
PROTOS

Final Report

**PRIVATE SECTOR PARTICIPATION IN IWRM
PROJECTS**

April, 2005

Contents

1.	Private sector involvement in IWRM.....	2
1.1	Background to partnerships in WES	2
1.2	Water and Sanitation sector context in Uganda.....	2
1.2.1	Funding.....	3
1.3	Key considerations for effective private sector involvement in IWRM	6
1.3.1	Procurement and Contract Management.....	7
1.3.2	Quality Assurance	8
1.3.3	Community participation in construction and maintenance	11
1.3.4	Overall strategy.....	13
1.3.5	Best Practice.....	13

1. Private sector involvement in IWRM

1.1 Background to partnerships in WES

The Water sector in Uganda has realised that a single institution does not have all the means to deliver sector goals, but has to work with other partners in government, the donor community, NGOs and the private sector, if duplication and even contradiction are to be avoided. Strategic partnerships involving private sector companies and NGOs present a winning approach for accomplishing GoU's target of universal access to safe water and sanitation by 2015. Each partner makes a different contribution to the sector's goals and each is essential, from an artisan building a protected spring to the minister making policy decisions.

Between the three stakeholders however, points of view and incentives vary widely and reaching agreement is not straight forward. Different work practices, modes of communication and decision-making styles are frequent complications. When these partnerships succeed however communities benefit, local and central governments serve more efficiently and private enterprise flourishes resulting in a win-win situation.

1.2 Water and Sanitation sector context in Uganda

The Water and Sanitation sector is one of the priority sectors identified for support in the Government of Uganda (GoU) Poverty Eradication Action Plan. The sector, which aims at ensuring universal access to safe water and improved sanitation by 2015, is fast growing and dynamic, with various stakeholders including central and local governments, private sector organisations, donors, NGOs and CBOs. The objective of GoU's rural water and sanitation sector reform process is:

“to ensure that services are provided and managed with increased performance and cost effectiveness and to decrease Government's burden while maintaining the Government's commitment to equitable and sustainable domestic water and sanitation services”.

The strategy for achieving this envisages

1. Central government moving away from project implementation and instead taking responsibility for policy formulation, resource mobilisation, sector co-ordination, monitoring and quality assurance;
2. Local government becoming responsible for planning and financing water and sanitation sub-project activities through conditional grants; and
3. Enhanced private sector and NGO participation in the provision of water and sanitation services.

This sector scenario presents a challenge to Government, private sector operators and civil society organisations alike. At present, there is weak capacity amongst all three of these institutions and intensive capacity strengthening measures are needed if the sector goals are to be achieved.

