Experiences with community contracts in urban infrastructure works

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This presentation addresses the development and use of community contracts for infrastructure provision and up-grading in unplanned urban settlements in developing countries. The presentation is based primarily on the experiences gained and lessons learnt from implementing community contracts in two pilot projects: the Hanna Nassif project in Dar-es-Salaam, Tanzania and the Kalerwe project in Kampala, Uganda. Both low-income urban areas suffered from severe flooding during the rainy season, and the first priority of the residents was improved drainage. Both projects were initiated and monitored by the ILO. These experiences have been further studied against a background of work carried out by various organisations and individuals in many different parts of the world.

The presentation will discuss one urban case study and aims to address issues such as:

- The roles and responsibilities of the various partners.
- Types of contracts
- Strengths and weaknesses of a community contract approach.

1. Contract approach

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

- Initial contact and identification of target group
- Mobilisation: the organisation of the target group.
- Negotiation and bargaining: critical stages when the community group/organization enters into direct contact with the contracting authority.

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1 This presentation is a summary of the publication “Community Contracts in Urban Infrastructure Works”, Tournee, van Esch, ILO 2001. This publication is available in English during the workshop. Further information vaneschi@ilo.org, ILO Emp/Invest Branch, CH1211 Geneva 22. Website: http://www.ilo.org/employment/efip.
- Preparation of a formal contract: which involves issues relating to the form of contract, legal status, the sharing of costs and responsibilities, the risks involved, the penalties of non-fulfillment and the monitoring of the contract’s performance.
- Implementing the contract.
- Monitoring the contract.

The main difference with “conventional” community-level project activities is that the contract approach is based more on partnership relations than on “provider-recipient” relations. A process of negotiation and bargaining is essential to arrive at an agreement, or contract, that is satisfactory and feasible for all parties. If well designed, the contract approach is likely to strengthen the collective capacities of the poor to act as partners in development, and to enhance accountability of public administrations. The approach is thus particularly relevant in the context of decentralisation efforts going on in many developing countries. Negotiations also address the issue of cost-sharing; in such a cost sharing, the labour inputs should be valued at their going wage rate in the project area, whether the community decide to actually pay the labour force or not. As such, the approach counters the abuse of self-help as sometimes seen on public works and state-initiated community works, and is more likely to create gainful employment for both skilled and unskilled labour.

2. The Hanna Nassif experience

Hanna Nassif unplanned settlement is located in Kinondoni District approximately 4 km from Dar es Salaam city centre. In 1994 the settlement had a population of approximately 20,000 people. The Hanna Nassif community tried for several years to interest the government in upgrading the settlement. The first priority was to reduce the flooding of the area by constructing storm water drainage. Several plans were developed but all of them failed due to lack of funds and the need to demolish many houses. In the early nineties a pilot project was formulated by the ILO based on high community involvement in all stages of the construction process and the use of labour based methods2. In 1993 a Community Development Committee (CDC) was formed. The Hanna Nassif Community-Based Upgrading Project started works in March 1994 and finished the drainage works of the first phase in August 1996. All works were implemented through community contracts.

2 Labour-based technology is a structured method of providing infrastructure to a specified standard, while optimising the mix of labour and equipment to produce a cost-effective result.
A second phase started in 1997 and included extension of drainage and roads, drinking water supply, solid waste management and the management of a saving and credit scheme. This combination of labour-based methods with community participation resulted not only in well functioning storm water drainage, access roads and water kiosks it had also many additional advantages in terms of community empowerment, job creation and income generation, as well as capacity-building and partnership development.

The following actors were involved in phase I:

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

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3 The second phase was supported nationally by the University College of Lands and Architectural Studies (UCLAS) and the National Income Generation Programme. UNDP, Ford Foundation and ILO provided additional support.
Ford Foundation prepared a separate agreement with the CDC and City Council for the implementation of the project. Based on this agreement funds were transferred to a joint bank account of the CDC and the City Council. The CDC, with technical assistance, identified sub-projects, priorities and approved engineering designs, and awarded contracts to the Community Construction Committee for execution (see fig. 1). The Community Construction Committee participated in the preparation of the contract by the City Council Engineer, so that a full understanding of the contract by the community was assured prior to negotiation of the contract sum. The CDC and the City Council subsequently signed the contract, and thereafter funds were transferred to the CDC bank account. This Community Construction Committee, with technical assistance, took responsibility for the implementation of the contracts: supervision of procurement, organisation of paid and unpaid labour, construction activities and quality control.

Technical assistance was also provided to the CDC in design, managing and monitoring the contracts, on legal and bookkeeping issues and in community participation and was provided under separate agreements by UNDP and City Council. In addition, the CDC contracted an independent auditing consultant and a legal advisor.

**Role and Responsibilities**

In the community contract situation in Hanna Nassif the contractor is a group from within the community and is therefore at the same time beneficiary of the created assets. The elected representatives of the community act as the contracting authority jointly with the City Council.

There are no clear-cut guidelines on how community contracts should be set up. The answer will usually be found in consideration of the capacity of the community, the levels of support available to the community, the alternative sources of service provision, the technical complexity of the infrastructure to be provided, and the responsibility of the municipal authority. In utilising community contracting, funds can be channeled through a support agency, or funds can be given directly to the community. The funding mechanism will influence the roles and responsibilities of each contract partner.

Table 1 shows that there are five main functions in a contracting situation, each of them with specific responsibilities. Community groups can carry out various functions in community contracting such as representing the beneficiaries, as contracting authority, as community contractor and even as (co) funder. As this overlapping of roles and responsibilities may lead to conflicts of interests, a community contract is an important instrument to define the relationship between the different partners involved in urban upgrading works, and to clarify their respective roles, rights and obligations.

