

Community-partnered procurement — a socially sensitive option

by Andrew Cotton and Muhammad Sohail

Urban communities need access to water and sanitation; they also need jobs. Can they carry out minor works to an acceptable standard, and at a reasonable cost?

ALL OVER THE world, development agencies and governments are actively promoting the participation of community groups in improving their access to the most basic services. Although efforts have focused on techniques and tools to increase participation and empowerment, when we look at the attempts to apply them to the provision of infrastructure, we find that an additional set of barriers exists, namely the

ing terms, the works themselves are minor and usually low-cost, but are, nevertheless, complex to implement given the physical and social fabric of low-income urban areas.

The term micro-contract refers to the countless number of small contracts for works which are the mainstay of urban improvement in South Asia. A typical micro-contract is worth less than £10 000, and lasts less than a year. How does the process of procuring infrastructure work? What mechanisms, both conventional and unconventional, government and non-government, have been adopted in efforts to deliver improved services?

Government procurement

Urban government in South Asia works to an organized system of procedures within which it conceives, plans, and brings projects about. The most commonly used procedures for the procurement of infrastructure are those which lead to the award of contracts through competitive tender. Their underlying objective is to ensure competition, which is viewed as a key factor in achieving accountability in the spending of public money, and transparency in all stages of the decision-making process.

As in other areas, a contract in this context is a legally binding agreement between parties based on an offer by one party to do something in return for a 'consideration'. The most commonly used engineering contracts recognize a triangle of actors: promoter, engineer and contractor. In the vast majority of cases, urban government is the promoter — the relevant department has planned and designed the work, and is paying for it to be implemented. To do this, it appoints an engineer, to enforce the contract terms, conditions, and specifications, who is usually an full-time employee — only rarely does a private-sector consultant fulfil this role. Then, in accordance with procedures already laid down (see Box 1), a contractor is appointed to carry out the actual construction work.

Why community partnering?

Community groups and individual householders simply do not figure anywhere in the procedures, contracts or documentation. They are assumed to be passive consumers who will be happy as long as the promoter is happy. Is this assumption justified and, if not, what are the implications?

Neither the government engineers as supervisors, nor the government department as promoters are primary stakeholders. In addition, on the contractor's part, there is not necessarily a competitive market for infrastructure provision. It is questionable, therefore, whether value for money is achieved; so several reasons for promoting community-partnered procuring (CPP) — where people are actively involved in the financing, planning and construction — can be identified:

Box 1. Urban government procurement procedures in South Asia

The first stage is to obtain approval to undertake the work:

- Micro-contracts are identified through participatory infrastructure planning
- Preliminary cost estimates are prepared
- Estimates are granted administrative approval by the Engineering Department
- Detailed plans — including surveys and designs — are drawn up by the partners
- Detailed cost estimates are prepared on the basis of these plans
- These estimates are granted technical sanction by the appropriate officials
- The work is nearly always awarded using the system of competitive tender — contractors are invited to submit their price for specified work, and the lowest bidder wins. Although this is used in nearly all cases of conventional procurement, it is rarely appropriate for community involvement, because of the barriers thrown up by contractor enlistment and financial capacity.

- community members are directly affected by the way in which work is carried out and have a strong incentive to see that it is carried out properly;
- resources can be channelled into the community instead of being siphoned off by outside contractors. Whereas conventional procurement has a single benefit — the provision of the infrastructure itself — community



'Improvising' improvements to access during the monsoon in Colombo.

rules and procedures which urban government adopts in relation to procurement. These provide the framework within which urban government operates, so understanding these processes is central to increasing the access of community groups to the funds and other resources of urban government.

Procurement

Procurement in this context is the process of buying the goods, works or services which, in the cities of the South, comprise water supply, sanitation, drainage, access, paving, street and security lighting, solid-waste removal, and community buildings. In engineer-

partnering can double the benefits obtained from such an investment; services are provided, and employment opportunities and enterprises are created for local people;

- people are empowered to take more control of their own lives; and
- people's knowledge can be utilized, for example, on the location of existing services, and reducing the potential for disputes in the course of work on site.