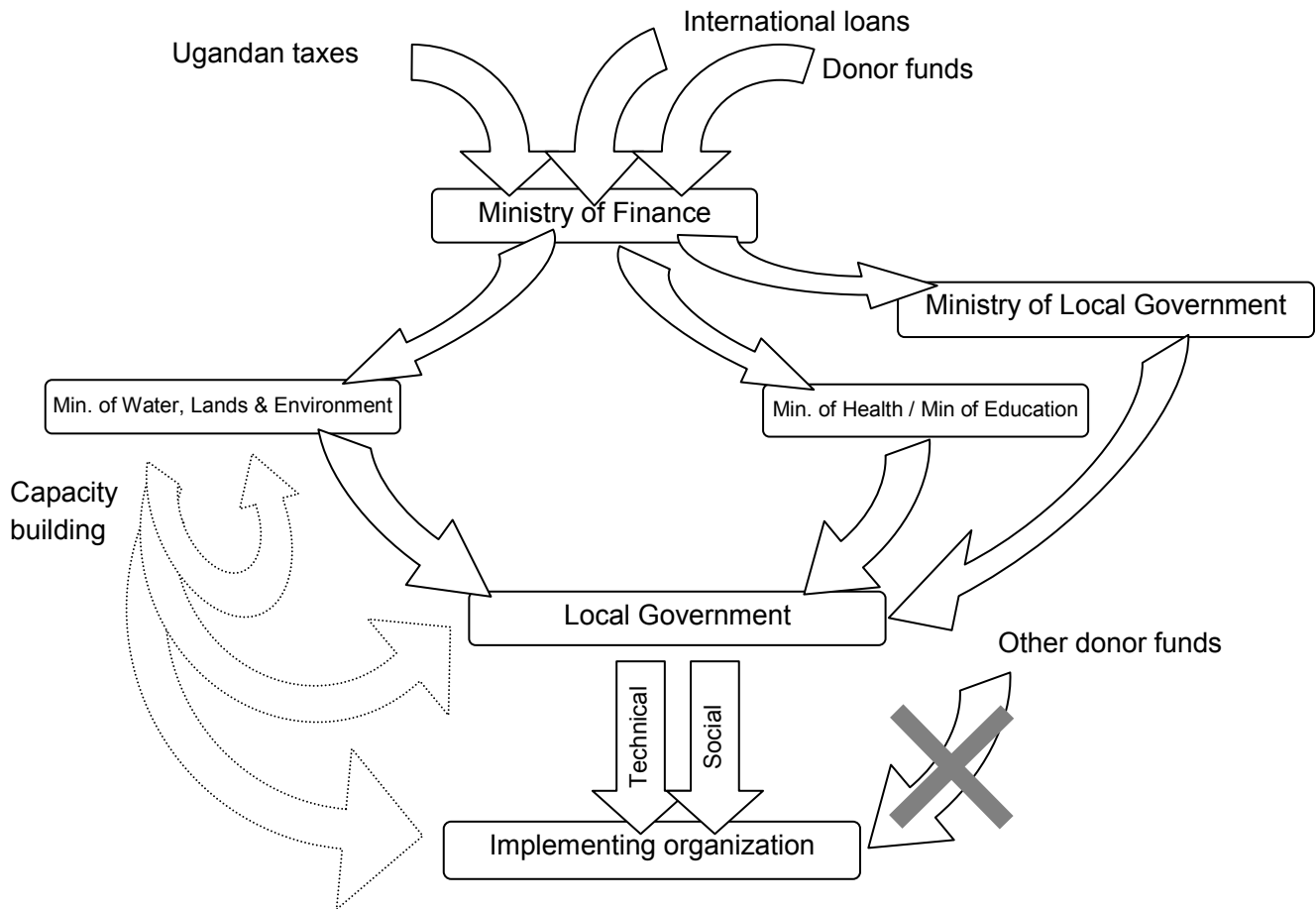


Figure 1: Funding routes in the Ugandan Water and Sanitation Sector

1.2.1 Funding

The developments of funding arrangements are causing major changes in the sector. Decentralization has brought planning and decision-making nearer the people who need water and sanitation, but it also necessitates rapid change in the roles of organizations in the sector. Figure 2 shows how the funds for implementation are now being transferred to District level. Funds are also being allocated to ease the change in roles and responsibilities. This includes the establishment of eight Technical Support Units (TSUs) and capacity development initiatives for various sectors within the industry.

The central allocation of funds to ensure an equitable overall distribution will have an impact on NGOs that are currently funded through non-government routes, such as international NGOs and bilateral donors. Funding that does not go through central government will be taken into account by the Ministry of Finance when setting the level of funding for each district

Allocating responsibilities

The policies on “who does what” in the water sector is as follows:

- National government allocates funds, sets standards, regulates and monitors the sector;
- Local government make plans and employ organizations to implement those plans;
- Private sector bids for work from local government and implements projects. NGOs are not mentioned specifically and practice varies locally. DWD is piloting NGO contracting in conjunction with UWASNET, to find a way of including NGOs, specifically in sector policy.

Private enterprise

Considering that the policy situation is fairly new, the local private sector is still developing and does not yet have sufficient capacity (both technical and financial) to meet the challenge. Private companies are new and equally inexperienced, and having to struggle against a multitude of other competitors who will use whatever tactics necessary to win the fight for business. The private sector is at the mercy of district tender boards as it competes for work, and its profit margins are threatened by poor relationships with communities. However, this is seen as an area of growth. The interaction with NGOs is likely to be dynamic, with NGOs carrying out work on a not-for-profit basis, staff transferring between employers and NGOs and private companies working together to their mutual benefit. The rigid divide between NGOs and the private companies is in some cases artificial and indistinct at present. As the industry develops, specialization and commercialisation will make the separation more distinct. Procurement routes should focus on delivery at the present stage, rather than stick to rigid categories of institutions.

