced community planning when asked what their advice would be to others. You are bound to have doubts, it is usually a leap in the dark. But you are unlikely to regret taking the plunge.
Have fun	Getting involved in creating and managing the environment should not be a chore. It can be a great opportunity to meet people and have fun. The most interesting and sustainable environments have been produced where people have enjoyed creating them. Community planning requires humour. Use cartoons, jokes and games whenever possible.
Human scale	Work in communities of a manageable scale. This is usually where people at least recognise each other. Where possible, break up larger areas into a series of smaller ones.
Involve all those affected	Community planning works best if all parties are committed to it. Involve all the main interested parties as early as possible, preferably in the planning of the process. Activities in which key players (such as landowners or planners) sit on the sidelines are all too common and rarely achieve their objectives completely. Time spent winning over cynics before you start is well worthwhile. If there are people or groups who cannot be convinced at the outset, keep them informed and give them the option of joining in later on.
Involve all sections community	People of different ages, gender, backgrounds and cultures almost invariably have of the different perspectives. Ensure that a full spectrum of the community is involved. This is usually far more important than involving large numbers.
Learn from others	There is no need to re-invent the wheel. One of the best sources of information is people who have done it before. Don't think you know it all. No one does. Be open to new approaches. Get in touch with people from elsewhere who have relevant experience. Go and visit them and see their projects; seeing is believing. Do not be afraid of experienced 'consultants' but choose and brief them carefully.
Local ownership process	The community planning process should be 'owned' by local people. Even though of the consultants or national organisations may be providing advice and taking responsibility for certain activities, the local community should take responsibility for the overall process.
Maintain momentum	Regularly monitor progress to ensure that initiatives are built on and objectives achieved. Development processes are invariably lengthy, the participation process needs to stay the course. If there has to be a break, start again from where you left off, not from the beginning. Periodic review sessions can be very valuable to maintain momentum and community involvement.
Mixture of methods	Use a variety of involvement methods as different people will want to take part in different ways. For instance, some will be happy to write letters, others will prefer to make comments at an exhibition or take part in workshop sessions.
Now is the time	The best time to start involving people is at the beginning of any programme. The right earlier the better. But if programmes have already begun, participation should be introduced as soon as possible. Start now.
Personal initiative	Virtually all community planning initiatives have happened only because an individual has taken the initiative. Don't wait for others. That individual could be you!

Plan your own process carefully	Careful planning of the process is vital. Avoid rushing into any one approach. Look at alternatives. Design a process to suit the circumstances. This may well involve combining a range of methods or devising new ones.
Plan for the local context	Develop unique strategies for each neighbourhood. Understand local characteristics and vernacular traditions and use them as a starting point for planning. Encourage regional and local diversity.
Prepare properly	The most successful activities are invariably those on which sufficient time and effort have been given to preliminary organisation and engaging those who may be interested.
Process as important as product	The way that things are done is often as important as the end result. But remember that the aim is implementation. Participation is important but is not an end in itself.
Professional enablers	Professionals and administrators should see themselves as enablers, helping local people achieve their goals, rather than as providers of services and solutions.
Quality not quantity	There is no such thing as a perfect participation process. The search for one is healthy only if this fact is accepted. Generally, the maximum participation by the maximum number of people is worth aiming at. But any participation is better than none and the quality of participation is more important than the numbers involved. A well organised event for a small number of people can often be more fruitful than a less well organised event for larger numbers.
Record and document	Make sure participation activities are properly recorded and documented so that it can be clearly seen who has been involved and how. Easily forgotten, such records can be invaluable at a later stage.
Respect cultural context	Make sure that your approach is suitable for the cultural context in which you are working. Consider local attitudes to gender, informal livelihoods, social groupings, speaking out in public and so on.
Respect local Knowledge	All people, whether literate or not, whether rich or poor, whether children, women or men, have a remarkable understanding of their surroundings and are capable of analysing and assessing their situation, often better than trained professionals. Respect local perceptions, choices and abilities and involve local people in setting goals and strategies.
Shared control	The extent of public participation in any activity can vary from very little to a great deal. Different levels are appropriate at different stages of the planning process but shared control at the planning and design stage is the crucial ingredient.
Spend money	Effective participation processes take time and energy. There are methods to suit a range of budgets and much can be achieved using only people's time and energy. But over-tight budgets usually lead to cutting corners and poor results. Remember that community planning is an important activity, the success or failure of which may have dramatic implications for future generations as well as your own resources. The costs of building the wrong thing in the wrong place can be astronomical and make the cost of proper community planning pale into insignificance. Budget generously.
Think on your feet	Once the basic principles and language of participatory planning are understood, experienced practitioners will find it easy to improvise. Avoid feeling constrained by rules or guidance (such as this handbook)!
Train	Training is invaluable at all levels. Encourage visits to other projects and attendance on courses. Build in training to all your activities.
Trust in others' honesty	Start from a position of trusting others and generally this will be reciprocated. Lack of trust is usually due to lack of information.