For the community to enter into a community contract they have to be organised and representatives have to be elected. Furthermore, in a contract situation it is better if both parties are legally recognised bodies, i.e. the community organisation should acquire some form of legal recognition. The community organisation also needs to have a legal status in order to be able to open a bank account, to receive and distribute funds, to mobilise community resources in a systematic manner and to carry out responsibilities associated with the contract.
Table 1 indicates the five main functions in community contracting and suggested agencies to carry out the related responsibilities.

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<th>Functions</th>
<th>Responsibilities</th>
<th>Possible agencies</th>
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| Beneficiaries’ representative group | √ Prioritise and develop activities √ Feed into planning and design √ Collect community contribution √ Check that works are carried out as envisaged √ Safeguard labour standards √ Ensure proper operation and maintenance arrangements | • Community Based Organisation, such as a:  
  – Community Development Committee  
  – Residents Development Committee |
| Contracting Authority          | √ Prepare contract documentation √ Issue contracts √ Monitor contractor performance √ Approve works and authorise payment | • Municipality  
• Local authorities  
• Consultancy firm  
• NGO  
• Community representatives (e.g. Community Development Committee)  
• Project technical team (not preferred) |
| Contractor                     | √ Implement the works according to the contract                                   | • Community Development Committee  
• Community Construction Committee  
• Economic interest groups within community  
• Individual community members  
• Private sector contractor as subcontractor |
| Funder                         | √ Provide funds to contracting authority or pay contractors directly √ Could provide funds for Technical Service Provider | • Municipal authority  
• Central or Local Government  
• Development agency  
• NGO  
• Beneficiaries |
| Technical Services Provider    | √ Assist community in priority setting and community organisation √ Planning and design in co-operation with community √ Support to contract preparation and management √ Training √ Operation and maintenance procedures | • Line Ministries, technical departments (central and local government)  
• Municipality  
• NGO  
• Development agency  
• Consultants and consultancy firms |
Contract documentation

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

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

Depending on the skills and organisational capacities of the community, the availability of outside assistance, and the type of construction work envisaged, the community can be responsible for the following inputs in the contract:

1. **Labour-only.** The community is only responsible for the provision and organisation of the labour input. The contracting authority is responsible for the timely provision of materials and equipment in sufficient quantity and quality.

2. **Labour and material.** The community is responsible for both the labour and material input for a certain construction activity. To keep the contracts simple it is important to divide the work into well-defined tasks and issue contracts for each task.

3. **Full contract.** Under a full contract the community provides the labour, material and the necessary equipment, and is also responsible for overall management, sub-contracts etc. Although the use of equipment will be limited under labour-based works, equipment can be a major bottleneck for proper implementation of the works. In the Hanna Nassif project full contracts were issued and the community purchased the equipment under a separate donor grant and appointed (and paid) a community member as storekeeper.

In Hanna Nassif the procedure was simplified and no conventional bidding procedure was applied because: (1) the community groups did not have the capacity to prepare and bid for contracts and (2) the contract would be awarded to a community group, who was also the beneficiary of the created Assets. The contract was based on unit prices for similar works, which were negotiated and agreed with the community representatives (direct contracting).

The contract documentation should clearly specify the rights and obligations of each of the partners in the contract. The contract should include capacity building not only to improve technical and managerial skills but also in terms of organization and bargaining capacity in order to strengthen the community as organized interlocutor for development. In addition the contract should include some of the basic labour clauses such as provisions in case of work accidents.

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4 Labour-only contracts have been used in the Kalerwe urban storm water drainage project in Kampala.
3. Lessons learned

Strengths of the community contract approach

Some specific technical advantages of community contracting in urban infrastructure works include:

- Local employment generation and skills improvement during construction, operation and maintenance.
- Contracts will clarify and formalise roles, rights and responsibilities, inputs and outputs.
- The shirking of contract agreements might remain within limits because the social control is high and the community as beneficiary is interested to achieve their goals within the budget limits.
- Continuous negotiations can reduce conflicts and compensation claims
- Funds, skills, tools and equipment will remain for a large part within the community and can trigger of other development initiatives and be used for operation and maintenance of the improved assets.
- Community contracts can reduce costs (In Hanna Nassif the cost of the infrastructure created under community contracts was lower than infrastructure created under private contracts) and provides opportunities for cost sharing.

Weaknesses/challenges of the community contracting approach

- Participation is time consuming.
- There is a need for detailed technical designs, small packages of works and increased technical assistance.
- The management of small contracts is time consuming.
- The training of community groups and representatives is more complex than that of a contractor.
- The non-homogeneity of the communities could lead to power struggles and conflicts endangering the contract and the works.

Wider development interest of the contract approach

Bearing in mind that the community contract approach is a relative new experience, early indications from a number of pilot projects where this approach had been applied suggest that a participatory contract approach has the potential to:

- Increase the access of the communities to project benefits;
- Build up local confidence in the management of resources and in the planning of development initiatives;
- Enhance the motivation and solidarity of communities;
- Strengthen a sense of ownership of the development activity;
- Encourage self-reliance by the development of organisational, technical and contract managerial skills;
- Build local institutional, organisation and negotiation capacities;
- Improve the social position (empowerment) of disadvantaged communities;
- Enhance the transparency and accountability of public administrations;
- Stimulate new relations of partnership between public administrations and community organisations.