Local Government

The public (Local Government) sector is relatively inexperienced and unsophisticated in its predominant new role of out-sourcing procurement of goods and services. The delegation of the planning and provision of water and sanitation facilities to local government imposes a great deal of responsibility on District Water Officers. At the same time the tasks required are changing from direct implementation to a larger management role of planning and contract management. Besides the direct skill and knowledge requirements for these new roles, the District will have to develop relationships with the organizations who will be carrying out the provision of services, designing, constructing and running the facilities.

The NGO sub sector

NGOs have been recognised as important partners in the decentralisation process in Uganda. Power is transferred not only to lower local government units but also to civil societies. The latter have been instrumental in improving the service delivery to the people of Uganda since the restoration of relative peace. They have, in the past, concentrated on humanitarian, development and relief activities, being involved in direct implementation. Currently a reshaping of their policies is taking place. They have realised that a meaningful change (in the water sector) can take place only in a structured way where the issues of advocacy, training and civic education, of strategic partnerships and effective collaboration are seen as central. This has become even more important in the present accelerated efforts of the GoU to meet the national targets for the water and sanitation sector and the additional funds attached to it. The launch of the umbrella organisation UWASNET (Uganda Water and Sanitation NGO Network) in November 2000 illustrates this development. The network has around 170 members and is managed by an Executive Committee, assisted by a small secretariat. Activities include a newsletter; working groups meetings on specific topics and advocacy work.

Social order and environmental conditions

In some areas, the lack of public security and incidence of HIV/AIDS will continue to have an impact on the ability of any agency to deliver water and sanitation services to the whole population. Similarly, isolated households, the very poor and those living in difficult areas environmentally will prove a challenge to the delivery of services. However, this is one area where NGOs have a comparative advantage over other organizations, as their social mandate means they are more likely to serve these people than more commercial organizations.

Other stakeholders

The matrix below highlights responsibilities by other stakeholders in the water and sanitation sector.

		activity									
		Fund management	Planning and budgeting	Procurement	HRD & training	Hygiene & Sanitation promotion	Construction	Works Supervision	O & M	Regulation	Recruitment
RESPONSIBILITY	Ministry of Finance	■	■	■						■	
	Ministry of Water Lands and Environment (DWD)	■	■	■	■	■	■	■		■	■
	NWSC	■	■	■			■	■		■	■
	UWASNET	■	■	■	■	■					
	NGOs				■	■	■	■			
	Ministry of Health					■					
	Ministry of Local Government	■	■	■	■					■	■
	Private Contractors						■				
	Private Consultants				■	■	■	■			
	Districts	■	■	■	■	■	■	■			
	Technical Support Units				■						
	Ministry of Public Service				■						■
	Ministry of Education and Sports				■	■					
	Community Water Committees					■			■		