Use experts appropriately	The best results emerge when local people work closely and intensively with experts from all the necessary disciplines. Creating and managing the environment is very complicated and requires a variety of expertise and experience to do it well. Do not be afraid of expertise, embrace it. But avoid dependency on, or hijacking by, professionals. Keep control local.
	Use experts 'little and often' to allow local participants time to develop capability even if it means they sometimes make mistakes.
Use facilitators	Orchestrating group activities is a real skill. Without good facilitation the most articulate and powerful may dominate. Particularly if large numbers of people are involved, ensure that the person (or people) directing events has good facilitation skills. If not, hire someone who has.
Use local talent	Make use of local skills and professionalism within the community before supplementing them with outside assistance. This will help develop capability within the community and help achieve long-term sustainability.
Use outsiders, but carefully	A central principle of community planning is that local people know best. But outsiders, if well briefed, can provide a fresh perspective which can be invigorating. Getting the right balance between locals and outsiders is important; avoid locals feeling swamped or intimidated by 'foreigners'.
Visualise	People can participate far more effectively if information is presented visually rather than in words. A great deal of poor development, and hostility to good development, is due to people not understanding what it will look like. Use graphics, maps, illustrations, cartoons, drawings, photomontages and models wherever possible. And make the process itself visible by using flipcharts, Post-it notes, coloured dots and banners.
Walk before you run	Developing a participatory culture takes time. Start by using simple participation methods and work up to using more complex ones as experience and confidence grow.
Work on location	Wherever possible, base community planning activities physically in the area being planned. This makes it much easier for everyone to bridge the gap from concept to reality.

Appendix 4

Community Participation – How to Set About It

The following is a list of pointers to help in-country staff engage with communities. Managers will need to consider how much will need to be done in collaboration with local organisations such as NGOs. This should be read in conjunction with Appendix 5, which gives a brief overview of participatory approaches and techniques.