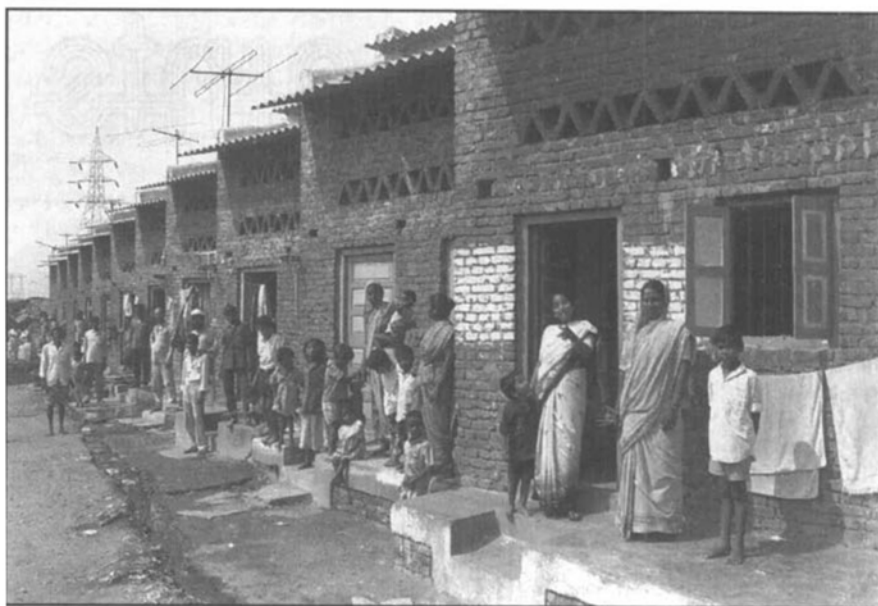
Of course, these arguments can be opposed on a number of grounds. Many government engineers are sceptical about community partnering providing services to the required standard. Others fear that community partnering is likely to prove too complex to be much use in practice. Nevertheless, we have found that the involvement of community members and groups in the procurement of their local infrastructure is quite widespread but not, at present, great in scale. Consequently, there are a number of questions to be addressed:

- if the procedures, contracts and documentation do not foresee a role for community members and groups, how have existing community-based initiatives worked?
- to what extent do existing procedures create barriers to community groups (as primary stakeholders) becoming more involved?

Box 2. Procedures which can be used in community-partnered procurement

The following procedures, although fairly rare, offer real scope for community partnering:

- entrustment of works by negotiation; registered organizations are entrusted to carry out the works up to a certain value without resort to competitive tender. This is the most flexible option, and has been used to involve community groups;
- departmental works executed through employing local people (skilled and unskilled) on a daily basis;
- labour contract: the Municipal Engineer's Department arranges for construction materials to be available at the site; the community group provides local labour to a micro-contractor or, alternatively, becomes labour contractor;
- piece-work agreements and work orders may be used for very small works, up to about Rs 2000-3000 (between £34 and £50) at the discretion of the engineer. Although a useful entry-point, this financial limit is very low for widespread adoption;
- co-operative societies formed for the purposes of undertaking minor works. The Engineers' Department may have the power to award a certain quota of work at a discount on the tender price, depending on local criteria.



House-building in Bombay — a site and service scheme.

Mark Edwards/Still Pictures

- how can these barriers be overcome in a way which is acceptable to urban government? And
- is there potential for increasing the scale of community partnering to a level at which it impacts on conditions in low-income informal areas on a national scale?

From interviews and a review of literature in Pakistan, India, and Sri Lanka, we have clear evidence that community groups are capable of taking on a whole range of responsibilities on these micro-contracts, corresponding to the contractual roles of promoter, engineer and contractor.

Sri Lanka — Communities as contractor and manager

During the late 1980s, the National Housing Development Authority (NHDA) of Sri Lanka pioneered a system known as community contracting, operated through NHDA-promoted Community Development Councils (CDCs). CDCs have legal status, equivalent to that of an 'approved registered society', to undertake specific works. The programme remains one of the most important of its kind anywhere in the world.

First of all, the CDC in Colombo identified community requirements with the NHDA and, sometimes, with NGO support. Over three years, 150 contracts — mostly water supply and sanitation-related — were awarded: 65 to 27 communities, 32 per cent of which went to two particularly active communities.

Some of the communities provided the labour themselves while others hired workers. Of 93 contracts awarded between 1986 and 1989, a quarter of the total cost, some Rs4.7 million

(around £79 000), went on labour. The quality of work was good; savings of around 20 per cent were made by using conventional contracting; and less than 10 per cent of the contracts overran their budget.

Not everything was an unqualified success, however: NHDA engineers and accountants had reservations about this approach. Questions were asked both about the legality of the contracts, and the lack of formal accountability. In some cases, the CDC managed to obtain finance privately; the officials also co-operated in advancing the money before the work was completed. This was a risk, as cost reimbursement is made on certification of completion; the CDCs experienced problems in obtaining advance payment. But this CPP approach means that local people earn wages which are ploughed back into the local micro-economy as is the money spent on purchasing construction materials.

Performance in terms of time was not as good as for cost and quality, and there was no systematic method for determining how long the contract should last.

The Municipal Council is officially responsible for maintenance throughout the city, including the NHDA schemes, but it remains unclear as to what extent the NHDA schemes are actually having maintenance works carried out. The Municipal Council has not adopted the system of community contracting.