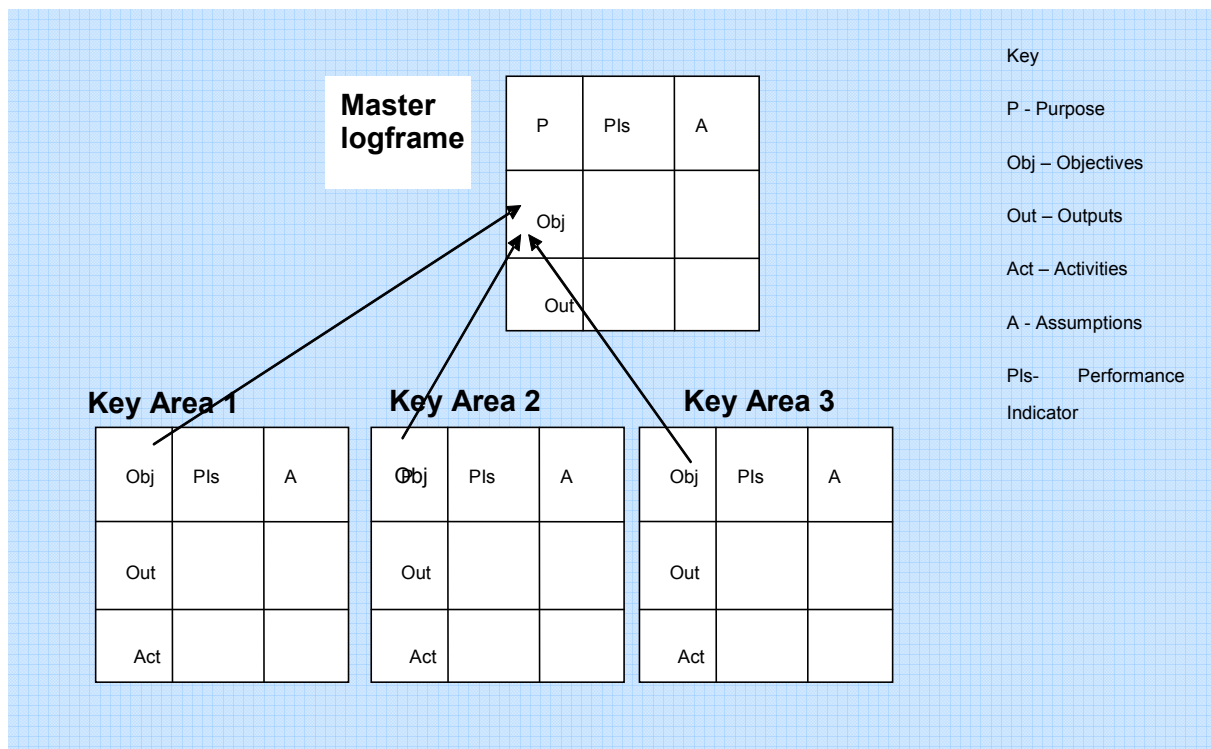
1.3 Key considerations for effective private sector involvement in IWRM

From previous projects related to private sector participation in water and sanitation projects, three key issues emerge that impact on the success of the tripartite partnership in Figure 3. These are

1. Procurement and contract management
2. Quality assurance
3. Community Participation

Recommendations shall be made on these. We present each aspect in the form of a text justification, followed by a logical framework (logframe), with the individual issue frameworks building up into a single overall logframe. The structure we therefore propose is as shown in Figure 2. The **Purpose** statement of the master logframe is the highest level strategic goal. The **Objectives** of each of the key area logframes are repeated in the second row of the master logframe, and the **Outputs** of the key area logframes would appear in the third row of the master logframe. The greatest degree of detail is given in the **Activities**, which are set out in each of the key aspect logframes.

Figure 2: Logical framework for private sector involvement in PROTOS project activities



This technique is systematic because it lays down all the activities, and makes monitoring easy, because all actions are laid out. It is rigid however because activities and budgets are fixed and do not consider changes in contexts during implementation. Nevertheless it is useful in developing strategies for NGO-Private Sector partnerships in delivering water and sanitation services. PROTOS will have to do some more work to develop a more realistic logframe. It is used for demonstration purposes.

1.3.1 Procurement and Contract Management

Justification

There can be several weaknesses in the procurement and contract management in these tripartite arrangements.

1. The centralised manner of the procurement process may lose the opportunity for capacity building of partners (especially the artisans) in this area, which would be useful in their dealings with their own staff, and the districts
2. Who the Contractor is answerable to, and who is responsible for the technical supervision need to be clear, and not cause any conflict.

The procedures followed by PROTOS should include simple contracts for small works so that small contractors, or artisans understand better the requirements of preparing realistic tenders and the dynamics of implementing contracts. Related to this, model evaluation procedures need to be developed that can be applied to different level private sector companies (bidding for large and small works). A series of sensitisation and training programmes needs to be developed to prepare all the groups (private sector, district, NGO and community?) to fulfil their respective roles with understanding and integrity. Logframe 1 summarises the issues discussed here.