- Engage local expert on social structures within target low-income communities, e.g. development consultant, operational NGO.
- Identify key informants who can give accurate information on community capability and who can represent views and opinions of the community, e.g. local government representatives, religious leaders, union leaders.
- Set up community participation unit.
- Appoint community liaison officer – must be local language speaker, possibly resident.
- Set up local customer service offices where everyday transactions can be carried out – people tend to prefer personal contact where people may not be able to write, and postal and phone services are unreliable; they also provide a channel for information exchange.
- Rapid assessment surveys to gain an understanding of salient issues, including existing water sources and consumption, and willingness to pay.
- Ensure that activities for engaging with communities are gender sensitive – although water tends to be the responsibility of women, participation exercises tend to be male dominated.
- Appoint and train extension workers to promote activities and mobilise communities. These can be drawn from professionals (e.g. government departments, NGOs), or from local residents. Residents will need training in mobilisation techniques, but will have better penetration into target communities. Previously trained workers will be familiar with mobilisation techniques, but will still need training to understand how the utility is going to operate. They will need whatever incentives are appropriate, e.g. clothing, allowances, bicycles.
- Work with local authorities on publicity surrounding operations. Publicity should be mostly aural, delivered through radio, neighbourhood chiefs and religious leaders.
- Prepare printed promotional material – use local artists to maximise non-written content in areas of low literacy.
- Back initiatives to support local small scale private sector to work in partnership / parallel with utility. Publicise business opportunities resulting from innovative approaches and regulatory changes.
- Community education and training initiatives:
  - for labour – plumbing, small business development
  - for operation and maintenance – accounting, community management.
  Any training activity can be used to reinforce the realistic cost of water, and to promote understanding of utility supplies as of universal benefit to communities.
- Use community liaison units to gauge opinions of consumers, and to field local knowledge and possible innovative solutions, which can be of value at all stages of project cycle. Responsibility for design and decision-making can only be devolved to communities where appropriate.
- Set up consumer associations or water committees to provide a formal channel for dialogue with communities. Note that these need not be exclusively concerned with water, but can deal with other sectors of urban infrastructure. Associations can enable communities to communicate more widely, e.g. the Buenos Aires regulator is working with an advisory body made up largely of consumer associations.
- Take a broad view of contributing to strengthening civil society - explore links with other sectors to find opportunities for partnerships, e.g. health, enterprise development, education.

Appendix 5

Participation Approaches

A typical participatory process that NGOs might go through in order to establish a community development programme is illustrated in Figure A1. The first few activities are concerned with gathering accurate information from a variety of sources - published data, community representatives, and then the community itself. Once problems and assets are identified, the process moves on to identify solutions, which are worked into proposals. Note that any number of iterations may be required to complete any particular loop in the process.

Figure A1
Participatory Approach to a Community Development Programme.
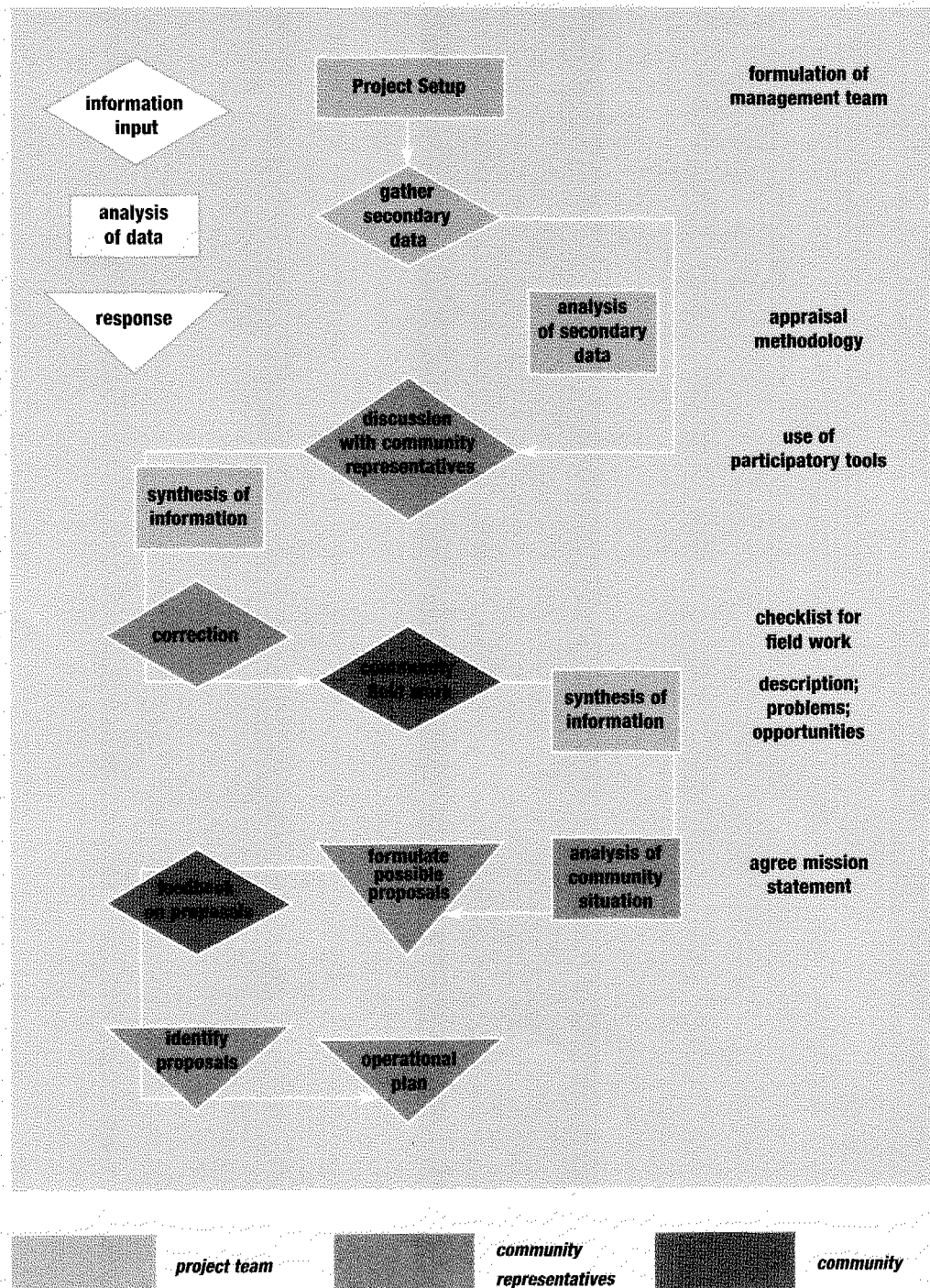
PRA techniques