Calcutta — community as adviser

Over twenty years the Calcutta Metropolitan Development Authority (CMDA) has evolved a system which

involves communities, councillors, and contractors in a variety of ways in government and donor-funded slum improvement schemes.

Right from the word go, the community, the CMDA, and the Municipality consult about the facilities to be provided within the budget, so that, by the time work starts, there is full agreement.

The contractor is required to have a sample of the construction work — paving, pipe-laying, or concreting — approved by both the project engineer and community representatives, thus setting a quality-control benchmark. All parties have a point of reference, and future disagreements can be discussed and resolved.

The CMDA places great emphasis on completion testing, for example, of pipelines. Certificated testing is incorporated into the contract, and it is important that the contractor knows that it will be carried out in every case. Although this is reflected in the tender prices, they are getting added value in the form of improved overall management.

Community as promoter

In a slum area of Karachi, local people, an NGO, and artisans work together in the Orangi Pilot Project internal works.

Residents collected money and paid in full for sewers to be built along their lanes. At first this was done without any technical support from professionals.

Subsequently, OPP provided support in relation to cost estimation, supervision and provision of some formwork. Training was provided for masons who

soon proved their entrepreneurial abilities by lobbying for more works in the neighbouring lanes, and becoming specialists.

The rates were negotiated on the basis of the estimation provided by OPP which, in turn, was based on prevailing market rates, and which gave a breakdown of the labour and materials costs. This leads to problems: urban government is unwilling to adopt infrastructure which it has had no part in supplying.

Maintenance was up to the users themselves — if the problem was simple. In the case of major problems they lobby and seek help from the municipal authorities.

Notably, there was no written contract; disputes were resolved through informal peer pressure. 'Private Orders', rather than Court Orders is the preferred mechanism of dispute resolution.

Does it perform?

How do these (relatively limited) experiences compare with conventional tender contract systems? Even though there are wider benefits to be achieved, to achieve credibility, CPP needs to measure up at least as well as the tender contract system, using traditional performance indicators.

- *Cost.* Agreeing prices and resolving operational problems *informally* is an important feature of community partnering. But, when agreeing a price, there must be a basis from which negotiations can proceed. From a preliminary analysis of 390 micro-contracts, we can say that the final price for community-partnered works is *lower* than for the conventional tender-contract system. The mean overrun for 239 cases of conventionally procured works using the tender contract system, is 1.0, whereas for 151 CPP arrangements, the mean value is 0.90. The key point is that this figure is achieved through negotiating down the rates.

- *Time.* The average delay for 239 cases of conventionally procured works using the tender contract system is 1.5, whereas for 151 CPP arrangements, the figure is 1.9. It is not clear why this is so much bigger than the figures for budget overrun, but people in CPP arrangements do not appear to be concerned about meeting completion deadlines, to the extent that there is often no mention in the agreements. It appears that simply getting the work completed is sufficient incentive, without the threat of invoking penalties.

- *Quality.* Measuring the quality of work is difficult, as so many of the crucial factors are not easily quantifiable — but there are no reports of a decline

in standards. It must be noted, however, that most of the construction completed in this way is the outcome of an approach which has taken a lot of time and experimentation to come to fruition; mistakes made along the way are unlikely to be reported.

We believe that the kind of time overrun described above is likely to have a deleterious effect on quality. As time passes, the cost of materials go up (quite dramatically in some Southern cities); if the total contract cost is closely controlled (as is the case), and material costs have risen, then it is conceivable that the contractor absorbs this by reducing the quality of work.

Clearly, cost and quality are closely interrelated. The routine application of government procedure — almost without fail — selects the cheapest bid which, in certain circumstances, compromises the quality of the final product.

Wider benefits

Local infrastructure improvements are usually made because they directly benefit environmental health. But community-partnered procurement of infrastructures also has a central role to play in addressing the poverty agenda:

- the participation process is a means of empowering households and community groups; in Calcutta, people began to ask government officials tough questions;
- it creates employment/ income generation for people who get paid to undertake work associated with government-funded infrastructure improvements;
- it provides training for local artisans and community members.
- in building local capacity and developing small enterprise, as local micro-contractors develop and exploit the niches created in community-partnered arrangements; and
- in bringing other benefits to the local micro-economy, such as increased business for building-materials suppliers.

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Andrew Cotton and Muhammad Sohail are based at the Urban Infrastructure Unit, WEDC, Loughborough University, Leics LE11 3TU, UK. Fax: +44 1509 211079. E-mail: WEDC@lboro.ac.uk WWW: <http://info.lboro.ac.uk/departments/cv/wedc/index.html>



Andrew Cotton and Darren Saywell

Local micro-contractors in Cuttack, India, employed to construct improvements to secondary drainage.