Logframe 1 Procurement and contract management

Objective	Performance Indicators	Assumptions
Procurement procedures and guidance developed to promote fair competition based on price and quality, so enhancing business viability and value for money.	competition for works driven by quality and price high quality outputs from water sector contracts contractors able to run viable businesses	PROTOS willing to develop procedures
Outputs 1.1 Model prequalification, tender evaluation and contract documents developed and disseminated. 1.2 Training and sensitisation programmes for partners carried out.	1.1 New documents in use. 1.2 Biannual training and sensitisation programmes held for all partners.	PROTOS willing to develop procurement materials and carry out training
Activities 1.1.1 Agree and include new conditions for low value works. 1.1.2 Address need for flexibility over bank and other guarantees for small contractors. 1.1.3 Promote wide understanding of new regulations.	1.1.1 New conditions for low value works in place. 1.1.2 Small contractors are not excluded by over-stringent tendering requirements. 1.1.3 Workshops and follow-up meetings held.	All stakeholders are willing to pursue increased transparency.

1.2.1	Agree uniform prequalification procedures.	1.2.1	Organisational prequalification procedure in place.	
1.2.2	Agree uniform tender evaluation criteria.	1.2.2	Organisational tender evaluation criteria in place.	
1.2.3	Further develop new simplified contract documents.	1.2.3	Contract documents developed	
1.3.1	Review central engineers' estimates.	1.3.1	Estimates and procedures reviewed	
1.3.2	Set up regular updating procedure for engineers' estimates	1.3.2	Engineers estimate update plan in place.	
1.3.3	Establish clear guidance for district on development of reserve price(s).	1.3.3	Guidance adopted by districts	
1.3.4	Provide clear guidance to districts on fixed price payments and payments for dry sources.	1.3.4	PROTOS-Partner meetings held	
1.4.1	Strengthen existing programmes to include guidance on prequalification, tender evaluation, proper use of reserved and fixed prices, simplified contract documents, and contract management	1.4.2	Training content produced and integrated into existing programmes	
1.4.3	Enhance existing training with strong emphasis on integrity and ethics, and business viability..	1.4.2	Training modules emphasise ethics and integrity	

1.3.2 Quality Assurance

Justification

The construction quality of water sources and sanitary facilities must be of a standard, which ensures long-term, high quality services to rural communities. Indeed the standard of all services provided under contract, using donor money, should be very high. Maintaining this standard involves a number of conditions.

First, it is important that contractors are paid a fair price for their work. If the contract price is too low to cover materials costs, salaries, overheads, and profit, then the contractor will cut corners. With the following potential scenarios

- He will either use poor quality materials, or too little of them; and/or he will treat his artisans unfairly by failing to reward them properly (and they will in turn compromise quality by stealing materials);

- His own standards will slip as he fails to maintain vehicles, and other equipment properly;
- If profits are inadequate he will lose motivation, or leave the sector altogether. From similar projects we have sometimes found that the contract award prices for rural water source and sanitary facility construction (probably with the exclusion of conventional boreholes) have been too low.

Second, it is essential that the client (PROTOS and/or district or other partner) or his appointed representative adequately supervises construction. Supervision involves spending time on site, frequently and regularly, during construction, inspecting work in progress, and (because of the client's authority) requiring the contractor to correct any faults as they arise. This task cannot be left until the completion of construction, or weeks or months after construction has finished.

Third, the client must be able to apply sanctions to poorly performing contractors. At the DWD or district levels companies are black-listed for persistent poor work. Such a practice is not as common as it could be however and sanctions cannot be imposed without adequate supervision.

These issues are crucial components of the operating environment of the private sector and NGOs in the tripartite arrangement; if PROTOS cannot perform its contract supervision role effectively, then neither can the private sector nor the partner (district or Lagbimo) effective in playing their parts. We however note the inadequate transport issue with district staff.

The issue logframe for this area is shown below as Logframe 2.