There are some good manuals around with practical examples on how to use participatory techniques (e.g. Pretty, Slocomb, ActionAid), but it should be stressed that techniques in themselves will not be effective - what is required is a participatory approach. Nevertheless, the following are examples of techniques that could be of use when working with water supplies in low income urban communities (adapted from "The Reflect Mother Manual; a New Approach to Adult Literacy" D. Archer and S. Cottingham. ActionAid. 1996).

Maps

Household Maps – showing all the houses in the community and, for example, the number of people in each, or the type of housing.

Natural resource maps – identifying access to or control of sources of water.

Land tenure maps – to represent the ownership of land, whether individual, co-operative or large landlords.

Calendars

Rainfall calendars – representing climate patterns and trends can lead to discussion of responses to droughts, floods.

Calendars – on which different labour activities are plotted, e.g. agricultural activities on gardens, seasonal work.

Gender workload calendars – representing the main activities of men and women plotted through the year and which can lead to very structured reflection on gender roles.

Health calendars – on which all principal local illnesses are identified and their relative occurrence through the year is represented (leading often to very focussed debate on why different illnesses occur more often at different times).

Income and expenditure calendars – to explore patterns for a typical family through the year, itemised by source of income and type of expenditure.

Matrices / charts

Health matrices – where participants describe the curative strategies they follow for different illnesses (e.g. herbs, medicine, traditional healer) or analyse their understanding of the different causes of illnesses; lead into discussions of health and sanitation issues.

Credit matrices – which involve participants listing the sources of credit that they have (e.g. family, friends, money-lender, credit union) and the uses they make of the credit.

Matrices on household decisions – on which, for example, women tabulate their involvement in discussing, planning and carrying out decisions in different areas of household life.

Diagrams

Chapati diagram of organisations – where participants represent on a sort of Venn diagram all the organisations within the community and those external organisations with an influence.

Diagram of informal power relations – which explore the powerful individuals within the community and their groupings, splinters, inter-relationships etc.

Others

Timelines – noting important events in chronological order (of a village, an organisation or individual).

Transects – cross-sectional walks to observe and talk about things of local importance.

Flow diagrams – help understand the complexity of relationships by representing components and links in processes or systems.