Logframe 2 Quality assurance

Objective	Performance Indicators	Assumptions
<p>Key measures in place to ensure high quality of construction of rural water and sanitation services.</p>	<p>communities and local government motivated by high quality of goods and services procured</p> <p>high quality outputs from contracts</p>	<p>PROTOS is willing to put measures in place</p>
<p>Outputs</p> <p>2.1 Roles and agreed procedures for site supervision at district /private sector & community level clearly set out and taken up progressively by partners</p> <p>2.2 Minimum standards for contractor supervision of artisans agreed and practised.</p> <p>2.3 Improved treatment of artisans by contractors.</p> <p>2.4 Agreed monitoring and sanctioning of partners by PROTOS in place.</p> <p>2.5 Increased mutual understanding and respect between local Government, private sector, PROTOS and communities.</p>	<p>2.1 Procedures for site supervision adopted.</p> <p>2.2 Minimum standards of contractor supervision adopted.</p> <p>2.3 Motivated artisans delivering high quality work.</p> <p>2.4 Regular and effective monitoring and sanctioning of partners.</p> <p>2.5 Mutual respect between stakeholders enhanced.</p>	<p>Adequate resources are dedicated to supervision and monitoring.</p> <p>Those in supervisory roles and contract signatories are willing to impose sanctions as appropriate.</p> <p>Private sector is willing to improve its practices.</p> <p>Reserve prices are used in such a way as to ensure fair payment to contractors.</p>
<p>Activities</p> <p>2.1.1 Agree and define supervisory roles of all stakeholders.</p> <p>2.1.2 Develop clear supervisory procedures for all stakeholders, taking account of limited resources.</p>	<p>2.1.1 Supervisory roles defined</p> <p>2.1.2 Supervisory procedures defined</p>	<p>PROTOS , local government staff and communities willing to play active part in supervision</p> <p>All players willing to put aside personal gain for the greater benefit of society.</p>
<p>2.1.3 Hold partner meetings and workshops to disseminate and train in best practice.</p> <p>2.2.1 Establish key supervisory requirements and constraints.</p> <p>2.2.2 Develop simple procedural guidelines.</p>	<p>2.1.3 PROTOS-Partner meetings and workshops held</p> <p>2.2.1 Supervision requirements and constraints set out.</p> <p>2.2.2 Supervisory guidelines developed</p>	<p>Contractors agree to good supervisory practices of artisans.</p> <p>Contractors can be persuaded of benefits of good treatment of artisans.</p> <p>Coordination of monitoring authorities can be achieved.</p>

2.2.3 Hold district level and wider workshops to disseminate good practice	2.2.3 Workshops held.	Willingness on part of all players to understand other stakeholders can be developed.
2.3.1 Promote agreed practices for monitoring and the imposition of sanctions.	2.3.1 Agreed procedures and sanctions in use.	
2.4.1 Hold biannual meetings at district level to expose all those involved in procurement to each others' viewpoints and experiences.	2.4.1 Biannual meetings taking place.	

1.3.3 Community participation in construction and maintenance

Justification

Even if the quality of construction is good, services will only be sustained if the following four conditions are fulfilled: (a) communities are *motivated* by good mobilisation and a sense of ownership, created in part by cash or in-kind contributions, (b) there is a functioning *maintenance* system in place, with skilled mechanics and artisans, tools and clear call-out procedures, (c) there is adequate *money* to cover remuneration, transport, and spare parts, and (d) there is regular *follow-up* to re-mobilize, encourage, and train.

The issue of community participation touches the PROTOS-private sector arrangement in a number of ways. During construction, if because of poor mobilization communities fail to participate in the provision of materials or labour, the contractor may suffer financially and in terms of good relations with the community.

Poor community mobilization can reflect on PROTOS, if the constructed water points in their project areas fall into disrepair soon after construction, because of neglect by communities.

Handpump mechanics and spare parts dealers need to make a living. They need adequate personal remuneration, and sufficient business to stay afloat. HPMs often find it difficult to raise funds from the community to cover their labour costs. Handpump spare parts do not at present constitute viable business for the private sector.

In Uganda at present there is a strong emphasis on new construction and rehabilitation, with less on operation and maintenance. If rural water supply coverage is to move from around 50% now to 100% in 2015, the sector should be spending a corresponding amount of effort and energy on the issue of sustainability: moving from 50% now to nearly 100% in 2015. Even if the coverage statistics are over-estimates, it is more important to ensure the functionality of existing systems than to focus so much attention on new construction, only to see it fall into disrepair in a short space of time.

At the district level, sound community mobilisation is frequently threatened by a combination of small numbers of inexperienced staff who often lack ready access to transport and allowances. At the sub-county level, staffing levels are particularly poor; Health Assistant and Community Development Agent numbers are frequently inadequate for the demanding work of community mobilisation and follow-up across multiple sectors. At this level too, lack of transport and allowances can be a major constraint to effective local Government performance.

These issues are crucial components of the operating environment of PROTOS and the private sector; if local government cannot perform its follow-up role effectively, then neither can the private sector/PROTOS be effective in playing their part.

We believe that capacity building by PROTOS in practice should be taken to encompass not only staffing levels and training, but also, crucially, the resources, equipment, and facilities required at local government level, in order to work effectively with communities, NGOs and with the private sector.

The issue logframe for this area is shown as Logframe 3.

Logframe 3: Community participation and partnerships

Objective	Performance Indicators	Assumptions
<p>Financial and management measures in place to ensure community ownership, sustainable maintenance, and on-going backup of social and physical infrastructure for rural water and sanitation facilities.</p>	<p>water user committees functioning</p> <p>sources and sanitary facilities used and maintained</p> <p>Effective joint (public sector/community) funding of maintenance in place.</p>	<p>PROTOS commits resources to this aspect</p>
<p>Outputs</p> <p>3.1 Stakeholders at all levels sensitised to the importance of pre- and post-construction social infrastructure development and long-term community support (community mobilisation, CM).</p> <p>3.2 Partners encouraged to experiment with innovative O&M systems.</p> <p>3.3 Ongoing monitoring and ex-post evaluation of piloted models of O&M carried out.</p>	<p>3.1 All stakeholders aware of importance of social infrastructure and its means of support.</p> <p>3.2 Innovative partner proposals for CM and maintenance being put forward.</p> <p>3.3 Reports of pilots for CM and maintenance.</p>	<p>Communities are willing to take on management roles and financial responsibilities for operation and maintenance of physical infrastructure.</p> <p>Adequate community mobilisation and follow-up take place</p> <p>Mechanisms for post-construction support of social infrastructure can be developed.</p>
<p>Activities</p> <p>3.1.1 Identify key stakeholders from public sector, private sector and partners.</p> <p>3.1.2 Develop appropriate sensitisation approaches for different stakeholder groups.</p>	<p>3.1.1 Key stakeholders identified.</p> <p>3.1.2 Sensitisation approaches developed.</p>	<p>All stakeholders can be convinced of the importance of strengthening social infrastructure.</p> <p>All players can agree on necessary staffing and resource allocation to enhance social infrastructure.</p>

3.1.3 Undertake sensitisation through stakeholder meetings.	3.1.3 Regular sensitisation taking place through meetings, and other fora.	Partners propose innovative and feasible O&M approaches, including outsourcing from the district or sub-counties.
3.2.1 Hold partner meetings to compare ideas and experiences of O&M.	3.2.1 Partner meetings held.	

1.3.4 Overall strategy

The three strategic themes described in the previous sub-sections are combined as the overall framework for the PROTOS-private sector partnership.

It is important to emphasize that tackling any of the three strategic issues alone will be far less effective than addressing them in an integrated manner. Issue 1 is concerned with achieving clarity in PROTOS' procurement procedures and more accountable and transparent processes of contract management, from award to final payment. This can create a perspective of clearness for the partners and fair competition for the private sector, provide the basis for high quality delivery of procured goods and services, and contribute to the sector goal through the generation of transparency and value for money. The first partner in the tripartite linkage between public sector, private sector and communities (Figure 3) will be strengthened in one of its key roles.

Issue 2 is about ensuring high quality in all services and goods procured by PROTOS/ partners. Without high quality of construction, permanence of service is impossible, and community ownership of infrastructure is undermined. On the other hand high quality of goods and services provided through contracts between PROTOS/partners and private sector potentially strengthens the linkages of both partners to communities.

Issue 3 completes the triangle of public, private and community partners. Strong community participation, whether achieved through Local Government, NGO or private sector mobilization and follow-up, reinforces the tripartite partnership (Figure 3), and contributes to sustainable infrastructure development.

1.3.5 Best Practice

A number of NGOs (WaterAid Uganda, Plan International and SNV) in the water and sanitation sector are in the process of developing tested mechanisms for NGO-Private sector-public sector partnerships. These will be useful sounding boards for PROTOS to develop a context specific approach during project design.